

Embargoed until 0930 CEST (0730 UTC) 6 July 2020

IHS MARKIT FRANCE CONSTRUCTION PMI®

French construction activity begins to recover in June

KEY FINDINGS

First expansion in activity since February

Softer reduction in new business

Marginal increase in purchasing activity

Data collected 12-30 June

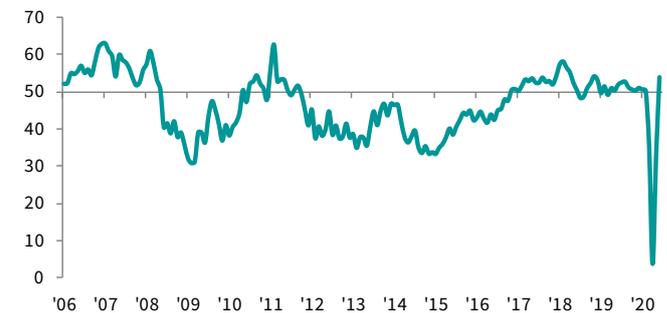
June PMI® data pointed to the first rise in French construction activity for four months as more firms began operating closer to full capacity. Meanwhile, demand conditions deteriorated at a substantially softer rate and there was slight rebound in purchasing activity. Employment fell only marginally overall after three months of marked reductions.

Looking forward, firms remained pessimistic towards the one-year outlook for activity, however the sentiment reached its strongest level in four months.

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 53.8 in June, up drastically from 32.4 in May. The latest reading pointed to a solid expansion in activity which represented the start of a recovery following three months of sharp decline amid the coronavirus lockdown. When explaining growth, panellists suggested that they had begun to resume normal operations.

At the sub-sector level, the rebound was underpinned by a rise in activity across two of the three monitored categories. Civil engineering firms were the strongest performers, posting a sharp expansion that was the quickest since March 2018. Meanwhile, work undertaken on commercial projects increased – albeit slightly – for the first time since February. Home building activity remained the laggard, with companies registering a fourth successive monthly contraction. That said, the pace of decline eased to the slowest in that sequence.

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



Source: IHS Markit.

In line with rising output requirements, French construction firms increased their purchasing activity at the end of the second quarter. Although only slight overall, the expansion was the first for four months following sharp reductions since February.

Meanwhile, June data pointed to a further deterioration in demand conditions faced by French construction firms. New business continued to decline at a marked rate, extending the current run of contraction to five months. That said, the latest reduction was far softer than those recorded in the previous three months.

Input prices paid by French building companies continued to rise in June. Moreover, the rate of inflation accelerated to the quickest since February and was sharp overall.

There was evidence of further supply-side disruption in the French construction sector, with another steep lengthening of input delivery times in June. That said, vendor performance deteriorated to the least extent for three months.

Finally, despite sentiment strengthening to a four-month high, firms remained pessimistic regarding expectations for activity growth in the next year. Negativity was driven by fears of a prolonged economic downturn.

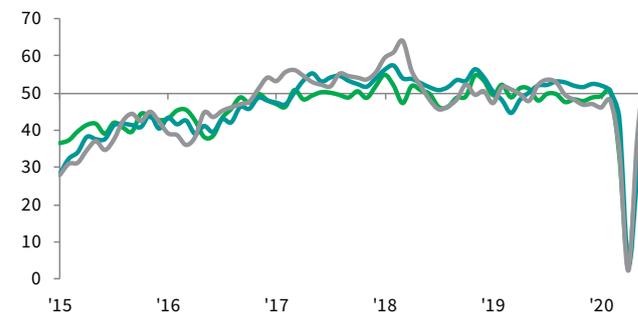
COMMENT

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

"The latest PMI data finally pointed to some green shoots in the French construction sector, with activity rebounding following sharp contractions since the start of the coronavirus crisis. Although that growth wasn't replicated in new orders, there were signs that demand was beginning to stabilise, with the rate of decline easing further and firms happy to start buying more inputs. Positivity can also be gleaned from the improvement in sentiment and a softer reduction in employment. Should each of those key metrics continue to trend in the same direction as they have been for the past two months, we can expect a sustained increase in French construction activity."

Activity Index by construction category
Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Source: IHS Markit.

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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.

June 2020 data were collected 12-30 June 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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