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## IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

### Slowest rise in service sector activity for nine months

#### KEY FINDINGS

Modest increase in business activity

New business growth decelerates

Sharpest rise in input prices since last May

Although service sector business activity continued to rise in the first month of 2020, the rate of growth eased to the softest since last April. The result was driven by a slower expansion in new business. Meanwhile, firms increased their staff numbers, but were unable to alleviate backlogs of work.

On the price front, cost burdens rose sharply, with the rate of inflation the fastest for eight months. Consequently, average output prices increased at a quicker pace.

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 – registered at 51.0 in January, down from 52.4 in December. The latest reading pointed to a slower expansion in business activity that was only modest overall. At the sub-sector level, a contraction in Financial Intermediation weighed on growth, while the other five monitored segments registered further increases.

A key factor behind the overall slowdown was a softer rise in new business during January. The increase was the weakest since last September and only modest overall. Underlying data suggested that a decline in the Hotels & Restaurants sub-sector acted as a drag on overall growth.

The expansion in total new orders was centred on the domestic market, as new export business fell in the latest survey period. International sales decreased for the first time in four months, albeit only slightly overall. When explaining the decline, panellists suggested that strikes had acted to

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

stifle demand.

Meanwhile, input costs faced by French service providers rose sharply in January. Moreover, the rate of inflation accelerated to the quickest for eight months, with some survey respondents citing increased expenditure on wages.

Amid a rise in input prices, firms opted to pass on some of the burden to their clients in January. Average output charges increased for the eleventh month in a row, with the rate of inflation ticking up to the fastest since last October. Each of the six-monitored sub-sectors recorded higher output prices.

French service providers continued to increase their staff numbers at the start of 2020, with the rate of job creation unchanged from December. At the sub-sector level, the solid workforce expansion was supported by Hotels & Restaurants, Post & Telecommunications and Renting & Business Activities. Despite the rise in employment, outstanding business grew for the ninth month in a row.

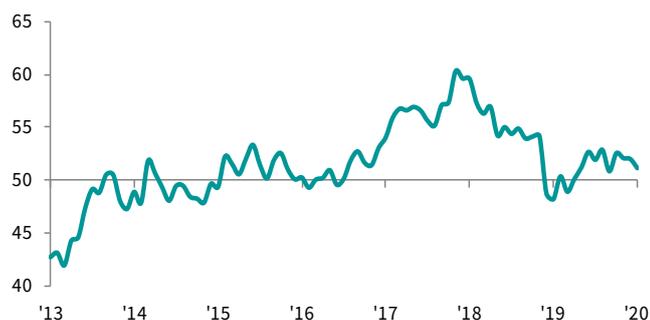
Finally, firms were confident of a rise in output during 2020, with the degree of positivity stronger than that recorded in December. Panellists cited expectations for improved demand conditions.

## IHS MARKIT FRANCE COMPOSITE PMI®

## Softest rise in private sector activity for four months

Composite Output Index

sa, &gt;50 = growth since previous month



Source: IHS Markit

The latest Composite Output Index\* pointed to only a marginal increase in private sector business activity in January. At 51.1, down from 52.0 in December, the reading signalled the slowest expansion since last September.

At the sub-sector level, the slowdown was driven by softer growth at service providers. The latest increase was only marginal and the slowest since last April. In contrast, manufacturers registered a slightly quicker rise in production following December's three-month low.

Similar to the trend for output, new business growth eased in January. The expansion was the softest since last September and only modest overall. Services firms recorded their slowest rise for four months, while manufacturers saw demand rebound after December's decline.

Private sector firms continued to increase their staff numbers in January, extending the current run of workforce expansion that began in November 2016. However, the rate of job creation eased slightly to the weakest for nine months. Employment growth was supported by a solid increase in the service sector, while manufacturers saw a slight reduction.

Looking forward, the degree of optimism towards the business outlook strengthened from December. The result was driven by improved sentiment in both covered sub-sectors.

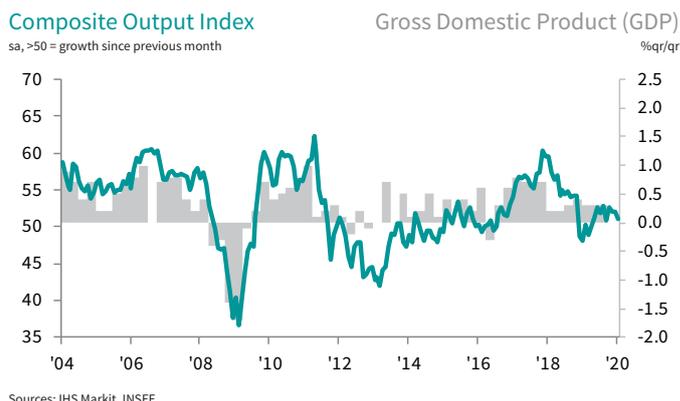
\* Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index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

## COMMENT

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

*"The French private sector began 2020 with a sluggish performance, as growth in both output and new orders eased to their slowest since September. The weakness stemmed from the service sector, where a softer expansion in activity more than offset a quicker rise in manufacturing production. Similarly, dampened new business growth in services outweighed a rebound in manufacturing."*

*"January's PMI results are consistent with around 0.2% economic growth."*



## CONTACT

### IHS Markit

Eliot Kerr  
Economist  
T: +44-2031-593-381  
[eliot.kerr@ihsmarkit.com](mailto:eliot.kerr@ihsmarkit.com)

Katherine Smith  
Public Relations  
T: +1-781-301-9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

### 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.

January 2020 data were collected 13-28 January 2020.

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

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### 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](http://ihsmarkit.com/products/pmi.html).

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