

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

Eurozone construction activity contracts at slower pace in February

Key findings:

Reductions recorded across all three monitored segments

Cost inflation at highest in nearly three years

Business confidence reaches highest level since February 2022

Data were collected 10-27 February.

The eurozone construction sector recorded a further decline in activity in February, though the rate of contraction eased from that seen a month prior, according to the latest HCOB PMI[®] survey data. A solid decrease in output was driven by a sustained, albeit softer reduction in new orders, while downturns in the housing and commercial sectors also eased. The civil engineering sector saw a renewed and solid contraction, however. At the same time, job shedding resumed in February, and at the sharpest rate in three months, while cost pressures accelerated again to reach the steepest since April 2023.

The outlook for the sector meanwhile, turned positive for only the second time in four years, with the degree of optimism reaching the strongest since February 2022.

The HCOB Eurozone Construction PMI[®] Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — rose from 45.3 in January to 46.0 in February. The latest data signalled a solid drop in output across the sector, but one that eased from that seen a month prior.

Contractions in construction activity were observed across both Germany and France at similar rates, with the former seeing an accelerated decline. Italian companies registered growth for the first time in four months, albeit at a marginal rate.

At the sector level, the overall downturn was broad-based across the three monitored segments. The residential sector remained the worst-performing sector, followed by commercial activity. That said, the respective rates of reduction eased from those seen in January. Civil engineering fell back into decline following a slight uptick at the start of the year, and at the most pronounced rate since May 2025.

Demand conditions at eurozone construction firms deteriorated further in February, although the pace of contraction eased on the month to the softest in three months. Weakness in the sales environment was evident in Germany and France, with both experiencing steeper reductions on the month. Conversely, firms in Italy recorded a rise in new order intakes for the first time in four months and at the fastest pace since last June.

On the price front, cost pressures faced by construction firms strengthened during February. As a result, the rate of input price inflation reached the highest since April 2023. The overall increase in cost burdens was led by the fastest increase in Italian operating expenses since January 2023, while input price inflation hit a five-month high seen in Germany. French firms meanwhile saw their cost burdens ease slightly, however.

Despite this, constructors registered a slightly softer rise in rates charged by subcontractors. That said, subcontractor usage was reduced markedly, contributing to a stronger rise in their availability.

Lower new order inflows led firms to reduce their staffing numbers midway through the first quarter, reversing the slight uplift seen in January. The rate of reduction was modest overall, but the sharpest since last November. There was a renewed fall in the German construction sector. French companies registered a further moderate decline in headcounts, while Italy saw employment levels rise modestly.

Input buying at eurozone construction firms declined again, taking the current contraction sequence to 45 months. France and Germany recorded sharp and accelerated decreases in purchasing activity. Firms in Italy meanwhile recorded a fractional rise in input purchases in the latest survey period that was the first in five months.

Despite muted demand for inputs, average lead times lengthened solidly during February and to the most marked extent for exactly two years. All three monitored countries saw deteriorating vendor performance led by Germany. Italian companies saw the steepest deterioration since last July.

Construction firms in the eurozone registered optimism about their activity outlook for the coming year for the first time in nine months. The degree of positive sentiment was moderate but the most pronounced since February 2022. Expectations among German firms were the most upbeat for six years, and also strengthened in Italy. This contrasted with sustained pessimism in France, though the degree of negative sentiment was only fractional and the least marked in the current 21-month sequence.

Comment

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

"The economic situation in the eurozone construction sector remains unsatisfactory. In February, weakness was observed across all three sectors monitored, namely residential, commercial, and civil engineering, after civil engineering had shown initial signs of recovery in the previous month. At the country level, the picture is somewhat more mixed. Italy's construction sector is returning to growth, while weakness persists in Germany and France."

"While civil engineering expansion in Germany has stabilized, this sector remains volatile in France and Italy and is weighing on the sector as a whole. In Germany, civil engineering is benefiting from the government's infrastructure package and has been growing steadily for four months. Although there was a slight slowdown in the rate of expansion in February, this is likely to be partly due to the unusually cold weather conditions. In Italy, civil engineering returned to contraction after a brief upturn in January, while in France the downward trend among the relevant companies deepened. Given the problems faced by the minority government in France in pushing through major projects, we do not expect any fundamental improvement in civil engineering here."

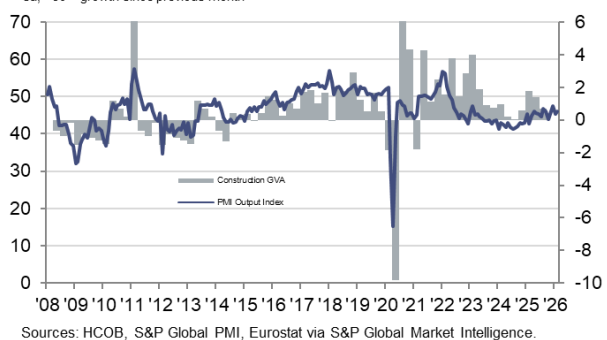
"Construction cost inflation has risen significantly in Italy and Germany, while it has eased somewhat in France. Higher energy prices are likely to have been the main factor behind this overall increase, as oil prices rose in February in response to mounting tensions in the Middle East. Given the crisis in this region, which catapulted oil and natural gas prices upward at the beginning of March, the cost situation for construction companies is likely to worsen, at least in the short term."

-Ends-

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



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



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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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