NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Construction PMI®

Construction activity down sharply again amid lower new orders

Key findings:

Construction activity falls in Germany, France and Italy

Firms scale back employment and purchasing

Pessimistic outlook centred on Germany

Data were collected 11-30 April 2024.

The latest HCOB PMI® survey data pointed to the eurozone construction sector remaining in decline at the start of the second quarter of 2024. New orders fell sharply, leading to a further reduction in construction activity and retrenchment of employment and purchasing. Companies were also pessimistic regarding the year-ahead outlook. Meanwhile, price pressures eased and suppliers' delivery times improved for the first time in four months.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — dropped to 41.9 in April from 42.4 in March, signalling a sharp and accelerated reduction in total construction activity across the euro area. Activity has now fallen on a monthly basis throughout the past two years, with the latest fall the most pronounced since January.

The overall reduction in activity reflected declines across the three largest eurozone economies in April. Activity in Italy decreased for the first time in seven months, joining Germany and France in contraction mode. That said, the modest fall in Italy was still much softer than those seen elsewhere.

The latest contraction in construction output was also broad based across the three monitored categories of construction covered by the report. Housing again posted the sharpest decline, with the latest rapid reduction broadly in line with that seen in March. A sharp and accelerated fall in commercial activity was registered, while the slowest decline was in civil engineering, where the decrease was marked nonetheless.

The drop in construction activity in April reflected continued demand weakness in the sector. New orders decreased for the twenty-fifth consecutive month. The pace of decline eased from the previous survey period, but remained substantial.

With new business falling, firms looked to scale back their employment and input buying in April. Staffing levels decreased for the fourteenth month running, albeit modestly and to a slightly lesser extent than in March. The overall reduction in workforce numbers was centred on Germany as construction employment continued to rise in Italy and returned to growth for the first time in over a year in France.

Purchasing activity has now decreased on a monthly basis for almost two years. The pace of contraction eased from the previous survey period but was still marked.

A substantial improvement in vendor performance in Germany amid weak demand for inputs meant that suppliers' delivery times shortened in the eurozone construction sector for the first time in four months during April. Moreover, the shortening of lead times was the greatest since July 2023. Vendor performance also improved in France, but deteriorated in Italy.

Alongside falls in employment and purchasing, a steep drop in the usage of sub-contractors was also registered, meaning that their availability continued to increase. In fact, the latest rise in sub-contractor availability was the most pronounced since last November. The rates charged by sub-contractors increased modestly, but at the fastest pace in six months.

A modest rise in input prices was also signalled at the start of the second quarter of the year. In fact, the pace of input cost inflation eased to a seven-month low and was well below the series average. German construction firms saw input costs decrease for the first time in five months. Elsewhere, input prices were up marginally in France, but markedly in Italy.

With little sign of the steep downturn in the sector easing, construction companies in the euro area remained pessimistic regarding the year-ahead outlook for activity. That said, only German firms held a negative outlook. French constructors were optimistic for the first time since mid-2022, while growth forecasts in the Italian construction sector hit a 23-month high.

Comment

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

"In April, the Eurozone's construction sector appears to be even further from recovery compared to the previous month. Civil engineering activity is in a bad state, commercial activity is worse and housing activity looks bleak. While the performance of housing and civil engineering is similarly as bad than in previous months, the crisis in commercial building activity, including offices, has deepened. With the marginal softening of the fall in new orders, any expectation of a near-term recovery seems unfounded.

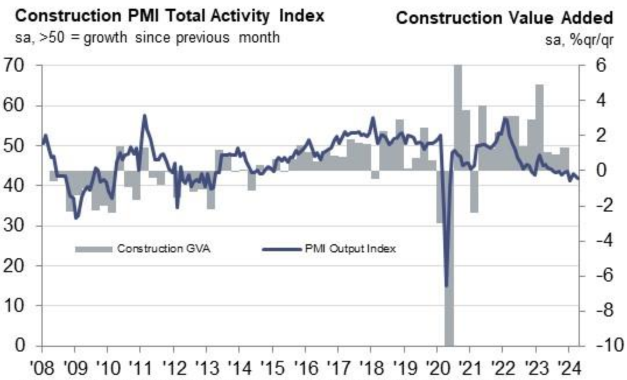
"The development in the Eurozone's construction sector, which has been rather varied in recent months, is now converging among Germany, France and Italy. However, this convergence is not cause for celebration, as Italy has simply joined the club of countries with a shrinking construction sector. Until recently, Italy had shown surprising resilience linked to the so-called superbonus program and recovery and resilience plan. Both seem to have lost force over the last months, in part because they are running out.

"The most forward-looking indicator of new orders in April is almost as dire as it has been over the past five months. New orders are plummeting rapidly, with Germany leading the downward trend, followed by France and Italy. This trend does not augur well for the near future, indicating that the construction sector's recession will persist in Germany and France, while beginning to take hold in Italy.

"The severity of the crisis is only partially reflected in the reduction of employment, particularly when compared to past crises. During the great recession of 2008/2009, the employment index hovered around 40, while it was in the mid-40s during the euro crisis of 2012. In contrast, the current employment index is around 48, near the neutral level. One plausible explanation for this phenomenon is that prior to the crisis, there was already a significant shortage of labor. Consequently, there may not be a pressing need for widespread staff reductions."

-Ends-

Sources: HCOB, S&P Global PMI.



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

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S&P Global (NYSE: SPGI)

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi

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