

EMBARGOED UNTIL: 00:01 (UTC) November 19th 2018

IHS Markit France Business Outlook

Business activity optimism softens further in October

Key findings:

- Expectations for new business and activity lowest in two years
- Hiring intentions unchanged; capex plans revised higher
- Expectations for input costs highest since June 2011

Data collected October 12-26

The latest IHS Markit Business Outlook survey signals lower optimism among private sector firms in France. There is softer confidence towards the 12-month outlook for business activity, new work, revenues and profit, while hiring intentions are unchanged. However, companies foresee a larger rise in capital expenditure and stronger increases in both input costs and output prices.

A net balance of +29% of panellists predict a rise in business activity over the next 12 months, down from +32% in June. Survey respondents have mentioned fears of escalating trade wars, higher raw material prices and a weakened euro. Despite this, confidence towards future business activity is slightly higher than the global (+28%) and eurozone (+27%) averages.

At the sector level, both manufacturers and service providers are less optimistic than in June, the former remaining the least confident of a rise in activity over the next year.

Corporate Earnings

In line with weaker sentiment towards business activity, French private sector companies are less confident about new orders over the coming 12 months. The net balance of firms anticipating expansion is still positive, at +27%, but the lowest for two years.

France business activity expectations



Softer confidence towards future sales also sees revenue expectations decline, with positive sentiment the lowest since October 2016. In coherence with this trend, optimism towards profitability over the next year is revised down to the weakest seen since February 2017. Services firms are more upbeat towards revenues and profits than their manufacturing counterparts.

Employment & Investment Plans

In contrast to weaker positivity on revenues and profit, sentiment regarding capital investment in the coming 12 months is the joint-highest for one year. Moreover, the net balance of French private sector firms planning to increase capital expenditure (+20%) is higher than the global (+13%), developed country (+13%) and eurozone (+17%) averages.

The rise in optimism surrounding investment differs from hiring plans, however. The net balance of firms expecting employment expansion over the coming year is the joint-lowest since February 2017, on par with that seen in June. Weaker confidence is driven by manufacturers, who report softer optimism compared to June. Meanwhile, service providers signal greater belief that hiring will increase.

Inflation Expectations

French private sector firms continue to anticipate rising input prices over the coming year. Moreover, expectations for higher cost burdens are the strongest since June 2011. Panellists expect input price inflation to be driven by a strengthened dollar, as well as higher raw material and fuel prices.

With rising cost pressure expectations, firms look set to raise output prices over the next 12 months. In fact, the net balance of businesses planning to lift charges is the highest since June 2011.

Comment:

Commenting on the France Business Outlook survey data, **Eliot Kerr**, Economist at IHS Markit, said:

“Optimism surrounding future activity has weakened since June, with fears of continued trade wars and higher raw material prices hampering confidence.

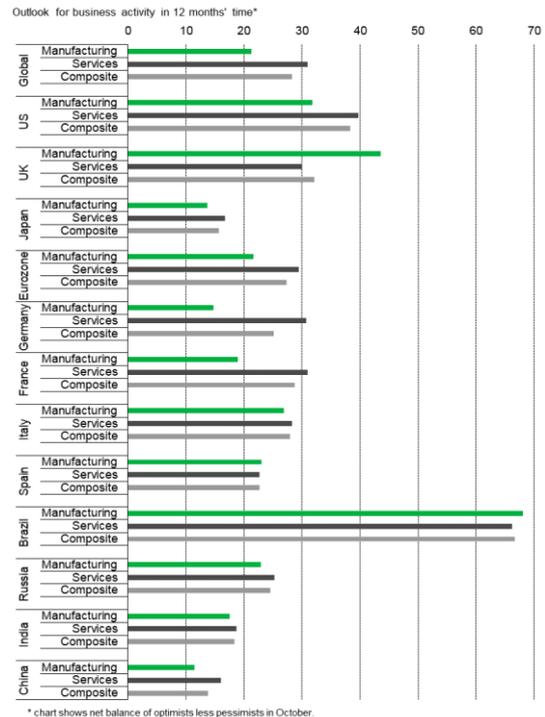
“Firms are less confident of revenue rises and strongly believe input costs will increase. These factors have driven profit expectations to the lowest reported since February 2017.

“That said, French private sector companies are now more optimistic on future business activity than the average seen across the eurozone, with positive sentiment remaining just above the global average.”

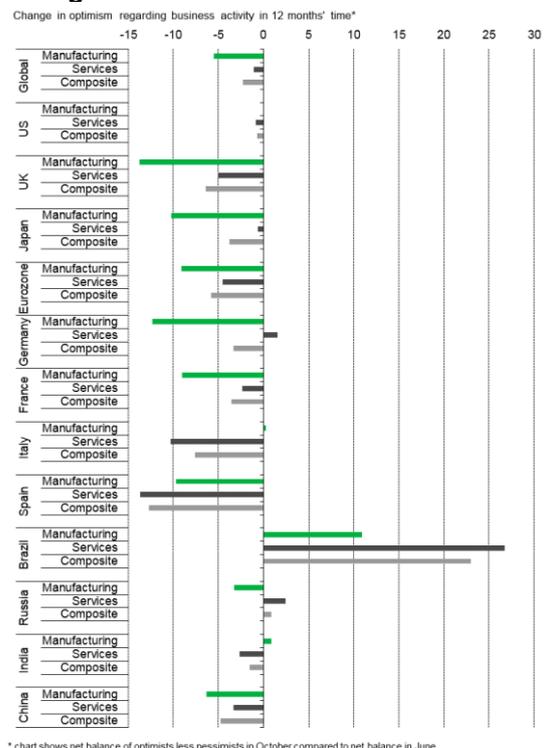
-Ends-

Full data available on request from economics@ihsmarkit.com

Business optimism in October



How business activity expectations have changed since June



For further information, please contact:**IHS Markit**

Eliot Kerr, Economist
Telephone +44-203-159-3381
Email eliot.kerr@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between October 12 and 26.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners 2018 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited. and/or it's affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).