

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

Demand weakness continues to weigh on construction sector, but firms' pessimism towards outlook eases somewhat

Key findings:

- Total Activity Index ticks down to 41.2 in February
- Falling workloads drives fresh round of staff cuts
- Constructors least downbeat about outlook for three years

Data were collected 10-27 February 2025.

Germany's construction sector saw a steep and slightly accelerated decline in activity in February, with building firms continuing to report a dearth of incoming new work, the latest HCOB PMI[®] survey results showed.

Workforce numbers were cut, accordingly, alongside a reduction in demand for building materials and products. Constructors continued to look to the future with pessimism, although they were the least downbeat since February 2022.

Spare capacity across supply chains meanwhile led to further downward pressure on prices paid for inputs, whilst also contributing to slightly quicker lead times.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking month-on-month changes in total industry activity – registered 41.2 in February. This marked a setback from January's 20-month high of 42.5, leaving the index deeper in sub-50 contraction territory.

February's decrease in activity was broad-based by sub-sector, with rates of contraction accelerating in all three cases. Housing activity remained the worst-performing segment and civil engineering the most resilient, with the rate of decline in commercial activity broadly in the middle of the other two.

Central to the sustained downturn in activity was a lack of incoming new orders. Surveyed firms remarked on a number of factors weighing on demand, including high interest rates and hesitancy among customers. The pace at which new orders fell eased slightly since January, but it was still sharp and quicker than the average recorded over the current sequence of decline that stretches back to March 2022.

Staffing capacity continued to be scaled back across the construction sector during February, in line with decreasing workloads. Furthermore, the pace of job shedding accelerated for the second month running to the strongest since September last year.

German constructors also reported a further substantial reduction in their use of subcontractors midway through the first quarter. Though subcontractor availability improved, they did raise charges for the first time in seven months, albeit marginally.

Average prices paid for building materials and inputs, on the other hand, ticked down again in February, marking the ninth decrease in the past 11 months. That said, the rate at which purchase prices fell was modest and little-changed from that seen in January.

The decline in input costs partly stemmed from reduced demand for building materials. February saw a sustained steep drop in constructors' purchasing activity, to extend the current run of contraction to almost three years. Suppliers delivered inputs slightly quicker on average than the month before, following a brief deterioration in performance in the opening month of the year.

Looking ahead, the outlook for construction activity remained bleak, according to surveyed businesses. In particular, firms highlighted concerns towards future housing activity. That said, sentiment continued to recover from the lows seen in late 2024, with expectations the least pessimistic for three years.

Comment

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

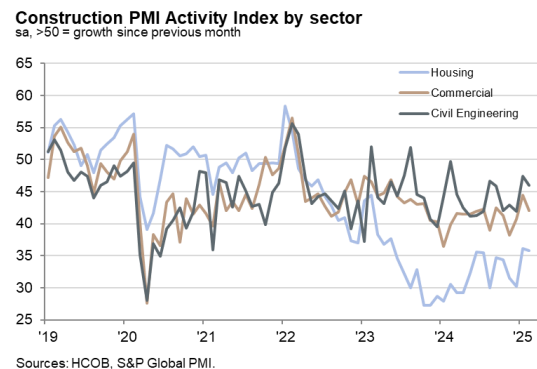
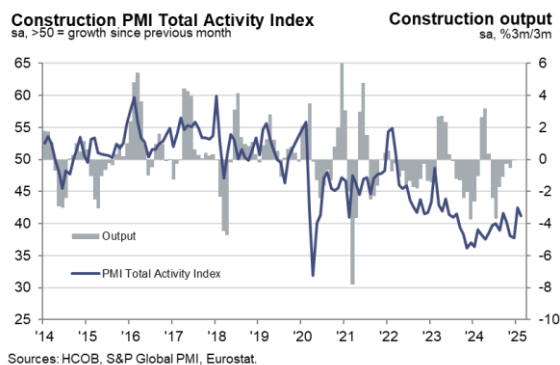
“The construction sector is still far from recovery. After a strong month-on-month increase in the headline PMI in January, companies couldn’t keep up the momentum and reported a faster fall in activity. This drop in performance can be seen in the residential construction sector, commercial real estate, and civil engineering. The recession hits hardest in residential construction and is the least severe in civil engineering. If the newly formed government decides to roll out a comprehensive infrastructure program, it would likely benefit civil engineering the most. However, the economic boost would also help other sectors of the construction industry.

“New orders are still scarce in the construction sector. Since spring 2022, orders have been dropping month after month. Currently, there are no signs that the construction industry will get more orders anytime soon. Against this backdrop, companies continue to cut jobs, with the pace of staff shedding remaining broadly steady for five months.

“Looking ahead, companies are slowly crawling out of the depths of depression. The index of future activity has actually risen to its highest level since February 2022. Although companies, on balance, still think that activity in a year’s time will be lower than it is today, the trend of rising confidence over the past three months shouldn’t be overlooked.

“A glance at the low capacity utilization in the construction sector, evidenced by the increasing availability of subcontractors over the past two years, shows that an economic stimulus package would be particularly effective right now. With low capacity utilization, new orders could be absorbed without significant price increases. In this sense, it’s a good time to kickstart the economy with a government infrastructure program.”

-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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