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## IHS MARKIT FRANCE CONSTRUCTION PMI®

### Construction activity growth eases to four-month low in September

#### KEY FINDINGS

Latest rise in activity only marginal overall

Slowest rise in new orders since May

Softest rate of cost inflation for just over two years

September data pointed a further rise in French construction activity, but the rate of growth eased to the softest for four months. There was a similar trend in new orders, where the latest expansion was only modest overall. Meanwhile, staff numbers and input buying both increased at a slower pace than those registered in August.

On the cost front, input prices continued to rise solidly, but the rate of inflation decelerated to the softest for just over two years.

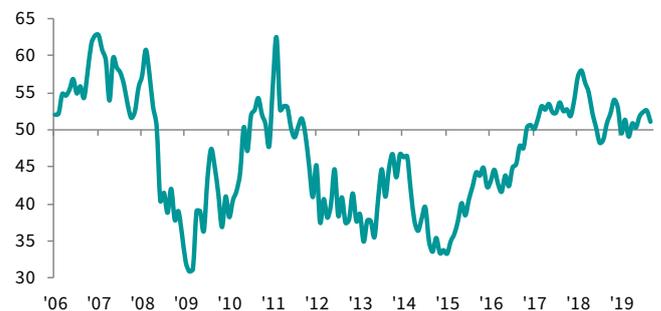
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – posted above the 50.0 no-change mark for the sixth month running in September. However, at 51.1, down from 52.6 in August, the index signalled only a marginal rise in construction activity and one that was the slowest since May.

Underlying data revealed contrasting results at the sub-sector level. The increase in overall activity was supported a solid expansion at commercial construction firms. Meanwhile, civil engineers recorded their first decline in activity for four months and home builders posted their fastest reduction in activity for just over a year.

French construction companies continued to see an increase in new business at the end of the third quarter, extending the current run of growth to five months. However, the pace of expansion decelerated to the slowest for four months and was modest overall.

Elsewhere, firms continued to increase their staff numbers in September, extending the current run of workforce expansion

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



that began in June 2017. Where panellists recorded an increase in employment, some cited a further rise in activity. That said, the rate of job creation eased to the softest for four months and was modest overall.

Similar to the trend for employment, purchasing activity at French construction companies increased a slower pace in September. In fact, the marginal rise was the softest since November 2017.

Amid slower growth in buying levels, inflationary pressures eased at the end of the third quarter. Though costs burdens faced by building companies continued to rise solidly, the rate of inflation eased for the third month in a row to the weakest for just over two years.

Meanwhile, latest data pointed to ongoing capacity pressures at suppliers in the French construction sector, with average lead times lengthening for the twentieth month in a row. However, vendor performance deteriorated to the least extent for three months.

Finally, firms remained optimistic towards the 12-month business outlook at the end of the third quarter, but the degree of positivity fell to the weakest for over one year. Roughly 26% of panellists expected a rise in activity, compared to around 15% that expected a fall.

COMMENT

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

*"Although the French construction sector posted a further rise in activity during September, the rate of growth eased to the softest for four months. Similar trends were also seen in new orders, employment and purchasing activity, which points to a continued slowdown in the short term.*

*"As the only category to register activity expansion, commercial was by far the strongest-performing sub-sector in September. Meanwhile, civil engineering firms were unable to extend their three-month sequence of expansion, and the pace of decline in housing activity accelerated."*

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.

September 2019 data were collected 12-30 September 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](https://www.ihsmarkit.com/products/pmi.html).

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