

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

## Construction activity falls further amid weak demand

### Key findings:

Further marked drop in new orders drives stronger output fall

Steeper decline in employment levels

Business confidence drops to lowest in 2024

Data were collected 11-31 July 2024.

The eurozone construction sector remained firmly in contraction territory in July as activity fell markedly again, according to the latest HCOB<sup>®</sup> PMI data. The rate of decrease in output quickened slightly on the month to the strongest for six months, and continued to be driven by substantial contractions in housing activity, which was once again the worst-performing of the three monitored segments. The downturn was led by weak demand conditions as evidenced by a robust decline in new business. Lower new orders sparked a further round of job shedding, as employment fell at a slightly sharper rate. Retrenchment and cost-cutting were also reflected in a steep contraction in input buying and marked reductions in subcontractor use. That said, cost burdens rose only modestly.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — posted 41.4 in July, down slightly from 41.8 in June. The latest data was indicative of a steep decrease in total output at the start of the second half of the year.

The decline in activity was driven by broad-based contractions across the three monitored economies, led by the strongest fall in France since January. Italian firms recorded the steepest decrease in nearly two years, while firms in Germany saw a substantial, albeit slightly softer decline.

The housing sector continued to weigh heavily on total output and was the worst-performing sector, recorded the most marked reduction since April 2020. Commercial activity saw the sharpest fall for six months, while civil engineering firms recorded a slower reduction in activity.

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

In line with new order inflows, eurozone construction firms cut their workforce numbers at the start of the third quarter. The pace of job shedding quickened slightly from June and was the second-most pronounced in 2024 so far. For the second time in three months all three largest economies saw falling employment, with German firms seeing the steepest reduction.

Meanwhile, input costs increased modestly during July. Inflation of operating expenses picked up from June but remained well below the series average. Italy saw the sharpest rise in cost burdens, while French firms recorded a softer increase. Companies in Germany however registered a fourth consecutive fall in input costs, and one that was the strongest for nine months.

Construction companies showed further signs of retrenchment as input buying fell for the twenty-sixth successive month in July. The rate of decline was marked but eased slightly on the month. The downturn in purchasing activity was led by the sharpest fall in France for over three-and-a-half years.

In line with weak demand for inputs and lower purchasing activity, eurozone construction firms recorded another improvement in supplier performance. Lead times shortened sharply amid the second-strongest shortening in delivery times in Germany on record. Only Italian firms recorded a deterioration in vendor performance.

Eurozone construction companies remained downbeat in their expectations for output over the coming year in July. The degree of pessimism worsened from June and was the most pronounced in the year to date. Pessimism worsened in Germany and France, while Italian firms expressed the softest degree of optimism for 22 months.

Subcontractor availability improved sharply in July, amid weak demand among construction firms, while subcontractor usage fell markedly. A further month of decline in the quality of subcontractor work, as adjudged by monitored firms, was at odds with a modest increase in rates charged by them.

### Comment

Commenting on the PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

*"The housing sector weighed on overall construction activity, again. In July, housing activity dropped for yet another month due to weak demand conditions, also leading to another round of job shedding as the employment situation worsened in July. Commercial activity also worsened but the downturn in the civil engineering sector softened compared to June mainly due to France."*

*The downturn of the construction sector is broad-based across the countries. Some months ago, Italy was somewhat showing resilience to the overall downward trend due to the Superbonus program and other subsidies in Italy. These supports have ended, which is immediately noticeable in the HCOB PMI numbers. In France and Germany, the situation looks worse as demand weakened in both countries.*

*Constructors in the Eurozone are not seeing light at the end of the tunnel. When asked about future output expectations, panellists turned to pessimism as the corresponding index fell almost six points. Pessimism worsened in Germany and France, fearing weaker demand in the upcoming twelve months while optimism softened in Italy to a 22-month low."*

-Ends-

HCOB Eurozone Construction PMI Total Activity Index

sa, >50 = growth since previous month

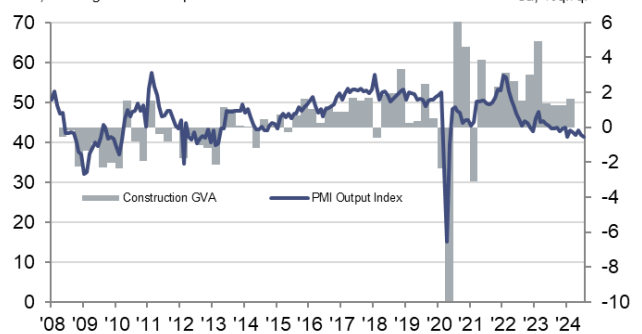


Construction PMI Total Activity Index

sa, >50 = growth since previous month

Construction Value Added

sa, %qqr/qqr



## Contact

### Hamburg Commercial Bank AG

Norman Liebke  
Economist  
T: +49-171-915-9096  
[norman.liebke@hcob-bank.com](mailto:norman.liebke@hcob-bank.com)

Katrin Steinbacher  
Head of Press Office  
Senior Vice President  
T: +49-40-3333-11130  
[katrin.steinbacher@hcob-bank.com](mailto:katrin.steinbacher@hcob-bank.com)

### S&P Global Market Intelligence

Usamah Bhatti  
Economist  
T: +44-1344-328-370  
[usamah.bhatti@spglobal.com](mailto:usamah.bhatti@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
T: +44-796-744-7030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

## 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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