

Embargoed until 0930 CEST (0730 UTC) 6 October 2020

## IHS MARKIT FRANCE CONSTRUCTION PMI®

### French construction activity continues to decline in September

#### KEY FINDINGS

Solid, albeit softer, contraction in activity

Faster drop in new orders

Sentiment slumps further

Data collected 11-30 September

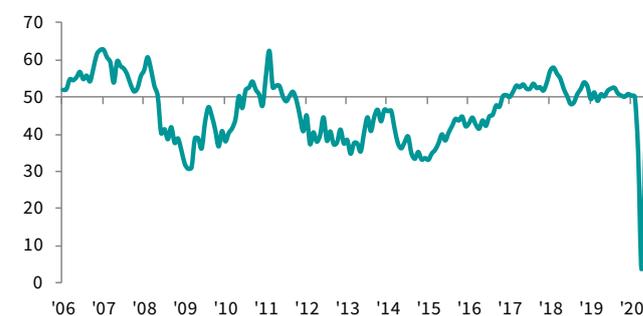
September PMI® data revealed a third successive monthly reduction in activity across the French construction sector. The result came amid a quicker decline in new business, which saw firms cut purchasing activity at the quickest rate for four months. Meanwhile, employment rose for the third month running, despite sentiment towards the one-year business outlook being negative and the lowest since June.

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 47.3 in September, up from 46.0 in August. The latest reading pointed to a further contraction in French construction activity, albeit one that was softer than registered in the previous survey period. Anecdotal evidence suggested that the downturn was driven by softening demand conditions related to the recent spike in coronavirus disease 2019 (COVID-19) cases.

At the sub-sector level, the contraction in activity was broad-based. Of the three monitored categories, civil engineering firms recorded the sharpest reduction and their quickest for four months. Meanwhile, home builders posted a solid decline and work undertaken on commercial projects fell marginally.

New business received by French construction companies fell for the eighth month in a row during September. Moreover, the rate of decline accelerated for the first time in five months and was sharp overall. Some panellists commented that their clients had postponed anticipated projects due to the recent rise in COVID-19 infections.

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



Source: IHS Markit.

In line with falling new orders, construction businesses cut back their purchasing activity at the end of the third quarter. The result extended the current sequence of reduction to three months. Moreover, the rate of decrease accelerated to the fastest since May.

Although demand conditions continued to soften, French construction firms hired additional workers during September. The rate of increase was little-changed from August and moderate overall.

On the cost front, input prices rose sharply, but the rate of inflation eased for the first time since April. When explaining higher costs, panellists mentioned increased expenditure on hygiene products.

Construction companies in France reduced their usage of sub-contractors in September. Meanwhile, there was a decline in sub-contractor availability and an increase in rates that they charged.

Looking forward, sentiment towards the 12-month business outlook was the weakest for three months. Pessimism was driven by expectations of a prolonged downturn in demand conditions due to COVID-19.

## COMMENT

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

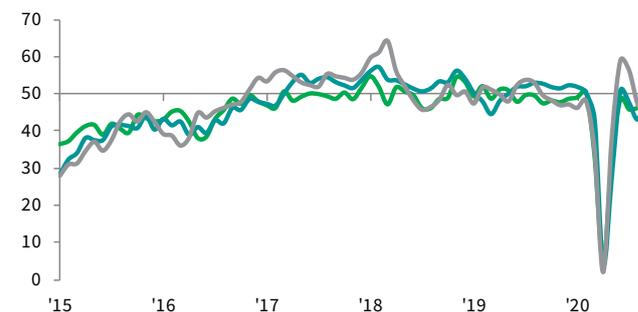
*"Latest PMI data for the French construction sector revealed disappointing results during September. Following an initial rebound in June, activity has now fallen in each of the past three months, and although the rate of contraction eased in latest survey period, it was still solid overall.*

*"Forward looking data did not look positive either, with new orders continuing to decline and sentiment weakening for the second month running.*

*"One area from which some optimism could be gleaned was the continued rise in employment. However, with infection rates rising and the risk of tighter restriction looming large, there is no guarantee that this upward trend will continue."*

## Activity Index by construction category Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Source: IHS Markit.

## CONTACT

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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.

September 2020 data were collected 11-30 September 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://ihsmarkit.com/products/pmi.html)

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