

Embargoed until 0930 CEST (0730 UTC) 6 June 2019

## IHS MARKIT FRANCE CONSTRUCTION PMI®

### French construction activity rises at slightly softer rate in May

#### KEY FINDINGS

Building activity increases, but only marginally overall

Renewed rise in new orders

Business confidence at two-year high

May data pointed to a second successive monthly increase in activity across the French construction sector, although the rate of growth eased from April. The latest expansion was supported by the first rise in new orders for three months and a continued increase in employment. Meanwhile, purchasing activity rose for the nineteenth month in a row and business optimism reached a two-year high.

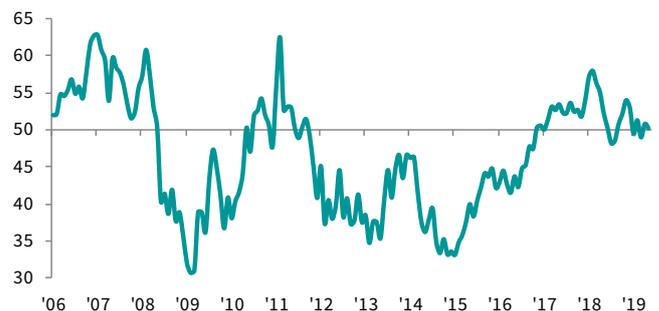
On the cost front, input prices continued to increase markedly, despite the rate of inflation easing to the softest since last August.

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 50.3 in May, down from 50.8 in April. The reading signalled a further rise in construction activity in France, but one that was slightly slower than in the previous survey period and only marginal overall.

At the sub-sector level, the continued increase in total activity was underpinned by housing, where firms recorded growth for the second month in a row. That said, the rate of expansion in home building was softer than in April and only modest overall. Meanwhile, commercial activity stabilised after three consecutive monthly contractions, but work on civil engineering projects fell at the fastest pace for four months.

New orders placed with French construction firms rose during May. Although the increase was only marginal overall, it was the first for three months. Anecdotal evidence pointed to an improvement in demand from both the public and the private sector.

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



Amid the rise in new business, French building companies increased their staff numbers midway through the second quarter, extending the current sequence of workforce expansion to two years. The rate of job creation eased slightly from April, remaining moderate overall.

Meanwhile, firms maintained their optimism towards the business outlook in May, supported by expectations for improved demand conditions. Notably, the degree of confidence improved to its strongest for two years.

Purchases of building materials and products in France's construction sector continued to increase during May. Input buying has now risen in each month for just over one-and-a-half years. Although the pace of growth accelerated from April, it remained only modest overall.

Finally, input prices faced by French building firms continued to rise strongly midway through the second quarter. Panellists often noted higher costs for oil-related products, and raw materials such as copper and steel. That said, the rate of inflation eased to the softest since August 2018.

COMMENT

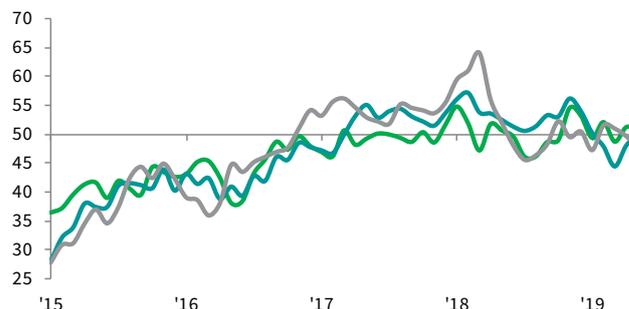
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

*“Although the rate of growth eased slightly from April, French construction firms saw an increase in activity during May. The sustained rise was driven by a renewed expansion in new orders, the first for three months. Consequently, building companies reported growth in employment and input purchasing.*

*"Housing was the strongest performing sub-sector with a marginal rise in activity, although a stabilisation in commercial activity following a reduction in April also alleviated downward pressure on growth. However, work on infrastructure projects continued to decline, with the pace of contraction accelerating to the quickest since January."*

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.

May 2019 data were collected 13-31 May 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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