

IHS Markit France Retail PMI[®]

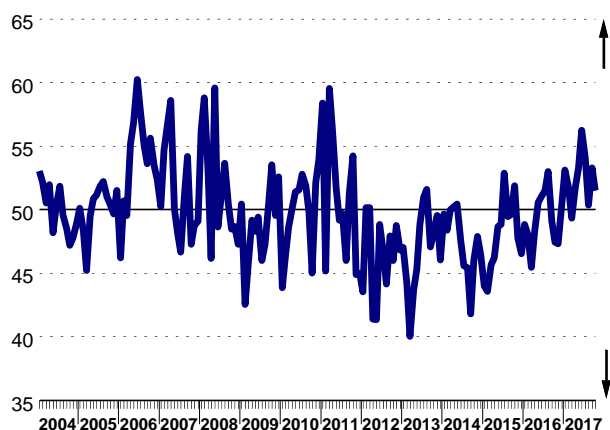
Monthly retail sales growth weakens in October

Key findings:

- Like-for-like sales growth slows from September
- Sales down on an annual basis
- Input price inflation sharpest in over four years

Data collected October 12-27

IHS Markit France Retail PMI:



Source: IHS Markit

Summary:

Monthly like-for-like sales growth in the French retail sector lost some momentum at the start of the fourth quarter. Sales were down on an annual basis, thereby reversing the expansion seen in the previous month. Meanwhile, input prices rose to the greatest extent since August 2013, which was reflected in another fall in gross margins. A weaker expansion in customer demand contributed to a softer round of job creation, while business confidence dipped to a three-month low.

The seasonally adjusted headline Retail PMI posted 51.5 in October, down from 53.3 in September, thereby highlighting a moderation in the rate of sales growth. Anecdotal evidence suggested

that good weather conditions and promotional activities supported the latest expansion.

In contrast, sales were down on an annual basis, thereby reversing the upturn seen in September. The rate of decline was solid, but weaker than the long-run series average.

Actual sales were below previously-set plans for the third successive month in October. The extent of the shortfall sharpened from September and was marked.

Nevertheless, retailers were optimistic that targets would be exceeded in November. That said, the degree of positive sentiment fell from the previous month and was the weakest since July.

Factors expected by survey respondents to boost sales over the coming months included: robust customer confidence, strong economic conditions, favourable tax policies and increased consumer purchasing power.

Those factors reported by panel members as likely to depress sales over the next three months included: social unrest, a terrorist attack, regressive tax policies and lower customer purchasing power.

Gross margins fell for the tenth time in as many months in October amid a combination of strong competitive pressures and higher purchase costs. Furthermore, the rate of decline strengthened from September.

French retailers recorded a rise in average purchase costs in October, stretching the current period of inflation to 37 months. Moreover, the rate of growth was the sharpest since August 2013 and rose above the long-run series average.

Faced with a weaker rise in consumer demand, retailers reduced their input buying at the start of the fourth quarter, thereby ending a six-month

period of expansion. That said, the rate of decline was fractional.

French retailers added to their staffing numbers for the sixth time in as many months during October. That said, the rate of jobs growth was the weakest in this sequence and marginal overall.

Comment:

Alex Gill, Economist at IHS Markit, which compiles the France Retail PMI[®] survey, said:

“Like-for-like sales growth lost some impetus at the start of the final quarter of the year. Reflecting a weaker rise in consumer demand, firms raised their staffing numbers to a lesser extent in October, while purchasing activity declined for the first time since March, in part because of a sharp acceleration in input cost inflation. Meanwhile, margins remained under pressure amidst a strongly competitive climate.”

-Ends-

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Note to Editors:

“PMI” is an acronym for *Purchasing Managers’ Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. IHS Markit now uses “PMI” to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the France Retail *PMI*, IHS Markit has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the French retail sector. Similarly, the composition of the panel in geographical terms and by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

IHS Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure “diffusion index” for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

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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 www.markit.com/product/pmi

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