

## IHS Markit France Construction PMI®

# Construction activity moves back into expansion during October

### Key findings

Construction sector improves in October as activity and orders rise

Employment growth accelerates to three-year high...

...but input cost inflation remains elevated due to supply problems

Data were collected 12-29 October 2021.

For the first time since May, French construction firms registered higher levels of building activity in October. Business confidence also remained elevated, with firms expecting pipeline project work to drive activity levels higher over the coming 12 months. In turn, employment growth accelerated to a three-year high, while order book volumes also increased.

That said, supply-side issues remained at large, impacting firms' ability to secure materials in a timely fashion. Consequently, suppliers hiked their fees further, with input price inflation remaining close to survey-record rates.

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 — moved above the 50.0 no-change mark in October for the first time since May, signalling a renewed expansion in construction activity across France. Granular data revealed that commercial building activity drove the broad expansion, with residential and civil engineering activity falling.

Demand provided support to construction businesses during October, with survey data signalling growth in new orders. While the increase was just marginal, it was still a robust performance when compared with other months since the onset of the COVID-19 pandemic.

As has been the case throughout the second half of 2021 so far, business confidence remained strong in October. According to firms, there are sufficient amount of projects in the pipeline

*continued...*

France Construction Total Activity Index  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Joe Hayes, Senior Economist at IHS Markit, said:

*"There were positive developments in the French construction sector during October, with activity, new orders and employment all moving in positive directions. The sector has been somewhat of a laggard in comparison to the other sectors of the economy, not benefiting as much from the bounce back of consumption and global trade.*

*"However, the latest data was positive by comparison with that seen since the onset of the pandemic. Business confidence is elevated, and anecdotal reports suggest there is work in the pipeline that should support activity in the near-term. Indeed, employment growth shot up to a three-year high as firms gear up for greater activity.*

*"That said, supply-side issues remain significant. Delivery times are lengthening substantially due to widespread material shortages, causing input price inflation to remain close to survey-records rates."*

to sustain greater levels of construction work over the coming 12 months.

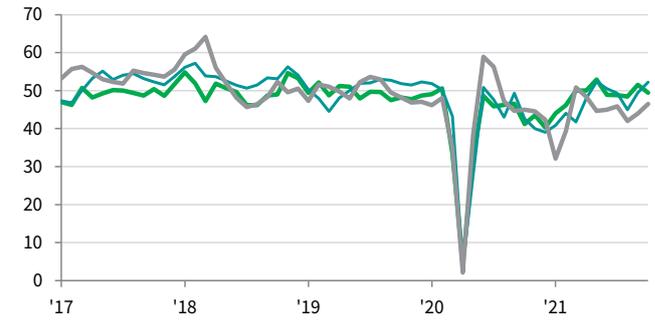
To accommodate for higher workloads, French construction firms expanded their workforces during the latest survey period. Furthermore, the rate of jobs growth was strong overall and accelerated to a three-year high.

However, while survey data portrayed the demand-side of the construction sector in a positive light, there were notable headwinds on the supply-side in October. Supplier delivery times lengthened drastically once again during the latest survey period. According to firms, material shortages at vendors restrained their ability to ship orders in a timely manner.

Nonetheless, input purchasing increased in October for a second month in a row as firms acquired the necessary materials to meet demand. The rate of increase did slow, however.

Longer lead times, coupled with intense material shortages, put notable pressure on prices, latest survey data showed. Input costs increased at a rate which was among the fastest ever recorded in 21 years of data collection.

Activity Index by sector  
Residential / Commercial / Civil Engineering  
sa, >50 = growth since previous month



Sources: IHS Markit.

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### Survey 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.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-29 October 2021.

Survey data were first collected September 2000.

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### About PMI

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