

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

French service sector retains strong growth momentum in March

Key findings:

- Final Markit France Services Activity Index⁽¹⁾ at 57.5 (56.4 in February) 70-month high.
- Final Markit France Composite Output Index⁽²⁾ at 56.8 (55.9 in February), 70-month high.

Data collected March 13-28

Companies operating in the French service sector continued to register higher business activity during March. Furthermore, the rate of growth quickened for the fifth time in as many months hitting a near six-year high. Output was boosted by another marked increase in new order intakes, which in turn contributed to a further rise in employment. In spite of this, unfinished work continued to accumulate at a marked pace.

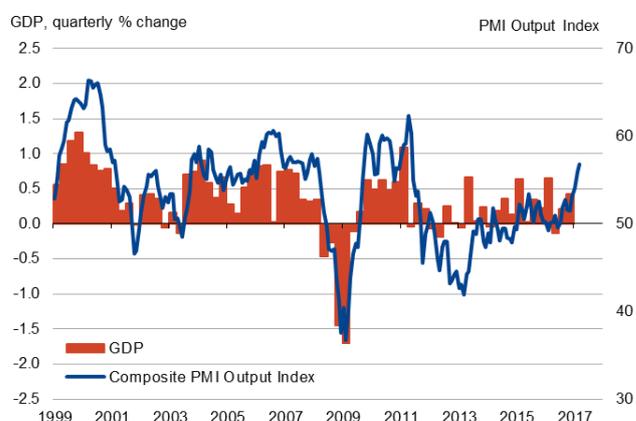
Concurrently, French service providers continued to cut their average selling prices, despite a further increase in average cost burdens. Firms maintained an optimistic outlook toward activity growth over the coming year.

The headline seasonally adjusted **Business Activity Index** posted 57.5 in March. Up from 56.4 in February, the latest index reading pointed to the sharpest rate of growth since May 2011. Post & Telecommunications overtook Hotels & Restaurants as the best performing sector.

The final seasonally adjusted **Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – rose to 56.8 in March from 55.9 in February, and signalled the strongest rate of growth since May 2011.

A key driver of the strong upturn in activity was another rise in **new orders**, the thirteenth in as many months, with some panellists commenting on a general improvement in economic conditions. Furthermore, the rate of expansion was the sharpest in over five-and-a-half years.

Markit France Composite PMI



Sources: IHS Markit, INSEE

At the composite level, new orders rose for the ninth successive month during March. Moreover, the rate of growth was the sharpest in almost six years.

In response, firms took on additional **workers** for the third consecutive month in an attempt to bring operating capacity in line with higher levels of activity. Furthermore, the rate of job creation was the most marked in 67 months.

Staffing numbers also rose on a composite basis. The rate of job creation was the most marked in 67 months, but was moderate overall.

Capacity pressures nonetheless persisted, as evidenced by a thirteenth successive rise in **business outstanding**. Moreover, the rate of backlog accumulation accelerated from February to the sharpest since August 2011.

Composite data covering both manufacturers and service providers signalled a thirteenth consecutive monthly rise in unfinished work in March. Moreover, the rate of backlog accumulation was the sharpest in this sequence.

Meanwhile, service sector firms were faced with higher **cost burdens** during March. Despite easing marginally from February, the rate of inflation remained marked. Higher energy and fuel prices underpinned inflation.

Average input costs also continued to rise on a composite basis, albeit at a marginally softer pace than in February.

Concurrently, French service providers continued to reduce their average **selling prices** amid reports of strong competitive pressures. That said, the rate of decline eased fractionally from the previous month and was modest overall.

On the contrary, manufacturers further increased their average charges, albeit at a weaker rate than in February.

Finally, companies maintained a confident **outlook** with regard to activity growth over the next 12 months. Indeed, the degree of positive sentiment was the most marked in almost six years. Some of those firms anticipating an increase in activity mentioned hopes for more favourable economic conditions following May's presidential elections.

Comment:

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

“The latest data round off an extremely strong first quarter performance for French service companies. The sector remains largely resilient to uncertainty generated by the upcoming presidential elections. Indeed, the rate of business activity growth has accelerated in each of the last five months. A punchy Q1 GDP figure therefore looks increasingly likely, while a further round of job creation signalled by March's survey data is likely to be reflected in official employment data.”

-Ends-

News Release

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Note to Editors:

The France Services PMI (Purchasing Managers' Index) is produced by 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 March flash was based on 86% of the replies used in the final data.

The France Composite PMI (Purchasing Managers' Index) is produced by 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 March flash was based on 89% 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.

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 Markit. Please contact economics@ihsmarkit.com

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