

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

French construction activity continues to shrink rapidly, with housing and commercial building plummeting

Key findings:

- Steep downturn in residential activity weighs heavily on construction
- Work on commercial projects falls at sharpest rate for three months
- Businesses anticipate growth in the coming year; employment rebounds

Data were collected 11-30 April 2024.

France's construction sector remained mired in a steep downturn at the start of the second quarter, latest HCOB PMI® data compiled by S&P Global showed. Activity on residential and commercial projects continued to sink at a rapid pace, highlighting the breadth of the sector's decline, with weak demand conditions mentioned by respondents.

That said, for the first time since July 2022, French constructors registered optimism towards the 12-month outlook. Employment also posted a renewed expansion.

The headline **HCOB France Construction PMI® Total Activity Index** — which measures month-on-month changes in total industry activity — posted in deep sub-50.0 contraction territory once again during April, signalling a steep decline in total construction work across France. However, at 41.5, the headline index did tick up slightly from 41.0 in March, pointing to a marginally softer rate of decrease when compared to the end of the first quarter.

Each of the three types of construction activity tracked by the survey registered a decline relative to March. Housing was once again the principal drag in April, with residential building work sinking substantially. Although the pace of decline slowed, it was among the steepest for four years.

Commercial projects also registered a considerable monthly contraction at the start of the second quarter, with the decrease the sharpest since January and the second-fastest in nearly three-and-a-half years. Civil engineering activity also fell, albeit only modestly and at the softest pace seen across the current sequence of decline which began at the start of 2024.

April survey data signalled a further reduction in the volume of incoming new orders placed with French constructors, extending the current sequence of decrease to just over two years. According to respondents, fewer new projects had been commissioned due to low client interest and generally subdued demand. That said, the rate of contraction was the slowest since August last year.

French construction firms trimmed their purchases of raw materials for a twelfth month in a row during April, reflecting lower activity requirements. There was also another steep monthly fall in the usage of subcontractors.

Weakness across the sector was further evidenced by an improvement in suppliers' delivery times in April — the first time since July 2023 that this has been the case.

Meanwhile, although French constructors registered another monthly uptick in their overall operating expenses, the rate at which input costs rose was marginal and the joint-slowest in over eight years (matching February).

Looking forward, April survey data provided some reason for optimism as construction activity expectations for the coming year were positive. This was the first time since July 2022 that growth has been forecast by panellists.

In turn, confidence in the outlook supported hiring. Although employment rose only modestly, April was the first month of job creation in the French construction sector since February 2023.

Comment

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

"The French construction sector downturn is holding steady, but the industry is in bad shape, with activity declining for the twenty-third consecutive month, according to the HCOB PMI. The index has not moved much for three months though, which suggests the rate of contraction has stabilized for now."

"According to more detailed PMI data, the commercial and housing segments are suffering the most. Civil engineering activity also declined, although the pace of decrease has slowed down significantly. This sub-sector could be one sign of hope, with the corresponding PMI approaching the threshold of 50."

"A brighter employment outlook is sparking optimism. Hiring activity increased for the first time since February 2023, signalling companies' optimism towards the future. The corresponding HCOB PMI for future activity also increased to a level above 50 and only slightly below its historic average. There is still much to do, but constructors are sensing a betterment in the financing and cost situation. Hopes of higher demand was among the main reasons for better expectations."

"Construction costs are almost finally falling. For subcontractor rates, falling prices are already a reality, whereas overall input prices are close to stabilizing. With an index reading of 50.6, prices rose only marginally in April. Overall, prices are increasingly cooling off in the construction sector, coming from high levels of 76.6 for subcontractor rates and 92.9 for input prices."

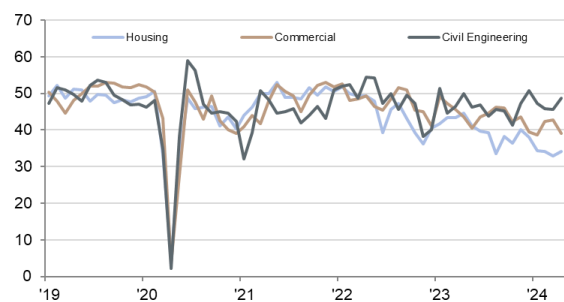
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



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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