

EMBARGOED UNTIL: 01:01 (CET) / 23.01 (UTC) July 16th 2017

IHS Markit France Business Outlook

French business sentiment remains elevated in June

Key findings:

- Optimism remains strongly positive in both manufacturing and service sectors
- Sentiment only slightly below February's six-year high
- Employment forecasts hit record high

Data collected June 12-27

Business confidence in France remains strong mid-way through 2017. IHS Markit's Business Outlook survey shows that a net balance of +35% of companies expect higher activity over the coming 12 months, down only slightly from +37% in the previous survey conducted in February. That said, the latest reading is the joint-lowest of the European countries covered (EU average +39%). By comparison, the global average is at +31%.

Positive sentiment is underpinned by the dominant service sector, where the net balance of firms anticipating growth of activity is at +37%, from +39% last winter. The degree of optimism is unchanged in the manufacturing sector, with the net balance of companies expecting activity growth at +26%, its joint-highest level since June 2015.

In spite of the slight dip in confidence regarding business activity, firms are more optimistic that new business will increase over the next 12 months. The net balance for new orders is at +33%, up from +30% in the previous survey period and the highest since February 2011. Meanwhile, optimism with regard to business revenues dropped from February's six-year high of +27% to +25% in June.

Panel members anticipate that the main opportunities over the coming 12 months will include strong global and European demand, a competitive euro, increased

France business activity expectations



consumption and investment, and reforms to labour laws.

Those factors deemed among the main threats include higher raw material costs, a fall in customer purchasing power, Brexit, terrorist attacks and higher interest rates.

Hiring plans strongest on record

Employment across the French private sector is expected to rise over the next 12 months. At +23%, the net balance is the highest since combined manufacturing and services data were first available in October 2009.

Capex plans upwardly revised

Capital expenditure by private sector firms in France is set to rise over the coming year. At +14%, the net balance is up from +12% in the previous outlook period and points to the strongest degree of optimism in six years.

Inflation expectations weaken

At +23% in June, expectations regarding input price inflation among French companies are weaker than they were earlier in the year (+28%). Both

manufacturers and service providers foresee weaker inflationary pressures than in the previous survey period.

Output prices are expected to rise over the next 12 months, with the net balance registering +13%. This points to a softer projected rise in firms' selling prices than in February. Goods producers and service providers alike are set to raise their charges, with the respective net balances at +16% and +13%.

Meanwhile, the net balance for profits has climbed to +21% in June. Services firms are more optimistic than manufacturers. The former records the highest profits expectations since February 2011.

Comment:

Commenting on the France Business Outlook survey data, **Alex Gill**, Economist at IHS Markit, said:

“Business confidence in France fell back from February’s six-year peak but remains firmly positive nonetheless. While optimism continues to post below the European average, the degree of the shortfall is the least marked in five years.

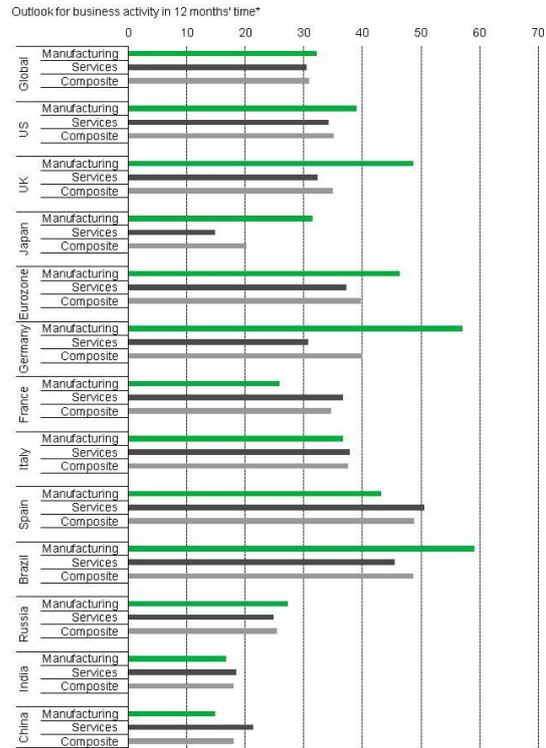
“A further positive development is an improvement in employment expectations to the strongest since comparable data were first available. Along with general improvements in domestic and foreign demand, this may be linked to the widely anticipated labour market reforms proposed by the new administration. Indeed, the implementation of pro-business policies and labour market reform are among the reasons cited by respondents underpinning their optimistic outlook.

“Alongside this is a third successive upgrade in capex plans, suggesting business investment is likely to play a stronger role in supporting growth. This is an encouraging sign, as without sufficient investment, labour market reforms will have only a limited effect in bringing down unemployment.”

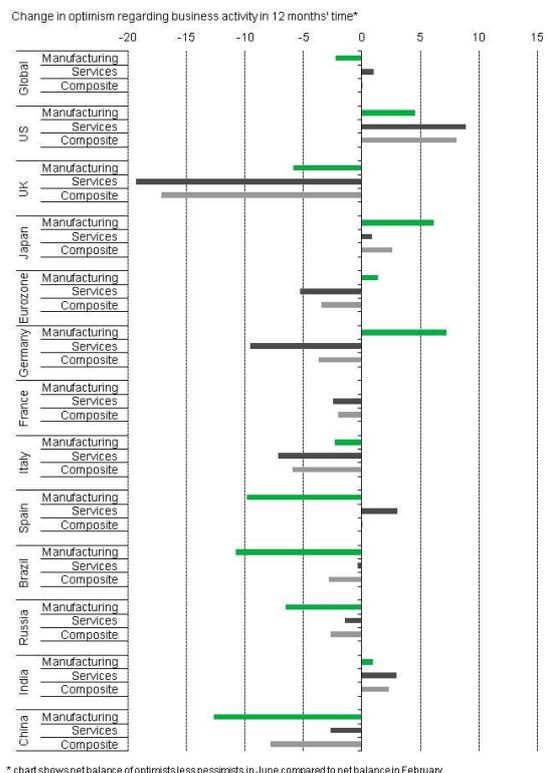
-Ends-

Full data available on request from economics@ihsmarkit.com

Business optimism in June



How business activity expectations have changed since February



For further information, please contact:**IHS Markit**

Alex Gill, Economist
Telephone +44-1491-461-015
Email alex.gill@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between June 12 and 27.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).