News Release

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IHS MARKIT
FRANCE CONSTRUCTION PMI®

Fastest contraction in construction activity for five months

KEY FINDINGS

French construction activity declines sharply in October

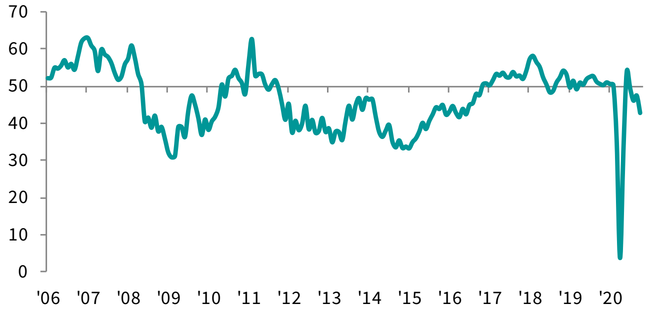
Demand conditions deteriorate at quicker pace

Renewed decrease in employment

Data collected 12-30 October

Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

Latest PMI® data pointed to a sharp contraction in French construction activity during October. The result was accompanied by an accelerated decline in new orders as the coronavirus disease 2019 (COVID-19) pandemic continued to suppress demand conditions. Meanwhile, the quicker decline in activity saw firms cut their staff numbers for the first time 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 – fell to 42.7 in October, down sharply from 47.3 in September. The latest reading signalled a marked contraction in French construction activity and one that was the fastest for five months. When explaining the decline, some panellists cited subdued demand conditions amid the prolonged COVID-19 outbreak.

At the sub-sector level, each of three covered market segments registered sharp declines in activity. The fastest contraction was recorded in housing, where work undertaken on projects fell for the eighth month in a row and at the quickest pace since May. Commercial activity also fell at the fastest rate for five months, while the decline in civil engineering work eased slightly from September.

As was the case in each of the previous eight months, new orders received by French construction firms decreased in October. Moreover, the rate of reduction accelerated to the quickest since May and was sharp overall. Anecdotal evidence suggested that the COVID-19 pandemic continued to curb demand.

Amid a steeper contraction in activity, there was a renewed decrease in employment across the French construction sector during October. The result followed three months of consecutive workforce expansion as firms began re-hiring after the lockdown period. The decline in the latest survey period was the quickest for five months and solid overall.

Purchasing activity among building companies in France continued to fall at the start of the fourth quarter. Though marked overall, the rate of reduction eased from September and was softer than the average for 2020 so far.

Meanwhile, input delivery times continued to lengthen sharply during October. However, the rate at which vendor performance deteriorated eased to the softest since before the escalation of the COVID-19 outbreak in March.

On the cost front, input prices faced by French construction firms rose further in October. That said, the rate of inflation was the slowest for six months.

Looking forward, sentiment towards the 12-month outlook for activity deteriorated. In fact, the degree of negativity was the most severe since April, with builders anticipating further disruptions to their operations due to the COVID-19 pandemic.

COMMENT

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

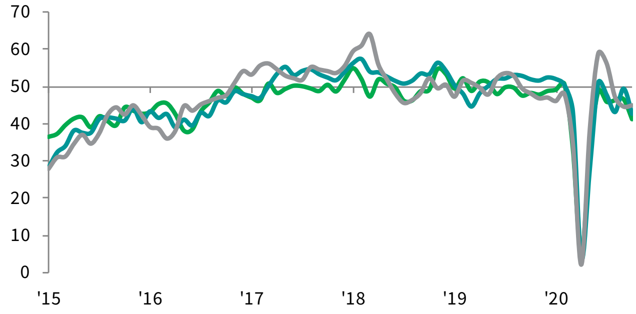
"Amid the introduction of COVID-19 curfews across some parts of France, the construction sector saw an accelerated decline in activity during October. Moreover, the deterioration in demand conditions gathered momentum, and firms recorded a renewed decrease in employment."

"Although the latest results were worrying, the imposition of fresh lockdown restrictions will likely see activity decline to an even greater extent in the coming months. We can expect demand conditions to soften further as some businesses temporarily close. A number of prospective construction projects will likely be put on hold while the outlook remains uncertain, and that will almost certainly filter through to both the overall level of activity and to the jobs market."

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.

October 2020 data were collected 12-30 October 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.

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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