

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

Business activity growth hits seven-month high

Key findings:

- Final IHS Markit France Services Activity Index⁽¹⁾ at 57.3 (57.0 in September).
- Final IHS Markit France Composite Output Index⁽²⁾ at 57.4 (57.1 in September).

Data collected October 12-26

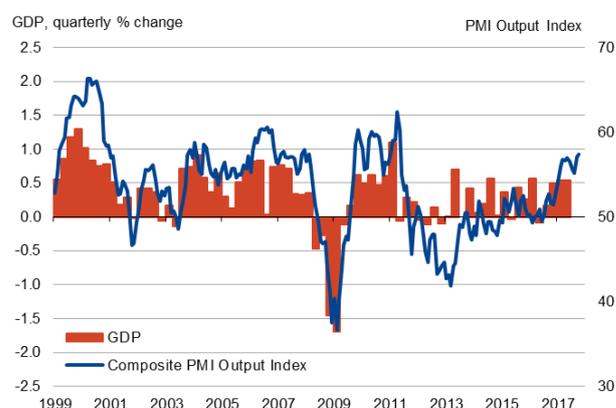
The French service sector remained firmly in expansionary territory at the start of the fourth quarter, buoyed by further increases in activity, new orders and employment. Indeed, the rates of growth remained close to multi-year highs in each instance. Price inflation accelerated amid reports of higher wage bills, while strong client demand enabled some firms to raise their average selling prices. Meanwhile, business confidence remained in positive territory but dipped to its lowest point since January.

The headline seasonally adjusted **Business Activity Index** posted 57.3 in October. Up from 57.0 in September, the latest index reading pointed to the second-sharpest expansion in service sector output since May 2011. Anecdotal evidence suggested that easier access to credit had played a part in the expansion.

The final seasonally adjusted **IHS Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – posted 57.4 in October, up fractionally from 57.1 in September and a 77-month high.

Supporting the rise in service sector activity was another marked expansion in **new orders**. Moreover, the rate of growth remained among the most marked in the past six-and-a-half years, despite weakening slightly from September. The ongoing rise in client demand was linked by some firms to greater manufacturing sector investment.

IHS Markit France Composite PMI



Sources: IHS Markit, INSEE

A similar trend was evident at the composite level, with new business rising at a marked, albeit slightly softer pace in October.

In response to higher client demand, service providers took on additional **staff members** during October, thereby continuing a trend that has been evident since January. Furthermore, the rate of jobs growth accelerated from September and was the second-sharpest since March 2008.

Manufacturers also raised their staffing numbers at the start of the fourth quarter, but to a weaker extent than at their service sector counterparts.

In spite of higher employment, service providers recorded a further rise in **unfinished work**, the twentieth in as many months. Although slowing from September, the rate of backlog accumulation remained substantially sharper than the long-run series average.

Meanwhile, French services companies were faced with another rise in **average input costs**, thereby continuing a trend that has been evident since January 2010. Some respondents attributed the increase to higher labour costs.

In turn, strong client demand enabled some firms to pass higher cost burdens on to their clients. Although only modest, the rate of **charge inflation** was the most marked in over five-and-a-half years.

Inflationary pressures also persisted on a composite basis, with input and output prices rising at the sharpest rates in six and sixty-seven months respectively.

Service providers maintained an optimistic **outlook** towards their prospects for growth over the year ahead amid reports of a stronger economic environment and investment in new technologies. The degree of positive sentiment, however, notably weakened from September to a nine-month low.

Comment:

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

“The French service sector’s 2017 rebirth continued into the fourth quarter. Indeed, the rate of activity growth accelerated to a seven-month peak, underpinned by a further sharp expansion in new orders.

“Strong client demand combined with labour law reforms enacted over the last couple of years continued to boost headcounts, with employment increasing to the second-sharpest extent for over nine-and-a-half years. A further marked accumulation of unfinished work suggests strong demand continues to play a particularly pivotal role in in this regard.

“Notwithstanding these trends, business confidence fell to a nine-month low. Despite remaining in positive territory, the notable drop in optimism poses a slight cause for concern going forward given that the success of supply-side reforms will to a large extent depend on firms’ readiness to invest.”

-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 October flash was based on 90% 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 October flash was based on 91% 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 ⁽¹⁾	-0.2	0.6
France Composite Output Index ⁽²⁾	-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

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