

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Construction PMI®

Dearth of new orders continues to weigh on construction sector in August

Key findings:

Total Activity Index ticks down slightly from July's 29-month high

Growth in civil engineering activity the main bright spot in August

Employment falls at weakest rate for almost three-and-a-half years

Data were collected 12-28 August 2025.

Weak demand conditions continued to weigh on the German construction sector midway through the third quarter, the latest HCOB PMI® survey data showed. New orders posted a further sharp fall, while the rate of decline in total industry activity quickened slightly after being the weakest for nearly two-and-a-half years in July. A return to growth of civil engineering output was the main positive development in August, alongside a noticeable slowdown in the rate of job shedding. Nevertheless, German building companies remained sceptical about the year-ahead outlook for activity.

On the supply side, constructors faced a sixth successive monthly rise in input costs, but the rate of inflation was only mild by historical standards having softened for the second month running. Average delivery times for purchased building materials and products meanwhile quickened only slightly and showed the weakest improvement since February.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking month-on-month changes in total industry activity – came in at 46.0 in August, down slightly from July's 29-month high of 46.3. A reading below 50.0 indicates lower activity, and the further below the critical 50.0 threshold the faster the rate of contraction signalled.

Compared to the situation in July, it was a case of roles reversed for the commercial and civil engineering segments. After recording growth for the first time in more than three years at the start of the third quarter, commercial activity fell sharply and to the greatest extent since March. Work on infrastructure projects, on the other hand, rose solidly and for the second time in the last three months, following a setback in July. The decline in housing activity, although remaining sharp overall, eased to the weakest for two-and-a-half years in August.

The principal factor weighing on overall construction activity remained a lack of new work. The rate of contraction in new orders remained sharp, despite easing slightly from that seen the month before. Weak demand for building work partly reflected sluggish economic conditions and high costs in the construction sector, anecdotal evidence showed.

Related to the dearth of new work, constructors were pessimistic about the year-ahead outlook for activity. Furthermore, sentiment was the weakest for four months in August.

Firms faced a rise in average prices paid for purchases in August, in line with the trend seen in each month since March. That said, amid a steep and accelerated decline in constructors' buying levels, the rate of input price inflation slowed for the second month running and was well below its long-run average. Rates charged by subcontractors rose to the greatest extent for just over a year, but here too the pace of inflation was subdued by historical standards.

On the employment front, latest data showed further signs of a stabilisation in construction workforce numbers. The pace of job shedding slowed for the third month running in August, leading to only a marginal reduction in employment that was the weakest recorded since the current decline in staffing levels began in April 2022.

Comment

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

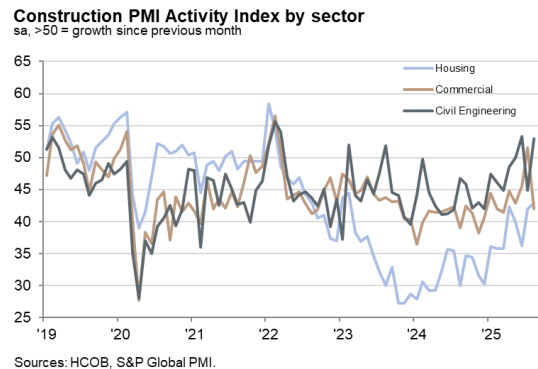
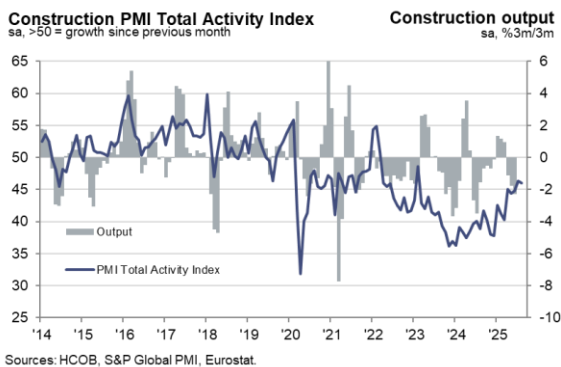
“Germany’s construction sector is still struggling to gain traction. Residential construction continues to shrink at a relatively steep pace, and commercial building activity has taken a sharp hit after a surprise uptick in the previous month. The only bright spot is civil engineering, which showed solid growth in August – likely benefiting from the federal government’s infrastructure program. That dip in the previous month now looks more like a one-off.

“The cautious optimism seen a few months ago has given way to growing pessimism. The index tracking future activity has dropped significantly. Persistently high long-term interest rates and the perception that the new government is also having trouble turning its promises into actual legislation seem to be weighing on sentiment.

“Input price inflation has eased slightly and is now well below the average of recent years. But after the price surge in 2021/22, levels have only partially normalized. Production costs remain high, which continues to hold back momentum in the construction sector.

“There are a few faint signs of a recovery in demand. For instance, supplier delivery times have improved very little, with the index now at its lowest level since February. Also, while the availability of subcontractors is still rising, it’s doing so at a slower pace than the month before. Subcontractors have also raised their prices a bit more than in previous months, which fits the picture. Still, overall conditions remain tough, and any recovery is likely to be slow and gradual.”

-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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