NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

French construction activity declines at sharpest rate for three years

Key findings:

Steep drops in residential and commercial building activity

Downturn in demand for construction projects intensifies

Firms cut workforce numbers as business outlook remains pessimistic

Data were collected 11-31 January 2024.

France's construction sector remained mired in a deep downturn at the start of 2024, with the contraction in total activity worsening further to its sharpest for three years. Work carried out on all types of building projects fell in January, with housing and commercial construction activity exhibiting especially-notable slumps. The outlook was gloomy, with business confidence staying subdued amid a further rapid reduction in new orders.

Input costs faced by French constructors rose, albeit to the slowest extent since April 2020.

The headline HCOB France Construction PMI® Total Activity Index — which measures month-on-month changes in total industry activity — slid further into contraction territory during January, falling from 42.6 in December to 39.6. This was the lowest reading of the headline measure for three years and indicated a steep and accelerated decrease in overall activity levels within France's construction sector.

All three types of building activity were a drag on the sector during January. After improving marginally at the end of the year, civil engineering projects fell moderately and at the fastest pace for three months. That said, it was in the other two areas of construction -—housing and commercial building —where weakness primarily stemmed from. Work carried out on residential projects saw the sharper downturn of the two, although commercial activity shrank at the fastest pace in over three-and-a-half years.

Volumes of incoming new business deteriorated rapidly in January. According to survey respondents, fewer calls for tender and high borrowing costs led order books at French constructors to shrink. The decline was steep and sharper than seen on average across the current 22-month sequence of contracting demand.

Expectations among surveyed companies were subdued, with many anticipating a further reduction in activity over the next 12 months due to weak demand conditions. Nearly one-third (32%) foresee lower construction work being carried out in the next 12 months, although this was slightly lower than in December (39%), pushing the HCOB Future Activity Index slightly higher from the previous month's 44-month low.

With activity requirements decreasing, and firms' expecting this trend to persist, French constructors lowered their purchases of raw materials at the start of the year. The reduction was sharp, having accelerated since December to its fastest for just over three years.

Employment was also reduced in January, extending the current period of jobs cuts to 11 months. The decline in workforce numbers was moderate, but the steepest since last July. The non-renewal of temporary contracts was one method used by survey respondents to cut their headcounts.

Input prices rose further in January, although the rate of inflation cooled notably on the month to a 45-month low. This was despite supply-chain pressures intensifying, with average input lead times lengthening to the greatest extent since last April.

Comment

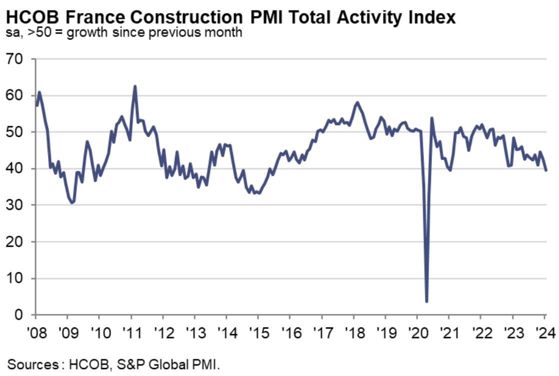
Commenting on the PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

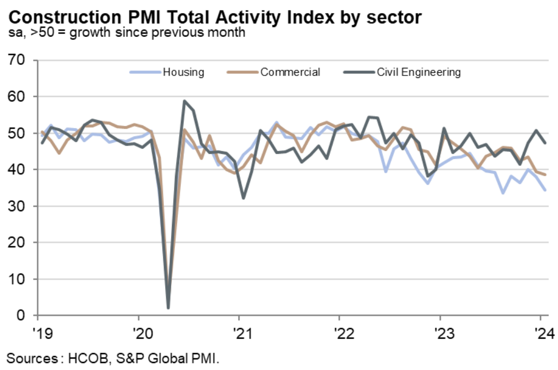
"The French construction sector is starting the new year poorly. Business activity declined for another month and at the fastest pace in three years. Weak demand is putting further pressure on the sector, as also shown by the new orders PMI. There is no recovery in sight either, with an outlook for the coming twelve months being dominated by pessimism.

"The recession in the construction sector is broad-based. Activity in all three segments – housing, commercial and civil engineering –declined in January. Activity in civil engineering fell moderately compared to the commercial and housing sector, where business is depressed. Official national accounts data confirm the picture the HCOB PMIs paint. High interest rates and rising prices are putting a lot of pressure on the sector.

"The Houthi attacks may also be having an impact on construction businesses. As seen in the corresponding PMI, suppliers' delivery times worsened significantly in January. These delays are yet to affect prices, however, as input price inflation softened further. If the attacks continue, this might have an impact, although it should be relatively low compared to the supply shortage seen in 2021/2022."

-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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The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

S&P Global (NYSE: SPGI)

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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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