

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:10 (CET) / 09:10 (UTC), February 6th 2017

Markit France Retail PMI®

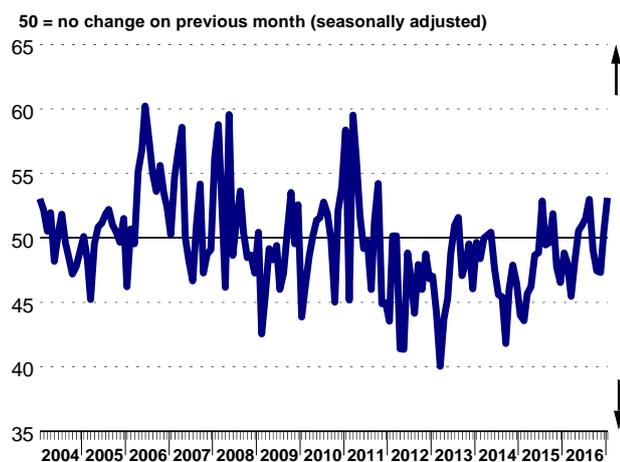
French retail sales increase a marked pace

Key findings:

- Second successive increase in month-on-month sales
- Employment rises at quickest rate in six years
- Gross margins squeezed

Data collected January 12-27

Historical overview:



Source: IHS Markit

Summary:

This release contains the December findings from the monthly Retail PMI® survey for France, produced by Markit and based on a panel of 300 retailers. The headline figure is the Retail PMI, which measures month-on-month change in sales.

French retailers reported a further rise in month-on-month sales during January. Moreover, the rate of growth accelerated from December. Sales were also up versus one year ago as highlighted by a modest rate of expansion. Gross margins were squeezed following last month's marginal increase. This was partly reflective of a pick-up in the rate of wholesale price inflation. The purchasing of goods for resale increased which led to another marked round of stock building. Meanwhile, employment in the retail sector increased at a sharper rate.

The seasonally adjusted headline Retail PMI rose to 53.1 in January, up from 50.4 in December, signalling a marked rise in like-for-like sales. Anecdotal evidence suggested an increase in the level of promotional offers contributed to the expansion.

Furthermore, sales were up on an annual basis in January, thereby ending a four-month sequence of decline. That said, the rate of growth was modest overall.

Actual sales continued to fall short of retailers' previously set plans during January. However, the extent of the latest shortfall weakened slightly from the previous month.

Retailers expectations turned pessimistic during January, following a 17-month period of optimism. That said, the degree of negative sentiment was moderate overall.

Factors expected by survey respondents to boost sales over the coming months include rising levels of employment, promotional offers, new products and an increase in the minimum wage.

Those factors reported by panel members as likely to depress sales over the next three months include uncertainty surrounding the presidential elections and an associated fall in footfall, terrorist attacks, strikes and higher taxes.

Following last month's increase, gross margins reversed back to the long-run trend and were squeezed in January. That said, the rate of decline in average margins was only slight, and far weaker than the average for the series. Where a decrease was reported, some firms cited promotional offers as the predominant cause.

French retailers noted a further rise in wholesale costs in January. Moreover, the rate of increase was the sharpest in 17 months.

In line with a positive sales trend, firms raised their purchasing activity during January. Although only moderate, the rate of expansion was the most marked in almost five-and-a-half years.

Employment in the French retail sector rose for the third consecutive month in January. Moreover, the rate of job creation was the most marked since January 2011.

Comment:

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

“The latest data suggested the French retail sector started 2017 on solid footing, with the fastest rise in like-for-like sales in over five years, while sales were also up on an annual basis. In turn, more favourable demand conditions encouraged firms to hire additional staff members at the sharpest rate since January 2011.

“On a more cautious note, a further marked rise in average purchasing costs contributed to a fall in gross margins in January. A continuation of this trend may force firms to raise their average selling prices in the coming months, and thereby provide a headwind to sales growth.”

-Ends-

News Release

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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. 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*, 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.

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 30 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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