NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

French construction sector remains mired in steep contraction

Key findings:

Construction falls sharply and in broad-based manner

Residential sub-sector endures steepest decline once again

Year-ahead expectations worsen further, with activity predicted to fall

Data were collected 12-30 May 2025.

According to the latest HCOB PMI® survey data, France's construction sector remained stuck in a sharp downturn midway through the second quarter. May's fall in activity extended the period of decline to exactly three years. All three of the broad construction segments posted reductions, with housing continuing to endure the most rapid deterioration.

Weak sector conditions were further highlighted by other sub-indices from the PMI survey, with new orders, employment and purchasing activity all registering decreases. Looking ahead, French constructors anticipate activity levels to decline over the coming 12 months.

The headline **HCOB France Construction PMI® Total Activity Index** — which measures month-on-month changes in total industry activity — posted 43.1 in May, well below the 50.0 no-change mark and signalling a sharp contraction in total industry activity. Furthermore, having fallen slightly from 43.6 in April, the headline index fell to its lowest level in three months and indicated an accelerated pace of decline.

May's reduction in total activity marked three years of continuous decline for the sector. Each of the three monitored types of construction activity decreased during May. Housing remained the main source of weakness for the sector, recording another steep reduction in building work during the latest survey period. Marked and accelerated falls were also seen for both commercial and civil engineering activity.

New business received by French construction companies declined further midway through the second quarter. New orders have fallen continuously since April 2022. Slow decision-making by clients was reportedly a factor that weighed on new project wins, anecdotal evidence showed. The deterioration in demand was the quickest since February.

Amid shrinking new order volumes, French constructors cut their purchases of building materials in May. Although the rate of reduction was sharp, it was the softest in a year. Lower buying volumes took pressure off suppliers, facilitating faster delivery times. In fact, vendor performance improved to the greatest extent since November 2017.

French constructors continued to trim their workforce numbers midway through the second quarter. The rate of job shedding was, however, only marginal and the weakest for nine months.

There was a slight uptick in cost pressures faced by French construction firms. Although the increase in input prices was the quickest for three months, it was historically muted. Additionally, there was a fresh increase in subcontractor rates.

Looking ahead, French constructors were more pessimistic towards the 12-month outlook for activity. Low demand was cited as a reason to be downbeat towards future prospects, anecdotal evidence revealed. The overall level of negative sentiment was the greatest since February.

Comment

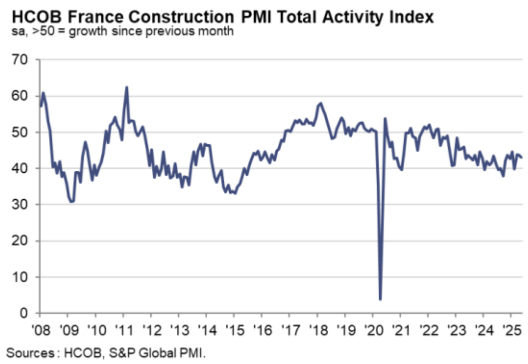
Commenting on the PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

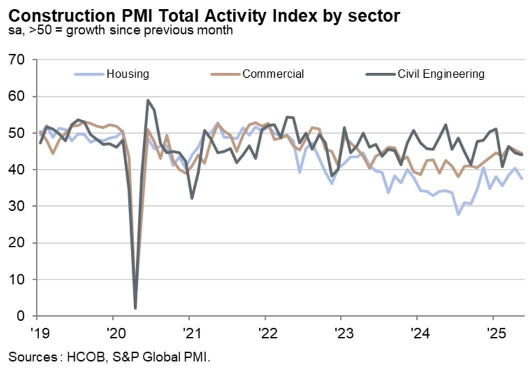
"France's construction sector is in a prolonged slump and the latest HCOB PMI data from May paints a bleak picture. We're now looking at a full three years of continuous decline in overall activity, a rare and worrying stretch. The downturn is broad-based, hitting all major segments: residential, commercial, and civil engineering. Housing remains the hardest hit, with nearly 27% of firms reporting a drop in residential activity, marking the steepest fall in three months. Commercial construction isn't far behind, and even infrastructure projects, which are typically more stable, are seeing a marked slowdown. When all three legs of the stool are wobbling, it's no surprise the whole sector is in a prolonged downturn.

"The demand side is offering little relief. New orders have been falling since April 2022, and this May saw an even steeper drop versus the previous month. Clients are waiting, decision-making is sluggish, and the pipeline of new projects is drying up fast. In response, construction firms are pulling back: purchasing activity is down, hiring is being scaled back, and sentiment about the future is turning increasingly pessimistic. While job cuts remain modest for now, the fact that companies are trimming even in a tight labor market suggests they're bracing for a longer downturn. Confidence in the 12-month outlook has hit its lowest point since February, with many firms expecting activity to fall even further.

"There is, however, a small silver lining. Though it's more a symptom of the slowdown than a sign of recovery. With fewer orders and lighter workloads, suppliers are delivering materials faster than they have since 2017. That's good news for efficiency, but it also reflects just how quiet things have gotten in the French construction sector. Additionally, input prices are creeping up again, and subcontractor rates are rising, but overall cost pressures remain historically muted. In short, the sector is stuck in a low-gear cycle: weak demand, cautious spending, and a cloudy outlook. Unless there's a meaningful shift in policy, investment, or consumer confidence, France's construction industry may be facing a long road to recovery."

-Ends-





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Note to Editors

The HCOB France 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 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. 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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S&P Global (NYSE: SPGI)

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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