

# News Release

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## S&P Global France Construction PMI<sup>®</sup>

### French construction sector ends 2022 with another sharp decline

#### Key findings

Construction activity falls sharply in December

New orders decline at quickest rate in nearly two years

Business confidence remains subdued amid high inflation

France's construction activity continued to decline at a steep rate at the end of 2022 as deteriorating demand conditions and intense cost pressures limited intakes of new work. The volume of incoming new orders fell to the quickest extent in almost two years, leading constructors to reduce their purchasing of inputs. Looking towards the next 12 months, businesses anticipate the sector to remain in a downturn.

The headline S&P Global France Construction Activity Index – which measures month-on-month changes in total industry activity – recorded 41.0 in December. Although this was an increase from November's 40.7, it was still indicative of a sharp monthly decline in total construction activity levels across France that was the second strongest since January 2021.

Split by the three types of construction work monitored by the survey, the latest data revealed marked declines across the board. Housing, commercial and civil engineering activity levels all fell sharply in December, with the latter providing the strongest drag on overall building work.

According to survey respondents, construction activity was weighed down by weak demand conditions. Some surveyed companies commented on lower orders from clients in the public sector. There were also mentions of bad weather conditions.

December survey data signalled lower new order inflows at the end of 2022. In fact, the decline in demand was the strongest for almost two years and the ninth in as many months. High costs reportedly had an adverse effect on clients' appetite for spending.

In response to lower intakes of new business, French construction companies cut their purchasing activity during December. The reduction was the steepest in almost two years and strong overall.

Nevertheless, despite evidence of companies retrenching,

■ Construction Total Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 06-23 December 2022.

#### Comment

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

*"The French construction sector rounded off the final quarter of 2022 with another steep monthly decline in activity. Overall, the sector has put in its worst quarterly performance since the final three months of 2020, when lockdown measures were prevalent across France.*

*"Weakness on the demand side was a key reason for December's sharp drop in construction work. Clients are hesitant to commission new projects as inflation remains elevated and the economic outlook uncertain. For these reasons, we're seeing constructors stay in retrenchment mode as purchasing activity and subcontractor usage fell.*

*"Companies are subsequently finding it challenging to identify growth opportunities over the next 12 months. As borrowing costs rise, and further increases to interest rates are expected, headwinds to building work will likely persist."*

there was a stabilisation of employment at the end of 2022 as workforce numbers were unchanged. This followed on from five successive monthly declines.

Despite demand slowing and French constructors tapering their purchasing of inputs, December survey data showed another marked deterioration in the performance of suppliers. Just 2% of companies observed an improvement in input lead times, while nearly a quarter of the panel reported delivery delays.

Continued pressure on suppliers, alongside reports of high energy costs, led overall input price inflation to remain elevated during December. The increase was substantial and well above its long-run average, but did ease to the weakest since July last year.

Evidence of companies retrenching was also seen in subcontractor usage, which fell at the quickest pace since February 2021. This coincided with sustained upward pressure on their rates charged, as well as a drop in the perceived quality of their work.

Looking ahead to 2023, French construction companies were downbeat on their prospects, with the latest data showing more businesses expecting activity to fall than rise. Downbeat sentiment was linked to weakness in demand.

- 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](mailto:economics@ihsmarkit.com).

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