NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CET (0830 UTC) 6 March 2024

HCOB France Construction PMI®

Construction downturn persists in February, with housing activity sliding into a deeper slump

Key findings:

Total Activity Index rises, but remains in deep contraction territory

Decline in new construction projects worsens

Input costs rise at slowest pace in nearly eight years

Data were collected 12-29 February 2024.

France's construction sector continued to endure another difficult month in February as total activity levels declined at a sharp rate. Work undertaken on housing, commercial and infrastructure projects fell, more detailed survey data showed, signalling a broad-based downturn. Demand for construction work worsened at a faster pace than in January, leading to further cutbacks by firms as employment and input purchasing both shrank.

However, there were some positive developments on the month, with input costs rising at the slowest pace in close to eight years and the 12-month business outlook turning less negative.

The headline **HCOB France Construction PMI® Total Activity Index** — which measures month-on-month changes in total industry activity — posted 41.9 in February. While this was up from January's three-year low of 39.6, and the first time the headline measure has risen since November last year, it was indicative of a steep month-on-month reduction in overall construction work across France and extended the current period of decline to 21 months.

February's drop in activity levels was broad-based, underlying construction data showed, with work undertaken on residential, commercial and civil engineering all falling. The biggest drag continued to stem from the housing sector, however, with 43% of home builders reporting less output than in January. Residential activity fell at the steepest pace for six months.

A faster contraction was also seen in civil engineering, but commercial building bucked the trend with a softer deterioration. Nevertheless, the rate of decrease here was still sharp.

Restricting constructors' ability to raise activity was a sharp and accelerated drop in new orders. Fewer calls to tender were noted by panellists, reflecting an unfavourable investment environment. Overall, the decrease in new projects was the strongest for five months.

Retrenchment was subsequently evident across France's construction sector midway through the opening quarter of 2024. Purchasing activity was reduced for a tenth month in succession, as less work in the pipeline led companies to pare back material buying. However, the rate of decline eased from January's 37-month record.

Staffing was another area where companies looked to make cost savings. Employment levels at French construction firms fell, as has been the case in each month since March 2023.

Efforts to contain spending paid some dividends, with overall cost pressures cooling markedly since January. In fact, the rate of inflation was marginal and the weakest in close to eight years.

Looking ahead, French constructors maintained a downbeat view towards activity prospects in the coming 12 months. A lack of projects in the pipeline led to pessimistic forecasts, anecdotal reports showed. That said, the level of negative sentiment was at its weakest since September last year.

Comment

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

"There is no recovery in sight for the French construction sector. This can be seen in the latest HCOB PMI figures with another sharp decline in activity and new orders. The latest data therefore indicate an extension of the construction sector's recession, which INSEE data confirm has been ongoing since 2023.

"The housing sector drags on overall activity by the largest degree. Although work in all three sectors – housing, commercial and civil engineering – fell further in February, the decline was more pronounced in the residential sector. In addition to low demand, construction companies struggle with higher interest rates, rising wages and high input prices.

"However, price pressures continue to cool off in the construction sector. Input prices rose at the softest rate in almost eight years, while subcontractor rates fell for the first time in about four years, albeit at a slow rate. Weak demand and economic activity have caused placed downward pressures on prices, which are expected to fall further in the coming months.

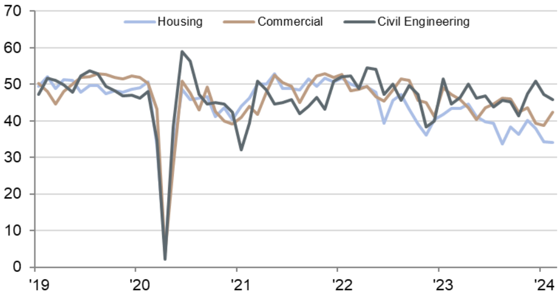
"Construction companies are beginning to see some light at the end of the tunnel. Expectations about future output rose sharply for the second month, approaching the neutral threshold of 50 and moving closer to the long-term average. With expectations of falling prices and interest rates in the future, there are growing hopes of a recovery in the construction sector. Overall, however, the companies are still being pessimistic about the future."

-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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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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