

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Germany Construction PMI®

German construction sector on a downward trajectory as end of year approaches

Key findings:

Total Activity Index falls again to seven-month low of 38.0 in November

Expectations take a hit as decline in new orders deepens

Subcontractor usage falls at record pace

Data were collected 12-28 November 2024.

Germany's construction sector remained on a downward trajectory in November, recording back-to-back accelerations in the rate of decline in total industry activity and a marked deterioration in expectations for the coming year, the latest HCOB PMI® survey results showed. Employment was scaled back, while the purchasing of inputs saw the steepest drop in six months amid signs of worsening demand conditions across the building sector.

Input costs ticked up for the first time in eight months, reflecting reports of some product shortages. Rates charged by subcontractors, on the other hand, posted the sharpest fall in over 12 years as data showed a record decrease in demand for their services.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking changes in total industry activity – fell for the second month in a row in November, to move deeper into sub-50 contraction territory. Its latest reading of 38.0 was down from 40.2 in October and the lowest since April.

Underlying data showed sharper downturns in activity in two of the three broad construction categories monitored by the survey, namely housing and commercial. The former was still by far the worst-performing area overall and recorded its steepest decline since August, while the latter saw its fastest rate of contraction since January. Work on civil engineering activity fell at a slightly slower pace, but its performance was still slightly below the average so far this year.

November's survey results indicated waning demand across the German construction sector, as new orders were shown to have fallen sharply and to the greatest extent for six months. Qualitative evidence gathered by the survey indicated a lack of tender opportunities and highlighted that customers were being put off by high price levels.

Building companies remained firmly in retrenchment mode at the midway point in the fourth quarter amid shrinking workloads. Employment fell at a solid rate that was little-changed from that seen in October, to extend the current sequence of job shedding to two years and eight months. Firms also made substantial cutbacks to purchasing activity, which showed the steepest drop since May.

Perhaps most notably, November saw the sharpest drop in the use of subcontractors across the construction sector since data collection began over 25 years ago. This in turn led subcontractors to reduce their rates charged, which fell to the greatest extent since October 2012.

Average prices paid for building materials and products meanwhile rose slightly, ending a seven-month sequence of decline. This coincided with reports of some product shortages and only a marginal improvement in supplier delivery times - the least marked for nine months.

The mood among construction companies towards future activity worsened substantially in November. Expectations sank to their lowest for 14 months, as firms expressed concerns that a backdrop of political uncertainty and economic weakness would weigh on demand.

Comment

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

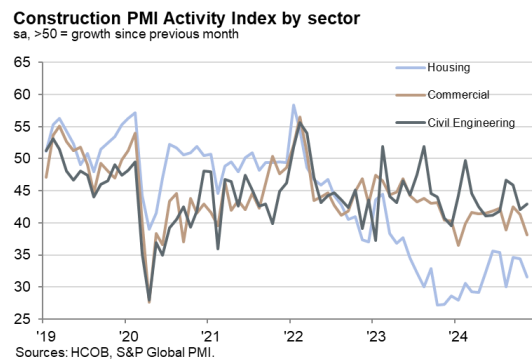
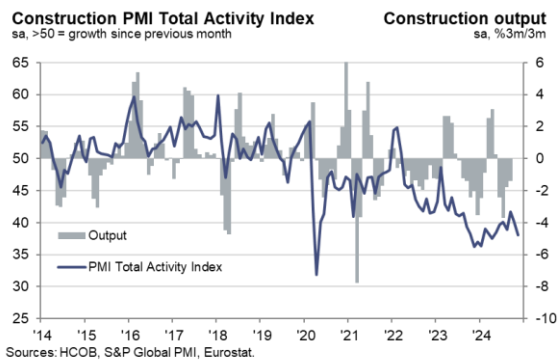
“Against the backdrop of the political crisis, November has been a rough month for the construction sector, with things taking an even steeper dive. Particularly dramatic is the seven-point decline in the index of future activity. Adding to the gloom, material prices went up for the first time since March, which probably didn’t help the mood.

The faster drop in new orders signals that the construction sector’s recession is not going away anytime soon. It is not surprising that people do not want to take decisions about future construction projects in the current politically uncertain environment.

Building activity has slowed particularly sharply in the residential construction sector, and commercial activity has also been hit hard. There is less work in civil engineering, too, though the decline has eased a bit. Subcontractors are feeling the pinch the most, with the index of subcontractor usage hitting its lowest point in over 25 years.

Construction companies have been cutting jobs at the same brisk pace as the previous month. In view of the even sharper decline in construction activity, we expect to see further significant job cuts in the coming months.”

-Ends-



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Note to Editors

The HCOB Germany Construction PMI[®] is compiled by S&P Global from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP. Survey data were first collected September 1999.

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. 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.

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' but is not comparable with the headline manufacturing PMI figure.

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@spglobal.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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