

# News Release

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## S&P Global France Construction PMI®

### Construction activity across France continues to fall in September

#### Key findings

Construction work falls again amid fewer incoming new projects

Rising energy prices drive cost pressures higher

Constructors remain pessimistic towards year-ahead prospects

The France Construction PMI® survey highlighted another challenging month for French constructors as activity levels continued to decline. The amount of work undertaken by building firms was restricted as client demand fell, while rising cost pressures also challenged the economic viability of some projects. Overall operating expenses rose at the quickest rate in three months during September amid surging energy prices.

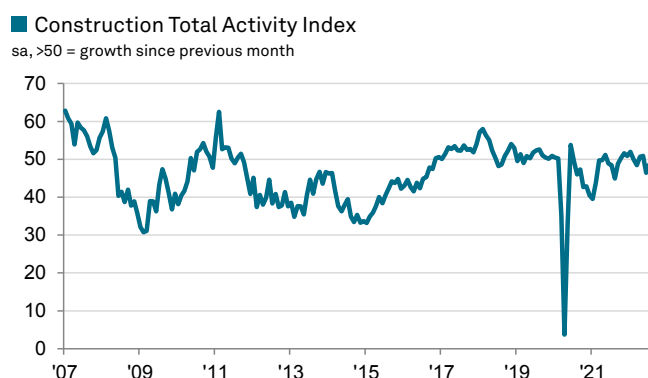
Looking ahead, French constructors remained downbeat on the outlook for their industry, citing inflation concerns and expectations of weak demand.

The headline S&P Global France Construction Activity Index – which measures month-on-month changes in total industry activity – posted 49.1 in September. While this was up slightly from 48.2 in August, it remained below the crucial 50.0 mark that separates growth from contraction, thereby indicating a further decrease in building activity across France.

Data split by the three board types of construction work showed varying trends. Residential building activity declined for a third successive month in September, with the downturn accelerating to a sharp pace that was the strongest since June. Civil engineering activity also fell, although the decrease was only marginal and weaker than in August. Finally, work undertaken on commercial building projects increased in September, albeit only slightly.

Latest survey data pointed to a sixth successive monthly reduction in new orders received by French constructors. The decline was considerably softer than in August, however, which was strong and the fastest in a year-and-a-half.

Weakening demand was accompanied by a further steep increase in French constructors' input costs in September. According to panel members, operating expenses were driven higher by surging energy costs. The overall rate of input cost inflation was steep and the sharpest in three months. Just over 61% of survey respondents recorded an



Source: S&P Global.  
Data were collected 12-30 September 2022.

#### Comment

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

*"French constructors find themselves operating in an intensely challenging environment. With borrowing costs rising, economic conditions weakening and energy prices soaring, it's no surprise to see activity levels contract and constructors remain downbeat towards the year ahead."*

*"Without doubt, the soaring cost of energy this winter is going to challenge the viability of many construction projects. High prices has dampened client appetite, as has rising uncertainty. Weakness was particularly evident in residential building during September, likely reflecting constructors' concerns that passing on higher costs will be difficult, especially to households who are already feeling a notable squeeze on their incomes."*

*"Finding a case for optimism appears extremely challenging in the current climate, meaning we're likely to see falling order books and activity levels over the coming months."*

increase in their expenses during September.

Thus, many companies grew concerned about the economic viability of future projects. Looking ahead, French constructors expected activity levels to fall over the coming 12 months.

For a third month in a row, the level of employment at French building companies fell. The decrease in staffing numbers was only marginal, however.

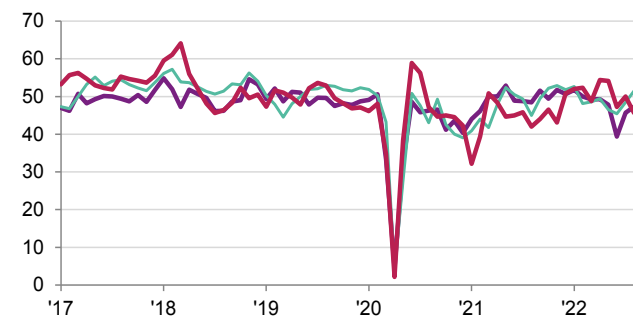
Meanwhile, latest survey data signalled a further deterioration in vendor performance in September. Average input lead times lengthened sharply, with shortages of materials noted as a factor behind delivery delays.

Despite lower intakes of new work and surging costs, French constructors expanded their input purchasing in September. The increase was marginal overall and compared with a solid reduction in August.

Finally, subcontractor usage was unchanged in September following seven successive monthly declines. Subcontractor availability continued to worsen, while the quality of their work was also perceived to have deteriorated. Nonetheless, rates charged by subcontractors continued to increase at an above trend pace.

- 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](mailto:economics@ihsmarkit.com).

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