

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

Housing-led construction downturn continues in France

Key findings:

Residential sub-sector weighs harshly on construction activity in France

New orders and employment fall, but at reduced rates

Costs stabilise in March and business outlook turns less downbeat

Data were collected 12-31 March 2025.

France's construction industry remained mired in a downturn at the end of the first quarter, posting another sharp fall in activity levels when compared to the previous month. As has generally been the case throughout the sector's almost three years of decline, the housing sub-sector provided the sharpest drag on total industry activity.

That said, input costs stabilised in March, ending a nine-year sequence of inflation. Additionally, rates of contraction in both new orders and employment eased, with the vast majority of panellists reporting unchanged staffing capacity. Meanwhile, business confidence ticked up to a nine-month high.

The headline **HCOB France Construction PMI[®] Total Activity Index** — which measures month-on-month changes in total industry activity — registered 43.8 in March. By posting below the 50.0 no-change threshold by a notable margin, the indicator signalled a sharp monthly reduction in total industry activity at the end of the first quarter. However, the headline index rose from 39.8 in February, therefore pointing to a slower rate of contraction.

Underlying data revealed that housing activity was the main downward pull on total industry work volumes in March, as has generally been the case since the construction sector downturn began in mid-2022. Residential building once again saw a steep monthly fall at the end of the first quarter. The commercial and civil engineering segments also saw contractions on the month, but rates of decline cooled markedly since February in both instances.

French constructors reported weaker intakes of new business at the end of the opening quarter of 2025. March's decline extended the current sequence of falling new orders to exactly three years. That said, the pace of reduction was moderate and the slowest seen since September 2022.

In response to softer demand conditions, French construction companies pared back their purchases of materials in March. The decrease in buying volumes was slower than in February, but sharp nonetheless.

Amid a sustained decline in French constructors' purchasing activity, March survey data signalled a renewed improvement in vendor performance as supplier capacity was freed up. This was the first month since last September that input delivery times have shortened.

March survey data pointed to a stabilisation of costs for French construction firms. After nine years of inflation, input prices were unchanged at the end of the first quarter.

Looking ahead to the next 12 months, French constructors remained downbeat towards their activity prospects. Clients

not renewing contracts and low customer investment appetite weighed on sentiment, according to anecdotal evidence. However, survey respondents were only marginally pessimistic on balance, with the HCOB Future Activity Index rising to a nine-month high.

Comment

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

"France's construction industry continued to struggle at the end of the first quarter, with activity levels falling sharply compared to the previous month. However, there was a silver lining as input costs stabilized in March, ending a prolonged period of input cost inflation. Additionally, the contraction rates for new orders and employment slowed, with most companies maintaining their staffing levels. Business confidence also improved, reaching its highest point in nine months."

"In March, all three subsectors of France's construction industry—housing, commercial, and civil engineering—experienced contractions. Housing activity was the most significant drag, with residential building seeing a substantial monthly decline. This sub-sector has been the weakest performer since the downturn began in mid-2022. The commercial segment also saw a decrease, but the rate of contraction eased significantly from February, hinting at some stabilization. Similarly, the civil engineering segment experienced a reduction in activity, but the pace of decline slowed, suggesting we could see an improvement in the near future. Despite these challenges, the easing rates of decline in commercial and civil engineering activities offer a glimmer of hope for gradual recovery."

"At the end of the first quarter of 2025, French construction companies reported a continued decline in new business, extending the sequence of falling new orders to three years. However, the pace of reduction was moderate and the slowest since September 2022. In response to weaker demand, companies reduced their material purchases in March, although the decrease was less sharp than in February. The sustained decline in purchasing activity led to improved vendor performance, with shorter input delivery times for the first time since last September. Looking ahead, constructors remained cautious about future activity, with concerns about contract renewals and low customer investment, although overall sentiment was slightly less pessimistic."

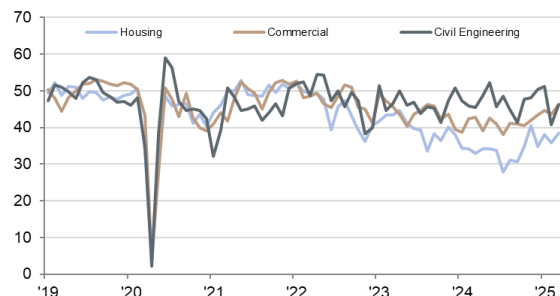
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



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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