

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CET (0830 UTC) 7 November 2024

HCOB France Construction PMI®

Decline in French construction activity slows but remains sharp

Key findings:

Total Activity Index rises to five-month high, but still signals steep decline

New construction orders fall at quickest pace since July

Job losses intensify as business confidence weakens further

Data were collected 10-31 October 2024.

France's construction sector remained mired in a downturn as the fourth quarter of 2024 got underway, latest HCOB PMI® survey data showed, as the volume of new work received shrank at an accelerated pace. The speed of contraction in total industry activity did however ease to its weakest in five months amid shallower declines in housing and civil engineering.

That said, business sentiment turned more pessimistic, while employment levels fell for a fifth month running and at a faster rate than in September.

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 for a twenty-ninth month in succession in October. At 42.2, the latest figure pointed to a sharp reduction in activity levels across the industry. The headline index was up notably on the month however, from 37.9 in September, and signalled the slowest rate of decline since May.

The softer pace of contraction was due to weaker falls in the housing and civil engineering segments, underlying data revealed. Nevertheless, while residential building activity decreased at the softest pace in ten months, the sector's downturn remained substantial. Civil engineering work was down moderately since September, while commercial construction activity posted its fastest decline for three months.

October survey data signalled a marked deterioration in demand for construction work across France. The reduction was the steepest since July amid reports of fewer calls for tender, competition and lower new orders from public sector clients.

French constructors responded to the sustained slump in new business by lowering their purchasing volumes at the start of the fourth quarter. The pace of contraction was sharp, albeit the weakest since May.

Challenging operating conditions led French constructors to once again reduce their workforce capacity in October. The decline, which was the sixth in as many months, was also the sharpest since July. Lower employment reflected redundancies, the non-renewal of fixed-term contracts and the postponement of jobsites opening.

In tandem with job cutting, French constructors decreased their usage of subcontractors in October. At the same time, firms reported a boost to subcontractor availability and the quickest reduction in their rates charged in four-and-a-half years.

Surveyed companies turned even more pessimistic towards the 12-month outlook for activity. Business sentiment was its

joint-most negative since December 2023 (matching that seen in July).

Meanwhile, the latest HCOB PMI data showed a build-up of cost pressures. Input prices rose at the quickest pace in ten months. That said, the rate of inflation was well below its survey average.

Comment

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

"The French construction sector remains deeply entrenched in a crisis, even though the pace of decline slowed somewhat in October. The HCOB Construction PMI has risen to 42.2 points, marking the highest level for five months; however, it still clearly indicates a recession. The civil engineering sector is showing the most significant progress toward stabilisation, while commercial construction continues to face challenging conditions. The situation in the residential sector remains particularly tense, and it still recorded the weakest performance among the sub-sectors."

"Input price inflation in the construction sector is rising but not dramatically. While it has reached a moderate ten-month high, it remains significantly below the long-term average. Construction firms are benefiting from declining subcontractor prices, which may help ease cost pressures further. Persistently weak cost inflation primarily reflects subdued market demand, limiting overall price pressures."

"No hope for growth is in sight. While the French construction sector recorded a noticeable slowdown in its contraction in October, it remains in a precarious position. Order intakes declined rapidly, and expectations for future activity over the next twelve months are subdued. A lack of contracts and reduced tenders contributed to the pessimistic outlook. As a result, construction companies are being forced to downsize their workforces. Anecdotal evidence from surveyed firms indicates that layoffs, terminations, and postponed project start dates have led to declining employment."

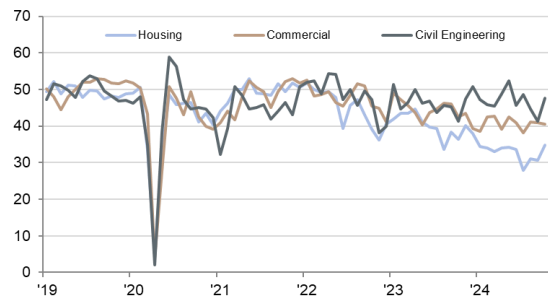
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



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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