

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Eurozone Construction PMI<sup>®</sup>

## Eurozone construction sector contracts at slowest pace in 2024 to date

### Key findings:

Decline in activity eases, but drop in new orders worsens

Cost pressures weakest since July 2023

Headcounts cut further amid more downbeat expectations

Data were collected 10-31 October 2024.

The eurozone construction sector recorded a further decline in activity at the start of the fourth quarter, albeit the slowest since December 2023, according to the latest HCOB PMI<sup>®</sup> survey data. A sharp decrease in total output was driven by a faster contraction in new orders, with the downturn in activity broad-based by monitored sector. Companies in the currency bloc remained in retrenchment mode, as employment fell and input buying was reduced again, with business confidence sinking to the lowest in 2024 to date.

Meanwhile, despite a less marked improvement in vendor performance, cost pressures waned.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — ticked up from 42.1 in September to 43.0 in October. The latest data signalled a steep drop in output across the sector, despite the pace of decline easing to the weakest in 2024 so far.

Contractions in business activity were seen across the three largest eurozone economies, with the fastest decline recorded in Germany. Here, the downturn regained momentum. In contrast, companies in France and Italy saw slightly softer decreases in output which were the slowest since May.

The overall downturn also stemmed from weakness in the three monitored sectors - housing, commercial and civil engineering. As has been the case since December 2022, the residential sector was the worst performing in October. Civil engineering companies registered the least marked decline, albeit still steep overall.

Demand conditions at eurozone construction firms remained muted in October, as the pace of contraction quickened for the first time since July. Weakness in the sales environment was seen in Germany, France and Italy. The latter signalled only a fractional drop in new orders, however, and was the only country to indicate a slower fall in new business.

On the price front, cost pressures faced by construction firms were more subdued in October. The rate of input price inflation eased to the slowest since July 2023, with the overall pace of increase weighed down by the fastest decrease in German cost burdens in a year.

Constructors also registered waning pressure from subcontractor rates at the start of the fourth quarter, as fees paid fell for the second month running. Although subcontractor availability continued to rise at a strong rate, the quality of their work was adjudged to have deteriorated further, leading to another marked drop in their usage.

Lower new order inflows led firms to reduce staffing numbers for the twentieth month running in October. The rate of job

shedding was solid overall, despite softening from September amid a sharper decline employment in the French construction sector and another steep drop in workforce numbers in Germany. Italy, however, registered the quickest uptick in headcounts since March.

Meanwhile, input buying at eurozone construction firms declined again, thereby extending the current sequence of contraction to almost two-and-a-half years. Although French firms saw a moderation in the downturn in purchasing activity, German and Italian companies recorded faster falls.

Despite weak demand for inputs, the degree to which lead times shortened was the smallest in the current seven-month sequence of improvement. Renewed declines in supplier performance in France and Italy weighed on delivery times across the region.

Construction firms in the eurozone remained pessimistic in their outlook for output over the coming year, as they foresee a drop in overall activity. The level of sentiment slipped for the second month running and was the lowest in 2024 so far. Expectations among Italian firms remained upbeat, albeit weaker, which was in contrast with further negative sentiment seen at German and French constructors.

### Comment

Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

*"The Eurozone's construction sector remains weak. The HCOB PMI edged up to 43.0 points in October, marking the highest reading this year but still signaling a significant contraction. The downturn spans all subsectors, with residential real estate in the deepest crisis. From the industry's perspective, a substantial rate cut by the European Central Bank would be welcome in the coming months. However, annual consumer price inflation in the Eurozone rose to 2% in October 2024, up from 1.7% in September. Given the inflationary risks, the ECB is likely to proceed with caution."*

*"Germany remains the Eurozone's problem child in the construction sector. The HCOB PMI for October was significantly impacted by ongoing weakness in the region's largest economy. German construction companies expect a decline in activity in the coming year, though sentiment has improved slightly since September. The persistent pessimism regarding future prospects reflects rising concerns over the broader economic outlook, adding to the industry's uncertainty."*

*"Inflationary pressures in the European construction sector are easing. Despite persistently weak demand, input prices have remained stable. Notably, there is a clear relief effect from subcontractor pricing: cost pressures on construction firms have significantly decreased compared to the previous month, largely due to lower subcontractor costs."*

*"The outlook for the construction sector remains bleak. New orders have once again fallen sharply from the previous month, staying firmly in contraction territory. Particularly concerning is the rapid deterioration in future activity expectations, which are declining at an unprecedented rate since data collection began and are now at extremely low levels."*

-Ends-

HCOB Eurozone Construction PMI Total Activity Index

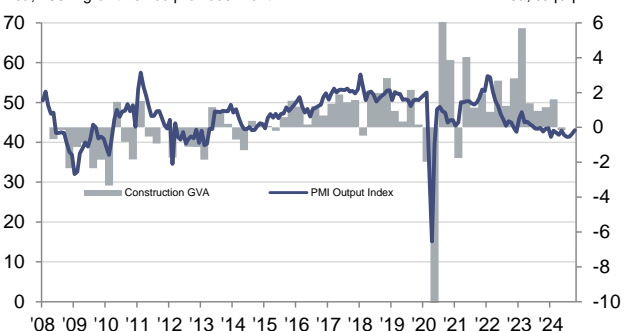
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI, Eurostat.

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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@spglobal.com](mailto: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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