

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

Construction activity closes 2024 with marked contraction in activity

Key findings:

Germany and France lead downturns in total activity

Strongest fall in employment for seven months

Input prices rise at steepest rate since February

Data were collected 05-23 December 2024.

The latest HCOB[®] PMI survey data pointed to the eurozone construction sector remaining in decline at the end of 2024. New orders fell markedly, leading to a further reduction in construction activity and steeper retrenchments in employment and purchasing. The contraction was broad-based across the three sectors, with housebuilding remaining the weakest segment. Price pressures also picked up slightly from that seen in November to reach a ten-month high but well below the long-run average, while suppliers' delivery times lengthened for the second successive month. Companies remained strongly pessimistic regarding the year-ahead outlook.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — rose slightly from 42.7 in November to 42.9 in December, signalling a steep reduction in total construction activity across the euro area. Activity has now fallen in each of the last 32 months.

The overall reduction in activity reflected stronger declines in both Germany and France, with the latter posting the steepest fall since April. Italy bucked the trend with the first rise in activity since March.

The latest contraction in construction output was broad based across the three monitored segments of construction covered by the report. Housing again posted the sharpest decline, with the latest rapid reduction the steepest since September. Commercial and civil engineering activity saw softer contractions on the month however, with both seeing the slowest falls in seven months.

The drop in construction activity in December reflected continued demand weakness in the sector. New orders decreased for the thirty-third consecutive month, with the pace of decline easing from that in November but remaining substantial overall.

As new business fell further, firms continued to scale back their employment during December. Staffing levels fell for the twenty-second month running, and at the strongest rate since May. The overall reduction in workforce numbers reflected trends in Germany and France, with the latter seeing the strongest rate of job shedding since May 2020. Construction employment in Italy meanwhile increased at the quickest pace in nine months.

Purchasing activity has now decreased in each of the last 31 months. The pace of contraction accelerated to a six-month record and was robust overall.

Suppliers' delivery times lengthened in the eurozone construction sector for the second successive month in December. A modest improvement in vendor performance in Germany was reported, while Italian and French firms saw the steepest deteriorations for eight and ten months respectively.

Alongside falls in employment and purchasing, the usage of subcontractors contracted markedly, meaning there was another marked improvement in their availability. Rates charged by subcontractors meanwhile rose for the first time in four months, albeit only marginally.

A moderate rise in input prices was also signalled at the end of the final quarter. The pace of inflation quickened to a ten-month high, yet remained considerably softer than the long-run series average. Input price inflation in France and Italy rose at the quickest pace in 12 and four months respectively. Conversely, German construction firms saw input costs remain unchanged on the month.

With little sign of the downturn in the sector easing, construction companies in the euro area remained pessimistic regarding the year-ahead outlook for activity. French and German firms held negative outlooks during December, despite the respective degrees of pessimism easing on the month. Growth expectations in the Italian construction sector softened from that seen in November.

Comment

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

"The eurozone construction sector continued its recession as the HCOB PMI brought no positive news for the sector in December. The contraction that has persisted since May 2022 and continued into the year's end. The overall decline in economic activity reflects sharper downturns in Germany and France, with Germany bearing the largest share of the current woes. Italy, however, bucked the trend and recorded its first increase in economic activity since March.

"Housing activity is in deep crisis, shrinking disproportionately compared to commercial and civil engineering activities. Meanwhile the decline in the commercial and civil engineering sectors was less severe than the previous month, with both recording the smallest decline in seven months. To revive the residential property sector, significant interest rate cuts by the ECB would likely be necessary soon. However, HCOB Economics forecasts only two rate cuts by spring 2025. Due to increasing price pressures throughout the year, further rate cuts in Frankfurt are unlikely to be announced by year-end.

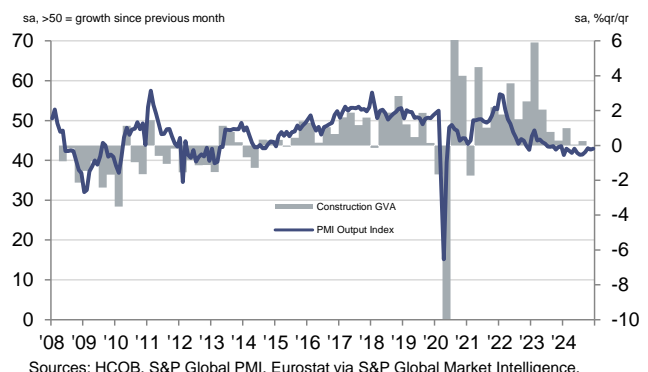
"Eurozone looks ahead with pessimism. The year 2025 is unlikely to significantly reduce the downward pressure in the sector. Although both order intakes and future activity have increased compared to the previous month in December (with future activity rising significantly), the sub-indices remain firmly in contraction territory. French and German companies issued negative forecasts in December, although pessimism decreased over the month. Even growth expectations in the Italian construction sector have weakened. Decisive monetary and fiscal measures are required to revive the sector, but neither is expected in the near term."

-Ends-

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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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About PMI

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