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IHS MARKIT FRANCE CONSTRUCTION PMI®

Activity rises amid sharper new order growth

KEY FINDINGS

Fastest rise in new business for four months

Optimism drops to 38-month low

Strike action contributes to delivery delays

Growth of activity picked up in the French construction sector at the end of 2019, in line with a solid expansion of new work. Companies responded to higher workloads by taking on additional staff and expanding purchasing activity. Meanwhile, the rate of input cost inflation softened for the sixth month in a row.

Less positive was the outlook for construction activity over the coming year, which dropped to a 38-month low amid expectations that the forthcoming local elections would impact negatively on workloads.

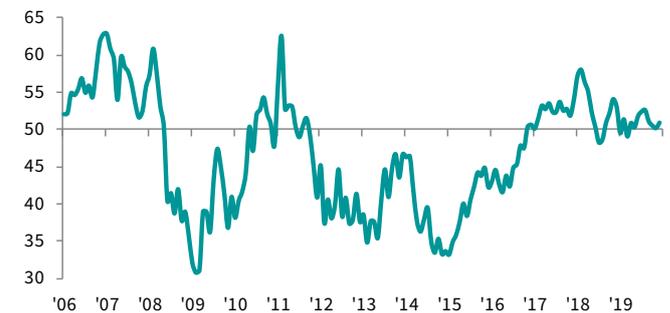
The headline France Construction Purchasing Managers' Index® (PMI®) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – rose to 50.9 in December from 50.1 in November. Although slight, the rise in activity signalled by the PMI was the fastest since September and extended the current sequence of growth to nine months.

Underlying data signalled that the rise in overall construction activity was centred on commercial work. Activity on commercial projects increased for the seventh month running, and at a solid pace. On the other hand, further reductions were seen in housing activity and civil engineering work. In both cases, rates of decline eased since November, however.

The increase in total activity was in response to further growth of new orders. New business increased for the eighth month running, and at the sharpest pace since August.

With activity requirements increasing, construction firms expanded both their staffing levels and purchasing activity in December. Employment rose for the thirty-first consecutive

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



Source: IHS Markit.

month, albeit at a modest pace that was the weakest since last May. The rate of growth in purchasing activity also moderated, but input buying still rose for the twenty-sixth successive month.

Suppliers' delivery times continued to lengthen markedly during December, with some respondents attributing delivery delays to strike action.

Despite rising workloads, companies reduced their usage of sub-contractors for the second month running. Their availability also decreased, while the rates charged by sub-contractors continued to increase markedly.

The rate of inflation in the cost of inputs slowed for the sixth month running and was the weakest for close to two-and-a-half years. The latest increase was also weaker than the series average (since 2000).

Sentiment regarding the one-year outlook for activity continued to weaken in December, dropping for the fifth month running to the lowest in 38 months. While some firms expect activity to rise in line with increasing workloads, others predict that the upcoming local elections will impact negatively on levels of activity.

COMMENT

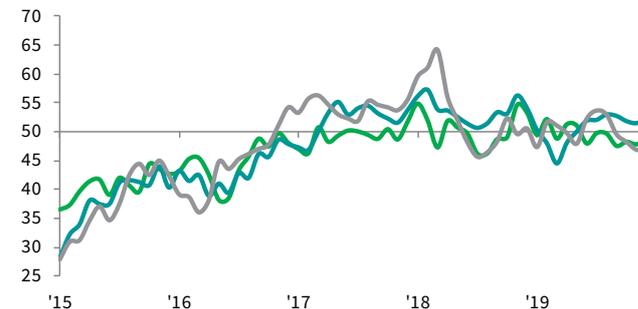
Andrew Harker, Associate Director at IHS Markit, which compiles the survey:

"The French construction sector enters 2020 on a solid footing, helped by ongoing new order growth. While there were some reports of strike action impacting supply chains, disruption wasn't enough to deter firms from expanding employment and purchasing in a bid to support growth of activity."

"The near-term outlook appears less rosy, however, with companies concerned that the upcoming local elections will lead activity to dry up. Hopefully this will prove to have only a transitory impact on the sector, with a generally helpful economic environment in France - as signalled by the sister PMI surveys for manufacturing and services - helping to keep new orders flowing as the year progresses."

Activity Index by construction category
Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Source: IHS Markit.

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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.

December 2019 data were collected 05-23 December 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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