

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CET (0830 UTC) 5 December 2024

HCOB France Construction PMI[®]

Construction sector downturn cools again in November

Key findings:

Sector mired in downturn despite Total Activity Index hitting one-year high

Business confidence sinks to decade low

Input costs rise at fastest pace in 11 months

Data were collected 12-29 November 2024.

France's construction industry endured another difficult month in November, with total activity levels shrinking at a sharp pace. All three monitored types of activity saw reductions, with the residential sector at the centre of the downturn once again. Generally weak demand conditions were cited by panellists, and fears that the slump in new orders could persist led the HCOB Future Activity Index — which tracks business expectations in the year ahead — to fall to a decade low.

The headline HCOB France Construction PMI[®] Total Activity Index — which measures month-on-month changes in total industry activity — rose from 42.2 in October to a one-year high in November. However, posting 43.7, the index was well below the 50.0 no-change threshold, indicating another sharp reduction in total industry activity.

Of the three parts of construction monitored by the survey, the latest data revealed that the downturn was again broad-based. Housing provided the strongest drag, although the decline in residential building work slowed markedly and was at its least pronounced in a year-and-a-half. A slower decrease in activity levels was also recorded across commercial construction projects, but the extent of November's fall was still steep nonetheless. Lastly, civil engineering work volumes saw a modest drop.

According to surveyed businesses, lower demand weighed on activity levels in November. Low calls for tender and budget freezes restricted the volume of new incoming work, panel member reports showed. Subsequently, the latest HCOB PMI data showed another sharp decline in new orders placed with French constructors, and one that was the quickest since July.

Fears that the current weak state of order books would persist led surveyed businesses to take a pessimistic view towards the 12-month outlook for activity. In fact, French constructors were their most downbeat in a decade, with 37% of the survey panel predicting lower volumes of work over the coming year.

In response to lower intakes of new orders, French construction companies tapered their purchasing activity, extending the current sequence of falling input demand to just over a year-and-a-half. Despite the sustained deterioration in company buying volumes, suppliers' delivery times lengthened for a second consecutive month during November.

Cost pressures facing French constructors intensified slightly during the penultimate month of 2024. That said, while the rate of input price inflation accelerated to an 11-month high, it remained weaker than the long-run average.

Meanwhile, employment levels across the French construction industry fell during November. This marked the seventh month running that workforce numbers have declined. Redundancies and the non-replacement of leavers led staffing

capacity to shrink, according to panel member reports.

Comment

Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

"Waiting for better times. According to the HCOB PMI for November, France's construction sector remains deep in recession, with the index showing only a slight improvement from the previous month. Sub-sector indices all rose, with that for the residential sector making the most significant jump, but it continues to signal a substantial decline in house building. If the upward trend of the past few months continues, civil engineering activity could be the first to recover from the recession, as its index is the one that's closest to the 50.0 mark."

"Prices are rising despite weak demand. The French construction sector continues to see increasing input prices, although inflation remains well below the historical average. Interestingly, subcontractor prices fell once again, albeit unsurprisingly given demand for their services has been declining since late in 2022. French construction companies also reported that they believe the quality of subcontractor work has declined."

"The outlook is fraught with uncertainties. Order intakes at French construction companies plummeted dramatically, preventing large employment waves and instead leading to layoffs. Activity expectations for the next twelve months fell to a ten-year low in November. Given the significant political uncertainties stemming from Paris, companies lack planning security. This dire situation is unlikely to change by early 2025 and support from the political sphere seems unlikely."

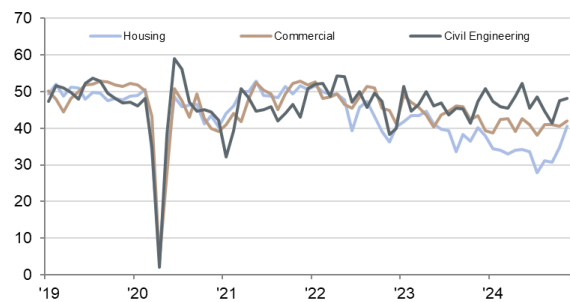
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



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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