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## IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

### Activity decline eases amid signs of recovery in new orders

#### KEY FINDINGS

Contraction in service sector activity eases to marginal pace

New orders increase for the first time in four months

Worker numbers broadly stabilise

Data collected 4-18 December

Latest PMI® data pointed to a softer contraction in French service sector activity in the final month of 2020. The result came amid a renewed increase in new business, which saw firms keep staffing levels broadly unchanged, following a nine-month sequence of decline. Meanwhile, firms were the most optimistic towards the one-year outlook for activity since April 2019.

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 49.1 in December, up sharply from 38.8 in November. The latest reading pointed to the slowest decrease in French service sector activity since the last expansion was recorded in August. At the sub-sector level, declines were reported in four of the six covered categories, with Hotels & Restaurants remaining the weakest performer.

Service sector business activity continued to fall despite a fresh increase in new orders during December. The improvement in demand conditions was the first for four months, albeit only marginal overall. When explaining the rise in sales, some firms cited increased spending on advertising campaigns.

Underlying data indicated that new business growth was predominantly driven by domestic demand, with new work from abroad continuing to decline in December. That said, the rate of reduction eased to the softest in the current ten-month sequence.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Amid the overall improvement in demand conditions, service providers generally maintained their staffing levels at the end of the year. The broad stabilisation in employment followed a nine-month sequence of decline.

Meanwhile, backlogs of work continued to fall, extending the current run of reduction that began in August. However, the rate of contraction eased substantially from November and was modest overall. Of the six covered sub-sectors, Hotels & Restaurants posted the quickest decline.

On the cost front, there was a renewed increase in input prices during December. The result followed a marginal decline in November that was the first for six months. Though modest overall, the latest rise was the quickest since August. Anecdotal evidence indicated that cost burdens were predominantly driven higher by salary increases.

Despite facing higher input prices, French service providers continued to cut their average output charges in the latest survey period. That said, the rate of decline was the softest for four months and moderate overall.

Looking forward, firms were optimistic towards the business outlook for 2021. In fact, the degree of positivity was the strongest since April 2019, supported by expectations for a further recovery in demand after the easing of COVID-19 restrictions.

## IHS MARKIT FRANCE COMPOSITE PMI®

## Softest contraction in private sector activity for four months

Composite Output Index

sa, &gt;50 = growth since previous month



Source: IHS Markit

The France Composite Output Index\* rose to 49.5 in December, up from 40.6 in November. The latest reading pointed to the softest contraction in private sector activity during the current four-month sequence of decline.

At the sub-sector level, the further decline was driven by service providers, although the rate of reduction eased substantially from November. Meanwhile, manufacturers saw a rebound in output after the first decrease for six months in November.

December data also revealed another deterioration in demand conditions across the French private sector. That said, the latest decrease in new orders was the softest for four months and only fractional overall. Underlying data revealed that the decline was driven by a solid downturn in the manufacturing sector, while service firms posted an increase for the first time since August.

The softer declines in both activity and new orders saw firms maintain their staffing levels in the latest survey period. The result ended a nine-month sequence of job shedding.

Looking forward, optimism towards the 12-month business outlook strengthened in December. In fact, the degree of positivity reached the highest since April 2019, supported by marked improvements in confidence across both monitored sub-sectors.

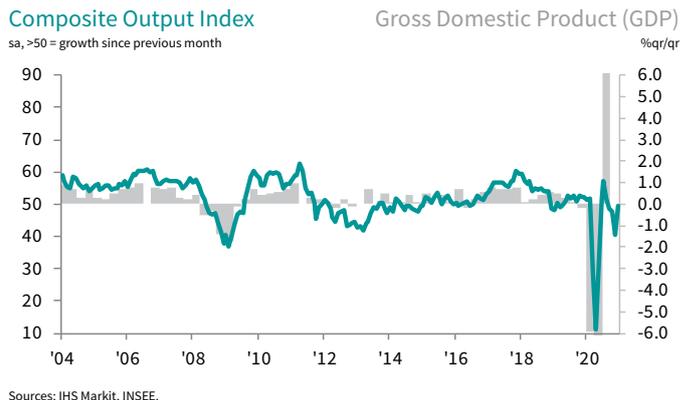
\* Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index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

### COMMENT

Commenting on the PMI data, Eliot Kerr, Economist at IHS Markit said:

*"The French private sector showed resilience in December, despite businesses facing strict COVID-19 restrictions for the vast majority of the survey period. The decline in activity eased markedly and new orders were little-changed having fallen in each of the previous three months. Moreover, with measures now somewhat relaxed, firms can once again begin to target growth as demand conditions start to recover. This mindset was exemplified by a stabilisation in private sector staffing levels, ending a nine-month sequence of workforce contraction."*

*"Although the coronavirus crisis is not over, firms are optimistic that 2021 will be a stronger year, with new orders expected to rise as vaccines are rolled out to the population. With that, we can expect increasing levels of employment and a recovery towards pre-virus levels of activity."*



## 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

December 2020 data were collected 4-18 December 2020.

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 86% of final responses. Flash composite data were calculated from 91% of final responses.

Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.2 (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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### 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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