

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
Embargoed until 0930 CET (0830 UTC) 6 February 2025

# HCOB Germany Construction PMI®

## German construction sector starts 2025 still firmly in contraction, but its rate of decline slows

### Key findings:

Total Activity Index at 20-month high of 42.5 in January

Expectations still deeply pessimistic despite seeing some improvement

Purchasing costs down slightly

Data were collected 9-30 January 2025.

Construction activity in Germany continued to fall during the opening month of the year, weighed down by sustained headwinds to demand, the latest HCOB PMI® survey results showed. That said, its rate of contraction slowed to the weakest for more than a year-and-a-half, and firms were less downbeat about the outlook than in recent months.

Building companies remained firmly in retrenchment mode in January, cutting both employment and purchasing activity. The ensuing weakness in demand across supply chains contributed to a renewed, albeit only slight, decline in prices for building materials and products.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking month-on-month changes in total industry activity – came in at 42.5 in January, up from 37.8 in December. Although still firmly below the 50.0 threshold that separates growth from contraction, the latest reading was the highest seen since May 2023.

January saw slower decreases in activity across each of the three broad construction categories monitored by the survey. The smallest decline was in the civil engineering sector, where activity fell only modestly and at the weakest rate for 11 months. The latest contractions in housing and commercial activity were both the softest since May 2023, although the former still fell sharply overall.

Activity across the construction sector continued to be held back by a lack of demand. Surveyed firms remarked on a dearth of tender opportunities, highlighting the influence of high building and borrowing costs as well as general weakness in the economy. January's decrease in new orders was in fact the most marked since the opening month of last year.

Lower workloads once again translated into job cuts at the start of the year, meaning construction sector employment has now fallen in each of the past 34 months. The rate of staff retrenchment was slightly faster than the average over this period. The use of subcontractors also decreased sharply, and there was an associated improvement in their availability and a further – albeit marginal – reduction in the rates they charged.

As well as trimming workforce capacity, German constructors scaled back their purchasing activity in January. The rate at which buying levels fell was the slowest for three months but still marked by historical standards.

Lower demand for building materials and products in turn imparted downward pressure on purchase prices. January saw average input costs fall for the first time in three months, albeit only modestly.

Average lead times for purchases meanwhile lengthened slightly. This ended a ten-month sequence of improving vendor performance.

Looking ahead, January's survey data indicated that, on balance, German building companies expect their activity levels to fall

over the next 12 months. Surveyed businesses identified a number of threats to the outlook, including market uncertainty, still relatively high interest rates, and weakness in the wider economy. Expectations were however the least pessimistic since last June.

### Comment

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

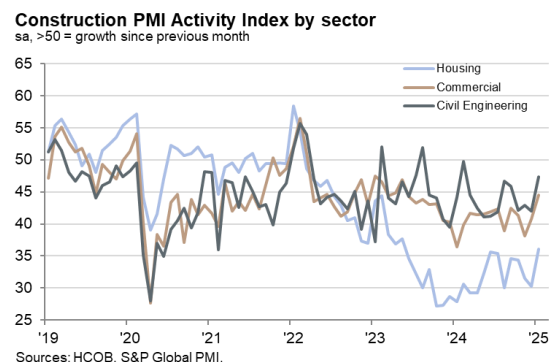
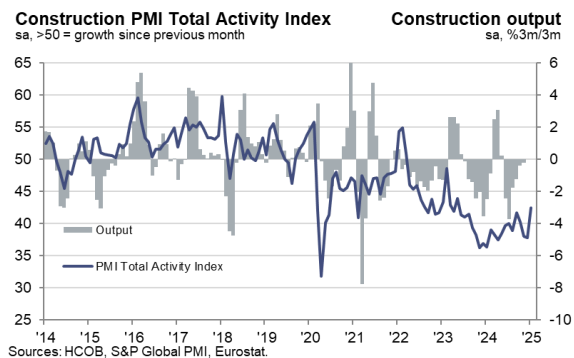
*"The new year is starting off less bleakly than the old one ended. The construction PMI has reached its highest level since May 2023, and the recession, which has been ongoing since spring 2022, has slowed significantly across all sectors. The noticeable relief may have something to do with the fact that market participants expect the European Central Bank to cut interest rates further. Additionally, the construction sector is less exposed to the threat of US tariffs, making activity in this sector more attractive."*

*"In relative terms, the residential construction sector remains in the worst condition, followed by commercial construction and civil engineering. However, the expansion threshold is gradually coming into view again in civil engineering. Whether this sector will actually grow again soon will largely depend on the investment plans of a new federal government. If they fail to reform the debt brake or create infrastructure companies with their own debt capacity, the dry spell in this sector is likely to continue even longer."*

*"The trend in new orders is sobering. The decline in new orders has accelerated and is at its lowest level in 12 months. Consequently, construction companies have cut jobs at a similar rate to the previous month. Without a revival in new orders, a noticeable economic upturn in the construction sector is not expected this year."*

*"For the time being, capacity underutilization in the construction industry is likely to continue. This is indicated by the decline in the use of subcontractors, which, although not as steep as before, remains very pronounced, while the availability of subcontractors index remains at an above-average level. When it comes to remuneration, subcontractors evidently have below-average pricing power in historical terms, although the situation brightened slightly for them in January."*

-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](mailto:economics@spglobal.com).

## Hamburg Commercial Bank AG

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