

**EMBARGOED UNTIL: 00:01 (UTC) November 11<sup>th</sup> 2019**

# IHS Markit France Business Outlook

## Weakest expectations for activity growth since October 2015

### Key findings:

- Optimism towards activity growth at four-year low
- Weaker expectations for capex and profits compared to June
- Cost inflation set to accelerate

### Data collected October 11-28

The latest IHS Markit France Business Outlook survey points to weaker expectations for business activity compared to June. Firms remain confident that output will increase over the coming year, but the overall level of optimism is at its weakest since October 2015. Similarly, predictions for profitability, employment and capex have deteriorated since the prior survey period. Meanwhile, non-staff cost inflation is anticipated to accelerate.

A net balance of +23% of companies expect a rise in business activity over the coming year, down from +26% in June to the lowest since October 2015. That said, confidence remains elevated compared to both the global (+14%) and developed market (+12%) averages. Anecdotal evidence suggests that French companies hope that increased volumes of new work will outweigh the negative effects of geopolitical instability and higher raw material prices.

At the sector level, both manufacturers and service providers expect business activity to increase over the coming year. However, degrees of optimism are weaker in both cases. Notably, manufacturers are at their least confident since June 2013.

### Corporate Earnings

Similar to the trend for business activity, private sector firms in France are less optimistic of a rise in profitability over the next year. At +9%, down from +13% in June,

### France business activity expectations



Source: IHS Markit.

the net balance of firms forecasting a rise in earnings is back in line with that registered in February, when sentiment had weakened to the lowest since October 2014. That said, the degree of positivity outstrips both the developed market (+4%) and global (+6%) averages.

The downturn in aggregate sentiment regarding profits in France is driven by both the manufacturing and service sectors. However, the former is the least confidence of the two, reporting its weakest expectations since June 2014.

### Employment & Investment Plans

October data indicate a further softening in hiring plans across the French private sector. Although firms expect to increase staff numbers over the coming year, the degree of positivity is the weakest for three years. That said, expectations for employment remain elevated compared to the eurozone average (+3%).

Meanwhile, overall confidence for an increase in capital expenditure over the next year also prevails in October. A net balance of +13% of companies foresee a rise in investment. The result represents slightly softer confidence than in June (+14%), however. Sector data suggest that both manufacturers and service providers

have pared back capex plans since June, with the former registering their weakest expectations since October 2016.

### Inflation Expectations

Businesses in France expect non-staff costs to keep rising over the coming year. Moreover, the net balance is up from 15% in June at +18%, although remains below the levels recorded throughout 2018. At the sector level, the increase in expectations is driven by services firms, while manufacturers anticipate the weakest rise in non-staff expenses since February 2016.

With cost pressures expected to intensify over the coming 12 months, a higher net balance of firms look set to increase their output prices. The net balance of companies planning to lift average charges (+16%) is the greatest for a year and elevated compared to the eurozone (+12%) and global (+11%) averages.

### Comment:

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

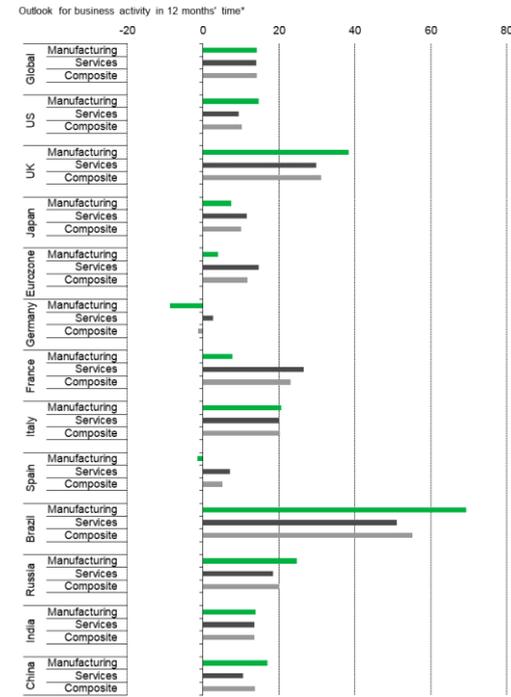
*“The latest French outlook survey pointed to weaker expectations for activity, profitability, employment and capex. These results, paired with anticipations of faster increase in staff and non-staff costs, suggest that firms expect slightly tougher conditions over the coming year compared to when questioned in June.”*

*“However, taken in context, the readings for France are relatively positive. The private sector outstripped both the global and developed market averages for confidence on business activity, earnings, employment and capex. This suggests that the outperformance of its peers in terms of economic growth may be set to continue.”*

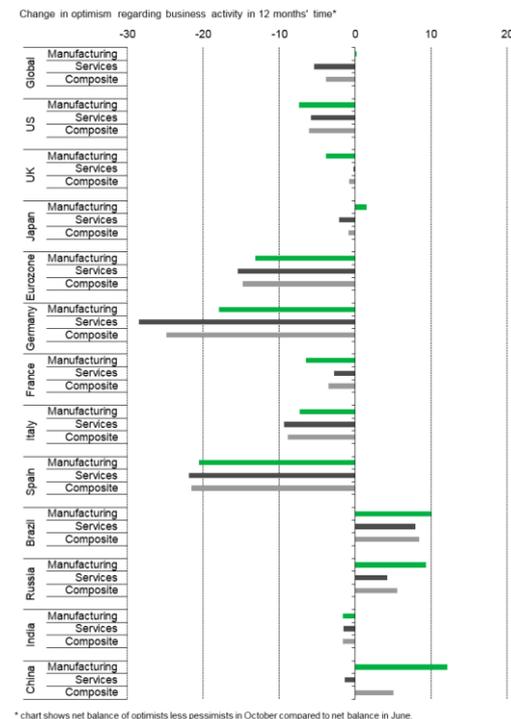
**-Ends-**

Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### Business optimism in October



### How business activity expectations have changed since June



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**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 9 and 30.

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.

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