

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

Construction industry activity shrinks at fastest rate since May 2020

Key findings:

- Total Activity Index falls to 52-month low of 37.9
- Residential sector performs the worst, but downturn stays broad-based
- 12-month expectations turn more pessimistic

Data were collected 12-30 September 2024.

Construction companies in France reported a further steep reduction in their workloads at the end of the third quarter. According to the latest HCOB PMI® survey, total industry activity shrank at the fastest pace since May 2020, or April 2015 when excluding months affected by COVID-19. All three broad monitored segments of construction recorded sharp contractions in September, although housing was by far the worst performer once again.

Business expectations remained firmly rooted in pessimistic territory, with survey indicators relating to purchasing, employment and new orders all signalling contraction.

The headline HCOB France Construction PMI® Total Activity Index — which measures month-on-month changes in total industry activity — decreased further at the end of the third quarter. Falling from 40.1 in August to 37.9 in September, the index sank to its lowest level since May 2020 and indicated a substantial drop in the total level of activity across France's construction sector. Excluding months impacted by COVID-19, the headline figure signalled the sharpest contraction since April 2015.

All three segments recorded steeper rates of decline in September, but the downturn remained housing-led, more detailed industry-level data showed. Indeed, nearly 38% of home builders reported less activity than in August, whereas under 8% saw growth. Notably, civil engineering activity posted its quickest pace of contraction since December 2022. Meanwhile, work undertaken on commercial projects fell for a twenty-fourth successive month.

Activity across France's construction industry was restricted by weakness in demand, with panellists citing low levels of interest from clients. New order intakes fell in September at a sharp pace, although the rate of decline was unchanged since August and therefore the joint-softest since May.

Due to lower levels of incoming new projects, French builders made further reductions to their purchasing volumes. In fact, the decrease was the steepest since December 2020.

Retrenchment was also seen in other areas of the survey in September. For a fifth consecutive month, employment across France's construction sector declined. The rate of job shedding was moderate but quickened since August. The postponed opening of job sites, lower activity requirements and the completion of contracts were reasons cited by firms that cut workforce numbers.

Cost-cutting measures came amid a further monthly uptick in input prices. Although, the rate of inflation was muted when compared with the long-run average.

Looking ahead, survey respondents remained downbeat in their assessment towards the outlook for activity over the next 12 months. Concerns about the demand environment were cited by pessimistic panel members. The overall level of negative sentiment intensified since August.

Comment

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

“Has the French construction sector hit rock bottom? The French construction sector remains in deep crisis, as reflected in the HCOB PMI for September, which dropped to 37.9 points – the lowest level in nearly a decade, excluding the COVID-19 pandemic period. The index for civil engineering, in particular, saw a sharp decline compared to the previous month, with the steepest contraction in activity once again occurring in the residential property market. In light of this downturn, the question arises whether the sector has finally reached its lowest point.”

“The French construction sector continues to suffer from rising prices. Although the pace of price increases slowed somewhat in September, input costs are still growing despite historically weak demand. A small silver lining is the decline in subcontractor prices, likely due to construction companies having sharply reduced their reliance on subcontractors by the end of the third quarter.”

“The outlook for the French construction sector remains bleak. Order intake continues to shrink significantly, and forecasts for future activity are equally pessimistic. Many construction companies have expressed concerns about the weak demand environment, leading to a further wave of layoffs. A recovery in the sector seems likely only through substantial interest rate cuts in the Eurozone, but hopes for such action remain limited at present.”

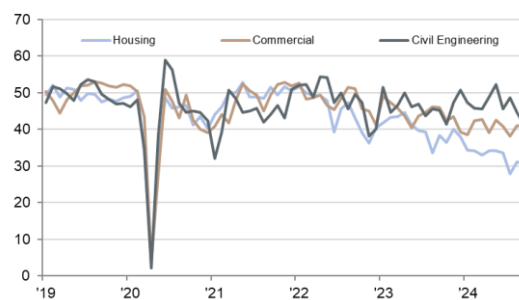
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



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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