NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

French construction downturn persists, with residential building activity plunging again

Key findings:

Housing sector continues to weigh the most on construction activity

New orders fall rapidly and business sentiment remains pessimistic

Input price inflation accelerates to eight-month high

Data were collected 12-30 August 2024.

France's construction sector continued to deteriorate at a rapid pace midway through the third quarter. Activity levels in all three monitored segments fell, with housing once again seeing a substantial decline compared to the previous month. A lack of interest in new construction projects was also evidenced by a further sharp reduction in new orders. Purchasing activity and employment decreased in August, while business expectations for the next 12 months remained pessimistic.

The headline **HCOB France Construction PMI® Total Activity Index** — which measures month-on-month changes in total industry activity — was little-changed from July's six-month low of 39.7. Ticking up only marginally to 40.1 in August, the headline index pointed to another steep month-on-month contraction in total construction activity midway through the third quarter. Nearly 39% of survey respondents reported lower work volumes during the latest survey period, compared with just under 7% that experienced an increase.

All three of the monitored construction segments posted contractions in activity during August. As has been the case since June last year, the housing sector was the primary area of weakness across the French construction industry. Residential building activity sank at a considerable rate once again. A sharp decline was also seen in commercial construction work, while civil engineering was the only segment to post an accelerated fall. The decrease in activity at the latter was the fastest for ten months.

Weighing on activity was a further drop in the volume of incoming new work placed with French constructors. Where lower demand was mentioned, firms commented on a general lack of interest from clients. While sharp, the pace of decrease in new orders was the weakest for three months.

French construction companies continued to reduce their purchasing activity during August, the sixteenth month running that this has been the case. The rate of reduction was slightly weaker than in July, which was the fastest in just over three-and-a-half years.

Amid shrinking new orders, employment across France's construction sector decreased in August. However, the extent to which workforce numbers fell slowed to a marginal pace that was the softest across the current four-month job shedding sequence.

Deteriorating construction sector conditions were also evidenced by other data compiled from the survey. Subcontractor usage decreased rapidly in August, boosting subcontractor availability by its strongest pace in over nine years.

Additionally, suppliers' delivery times shortened to the greatest extent since December 2017, suggesting that spare capacity at vendors rose.

Nevertheless, despite less strain on suppliers, input prices increased at the fastest pace in the year-to-date during August.

Lastly, looking ahead, French constructors remained pessimistic towards the 12-month outlook for activity. Fears of a worsening in demand led some companies to forecast a contraction over the coming year, anecdotal evidence showed.

Comment

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

"There is no sign of improvement in the French construction sector anytime soon. The HCOB Total Activity Index remained at a level almost ten points below the expansion threshold. Constructors are struggling with weak demand due to restrictive interest rate levels and high charges. Significant interest rate cuts by the ECB are needed to revive the French construction sector. Unfortunately, we only expect one more rate cut by September for the rest of the year.

"The housing sector continues to weigh down construction activity. Although all three sectors – housing, commercial and civil engineering – are declining at a rapid pace, housing is performing the worst, by far. The downturn in civil engineering is the mildest of the three subsectors, but even here the decline accelerated notably in August. This is especially due to lower demand for large-scale infrastructure projects.

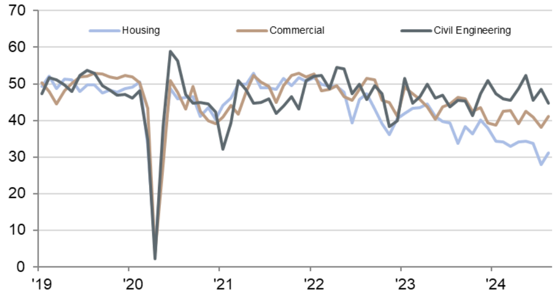
"French constructors are expecting tougher times ahead. Even though the corresponding Future Activity Index improved a bit in August, it was still well below the 50 mark and its historic average. This shows that builders are still feeling relatively down about the outlook, with sluggish demand being the main factor contributing to this gloominess."

-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
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.

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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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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