

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit France Services PMI® – final data (with Composite PMI®)

Service sector growth remains strong, but slower than at start of 2018

Key findings:

- Strong overall rise in activity in August
- Growth over Q3 as a whole set to be slowest since Q4 2016
- Business confidence weakest in 19 months

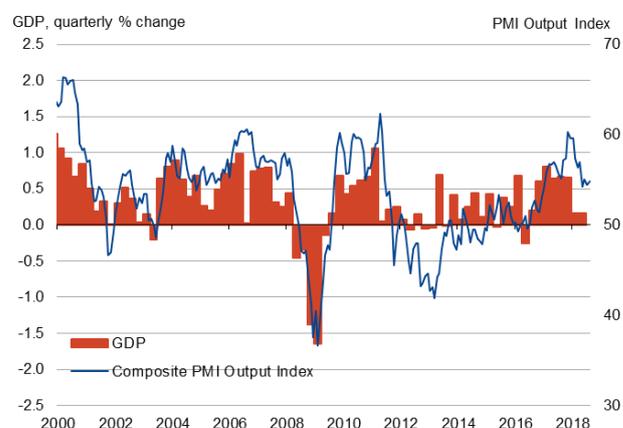
Data collected August 13-28

The French service sector continued to expand at a strong overall pace in August, according to the latest PMI® survey data from IHS Markit. The level of new business grew at a faster rate than in July, leading to the strongest increase in outstanding work since April despite a sharper rise in employment. Total business activity rose at a strong overall pace, albeit one that remained weaker than those registered earlier in the year. Subsequently, firms were less optimistic regarding long-term prospects, with overall sentiment the weakest since January 2017.

The headline seasonally adjusted **IHS Markit France Services Business Activity Index** registered 55.4 in August, up from 54.9 in July. The latest figure was above the 20-year long-run survey average of 54.7, and signalled a strong overall rate of growth. That said, it was below the marked increases seen throughout most of 2017 and early-2018. Unless growth accelerates notably in September, the overall rise in activity in the third quarter is set to be the slowest since Q4 2016.

The seasonally adjusted **IHS Markit France Composite Output Index** is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index. The Composite Output Index rose from 54.4 in July to 54.9 in August, signalling a strong overall rise in business activity across the French private sector. This mainly reflected stronger growth in services activity, as manufacturing output continued to rise at a subdued pace. The average composite reading for the third quarter so far (54.6) is the lowest of any quarter since Q4 2016 (52.0).

IHS Markit France Composite PMI



Sources: IHS Markit, INSEE

In line with the trend for business activity, the amount of new business placed with French service providers rose strongly in August and at a faster rate than in July, albeit one that remained weaker than those registered earlier in the year.

Strong overall inflows of new work supported the current phase of employment growth at private sector service providers, which now stretches to 20 months. The rate of job creation quickened to a four-month high and was well above the long-run survey average. Despite the increase, backlogs of unfinished work continued to rise in August, and at the quickest rate since April.

Business confidence with regard to activity growth over the coming 12 months remained positive in August. Firms reported being hopeful that local and national markets would develop, and that they planned to take on more staff. That said, the degree of sentiment weakened to the lowest since January 2017.

On the price front, French service providers recorded a further rise in average cost burdens during August. The rate of inflation picked up slightly since July and was broadly in line with the long-run survey average. Panellists mainly attributed greater cost pressures to wages and fuel. Meanwhile, prices charged by

service providers rose for the twelfth consecutive month, the longest sequence of inflation in a decade. That said, the rate of increase remained only marginal.

Comment:

Trevor Balchin, Economics Director at **IHS Markit** which compiles the France Services PMI® survey, said:

“French service providers continued to record solid overall growth of business activity in August, despite the general slowdown witnessed since the start of 2018. Growth strengthened slightly in the latest period, and the index average for 2018 so far is showing the second-strongest annual reading since 2010 (behind 2017). Moreover, growth of services output outpaced that of manufacturing production for the seventh straight month.”

“Although new business and jobs in services both rose more quickly in August, the longer-term outlook is less rosy, as the measure of business sentiment among service providers fell to a 19-month low. This follows a similar trend to that seen in the earlier manufacturing PMI data, where output expectations are currently the weakest since December 2016. This could reflect concerns around a wider economic slowdown since the start of the year – official GDP growth more than halved in the first quarter from 0.7% to 0.2%, and remained there in the second quarter.”

-Ends-

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Note to Editors:

The France Services PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 400 companies based in the French service sector. The final France Services PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The August flash was based on 74% of the replies used in the final data.

The France Composite PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 800 companies based in the French private sector economy. The final France Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The August flash was based on 79% of the replies used in the final data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
France Services Output Index ⁽¹⁾	-0.2	0.6
France Composite Output Index ⁽²⁾	-0.1	0.4

Notes

1. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com

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