

News Release

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S&P Global France Construction PMI[®]

French construction activity falls at sharpest pace since February 2021

Key findings

Downturn in construction sector deepens in October

High energy costs weigh on orders as clients pause spending

Business outlook remains negative

The France Construction PMI[®] signalled a worsening downturn during October as total building activity fell at the steepest rate since February 2021. Weak demand conditions were also evidenced by the survey, with new orders declining at a stronger pace. High energy costs reportedly led some clients to hold back on spending.

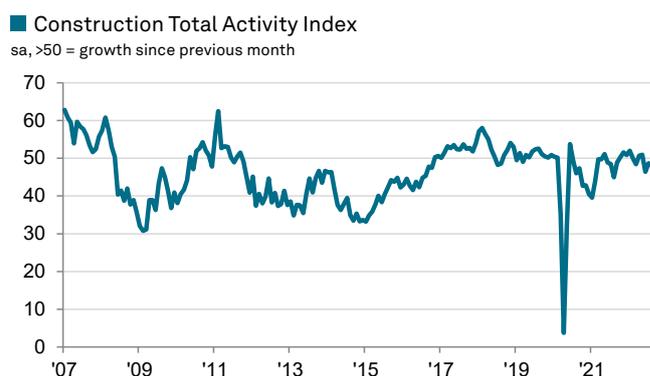
Looking ahead, French constructors remained pessimistic towards the coming year as high inflation was expected to impact workloads. October survey data highlighted another month of elevated cost pressures, with high prices for raw materials, fuel and energy all mentioned by firms.

The headline S&P Global France Construction Activity Index – which measures month-on-month changes in total industry activity – posted below the crucial 50.0 mark that separates growth from contraction for a fifth consecutive month in October. At 44.3, this was down sharply from 49.1 in September, signalling a deepening downturn across France's construction sector. Overall, the reduction in total building activity was the strongest since February 2021.

All three monitored types of construction activity contracted during October, according to the latest survey data. The residential segment led the overall downturn by a considerable margin and recorded its sharpest drop in output since May 2020. A strong decline in commercial building work was also registered, which was a contrast to growth seen in the previous two months. Civil engineering work fell at the slowest pace, but the decline here nonetheless accelerated since September.

Activity levels across France's construction sector were hindered by weak demand conditions, with the latest survey data signalling a strong decrease in new orders. Clients, especially those in the public sector, were reportedly deterred from commissioning new projects due to the high cost of energy.

French constructors recorded another month of elevated



Source: S&P Global.
Data were collected 12-31 October 2022.

Comment

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

"France's construction sector moved deeper into contraction territory during October. The performance of the residential building sector was particularly bleak, with activity levels here falling at the sharpest pace since the initial COVID-19 lockdown in the first half of 2020 amid rising borrowing costs.

"The high price of energy is also weighing on client spending, according to panel members. A more aggressive drop in new orders was seen in October.

"Companies are now preparing for a period of tough operating conditions. Business confidence fell deeper into negative territory, while employment and input buying volumes were both cut back as companies look to protect cashflow.

"The uncertain economic climate will continue to weigh on the outlook for investment, as will the likelihood of further rises in interest rates and the underlying risk of another step up in energy prices as we move into the winter."

cost pressures in October. The rate of input price inflation accelerated for the third month running to the steepest since June. High fuel, energy and raw material costs were noted by survey respondents.

Amid high inflation and subdued demand, French constructors remained downbeat on their year-ahead prospects in October. The Future Activity Index fell deeper into pessimistic territory and signalled expectations of lower construction activity levels over the coming 12 months.

In line with the worsened outlook, employment and input purchasing both fell during the latest survey period. The rate of job shedding was only marginal, while the decrease in buying activity was a notable contrast to the expansionary trend generally seen since the March 2021.

That said, despite falling input demand, supplier performance worsened during October. Furthermore, average input lead times lengthened to the greatest extent since June.

Amid subdued demand conditions, sharply rising rates charged by subcontractors and a deterioration in the perceived quality of their work, October survey data signalled a reduction in subcontractor usage.

■ 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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