News Release

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IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

Fastest rise in business activity for nine months in August

KEY FINDINGS

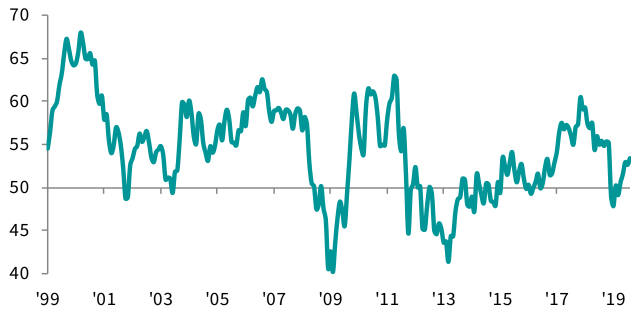
Solid expansion in business activity

Quickest increase in new business since last November

Input price inflation accelerates

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

French service providers recorded the quickest increase in business activity for nine months during August. The result was supported by stronger new order growth and a further rise in staff numbers. Meanwhile, capacity pressures remained evident, with volumes of outstanding business expanding for the fourth month in a row.

On the price front, input costs continued to rise sharply, with the rate of inflation accelerating to a three-month high. Firms passed on part of the burden of higher input prices to their clients through a modest increase in output charges.

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 53.4 in August, up from 52.6 in July. The reading signalled the fastest expansion in business activity since last November and one that was solid overall. Growth was registered in all but two of the six monitored sub-sectors, namely Transport & Storage and Post & Telecommunications.

In line with the trend for business activity, new business placed with service providers in France increased during August. Moreover, the rate of growth was the quickest for nine months and solid overall. At the sub-sector level, the sharpest increase was registered by Financial Intermediation firms.

Cost burdens faced by French services firms continued to rise midway through the third quarter, extending the current sequence of inflation that began in January 2010. The rate of increase accelerated to the quickest for three months and was marked overall. Anecdotal evidence suggested the latest increase was driven by higher salaries and purchase prices.

Firms opted to pass on some of the higher costs to their clients, with output prices increasing moderately in August. The rate of inflation was unchanged from the previous survey period. Of the six monitored sub-sectors, Transport & Storage recorded the fastest rise in charges.

Meanwhile, French service providers continued to increase their staff numbers, extending the current run of workforce expansion that started in January 2017. The rate of job creation decelerated from July, but remained faster than the series average. Of the six monitored sub-sectors, Post & Telecommunications registered the quickest rise in employment.

Capacity pressures remained elevated during August, as service companies recorded a further rise in outstanding business. That said, the pace of growth eased to the slowest for three months and was only moderate overall.

Finally, service providers maintained their optimism towards the one-year business outlook in August. However, the degree of confidence remained below the historical average and was weaker than registered in July.

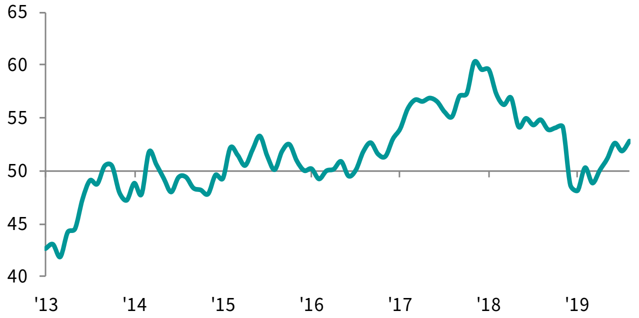
PMI® By IHS Markit

IHS MARKIT FRANCE COMPOSITE PMI®

Private sector output rises faster amid broad-based expansion

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The Composite Output Index* posted above the 50.0 no-change mark for the fifth month in a row during August. The reading of 52.9 represented a solid expansion in output and the quickest since November last year.

The rise in overall activity was driven by a broad-based expansion at the sector level. Manufacturers registered a rebound in production following a marginal contraction in July. Meanwhile, service providers recorded further solid activity growth, with the rate of increase accelerating to the quickest for nine months.

A similar picture was seen with regards to new orders, with manufacturers registering a modest recovery in demand and service providers seeing new business growth accelerate. Overall new orders rose solidly and at the quickest pace since November 2018. International sales increased slightly as both sectors recorded growth.

Private sector businesses in France continued to increase their staff numbers in August, extending the current run of workforce expansion to 34 months. The rate of job creation was little-changed from July, as a return to employment growth in manufacturing roughly offset a slower increase at services firms.

Finally, business confidence was weaker than in July, but remained stronger than the 34-month low recorded in June. Service providers were more optimistic than their manufacturing counterparts.

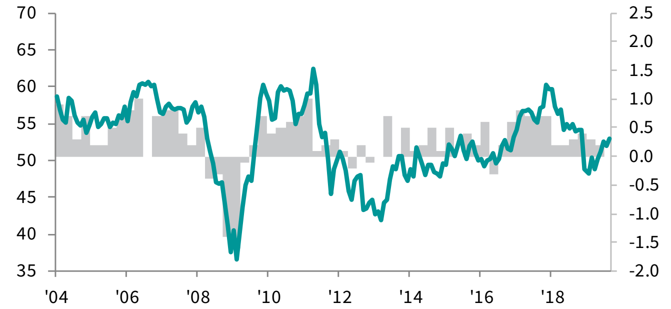
** Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index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

COMMENT

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

"Output growth in the French service sector accelerated in August, which helped support the quickest rise in private sector activity since last November. The faster expansion at service providers was founded upon solid new order growth and a further increase in employment.

"The latest increase in composite output points to economic growth of approximately 0.3% in the third quarter, a slight improvement on the 0.2% registered in the second quarter."



Sources: IHS Markit, INSEE.

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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.

August 2019 data were collected 12-27 August 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

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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