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IHS MARKIT FRANCE CONSTRUCTION PMI®

Sharpest decline in construction activity for seven months

KEY FINDINGS

Broad-based contraction in activity

Softer fall in new work

Rate of workforce contraction accelerates

Data collected 4-23 December

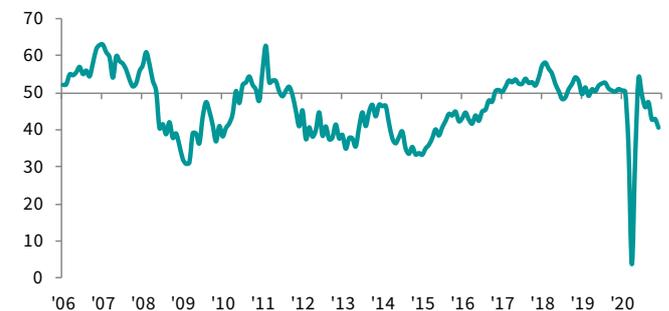
December PMI® data pointed to a sharper contraction in French construction sector activity, as demand conditions continued to soften due to the coronavirus disease 2019 (COVID-19) pandemic. The reduction in output saw firms cut both their staff numbers and input buying at a quicker pace. Meanwhile, despite remaining negative overall, sentiment towards the 12-month business outlook was the highest for five 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 fractionally to 40.5 in December, down from 42.8 in November. The latest reading pointed to another marked decrease in French construction activity, with the rate of decline the quickest since May.

Underlying data revealed sharp contractions across each of the three monitored sub-sectors. Civil engineering was the strongest performer, despite activity falling for the fifth month in a row and at the sharpest rate since May. Work undertaken on commercial projects fell at the fastest pace, while home building declined for the tenth month in succession.

The latest contraction in overall activity came amid another marked deterioration in demand conditions. New work has now fallen in each of the past 11 months. Panellists continued to comment that the COVID-19 pandemic was a key factor behind the decline. That said, in the latest survey period, the rate of reduction eased for the first time since August.

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



Source: IHS Markit.

In response to lower activity levels, French construction companies cut their staff numbers in December. The result extended the current sequence of job shedding to three months. Moreover, the rate of decline accelerated to the quickest since May and was solid overall.

Similar to the trend for employment, firms recorded another fall in purchasing activity in the final month of 2020. Notably, the rate of reduction was the sharpest for seven months. Input buying in the French construction sector has now fallen in each month since July.

On the supply-side, input delivery times continued to lengthen during December, extending the current run that began in February 2018. Moreover, the rate at which vendor performance deteriorated was the sharpest for four months. Anecdotal evidence suggested that delays were linked to shortages of some products.

Meanwhile, input prices continued to increase. In fact, the rate of cost inflation accelerated to the quickest since August. Input prices have now risen in each month since April 2016.

Finally, construction companies remained pessimistic regarding the 12-month outlook for activity. Some panellists commented that they expect the number of calls to tender to remain subdued. That said, sentiment reached the highest level since July.

COMMENT

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

"The latest release of PMI data revealed more pain for the French construction sector, as the coronavirus-related decline in activity continued in December. Aside from a brief rebound in June, output has fallen in each month since the escalation of the pandemic in March. Moreover, the rate of contraction accelerated to the quickest since May."

"At the sub-sector level, the downturn was broad-based, with each of the three monitored market segments registering sharp reductions in activity. The results highlight the widespread effect that the virus is continuing to have on the sector."

"There was, however, an improved reading for sentiment regarding future activity, with the respective index rising to a five-month high. That said, firms were still pessimistic overall amid expectations for demand conditions to remain subdued."

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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.

December 2020 data were collected 4-23 December 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.

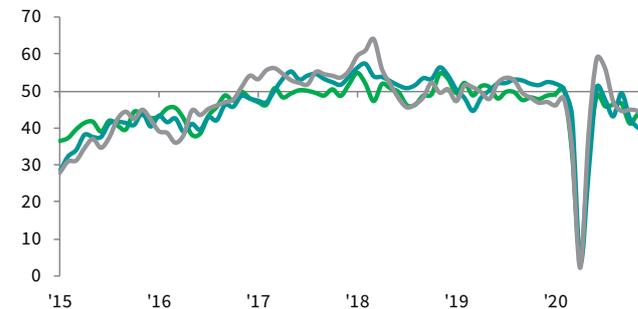
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Activity Index by construction category
Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Source: IHS Markit.