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## IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

### Activity rises strongly but momentum wanes further

#### KEY FINDINGS

Business activity increases at slowest rate in four months

Employment growth at strongest since October 2018

Sharpest rate of cost inflation for over a decade

Data collected 12-25 August

French service sector business activity grew at a strong rate once again midway through the third quarter, according to the latest PMI® survey, but as was the case in July, the month-to-month rate of expansion slowed. New business intakes also grew at a weaker pace, but demand conditions remained robust overall.

Jobs growth was close to a three-year high as firms sought to expand operating capacities, although backlogs of work continued to rise. The increase in employment combined with supplier fee hikes to push cost inflation up to its highest for over ten years.

The headline seasonally adjusted IHS Markit France Services 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 to one month ago – posted 56.3 in August to signal another strong rate of expansion in French service sector business activity. However, having fallen for a second successive month from 56.8 in July, the latest data highlighted a further loss of growth momentum.

While strong demand remained a key facet of the French service sector's recovery, some companies mentioned that their output was restrained by insufficient staffing levels. Latest survey data signalled a sharp increase in employment during August. In fact, the rate of jobs growth was the strongest since October 2018.

Survey data signalled strong growth in demand for services across France in August. However, the rate of improvement

France Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

was the weakest in four months. A number of companies suggested that the introduction of the "pass sanitaire" had an adverse effect on consumption. New export business increased at the second-quickest pace since November 2019.

That said, despite slower new order growth and a sharper rise in staffing numbers, volumes of incomplete work continued to build. The rate at which backlogs were accumulated was weaker than in June and July, but still strong nonetheless.

Elsewhere, service providers registered growing cost pressures midway through the third quarter. Where higher expenses were reported, firms linked this with greater staffing levels, as well as increased fees from suppliers. The overall rate of input price inflation was steep and the strongest since May 2011. To protect profit margins, businesses increased their selling charges during August. However, an accelerated rise in costs contrasted with a softer increase in selling prices. Output charges inflation was the weakest in three months.

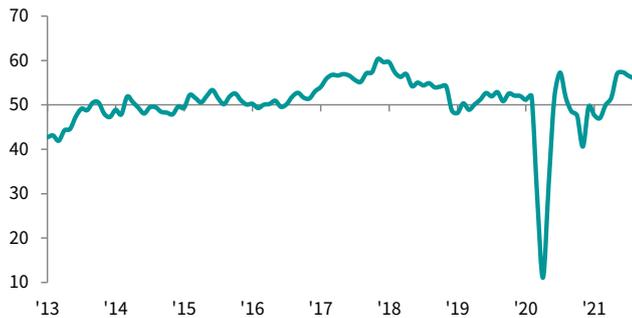
Looking ahead, French service providers remained resilient with their predictions towards future activity levels in August. The level of business confidence was historically strong, despite dipping to a five-month low. Many firms attributed their optimism to hopes of the pandemic coming to an end.

## IHS MARKIT FRANCE COMPOSITE PMI®

## Output growth slows to four-month low

France Composite PMI Output Index

sa, &gt;50 = growth since previous month



Source: IHS Markit

The Composite\* Output Index fell for a second month in a row in August, signalling back-to-back slowdowns in private sector business activity growth across France. At 55.9, the index was consistent with a strong rate of expansion, although one that was the slowest since April. Both manufacturers and service providers registered softer rates of output growth over the month.

Similarly, composite new orders grew once again in August, but the rate of increase was the softest in four months. By sector, latest data revealed demand for services outpacing demand for goods, as was also the case in July. That said, manufacturers outperformed their service sector counterparts on the export front.

There were clear signs of capacity constraints in August, with outstanding business rising at a strong pace. However, the rate of backlog accumulation eased following July's 123-month record. Firms hired additional staff to boost business activity, with workforce numbers growing at the fastest rate since October 2018.

Price pressures remained elevated in August, despite rates of both input cost and output charge inflation easing.

Lastly, businesses expect growth over the coming 12 months. However, a sharp drop in level of optimism at manufacturers pulled overall confidence down to a seven-month low.

\* Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index and the France Services Business Activity Index.

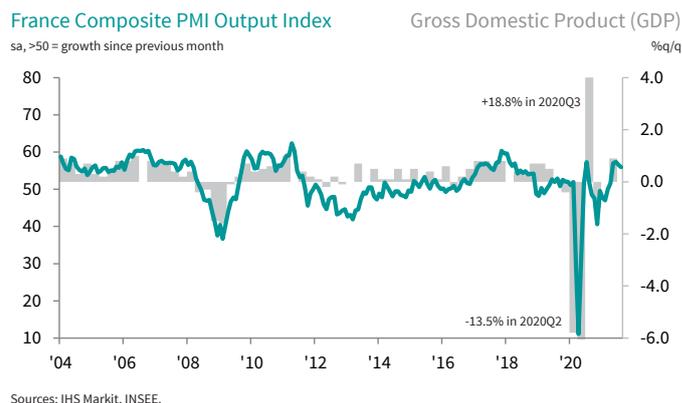
### COMMENT

Commenting on the PMI data, Joe Hayes, Senior Economist at IHS Markit said:

*"The economic recovery in France continued to move along at a solid clip during August. The narrative is essentially unchanged - we're still seeing strong demand, and firms are adjusting their workforces to accommodate growing order books. The rate of jobs growth was at its best in almost three years in August. There's still ample work-in-hand however, so there's clearly scope for further expansions in employment and business activity."*

*"Business confidence is also proving to be resilient, despite the emergence of the delta variant and steep cost pressures across the economy. Whether the recovery in business activity can push on unchecked amid these risks remains to be seen."*

*"Nevertheless, based on July and August survey data, France looks set for another solid GDP growth number in the third quarter."*



## CONTACT

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### Methodology

The IHS Markit France Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

August 2021 data were collected 12-25 August 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Flash vs. final data

Flash services data were calculated from 79% of final responses. Flash composite data were calculated from 79% of final responses.

Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.5 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is -0.1 (0.4 in absolute terms).

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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.  
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