

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

Construction activity falls at slowest rate for 10 months in June

Key findings:

Decline in housing activity eases notably for second month running

New orders post slowest fall since February 2023

Expectations, whilst still pessimistic, improve to 28-month high

Data were collected 12-27 June 2024.

The latest HCOB PMI[®] survey compiled by S&P Global showed further tentative signs of the downturn in Germany's construction sector easing as the second quarter ended. June saw the slowest falls in total activity and new orders for 10 and 16 months respectively, whilst firms were the least pessimistic about the outlook since February 2022.

Weakness in demand across construction supply chains meanwhile led to a survey-record improvement in lead times on building materials and products. At the same time, there was downward pressure on input costs, amid strong competition amongst suppliers. Subcontractor availability also improved considerably.

The HCOB Germany Construction PMI Total Activity Index – a seasonally adjusted index tracking changes in total industry activity – climbed for the second month running in June, rising from May's 38.5 to 39.7. The latest reading was still firmly below the 50.0 no-change threshold, but it was the highest since August 2023 and a further improvement from last November's low point of 36.2.

The decline in housing activity eased notably for the second month running in June. The category remained the weakest-performing among those monitored by the survey, in line with the trend throughout most of the past two years, but the latest reduction was the least marked in just over a year. The rates of contraction in both commercial and civil engineering activity were meanwhile little-changed from the month before, each remaining slightly slower than the total-industry average.

Constructors continued to report lower intakes of new work, citing generally challenging demand conditions. Positively, however, the rate of decline eased considerably since May and was the weakest since February 2023, amid some reports of increased tender opportunities.

The proportion of building firms expecting activity to fall in the coming year (32%) continued to far exceed those anticipating a rise (11%). Supported by a cut in interest rates, however, sentiment was the least negative since February 2022, with a number of firms reporting hopes that the downturn was nearing its nadir.

Decreasing workloads nevertheless led to further job cuts across the construction sector during June, thereby stretching the current sequence of falling employment to 27 months. The rate of staff shedding remained quicker than the average over this sequence, despite easing to the weakest since March. June also saw another sharp drop in subcontractor usage, which in turn contributed to near-record improvement in their availability.

Constructors slashed their purchasing activity once again in June. Lower demand for building materials freed up capacity amongst suppliers, whose delivery times showed a record improvement.

There was also further downward pressure on construction input costs as a result of competition among suppliers. Average purchase prices fell for the third month running, and at the fastest rate in this sequence, albeit one that was still only modest.

Comment

Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

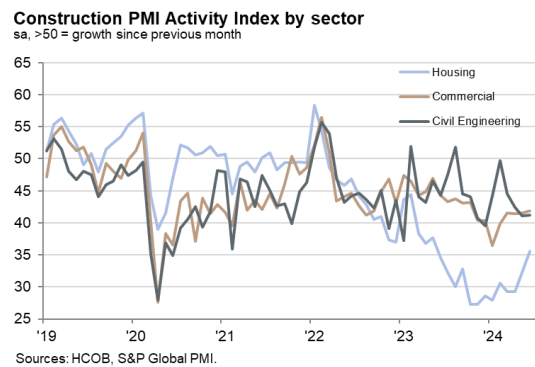
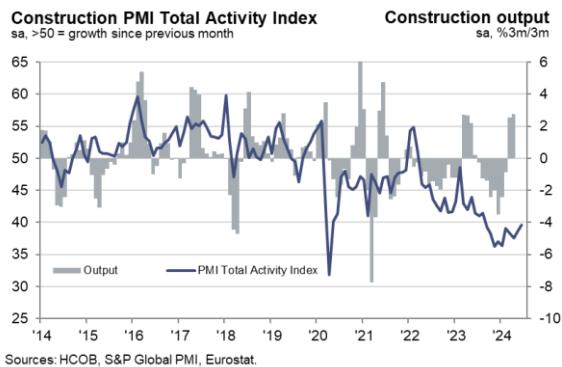
“Can we finally see light at the end of the tunnel? For the first time since the beginning of 2023, the headline HCOB Construction PMI has risen for two consecutive months. Although construction activity continued to decline significantly in June, in line with the trend since spring 2022, the pace of the downturn is slowing somewhat. It appears that the cautious turnaround in interest rates is also beginning to make itself felt in the construction industry.”

“The residential construction sector appears to be gradually emerging from its recessionary low, with the June slump being the least severe in the past 13 months. In contrast, the situation in commercial construction and civil engineering remains virtually unchanged compared to the previous month. This indicates that the improvement is not yet widespread, suggesting that a comprehensive recovery of the sector is likely still a long way off.”

“There appears to be some movement in the construction sector. New orders are falling less sharply, companies are being slightly less aggressive with layoffs, and the future output index has risen to its highest level since February 2022. However, as the saying goes, one swallow does not make a summer. We need to see further improvement for a trend to become clear and for a recovery to actually set in at some point.”

“Input prices have come down for the third time in a row. It seems evident that this has to do with the lack of demand and constructors have indeed reported that suppliers had to offer discounts to get orders. However, the primary factor influencing input prices is the global market for metals and fuels, which is almost independent of Germany’s construction business cycle. Thus, the lower input prices are good news for construction companies.”

-Ends-



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Note to Editors

The HCOB Germany Construction PMI[®] is compiled by S&P Global from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP. Survey data were first collected September 1999.

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. 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.

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' but is not comparable with the headline manufacturing PMI figure.

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

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