

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI®

Housing-led slump in construction activity worsens in October

Key findings:

French construction work falls at fastest pace in year-to-date

Housing activity continues to lead the downturn

New orders decrease again; pessimism worsens

Data were collected 12-31 October 2023.

The housing-led downturn in France's construction sector continued in October, according to the latest HCOB PMI® data, compiled by S&P Global. The contraction in building activity was steep overall and the fastest seen in the year-to-date, as new orders placed with French constructors continued to decline at a marked pace.

Meanwhile, employment and purchasing activity continued to be cut as pessimism towards the 12-month outlook worsened.

The headline HCOB France Construction PMI Total Activity Index — which measures month-on-month changes in total industry activity — slid further into contraction territory at the start of the fourth quarter. At 41.0, the headline figure was at its lowest level in the year-to-date, falling from 43.7 in September to signal a notable quickening of the decline in construction activity across France.

The accelerated downturn in total activity levels reflected a broad-based worsening. According to data split by the three types of construction activity monitored by the survey, residential building provided the strongest drag on the sector as whole. Work undertaken on civil engineering projects also fell rapidly, with the pace of decline the fastest since December last year. Commercial building activity likewise saw a notably quicker deterioration that was the most marked in five months.

Central to October's sharper decrease in activity was a worsening of demand conditions. New orders placed with French constructors fell for a nineteenth month in succession at the start of the fourth quarter amid reports from survey respondents of fewer calls to tender and limited client interest. Although the rate of contraction eased, it was marked overall.

French construction companies adjusted to lower demand and activity schedules by reducing their purchases of raw materials and other necessary items during the latest survey period. While the extent to which buying was trimmed moderated, it was the second-fastest seen since December 2020.

Employment levels were also cut in October, marking an eighth successive month in which this has been the case. However, the rate of job shedding slowed to a marginal pace that was the softest over this sequence.

Reductions to purchasing activity and employment coincided with a worsening of the outlook, October survey data showed. French constructors' expectations towards the next 12 months were at their most pessimistic since May.

French construction companies continued to face rising cost pressures, as input prices rose. That said, the rate of inflation was softer than seen on average across the survey's 23-year history.

Turning towards data regarding subcontractors, October's survey highlighted falling usage for a thirteenth successive month. Subcontractor availability improved marginally, although their rates charged rose strongly.

Comment

Commenting on the PMI data, Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

"The French construction sector had a rough October. Everything slowed down even more than it did last month, whether they were building homes, offices, or civil engineering projects. It seems like the sector's recession is going to stretch to the end of the year at least.

"New orders were not crashing as fast as they did last month, and that is probably why construction companies have not been laying off too many people. It is a ray of hope, but then remember that one swallow does not make a summer. Construction companies are thinking they will have fewer projects in a year from now, according to our Future Activity Index.

"Construction material prices and other input costs are still on the upswing. Inflation is not as steep as the long-term survey average, and it is well beneath the heights we hit in 2021 and 2022. Still, inflation remains rather persistent. The fact that input price increases barely eased up in October might be because of all the geopolitical tensions, especially the uplift in natural gas prices. The latter impacts the cost of several construction materials.

"In recent months, delivery times from suppliers did not improve markedly. The availability of subcontractors has also increased only moderately. October came, and deliveries were even slowing down this time, and as for subcontractors, they did not exactly step up their game. It is a real head-scratcher, especially with construction activity plummeting. You would expect delivery times to speed up and more subcontractors to be up for grabs. One thought is that the worker shortage is taking a toll here too."

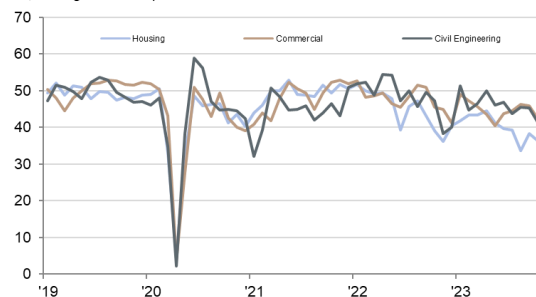
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



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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