

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:10 (CEST) / 08:10 (UTC), July 6th 2017

IHS Markit France Retail PMI[®]

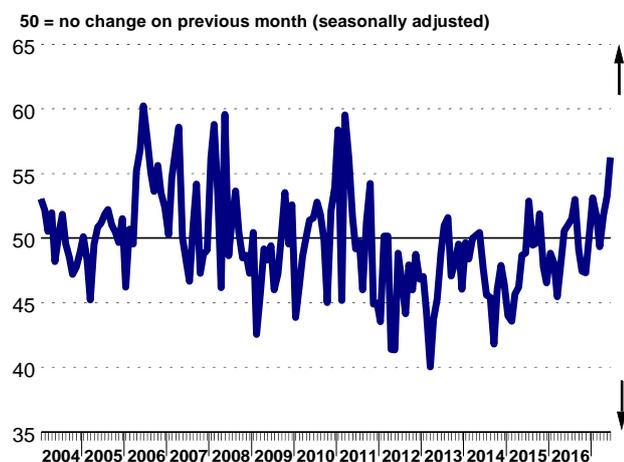
Retail sales increase to greatest extent in over six years

Key findings:

- Like-for-like sales rise for third successive month
- Firms take on new staff at quickest pace in survey's 13-and-a-half year history
- Actual sales exceed expectations for first time since January 2008

Data collected June 12-28

IHS Markit France Retail PMI:



Source: IHS Markit

Summary:

This release contains the June findings from the monthly Retail PMI[®] survey for France, produced by IHS Markit and based on a panel of 300 retailers. The headline figure is the Retail PMI, which measures month-on-month changes in sales.

The latest data highlighted a third successive increase in like-for-like sales in June, with the rise the most marked in over six years. Sales were, meanwhile, up on a year-on-year basis at the joint-fastest pace since April 2011. Despite the rise in customer demand, gross margins continued to fall

as retailers were faced with another increase in average purchasing costs. Nonetheless, retailers raised their purchasing activity and staffing numbers. Indeed, the latter rose to the greatest extent in the survey's 13-and-a-half year history.

The seasonally adjusted headline Retail PMI posted 56.3 in June, up from 53.3 in May, signalling the sharpest expansion in like-for-like sales since April 2011. Anecdotal evidence suggested that higher footfall and promotional offers had played a part in rising sales volumes over the month.

In addition, the year-on-year measure also indicated retail sales growth in June, thereby rebounding from last month's slight contraction. Moreover, the rate of growth was the joint-fastest in 74 months.

Contrary to the long-running trend, actual sales rose above retailers' previously-set plans in June, thereby ending a period of underperformance that had hitherto been evident since February 2008.

Meanwhile, retailers were optimistic that targets would also be exceeded in July. The degree of positive sentiment improved slightly from the previous month and remained strong overall.

Factors expected by survey respondents to boost sales over the coming months include: government reforms, robust economic conditions, higher consumer purchasing power and a positive impact on household sentiment from the new administration.

Those factors reported by panel members as likely to depress sales over the next three months include: adverse effects of new government policies, lower consumer purchasing power, terrorist attacks and social unrest.

Gross margins fell for the sixth time in as many months during June as strong competitive

pressures further encouraged firms to offer discounts to boost their market share.

French retailers recorded a further rise in average input prices in June. Although accelerating from May, the rate of inflation remained below the long-run series average.

Bolstered by sharper sales growth, retailers raised their purchasing activity in June. Moreover, the rate of expansion was the most marked since April 2011.

French retailers further added to their payrolls in June. Indeed, the rate of job creation was the most marked since data collection began in January 2004.

Comment:

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

“June’s like-for-like sales data rounded off a solid second quarter performance for the French retail sector. At an average of 53.8 from April through June, the PMI was indicative of the best quarterly performance since Q1 2011, thereby echoing similar trends observed in the manufacturing and services surveys.”

“Sales growth was strong on both a monthly and yearly basis in June. Gross margins continued to be squeezed, however, amid a further rise in purchasing costs and reports of discount pricing strategies.”

“Encouragingly, employment rose to the greatest extent in the series history, which in turn, will further boost customer demand. Indeed, higher consumer purchasing power was among the reasons given by retailers expecting to see sales growth over the coming months.”

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Note to Editors:

"PMI" is an acronym for *Purchasing Managers' Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. IHS Markit now uses "PMI" to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the France Retail *PMI*, IHS Markit has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the French retail sector. Similarly, the composition of the panel in geographical terms and by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

IHS Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure "diffusion index" for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi

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