

IHS MARKIT FRANCE CONSTRUCTION PMI®

Fresh decline in construction activity during July

KEY FINDINGS

Slight contraction in activity after growth in June

New orders continue to fall

Quickest rise in input costs for five months

Data collected 10-31 July

Following the first expansion for four months in June, latest PMI® data pointed to a renewed contraction in French construction activity during July. The result came amid a further decline in new business, although the rate of reduction eased to the softest since before the escalation coronavirus disease 2019 (COVID-19) pandemic in March. Meanwhile, input costs continued to rise markedly due to additional virus-related expenditure.

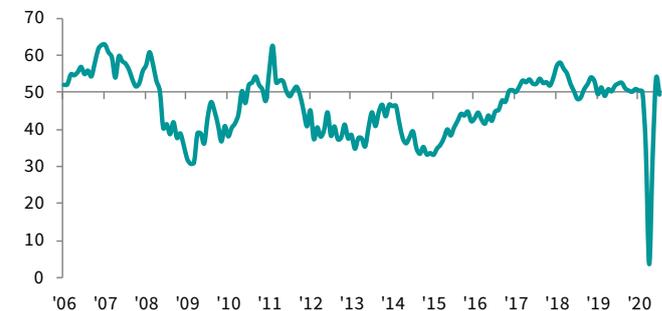
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – fell to 49.4 in July, down from 53.8 in June. The latest result pointed to a slight reduction in French construction activity after June's solid expansion. Underlying data revealed contractions in two of the three monitored sub-sectors, namely commercial construction and house building, with the latter recording the sharper rate of decline. The reductions more than offset a marked expansion in civil engineering activity, which was the second in as many months.

July data pointed to a further deterioration in demand conditions faced by French construction companies, with new business falling for the sixth month in a row. However, the rate of decline eased for the third month running to reach the softest since February. When explaining continued reductions in new work, some panellists indicated that their clients were still hesitant to commit to future projects amid uncertainty surrounding the duration of the pandemic.

In line with the renewed decrease in activity, there was a fresh fall in purchasing activity at the start of the third quarter. The modest reduction followed a first increase for four months

Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

during June.

Meanwhile, construction firms recorded a rise in employment. Although the rate of workforce expansion was only marginal, the result represented the first increase in staff numbers since February.

On the cost front, input prices faced by construction firms continued to rise in July. Moreover, the rate of inflation accelerated to the quickest for five months and was marked overall. Anecdotal evidence indicated that higher prices were driven by expenditure on sanitisation products.

In a sign of further supply-side disruption, input delivery times across the French construction sector lengthened further in July. That said, vendor performance deteriorated to the least extent for four months.

Looking forward, firms were optimistic towards the 12-month outlook for activity. This marked the first show of confidence since before the COVID-19 became more severe during March. That said, the degree of positivity was historically subdued.

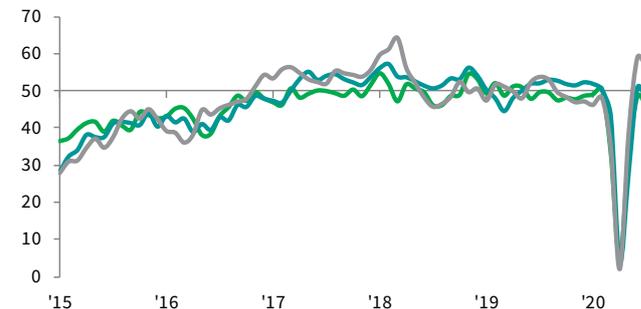
COMMENT

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

"Following the first signs of recovery in June, French construction activity slipped back into contraction territory during July. However, the underlying picture was somewhat more positive. New orders continued to trend towards stabilisation in a further indication that the deterioration in demand is bottoming out. Meanwhile, both the employment and future activity indices moved above 50.0 for the first time since before the escalation of the pandemic in Europe, signalling that firms are beginning to gain confidence that a recovery is on the way."

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.

July 2020 data were collected 10-31 July 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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