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IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

Services employment rises at fastest pace in nine months

KEY FINDINGS

Job creation quickens amid rising activity

Solid growth of new orders

Output prices continue to rise modestly

Growth was maintained in the French service sector during July, with further solid increases in both business activity and new orders signalled. There was further positive news on the employment front as the rate of job creation quickened for the fourth consecutive month. Meanwhile, business confidence also improved.

Input prices rose at a marked pace amid higher costs for fuel and staff. Output charges also increased, albeit only modestly.

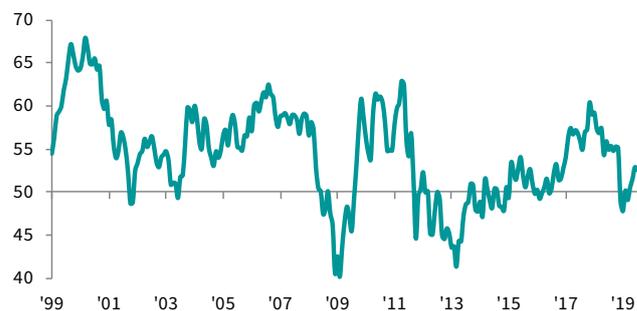
The headline seasonally adjusted IHS Markit France Services Business Activity Index – which is based on a single question asking respondents to report on their actual change in business activity at their companies compared to one month ago – posted 52.6 in July, down slightly from 52.9 in June but still signalling a solid monthly increase in business activity. Service sector output has now risen in five of the past six months.

Financial Intermediation recorded the strongest rise in activity, followed by Renting & Business Activities.

Where activity increased, panellists often mentioned higher new orders. New business expanded for the fourth month running, and at a solid pace, albeit one that was slightly weaker than June's seven-month high. According to respondents, additional clients had been secured, with wider economic growth also supporting increases in new orders. The expansion in total new business was supported by a second successive rise in new export orders.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Higher business activity encouraged service providers to take on additional staff, which they did for the thirty-first month in a row. Moreover, the rate of job creation was solid, having quickened for the fourth month running to the sharpest since last October. Renting & Business Activities posted the fastest increase in employment of the six broad sectors covered by the survey.

Despite increased operating capacity, companies signalled a third consecutive accumulation of backlogs of work. Anecdotal evidence suggested that customers were sometimes taking longer to make decisions, thereby resulting in delays in the completion of projects.

Input prices rose at a marked pace, amid reports of higher fuel costs and increases in salaries. The rate of inflation ticked up from the 22-month low seen in June. With fuel prices up, the Transport & Storage sector posted the sharpest increase in input costs.

The rate of output charge inflation also quickened, but remained modest as companies often limited price increases to try and attract customers.

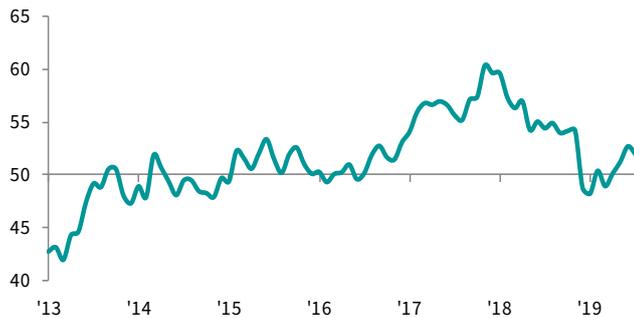
Confidence regarding the 12-month outlook for business activity recovered from June's 31-month low. Expectations of rises in new business and an improved economic environment supported optimism.

IHS MARKIT FRANCE COMPOSITE PMI®

Service sector growth supports overall output

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The Composite Output Index* remained above the 50.0 no-change mark in July. At 51.9, the index posted a modest increase in activity, and one that was slower than seen in June (52.7). Private-sector output has now increased in four successive months.

The rise in overall activity masked divergent trends across the two broad sectors covered. Services posted a further solid increase in business activity at the start of the third quarter, but manufacturing output returned to contraction.

A similar picture was seen with regards to new orders, with a rise in the service sector outweighing a marginal drop in manufacturing new work. Overall, new business increased at a solid pace, but one that was softer than in June. New export orders were unchanged during the month.

Employment rose for the thirty-third successive month. The rate of growth was solid and broadly in line with those seen in May and June. The rate of services job creation was at a nine-month high, but manufacturing staffing levels decreased for the first time in 2019 so far.

Rates of inflation for both input costs and output prices were broadly in line with those seen in the previous month.

Finally, business confidence picked up following the 34-month low recorded in June.

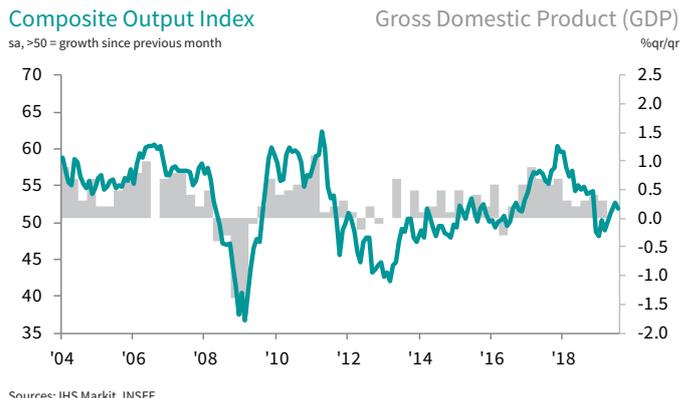
* Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index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

COMMENT

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

"French services firms continued to support the wider economy at the start of the third quarter, with solid output growth in the sector more than offsetting a decline at manufacturers. The latest expansion at service providers was driven by another rise in new orders, which panellists often associated with a strengthening demand environment."

"Although the service sector continues to exhibit strength, the business community will be wary of negative spillover from the ongoing soft patch in manufacturing. The longer goods producers continue to show weak results, the greater the likelihood that the poor performance will weigh on services."



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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.

July 2019 data were collected 12-26 July 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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