NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

Construction downturn persists in November as demand weakens further

Key findings:

Total Activity Index rises to 44.6, but remains in deep contraction territory

Home building remains biggest drag on French construction

Businesses turn more pessimistic towards the 12-month outlook

Data were collected 9-30 November 2023.

France's construction sector remained mired in a deep downturn in November, latest HCOB PMI® data, compiled by S&P Global, showed. Residential building continued to provide the most considerable drag, although civil engineering and commercial activity also weakened further. Softer demand for construction projects was a main feature of the survey findings yet again, resulting in lower employment, purchasing and business confidence midway through the fourth quarter.

The headline HCOB France Construction PMI Total Activity Index — which measures month-on-month changes in total industry activity — recorded 44.6 in November. While this was up from October's ten-month low of 41.0 and at its highest level since April, it was nonetheless still well below the 50.0 level which separates growth from contraction, pointing to a further marked slump in total activity levels across France's construction industry.

Granular activity data revealed a broad-based drag on French construction work during November, despite rates of decline slowing in all three instances. Residential building continued to see a much stronger fall than those for civil engineering and commercial, in line with the general trend seen since the downturn in overall activity commenced in June 2022.

Construction companies in France registered a further slump in the level of incoming new work during November. This extended the current sequence of contraction in new orders to 20 months. Although the rate of decline softened, it was still sharp overall, with close to a third (32%) of surveyed companies reporting fewer new orders. French constructors cited lower calls for tender.

The weak demand environment prompted further reductions in purchasing activity during November, as constructors' needs for raw materials dropped amid a lower number of projects in the pipeline. The contraction was marked, albeit the slowest for three months.

Lower activity levels contributed to another month-on-month fall in employment across France's construction sector, extending the current period of job shedding seen since March. Panellists reported the non-replacement of leavers and non-renewal of fixed-term contracts.

Decreased workforce numbers coincided with a worsening of businesses' expectations for activity in the coming 12 months. Overall, firms were at their most pessimistic in five months as concerns about the demand environment dampened sentiment.

Weak construction sector conditions were further highlighted by subcontractor data, which showed lower usage, improved availability, and the greatest improvement in the quality of their work for nearly three-and-a-half years amid increased competition. Rates charged by subcontractors rose, albeit to the softest extent in three months.

French constructors continued to face cost pressures, although input prices rose at a rate that was below the survey historical average.

Comment

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

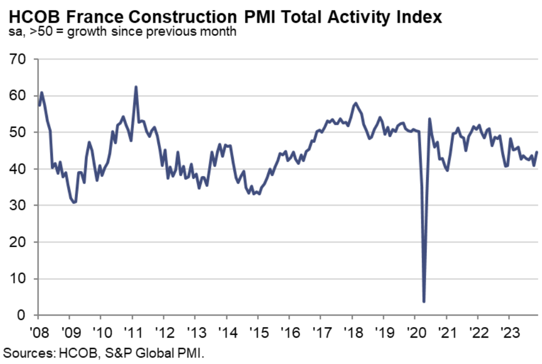
"The French construction sector is deep in a recession. According to the HCOB PMIs, construction activity continued to fall in November - only the pace of decline has eased slightly. The recession is also confirmed by official data from INSEE, which signals continuous decline since the fourth quarter of 2022. There are no signs of an improvement in the near future and sentiment towards the outlook for activity remains overwhelmingly pessimistic.

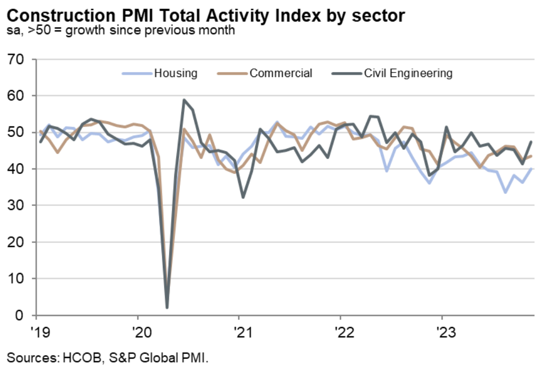
"The French housing sector is doing particularly bad. Tighter financing conditions and increased input prices are weighing on demand for housing projects. Overall, all three sectors - housing, commercial real estate and civil engineering - saw a further downturn in November. However, we soon could see an improvement in civil engineering as the PMI increased in a more pronounced manner than elsewhere, moving closer to the threshold of 50.

"Demand in the construction sector continues to stay weak. Tighter financing conditions, higher prices and the associated loss of purchasing power are leading to a weak order situation in the French construction sector. As we do not expect the ECB to cut interest rates in the coming year, new orders in the construction sector could remain at a weak level.

"Pessimism overshadows the French construction sector. New orders are weak, employment has decreased again and prices are continuing to rise - the outlook of construction companies for the next twelve months is expectedly negative. The situation will most probably not improve much in the coming months, although we expect price increases to slowly flatten out."

-Ends-





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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

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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