

**EMBARGOED UNTIL: 23:01 (UTC) July 11<sup>th</sup> 2021**

# IHS Markit France Business Outlook

## Business confidence highest in over a decade

### Key findings:

- Activity expectations strongest since February 2011
- Record optimism around employment
- Inflationary pressures set to build, particularly at manufacturers

Data collected June 11-25

The latest IHS Markit France Business Outlook survey signalled the strongest confidence in future business activity for more than a decade as firms grew increasingly confident of a return to normality following the COVID-19 pandemic. This optimism around activity supported the highest projections for employment since the composite data became available in October 2009.

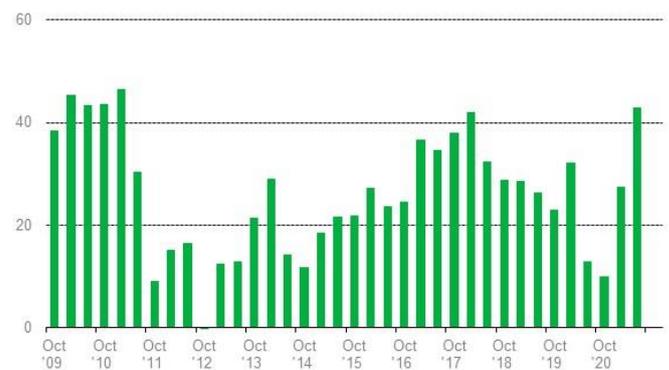
Inflationary pressures look set to rise, however, with companies expecting to respond to higher cost burdens by increasing their own selling prices.

The net balance of companies anticipating a rise in business activity over the next 12 months surged higher to +43% in June from +28% in February. This signalled the strongest optimism since February 2011. That said, overall confidence in France was lower than the eurozone average.

Improving sentiment was seen across both the manufacturing and service sectors, with service providers remaining more confident than their manufacturing counterparts.

A special question included on the survey in June showed that close to half of all companies have either returned to or surpassed pre-pandemic output levels, with a further lessening of the impact of COVID-19 supporting confidence that output will rise further over the coming year. There were still worries, however, that further waves of the pandemic could throw recoveries off course.

### France business activity expectations



### Corporate Earnings

A ramping up of activity and improving demand conditions is expected to support growth in profits over the coming year, despite strengthening inflationary pressures. At +23%, the net balance of companies forecasting improved profitability was the highest in more than three years.

That said, the prospect of particularly sharp price increases in manufacturing meant that firms in the sector were much more cautious regarding their profits forecasts (+8%) than service providers (+26%).

### Employment & Investment Plans

Companies in France expressed the highest confidence around employment growth since the series began in October 2009, with optimism surpassing the previous record set in June 2017. Workforce sentiment improved across both monitored sectors, though overall confidence was just below the euro area average.

Firms also revised up their investment plans, with both capex and R&D spending set to increase. The net balance of +5% for R&D expenditure was the first positive reading since early 2020.

## Inflation Expectations

Inflationary pressures look set to intensify further, particularly in the manufacturing sector. A net balance of +30% of companies predicted a rise in non-staff costs over the coming year, the highest reading since February 2011. This increased to +42% at manufacturers. Staff costs are also predicted to rise, although here the trends across the two monitored sectors were broadly similar.

The passing on of higher input costs to customers resulted in a net balance of +20% of firms expecting to increase their selling prices. This was up sharply from just +8% in February and the strongest since October 2018. As was the case with non-staff costs, the manufacturing sector (+40%) is likely to see a much sharper rise in charges than services (+15%).

### Comment:

Commenting on the France Business Outlook survey data, **Andrew Harker**, Economics Director at IHS Markit, said:

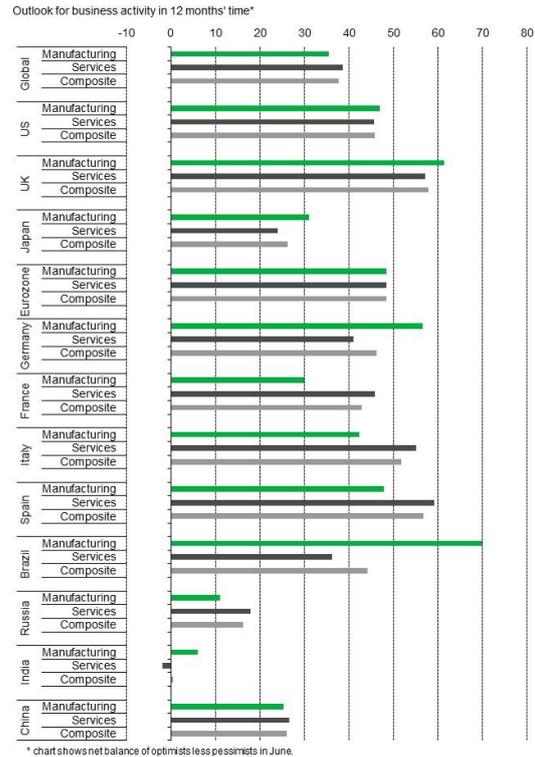
*“Business confidence in France has soared to the highest in just over a decade as the loosening of COVID-19 restrictions and reopening of the economy boosted optimism. While there are still concerns that the Delta variant of the virus could lead to a fresh wave of cases, firms appear confident that the vaccine roll-out will mean that fewer restrictions are needed in the future. Optimism is also good news for the labour market, with private-sector firms revising up their hiring plans to the highest on record.”*

*“Aside from the potential resurgence of the pandemic, the main headwind going forward looks set to be stronger inflationary pressures, particularly in the manufacturing sector where firms face severe material supply difficulties. As a result, profits forecasts for manufacturers are lower than those for service providers.”*

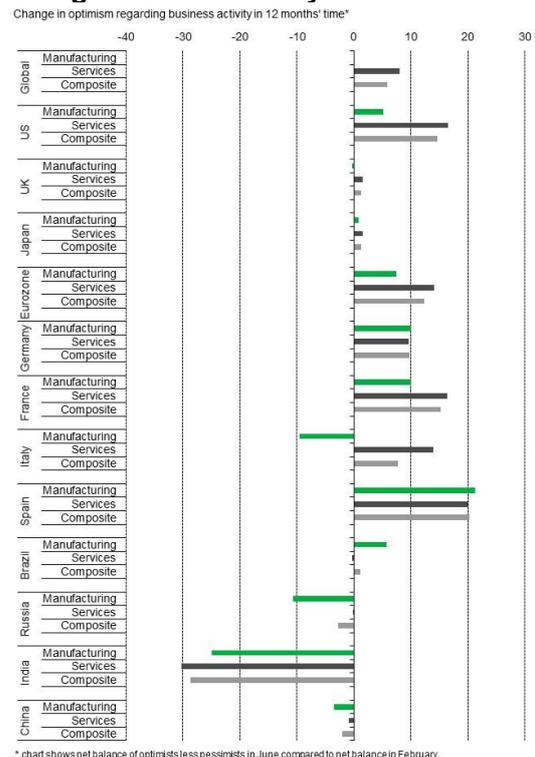
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

## Business optimism in June



## How business activity expectations have changed since February



**For further information, please contact:****IHS Markit**

Andrew Harker, Economics Director  
Telephone +44-1491-461-016  
Email [andrew.harker@ihsmarkit.com](mailto:andrew.harker@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between June 10 and 29.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

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