

News Release

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S&P Global France Construction PMI[®]

French construction activity growth hits four-month high in May

Key findings

Construction activity growth accelerates to four-month high

New orders fall at strongest pace since last August

Input price inflation holds close to April's survey peak

The French construction sector registered back-to-back increases in activity levels during May, with the rate of expansion accelerating to a four-month high. Furthermore, business confidence improved, while firms added to their payroll numbers in a bid to sustain the current activity growth trend.

However, there was a further deterioration in demand for construction projects amid reports of client hesitancy. Furthermore, supply issues intensified, with input lead times lengthening to the greatest extent since November last year. Consequently, cost pressures remained substantial as input costs rose at the second-sharpest rate on record.

The headline S&P Global France Construction Activity Index – which measures month-on-month changes in total industry activity – posted 50.9 during May. This was a marginal increase from 50.7 in April, but marked a second successive expansion in French construction activity as the headline figure once again posted above the 50.0 mark that separates growth from contraction. Additionally, although the increase in building activity was only mild, it was the fastest in four months.

According to data split by the three monitored types of construction work, the expansion in overall activity was exclusively driven by civil engineering as commercial and residential building work declined midway through the second quarter.

Although overall activity levels increased in May, latest survey data highlighted a further deterioration in demand for construction projects across France. The decline in new orders was the strongest in nine months amid rising prices and reports of client hesitancy.

Nevertheless, there were positive signals within the forward-looking survey indicators during May, with businesses increasing their purchasing volumes during the latest survey period. The expansion was solid overall, albeit the weakest

■ Construction Total Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-31 May 2022.

Comment

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

"French constructors squeezed out another marginal increase in activity during May, despite considerable headwinds to the sector. According to anecdotal evidence, projects which were not completed during the pandemic were a factor supporting activity levels as survey data signalled continued weakness in demand for new work."

"Client hesitancy was often mentioned as a reason for falling new orders, although other panellists cited the impact from rising prices. Challenging supply conditions also persisted in May, with input lead times lengthening to the greatest extent since last November."

"That said, forward-looking indicators from the survey imply that the immediate outlook may prove to be somewhat resilient. Higher employment and purchasing activity, as well as stronger confidence suggest that growth may be sustained for a bit longer."

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for three months.

French construction firms also expanded their workforce numbers in May. According to some respondents, staffing levels were raised to complete outstanding projects in a timely manner. Overall, the rate of job creation was modest and broadly unchanged from April's three-month high.

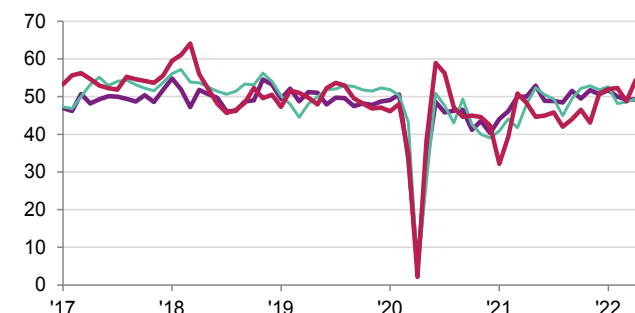
Employment and purchasing activity growth coincided with a stronger 12-month outlook in May as the level of business confidence reached its highest in four months. French construction firms remained optimistic towards the forthcoming year amid hopes of supportive demand conditions.

That said, latest survey data highlighted substantial supply constraints during May. Average input lead times lengthened considerably amid frequent mentions of supply shortages. In fact, the extent to which vendor performance deteriorated was the strongest since last November.

Consequently, French building companies observed severe cost pressures in May. In addition to rising construction material prices, surveyed businesses commented on increased energy costs. Overall, the rate of input price inflation was the second-sharpest on record.

- 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.

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