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## IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

### Confidence towards business outlook hits two-year low

#### KEY FINDINGS

Further robust activity expansion

Job creation at 15-month low

Weakest sentiment towards business outlook for two years

November data pointed to a further robust rise in business activity across the French private sector, although the rate of expansion was slightly softer than in October. New order growth and hiring also eased midway through the fourth quarter, while export orders rose at the slowest pace since July. In line with slower growth trends, confidence towards the business outlook slumped to a two-year low.

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 - fell to 55.1 in November, down from 55.3 in October. This signalled another strong increase in business activity, albeit at a softer pace compared to October. Where panellists reported higher activity, some mentioned the positive effect of promotional activities and new contract wins.

Service providers also registered slower growth in new orders during November. However, the expansion remained solid overall, aided by a particularly strong performance in the Post & Telecommunications sector.

Contributing to weaker new business growth was the softest rise in new export orders for four months. The increase in new work from abroad was slower than the average for the year so far, as firms registered only a marginal rise overall.

Amid a broad-based softening of demand growth, French services providers reported the lowest confidence towards future business activity for two years. Where panellists were optimistic, they commented on new business development

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

plans and high hopes for economic growth.

In line with a slower increase in new work, the pace of hiring eased to a 15-month low midway through the fourth quarter. That said, job creation remained solid as firms increased staff numbers for the twenty-third month in a row.

The continued rise in employment did little to alleviate capacity pressures, however. The level of outstanding business rose solidly in November, extending the current run of expansion to 33 months.

On the price front, input cost inflation decelerated for the second consecutive month, cooling to a four-month low. Panellists largely blamed the latest rise on higher diesel fuel prices.

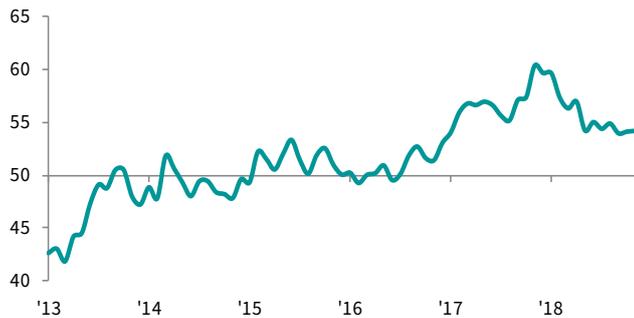
Some French service providers were able to pass on the burden of higher costs, reflected in a further rise in average prices charged. The pace of output price inflation accelerated from October's six-month low, although the increase was only marginal overall.

## IHS MARKIT FRANCE COMPOSITE PMI®

## Composite output growth driven by the service sector

Composite Output Index

sa, &gt;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 54.2 in November, up slightly from 54.1 in October. This pointed to a broadly unchanged rate of growth and a solid increase in output overall.

The latest expansion was driven by a robust increase in business activity at service providers. Meanwhile, manufacturers recorded unchanged output, although this represented stabilisation following October's contraction. New orders followed a similar pattern, with a strong increase at services firms leading to solid composite growth despite a decline at manufacturers.

In line with higher business activity, French private sector firms increased staff numbers again during November. There were contrasting trends at the sector level, with manufacturers cutting jobs and service providers hiring.

Cost pressures remained elevated midway through the fourth quarter, as both covered sectors faced higher input prices. Manufacturers reported the stronger input cost inflation, but service providers also saw a sharp increase in expenses.

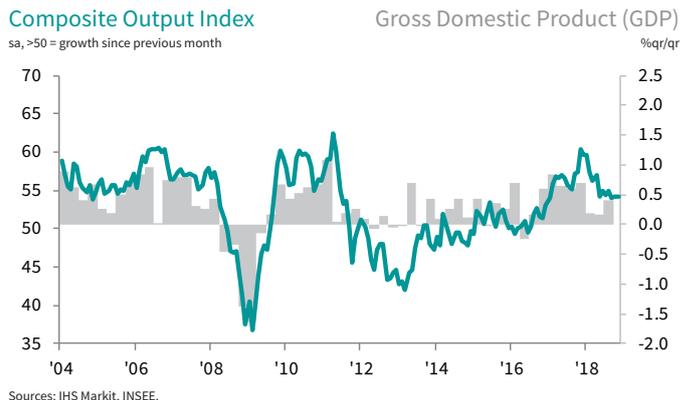
Despite sustaining strong output growth, confidence towards the business outlook hit a two-year low in November. This was largely due to the weakest service sector optimism since November 2016.

### COMMENT

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

*“The French service sector saw a broad-based softening of growth across all key indicators during November. Other than the two-year low for business sentiment, perhaps the most worrying reading was the slowdown in hiring. The 15-month low for the employment index could be a sign that labour market issues are beginning to take hold.”*

*“That said, although slower than in October, the expansions in activity and new orders were still strong overall. In context with the wider economy, service providers also performed well relative to their manufacturing counterparts.”*



## CONTACT

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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.

November 2018 data were collected 12-27 November 2018.

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

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