

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit France Services PMI® – final data (with Composite PMI®)

### Services business activity growth improves in June

#### Key findings:

- Final IHS Markit France Services Activity Index<sup>(1)</sup> at 55.9 (54.3 in May)
- Final IHS Markit France Composite Output Index<sup>(2)</sup> at 55.0 (54.2 in May)

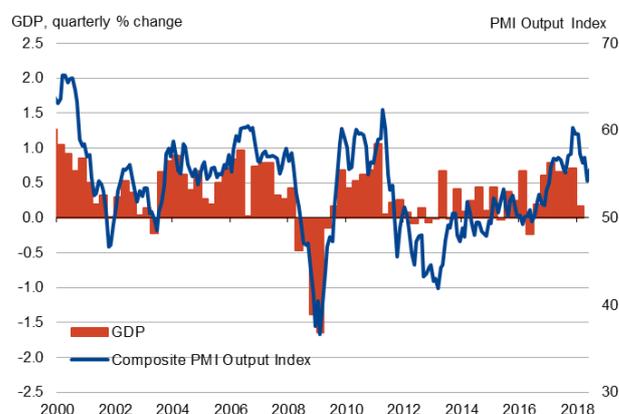
#### Data collected June 12-26

Service providers signalled a modest strengthening in business activity growth during June, helped by stronger inflows of new work and robust job creation. However, the latest growth remained lower than highs recorded at the end of 2017. Meanwhile, input cost inflation intensified in June, driven by higher fuel bills and staff salaries. A further marked rise in operating expenses contributed to the steepest increase in average prices charged by service sector firms since August 2011.

The headline seasonally adjusted **IHS Markit France Services Business Activity Index** registered 55.9 in June, up from May's 16-month low of 54.3. However, the latest reading signalled that business activity growth remained slower than seen on average in 2017. Some survey respondents noted that softer business investment among clients had acted as a headwind to growth.

The seasonally adjusted **IHS Markit France Composite Output Index** is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index. The index rose from 54.2 in May to 55.0 in June, as a slower rise in manufacturing production was more than offset by the sharper expansion in services activity. The latest reading was still the second-lowest in the past 17 months, but above its long-run trend level of 53.9 (since May 1998), signalling relatively robust growth of the French private sector economy.

#### IHS Markit France Composite PMI



Sources: IHS Markit, INSEE

Mirroring the trend for services business activity, latest data signalled a moderate rebound in **new order** growth across the service economy. Anecdotal evidence suggested that rising consumer demand had helped to support sales volumes. Transport & Storage was the best performing sub-sector in terms of new business growth, followed by Hotels & Restaurants.

Despite the rebound in new order growth, pressure on operating capacity has alleviated across the service sector. This was signalled by a slowdown in **backlog** accumulation to the weakest since August 2017. Some service providers also noted that sustained job creation had led to a weaker rise in unfinished work at their business units. Latest data indicated that **employment** growth accelerated in June and was broadly in line with the marked pace seen throughout 2018 to date.

Looking ahead, service providers are **optimistic** that business activity will rise over the coming 12 months. Survey respondents commented on supportive domestic economic conditions and new product launches. However, the degree of optimism eased to an eight-month low, which some firms attributed to concerns about rising input costs.

June data pointed to the fastest rise in **average cost burdens** for just over seven years, reflecting increased transportation and payroll expenses. **Average prices charged** also increased at a modest pace, although some firms noted that strong competition for new work had limited pricing power at their business units.

**Comment:**

**Trevor Balchin**, Economics Director at **IHS Markit** which compiles the France Services PMI® survey, said:

*“French private sector expansion picked up in June, driven by a rebound in the services sector that more than offset a further slowdown in manufacturing output growth. Services activity has now outpaced goods production for the fifth month in a row.*

*“The overall rate of output growth was the second-weakest since January 2017, however, and on a quarterly basis the reading for Q2 (55.4) was the weakest since the final quarter of 2016 (52.0). This suggests that economic growth may remain weak in the second quarter, after the latest official release of GDP data confirmed a sharp slowdown in the first three months of the year. GDP growth slowed to 0.2% quarter-on-quarter in Q1 2018, having trended at an impressive 0.7% throughout the previous five quarters.”*

-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 June flash was based on 94% 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 June flash was based on 94% 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 <sup>(1)</sup>	-0.2	0.6
France Composite Output Index <sup>(2)</sup>	-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](mailto:economics@ihsmarkit.com)

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ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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