

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

Construction activity down sharply again amid weakness in housebuilding

Key findings:

Construction activity falls across three monitored economies

New orders decline markedly

Firms scale back employment and purchasing

Data were collected 12-30 August 2024.

The latest HCOB[®] PMI survey data pointed to the eurozone construction sector remaining in decline midway through the third quarter of 2024. New orders fell markedly, leading to a further reduction in construction activity and sustained retrenchment of employment and purchasing. Moreover, the contraction was broad-based across the three monitored economies and the three sectors. Price pressures picked up slightly from that seen in July but remained below the long-run average, while suppliers' delivery times improved for the fifth month running. Companies remained pessimistic regarding the year-ahead outlook, however.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — was unchanged from July's six-month low of 41.4, signalling a steep reduction in total construction activity across the euro area. Activity has now fallen in each of the last 28 months.

The overall reduction in activity reflected declines across the three largest eurozone economies in August. Activity in Germany decreased at the sharpest rate in three months, while there were slightly softer contractions in France and Italy.

The latest contraction in construction output was also broad based across the three monitored segments of construction covered by the report. Housing again posted the sharpest decline, with the latest rapid reduction the steepest since April 2020. Commercial activity saw a strong fall of the same severity as in July, while the slowest decline was in civil engineering, though the decrease here was still steep nonetheless.

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

As new business fell further, firms continued to scale back their employment and input purchases during August. Staffing levels fell for the eighteenth month running at a pace that was little-changed from July. The overall reduction in workforce numbers was centred on Germany, where the decrease was the strongest since May. Construction employment in France and Italy also moderated, but only marginally in comparison.

Purchasing activity has now decreased in each of the last 27 months. The pace of contraction eased to the softest since April but was still marked.

Suppliers' delivery times shortened in the eurozone construction sector for the fifth consecutive month in August, amid weaker demand for inputs. A sharp improvement in vendor performance in Germany was reported, while French firms saw the most marked improvement since December 2017. Firms in Italy saw lead times shorten for the first time since October 2012.

Alongside falls in employment and purchasing, the usage of subcontractors contracted at the steepest rate since April 2020, meaning there was a marked improvement in their availability. The rates charged by subcontractors meanwhile increased only marginally, and at the softest rate in 2024 to date.

A modest rise in input prices was also signalled midway through the third quarter. The pace of inflation quickened to a six-month high, yet remained considerably softer than the long-run series average. German construction firms saw input costs decrease at the strongest rate in ten months. Elsewhere input prices in Italy and France rose at the quickest pace in three and eight months respectively.

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. French and German firms held negative outlook during August, despite the respective degrees of pessimism easing slightly on the month. Growth expectations in the Italian construction sector were the softest recorded for two years.

Comment

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

“The crisis in the European construction sector shows no signs of abating. The HCOB PMI remained stagnant in August at 41.4 points, indicating a continued contraction. The particularly weak performance of the largest economies in the Eurozone—Germany and France—weighs heavily on the index. Especially the housing sector presents a troubling trend. With the construction sector remaining sluggish, pressure is mounting on the European Central Bank (ECB) to counteract with interest rate cuts, especially as inflation in the Eurozone came in at 2.2% year-on-year in August, nearing the ECB’s target rate.

Rising prices continue to be a significant issue for the European construction sector. Despite weak demand, input costs are still on the rise and even accelerated in August. While input costs in Germany saw a slight decline, construction firms in France and Italy reported significantly higher costs, largely attributed to increasing raw material prices.

European construction firms are looking to the future with skepticism. Although new orders and purchasing volumes have seen a slight improvement compared to the previous month, the contraction in these sub-indices remains pronounced. Business expectations for the next twelve months are deeply negative, falling well below the historical average. Consequently, employment in the sector continues to decline.

-Ends-

HCOB Eurozone Construction PMI Total Activity Index

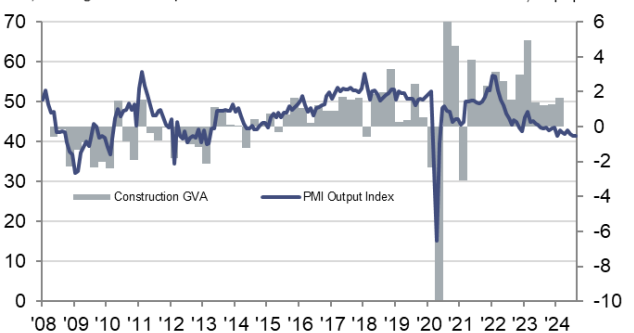
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI, Eurostat.

Contact

Hamburg Commercial Bank AG

Dr Tariq Kamal Chaudhry

Economist

T: +49-171-915-9096

tariq.chaudhry@hcob-bank.com

Katrin Steinbacher

Head of Press Office

Senior Vice President

T: +49-40-3333-11130

katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Usamah Bhatti

Economist

T: +44-1344-328-370

usamah.bhatti@spglobal.com

Sabrina Mayeen

Corporate Communications

T: +44-796-744-7030

sabrina.mayeen@spglobal.com

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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