

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Construction PMI®

Construction PMI at 11-month high but still deep in contraction territory in July

Key findings:

Decline in total activity eases for third straight month

Firms continue to trim workforce numbers, but at a slower rate

Input costs fall for fourth consecutive month

Data were collected 11-30 July 2024.

Germany's construction sector remained deep in contraction territory at the start of the third quarter, albeit with the rate of decline in total activity easing for the third month running to the weakest in just under a year, the latest HCOB PMI® survey compiled by S&P Global showed. Employment also continued falling, but at a slower pace, with the same trend also observed for constructors' purchasing activity. Firms were more pessimistic about the year-ahead outlook than in June, however.

On the supply side, the latest improvement in lead times on purchases came close to matching June's survey record amid reports underutilised capacity among vendors. Average prices paid for building materials and products fell for the fourth month running, in a further sign of demand weakness across the building sector and its supply chains.

The HCOB Germany Construction PMI Total Activity Index – a seasonally adjusted index tracking changes in total industry activity – remained firmly in sub-50 contraction territory in July. At 40.0, however, its latest reading was up slightly from 39.7 in June and the highest recorded since August last year.

July saw decreases in activity across each of the three broad categories of construction monitored by the survey. Housing once again registered the steepest decline, and it was the only sub-sector where the rate of contraction accelerated (albeit only slightly). The latest decreases in commercial activity and civil engineering were the least marked for nine and three months, respectively, though still notable overall.

New orders continued falling across the construction sector at the start of the third quarter, thereby extending the current sequence of decline to almost two-and-a-half years. After having eased considerably in June to the weakest since early 2023, the rate of contraction in new business reaccelerated slightly. Panellists commented on a general lack of customer enquiries and tender opportunities, with the high cost of construction work said to be a factor.

Construction firms remained in retrenchment mode in July, as they reported sustained cuts to both workforce numbers and purchases of building materials. Although remaining solid, the pace of job shedding slowed for the second month running to the weakest since February. The latest decline in buying levels was meanwhile the least marked in a year, with the rate of contraction having eased notably from the month before (although it was still sharp by historical standards).

Lower demand for inputs was reflected in a further improvement in supplier delivery times – the fifth in as many months. Moreover, the extent of lead-time shortening was the second-greatest in the series history, just behind that registered in June.

July's survey data also showed a fourth straight monthly decrease in average purchase prices faced by building firms. The rate of decline continued to gather pace and was the fastest since October last year, although it was still only modest overall.

Looking ahead, constructors remained downbeat about activity prospects in the next 12 months. Furthermore, expectations deteriorated from the month before, when they had been at the highest since February 2022, to the lowest since March.

Comment

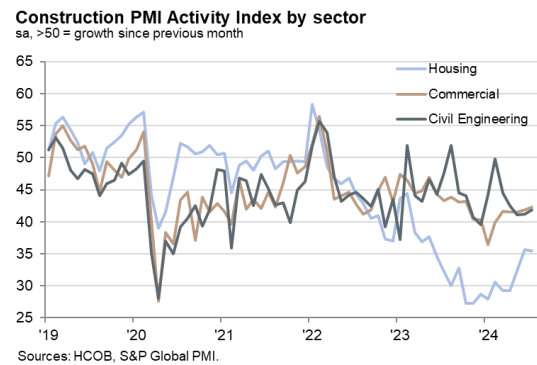
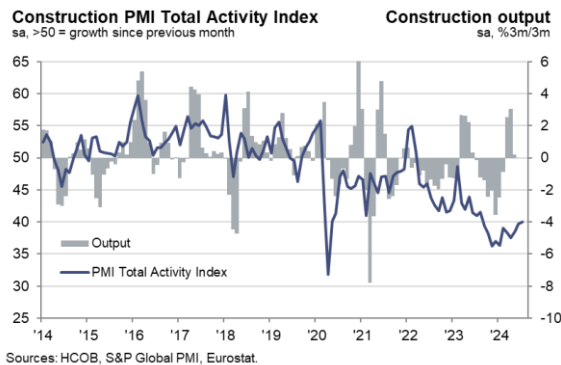
Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

“The most positive thing that can be said about these figures is that the slump in construction has slowed down a bit recently. This is especially true for commercial building activity and civil engineering projects, while residential construction took even a slightly bigger hit in July than in June. We expect a positive impetus in civil engineering from the general renovation of 40 railroad lines, which is scheduled to be completed by 2030 and began in mid-July.

Overall, the construction sector is still having a rough time. Construction companies lost even more orders in July than in June, and expectations were the most pessimistic for four months. Around 41% of folks in the biz think they'll be building less next year, while only 9% are optimistic about expanding. Considering that building permits for residential projects in May were down almost 25% from last year, this gloomy outlook isn't too surprising.

On the bright side, material prices eased up for the fourth month in a row. However, subcontractors have hiked their prices again. In addition, the quality index for subcontractors is up and above the historical average. This might mean the subcontractor market is starting to consolidate.”

-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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