

NEWS RELEASE

MARKET SENSITIVE INFORMATION

Embargoed until 0930 CEST (0730 UTC) 6 September 2023

# HCOB Eurozone Construction PMI<sup>®</sup>

## Eurozone construction activity suppressed by falling new order intakes

### Key findings:

Activity falls at sharpest pace in 2023 so far

Input demand weakens to greatest extent since May 2020

Firms remain strongly pessimistic towards year-ahead outlook

Data were collected 10-31 August

The economic performance of the eurozone construction sector remained gloomy, according to HCOB<sup>®</sup> survey data, as companies continued to reduce activity owing to sustained declines in new orders. In response, firms once again scaled down input buying, reduced employment levels and signalled downbeat assessments for the outlook for activity. Housing was the main drag on overall construction activity, though all three monitored segments saw contractions in August. Despite softer demand for inputs, the rate of input price inflation accelerated for the first time since October 2022.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — edged down from 43.5 in July to 43.4 in August, marking a sixteenth successive deterioration in total activity and one that was marked overall.

Leading the downturn was a marked reduction in Germany, while France saw a robust decline that was the steepest in the year-to-date. The contraction in Italy was moderate overall, yet the strongest recorded for five months.

As has been the case for the last 16 months, all three broad areas of the eurozone construction sector recorded a reduction in activity. Housing was the weakest link, registering a rapid drop that was the fastest since April 2020. There was a solid yet softer decline in commercial work, while infrastructure activity fell at a modest pace that was the softest since April 2022.

Germany posted the steepest fall in housebuilding and one that was among the strongest in the series history, as well as the sharpest reduction in commercial construction. Trends for civil engineering activity were positive, with softer reductions being reported in France and Italy, while Germany saw an increase in infrastructure activity for the first time in six months.

Eurozone construction companies reduced output volumes in tandem with ongoing deteriorations in demand. New orders decreased for the seventeenth successive month in August and at a marked pace. Nonetheless, the latest reduction was the softest since February. There were softer reductions in new work intakes in Germany and France, while Italian firms signalled the first decline in three months.

Faced with reduced workloads, eurozone constructors scaled back input purchasing midway through the third quarter. The latest decline in buying levels was sharp and the quickest recorded since May 2020. All three monitored economies saw sustained falls in August, led by a marked fall in Germany. Concurrently, France and Italy saw sharp falls, with the decline in the latter the strongest since January.

Cooling demand for inputs limited price pressures during August. Despite quickening slightly on the month, the rate of input price inflation was only modest and well below its long-run average. There were sharper rises in both Italy and France, however German firms noted the second-sharpest fall in input prices on record.

Supply chain pressures also eased further in the latest survey period. Lead times on inputs facing eurozone constructors shortened for the fourth month running, though the latest improvement was the softest in the sequence and only modest. Only firms in Germany continued to point to a robust improvement in lead times, as French firms signalled longer lead times for the

first time since May. Italian firms meanwhile recorded the sharpest deterioration in vendor performance for six months.

August data highlighted a sixth successive decline in construction employment across the eurozone. The pace of job shedding was quicker than that seen in July and was moderate overall. Companies in France and Germany signalled further reductions in staff levels, with the latter seeing the quickest fall since May 2020. Italy meanwhile recorded the strongest uptick in employment levels since May.

Continuing the trend seen since March 2022, eurozone constructors were downbeat regarding the year-ahead outlook for activity in August. The overall degree of pessimism eased from July yet was strong overall. Forecasts varied at the national level as German firms signalled the strongest degree of negative sentiment since November 2022, while French companies reported pessimism for the second month running. Italian constructors meanwhile noted the strongest degree of optimism since May 2022.

In addition to cutting payroll numbers in August, eurozone constructors reduced their usage of subcontractors. The fall was the seventeenth in as many months yet the softest since March. Subsequently, there was an improvement in subcontractor availability, albeit the softest seen for four months.

Subdued demand for subcontractors reduced pressure on rates charged by them. The pace of increase in August was the weakest since January 2021 and broadly in line with the long-run average.

## Comment

Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

*“This is not a good time to be in construction in the eurozone. Especially those companies focused on the housing sector find themselves in a tough spot. Activity has gone from bad to worse with the corresponding PMI output index - excluding the pandemic-affected months in early 2020 - at the lowest level since the Great Financial Crisis of 2008/2009.*

*“It’s all relative: given the depression in the housing sector, the fact that commercial and civil engineering activity is decreasing at a somewhat slower pace means that these sectors are stabilizing the overall sector somewhat. Along the same lines, while new orders are still decreasing at a strong pace, the slight increase in the index reading could suggest that the free fall is starting to taper off.*

*“Given the slump in construction activity, one would expect input prices to come down. Instead, prices are continuing to climb, and reaccelerating slightly in August. This makes the situation of construction companies, which are already suffering from the interest rate hikes, even harder.*

*“Germany is the clear driver of the slump in building activity, followed closely by France and with some distance Italy. Employment mirrors these changes with a delay. In Italy, there is still some growth in employment, while in France reductions are quite minimal, and in Germany they are rather substantial.”*

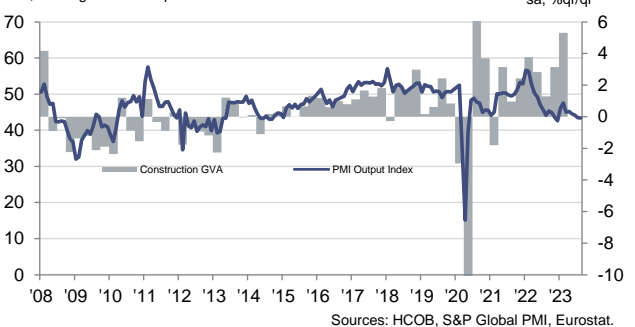
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HCOB Eurozone Construction PMI Total Activity Index

sa, >50 = growth since previous month



Construction PMI Total Activity Index  
sa, >50 = growth since previous month



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## Note to Editors

The HCOB Eurozone Construction PMI<sup>®</sup> is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 650 construction firms in Germany, France, Italy and Ireland. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data were first collected January 2000.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable, at the country level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted. Eurozone level indices are calculated by weighting together the national indices. Weights are calculated from national construction value added.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI'.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Hamburg Commercial Bank AG

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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