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## IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

### Service sector business activity shows slight recovery during April

#### KEY FINDINGS

Marginal increase in output following March's contraction

New work rises for the first time in five months

Slowest increase in input costs for a year

Service sector firms recorded a return to growth in business activity at the start of the second quarter. The expansion was underpinned by the first rise in new business since last November, which in turn prompted another increase in staff numbers. Meanwhile, work-in-hand continued to fall, although the rate of decline eased from March.

On the price front, costs continued to rise sharply, despite the rate of inflation easing to its softest for a year. Firms were partially able to pass on higher prices to consumers, with average output charges increasing at the fastest rate since January.

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 – rose to 50.5 in April, up from 49.1 in March. The result pointed to a slight recovery in service sector business activity, following a marginal contraction in March. At the sub-sector level, the increase was primarily driven by Financial Intermediation, though there was also growth in the 'Other' Services segment.

Output expansion was underpinned by the first rise in new business since last November. Panellists often cited improved demand conditions when explaining the marginal increase in sales. The strongest performing sub-sector was Financial Intermediation.

Growth in new orders was seemingly founded on domestic strength, as new export business fell for the fifth month in a

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

row during April. Panellists continued to blame automotive sector weakness.

In line with the rise in business activity, French service providers increased staff numbers at a quicker rate in April. That said, the pace of workforce expansion was only moderate overall and remained slower than the historical average.

Meanwhile, outstanding business at firms in France's service sector fell for the second month in a row during April. Financial Intermediation was the only sub-sector to record a rise in work-in-hand. However, the rate of contraction eased from March and was only modest overall.

On the price front, input cost inflation decelerated to its slowest in the past year. That said, operating expenses continued to increase sharply, which survey respondents linked to higher fuel and labour costs. Firms were, however, able to pass part of the burden onto consumers, reporting the fastest rise in average charges since the opening month of 2019.

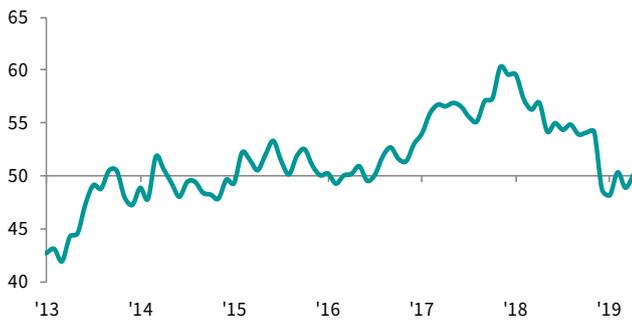
Finally, expectations for a rise in business activity over the coming year reached their strongest for seven months in April. Some panellists suggested that plans to expand their business operations had supported positive sentiment.

## IHS MARKIT FRANCE COMPOSITE PMI®

## Composite output broadly stable in April

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 50.1 in April, up from 48.9 in March. The reading indicated a broad stabilisation in French private sector output in April, following a marginal contraction in the previous survey period.

At the sector level, there were contrasting results. While manufacturers recorded a second successive decline in production, service providers saw output recover. The rate of deterioration in the manufacturing sector did ease from March, however.

A driving factor behind the stabilisation in output was renewed sales growth in April. The slight expansion ended a run of deterioration that had stretched back to December 2018. Similar to the trend for output, the service sector recorded marginal growth, which outweighed a further reduction in manufacturing. However, despite the rise in overall new business, private sector exports fell for the sixth month in a row.

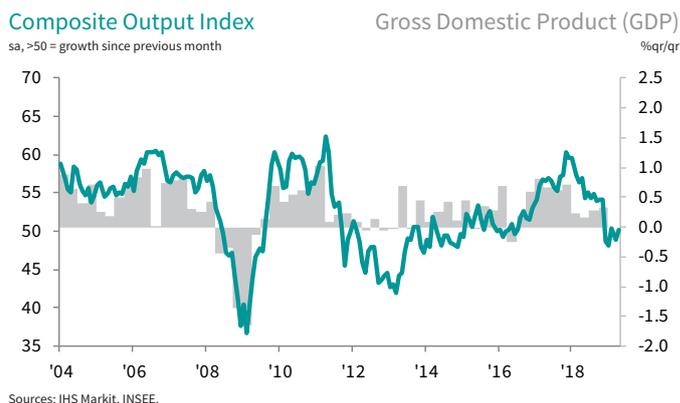
Meanwhile, employment growth accelerated at the start of the second quarter. Firms increased staff numbers moderately, extending the current run of workforce expansion to two-and-a-half years. The rise was broad-based, but led by services firms.

Finally, the degree of confidence towards the business outlook reached its strongest for seven months, driven by improved sentiment in both manufacturing and services.

### COMMENT

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

*"A return to growth for service sector business activity helped stabilise private sector output during April, with manufacturing production having fallen further during the month. Service sector strength was driven by the first rise in new business since the 'gilets jaunes' protests began last December. The latest PMI results therefore suggest that the economic impact of the protests is coming to an end. Moreover, any lingering effects of the protests are likely to be alleviated as the French President Emmanuel Macron prepares to cut income tax and improve pensions. These measures will likely appease protesters, whose significance had already dwindled in the last couple of months."*



## 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.

April 2019 data were collected 10-25 April 2019.

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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