

IHS Markit France Construction PMI®

August sees fastest decline in construction output in six months

Key findings

Business activity contracts at quicker pace

New orders fall for second month running

Renewed reductions in payroll numbers and input buying

Data were collected 12-31 August 2021.

Construction activity in France continued to fall in August amid a further deterioration in demand conditions and a subsequent drop in new work. The lack of new projects led companies to trim input purchasing and reduce headcounts. The latest data also showed that lingering supply-chain disruptions and raw material scarcity pushed up cost burdens. The rate of input price inflation eased from July's record, but was nonetheless one of the sharpest seen in the 21 years of data collection.

Posting 44.9 in August, 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 — was in contraction territory for the third successive month. Moreover, falling from 48.5 in July, the latest reading was indicative of a marked pace of reduction that was the quickest since February. Among those panellists that signalled lower output there were mentions of fewer new orders and the loss of existing clients.

Business activity decreased across the three broad areas of the construction sector. Civil engineering saw the sharpest pace of contraction, while the slowest drop was evident for housing work.

As was the case in the prior survey period, new business received by French construction firms decreased in August. The pace of contraction was little-changed from July and moderate relative to the series history.

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France Construction Total Activity Index
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

"Construction again lagged behind the manufacturing and service sectors with regards to output. While growth of business activity among goods producers and service providers was underpinned by strengthening demand conditions, the downturn among French builders mirrored another decline in new work. Similarly, jobs fell in construction whilst rising elsewhere."

"Underlying data showed a widespread deterioration in output across the three monitored categories, with quicker declines seen for housing, civil engineering and commercial work."

"French builders also faced other setbacks such as a further deterioration in the availability of sub-contractors, difficulties sourcing key materials and rising expenses. The rate of input price inflation was close to July's survey record."

"Business confidence took a hit in the latest month, sliding to the lowest in four months as firms became increasingly concerned about raw material scarcity and subdued demand conditions."

The deterioration in demand conditions caused a renewed decline in employment midway through the third quarter. Some panellists also linked the fall in payroll numbers to fierce competition for workers and voluntary resignations. The overall pace of job shedding was only fractional.

Companies also reduced their buying levels in August. The decline ended a five-month sequence of expansion, but was modest overall.

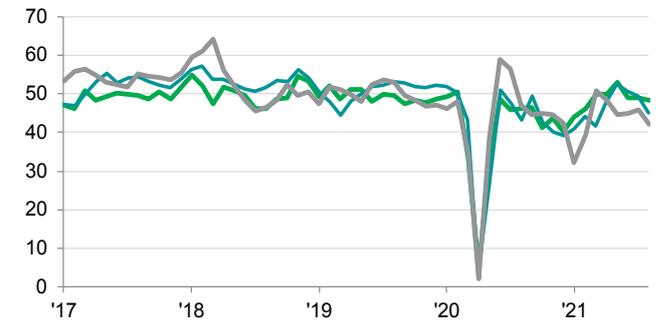
French constructors again indicated that raw material scarcity and logistical issues led to a deterioration in supplier performance. Average lead times lengthened to the least extent in four months, albeit one that was unseen prior to the COVID-19 outbreak.

Difficulties sourcing raw materials in turn pushed up input costs. Despite easing from July's survey peak, the rate of inflation was one of the sharpest seen since data collection started 21 years ago.

In addition to signalling a decline in employment, companies noted a reduction in the use of sub-contractors. The fall was the quickest since April. Firms also reported a sharp deterioration in the availability of sub-contractors, alongside an increase in fees charged by them.

August data indicated that French builders were confident of a rise in business activity over the course of the coming 12 months, with optimism supported by quote requests and the opening of new sites. However, the overall level of positive sentiment slipped to a four-month low amid concerns regarding material shortages and the loss of existing clients.

Activity Index by sector
Residential / Commercial / Civil Engineering
sa, >50 = growth since previous month



Sources: IHS Markit.

Contact

Pollyanna De Lima
Economics Associate Director
IHS Markit
T: +44 149 146 1075
pollyanna.delima@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 12-31 August 2021.

Survey data were first collected September 2000.

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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.
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