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IHS MARKIT FRANCE CONSTRUCTION PMI®

Construction activity rebounds in April

KEY FINDINGS

Marginal rise in construction activity, driven by housing

New orders fall again

Input price inflation softens to eight-month low

Following a slight contraction in French construction activity during March, firms recorded a return to growth in April. The rebound was driven by a modest rise in the housing sector that outweighed declines in both commercial and civil engineering activity. Meanwhile, new orders fell for the second in a row, although the rate of reduction eased from March. Nevertheless, employment growth accelerated to reach its fastest pace for three months. On the price front, cost burdens continued to rise sharply, but at the slowest pace since August last year.

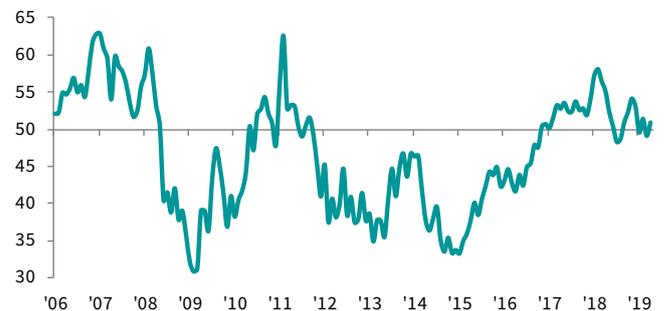
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – recorded 50.8 in April, up from 49.0 in March. The result pointed to a slight rise in French construction activity, only the second in 2019 so far.

At the sector level, the overall rise was underpinned by a recovery in housing activity. The increase was moderate and only the fourth in the past 11 months. On the other hand, firms recorded a fractional decline in work on infrastructure projects and a further reduction in commercial construction. The decline in civil engineering was the first since January, while the fall in commercial activity was the third in a row.

French construction activity expanded despite another deterioration in new business during April. The result represented the third monthly contraction of 2019 so far. That said, the rate of decline eased from March and was only marginal overall.

On the price front, input costs continued to rise sharply at the start of the second quarter. The latest result extended the

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



current run of increase to just over three years. That said, the rate of inflation eased to the softest since August 2018.

Meanwhile, purchasing activity at French construction firms rose for the eighteenth month in a row during April. Panellists linked the latest increase to higher construction activity. However, the rate of growth eased for the second month in succession and was only modest overall.

Construction firms reported an increase in staff numbers in the opening month of the second quarter. Moreover the rate of job creation accelerated for the first time since October last year. That said, the rise in employment was only modest overall.

Vendor performance faced by building firms in France continued to deteriorate in April. The extent to which lead times lengthened was broadly in line with that seen in March and moderate overall.

Finally, amid reports of new projects starting in the coming months, French construction firms remained optimistic towards the business outlook in April. That said, the degree of confidence softened from March and was weaker than the first quarter average.

COMMENT

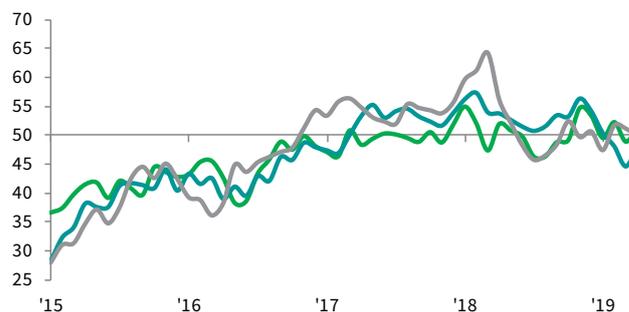
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

“The French construction sector saw a further fluctuation in activity during April, continuing the trend seen throughout 2019 so far. Following the marginal decline in construction activity during March, there was a slight recovery in April. These reading were preceded by modest growth in February and a contraction in January.

"Amid the fluctuations in construction activity, the rise in employment in the sector has been unwavering. However, April was the first month since last October in which the rate of job creation accelerated. Faster employment growth could provide a footing for a sustained rise in activity, ending the recent run of volatility."

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.

April 2019 data were collected 10-30 April 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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