

IHS Markit France Retail PMI[®]

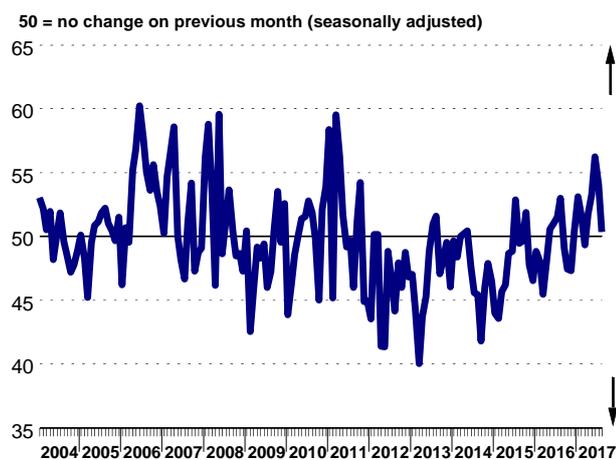
French retail sales growth eases in August

Key findings:

- Like-for-like sales growth slows markedly
- Sales down sharply on an annual basis
- Retailers continue to hire additional staff members

Data collected August 11-29

IHS Markit France Retail PMI:



Source: IHS Markit

Summary:

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

Growth momentum in the French retail sector slowed midway through the third quarter, with like-for-like sales growth much weaker than in July. Additionally, sales were down sharply on an annual basis, thereby reversing the upturn seen in the previous two months. In spite of this, retailers continued to take on new staff at a marked pace. Meanwhile, gross margins were squeezed to a

greater extent amid strong competitive pressures and a rise in average purchase costs.

The seasonally adjusted headline Retail PMI posted 50.4 in August, down from 54.1 in July, signalling a stark slowdown in the rate of sales growth. Those reporting an increase commented on higher footfall, while poor weather conditions were mentioned by those noting a decline.

Meanwhile, the year-on-year measure indicated a fall in retail sales in August. Furthermore, the rate of decline was marked and the fastest since last October.

Having bucked the long-run trend in each of the previous two months, actual sales fell below previously set plans in August. Moreover, the extent of the shortfall was marked.

Meanwhile, retailers remained optimistic that targets would be exceeded in September. Furthermore, the degree of positive sentiment rose from the previous month and was strong overall.

Factors expected by survey respondents to boost sales over the coming months include: favourable weather conditions, governmental reforms, a robust social climate, greater household purchasing power and a positive tourist footfall.

Those factors reported by panel members as likely to depress sales over the next three months include: terrorist attacks, lack of governmental reforms, social unrest, poor weather conditions and a drop in household purchasing power.

Gross margins fell for the eighth successive month in August amid a combination of strong competitive pressures and higher purchase costs. Moreover, the rate of decline accelerated from July and was solid overall.

French retailers recorded a further rise in average purchase costs during August. The rate of inflation

was broadly unchanged from the previous month and slower than the series average.

In line with weaker sales growth, retailers raised their purchasing activity to a lesser extent in August. Indeed, the rate of expansion was the weakest in the current five-month sequence of rising input buying.

French retailers added to their staffing numbers for the fourth successive month during August. Moreover, the rate of growth was little-changed from July's survey record.

Comment:

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

“French retail sales growth eased markedly midway through the third quarter, with the headline like-for-like sales index pointing to only a fractional expansion. The data are especially disappointing given the firmly positive trends observed in the previous three months.

“One positive was a further rise in staffing numbers, indeed the rate of expansion remained marked and only just shy of last month's survey record. Unless we see a rebound in customer demand, however, jobs growth will likely moderate in the coming months.”

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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.

About IHS Markit (www.ihsmarkit.com)

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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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