

IHS MARKIT FRANCE CONSTRUCTION PMI®

Construction activity falls further despite some sites reopening

KEY FINDINGS

Activity contracts sharply, albeit at softer pace than April

New business continues to tumble

Further marked reduction in employment

Data collected 12-29 May

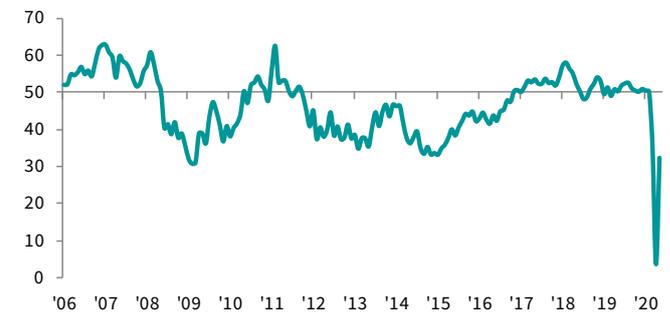
According to the latest PMI® data, French construction activity continued to fall markedly in May. The result came despite some sites reopening following the coronavirus disease 2019 (COVID-19) lockdown, and was driven by a continued decline in new business. Consequently, firms pared back both staff numbers and purchasing activity at a sharp pace.

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 32.4 in May, up from 3.8 in April. The latest reading pointed to another marked decline in French construction activity, albeit one that was substantially slower than in April. Despite some reports of construction sites reopening, panellists continued to suggest that the coronavirus pandemic was suppressing demand conditions.

At the sub-sector level, the fall in activity was broad-based during May. The weakest performance was seen in commercial projects, where activity fell sharply for the third month in a row. However, there were also marked contractions in home building and civil engineering work, with the latter posting the softest rate of decline.

A key factor behind the further decline in overall construction activity was another steep contraction in new business during May. Although the rate of decrease eased to the softest for three months, it remained among the quickest since data collection began in September 2000. Anecdotal evidence indicated that firms' clients were hesitant to commit to future projects amid coronavirus uncertainty.

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



Source: IHS Markit.

In line with softer inflows of new work, French construction firms continued to reduce staff numbers midway through the second quarter. Moreover, despite easing from April's survey record, the rate of workforce contraction remained sharp.

Another fall in new business also led to a further decrease in purchasing activity across the French construction sector. Input buying has now fallen in each of the past three months. The pace of decline decelerated from April, but was slightly quicker than the marked contraction registered in March.

On the supply side, input delivery times continued to lengthen sharply during May. Panel members cited shortages of some goods amid increased demand with sites reopening and constrained supply as many input producers remained closed.

Consequently, input prices faced by French construction firms continued to rise. In fact, the rate of inflation accelerated to the quickest for three months and was solid overall.

Finally, firms remained pessimistic towards the one-year business outlook amid fears of a prolonged economic downturn. However, the degree of negativity eased from April.

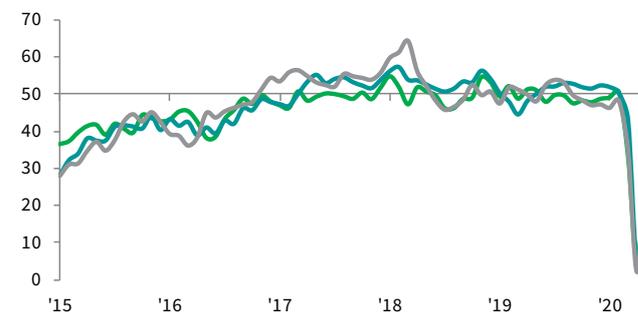
COMMENT

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

"The further reduction in activity despite some sites reopening suggests that firms are now struggling because of the slump in demand caused by the coronavirus outbreak. New business continued to fall at a marked pace, and although the pace of decline eased, we are unlikely to see a prolonged recovery until there is more clarity on a vaccine against the disease. Going forward, we can expect a trend towards stabilisation in the French construction activity, but there is likely to be volatility along the way."

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.

May 2020 data were collected 12-29 May 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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