

IHS Markit France Construction PMI®

French construction activity returns to growth

Key findings

Renewed upturn in activity amid sharp rise in new business

Input buying expands at quickest rate for nearly three years

Supply-chain disruption intensifies, input costs surge higher

Data were collected 11-28 May 2021.

Construction activity across France rose for the first time in 11 months in May, according to latest PMI® data. The upturn was supported by a sharp and accelerated rise in new orders, which prompted firms to expand their purchasing activity at a faster rate. Supply-chain delays were the second-worst on record, however, amid reports of raw material shortages at vendors. Concurrently, input prices increased again, with the rate of inflation the sharpest since June 2008.

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 – posted 51.1 in May, up from 49.8 in April. Although only pointing to a mild rate of expansion, it marked the first upturn in activity since June 2020.

Data broken down by sector highlighted that growth was driven by renewed increases in homebuilding and commercial construction activity, with the former registering the steeper rate of growth. Meanwhile, civil engineering activity declined again, and at a steeper rate than in April.

The renewed expansion of overall activity was supported by a notably steeper increase in total new business. The rate of new order growth was the quickest seen for just over three years and sharp. Panel members often commented that firmer demand conditions and a recovery from COVID-19 helped to lift sales.

Higher new orders led construction firms to raise their buying
continued...

France Construction Total Activity Index
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at IHS Markit, said:

"The French construction sector returned to expansion territory in May, with firms reporting the first increase in overall activity for 11 months. The upturn was supported by a notable rebound in new orders, as firms reported stronger overall demand conditions and a further recovery from the COVID-19 pandemic.

"However, supply-chain delays were the second-worst on record, which fed through to a substantial increase in input costs. Furthermore, the rate of inflation was the quickest seen since mid-2008, and driven by shortages of key raw materials such as metals. Cost pressures will be important to monitor in the months ahead as it could weigh on margins and activity."

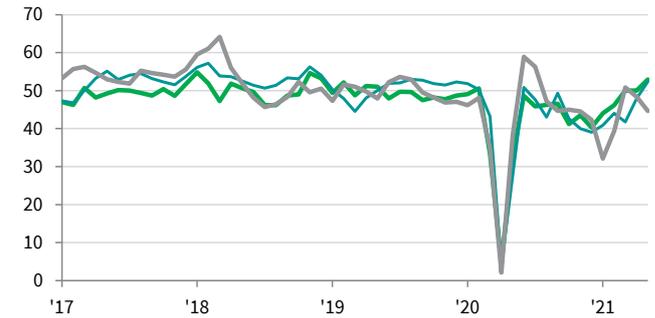
activity again in May. Moreover, the rate of expansion was the fastest recorded since June 2018 and rapid. However, the time taken to deliver purchased items to construction firms lengthened considerably. Furthermore, the rate at which vendor performance deteriorated was the second-fastest since data collection began in September 2000. Supply-chain delays were frequently linked to raw material shortages.

The strained supply of raw materials also pushed up input prices in May. The rate of cost inflation was the sharpest for nearly 13 years. Panellists frequently mentioned items such as steel being in short supply and driving purchasing costs higher in May.

Companies maintained a cautious stance towards employment in May, with staffing levels declining for the second successive month, albeit only fractionally.

Firmer demand conditions drove a rebound in business confidence to a three-month high in May. Construction firms were generally optimistic that activity levels would increase over the next year as COVID-19 restrictions are rolled back and projects resume.

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

May data were collected 11-28 May 2021.

Survey data were first collected September 2000.

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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.

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