News Release

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IHS Markit France Construction PMI®

Construction activity falls for fourth successive month

Key findings

French construction sector remains mired in contraction

Intense cost pressures continue amid supply shortages and delivery delays

Employment growth just shy of two-year high as confidence improves

Data were collected 13-30 September 2021.

Latest survey data pointed to a further contraction in French construction activity in September, stretching the current period of decline to four months. The reduction came amid reports of intense shortages of construction materials, which were a key factor behind delays in average lead times. Weaker demand was also evident, as new orders fell, but construction firms hired extra staff at the fastest pace in almost two years.

The headline France Construction Purchasing Managers' Index® (PMI®) — which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago — rose to 48.9 in September, from 44.9 in August. With another sub-50.0 reading, the headline index signalled a further reduction in construction activity across France and the fourth in successive months. That said, the decline was less severe than in August and the joint-weakest over the current downturn period.

The decrease in construction work was primarily driven by civil engineering, as commercial building activity fell only marginally. Meanwhile, the final sub-group of construction activity monitored — residential — posted a modest expansion for the first time since May.

French construction firms faced substantial supply-side impediments during September, with widespread reports of shortages for key materials. This put pressure on supplier capacities, leading to longer lead times. In fact, the deterioration in vendor performance during September was the second-sharpest recorded since data collection began in

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France Construction Total Activity Index

sa, >50 = improvement since previous month

Source: IHS Markit.

Comment

Commenting on the latest survey results, Joe Hayes, Senior Economist at IHS Markit, said:

"Against the backdrop of slowing growth in the manufacturing and service sectors during September, the Construction PMI survey showed falling building activity once again, meaning the sector has failed to register growth at all during the third quarter.

"Some of the issues plaguing the wider economy were also key sticking points for construction firms too, as a substantial worsening in delivery times due to supply issues impeded activity. That said, there was also evidence of weak underlying demand conditions, and some firms even noted losses in their client bases.

"However, there were some positive signs from the survey data. Many firms are anticipating higher workloads over the coming 12 months as investment appetites improve. This supported an expansion in staffing levels — the strongest for almost two years. This signals that firms don't expect the current lull in the construction market to be protracted."

2000, surpassed only by that seen in April last year.

Low levels of material supply exerted severe upward pressure on prices in September. Input costs increased at one of the quickest rates seen in the survey history, although the slowest in five months. According to surveyed firms, steel, wood and copper-based items were particularly affected.

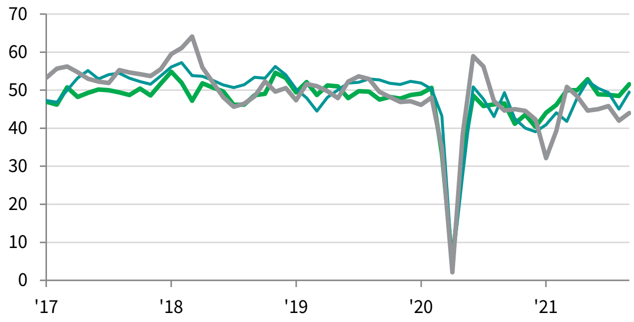
Nevertheless, French constructors increased buying activity at a solid pace, a marked contrast from the decline seen previously. Some firms raised purchasing activity in order to build up safety stocks.

Another factor weighing on building activity in September was new orders, which fell for a third successive month. A number of firms reportedly lost clients.

Nevertheless, despite subdued demand conditions, construction firms were more optimistic about future activity levels. Expectations were strong by historical standards and at their most positive since June. Increased confidence was underpinned by forecasts of an improving investment climate and a subsequent rise in workloads.

Improved optimism coincided with the fastest rise in staffing levels in just shy of two years during September. Employment in the French construction sector has now risen in three of the past four months.

Activity Index by sector
Residential / Commercial / Civil Engineering
sa, >50 = growth since previous month



Sources: IHS Markit.

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Survey methodology

The IHS Markit France Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

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.

Survey dates and history

Data were collected 13-30 September 2021.

Survey data were first collected September 2000.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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CNA (Conseil national des achats – National Purchasing Council), is a non-profit making, non union trade association, gathering individuals, and people actually involved in the purchasing activity of companies or public services. Its aim is to increase the efficiency of the purchasing function in the economy by training and informing those concerned, defining and applying a professional ethic, providing studies, research, surveys, and all actions of general interest in any field directly or non directly related to purchasing and subsidiary functions.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
ihsmarkit.com/products/pmi.html.