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## IHS MARKIT FRANCE CONSTRUCTION PMI®

### Construction sector rebounds in February amid a return to growth in new orders

#### KEY FINDINGS

Moderate rise in activity after contraction in January

Sharpest rise in input prices since July 2011

Modest recovery in new business

February PMI® data signalled a return to growth for France's construction sector, following the first decline in building activity for five months during January. Supporting the rise was an expansion in new orders, which also recovered after a contraction at the start of 2019. Firms responded by increasing their purchasing activity and staff numbers, although the rate of job creation eased for the fourth month in a row. Meanwhile, input costs rose at the sharpest rate for just over seven-and-a-half years.

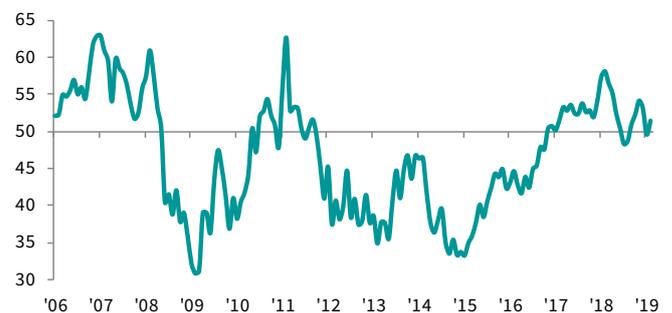
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – recorded 51.3 in February, up from 49.5 in January. However, despite representing an improved performance, the latest figure indicated only a modest growth rate, and one that remained below the 2018 average (53.0).

Underpinning the rebound in total activity was renewed growth in both residential and infrastructure construction. The former recorded the slightly quicker expansion, but in both cases the rate of increase was only moderate overall. In contrast to the trends seen in January, commercial activity was the only sub-sector to record a contraction.

The rise in French construction activity was driven by expanding new order books midway through the first quarter. Firms recorded the quickest rate of growth since last October, although the increase was only moderate overall and slower than the average in 2018.

Despite rebounds in both output and new orders, the rate of job creation at French construction firms eased for the fourth

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



month in a row during February. The latest workforce expansion was only modest overall and the softest since August 2018.

On the other hand, businesses recorded a marked rise in input buying. French constructors increased their purchases of materials and products at the fastest pace for eight months. The result also extended the current sequence of growth to 16 months.

Meanwhile, input price inflation accelerated midway through the first quarter of 2019. In fact, costs burdens faced by French constructors rose at the fastest pace for just over seven-and-a-half years. Panellists often attributed the sharp increase to higher fuel costs.

February's survey showed the continuation of pressure on supply chains, with building companies facing another marked lengthening of supplier delivery times. That said, vendor performance deteriorated to the least extent for five months, and at a slightly softer rate than last year's average.

Finally, firms remained optimistic towards the business outlook in February. Although the degree of optimism slipped from January's seven-month high, sentiment remained far stronger than the historical average.

## COMMENT

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

*"A return to activity growth in February is positive news for French construction firms, particularly given the sharp upwards pressure on input costs. The latest increase in cost burdens was the fastest since July 2011, with surveyed firms mentioning higher fuel prices as the main cause.*

*"However, it is worrying to see that despite recoveries in output and new orders, employment growth has been unresponsive and continued on a downward trend. With the skilled labour shortages that are widespread across France, this problem may be beginning to bite in the construction sector. If firms are facing recruitment issues, this could dampen growth potential in the near future."*

## 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.

February 2019 data were collected 12-28 February 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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