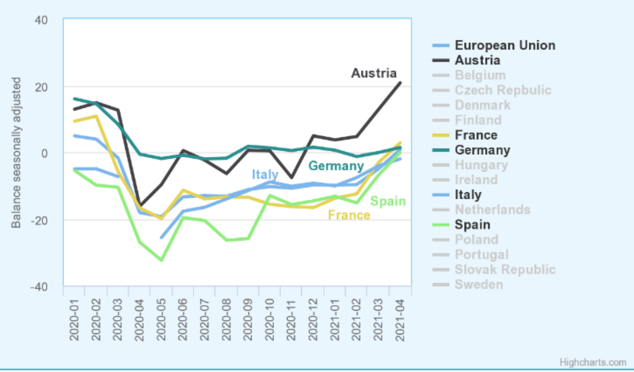
Post-Covid-19 in European construction: Recovery in sight

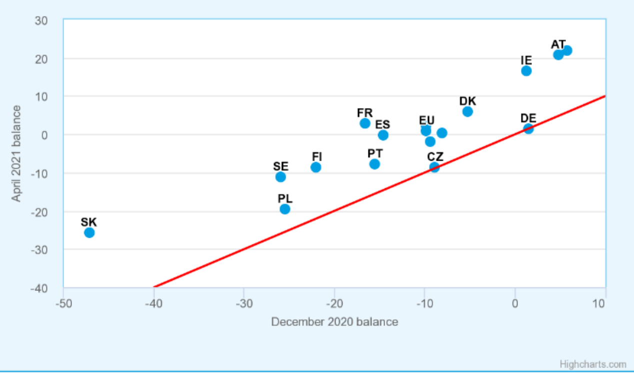
About a year after the outbreak of the Corona pandemic, the European construction industry is now starting a significant recovery in 2021. As the survey results among European construction companies show, confidence is rising in virtually all EU countries, and very significantly at that. After the sharp downturns in spring 2020, which led to record losses in business confidence (see Figure 1), the development in the following months was very subdued. Although some countries were able to achieve a certain normalisation in construction activity by summer 2020, the sentiment was still far from pre-crisis levels. In addition, some countries also experienced a renewed period of weakness in the winter months, which fuelled doubts about a rapid recovery.

Figure 1: Construction business confidence
S: European Commission.



This changed abruptly in the first months of 2021. Especially in March and April 2021 - precisely in the months of the slump in the previous year - sentiment improved significantly. The majority of EU countries within the EUROCONSTRUCT network recorded systematic increases of around 10 or more points.

Figure 2: Recent changes in construction business confidence
S: European Commission, WIFO-calculations. - balances, seasonally adjusted



Despite the strong improvement at the current margin, it should be noted that the pre-crisis level has not yet been reached in many countries. Despite partly comparable starting levels before the crisis, construction companies in the individual countries seem to have been hit very differently by Corona. In Figure 3, four different country groups can be identified:

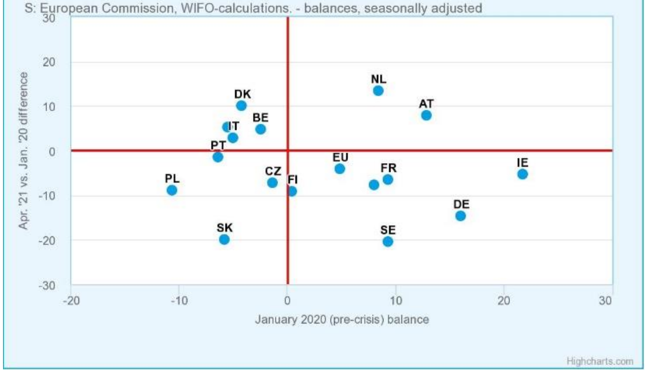
1. **"Dive through"** - Good starting position and crisis overcome: Construction companies (from EU countries which are covered by the EUROCONSTRUCT network) in the Netherlands and Austria were hit by the Corona pandemic in a favourable starting situation. The mood before the crisis was optimistic. What both countries also have in common is that they recently (April 2021) reported even better sentiment scores than was the case before the crisis (January 2020).

2. **"Prolonged Covid shock"** - Good starting situation weakened by the crisis: Finland, Hungary, France, Germany, Sweden and Ireland showed on balance an optimistic mood before the crisis. However, the crisis has left its mark more clearly in these countries, which is reflected in declines in the sentiment indicators. Compared to January 2020, the current level in these countries continues to weaken.

3. **"Crisis as an opportunity"** – Improved sentiment despite weak initial situation: Construction companies in Belgium, Denmark, Italy and Spain were hit by the Corona crisis in a situation when sentiment tended to be pessimistic. Since then, the mood among construction companies in these countries has grown.

4. **"From bad to worse"** – Weak starting situation and additional deterioration due to the crisis: Construction companies in Czech Republic, Portugal, Slovakia and Poland experienced a negative reinforcement due to the crisis.

Figure 3: Pre-crisis construction business confidence comparison
S: European Commission, WIFO-calculations. - balances, seasonally adjusted



It can be seen that although practically all countries experienced the slump in spring 2020 and there were also large-scale upswing tendencies in 2021, the economic situation in the individual countries is still very different. A good starting position has also only partially protected the countries from the consequences of the crisis - only a handful of countries have managed to "dive through" the crisis. Conversely, some countries were able to improve their situation despite a weak starting position, which may be surprising because of the pandemic.

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