

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CEST (0730 UTC) 4 July 2024

HCOB France Construction PMI[®]

Construction sector activity falls at fastest rate in three months

Key findings:

Housing and commercial construction activity levels fall rapidly
Incoming new projects decrease again, as does employment
Business expectations turn pessimistic

Data were collected 12-28 June 2024.

France's construction sector remained mired in a deep downturn, latest HCOB PMI[®] data showed. The contraction in activity was broad-based, although housing had by far the most substantial drag on the industry as residential building plummeted. June survey data also showed a marked shrinking of incoming new projects, weighing on buying volumes and employment. Expectations for the next 12 months also turned pessimistic for the first time in three months.

The headline **HCOB France Construction PMI[®] Total Activity Index** — which measures month-on-month changes in total industry activity — fell further below the 50.0 no-change mark in June and thereby into deeper contraction territory. At 41.0, the index was down from 43.4 in May, a three-month low and indicative of a steep decline in total activity levels across France's construction sector.

All three types of construction monitored by the survey saw activity levels shrink at the end of the second quarter. As has generally been the case since the broader industry downturn commenced over two years ago, the housing sub-sector provided the steepest drag in June. In fact, residential building activity fell at one of the steepest rates on record. Commercial construction also decreased rapidly, with the pace of decline quickening since May, while civil engineering activity posted a renewed drop after improving moderately in the previous month.

Lower volumes of new work restricted construction firms in France during June, anecdotal evidence showed. Indeed, the latest survey data indicated a twenty-seventh successive monthly fall in the level of incoming new projects. Competitive pressures and client budget cuts were cited as reasons for weaker demand.

French constructors subsequently decreased their purchasing activity in June. The rate of decline was steep overall and the fastest since the opening month of the year.

Survey respondents also lowered their workforce numbers at the end of the second quarter. With the exception of April, construction employment across France has fallen continuously since March 2023.

Concerns that the weak demand environment would persist led to a deterioration in firms' assessment of activity prospects in the year ahead, anecdotal evidence showed. After signalling positive sentiment in the two prior months, French constructors were pessimistic towards the 12-month outlook.

Meanwhile, although input prices continued to rise for French constructors, the rate of inflation was weak by historical standards. Supplier delivery times also improved to the greatest extent in six-and-a-half years.

Comment

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

“The HCOB France Construction PMI revealed that the French construction sector ended the second quarter on a weaker note compared to the previous month. The corresponding Business Activity index fell over two index points from 43.4 to 41.0. According to our HCOB Nowcast for the second quarter, construction activity likely fell by 1%.

“The civil engineering sub-sector accelerated the decline in construction activity, with the respective index here down by nearly seven index points in June and signalling a renewed decrease in work undertaken on large-scale infrastructure projects. The other two sub-sectors – commercial and housing – also shrank at a faster pace.

“There’s really little hope for the French construction sector. Output expectations for the coming twelve months dropped further and actually signalled pessimism for the coming year. French constructors named weak demand conditions as the main reason for their pessimistic sentiment. Also, employment worsened for the second consecutive month, further highlighting the weakness in the sector. ECB interest rate cuts could lighten up the hopes of French constructors.”

-Ends-

HCOB France Construction PMI Total Activity Index

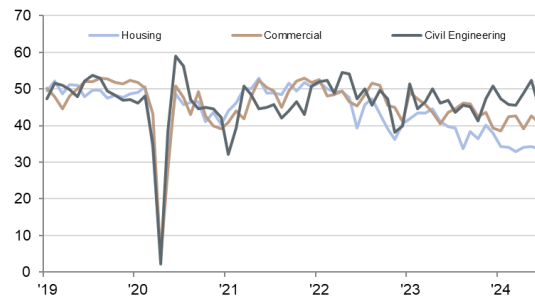
sa, >50 = growth since previous month



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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Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

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