

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

Service sector growth remains sharp

Key findings:

- Final IHS Markit France Services Activity Index⁽¹⁾ at 59.1 (60.4 in November).
- Final IHS Markit France Composite Output Index⁽²⁾ at 59.6 (60.3 in November).

Data collected December 5-18

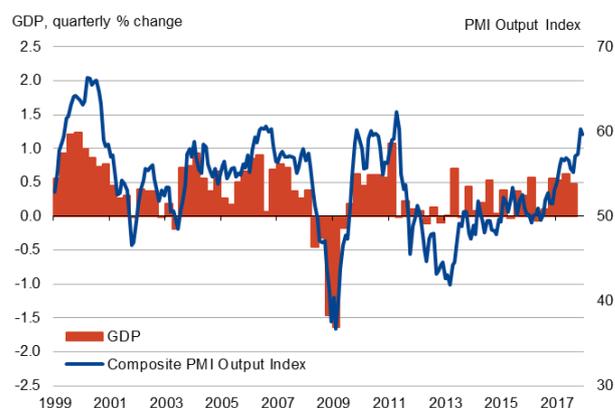
Business activity in the French service sector improved markedly at the end of 2017, despite a slight slowdown from November's recent peak. Growth continued to be underpinned by strong client demand, with the rate of increase in new orders broadly unchanged from last month's six-and-a-half year high. Business confidence, meanwhile, picked up for the second successive month and encouraged a further round of job creation. On the price front, input cost inflation remained substantially more marked than the rise in average selling prices.

The headline seasonally adjusted **Business Activity Index** posted 59.1 in December. Although down from November's six-and-a-half year high of 60.4, the latest index reading was consistent with a marked expansion that was substantially greater than the long-run series average.

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

Underlying overall service sector activity growth was a further sharp expansion in **new orders**. Indeed, the rate of expansion was broadly unchanged from last month's six-and-a-half year high and marked overall. Firm client demand and a general strengthening in economic conditions were cited as key factors driving the increase. As was the case with output, Post & Telecommunications companies reported the sharpest rise in activity over the month.

IHS Markit France Composite PMI



Sources: IHS Markit, INSEE

Buoyed by these trends, **business confidence** rose for the second time in as many months. Although remaining below the levels seen earlier in the year, the degree of positive sentiment rose above the long-run average. Forecasts of greater investment in both public and private spheres were cited among the factors supporting optimism.

Responding to higher client demand, service providers took on additional **staff members** in December, thereby extending the current period of job creation to one year. Although the rate of increase eased from last month's near 16-and-a-half year high, the rate of growth remained among the sharpest recorded during this sequence.

Nevertheless, **backlogs of work** continued to rise at a marked pace as rising client demand put pressure on operating capacity.

The amount of business outstanding also rose at the composite level. The rate of accumulation remained marked overall and among the sharpest recorded over the last six-and-a-half years.

Meanwhile, French services companies reported a further rise in **input costs** (on average) during the final month of the year. The rate of inflation

remained solid despite easing from November and dipping below the long-run average. The slowdown contributed to a softer rise in average **charges**.

Likewise, inflationary pressures remained marked but eased on a composite basis. The slowdown was particularly stark at manufacturers, which saw the softest rise in four months.

Comment:

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

“The French service sector rounded off 2017 on a firmly solid footing, as business activity growth remained among the most marked recorded over the last six-and-a-half years, despite a slight moderation from November.

“The sector continued to benefit from robust client demand and a pickup in global economic conditions more broadly, as evidenced by one of the sharpest expansions in new orders since 2011. On the supply-side, labour market reforms continued to buoy employment growth, which itself looks set to continue into the new year provided the strong demand environment persists.”

-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 December flash was based on 91% 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 December flash was based on 93% 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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