

News Release

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S&P Global France Construction PMI®

Construction activity continues to fall in February as demand softens

Key findings

Total construction activity declines at stronger pace

Eleventh successive monthly fall in new orders

Future Activity Index unchanged from January's six-month high

French construction companies recorded a further monthly decline in total activity levels during February, extending the sector's downturn which started in the middle of last year. Furthermore, the reduction quickened to a strong pace, with all broad types of construction work registering contraction.

Activity levels were constrained by weakness in demand, with new orders falling again in February. Firms subsequently cut back on purchasing, although employment levels picked up marginally as business confidence remained unchanged from January's six-month high.

Meanwhile, input costs rose sharply during February, with inflation ticking higher from January's near two-year low.

The headline S&P Global France Construction Activity Index – which measures month-on-month changes in total industry activity – posted below 50.0 for a ninth consecutive month during February, signalling a continued decline in the volume of construction work undertaken across France midway through the first quarter. At 45.2, the headline measure was down from 48.4 in January, signalling a faster rate of contraction.

All three broad types of construction activity fell during February. As was the case at the start of the year, residential building work was the strongest drag on overall activity. Civil engineering posted a renewed fall after rising for the first time in eight months during the previous survey period. Lastly, commercial construction activity declined moderately.

French constructors recorded a further weakening in demand for new projects during February. Client hesitancy, constrained budgets and high energy costs adversely impacted new order intakes, according to survey respondents. The decline was strong overall and faster than seen at the beginning of the year.

French constructors responded to weaker demand conditions by reducing their purchases in February. This

■ Construction Total Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-28 February 2023.

Comment

Joe Hayes, Senior Economist at S&P Global Market Intelligence, said:

"Construction activity in France continued to fall in February. Declines in work undertaken on both residential and commercial projects also highlight the breadth of weakness. According to respondents, client hesitancy and budget constraints impeded the intake of new work. New orders fell for the eleventh month running during February.

"That said, there were some positives to be gleaned from the latest survey results. Although input cost inflation ticked up slightly, it held close to January's near two-year low, while business confidence held steady and construction sector employment also rose. This suggests that some companies across the sector are feeling a bit more optimistic towards the outlook."

followed on from a moderate increase in January that was the strongest for eight months.

The latest survey data also showed a reduction in subcontractor usage, although this did coincide with both a marked worsening in their availability and a sharper rise in the rates they charged.

Suppliers' delivery times continued to lengthen, according to the latest survey data. That said, with purchasing activity falling, some pressures on vendors were lifted. Subsequently, deliveries were delayed to the least extent in six months.

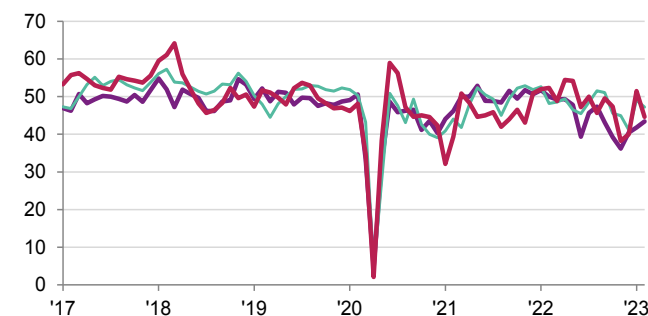
Meanwhile, although trends in activity and demand worsened in February, business confidence showed some resilience and was unchanged from January's six-month high. That said, sentiment towards the next 12 months was neutral, reflecting an even split between both optimists and pessimists.

Elsewhere, employment rose in February for a second month running, albeit at a weaker pace that was only marginal.

Finally, French constructors recorded a steep rise in their input costs in February. Although the rate of inflation accelerated, it held close to January's 23-month low.

■ Housing Activity Index
■ Commercial Activity Index
■ Civil Engineering Index

sa, >50 = growth since previous month



Source: S&P Global.

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Survey methodology

The S&P Global 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@ihsmarkit.com.

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