

IHS Markit France Construction PMI®

Construction activity slips back into decline

Key findings

French building activity falls at quickest rate since February...

...but hiring and business confidence rise amid growing new orders

Input cost inflation remains substantial as supply issues persist

Data were collected 11-30 June 2021.

Having shown tentative signs of a recovery in May, the French construction sector slipped back into contraction territory in June as activity fell at the fastest rate in four months. That said, there were plenty of positive takeaways from the survey as business confidence strengthened, order books continued to rise and firms hired additional staff.

There were considerable restraints on the supply-side however, as input lead times lengthened drastically amid widespread reports of input shortages. Consequently, input costs soared in June.

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 – slipped below the neutral 50.0 mark, falling from 51.1 in May to 48.9, and thereby pointing to a renewed decline in construction activity across France. Moreover, the contraction was the sharpest in four months, albeit only mild.

Data broken down by sector showed decreases in housing and civil engineering activity with the latter registering the quicker contraction. Meanwhile, commercial activity expanded for a second month running.

Despite lower activity levels, French construction firms registered an increase in new orders during June, stretching the current period of growth to four months. Overall, the rate of increase was mild and slowed from May's 37-month peak.

Growing order books helped lift business confidence further at
continued...

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:

"While it's disappointing to see the headline activity index moving back below 50.0 and into contraction territory during June, there were still many positive signals from the June survey.

"New orders continued to increase, as they have done so for four months running now, while business optimism reached its highest level for almost two years. There were some reports that order books had filled up enough to support growing activity levels over the year ahead. The strongest rise in employment since February 2020 also provided more evidence that French construction activity is poised to improve in the near-term.

"That said, intense supply chain dislocations persisted into June. Firms are finding it challenging to source materials, and this is intensifying inflationary pressures. A continuation of this will certainly interrupt hopes of a smooth recovery in the sector."

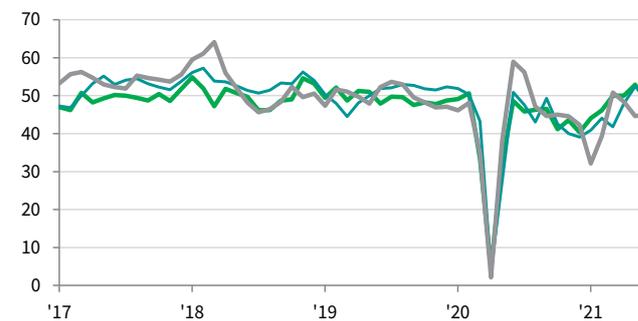
the end of the second quarter. The level of positive sentiment increased for the second month running and was the strongest for almost two years. According to survey respondents, current work and projects in the pipeline are expected to support activity growth over the coming 12 months.

The optimistic outlook encouraged French construction firms to hire additional workers during June for the first time in three months. Although only moderate overall, the rate of jobs growth was the strongest since February 2020.

Elsewhere, the latest survey data signalled continued pressure on suppliers to the French construction sector as input lead times lengthened to one of the greatest degrees ever seen in the survey history. Anecdotal evidence suggested that material shortages were exacerbated by issues sourcing freight. Regardless, input purchasing increased at the second-quickest rate since July 2019.

As a result of strong input demand and dwindling supply, French construction firms faced soaring costs during June. The rate of input price inflation was among the sharpest ever recorded, with around 75% of respondents registering higher expenses.

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

June data were collected 11-30 June 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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