

News Release

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IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

July sees sharp rise in activity as demand begins to recover

KEY FINDINGS

Fastest rise in business activity since April 2018

New business increases for first time since February...

... but employment continues to fall

Data collected 10-28 July

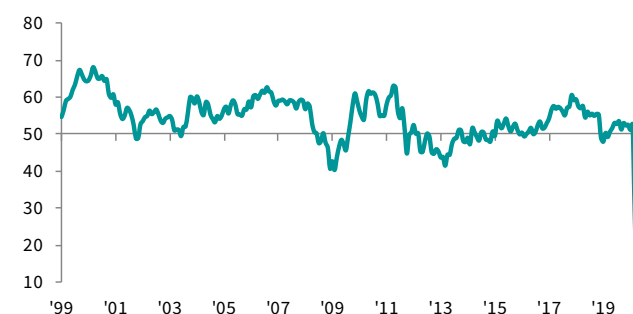
July PMI® data pointed to a sharp expansion in French service sector activity as the economy continued to recover following the coronavirus disease 2019 (COVID-19) lockdown. The latest rise in output was supported by the first increase in new orders for five months, which was centred on strength in the domestic market. However, despite activity growth and improved demand conditions, firms continued to pare back their staff numbers.

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 – registered 57.3 in July, up markedly from 50.7 in June. The latest reading pointed to the quickest expansion in business activity since April 2018. Panellists often commented that they were beginning to operate closer to full capacity amid more robust demand from their clients. Underlying data suggested that growth was registered in the majority of the six monitored sub-sectors. However, Hotels & Restaurants posted another marked decline.

Improving demand conditions were signalled by a return to new order growth in July. The increase ended a four-month sequence of decline that began when coronavirus restrictions were first introduced in March. Some survey respondents noted that their clients were increasingly confident of a recovery in economic conditions and therefore willing to commit to future work. That said, sub-sector data pointed to a continued decline for Hotels & Restaurants.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

The rise in total new orders came despite a further fall in international sales at the start of the third quarter. Albeit the softest in the current five-month sequence of reduction, the rate of decline was still marked.

French service providers were able to achieve higher output with fewer staff in July. Employment fell for the fifth month in a row, and although the rate of workforce contraction eased to the softest in that run, it remained solid overall.

On the cost front, input prices faced by services firms continued to rise at the start of the third quarter. The rate of inflation accelerated to the quickest since February, though it was still subdued by historical standards. Some panellists linked higher costs to increased expenditure on hygiene products.

Although firms faced higher input costs, they opted to continue cutting average output charges in July. The latest reduction was, however, the slowest in the current five-month sequence. Anecdotal evidence suggested that firms offered discounts to support new business growth.

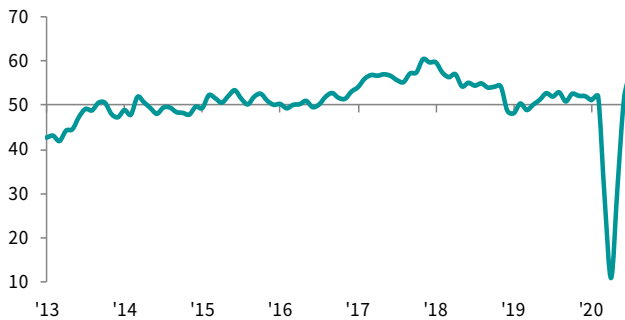
Finally, French service providers were increasingly optimistic of a rise in activity over the next 12 months. Sentiment improved to the strongest since February. However, it remained weaker than the historical average.

IHS MARKIT FRANCE COMPOSITE PMI®

Private sector activity rises sharply in July

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The France Composite Output Index* rose to 57.3 in July, up sharply from 51.7 in June. The latest reading pointed to the strongest growth in French private sector activity for nearly two-and-a-half years.

The marked rise in activity was driven by a broad-based expansion at the sub-sector level. Both manufacturers and service providers recorded sharp rises in output as the economy continued to recover following the COVID-19 lockdown. The latter posted the slightly quicker rate of expansion.

The increase in total output was supported by the return of new order growth at the start of the third quarter. The solid rise in sales was driven by service providers, while manufacturers recorded a broad stagnation after an increase in June.

Despite higher activity levels, private sector firms continued to cut their staff numbers in July. The result extended the current run of workforce contraction that began in March. The rate of job shedding did, however, ease to softest in that sequence. Underlying data indicated that employment decreased faster at services firms than at manufacturers.

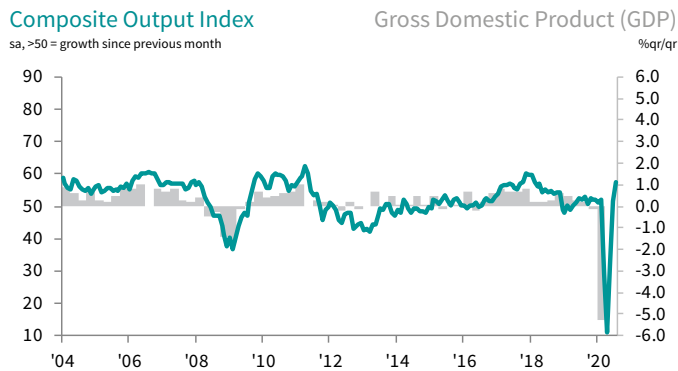
Looking forward, sentiment towards the 12-month business outlook strengthened to a five-month high. Confidence levels were stronger at service providers than at manufacturers.

*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, Eliot Kerr, Economist at IHS Markit said:

"July PMI data showed the kind of recovery we have been expecting since the easing of lockdown restrictions first began. Both manufacturers and service providers posted sharp expansions in activity following the dire conditions they have experienced in recent months. The latest figures add weight to the argument that economic growth should return in the third quarter, which will represent the first green shoots in the recovery after contractions in both the first and second quarter. With the reduction in GDP between April and June expected to be well into the double-digits, growth could not come sooner, as it will prevent the French economy from losing more ground and allow activity to rebuild towards pre-coronavirus levels."



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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

July 2020 data were collected 10-28 July 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

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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