

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0950 (CET) / 0850 (UTC) 6 November 2018

IHS Markit France Services PMI® – final data (with Composite PMI®)

Business activity growth accelerates in October

Key findings:

- Strong and accelerated growth in business activity
- Joint-fastest new business expansion since April
- Third consecutive monthly uptick in job creation

Data collected October 12-26

October survey data signalled further strong business activity expansion amongst French service providers. There was also stronger new business growth, which prompted a pick-up in job creation for the third month in a row. Meanwhile, cost burdens continued to rise faster than the prices charged by services firms.

The headline seasonally adjusted **IHS Markit France Services Business Activity Index** rose from 54.8 in September to 55.3 in October. The latest sharp increase extended the current run of expansion to 28 months. Panellists often mentioned strong demand conditions when explaining business activity growth.

Meanwhile, the seasonally adjusted **IHS Markit France Composite Output Index**, a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index registered 54.1, up slightly from a 21-month low of 54.0 in September.

Services companies reported an acceleration in the growth of new work. The steep increase was the joint-fastest seen since April and meant that there has now been a rise in new business in each of the past 32 months.

The stronger growth performance meant firms upped the rate of job creation for the third consecutive month. The pace of hiring was the quickest recorded since February and remained historically elevated.

Despite having more staff, French services businesses were unable to reduce their amounts of outstanding business. The volume of unfinished work has now grown in every month since March 2016. In October, the accumulation was faster than

that seen at the end of the third quarter. Survey respondents often attributed higher backlogs to stronger business activity.

Prices charged in the French service sector rose for the fourteenth month in a row during October. The rate of output price inflation slowed compared to the pace seen in September, showing only a marginal rise overall. Panellists widely attributed higher output prices to increased costs.

Participating businesses reported that higher costs were a result of elevated fuel prices. Although softer than the rate of input cost inflation seen in September, the increase remained sharp overall.

Optimism amongst French service providers was maintained during October. Sentiment towards output in a year's time has now been positive for 67 consecutive months. However, confidence was lower than in September.

Comment:

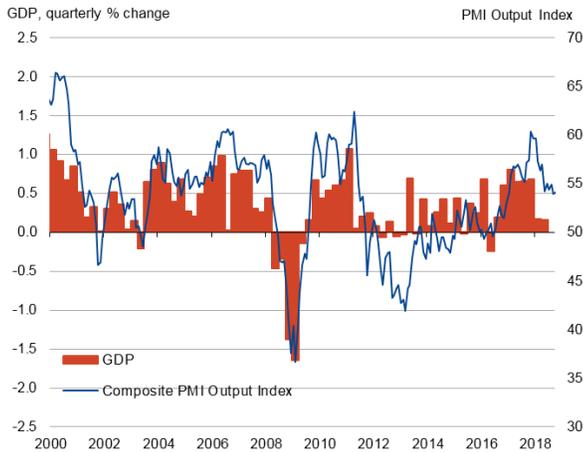
Eliot Kerr, Economist at **IHS Markit** which compiles the France Services PMI® survey, said:

“October data pointed to accelerated growth in key areas such as business activity, incoming new work and employment. Panellist often mentioned strong demand conditions in their reasoning for increases. Despite this, optimism towards output in a year's time was lower than it was in September.”

“The reportedly tight labour market in the French economy failed to dampen hiring across the service sector, with the rate of job creation accelerating for the third month in a row.”

“Profit margins continued to be squeezed however, with input prices growing faster than output prices again in October.”

IHS Markit France Composite PMI



Sources : IHS Markit, INSEE

-Ends-

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Note to Editors:

The France Services PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 400 companies based in the French service sector. The final France Services PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The October flash was based on 99% of the replies used in the final data.

The France Composite PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 800 companies based in the French private sector economy. The final France Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The October flash was based on 98% of the replies used in the final data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
France Services Output Index ⁽¹⁾	-0.2	0.5
France Composite Output Index ⁽²⁾	-0.1	0.4

Notes

1. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com

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