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IHS MARKIT FRANCE CONSTRUCTION PMI®

August sees fastest decline in construction activity for three months

KEY FINDINGS

Sharp decline in French construction activity...

... despite downturn in new orders easing

Employment increases for the second month running

Data collected 12-28 August

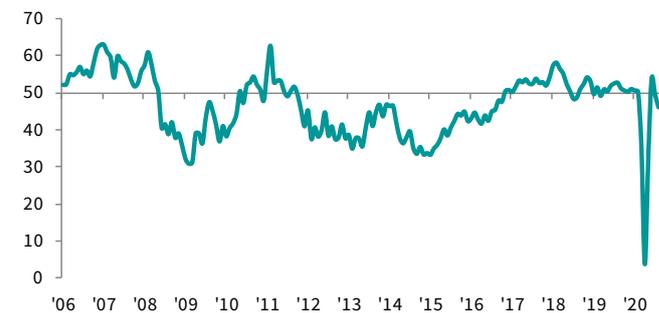
August PMI® data pointed to the sharpest contraction in French construction activity for three months. The result came despite the rate of decline in new work easing to just a marginal pace and a second successive monthly increase in employment. Meanwhile, purchasing activity continued to fall and supplier delivery times lengthened further. Input prices increased sharply for the fourth month in a row.

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 46.0 in August, down from 49.4 in July. The latest reading indicated a substantially quicker contraction in construction activity compared to the previous month, albeit one that was far softer than when coronavirus disease 2019 (COVID-19) restrictions were most severe during the second quarter of the year.

At the sub-sector level, the decrease in activity was broad-based. Work undertaken on commercial projects fell at the quickest pace since May, and there was a fresh decline in civil engineering activity after signs of recovery in June and July. Home building activity contracted for the sixth month running, although the rate of decrease was softer than in July.

New work at French construction companies continued to decline in August, extending the current sequence that began in February. However, the rate of reduction eased for the fourth month running and was only marginal overall. When explaining the continued to reduction, some panellists commented that the COVID-19 pandemic was still negatively impacting the number of calls for tender.

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



Source: IHS Markit.

Although demand conditions continued to soften, the trend towards stabilisation saw construction companies hire additional workers midway through the third quarter. The result marked the second workforce expansion in as many months following the initial rebound registered in July. Moreover, the latest increase in employment was faster than that recorded in the previous survey period.

In line with the trend for activity, purchasing of building materials and products fell at a quicker pace in August. In fact, the rate of reduction was the fastest since May, when there were severe restrictions related to COVID-19.

On the supply side, delivery times for raw materials and other construction products continued to lengthen. Moreover, the extent to which vendor performance deteriorated was the sharpest for three months. Anecdotal evidence suggested that the COVID-19 crisis was still causing logistical issues.

Amid some coronavirus-related shortages, input costs faced by French construction firms rose markedly in August. The result extended the current run of inflation to almost four-and-a-half years.

COMMENT

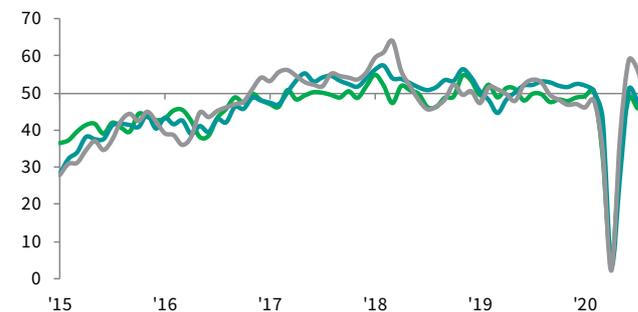
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

"The latest PMI data for the French construction sector was somewhat mixed, with the contraction in activity accelerating, while new business fell at a softer rate and employment continued to rise.

"While pointing to a fresh downturn following the severe collapse at the start of the second quarter, the results also suggest that the latest contraction in activity will be short-lived. With demand conditions trending towards stabilisation and firms confident enough to hire additional staff, it is possible we will see a rebound in French construction activity during the next few months."

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.

August 2020 data were collected 12-28 August 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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