News Release

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IHS Markit France Construction PMI®

Construction activity rises further in December

Key findings

Construction activity rises for third successive month...

...but expansion slows amid a drop in new orders

Cost pressures remain steep as supply issues persist

Data were collected 06-23 December 2021.

France Construction Total Activity Index

sa, >50 = improvement since previous month

Source: IHS Markit.

French construction firms recorded a third successive expansion in building activity during December, rounding off the strongest quarter for the sector since the third quarter of 2019. However, the latest increase in output slowed slightly amid a reduction in new orders and a notable slowdown in employment growth.

Meanwhile, input costs increased at one of the fastest rates on record as raw material shortages exerted upward pressure on supplier prices.

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 50.9 in December. Although this was down from 51.6 in November, it rounded off the strongest quarterly performance of the construction sector since the third quarter of 2019.

Furthermore, latest survey data also revealed that the expansion was broad-based across the three monitored types of construction activity for the first time since December 2018, and led by commercial building work. The next-strongest upturn was in civil engineering, which posted its first increase since March, while residential building activity rose marginally and for a second month running.

According to December survey data, new business intakes at French constructors fell fractionally at the end of the year. This was in contrast to the two previous months, when order book volumes increased. Anecdotal evidence suggested that

continued...

Comment

Commenting on the latest survey results, Joe Hayes, Senior Economist at IHS Markit, said:

"France's construction sector ended 2021 on a positive note as a third consecutive monthly expansion in building activity rounded off the best quarter of growth since the third quarter of 2019.

"However, the amount of new orders received fell marginally over the month amid reports of subdued demand for new projects. Construction workloads have endured a volatile year, and have failed to sustain any meaningful growth momentum, in contrasts to the trends we've seen in other areas of the economy.

"Nevertheless, employment has grown strongly in recent months, and another increase was seen in December. Construction firms also expect building activity to expand over the next 12 months.

"Supply-related hindrances have however been notable, causing cost pressures to remain substantial. The emergence of the Omicron variant poses refreshed risks to the supply-side of the economy."

demand for new projects was subdued.

Meanwhile, the level of employment across France's construction sector continued to rise at the end of 2021. This marked a fourth successive expansion in workforce numbers, although jobs growth slowed notably to the weakest over this period.

Latest survey data showed considerable pressure on suppliers in December. Average lead times on the delivery of inputs continued to lengthen sharply amid reports of low stock levels at vendors and issues with transport. However, the extent to which supplier performance deteriorated was the softest since August.

However, shortages of raw materials motivated firms to boost their purchasing activity in December. Overall, input buying rose for a fourth month running, but to the weakest extent over this period.

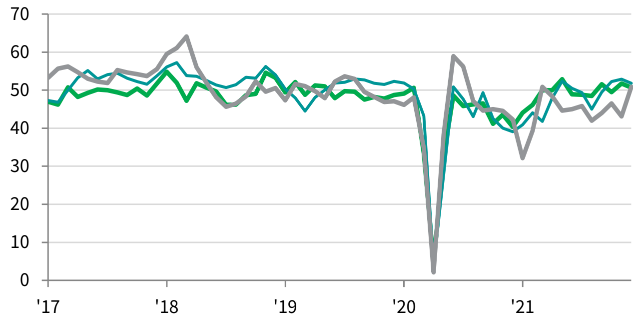
Prices paid for raw materials were reported to have risen sharply over the month as suppliers hiked their charges. As a consequence, overall input costs rose at one of the fastest rates in the survey history.

Finally, French constructors were optimistic towards future activity prospects in December. This was despite the level of confidence weakening from November.

Activity Index by sector

Residential / Commercial / Civil Engineering

sa, >50 = growth since previous month



Sources: IHS Markit.

Contact

Joe Hayes
Senior Economist
IHS Markit
T: +44 1344 328 099
joseph.hayes@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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

Data were collected 06-23 December 2021.

Survey data were first collected September 2000.

About IHS Markit

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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.
ihsmarkit.com/products/pmi.html.