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IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

Services activity growth eases in November

KEY FINDINGS

Softer rise in business activity

New business increases at slower rate

Staff numbers continue to grow solidly

Firms in the French service sector posted a slower rise in business activity midway through the fourth quarter. The result came amid softer overall new order growth, albeit with international sales increasing at a slightly quicker pace. Meanwhile, businesses upped the rate of job creation to the quickest since July. Despite the rise in employment, backlogs of work expanded further.

Looking forward, firms were their most optimistic towards the business outlook for seven months.

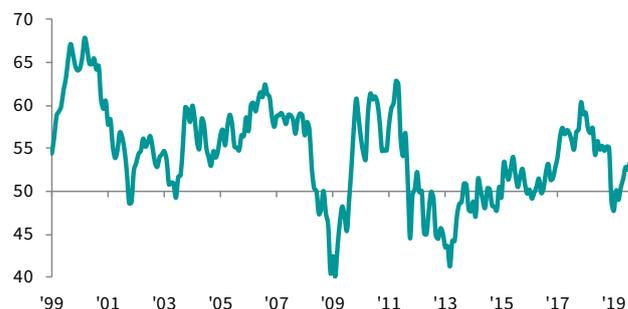
The headline seasonally adjusted IHS Markit France Services Business Activity Index – which is based on a single question asking respondents to report on their actual change in business activity at their companies compared to one month ago – posted 52.2 in November, down from 52.9 in October. The result pointed to a modest expansion in business activity, but one that was slightly slower than in the previous survey period. At the sub-sector level, the rise was broad-based.

Softer activity growth was partially driven by a slower increase in new business during November. The latest rise extended the current run of increase to eight months but was moderate overall. The sharpest growth was recorded in the Post & Telecommunications sub-sector.

Underlying data revealed that the slowdown in overall new business growth was centred on the domestic market, as international sales rose at the quickest pace for four months. Only two of the six monitored sub-sectors recorded declines in new export orders, namely Financial Intermediation and Renting & Business Activities.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Meanwhile, firms continued increase their staff numbers in the latest survey period. Moreover, the rate of job creation accelerated to the quickest since July and was solid overall. At the sub-sector level, there was workforce expansion in four of the six monitored categories.

Despite the further rise in employment, service providers were unable to alleviate volumes of outstanding business. Backlogs of work increased for the seventh month in a row, with the pace of growth accelerating to the quickest since June.

On the cost front, input prices faced by French services firms continued to increase. Although the rate of inflation eased from October, it remained marked overall. The result was underpinned by a broad-based rise at the sub-sector level. Firms opted to pass on some of the additional expenses to their clients with a marginal increase in average output charges.

Finally, businesses remained optimistic towards the one-year outlook for activity, supported by expectations for strengthening demand. Notably, the degree of positivity was the strongest since April.

IHS MARKIT FRANCE COMPOSITE PMI®

Private sector activity growth eases in November

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The latest Composite Output Index* signalled a slight slowdown in private sector activity growth compared to October. At 52.1 in November, down from 52.6, the reading pointed to a moderate expansion.

At the sub-sector level, the softer increase was driven by service providers, who recorded a rate of growth that was modest overall. Meanwhile, manufacturers reported the fastest expansion in activity since June.

A key factor behind the slowdown in activity growth was a weaker rise in new business midway through the fourth quarter. Similar to the trend for output, service providers saw growth ease, while goods producers posted a recovery in new business.

Underlying data pointed to slower demand growth in the domestic market, as new exports orders rose at a faster pace compared to October. Quicker increases in international sales were recorded in both of the monitored sectors.

Despite easing new order growth, French private sector firms continued to increase their staff numbers. Moreover, the rate of job creation accelerated to the quickest for just over a year. Both manufacturers and service providers saw employment rise at a faster pace.

Finally, business sentiment rose to a seven-month high in November, supported by improved confidence across both manufacturing and services firms.

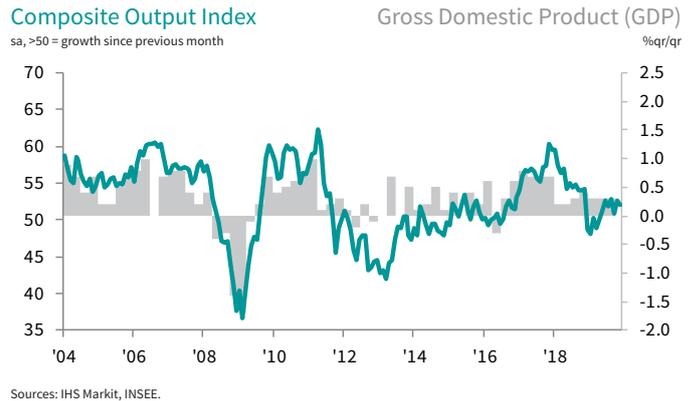
* Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index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

COMMENT

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

"The latest PMI data revealed a softer rise in demand across the service sector, with new order growth easing from October. Subsequently, firms saw business activity expand at a slightly slower pace.

"Meanwhile, there was a role reversal for the manufacturing sector, where a quicker increase in production provided support for the headline composite figure. However, this was insufficient to offset the slowdown in services, as overall output growth softened."



CONTACT

IHS Markit

Eliot Kerr
Economist
T: +44-2031-593-381
eliot.kerr@ihsmarkit.com

Katherine Smith
Public Relations
T: +1-781-301-9311
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.

November 2019 data were collected 12-26 November 2019.

For further information on the PMI survey methodology, please contact 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.

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