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IHS MARKIT FRANCE CONSTRUCTION PMI®

Broad stagnation in French construction activity despite faster new order growth

KEY FINDINGS

Activity little-changed from October

Rate of new order growth accelerates

Confidence towards future activity eases further

The latest PMI® data pointed to a broad stagnation in activity across the French construction sector in November. The result came despite the quickest increase in new orders since August. Moreover, employment rose solidly and purchasing activity continued to grow. Meanwhile, input price inflation softened for the fifth month in a row.

Looking forward, sentiment towards the 12-month business outlook eased to the weakest level for just over three years.

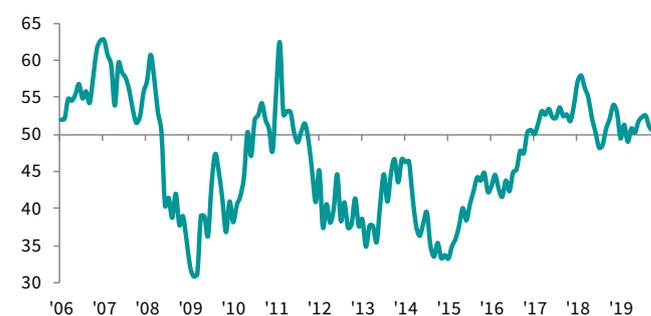
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – posted almost in line with the 50.0 no-change mark during November. At 50.1, down from 50.5 in October, the index signalled a broad stagnation in activity at French construction firms.

There were contrasting results at the sub-sector level, with a modest rise in commercial activity offsetting contractions in home building and civil engineering work. Both saw quicker reductions than in October. Meanwhile, the rate of growth in commercial activity was the slowest in the current six-month run of expansion.

The broad stagnation in overall activity came despite a further increase in new orders during November. Though modest overall, the rate of expansion in new work was the quickest since August. When explaining the latest rise, some panellists cited a strengthening in market demand.

Amid a further expansion in new business, firms continued to increase their staff numbers midway through the fourth quarter. The result extended the current sequence of workforce growth

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



Source: IHS Markit.

to two-and-a-half years. Moreover, the latest rise was the quickest since August.

Similarly, firms recorded another expansion in purchases of raw materials and other construction inputs during November. That said, the rate of growth eased from the previous survey period and was modest overall.

Meanwhile, firms remained optimistic of a rise in construction activity over the coming 12 months during November. However, the degree of sentiment eased to the weakest level for just over three years. Where firms expressed positivity, some mentioned expectations for a rise in new business.

On the cost front, input prices faced by construction companies in France continued to rise. However, the rate of inflation eased for the fifth month in a row to reach the softest since August 2017.

Finally, supplier delivery times lengthened further in November, extending the current sequence that began in February 2018. That said, vendor performance deteriorated to the least extent since April.

COMMENT

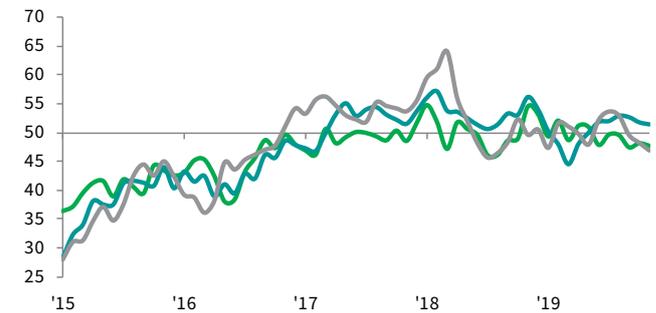
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

"Following two months in which the rate of expansion had eased, construction activity growth finally stalled in November. That said, the result came despite stronger rises both in new orders and employment, which suggests that the stagnation may be short-lived."

"The trend in overall activity was driven by worse performances in all three monitored sub-sectors compared to the previous month. The rate of growth in commercial construction activity eased to the slowest in the current six-month run of expansion, while home builders and civil engineers both recorded faster contractions."

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

Katherine Smith
Corporate Communications
T: +1-781-301-9311
katherine.smith@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.

November 2019 data were collected 12-29 November 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](https://www.ihsmarkit.com/products/pmi.html).

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