

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

## German construction sector remains firmly in contraction territory at the start of the second quarter as residential activity plummets

### Key findings:

HCOB PMI Total Activity Index at four-month low of 42.0

Housing sector faces brunt of headwinds to demand

Cost inflation slowest since 2009 as supply issues fade

Data were collected 12-27 April 2023.

Germany's construction sector remained firmly in contraction territory in April, the latest PMI<sup>®</sup> survey from HCOB showed, with the rate of decline in total industry activity accelerating slightly due in large part to a deepening downturn in the housing sector. The deteriorating performance reflected numerous headwinds to demand, which in turn led to further cutbacks to both employment and purchasing activity.

More positively, building companies faced the slowest rate of input cost inflation since 2009 whilst also recording a notable shortening of lead times on materials and products. Constructors remained pessimistic about the outlook, but they were the least downbeat since February 2022.

The **HCOB Germany Construction PMI<sup>®</sup> Total Activity Index** – a seasonally adjusted index tracking changes in total industry activity – came in at 42.0 in April. Down from 42.9 in March, the index moved further into sub-50 contraction territory and to its lowest since December last year.

The decrease in activity was broad-based by construction category, underlying data showed. Housing recorded the sharpest decline by some margin, registering its deepest downturn since February 2012. The rate of contraction in civil engineering activity also quickened. Work on commercial building projects fell at a slightly slower rate, though one that was still steep overall.

High construction prices, tightening financial conditions and general economic uncertainty continued to dampen demand across the construction sector at the start of the second quarter. Accordingly, latest data showed a sustained sharp downturn in new orders, with the rate of decline accelerating to the quickest since November last year.

Building companies reacted to falling workloads by cutting back their staffing levels in April, a trend that has now lasted more than a year. The rate of job shedding slowed from the month before, however. By contrast, the use of subcontractors fell at a faster rate – the joint-quickest for three years.

As well as reducing staffing capacity, German constructors scaled down their purchasing activity during April. It marked the thirteenth month in a row in which a decrease in buying levels has been recorded, albeit with the rate of decline easing slightly since March.

Reduced demand for building materials and products helped to further alleviate pressure on construction supply chains at the start of the second quarter. Accordingly, delivery times on purchases shortened considerably – the improvement being among the greatest since data collection began in 1999.

At the same time, a quieter market for building materials acted to erode pricing power among both manufacturers and wholesalers. Alongside easing energy costs, the result was a further slowdown in the rate of input price inflation faced by

constructors, to the lowest since August 2009.

Looking ahead, German construction companies remained pessimistic about the outlook for activity over the next 12 months, citing the challenges posed by high prices, rising interest rates and a low appetite for investment. Expectations did, however, improve from the month before, taking them to their highest since February 2022.

### Comment

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

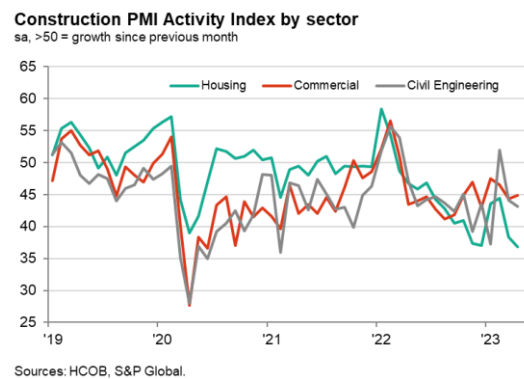
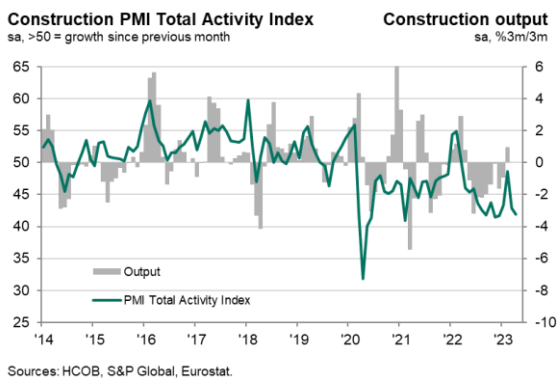
*"The weakness in Germany's construction sector continued in April, according to the HCOB PMI survey. The PMI activity index fell from an already-low level and, at 42 points, is well below its long-term average."*

*"The combination of higher interest rates and continued high construction prices are causing an accelerated slump in activity, particularly in the residential construction sector, according to the HCOB PMI survey. Construction activity is also declining in the commercial real estate sector."*

*"Lower construction activity meant that the easing in supply chains, which has been evident for several months, continued at an accelerated pace in April. At the same time, it has become much easier to hire subcontractors for construction projects. However, despite the weaker demand, subcontractors are hardly willing to concede on prices. It also appears from the HCOB PMI survey that building companies are even less satisfied with the quality of subcontractor performance than before."*

*"There are some vague signs of stabilisation in the PMI survey. For example, reports of job losses are continuing, but at a slower rate, and pessimism about future business activity has diminished somewhat in recent months. However, there can certainly be no talk of an imminent turnaround."*

-Ends-



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## Note to Editors

The HCOB Germany Construction PMI<sup>®</sup> 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@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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