

News Release

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S&P Global France Construction PMI®

Construction activity continues to fall as new orders decline at sharpest rate in 18 months

Key findings

Volumes of new work fall at sharpest rate in a year-and-a-half

Cost pressures remain elevated as supply issues persist

Confidence sinks to lowest level since October 2020

The France Construction PMI® survey highlighted continued weakness across the sector midway through the third quarter as activity levels fell at a faster pace. The quicker downturn in construction output was underpinned by falling intakes of new work, the strongest in 18 months.

There was evidence to suggest French constructors were moving into retrenchment mode as input purchasing and employment were both cut back. Input prices continued to rise sharply, partly due to ongoing supply issues.

Looking ahead, business confidence slumped to its lowest level since October 2020 as companies grew concerned about their operating costs and the demand outlook.

The headline S&P Global France Construction Activity Index – which measures month-on-month changes in total industry activity – posted 48.2 during August, down from 48.6 in July. This was below the 50.0 no-change mark and therefore indicated a sustained and accelerated downturn in construction activity levels across France. Overall, output levels at French constructors have fallen in each of the last three months.

Of the three monitored types of construction activity, residential and civil engineering work recorded in contraction territory in August. Commercial activity saw a renewed expansion, following six successive monthly decreases.

Latest survey data signalled lower intakes of new work across the French construction sector midway through the third quarter, marking a fifth straight month-on-month decline. Furthermore, the decrease was the sharpest in a year-and-a-half.

With demand conditions deteriorating, French constructors looked to contain their overheads in August as both input purchasing and employment fell. The drop in buying activity was the first in exactly a year and the sharpest since February 2021. Firms also saw their employment levels decrease in

■ Construction Total Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-31 August 2022.

Comment

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

"The French construction sector went from bad to worse in August as activity levels fell at a sharper rate. The downturn was aggravated by the strongest decrease in new orders for a year-and-a-half as rising interest rates and growing economic uncertainty tempered investment appetite."

"It appears that French constructors are now beginning to brace for challenging times. This was reflected in a renewed reduction in purchasing activity and a faster drop in employment levels. Lower staffing numbers appear to be a response to falling pipeline work, while the decline in buying activity comes amid surging inflation for a wide variety of raw materials."

"With high inflation expected to persist and interest rates set to rise further, constructors reported strong concerns about the outlook for the sector. Business sentiment dipped to its lowest level since October 2020 in August."

August, with the rate of job shedding at its quickest in 19 months.

Subcontractor usage also declined once again amid a faster increase in their rates charged. That said, this did coincide with a further deterioration in the quality of their work, as well as a drop in their availability.

Supplier performance continued to worsen in August, according to the latest survey data. That said, although average input lead times lengthened, it did so to the softest extent since January 2021 amid lower demand for raw materials.

Nevertheless, despite waning demand pressures and signs of easing supply-chain disruptions, input costs continued to soar in August. In fact, the rate of input price inflation accelerated slightly when compared to July. Some companies reported greater costs for energy and certain raw materials.

Lastly, the outlook for the French construction sector turned pessimistic during August. Overall, firms were at their most downbeat since October 2020 as project cancellations and high inflation dampened sentiment.

■ 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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