

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

Construction activity falls at weakest pace in 14 months

Key findings:

Construction recession eases in January, but activity declines markedly

Civil engineering growth more than offset by lower housing and commercial work

Input cost inflation quickens to 16-month high; business confidence falls

Data were collected 9-31 January 2025.

The HCOB PMI® survey for January suggested that France's construction downturn extended into the opening month of 2025, with marked decreases in housing and commercial building activity dragging sharply on the industry. However, contractions here slowed, while a quicker increase in civil engineering activity meant the decline at the broader sector level cooled to its weakest in over a year.

Constructors were challenged by persistent demand weakness as new order inflows continued to fall sharply. Cost pressures also intensified at the start of the year. Looking ahead, businesses remained downbeat towards the outlook for activity 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 below the 50.0 no-change mark in January, indicating a continuation of the construction sector's downturn that has been ongoing since mid-2022. However, at 44.5, this was up from 42.6 in December and signalled the slowest rate of decline since November 2023.

There were some signs of an underlying pick-up in the construction sector at the start of the year. In particular, civil engineering activity rose for a second straight month and at the quickest pace since May 2024. However, the upturn here was only modest overall and more-than-counteracted by further (albeit weaker) decreases in residential and commercial construction work. As has generally been the case for the past three years, housing was the worst-performing segment.

Sluggish demand remained a challenge for French constructors in January. Fewer calls for tender, client hesitancy and high borrowing costs reportedly led to a reduction in new orders, according to respondents. That said, the rate of decrease was the slowest since last September.

Lower new business wins and a subsequent fall in construction activity requirements led firms to trim purchases of materials at the start of the year. The decrease was marked but the softest seen in eight months.

However, the acquisition of recent purchases came with some difficulty for firms in January. Suppliers' delivery times lengthened to the greatest extent in close to a year.

Other areas where French constructors made cutbacks were employment and subcontractor usage. Excluding April 2024, workforce numbers have declined continuously for almost two years.

Concurrently, surveyed companies reported an intensification of cost pressures in January. The rate of input price

inflation was the steepest for 16 months.

Looking ahead, French constructors were pessimistic on balance towards the 12-month outlook for activity. In fact, the proportion of companies predicting a drop in activity (36%) was double those anticipating growth (18%). Concerns regarding demand conditions dampened sentiment.

Comment

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

"The French construction sector is struggling with no signs of improvement. The HCOB Construction PMI rose slightly in January but remains firmly in contraction territory. Civil engineering is the only bright spot with moderate growth, while residential and commercial construction continue to face severe crises. The ECB is likely to be particularly concerned about the construction sector when considering interest rate cuts. However, ECB council members are increasingly focused on persistent inflationary pressures, especially from the services sector. Consequently, the willingness to swiftly and drastically improve financing conditions is currently limited. Rapid relief from the monetary policy front is unlikely for French construction companies.

"Cost increases are a reality in the construction sector. Although overall French inflation as measured by the Consumer Price Index for January is below the ECB's inflation target of 2%, input cost pressures for French construction firms intensified, according to the HCOB PMI, but remain below the historical average. The only advantage firms are gaining from the current crisis is that subcontractor prices are falling. However, this is also a sign of limited pricing power in this market environment.

"The outlook in the construction sector is increasingly bleak. The year 2025 is expected to be highly sobering for French construction firms. Order books are falling at a significant pace, and future activity expectations have declined. Survey respondents are deeply concerned about demand dynamics. It is therefore not surprising that construction companies are making layoffs, albeit at a very slow pace compared to the previous month. Some panellists reported that departing employees were not replaced, while others stated that staffing levels were adjusted in line with reduced activity."

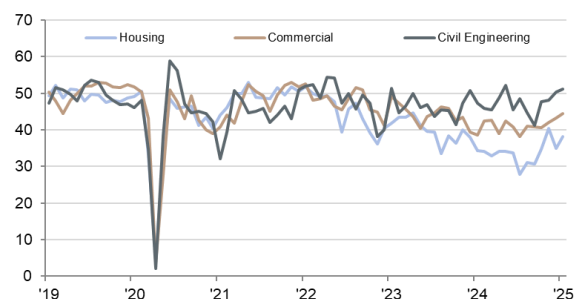
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

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



Sources: HCOB, S&P Global PMI.

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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

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