

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Construction PMI[®]

Construction sector ends 2023 deep in contraction territory amid substantial loss of new work

Key findings:

- Total Activity Index ticks up only slightly from 36.2 to 37.0
- Constructors cut employment as concerns for the outlook remain
- Renewed rise in input costs

Data were collected 6-21 December 2023.

German construction activity remained in decline as 2023 drew to a close, with the sector continuing to be buffeted by a combination of market uncertainty and high interest rates, according to the latest HCOB PMI[®] survey compiled by S&P Global. Building companies were still firmly in retrenchment mode, registering further notable reductions in both employment and purchasing activity. The survey meanwhile pointed to a bleak outlook for 2024, with business expectations remaining historically low.

Notably, constructors reported a first – albeit modest – rise in input prices for eight months. Subcontractor rates, on the other hand, continued to fall, reflecting a further marked improvement in their availability.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking changes in total industry activity – registered 37.0 in December, up slightly from November's 36.2. Despite the rise in the index, the latest reading was still the second-lowest in a little over three-and-a-half years and indicative of a steep rate of contraction.

As was the case throughout almost all of 2023, housing activity was the main drag on the construction sector during December. Here, the rate of contraction eased slightly, but it was still one of the quickest on record. By contrast, the declines in both commercial and civil engineering activity gathered pace, reaching the fastest for 34 and 11 months, respectively.

A lack of incoming new work was behind the sustained downturn in activity. Reports from surveyed businesses indicated greater caution among customers amid a backdrop of economic and political uncertainty and high interest rates. The rate of decline in new orders eased only slightly since November, meaning it was still among the quickest in the series history going back to 1999.

Constructors were highly sceptical about the outlook for activity in 2024. Year-ahead expectations were broadly unchanged from the month before and historically low, with over half of businesses (56%) anticipating a decrease in activity in the forthcoming year.

Lower workloads led construction companies to scale back both their staffing numbers and purchasing activity during December. In both cases, the rates of decline were the slowest for three months but still sharp by historical standards.

Weaker demand for building materials and products was in turn reflected in a tenth straight monthly improvement in supplier delivery times at the end of the fourth quarter. Although the least marked since last April, the rate of improvement in vendor performance was still considerable overall.

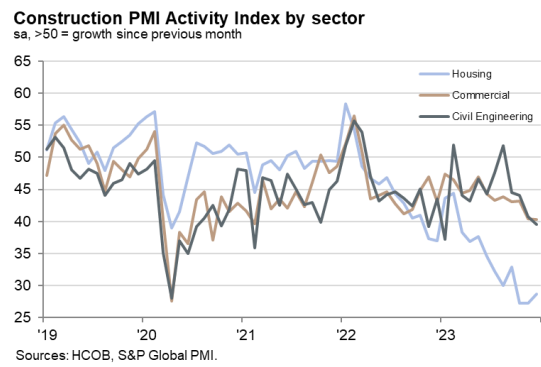
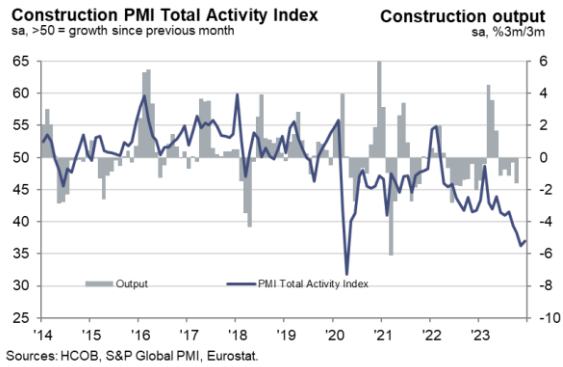
December meanwhile saw a renewed rise in average input costs faced by German constructors, thereby ending a seven-month sequence of decline. Panellists commented on the influence of an increase in road tolls. This contrasted with a third straight monthly fall in subcontractor rates amid a near-record drop in usage by constructors.

Comment

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

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-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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