NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

French constructors report fastest fall in new orders since February 2021

Key findings:

Weak demand environment persists, with new orders down sharply again

Construction downturn centred on housing and commercial sectors

Year-ahead outlook remains negative as cost pressures tick higher

Data were collected 5-23 December 2024.

The HCOB PMI® survey for December continued to signal deteriorating conditions in France's construction sector. New orders decreased at the strongest rate in almost four years, leading activity levels to shrink rapidly and at a faster pace at the end of 2024. Survey respondents expect the downward trend to continue in 2025, with sentiment towards the outlook for activity remaining negative. Subsequently, employment levels were reduced at the quickest margin since May 2020.

The latest data also revealed an intensification of cost pressures, with input prices rising at the strongest rate in a year.

The headline HCOB France Construction PMI® Total Activity Index — which measures month-on-month changes in total industry activity — remained below the critical 50.0 level which separates growth from contraction during the latest survey period. Posting 42.6 in December, this was down from November's 43.7 and marked the first month since September that the figure has fallen, thereby signalling a renewed acceleration in the construction sector's downturn.

Drilling down into the three types of construction activity tracked by the survey, the data revealed that the construction sector downturn remained centred on the residential segment. Home building declined at a sharp and accelerated pace as 2024 came to an end. A steep reduction in the construction of buildings for commercial use was also registered, although the decrease here was the softest in just over a year. Civil engineering bucked the downward trend, posting a marginal uptick in activity levels since November.

Weighing on activity was a further slump in new orders received by French constructors. Uncertainty, generally subdued demand conditions and postponements led new work intakes to shrink during December, anecdotal evidence suggested. The decrease in new business was the sharpest in almost four years.

Purchasing volumes were subsequently lowered by French construction firms as they made adjustments to lower activity requirements. The decrease in the amount of building materials bought during the final month of the year was sharp and the fastest since September. Although input demand worsened, surveyed companies reported longer lead times on the delivery of purchases at the end of 2024.

In addition to purchasing cutbacks, retrenchment was also seen regarding workforces, as construction sector employment across France fell at its steepest pace since May 2020.

Nevertheless, there was an intensification of cost pressures, latest survey data revealed, with the rate of input price inflation accelerating to a 12-month high.

Looking ahead, French builders remained pessimistic towards the outlook for activity over the coming year. Concerns about demand conditions led firms to cast a downbeat assessment towards their activity prospects, according to panel member reports. Nevertheless, companies were at their least pessimistic in three months.

Comment

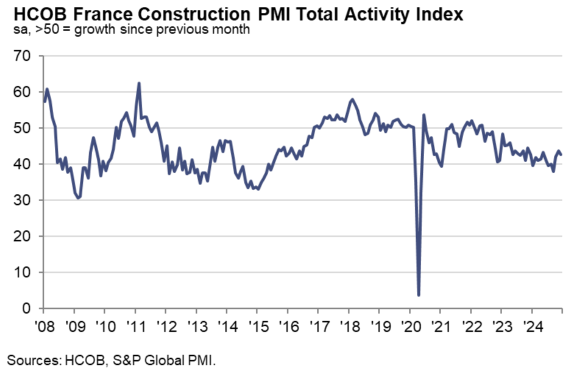
Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

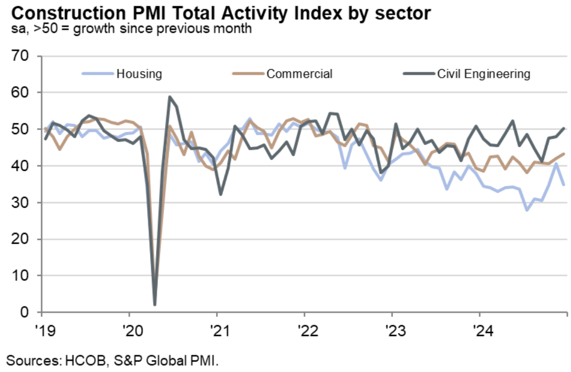
"The French construction sector ends 2024 on a sober note. The HCOB Activity PMI for the construction sector for December signalled a faster contraction than in the previous month, closing out a year without a single month of growth. The epicentre of this weakness appears to be residential construction, which saw a drastic and accelerated decline in December. Commercial construction also fell rapidly, although civil engineering activities improved compared to the previous month, defying the broader sector recession. This suggests some momentum behind large-scale infrastructure projects, possibly driven by increased government demand.

"Despite the weak demand situation in the construction sector, surveyed construction companies are suffering from extended delivery times by suppliers. The decline in delivery speed was moderate but the steepest since February last year. Unusually, given the weak demand dynamics, prices continue to rise. Input prices increased at a faster rate again at the end of the year, although inflation remains well below their historical average.

"The outlook for this year remains unconvincing. Significant improvements in the French construction sector are unlikely in 2025. New orders were down at the sharpest pace since the COVID-19 crisis in 2020. Future activity expectations, although significantly less bleak in December compared to the previous month, continue to show that firms predict a decline, which does not bode well for the next twelve months. Given these pessimistic prospects, it is not surprising that construction companies are increasingly laying off employees."

-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

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