

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB France Construction PMI®

## French construction activity continues to fall sharply in May

### Key findings:

Decline in construction activity cools, but remains sharp  
Housing construction falls substantially, but civil engineering activity rises  
Business confidence at near two-year high

Data were collected 10-31 May 2024.

France's construction sector continued to shrink, latest HCOB PMI® data compiled by S&P Global showed. Sharp declines in activity were once again seen in commercial and residential building activity, although a renewed increase in work undertaken on civil engineering projects helped to temper the downturn in the sector as a whole.

Notably, firms' expectations towards the outlook for activity in the next 12 months improved, with confidence at its highest level in almost two years. Cost pressures also remained weak by historical standards.

The headline **HCOB France Construction PMI® Total Activity Index** — which measures month-on-month changes in total industry activity — posted in sub-50.0 contraction territory during May, as has been the case in each month since mid-2022, thereby stretching France's construction sector downturn to two years.

While the headline index rose to a six-month high of 43.4, from 41.5 in April, it was still indicative of a marked reduction in total industry activity.

The principal drag on French construction remained the residential sector, as May survey data signalled another considerable monthly decline. Nearly 35% of home builders reported lower activity on the month, compared to less than 4% experiencing growth. Work undertaken on commercial projects also decreased, with the pace of reduction remaining sharp despite easing.

Civil engineering was the one segment to buck the wider industry trend of contraction, as activity here increased for the first time in the year-to-date. Furthermore, the upturn was the quickest for two years.

French construction companies reported a further drop in the volume of incoming new projects during May. Fewer calls for tender and high competition reportedly limited firms' ability to win new contracts. The contraction was marked and slightly stronger than in April.

French constructors also lowered their purchases of inputs midway through the second quarter. The decrease was solid overall and slightly stronger than that seen in April.

After rising at the beginning of the second quarter for the first time since February 2023, construction sector employment fell during May. This marked the fourteenth time in the past 15 months that staffing numbers have fallen at French constructors.

May survey data showed a further uptick in French construction companies' operating costs, with the rate of inflation accelerating slightly amid reports of rising raw material prices. Nevertheless, the pace of increase was weak by historical standards.

Looking ahead, confidence towards the outlook for activity in the next 12 months strengthened during May. In fact, the overall level of optimism was at its greatest in close to two years. The opening of new sites led to positive growth forecasts, anecdotal evidence showed.

### Comment

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

*"The French construction sector is stuck in the mud. This was despite the PMI for total activity rising by almost 2 index points above the level of April to 43.4 in May. It seems like activity will not pick up any time soon, with overall demand decreasing for another month. Moreover, employment decreased at a fast pace. Although the construction sector stays depressed for yet another month, incoming interest rate cuts by the ECB could spur higher activity levels."*

*"Civil Engineering is the only growing part of the French construction sector. Although overall activity is declining, the civil engineering sub-sector managed to expand in May. Activity in the other two sub-components – housing and commercial – continue to decrease at a fast pace, especially the housing sector."*

*"Prices are still rising, albeit at a relatively weak pace compared to its historic average. The main reason for an uptick in input prices was an increase in raw material prices. Ultimately, input prices should slow down further in the coming months, as raw material prices moderate, too."*

*"Encouragingly, French constructors are optimistic about the future. The corresponding HCOB PMI rose again and was clearly above its historic average. According to anecdotal evidence, the opening of new sites and greater renovation funding were reasons of greater confidence."*

-Ends-

**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<sup>®</sup> 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](mailto: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.

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