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IHS MARKIT FRANCE CONSTRUCTION PMI®

Fastest rise in activity in 2019 so far

KEY FINDINGS

Sharper new order growth supports activity expansion

Faster increases in employment and purchasing

Business confidence remains strong

Growth of French construction activity improved to the fastest in 2019 so far during June, on the back of a sharper rise in new orders. In response to greater workloads, companies increased their staffing levels and purchasing activity, while raising their usage of sub-contractors for the first time in four months. Meanwhile, companies remained strongly optimistic that activity will continue to expand over the coming year.

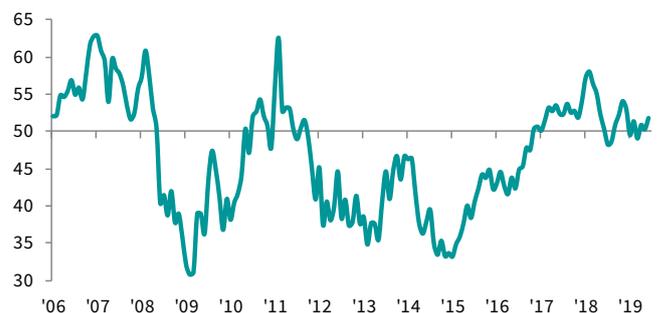
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – posted above the 50.0 no-change mark for the third month running in June, signalling a further expansion of activity in the French construction sector. At 51.8, up from 50.3 in May, the index signalled a modest rise in activity that was nonetheless the fastest in the year-to-date.

Both the commercial and civil engineering categories saw increases in activity during June, while housing bucked the wider trend by posting a first reduction in activity in three months. Civil engineering was the best-performing category, seeing the fastest rise in activity since last October.

Panellists indicated that the latest expansion of activity was largely reflective of growth in new orders. New work increased for the second month running, and at the sharpest pace since February. Consistent with the sub-category data, respondents often mentioned new contracts being secured from customers in the commercial and civil engineering sectors.

Rising activity requirements encouraged constructors to expand their workforce numbers, purchasing activity and use of sub-contractors. Employment increased for the twenty-fifth

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



successive month, and at a solid pace that was the fastest in the year-to-date. The rate of growth in purchasing activity also accelerated.

The rise in sub-contractor usage in June ended a three-month sequence of decline, and contributed to a marked reduction in sub-contractor availability. The quality of work carried out by sub-contractors was judged to have worsened, but the rates they charged rose at a sharp and accelerated pace.

The aforementioned increase in purchasing activity put pressure on supply chains in the construction sector. Delivery times lengthened sharply, and to the greatest extent since January.

Input costs continued to increase at the end of the second quarter, with higher prices for oil, insulation and steel mentioned. The rate of inflation quickened from that seen in May.

Companies remained strongly optimistic that activity will rise over the coming year. Although dipping from the two-year high seen in May, sentiment was much stronger than the series average. A good pipeline of work, the end to project delays and new public sector contracts were all factors supporting optimism.

COMMENT

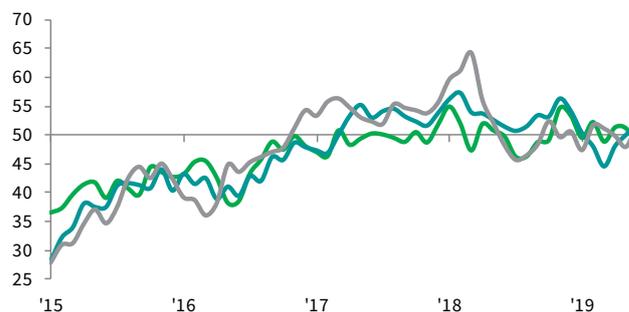
Andrew Harker, Associate Director at IHS Markit, which compiles the survey:

"There was a pleasing pick-up in growth in the French construction sector in June. Improving trends were seen across the board, from new orders and activity to employment and purchasing. The sector therefore looks to have made a positive contribution to the French economy over the second quarter.

"Signs are also good for the near future at least, with good pipelines of new work and fewer project delays expected."

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.

June 2019 data were collected 12-28 June 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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