

IHS MARKIT FRANCE CONSTRUCTION PMI®

Activity growth softens further in October

KEY FINDINGS

Marginal increase in French construction activity

Slower increase in new business

Moderate rate of job creation maintained

French construction companies recorded softer activity growth in October. The result was driven by contractions in two of the three monitored sub-sectors and a slower expansion in overall new orders. Despite a deceleration in the rate of activity growth, there was a further increase in staff numbers and purchasing activity rose solidly.

Looking forward, positive sentiment towards the one-year business outlook fell to the weakest level since August 2018.

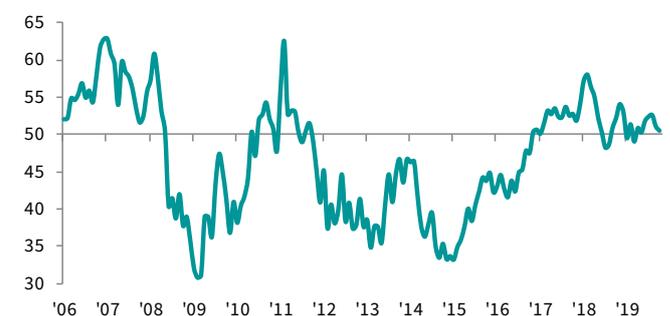
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – posted above the 50.0 no-change mark for the seventh month running in October. However, at 50.5, down from 51.1 in September, the index signalled the slowest rise in French construction activity since May.

At the sub-sector level, the slowdown was driven by further contractions in both housing and civil engineering activity. Volumes of work undertaken on infrastructure projects fell at a faster rate than in the previous survey period, while the pace of decline in homebuilding eased slightly. On the other hand, commercial construction activity continued to increase, although growth was the slowest in the current five-month sequence of expansion.

A key factor behind the slowdown in activity growth was a softer rise in new orders at the start of the fourth quarter. Although the result extended the current run of expansion to six months, the latest rise was the slowest in that sequence and only slight overall.

Despite softer new business growth, French construction

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



Source: IHS Markit.

continued to increase their staff numbers in October. The rate of job creation was little-changed from that registered in September.

Similarly, building companies further increased their purchases of raw materials and other inputs at the start of the fourth quarter. The result extended the current sequence of expansion to two years. Moreover, the rate of growth accelerated from September and was solid overall.

Meanwhile, vendor performance faced by French construction companies continued to deteriorate. Though marked overall, the extent to which supplier delivery times lengthened eased from that registered in the previous survey period.

On the price front, input costs rose markedly to extend the current sequence of increase that began in April 2016. However, the rate of inflation decelerated to slowest for over two years.

Finally, construction companies remained optimistic towards the one-year outlook for output in October. That said, the degree of positivity eased to the weakest level since August last year.

COMMENT

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

"The latest PMI results for the French construction sector revealed slower rises in both output and new orders, as well as weaker confidence towards the business outlook. It was therefore somewhat surprising to see little-change in the rate of job creation and a solid increase in purchasing activity. That said, the latest rise in employment was only moderate overall and the pace of growth remained relatively subdued compared to July and August."

"Amid the further slowdown in activity growth, one positive at the sub-sector level was a slightly softer deterioration in homebuilding. The expansion in overall activity was supported by a rise commercial work, but the rate of growth in the segment was the weakest for five months. Meanwhile, the worst news came from civil engineers who recorded an accelerated contraction, albeit one that was modest overall."

Activity Index by construction category Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Source: IHS Markit.

CONTACT

IHS Markit

Eliot Kerr
Economist
T: +44-2031-593-381
eliot.kerr@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

August 2018 data were collected 13-28 August 2018.

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](https://www.ihsmarkit.com/products/pmi.html).

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