

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Eurozone Construction PMI<sup>®</sup>

## Downturn in construction activity remains marked in September

### Key findings:

Construction activity falls across all monitored countries and sectors

Employment and purchases scaled back further

Expectations regarding outlook remain severely downbeat

Data were collected 12-30 September 2024.

Eurozone construction activity remained in a marked slump at the end of the third quarter of 2024, according to the latest HCOB PMI<sup>®</sup> survey data, as new orders continued to fall steeply. The downturn led to the strongest reduction in construction jobs since May's four-year record, while purchases and subcontractor use also fell markedly. More, positively, supply chain performance improved for the sixth successive month in September, while input cost pressures remained only modest. That said, 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 41.4 in August to 42.9 in September, indicating a robust, albeit softer contraction in activity across the euro area construction sector. The latest downturn extended the current sequence of falling construction activity to 29 months.

Negative output trends reflected further declines across the three largest eurozone economies in September. French construction activity saw the steepest reduction, and at the fastest pace since May 2020. German and Italian firms saw activity decrease at the softest rates for 16 and four months respectively.

Lower output was also 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 strong. The latter was the only sector to record a steeper rate of decline, as all three monitored countries saw contractions in infrastructure activity strengthen on the month.

Eurozone construction firms continued to face subdued demand at the end of the third quarter. The rate of decline in new orders was marked overall, yet eased to the softest since February 2023. German companies once again saw the sharpest drop in order book intakes.

With new orders still falling steeply, construction firms continued to make considerable cuts to their workforces in September. Notably, the rate of job losses accelerated to a solid pace that was the strongest recorded since May's four-year record. Steeper reductions in staffing levels were recorded in both France and Germany, however Italian firms recorded a marginal increase in employment for the first time in three months. Euro area construction firms also made sustained cuts to purchasing activity, with the rate of contraction marked overall, but the softest since April.

Alongside this, subcontractor usage fell substantially during September, contributing to a marked increase in their availability. At the same time, subcontractors reduced their rates for the first time since April 2020 in a bid to attract work.

On a positive note, construction firms in the eurozone reported a further improvement in supplier performance in September, extending the current sequence to six months. The rate of improvement was the softest in this period but was still historically positive as all three monitored countries recorded shorter delivery times for inputs, led by Germany.

An improving supply chain performance picture helped contain inflationary pressures at the end of the third quarter. The rate of input price inflation eased from that seen in August and was only modest overall. Solid, albeit softer rises in France and Italy were offset by a sixth monthly decrease in costs faced by German firms.

Despite positive signals in terms of supply chains and prices, construction companies in the euro area continued to give a pessimistic outlook for business activity over the coming year in September. The degree of pessimism strengthened from August amid stronger negative forecasts in both Germany and France, with the former recording a nine-month low. Italian firms meanwhile signalled stronger optimism regarding the 12-month outlook, as the degree of positive sentiment reached the most pronounced since June.

## Comment

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

*"The Eurozone's construction sector shows no signs of easing. While the HCOB PMI for the construction sector saw a slight uptick from the previous month, it remained firmly in contraction territory at 42.1 points in September. Among the subsectors, civil engineering saw the steepest month-on-month decline, though the residential real estate sector remains the most deeply entrenched in crisis. Among the major Eurozone economies, the "red lantern" has passed from Germany to France, which has hit one of its lowest readings in a decade.*

*"Prices continue to rise. Despite the severe weakness in demand, input prices are still growing, although the pace of growth has slowed slightly compared to the previous month. The only positive sign is that subcontractor prices have now started to decline slightly.*

*"There's no room for optimism right now. Order intakes are shrinking alarmingly, and purchasing volumes are in the doldrums. It's hardly surprising that the outlook for future activity remains pessimistic. Consequently, French construction firms are increasingly laying off staff. A monetary policy boost from the ECB would be more than welcome to revive the construction sector, but the ECB's recent communications hardly seem to lift spirits in the industry."*

-Ends-

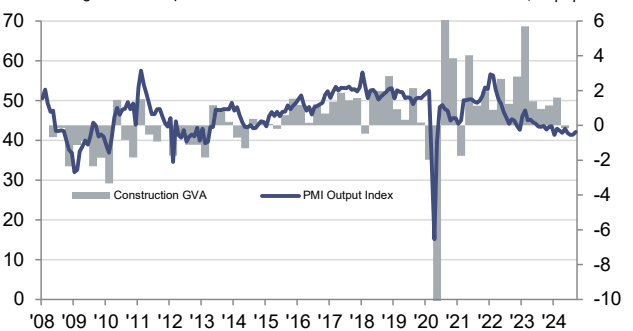
HCOB Eurozone Construction PMI Total Activity Index

sa, >50 = growth since previous month



Construction PMI Total Activity Index

sa, >50 = growth since previous month



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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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