

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Germany Construction PMI<sup>®</sup>

## Construction activity falls in May, but expectations turn positive for first time in over three years

### Key findings:

Total Activity Index ticks down from April's 26-month high to 44.4

Business outlook brightest since early 2022

Cost inflation climbs to 27-month high

Data were collected 12-29 May 2025.

Germany's construction sector saw a slightly faster decline in activity in May, but firms' expectations for the coming year improved considerably and turned positive for the first time since the start of 2022, according to the latest HCOB PMI<sup>®</sup> survey.

The latest results meanwhile showed a sustained build-up of cost pressures across the building sector, with the rate of input price inflation rising to its highest in more than two years. That said, cost pressures remained subdued by historical standards, with improving delivery times on purchases still signalling a degree of slack in supply chains.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking month-on-month changes in total industry activity – registered 44.4 in May, coming in just below April's 26-month high of 45.1. Moving further below the neutral 50.0 threshold, the index signalled a slightly quicker rate of contraction in total industry activity.

At the sub-sector level, there were accelerated declines in both the housing and commercial activity segments. The former remained the weakest-performing category, in line with the trend observed for more than two years. More positively, civil engineering activity stabilised midway through the second quarter, thereby ending a 20-month sequence of contraction.

Similar to total activity, new orders across the German construction sector fell at a marginally faster rate in May, after posting the weakest decline in more than three years in April. Surveyed firms commented on a range of factors weighing on demand, including heightened levels of uncertainty and elevated prices.

Conditions were expected to improve in the coming year, however. Business sentiment in the German construction sector turned positive for the first time since the beginning of 2022, with confidence running well above the historical average. Reports from surveyed firms showed an expected boost to demand from increased infrastructure spending.

Staff retrenchment remained a theme across the construction sector, despite a brightening outlook for the year ahead. Moreover, the pace of job shedding quickened for the second month running and was the fastest since February. May also saw an accelerated reduction in subcontractor usage.

By contrast, the decline in purchasing activity among building companies in Germany eased for the fifth month in a row. Although buying levels were still falling at a substantial rate by historical standards, the latest decrease was the least marked for nearly three years.

Lead times on building materials and products meanwhile shortened for a fourth straight month in May. Furthermore, the extent of the improvement exceeded that seen in April.

On the cost front, building companies reported a rise in input prices for the third time in as many months. The rate of inflation rose to its highest since February 2023, although it was still comfortably below the long-run series average. Rates charged by

subcontractors likewise increased at a below-trend rate.

## Comment

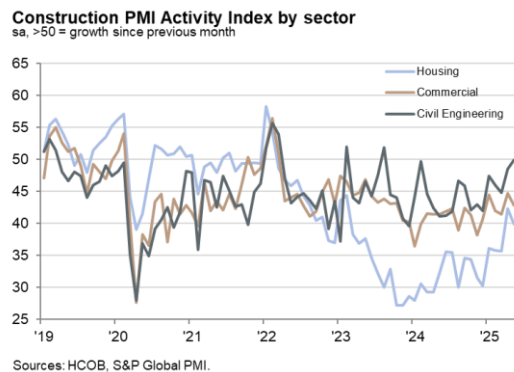
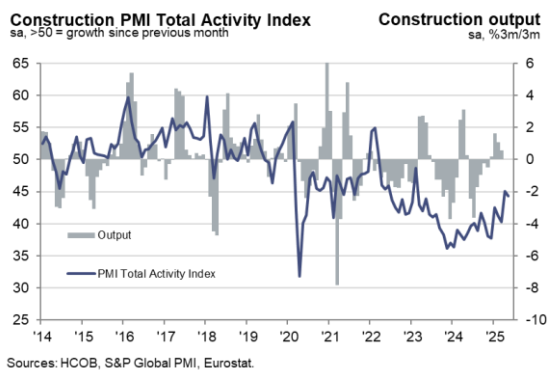
Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

*“Civil engineering is starting to shake off the slump. While we are not seeing actual growth just yet, the fact that the index has ticked up for two straight months is a good sign. The big infrastructure package from the federal government is still in the pipeline, but there is already more momentum behind ongoing projects. That is more than can be said for residential and commercial construction, which took another hit in May. With civil engineering making up about 14% of the sector’s value added, it is in a good spot to help pull things up, though it will not be able to do all the heavy lifting on its own.”*

*“The upward trend in long-term German government bond yields since December last year is likely to have contributed to the sharper downturn in both residential and commercial construction in May. The interest rate cuts by the European Central Bank are primarily relevant for short-term financing and have therefore only helped the sector to a limited extent. In residential construction in particular, the sector has taken two steps forward and then one step back in recent months, which suggests that the outlook is for only a slow improvement. In commercial construction, no clear direction can be derived from developments over the past six months. The sharp decline in new orders indicates that an economic turnaround is not imminent in overall construction. This is also supported by the fact that input prices have increased for the third month in a row, increasing pressure on the profitability of construction firms.”*

*“The mood has definitely improved. Not too long ago, things were looking pretty bleak, with the future activity index just a few points above the 2008 low. Fast forward to today, with a new federal government and an infrastructure plan in the works, and confidence is back to early 2022 levels. It will still take a bit before that optimism turns into real action on the ground. But if all goes well, 2026 could be the year when growth really kicks in, spreading from civil engineering into residential and commercial construction.”*

-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](mailto:economics@spglobal.com).

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