

## IHS MARKIT FRANCE CONSTRUCTION PMI®

### Construction sector posts a decline in activity during January

#### KEY FINDINGS

Housing and civil engineering activity contract

New orders decrease for the first time in four months

Rate of job creation eases for the third month in a row

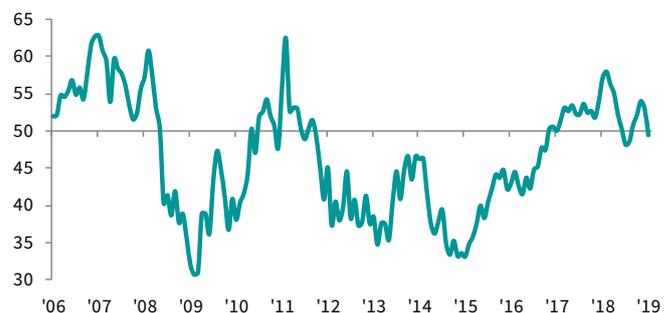
IHS Markit has been conducting PMI surveys of the construction sector in France since September 2000, using the same methodology as the closely-watched manufacturing and services surveys. We are now making the findings available in a press release which will be published on the fourth working day of each month going forward. The survey covers a range of variables specific to the construction sector including construction activity, new business, employment, input costs and sub-contractor trends.

The latest findings showed that activity in France's construction sector fell during January, to mark the first decline in the past five months. The marginal dip in total industry activity reflected reductions in work across two of the three monitored sectors, namely housing and civil engineering. Accordingly, job creation eased to its slowest pace for five months and firms recorded their softest increase in purchasing activity since November 2017. Despite this, confidence towards the business outlook rose to its highest in seven months, amid reports of new projects starting throughout 2019.

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 – recorded 49.5 in January, down from 53.0 in December. This represented the first contraction in overall building activity since last August, albeit only marginal.

Driving the deterioration in January were falls in both housing and civil engineering activity. Infrastructure construction saw the faster contraction, registering a solid decline, whereas there was only a marginal reduction in residential activity. Meanwhile, work on commercial building projects continued to

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



rise, although the rate of growth was only marginal overall.

Inflows of new orders at French construction firms also fell in January. The decline was the first recorded for four months, following consecutive decelerations in the rate of growth during November and December. However, the reduction in new business was only marginal overall.

The decrease in industry activity negatively impacted the rate of job creation in the first month of 2019. The pace of hiring eased for the third month in a row to its softest since last August. Sub-contractor usage meanwhile decreased for the first time in three months.

Growth in purchasing activity was also slower at French construction firms in January. The modest rise was softest recorded for 14 months and contrasted with the historically marked expansions during the first half of 2018.

Meanwhile, supplier delivery times continued to lengthen at the start of 2019. Average lead times have now increased in each month for the past year. However, although vendor performance still deteriorated markedly, it did so at the softest rate since October 2018.

On the price front, input costs rose sharply in January, with some panellists mentioning higher prices for metals. That said, the pace of inflation eased compared to December, reaching its slowest for three months.

Finally, latest data showed a rise in optimism among French constructors. The level of confidence towards future activity was at its highest since last June, with panellists citing new projects that are set to commence throughout 2019.

COMMENT

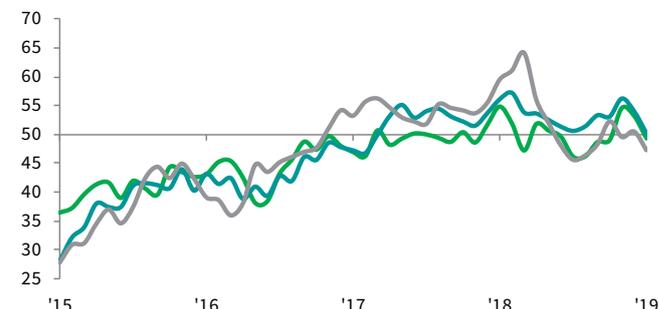
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

*“January saw a return to decline for French construction activity, following four months of continuous growth. The contraction in activity was primarily driven by the civil engineering sector but there was also a marginal decline in house building. On top of that, commercial activity expansion slumped to its slowest pace for almost two years.*

*"However, despite January's weaker performance, optimism among firms was at a seven-month high. Panellists suggested that new projects starting throughout 2019 would boost activity over the coming year."*

Activity Index by construction category  
Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



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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.

January 2019 data were collected 11-31 January 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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