

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Construction PMI®

Construction sector ends Q1 still firmly in contraction, but business expectations improve

Key findings:

Total Activity Index at three-month low of 40.3 in March

Slower declines in new orders, employment and purchasing activity

Expectations – though still pessimistic – reach highest for over three years

Data were collected 12-28 March 2025.

Germany's construction sector ended the first quarter still firmly in contraction territory, with the rate of decline in activity even quickening slightly amid a dearth of incoming new work, the latest HCOB PMI® survey results showed.

Building firms remained in retrenchment mode as they reduced both their employment and purchasing activity in March. However, the respective rates of decline were noticeably slower than the month before. This coincided with a further improvement in firms' activity expectations, which were the least pessimistic for more than three years.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking month-on-month changes in total industry activity – came in at 40.3 in March. This was down from 41.2 in February and the lowest reading in the year to date.

Of the three broad construction categories monitored by the survey, the residential sector continued to exhibit the fastest overall rate of decline. Its pace of contraction in March was similar to those recorded in the opening two months of the year. Then it was commercial activity, which fell markedly and to the greatest extent since last December. Civil engineering also posted its worst performance for three months, but it remained by far the most resilient of the three sectors.

Demand was severely constrained across the German construction sector during March. This was attributed by surveyed businesses to a number of factors, including slow decision-making among customers, high prices and financing costs, and weakness in the domestic manufacturing sector. The rate of decline in new orders remained sharp, although it eased for the second month running to the weakest since last October.

Building companies in Germany trimmed their workforce numbers at the end of the first quarter, in line with the trend observed throughout the past three years. However, the pace of job shedding slowed sharply to its weakest since April 2023, signalling only a modest drop in employment.

The latest decline in constructors' purchasing activity was likewise the least marked for nearly two years in March. On this front, however, the pace of contraction was still historically strong.

Lower demand for building materials and products helped to reduce pressure on suppliers and contributed to faster delivery times on purchases. Furthermore, March's improvement in vendor performance was much greater than that seen in February and the most marked for six months.

Average prices paid for purchases meanwhile ticked up slightly and for only the second time in a year. The rate of inflation was considerably slower than the average recorded over the series history, however. Constructors also reported an increase in rates charged by subcontractors.

Lastly, March's survey showed a notable improvement in constructors' expectations for activity in the coming year. Sentiment remained in negative territory, reflecting concerns over a lack of new orders, high price levels, tight household budgets and weakness in manufacturing. However, plans for a boost in infrastructure spending helped lift sentiment to its highest since February 2022.

Comment

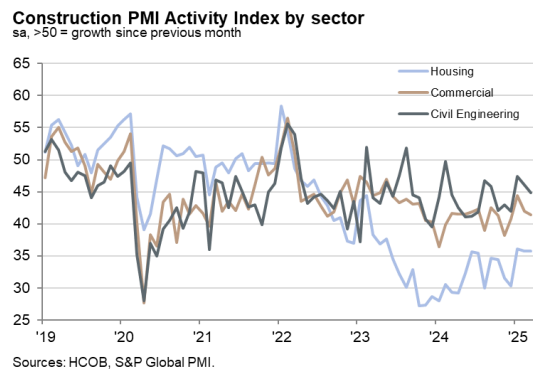
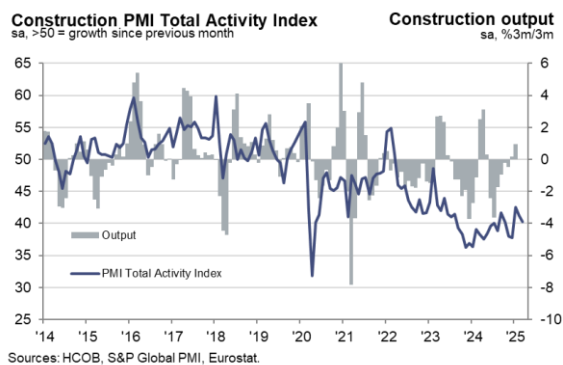
Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

“The sustained decline in activity in the construction sector may at first glance be surprising given the planned 500 billion euro special infrastructure fund. But of course it is much too early to expect a surge in growth just yet. What can be observed is that the index of future activity has jumped. However, it is still in the pessimistic zone, showing that companies are a bit sceptical about when and if the funds will actually be available. Things might look up once the coalition agreement is sorted and the new government is in place. The special fund is definitely a step in the right direction, giving companies some planning security and ensuring that public investment is not just a year-to-year decision.”

“Across the board, things are not looking great. Residential construction, commercial real estate, and civil engineering all saw a faster decline in activity in March. Residential activity is under the most pressure, followed by commercial real estate. Civil engineering had shown some signs of stabilizing earlier this year but has taken another hit. However, this sector stands to benefit the most from the new infrastructure program. The approval of special funds means civil engineering companies can expect more follow-up projects, which should boost their willingness to maintain or expand their workforce and invest in new machinery. In fact, job cuts slowed sharply in March, hitting their lowest level since early 2023.”

“The availability of subcontractors has risen again, indicating relatively low capacity utilization. This aligns with the 60% capacity utilization reported by Destatis. For once, this is good news for the German economy because it means that the planned increase in infrastructure spending will likely boost construction activity rather than just drive up prices. With the infrastructure fund decision, the conditions are in place for a recovery in the construction sector.”

-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

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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