

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Construction PMI[®]

Residential-led construction downturn intensifies in July

Key findings:

- Total Activity Index falls to lowest level since January
- Housing construction plummets at one of the fastest rate on record
- Business confidence sinks deeper into pessimistic territory

Data were collected 11-31 July 2024.

France's construction sector fell deeper into contraction at the start of the third quarter, latest HCOB PMI[®] data revealed, as accelerated declines in housing and commercial building work led total activity levels to fall at the quickest pace since January. Demand for construction projects also deteriorated sharply, resulting in quicker reductions to purchasing activity and employment. Concerned by the downturn in new orders, firms' outlook for the next 12 months was at its most pessimistic in the year-to-date.

The headline **HCOB France Construction PMI[®] Total Activity Index** — which measures month-on-month changes in total industry activity — fell deeper into sub-50.0 contraction territory at the start of the third quarter. Posting 39.7 in July, down from 41.0 in June, the latest data pointed to a steep and accelerated decline in overall activity levels across France's construction sector. The pace of the decrease was the fastest since January.

All three modes of construction activity monitored by the survey saw reductions during July. Residential building continued to exert the most substantial drag on the broader sector, with housing construction declining at one of the worst rates since data were first collected in September 2000. Work carried out on commercial projects also slumped sharply, with July's contraction the fastest in just over four years. While civil engineering activity also dropped, they did so only modestly and to a weaker extent than in June.

Matching the trend in activity, July survey data signalled a sharp and accelerated fall in the level of incoming new work received by French constructors. The reduction in new orders was the steepest in just under three-and-a-half years. According to panellists, generally weak demand and reduced access to credit for clients led to fewer new project wins.

Firms made adjustments to weaker new orders by reducing their purchasing activity in July. The pace of decline also picked up and was the most marked since December 2020. Some businesses opted to use existing stocks before making additional acquisitions, anecdotal evidence showed.

French construction companies lowered their staffing levels in July for a third month in a row. The rate of job shedding was the fastest since March. Subcontractor usage was also decreased.

Nevertheless, despite reductions to input buying, employment and subcontractor usage, French constructors recorded a further month of rising input costs. The latest increase was relatively muted overall, however, and well below that seen on average across the survey history.

Looking towards the next 12 months, surveyed businesses recorded a deeply pessimistic assessment of activity prospects. Almost a third of panellists foresee a reduction in the amount of work being carried out over the coming year amid concerns towards demand. Overall, the HCOB Future Activity Index posted a year-to-date low.

Comment

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

"That doesn't look good at all. In July, the HCOB France Construction Total Activity Index dropped further to 39.7, the lowest level since the beginning of this year. Overall, demand weakened even further as the new orders index turned down yet again, which is reportedly due to some difficulty for clients securing loans, according to anecdotal evidence. Although we expect another interest rate cut by the ECB in September, this will hardly revive the French construction sector. Thus, we anticipate that the sector will remain in recession for this year."

"The downturn in French construction is led by the housing sector. The respective HCOB PMI for housing activity dropped by almost six index points to the lowest level since the start of the Covid-19 pandemic. Additionally, activity in the commercial sector declined at a faster pace compared to the previous month. On the other hand, the decline in civil engineering activity was smaller compared to the previous month and only modest."

"French constructors are expecting worse activity levels in the coming twelve months. The HCOB PMI for future output expectations dropped by almost eight index points, mainly due to pessimistic expectations about future demand. The pessimistic outlook is also reflected in the employment situation, which worsened in July."

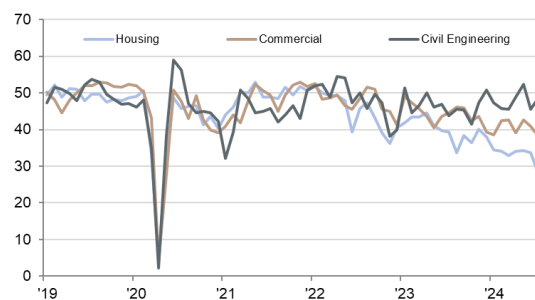
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HCOB France Construction PMI Total Activity Index
sa, >50 = growth since previous month



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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