

IHS MARKIT FRANCE SERVICES PMI®

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Activity growth accelerates amid faster rise in demand

KEY FINDINGS

Solid increase in business activity in October

Quicker expansion in new business

Fastest rise in backlogs since June

French service providers registered a quicker rise in activity at the start of the fourth quarter, as new order growth accelerated and outstanding business increased at a faster rate. The rise in new orders was supported by stronger international demand, as new export business expanded at the quickest pace since June. Meanwhile, staff numbers continued to grow and sentiment towards the business outlook improved for the second month in succession.

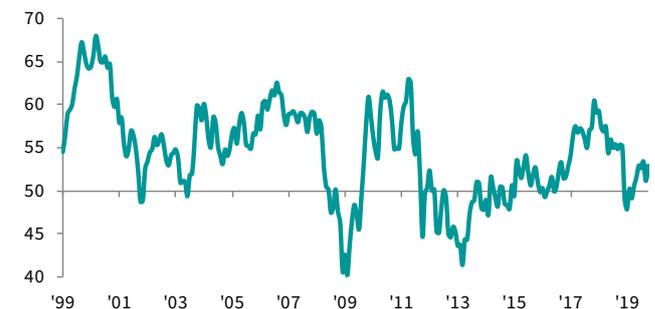
The headline seasonally adjusted IHS Markit France Services Business Activity Index – which is based on a single question asking respondents to report on their actual change in business activity at their companies compared to one month ago – posted 52.9 in October, up from 51.1 in September. Following the slowest rise for five months in the previous survey period, the latest result pointed to a quicker expansion that was solid overall. Growth was broad-based, with all six of the monitored sub-sectors recording a rise.

Underpinning the increase in activity was an upturn in new orders at the start of the fourth quarter. The rate of expansion accelerated from September's four-month low and was solid overall. Higher order volumes were recorded in four of the six monitored sub-sectors.

The rise in overall new orders was in part driven by an increase in international demand. Following the first decline for four months during September, new export business rebounded in October. Panellists mentioned higher orders from Spain, Portugal and Algeria when explaining the modest expansion.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

October data revealed a further increase in outstanding business in the French service sector. Though moderate overall, the rate of growth was the quickest since June. Three of the six monitored sub-sectors registered a rise, namely Financial Intermediation, Post & Telecommunications and Renting & Business Activities.

Backlogs rose despite another increase in staff number during October. The latest result extended the current sequence of workforce expansion that began in January 2017. The rate of job creation was unchanged from the solid pace seen in September. Some survey respondents suggested extra staff were required to support elevated activity levels.

On the price front, input costs faced by firms in the French service sector rose further in October. The rate of inflation accelerated from the previous survey period but remained historically subdued. Panellists noted higher expenditure on wages and increased prices for fuel and some raw materials.

Meanwhile, firms increased their average output charges at the fastest rate since August 2011. The solid hike was driven by rises in four of the six monitored sub-sectors.

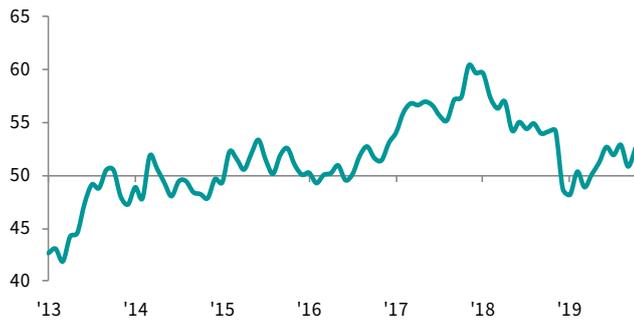
Finally, firms maintained their optimism towards the one-year business outlook in October. The degree of positivity increased to the highest level for three months.

IHS MARKIT FRANCE COMPOSITE PMI®

Private sector activity growth rebounds in October

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

Following the slowest rise for five months in September, the Composite Output Index* pointed to a renewed acceleration of growth in French private sector activity during October. At 52.6, the latest reading indicated a solid expansion.

The overall rise in activity was broad-based, as manufacturers posted a return to growth in production and service providers saw output increase at a faster pace. Though modest, the rate of expansion in the manufacturing sector was the quickest since June.

Similar to the trend for output, new order growth accelerated in October. At the sector level, the faster expansion was driven by services, where the rate of increase quickened and was solid overall. Meanwhile, manufacturers posted a marginal decline for the second month in a row. Underlying data revealed a recovery in international demand, as composite new export business rose slightly.

To support higher activity levels, firms in the French private sector increased staff numbers in October. The rate of job creation was marginally quicker than September, driven by the fastest workforce expansion at manufacturers for four months.

Finally, business sentiment remained positive but was unchanged in October. A rise in optimism at service providers offset reduced confidence at manufacturers.

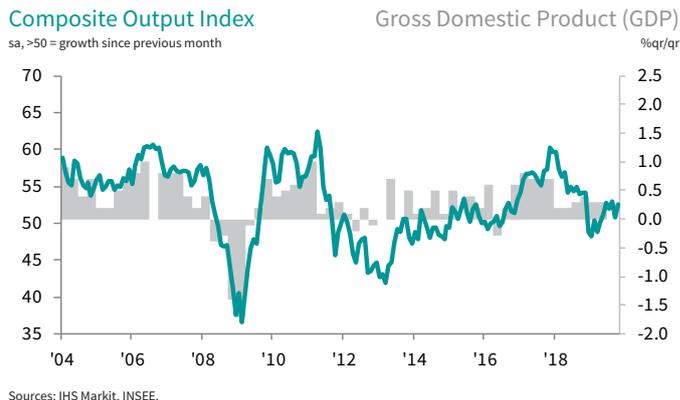
* Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index and the France Services Business Activity Index.

COMMENT

Commenting on the PMI data, Eliot Kerr, Economist at IHS Markit said:

"Following the disappointing conclusion to the third quarter, October's PMI results pointed to a rebound in private sector activity growth in France. Manufacturers posted their fastest rise in production since June, but the service sector remained the key driver of growth, registering a solid expansion."

"The composite output index reading for October is consistent with approximately 0.3% economic growth if maintained throughout the fourth quarter."



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Methodology

The IHS Markit France Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and 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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite 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.

October 2019 data were collected 11-28 October 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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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