

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

Service sector growth remains elevated during January

Key findings:

- Final IHS Markit France Services Activity Index⁽¹⁾ at 59.2 (59.1 in December).
- Final IHS Markit France Composite Output Index⁽²⁾ at 59.6 (unchanged from December).

Data collected January 12-26

Business activity growth in the French services sector was broadly unchanged from the previous month at the start of 2018, and remained among the steepest recorded for six-and-a-half years. The expansion was supported by the sharpest rise in new orders since May 2011, which in turn contributed to a further marked rise in staffing numbers. Nevertheless, backlogs of unfinished work accumulated at the quickest pace since May last year. Meanwhile, business confidence remained firmly positive despite a marginal moderation from December.

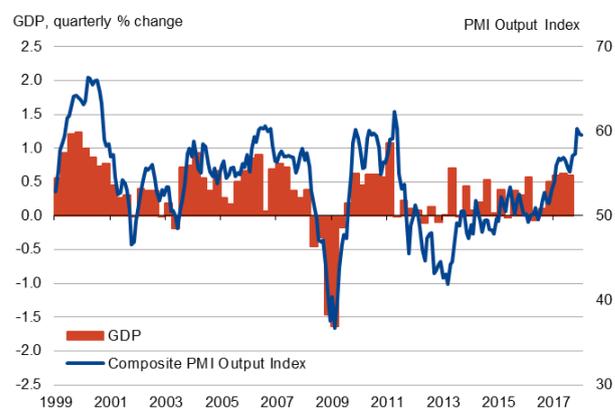
On the price front, input cost inflation intensified, and fed through to a fifth successive rise in average charges.

The headline seasonally adjusted **Business Activity Index** posted 59.2 in January. Up fractionally from December's reading of 59.1, the latest index reading was consistent with an expansion that remained markedly higher than the long-run series average.

Service sector data suggested that Hotels & Restaurants were the best performing sub-sector during January, followed by Post & Telecommunications companies.

The final seasonally adjusted **IHS Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – posted 59.6 in January, unchanged from the previous month and down only slightly from November's six-and-a-half year high of 60.3.

IHS Markit France Composite PMI



Sources: IHS Markit, INSEE

Driving the overall service sector expansion was another sharp rise in **new orders**, indeed the most marked in over six-and-a-half years. Anecdotal evidence suggested that high client demand, strong business investment and low interest rates were key drivers of the rise. Contrary to the trend for output, Post & Telecommunications was the best performing sub-sector.

On a composite basis, new business growth accelerated from the previous month, and was the most marked since April 2011.

Robust demand conditions supported a further marked rise in **staffing numbers**. Although easing for the second successive month, the rate of job creation in the service sector remained marked and far greater than the long-run series average. Hotels & Restaurants was the best performing sub-sector, closely followed by Renting and Business.

Jobs growth also softened marginally at manufacturers. That said, the rate of expansion remained marked nonetheless.

In spite of higher employment, French service providers recorded the sharpest accumulation of **unfinished work** for eight months. The increase

also extends the current period of expansion to 23 months.

These positive trends contributed to a further robust degree of **business confidence**. Indeed, optimism among French service providers remained among the strongest since 2011 amid expectations of continued strong global economic conditions.

Strong business confidence was broad-based across both sectors. Indeed, manufacturers reported the strongest degree optimism since data collection began for this series in July 2012.

Meanwhile, service sector **input price** inflation hit an 80-month high during January amid reports of higher wage bills. Furthermore, the overall increase extended the current period of rising input costs to more than eight years. In turn, this contributed to a fifth successive uptick in average **selling prices** as some firms passed on higher cost burdens to their clients.

Comment:

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

“French private sector growth showed no signs of abating at the start of 2018, with the headline composite output PMI indicating one of the sharpest rounds of monthly growth since early-2011. The economy continued to be supported by strong client demand, as evidenced by the sharpest rise in new orders in over six-and-a-half years.

“The performance of service providers was particularly encouraging, with rates of expansion in activity and new orders both accelerating from December, contrasting with marginal slowdowns at their manufacturing counterparts. Nevertheless, strong overall growth rates were evident across both sectors, and combined with another robust degree of business confidence, the data indicate a firmly positive near-term outlook for the French private sector economy.”

-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 January flash was based on 83% 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 January flash was based on 88% 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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