

## French PMIs point to continued recovery

Today's PMIs indicate continuing recovery in France, now we just need to wait for the Government to implement reform



Preliminary PMI data for August sent mixed signals this morning. French manufacturing activity is expanding at its fastest pace in more than two years. The index increased from 54.9 to 55.8. More details on manufacturing sector confidence will be published with the INSEE surveys tomorrow.

But today's PMI is a sign that the stronger than expected recovery in industrial production in 2Q17 (+1.2% QoQ after -0.2% QoQ in 1Q17) should continue in the second half of the year, boosted in part by the recovering building sector.

However, the picture is less rosy in the service sector, where the preliminary PMI shows a decline to 55.5 from 56.0 in August. This is the weakest reading since January. If activity is still expanding, a weaker pace will imply the acceleration in job creation could encounter obstacles in coming months. For the moment, employment growth remains subdued. On that front, labour market reforms due to be presented next week could increase hiring intentions if it passes smoothly and that is still far from a done deal.

All in all, today's PMIs are an indication of the continuing recovery in France. French growth – has slowed to 1.1% in 2016 from 1.2% in 2015 but is set to rebound to 1.5% in 2017. If the

new Government can benefit from the accelerating recovery to implement reforms, GDP growth could accelerate towards 1.7% in 2018.

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