

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

Downturn in eurozone construction activity strongest in five months

Key findings:

Downturn in activity deepens further

Rapid and accelerated decline in new orders

Pessimism strongest since February

Data were collected 10-31 July 2025.

The start of the second half of 2025 signalled a further contraction in eurozone construction activity, according to the latest HCOB PMI[®] survey data. By sector, the decline was again driven by a rapid decrease in housing construction. The sharp decrease in overall construction activity resulted from a deepening slump in new orders. The rate of reduction here was the strongest since February. Weakening production requirements fed through to firms' hiring decisions and more so in their purchasing activity. Buying of inputs and raw materials was curtailed at the fastest rate in the year to date. Moreover, firms were increasingly pessimistic about future activity.

Falling for a third month running, the HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — posted 44.7 in July from 45.2 in June. The latest figure signalled that activity fell at the strongest rate since February. The index has now posted below the neutral mark of 50.0 that separates expansion from contraction for a thirty-ninth straight month.

The three largest eurozone economies all recorded declines in construction output during July. France registered the strongest decrease, with the rate of reduction the fastest in ten months and marked overall. Meanwhile, German construction companies remained on a path to recovery, with the rate at which output falling still sharp but the weakest in nearly two-and-a-half years. Lastly, while construction activity across Italy fell modestly, the first decline in five months.

A renewed and sharp fall in civil engineering activity meant that the most latest decrease in construction output was reflected across all three sectors monitored by the report. While the housing sector recorded and the strongest drop in activity, the rate of decrease was the weakest since April. Similarly, commercial construction output fell sharply but to the weakest degree in three months.

The continued curtailment of construction activity was primarily attributed to weak demand conditions, as evidenced by a sharp drop in new orders. For a third consecutive month the downturn in order books intensified, resulting in the steepest decline since February. German and French construction companies reported accelerated decreases in new sales. Meanwhile, Italy, which had been defying the trend since December 2024, fell into contraction territory in July by recording a modest reduction.

In response to declining new order inflows, construction firms in the eurozone reduced their payroll numbers in July. Job shedding has been observed on a monthly basis since March 2023, with the latest round of decrease in headcounts solid overall. French firms experienced the steepest decline among the three measured economies, while the downturn in Germany was relatively softer and the weakest in four months. Conversely, Italy continued to buck the trend, recording its eleventh consecutive monthly increase in construction employment during July.

The decline in construction requirements also impacted firms' purchasing practices. July saw a rapid reduction in purchasing activity, with the rate of decline the fastest since December of last year. All three of the eurozone's largest economies experienced a decrease, with companies in France registering the most rapid rate of reduction.

Eurozone construction firms reported weak demand for subcontractors in July. Utilisation fell sharply, with the rate of decrease slightly stronger than that observed in June, thereby extending the current run of contraction to 40 consecutive months. At the same time, subcontractor availability improved at the strongest rate in ten months. Rates charged by subcontractors across the region rose modestly. The upturn was broadly in line with the long-term average.

Input prices at eurozone construction firms rose sharply in July, albeit at the slowest pace in three months. The rate of input price inflation remained comfortably below the survey average, a trend consistent across German, French, and Italian construction companies. However, while the former two experienced weaker increases in construction expenses on the month, Italy saw a slight acceleration in the pace of inflation, albeit still registering the weakest rise among the three monitored economies.

Overall sentiment among eurozone building companies remained negative in July, with pessimism regarding future activity the worst in five months. Italian construction firms were alone in projecting an increase in activity, although the level of confidence here slipped to a six-month low. Meanwhile, French firms experienced a deepening sense of pessimism across its construction sector and were more downbeat than their German counterparts, who were less pessimistic compared to June.

Comment

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

"The European construction sector continues to decline. According to the HCOB Eurozone Construction PMI, construction activity fell sharply again in July. The three countries—Germany, France, and Italy—were weak at the start of the second half of 2025, with the French construction sector contracting the most. The employment situation remains weak, new orders continue to decline, and European construction companies themselves are not particularly optimistic about the coming twelve months."

"All three sectors—residential, commercial, and civil engineering—contracted in July. Even though residential and commercial construction are no longer shrinking as sharply as they did in June, the recession is clearly visible. Civil engineering is not trending any better."

"The outlook for European construction companies remains weak. New orders continue to decline and fell by nearly four index points in July, and the employment situation remains tense. The construction companies themselves expect weak activity over the coming twelve months, with only the Italian companies remaining optimistic."

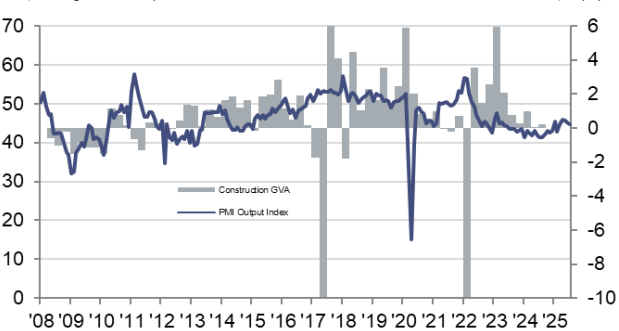
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HCOB Eurozone Construction PMI Total Activity Index
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

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



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

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