News Release

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IHS MARKIT FRANCE CONSTRUCTION PMI®

Activity growth slows further in February

KEY FINDINGS

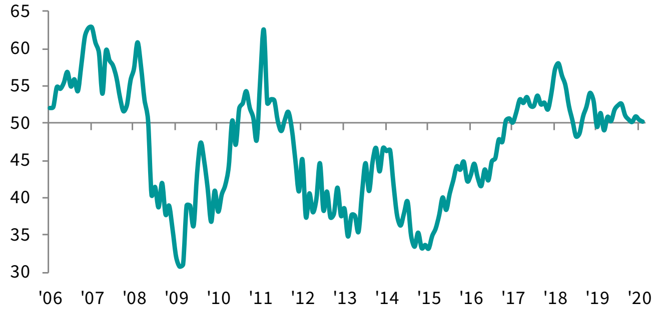
Fractional expansion in total activity

First decline in new business for ten months

Marked rise in input costs

Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

February's PMI® data pointed to a further slowdown in French construction activity growth, with the latest rise only fractional. The result came amid a modest decline in new orders, which was the first since last April. Despite softer demand, firms continued to employ additional workers. On the other hand, however, there was a stagnation in purchasing activity. Meanwhile, input prices rose at the sharpest rate for ten 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 – fell to 50.2 in February, down from 50.4 in January. The latest reading pointed to a softer rise in French construction activity, and one that was only fractional overall.

At the sub-sector level, the slowdown was driven by softer growth in commercial activity, which more than offset a rebound in home building and a slower decline in civil engineering work.

A key factor behind the sustained slowdown in activity growth was a modest decline in new business during February. The result represented the first deterioration for ten months, with some panellists mentioning softer demand conditions.

In line with the weakness in new orders, there was a broad stagnation in purchasing activity across the French construction sector. The result followed 27 months of growth in buying levels.

On the cost front, input prices continued to rise sharply. Moreover, the rate of inflation accelerated to the quickest for ten months. When explaining elevated costs, panellists mentioned higher prices for transport, fuel, recycling, copper and aluminium.

Meanwhile, French building firms continued to increase their staff numbers in February, extending the current run of workforce expansion that began in June 2017. Moreover, the rate of job creation accelerated to the quickest for three months and was solid overall.

Supplier delivery times lengthened further midway through the first quarter. However, the deterioration in vendor performance was the least marked since April 2018. Anecdotal evidence suggested that delays were driven by product shortages at suppliers.

Finally, firms were confident towards the one-year business outlook, supported by anticipation of improved demand conditions. The degree of positivity was softer than in January but remained historically marked.

COMMENT

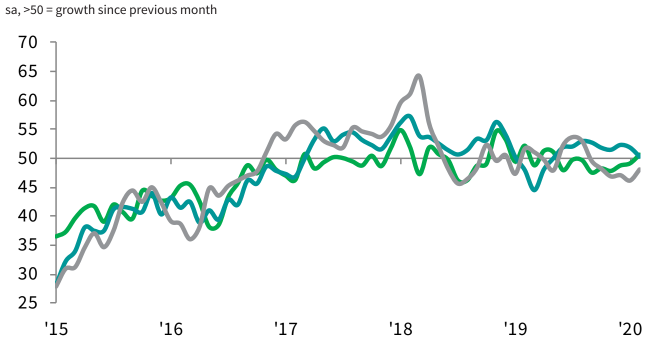
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

"The French construction sector produced a weaker showing in February as activity growth slowed to a snail's pace and new business fell for the first time in ten months. This resulted in a stagnation in purchasing activity and weaker expectations.

"There were some positive signs, with further hiring and a return to growth in home building. However, the pressure on firms is intensifying as they face rising costs and a scarcity of green shoots on the demand-side."

Activity Index by construction category

Housing / Commercial / Civil Engineering



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.

February 2020 data were collected 12-28 February 2020.

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.

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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