

Embargoed until 0950 CEST (0750 UTC) 7 April 2021

## IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

### Activity decline softens in March, while employment continues to recover

#### KEY FINDINGS

Slowest contraction in activity for three months

Marginal deterioration in demand conditions

Strongest rate of job creation since before the pandemic

Data collected 12-26 March

March PMI® data pointed to a softer contraction in business activity at French service providers. The improved trend came amid a slower decline in new business and a faster rise in employment. Meanwhile, anticipation for an increase in activity was at the strongest for two-and-a-half years. On the price front, both input costs and output charges increased as global supply chain issues led to shortages of raw materials.

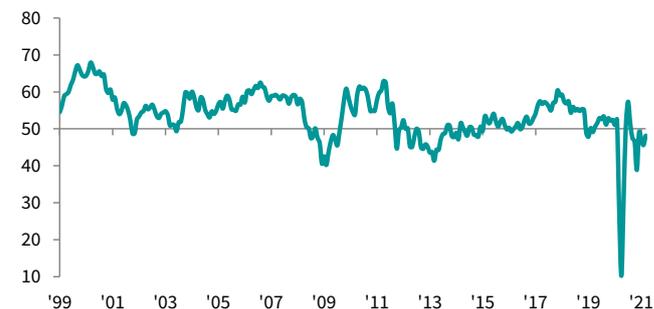
The headline seasonally adjusted IHS Markit France Services Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – registered 48.2 in March, up from 45.6 in February. The latest reading pointed to the softest monthly contraction in French service sector activity during 2021 so far. However, the overall reduction extended the current run of decline to seven months. At the sub-sector level, Hotels & Restaurants remained the weakest performers.

Similar to the trend for activity, new business continued to decrease in March, but the rate of reduction was the softest for three months. Underlying data suggested that the marginal deterioration in demand conditions was predominantly driven by Hotels & Restaurants, although both Transport & Storage and 'Other Services' firms also registered declines.

Meanwhile, French service providers increased their staff numbers for the third month running in March. In fact, the rate of job creation accelerated for the second successive month to the quickest since before the escalation of the coronavirus disease 2019 (COVID-19) pandemic in March

France Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

last year. Panellist often associated hiring activity with expectations for an increase in new business over the coming months.

Concurrently, expectations regarding the 12-month business outlook were the strongest since September 2018 and historically marked. Many panellists noted that they expect a rebound in economic activity as vaccine rollouts continue and COVID-19 restrictions are gradually relaxed.

On the cost front, input prices faced by French service providers increased in March. The result followed a marginal decline in February. In the latest survey period, the rate of inflation was the strongest for seven months and solid overall. Panellists mentioned higher prices for both fuel and raw materials.

Amid the increase in input prices, firm opted to pass on some of their additional costs to clients with a rise in average charges during March. Although the rate of inflation was only modest overall, the result marked the first increase in output prices since February 2020.

Finally, outstanding business in the French service continued to fall at the end of the first quarter. However, the latest decline was only fractional overall and the softest in the current eight-month sequence. Three of the six monitored sub-sectors posted reduction in backlogs, while the remainder saw increases.

## IHS MARKIT FRANCE COMPOSITE PMI®

## Private sector output stabilises in March

Composite Output Index

sa, &gt;50 = growth since previous month



Source: IHS Markit

The France Composite Output Index\* rose to 50.0 in March, up from 47.0 in February, signalling a stabilisation in private sector output that ended a six-month sequence of contraction.

At the sub-sector level, there were contrasting results. Manufacturing firms posted the quickest increase in production January 2018 and one that was sharp overall. However, that was offset by another reduction in activity at services firms, albeit one that was the slowest for three months.

On the demand front, new business increased for the first time in seven months. The marginal upturn was predominantly driven by a marked increase in orders at manufacturing firms, although a softer decline in the service sector also supported the upward trend. Meanwhile, overall international sales rose the quickest pace for just over three years.

Private sector firms continued to step up hiring efforts in the latest survey period, with the rate of job creation accelerating for the second month running. In fact, the latest increase in employment was the strongest for just over a year and solid overall.

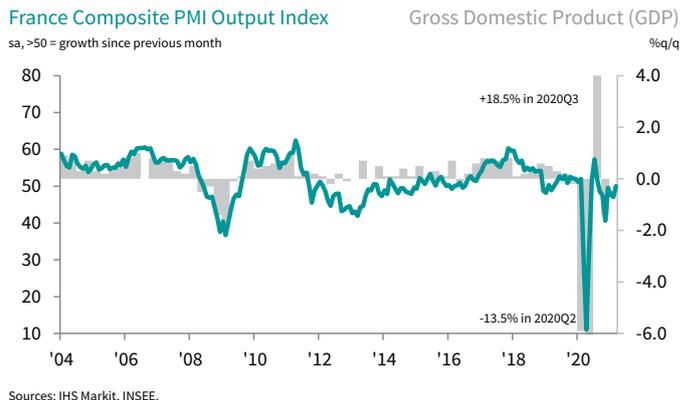
Looking forward, firms remained optimistic towards the one-year business outlook, although the degree of positivity softened from February.

\* 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:

*“Following a six-month sequence of contraction, latest PMI data pointed to a stabilisation in activity levels across the French private sector. The result was predominantly supported by a sharp expansion in manufacturing output, while the service sector continued to act as a drag on the economy. However, even service providers saw an improved trend despite ongoing restrictions, and stronger hiring activity in both monitored sectors indicated that firms are expecting a recovery in the months ahead. The recent reintroduction of lockdown measures in Paris is a slight set back but the resilience in sentiment suggests that businesses are looking beyond the short-term and preparing for the wider reopening of the economy.”*



## 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.

March 2021 data were collected 12-26 March 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 86% of final responses. Flash composite data were calculated from 89% 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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### 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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