

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

Growth in French service sector accelerates

Key findings:

- Final Markit France Services Activity Index⁽¹⁾ at 54.1 (52.9 in December) 19-month high.
- Final Markit France Composite Output Index⁽²⁾ at 54.1 (53.1 in December), 67-month high.

Data collected January 12-26

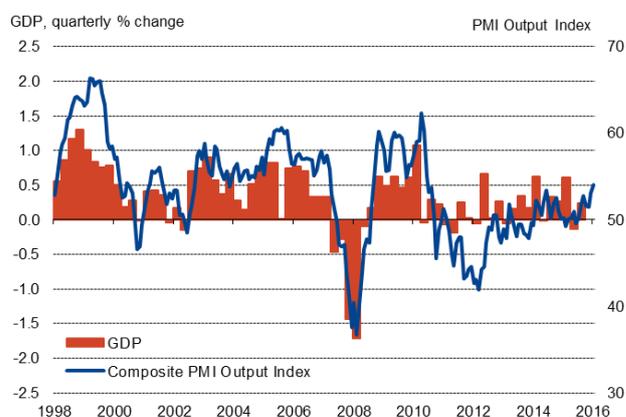
Service sector activity in France rose for the seventh successive month in January. Moreover, the pace of growth accelerated from December to a 19-month high. The amount of new business placed with French service providers also increased markedly, which in turn led to a further accumulation of unfinished work. At the same time, staffing numbers increased following a stagnation in the previous month. Meanwhile, output prices continued to fall despite a further rise in average cost burdens. Firms maintained an optimistic outlook with regard to their prospects for output growth over the coming year.

The seasonally adjusted headline **Markit France Business Activity Index** – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared with one month ago – posted 54.1 in January. Up from 52.9 in December, the latest index reading pointed to the sharpest rate of growth since June 2015. Anecdotal evidence suggested more favourable economic conditions had led to higher levels of activity.

The final seasonally adjusted **Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – rose to 54.1 in January from 53.1 in December, and signalled the strongest rate of growth in over five-and-a-half years.

In line with the trend for business activity, the volume of **new orders** placed with French service providers rose in January. Moreover, the rate of expansion was the steepest in over a year-and-a-half.

Markit France Composite PMI



Sources: IHS Markit, INSEE

At the composite level, new orders rose for the seventh successive month in January. Furthermore, the rate of growth was the most marked in 67 months.

Encouraged by stronger sales, some firms raised their **staffing numbers** in January to bring operating capacity in line with activity requirements. That said, the overall rate of job creation was only fractional.

The level of employment continued to increase at the composite level. The rate of job creation accelerated from December, but was marginal overall.

Meanwhile, the level of **unfinished work** increased for an eleventh consecutive month to signal further pressure on operating capacity at service companies. Moreover, the rate of backlog accumulation was solid and the steepest in three months.

Composite data covering both manufacturers and service providers indicated that backlogs of work increased for the eleventh time in as many months. In addition, the rate of accumulation quickened from the previous month.

Input prices faced by French service providers continued to rise in January, thereby extending the current sequence of inflation to 85 months. Higher fuel and energy prices were cited as the main contributing factors placing upward pressure on input costs.

Composite data suggested that average cost burdens rose at a marked pace in January, driven by the sharpest rate of inflation in the manufacturing sector since May 2011.

In contrast, firms continued to reduce their average **selling prices**. The rate of deflation accelerated from December (though remained slight). There was some evidence that suggested firms reduced selling prices to bolster their market share.

Concurrently, manufacturers raised their average output charges for the third time in as many months.

Finally, **business expectations** in the French service sector remained positive during January. The level of confidence softened slightly from the previous month, but remained marked overall. Those firms anticipating growth commented on the introduction of new products and improved economic conditions.

Comment:

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

“The French Services PMI data pointed to an accelerating growth trend at the start of 2017. Activity was boosted by a marked rise in incoming new orders, while firms maintained a strongly positive outlook for future business. There were also signs of growth in the labour market, however, the rate of job creation was tepid and weaker than seen in the manufacturing sector.”

-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 January flash was based on 85% 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 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.

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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