

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

Downturn in construction activity softens in January

Key findings:

Decline in activity slowest for nearly two years

New orders continue to fall markedly

Supplier delivery times lengthen to greatest extent in 11 months

Data were collected 09-31 January 2025.

Eurozone construction activity remained in a slump at the start of 2025, according to the latest HCOB[®] PMI data, though the magnitude of the contraction eased sharply on the month. Total activity declined at the weakest rate in nearly two years, although new orders continued to fall sharply. The sustained downturn also contributed to further, albeit softer reductions in both employment and purchases, while subcontractor use also fell markedly. Supply chain performance deteriorated in January, and at the greatest extent in nearly a year, while input cost pressures picked up to a 12-month high. Eurozone construction companies remained pessimistic regarding the outlook for activity over the coming year.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — rose from 42.9 in December to 45.4 in January, indicating a sharp, albeit softer contraction in activity across the euro area construction sector. The latest downturn extended the current sequence of falling activity to 33 months, but was the softest since February 2023.

Negative output trends reflected further declines in Germany and France. While still strong, the respective rates of contraction were the softest for 20 and 21 months. Italian firms saw activity rise for the second successive month, though the rate of growth was only marginal.

Lower output was broad-based in nature across the three monitored sectors covered by the report. Housing activity saw the most pronounced decrease, though falls in commercial and civil engineering activity were also relatively sharp. All three sectors saw a softer decline in comparison to December, however.

Eurozone construction firms continued to face subdued demand at the start of the year. The rate of decline in new orders was marked overall, and little-changed from that in December. German companies saw the sharpest drop in new order intakes since last May, while the downturn in France eased. Italian companies recorded sustained, albeit slower, growth in new orders.

With new orders still falling sharply, construction firms continued to make solid cuts to their workforces in January. Notably, the rate of job losses slowed to the softest in five months. Reductions in staffing levels in France were the softest recorded in five months, while Italian firms recorded a fifth consecutive uplift in employment levels. German companies saw a sharper contraction in their workforces, meanwhile.

Alongside this, subcontractor usage fell substantially during January, contributing to a further increase in their availability. At the same time, subcontractors raised their rates at a broadly similar marginal rate to that in December.

Construction firms in the eurozone reported a stronger deterioration in supplier performance in January, extending the current

sequence to three months. The rate of deterioration was the most prominent since February 2024. All three monitored countries recorded longer delivery times for inputs, led by Italy.

Worsening supply chains was reflected in greater inflationary pressures at the start of 2025. The pace of input price inflation quickened from that in December and was the fastest for a year. A stronger, marked rise in France coupled with a solid increase in Italy were only slightly offset by a renewed reduction in cost burdens in Germany.

Despite the softening decline in activity, construction companies in the euro area continued to give a pessimistic outlook for business activity over the coming year in January. The degree of pessimism was strong, but eased to the softest in seven months. Germany and France continued to record negative forecasts, while Italian firms bucked the trend to report a stronger degree of optimism.

Comment

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

“The Eurozone is struggling to get the construction sector moving. The HCOB Construction Sector PMI improved slightly in January but remains firmly in contraction territory. Among the major economies, Italy is pulling the index up, while Germany and France are dragging it down. The ECB is unlikely to be pleased with the situation, having sent signals of caution in January, with President Christine Lagarde warning of a potential resurgence of inflation driven by the services sector. HCOB Economics therefore expects only two more rate cuts in the first half of the year, which is likely to negatively impact the EU construction sector, as futures markets had anticipated more significant rate cuts last year.

“The crisis is profound. All subsectors are contracting: residential construction, commercial construction, and civil engineering. The only advantage of the current situation is that price growth, both for inputs and subcontractors, is slow. A significant increase in input prices in France and solid growth in Italy were only slightly offset by a renewed reduction in cost pressures in Germany.

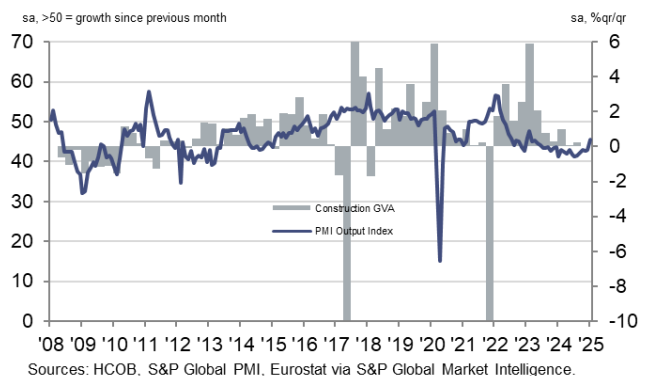
“The outlook remains bleak. Orders are evaporating at an alarming rate, well below the historical average. Business expectations are at rock bottom, with no sign of imminent improvement. In light of this challenging situation, construction companies continued their massive layoffs in January. The only glimmer of hope was that the rate of job cuts fell to its lowest level in five months.”

-Ends-

HCOB Eurozone Construction PMI Total Activity Index



Construction PMI Total Activity Index



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Note to Editors

The HCOB Eurozone Construction PMI[®] 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.

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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