

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

Service sector output growth accelerates in May

Key findings:

- Final IHS Markit France Services Activity Index⁽¹⁾ at 57.2 (56.7 in April).
- Final IHS Markit France Composite Output Index⁽²⁾ at 56.9 (56.6 in April).

Data collected May 12-25

The strong upturn in business activity continued in the French service sector in May. Furthermore, the rate of growth quickened from the previous month and was just shy of March's near six-year high. Underpinning output growth was another marked expansion in new business which, in turn, contributed to a sharp rise in employment. Nevertheless, the level of outstanding business continued to accumulate.

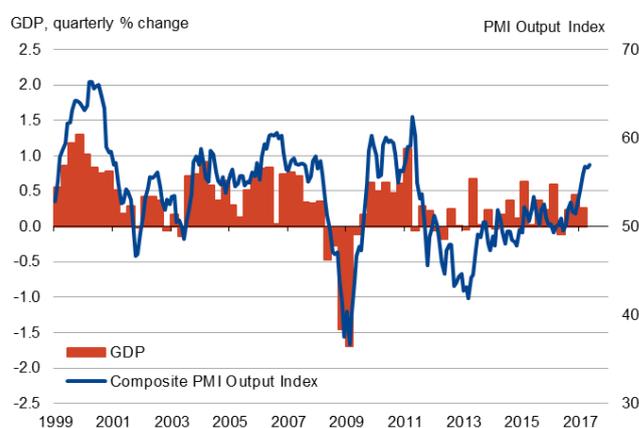
Meanwhile, firms continued to reduce their average selling prices, despite a weaker rise in input costs. Firms maintained an optimistic outlook, with confidence the highest in over six years.

The headline seasonally adjusted **Business Activity Index** posted 57.2 in May. Up from 56.7 in April, the latest index reading pointed to a marginally stronger rise in activity. The sharpest rate of growth continued to be recorded in the Post & Telecommunications sub-sector.

The final seasonally adjusted **IHS Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – posted 56.9 in May. Up fractionally from 56.6 in April, the rate of was the best in six years.

Supporting the latest rise in activity was a further expansion in new order intakes, the fifteenth in as many months, with some firms highlighting low interest rates and strong client demand as key drivers. The rate of growth remained marked overall, despite easing to a four-month low. As was the case with activity, new orders rose to the greatest extent in the Post & Telecommunications sector.

IHS Markit France Composite PMI



Sources: IHS Markit, INSEE

At the composite level, new orders increased in May, thereby continuing a trend that has been evident since July last year. The rate of growth eased for the second successive month but remained marked overall.

Service sector firms took on **additional workers** for the fifth consecutive month in May, as some looked to raise their operating capacity in line with higher demand. Moreover, the rate of job creation was the best since August 2011. On a composite basis, staffing numbers rose for the seventh time in as many months. Moreover, the rate of job creation accelerated to a 69-month high.

The amount of **unfinished work** at French service providers increased further, thereby continuing a trend that has been evident since March 2016. Furthermore, the rate of backlog accumulation accelerated to a six-year peak and was sharp overall.

Firms continued to contend with strengthening **cost pressures** in May. The rate of inflation eased slightly from April, but remained marked. Sector data suggested cost burdens rose to the greatest extent at Transport & Storage firms.

Average input costs also increased to a lesser extent at the composite level.

On the contrary to the trend for input costs, French service providers reduced their average **selling prices** for the sixty-second month in May amid reports of strong competitive pressures. That said, the rate of decrease was unchanged from the prior month and fractional overall.

In contrast, manufacturers continued to increase their average charges, albeit to a lesser extent than in April.

Finally, service providers maintained an extremely positive outlook towards **future output** growth in May. Indeed, the degree of positive sentiment was the most marked since April 2011. Some of those companies anticipating output growth cited favourable regulations and strong demand from European markets.

Comment:

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

“The French service sector maintained its strong growth mid-way through the second quarter, with further marked expansions in output and new orders.

“Of particular note, the data highlighted the sharpest round of service sector job creation in over six years which, in turn, will boost hopes of another fall in the country’s official unemployment rate, which saw a 0.4 point drop to 9.6% in the first quarter of this year. Indeed, with the rate of backlog accumulation the steepest since May 2011, combined with a marked degree of business optimism, indicators suggest employment will continue to rise in the months ahead.”

-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 May flash was based on 84% 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 May 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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