NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Construction PMI®

Construction new orders fall at softest rate for nearly three years

Key findings:

Slower drop in new orders aids softer fall in activity

Renewed shortening in suppliers' delivery times

Construction firms least downbeat on outlook since early-2022

Data were collected 12-31 March 2025.

The eurozone construction sector remained in contraction in March as activity fell sharply, according to the latest HCOB PMI® data. The extent of the downturn eased compared to the previous month, amid the softest reduction in new orders since April 2022, but it remained steep overall. In line with the trend for new orders, employment fell at a softer rate and only marginally, while retrenchment efforts also eased through slower reductions in input buying and subcontractor use. Cost burdens rose only moderately, while the 12-month outlook showed signs of stabilising with the respective Future Activity Index at the highest since March 2022.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — posted 44.8 in March, up from 42.7 in February. The latest data indicated a sharp decrease in total output at the end of the first quarter, albeit the second-weakest in nearly two years.

The decline in activity was driven by marked contractions in Germany and France, with the former experiencing the steepest decline in 2025 so far. French firms recorded a strong contraction that nonetheless eased compared to the previous month, while firms in Italy bucked the wider trend to record the fastest expansion since December 2023.

The housing sector continued to weigh heavily on total output and remained the worst-performing sector. At the same time, declines in civil engineering and commercial construction softened from February, with the latter experiencing the least marked reduction since February 2023.

Weak demand conditions across the eurozone construction sector drove the overall downturn, as new orders fell again in March. However, the rate of decline eased from February and was the least pronounced in just under three years. Both Germany and France registered slower falls in new business, while Italian companies recorded the strongest expansion in new orders for 15 months.

In line with the trend for new order inflows, eurozone construction firms cut their workforce numbers at the end of the first quarter. The rate of job shedding was only marginal and the softest since April 2023. German and French firms saw only modest falls in employment, while Italy recorded a marginal rise in staffing levels for the seventh consecutive month during March.

Latest data showed that construction companies displayed sustained, yet softer, signs of retrenchment as input buying fell further. Purchasing has now fallen consistently since June 2022, although the latest decline being the least pronounced for 23 months. The downturn was led by German and French firms as Italian constructors recorded the strongest increase since January 2024.

Weaker demand for inputs and lower purchasing activity reduced pressure on suppliers to eurozone construction firms. Lead times shortened for the first time in five months, as solid improvements in France and Germany more than offset a mild deterioration in Italy.

Meanwhile, input costs increased moderately in March. Inflation of operating expenses was little changed from the previous survey period and remained well below the series average. French firms saw no change in input prices during March, while Germany recorded only a fractional increase. On the other hand, firms in Italy saw cost inflation accelerate to the highest level since February 2023.

Eurozone construction companies remained downbeat in their expectations for output over the coming year at the end of the first quarter. However, the degree of pessimism softened from that in February and was the least pronounced since the current sequence of negative forecasts began three years' ago. The level of negative sentiment moderated in both Germany and Italy, while Italian firms expressed the strongest degree of optimism in six months.

Subcontractor availability improved solidly in March amid weak demand among eurozone construction companies, while subcontractor usage fell at a steep pace that was nonetheless the slowest for 16 months. Subcontractors also passed on higher cost burdens through raised rates, which increased to the greatest extent since last July. That said, the quality of work undertaken, as adjudged by survey respondents, was deemed to have deteriorated once again.

Comment

Commenting on the PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

"The construction sector in the eurozone is still in a deep contraction zone. Even though the HCOB PMI index recovered somewhat in March, the current value is still far from the expansion threshold. The activity index has been around this level for almost two-and-a-half years and does not appear to be moving away any time soon. Despite the ECB's recent interest rate cuts, the interest rate-sensitive sector has not been able to lift itself into the growth zone. We expect gains due to the planned German investment package by the government, which could start to benefit the construction sector from the end of 2025. Certainly, improvements in business expectations may be visible soon.

"The recession in the construction sector is broad-based. In all three sectors - residential, commercial and civil engineering - all declined in March. The residential construction sector remains notably poor, as it is the weakest of the three sub-sectors. Nevertheless, all three sectors were able to recover somewhat, with commercial construction at its highest level since February 2023.

"The weakness in demand was also clearly felt in March. Looking ahead, there is a glimmer of hope looking at the order situation. The HCOB PMI index for new orders improved noticeably, reaching its highest level in almost three years. German and French construction companies perceived a weaker decline in demand, while Italian companies reported the strongest demand in 15 months. Accordingly, employment figures for the eurozone as a whole were reduced again, but to a marginal extent, that was the smallest since April 2023."

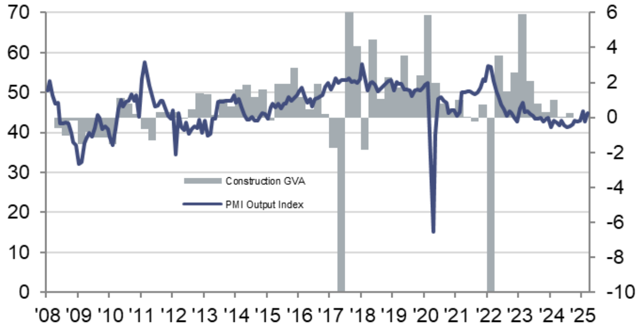
-Ends-

HCOB Eurozone Construction PMI Total Activity Index
sa, >50 = growth since previous month

Source: HCOB.

Construction PMI Total Activity Index
sa, >50 = growth since previous month

Construction Value Added
sa, %qr/qr



Sources: HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

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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

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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S&P Global (NYSE: SPGI)

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi

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