NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Construction PMI®

Sharpest contraction in eurozone construction sector for three months

Key findings:

Decline in activity fastest in three months

New orders continue to fall markedly

Construction firms less pessimistic regarding year-ahead outlook

Data were collected 10-28 February 2025.

The eurozone construction sector recorded a further decline in activity midway through the first quarter, with the rate of contraction strengthening compared to that seen at the start of 2025, according to the latest HCOB PMI® data. A sharper decrease in total output was driven by a marked reduction in new orders, with the downturn in activity quickening across the three monitored sectors. Companies in the currency bloc remained in retrenchment mode, as employment and input buying were reduced again, although businesses were less pessimistic than in recent months

Meanwhile, cost pressures eased during February, remaining well below the long-run survey trend.

The HCOB Eurozone Construction PMI Total Activity Index — a seasonally adjusted index tracking monthly changes in total industry activity — fell from 45.4 in January to 42.7 in February. The latest data signalled a steep drop in output across the sector, marking the most pronounced decline in three months.

Contractions in construction activity were observed across the three largest eurozone economies, with the fastest decline recorded in France. The downturn gained momentum here and in Germany, while Italian companies experienced their first fall in activity levels since last November.

The overall downturn also stemmed from steeper reductions in the three monitored sectors: housing, commercial, and civil engineering. The residential sector remained the worst performer in February, while civil engineering activity fell at the fastest pace in eight months. Commercial construction also posted a sharp decline in activity during February.

Demand conditions at eurozone construction firms deteriorated markedly in February, though the pace of contraction eased slightly, reaching the least pronounced decline in four months. Weakness in the sales environment was evident in Germany and France, with the latter experiencing a stronger reduction than in January. Conversely, firms in Italy recorded a third consecutive monthly rise in new order intakes.

On the price front, cost pressures faced by construction firms were more subdued in February. The rate of input price inflation eased to the slowest since last November, with the overall pace of increase weighed down by the fastest decrease in German cost burdens in four months. Operating expenses in Italy, meanwhile, rose at the strongest rate in a year.

Constructors registered a stronger rise in rates charged by subcontractors, despite the easing of cost pressures in February, as fees increased at the quickest pace since last July. Although subcontractor availability continued to rise moderately, the quality of their work was adjudged to have deteriorated further, contributing to another robust drop in their usage.

Lower new order inflows led firms to reduce staffing numbers in February, extending the current period of job shedding to two years. The rate of reduction was solid overall, amid stronger declines in employment in the French and German construction sectors. Italy, however, registered a modest uptick in headcounts.

Meanwhile, input buying at eurozone construction firms declined again, extending the current sequence of contraction to 33 months. The three largest economies all saw purchasing activity scaled back, with German and French firms recording sharp contractions. The decline at Italian firms was only fractional.

Despite weaker demand for inputs, lead times lengthened for the fourth consecutive month. Moderate deteriorations in supplier performance in France and Italy weighed on delivery times across the region, offsetting a marginal improvement in Germany.

Construction firms in the eurozone remained pessimistic about their output outlook for the coming year, as they foresee a drop in overall activity. The degree of negative sentiment was, however, the least pronounced since June 2024. Expectations among Italian firms were the most upbeat in five months, contrasting with sustained, albeit softer, pessimism among German and French constructors.

Comment

Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

“Unpleasant signals come from the Eurozone construction sector as the HCOB Eurozone Construction PMI in February shows deepening weakness that does not seem likely to fade soon. The recession now encompasses all three major Eurozone economies: Germany, France, and Italy. Although the ECB, particularly Executive Board member Isabel Schnabel, has signaled a pause in the rate-cutting phase to await further dynamics, the construction sector makes it clear that a delay in rate cuts in interest-sensitive areas can be fatal.

"The weakness encompasses all subsectors: residential construction, commercial construction, and civil engineering. Residential construction remained the laggard in February, while civil engineering declined at its fastest pace in eight months. Commercial construction also saw a significant drop in activity in February. Weak demand now appears to be slowly affecting price developments, although input prices are rising slightly. Notably, subcontractor prices are rising again, despite a sharp decline in their usage.

"The outlook remains deeply pessimistic. Order intake is falling sharply, and business prospects for the next twelve months, despite a significant increase from the previous month, remain in contraction. Employment is shrinking correspondingly. In France, the construction sector is suffering from a sharp decline in new construction activity, leading to a drop in employment. In Germany and Italy, construction employment figures are also declining, driven by rising construction costs and a weakening construction economy."

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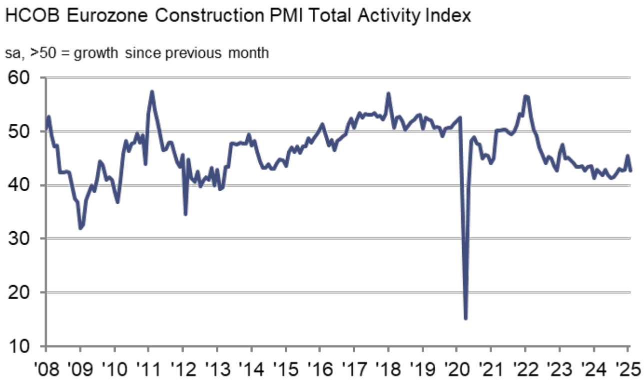

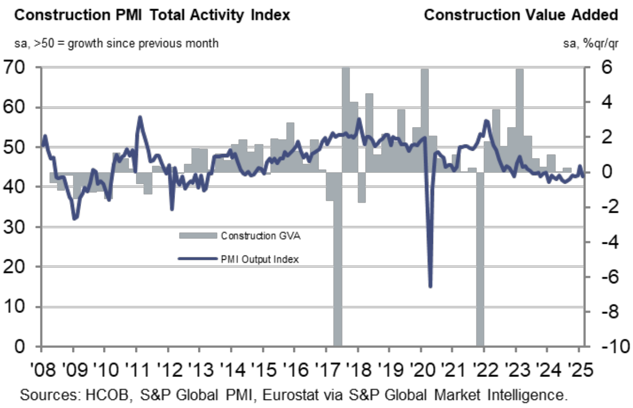

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Note to Editors

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.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

S&P Global (NYSE: SPGI)

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