

Embargoed until 0930 CET (0830 UTC) 4 December 2020

IHS MARKIT FRANCE CONSTRUCTION PMI®

French construction activity continues to decline sharply in November

KEY FINDINGS

Marked contraction in activity amid fresh COVID-19 lockdown

New orders fall at sharpest rate for six months

Employment slips further, albeit at slower pace

Data collected 12-30 November

According to the latest PMI® data, activity in the French construction sector continued to fall markedly in November. The contraction was predominantly driven by the introduction of a second coronavirus disease 2019 (COVID-19) lockdown, which also saw new orders fall at the quickest pace for six months. Amid weaker demand conditions, firms continued to cut their staff numbers, albeit at a softer rate than in October. Meanwhile, construction companies remained pessimistic towards the one-year businesses outlook.

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 fractionally to 42.8 in November, up from 42.7 in October. The latest reading pointed to another sharp contraction in French construction sector activity, with the rate of decline little-changed from the previous survey period.

Each of the three monitored sub-sectors posted reductions in output midway through the fourth quarter. Commercial construction was the worst performing market segment, registering the sharpest contraction since May, when COVID-19 lockdown restrictions were last in place. Civil engineers and home building companies also recorded marked declines in activity, with the rate of decrease slightly quicker for the latter.

The reintroduction of lockdown measures also contributed to a marked deterioration in demand conditions during November.

Total Activity Index
sa, >50 = growth since previous month



Source: IHS Markit.

New orders fell at the quickest pace for six months, with many panellists commenting that the recent escalation of the COVID-19 pandemic had reduced the number of calls for tender.

Faced with softer inflows of new work, firms pared back their staff numbers for the second month running. However, the rate of workforce contraction eased substantially from October's five-month record and was only marginal overall.

Similarly, lower activity requirements saw construction companies cut purchasing activity in November, extending the current sequence of reduction to five months. The latest decline was the second-fastest in that run (slower than September) and sharp.

On the supply-side, input delivery times continued to lengthen markedly. However, the rate at which vendor performance deteriorated was the softest for nine months.

Meanwhile, cost burdens faced by construction companies in France rose further in November. The rate of input price inflation accelerated from October, but remained historically subdued.

Looking forward, firms were pessimistic towards the 12-month business outlook. Panellists often cited expectations for a further decline in activity, with COVID-19 having shortened the pipeline of upcoming projects.

COMMENT

Eliot Kerr, Economist at IHS Markit, which compiles the survey:

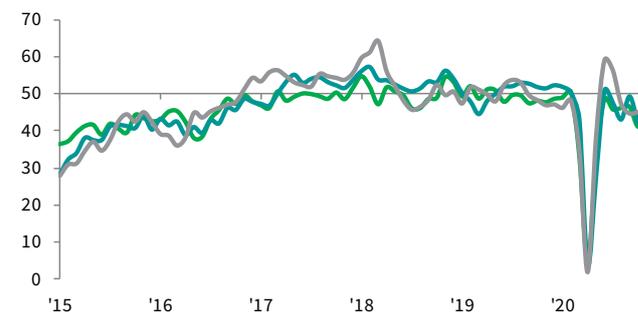
"The COVID-19 pandemic continued to severely hamper the French construction sector in November. Activity contracted markedly amid the reintroduction of lockdown restrictions, while new orders fell at the quickest pace since May and employment continued to decline.

"Sub-sector data indicated that the decline in activity was broad-based, with all three covered market segments recording marked contractions. Notably, work undertaken on commercial projects fell at the quickest pace for six months.

"The deterioration in demand conditions brought about by the pandemic has also weighed on sentiment towards future activity. Firms remained pessimistic towards the 12-month outlook for output amid fears that a short pipeline of new projects would struggle to grow in the current economic climate."

Activity Index by construction category Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Source: IHS Markit.

CONTACT

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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.

November 2020 data were collected 12-30 November 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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

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