

Embargoed until 0930 CEST (0730 UTC) 7 May 2020

IHS MARKIT FRANCE CONSTRUCTION PMI®

Construction activity plummets at record pace amid coronavirus lockdown

KEY FINDINGS

Site closures drive historic contraction in activity

New orders plunge as demand evaporates

Record contraction in employment

Data collected 7-30 April

French construction companies reported an unprecedented contraction in activity during April, as lockdown measures to stem the spread of coronavirus drove widespread site closures. Business shutdowns across the vast majority of sectors also hampered demand conditions, with new orders falling at a record pace. A lack of incoming work led to a faster reduction in employment and a drastic cut in input purchasing. Meanwhile, there was evidence of severe supply-side disruption, with average lead times lengthening sharply.

Looking forward, sentiment towards the 12-month outlook for activity slumped to its lowest for almost five-and-a-half years.

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 3.8 in April, down from 35.2 in March. The latest reading pointed to the fastest decline in French construction activity since data collection began in September 2000. When explaining the reduction, panellists often cited widespread site closures amid the ongoing coronavirus lockdown.

At the sub-sector level, the decline in activity was broad-based. All three covered market segment registered unprecedented contractions, with the sharpest recorded in civil engineering.

Amid significant uncertainty on when the economy might fully reopen, demand for construction work continued to evaporate in April. New orders fell for the third month in a row, with the latest decline the sharpest in the survey's history.

Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

Firms responded to softer inflows of new business by cutting staff numbers at a faster rate in April. In fact, the reduction was the quickest since the series' inception nearly 20 years ago.

Similar to the trend in employment, firms drastically pared back their buying activity at the start of the second quarter. Purchases of raw materials and other inputs declined for the second month in a row, with the rate of contraction accelerating to the quickest on record.

Business closures at upstream producers drove severe supply-side disruption in April. Input delivery times lengthened to the greatest extent since data collection began as shortages of some goods more than offset softer demand for others.

A shortfall in supply of some inputs drove cost burdens higher in April. However, the rate of inflation eased to the weakest for four years and was only marginal overall amid downward price pressure from subdued demand.

Finally, sentiment towards the one-year outlook on activity sank to the lowest since November 2014 in April. Some panellists cited expectations for a prolonged economic downturn.

COMMENT

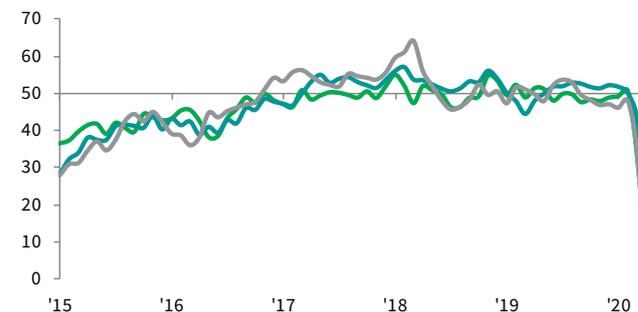
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

"Amid France's first full month of lockdown, the construction sector suffered heavily in April. Widespread site closures saw activity plummet at an unprecedented rate, and uncertainty on when the economy might fully reopen drove a record fall in new business. Employment also contracted at a historic pace, but the reduction was less drastic than those in output and new business.

"In the next couple of months, we should see activity recover, with the construction sector in line to be one of the first that reopens. However, demand is likely to remain subdued in the short-term, as a world with social distancing jeopardises the viability of many brick-and-mortar projects. Moreover, with little sign of an effective COVID-19 vaccine, the risk of a second outbreak and further lockdowns remains significant. Construction firms should therefore be prepared for volatility in the months ahead."

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.

April 2020 data were collected 7-30 April 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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