

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Eurozone Construction PMI®

## Downturn in construction activity leads to sharpest drop in employment in four years

### Key findings:

Construction activity falls across all countries and sectors

Employment levels cut solidly

Suppliers' delivery times improve at marked pace

Data were collected 10-31 May 2024.

Eurozone construction activity remained in a steep slump during May, according to the latest HCOB PMI® survey data, as new orders continued to fall sharply. The downturn led to the quickest drop in construction jobs in four years, while purchases and subcontractor use also decreased markedly. More positively, supply chain performance improved rapidly, and input cost pressures remained only modest, supporting a further move towards neutral business expectations for the coming year.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — stayed well below the 50.0 no-change threshold in May, indicating a marked contraction in output across the euro area construction sector. At 42.9, the index was up slightly from 41.9 in April, but nonetheless posted one of its lowest readings in the past 11 years. The latest downturn extended the current sequence of falling construction activity to over two years.

Negative output trends reflected further declines across the three largest eurozone economies in May. Italian construction activity fell for the second month running, while German and French construction firms have seen activity decrease in each month since the second quarter of 2022. In all three cases, rates of contraction nonetheless softened from the previous survey period, with only a marginal drop in output seen in Italy.

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. However, as was the case for the monitored economies, all three sectors experienced a softer drop in output than in April, marking the first time since the start of 2023 where all monitored countries and industries have moved in a positive direction.

Eurozone construction firms continued to face a dearth of new orders midway through the second quarter of the year. The rate of decline was marked overall, and fractionally quicker than in the previous month. German companies once again saw the sharpest drop in order book intakes.

With new orders still falling steeply, construction firms made considerable cuts to their workforces in May. Notably, the rate of job losses accelerated to a solid pace that was the fastest recorded in exactly four years. Furthermore, this marked the first time since October 2022 where lower staff numbers have been concurrently seen in Germany, France and Italy. Construction firms in the euro area also made sharper cuts to purchasing activity, with the pace of contraction quickening to a seven-month record.

Alongside this, subcontractor usage fell substantially over May, contributing to a marked increase in their availability. In fact, the rise in subcontractor supply was the quickest observed since November 2012. Subcontractor rates lifted at the strongest pace

in seven months.

On a positive note, construction firms in the eurozone reported a steep improvement in supplier performance during May. Average delivery times shortened to the greatest extent in just over 15 years, driven predominantly by improving supply chains in Germany. Lead times faced by construction companies in France also improved, whereas Italian businesses saw a further deterioration.

An improving supply chain performance helped to contain inflationary pressures over the course of May. Despite ticking up slightly from April, the overall rise in input prices was only modest. Higher costs faced by companies in France and Italy were partly offset by a second consecutive monthly decrease in Germany.

Construction companies in the euro area continued to give a pessimistic outlook for business activity over the coming year in May. That said, amid relatively promising signals in terms of supply and prices, the degree of pessimism softened further and was the lowest since March 2022. Moreover, Germany was the only monitored country to report negative forecasts, whereas France and Italy were in positive territory - notably, the latter posted its highest confidence for two years.

### Comment

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

*“The construction sector is living a life of its own. While the manufacturing sector is showing the first signs of stabilization and the service sector is in full recovery mode, the construction sector remains stuck in the mud. Even though the European Central Bank is about to cut interest rates, demand conditions remain exceptionally weak. The rapid decline in new orders suggests that any hope of a near-term recovery is unwarranted.*

*“The broadly depressed demand picture is reflected not only in new orders, but also in the sharp fall in purchases, shorter delivery times and improved availability of suppliers. However, one thing that does not fit into this picture and makes life even more difficult for construction firms is the renewed rise in costs.*

*“The ranking of the three construction sectors - residential, commercial and civil engineering - has not changed, as residential construction remains the worst performer and civil engineering the least affected by the downturn. However, civil engineering is not living up to its role as a stabilizer of the construction cycle. It appears that the public sector's budgetary situation is leaving its mark on infrastructure investment.*

*“Italy's construction sector remains remarkably stable with a headline index of 49.0, well ahead of France (43.4) and Germany (38.5). It appears that the Superbonus program is still having some positive effects on activity. A bigger role is likely to be played by the EU's Next Generation program, under which Italy will receive a total of almost 200 billion euros. This could help to avoid the kind of slump in the construction sector seen in Germany.”*

-Ends-

HCOB Eurozone Construction PMI Total Activity Index

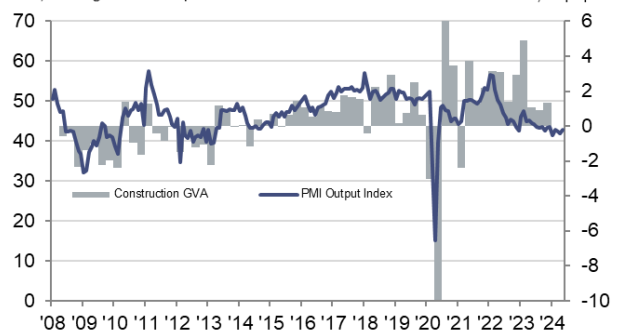
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

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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