NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CET (0830 UTC) 5 December 2024

HCOB Eurozone Construction PMI®

Construction new orders fall at sharpest rate in 14 months

Key findings:

Substantial drop in new orders drives stronger fall in activity

Renewed lengthening in suppliers' delivery times

Business confidence drops to lowest since April 2020

Data were collected 12-29 November 2024.

The eurozone construction sector remained firmly in contraction territory in November as activity fell markedly again, according to the latest HCOB® PMI data. The rate of decrease quickened on the month amid a robust contraction in new orders, which fell at the strongest rate since September 2023. Lower new orders sparked a further round of job shedding, while retrenchment was reflected through steep reductions in input buying and subcontractor use. Cost burdens rose moderately but at the most pronounced rate in nine months.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — posted 42.7 in November, down slightly from 43.0 in October. The latest data was indicative of a steep decrease in total output in the penultimate of 2024.

The decline in activity was driven by broad-based contractions across the three monitored economies, led by the strongest fall in Germany since April. French firms recorded a strong decrease that was nonetheless the softest for a year, while firms in Italy saw the least pronounced decline since May.

The housing sector continued to weigh heavily on total output and was the worst-performing sector, though the robust decline was nonetheless the softest for 14 months. Civil engineering activity saw the softest fall since August, while commercial building firms recorded the strongest contraction for three months.

Weak demand conditions across the eurozone construction sector continued to drive the overall downturn, as new orders fell again in November. The rate of decline accelerated from October and was the most marked since September 2023. All three monitored countries registered sharper falls in new business, led by Germany.

In line with new order inflows, eurozone construction firms cut their workforce numbers at the midpoint of the fourth quarter. The rate of job shedding was little-changed from October and moderate overall. German and French firms continued to record falling employment, while companies in Italy saw a modest rise in staffing levels for the third month running during November.

Meanwhile, input costs increased moderately in November. Inflation of operating expenses accelerated from the previous survey period, but was well below the series average. For the first time since March, all three monitored economies saw cost burdens rise, with France leading the way with an 11-month high. The rise in Germany meanwhile, was only fractional.

Latest data showed that construction companies showed further signs of retrenchment as input buying fell further. Purchasing has now fallen consistently for two-and-a-half years, with the latest decline the strongest since July. The downturn was marked, and led by German firms and a sharper fall in France. Firms in Italy recorded only a slight fall, however.

Despite weak demand for inputs and lower purchasing activity, eurozone construction firms recorded a renewed deterioration in supplier performance. Lead times lengthened marginally as modest deteriorations in France and Italy were partially offset by a mild improvement in Germany.

Eurozone construction companies remained downbeat in the expectations for output over the coming year in the penultimate month of the year. The degree of pessimism worsened from that in October and was the most pronounced since April 2020. The level of negative sentiment worsened in Germany and France, while Italian firms expressed a stronger and solid degree of optimism.

Subcontractor availability improved sharply in November amid weak demand among eurozone construction firms, while subcontractor usage fell substantially as German firms saw a series record decline.

Subcontractors also attempted to attract new work by lowering their prices for the third month in a row and modestly, however the quality of work undertaken, as adjudged by survey respondents, was deemed to have deteriorated once again.

Comment

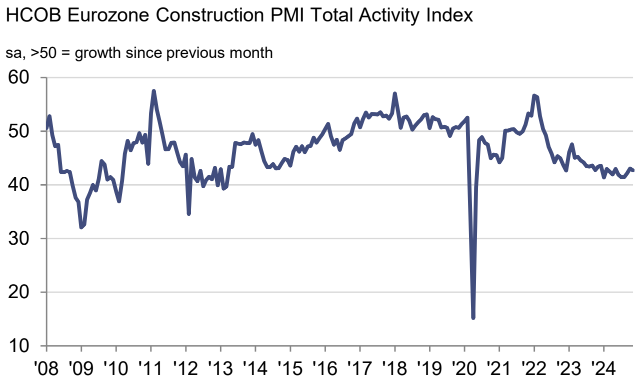
Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

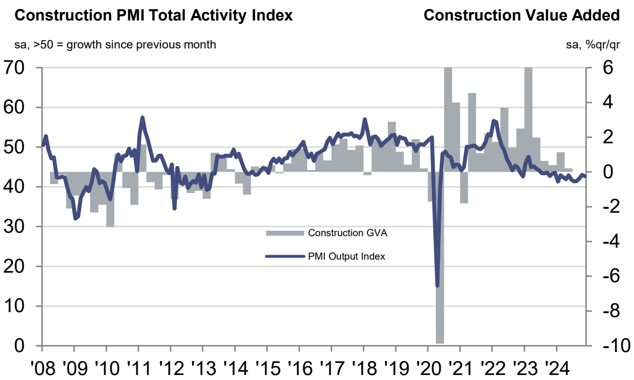
“"Germany is dragging down the Eurozone's construction sector. The largest economy in the Eurozone remains a cause for concern. The German construction industry is struggling due to high interest rates and increased construction costs, which have significantly reduced demand for new buildings. Material shortages and a lack of skilled labor continue to burden the sector. Consequently, the Eurozone PMI for the construction sector remains in sharp contraction and fell even further in November.

"The residential real estate sector remains in turmoil. The outlook for the Eurozone's construction sector is not encouraging. Although civil engineering is contracting less than commercial and residential construction, all three subsectors are significantly declining. In addition to weak demand, high input prices continue to burden European construction companies, even though current input price growth is below the historical average. There is one piece of good news on the pricing front: subcontractor prices are falling, likely because they can demand less due to poor competitive conditions.

"The year 2024 seems to be written off, and 2025 offers little hope. In November, construction companies continued to report weak order levels, which are concerning and have fallen significantly from an already low base. Employment is also being reduced, which is not surprising given that future activity has hit a yearly low and new orders are collapsing. With political crises in the two largest economies of the Eurozone, Germany and France, the situation remains tense. The goal for next year should be to achieve effective governance in European states to find a way out of the current crisis."

-Ends-





Sources: HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

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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.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

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S&P Global (NYSE: SPGI)

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