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IHS MARKIT FRANCE CONSTRUCTION PMI®

Softest decline in French construction activity for five months

KEY FINDINGS

Slower output decline, despite sharper fall in new work

Input prices soar amid raw material shortages

Expectations regarding future activity improve further

Data collected 11-26 February

February PMI® data pointed to the softest contraction in French construction sector activity for five months, despite ongoing restrictions related to the coronavirus disease 2019 (COVID-19) pandemic. That said, the rate of reduction in activity remained marked overall and new orders fell at quicker pace compared to January. Meanwhile, supply-chain issues caused severe delays to input deliveries and a sharp rise in cost burdens. Looking forward, firms remained optimistic towards the 12-month business outlook, with sentiment at its highest level for just over a year.

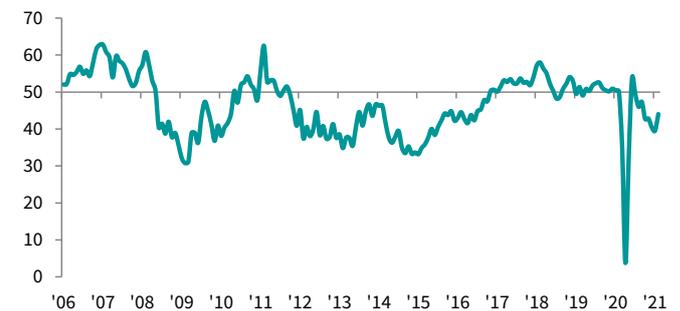
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – rose to 44.0 in February, from 39.5 in January. The latest reading pointed to another marked reduction in French construction activity, albeit one that was the softest for five months. At the sub-sector level, the decline in activity was broad-based. Civil engineering saw the quickest fall, followed by commercial construction and then homebuilding.

The latest downturn in activity was accompanied by another reduction in new work. The result extended the current run of deteriorating demand conditions to just over a year. Moreover, the rate of decline was the quickest since last November and marked overall.

On the supply-side, there was further evidence of severe disruption during February. In fact, input delivery times

France Construction PMI Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

lengthened to the greatest extent for six months, with panellists citing shortages of raw materials. Consequently, input prices rose at the sharpest rate for nearly five years. Anecdotal evidence pointed to higher prices for wood and steel.

Meanwhile, firms remained confident of a rise in activity over the coming 12-months, with optimism supported by expectations for a recovery in demand conditions as COVID-19 restrictions ease. Notably, sentiment strengthened for the fourth month running and was the highest for just over a year.

Despite the ongoing downturns in activity and new orders, construction businesses increased their staff numbers in February. The result marked the first increase in employment for five months. However, the rate of growth was only slight overall.

Input buying, however, continued to fall in February, extending the current run of decline to eight months. That said, the pace of reduction was the softest since last July.

Finally, sub-contractor usage in the French construction sector contracted markedly, albeit at a softer rate. Sub-contractor availability also continued to fall, while their rates increased for the third month running. Meanwhile, following a seven-month sequence of decline, the quality of their work stabilised in February.

COMMENT

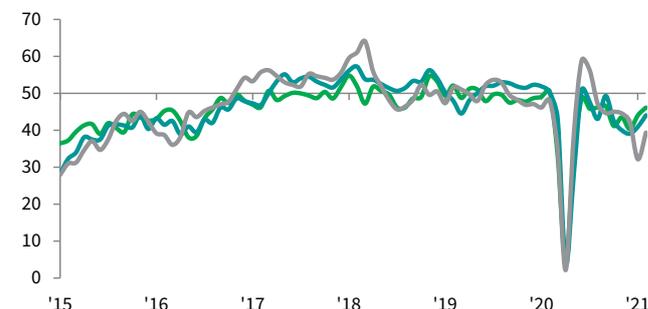
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

"Although February PMI data signalled another marked decline in French construction activity amid ongoing COVID-19 restrictions, the trend improved significantly from January. In fact, the rate of contraction was the slowest for five months, despite the deterioration in new orders quickening.

"Meanwhile, there were signs that firms were beginning to look beyond the pandemic, with employment rising for the first time since last September. Positive expectations were also evident in the 12-month outlook for activity, where confidence was the strongest for over a year. That said, the virus is still causing short-term challenges, as exemplified by the severe supply-side disruption and resulting cost increases seen in February."

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.

February data were collected 11-26 February data.

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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