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IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

February sees fractional rebound in business activity

KEY FINDINGS

First rise in business activity since last November

New order decline eases

Rate of employment growth accelerates from two-year low

Following successive contractions in December and January, French service providers recorded a slight uptick in business activity during February. The fractional rebound came despite a marginal fall in new work, which was the third contraction in as many months. That said, the decline in new business was the softest recorded during that period, aided by a slower fall in international sales. Meanwhile, amid the recovery in output, firms reported a moderate increase in staff numbers midway through the first quarter.

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 – rose to 50.2 in February, up from 47.8 in January. The result pointed to a fractional rise in business activity, which represented a recovery after two successive monthly contractions. Some panellists suggested that growth was a consequence of increased marketing efforts.

The rise in output came despite a further decline in new business at French service providers. The latest contraction was the third in as many months, although the rate of deterioration eased in February. Survey participants highlighted faltering demand and ongoing protests.

Contributing to the contraction in new work was another fall in new export business. The result extended the current sequence of decline to three months, although the rate of decrease eased to the softest in that period.

February's rise in services activity was aided by further

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

workforce expansion. The rate of employment growth accelerated from January's two-year low, with businesses on average registering a moderate increase in staff numbers. At the sub-sector level, the quickest growth was seen at Financial Intermediation firms.

Meanwhile, survey data signalled a broad stabilisation in capacity pressures during February. Outstanding business was roughly in line with the levels recorded in January, when incomplete work fell for the first time in nearly three years.

On the price front, input costs continued to increase markedly. Surveyed businesses mentioned higher fuel prices, road tolls and salary payments. That said, the rate of inflation eased for the second month in a row.

However, higher costs were not passed on to clients during February, despite the first uptick in activity since November 2018. Average output charges were broadly stable, with some companies absorbing higher costs due to competitive pressures.

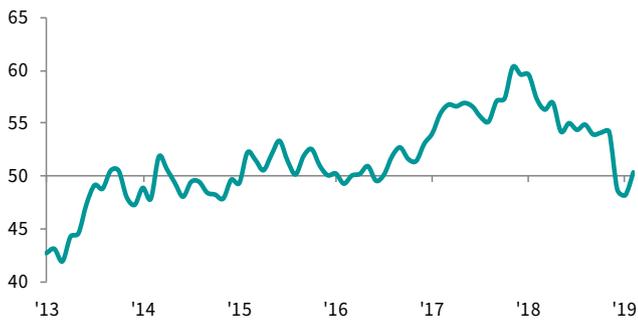
Finally, French service providers remained confident of output expansion over the coming 12 months. Moreover, the degree of optimism rose to a three-month high, with some panellists mentioning plans for product development.

IHS MARKIT FRANCE COMPOSITE PMI®

Composite output shows slight recovery in February

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

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. The Composite Output Index posted at 50.4 in February, an increase from 48.2 in January. The result represented a slight rebound in business activity following successive contractions in December and January.

At the sector level, the recovery was broad-based, with both manufacturers and service providers recording output expansion. Goods producers recorded the fastest rise, but one that was only marginal overall, while the growth in services was only fractional.

In contrast to the trend for output, new business continued to fall during February. The reduction was driven by a slight deterioration in services, which outweighed a fractional increase at manufacturers. That said, the composite decline was only marginal overall, with the rate of contraction easing compared to January.

Amid the rebound in output, private sector firms in France increased their staff numbers. The growth in employment was faster than in the previous survey period and moderate overall. The result was underpinned by a quicker rate of job creation at service providers, while manufacturers recorded a softer pace than in January.

Finally, the degree of optimism among firms towards the business outlook was broadly unchanged in February. Confidence levels were uniform across both sectors, as a rise in services contrasted with a fall in manufacturing.

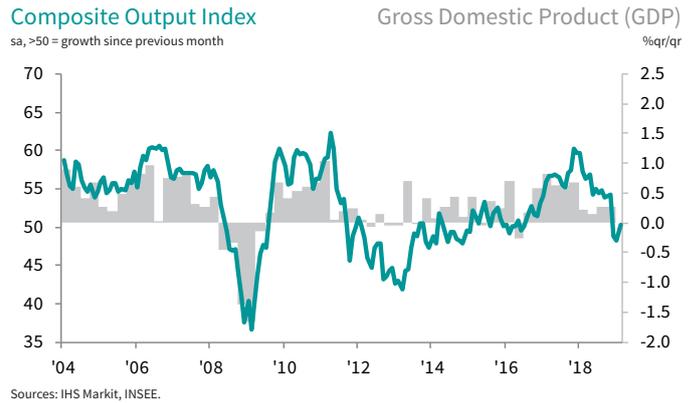
COMMENT

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

“The final survey data for February revealed a stronger performance for France's private sector than indicated by the earlier Flash release. The latest data indicated a marginal rebound in composite business activity, an improvement on the broad stabilisation suggested by Flash.

“With the worst of the 'gilets jaunes' protests having passed, the composite rebound was aided by signs of a fractional recovery in the service sector. Service providers consequently increased staff numbers at a quicker rate than in January.

“However, despite the return to expansion, it is clear that France still has a way to go before reaching its growth potential. Volumes of new business continued to decline which indicates that demand is yet to fully recover.”



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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.

February 2019 data were collected 12-25 February 2019.

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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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