

IHS Markit France Services PMI®

Including IHS Markit France Composite PMI®

Services activity growth remains resilient in September

Key findings

Growth ticks down to five-month low, but remains strong

Employment rises at fastest rate for almost three years

Inflationary pressures intensify amid higher staff and material costs

Data were collected 13-27 September 2021.

France's service sector grew at a strong rate during September, according to the latest PMI® survey, as demand continued to move closer to pre-pandemic levels, supporting businesses to expand employment and enabling strong growth in activity.

Less positive, inflationary pressures climbed higher, as rising raw material prices were exacerbated by increased staffing costs, leading to increased output prices.

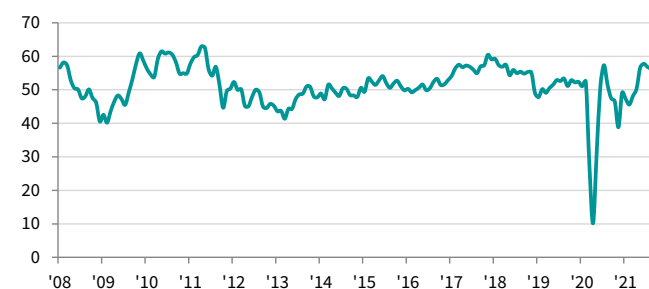
The seasonally adjusted France Services Business Activity Index moved fractionally lower in September to 56.2, from 56.3 in August. Albeit a minimal decline, the latest data marked another step down in the rate of expansion, which peaked at a 41-month high in June. That said, despite the weakest growth rate since April, it was still strong overall.

According to anecdotal evidence, demand continued to close in on pre-pandemic levels, leading firms to expand output to meet growing order book volumes.

Latest survey data pointed to a sixth successive month-on-month rise in new business inflows. A number of panel members reported increases in their client bases. However, new order growth lost momentum once again, marking a third successive slowdown. There were reports of staff shortages impeding new business wins, as well as the "pass sanitaire" legislation, used to prove individuals have a low transmission risk of COVID-19.

New export demand also contributed negatively to overall new order intakes in September, which fell for the first time

France Services PMI Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit.

since May.

To accommodate for rising new business and the required expansion in activity to meet it, service providers in France increased their staffing levels for a ninth month in a row in September. Furthermore, the rate of jobs growth was strong and the fastest for almost three years. Sub-sector data showed that Post & Telecommunications firms led the upturn, while Hotels & Restaurants and the more consumer-orientated "Other" Services sectors registered lower employment.

Despite an accelerated rise in employment, and a softer expansion in new orders, capacity pressures continued to climb higher in September. The rate of backlog accumulation was solid overall, but the weakest since April.

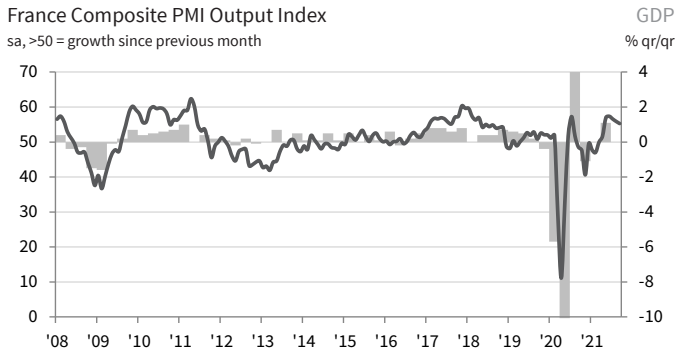
Elsewhere, prices data pointed to an intensification of inflationary pressures in France's service sector during September. The rate of input price inflation quickened and was the sharpest since July 2008. Increased raw material prices were once again a key contributor to a rise in costs, while fuel and staffing expenses were also higher, according to firms.

Many firms decided to pass on higher costs to their clients during September, causing output charges to increase. The rise in selling prices was sharper, but remained weaker than July's decade peak.

Lastly, there was a small improvement in the level of business optimism in September, which remains at an elevated level

IHS Markit France Composite PMI®

Private sector growth slows to five-month low in September



Sources: IHS Markit, INSEE.

There was a further slowdown in growth across the French economy during September, marking a further step down from the recent peak in July. The slower expansion reflected softer trends in both manufacturing and services, although the moderation was more pronounced in the former as services activity growth slowed only fractionally.

The Composite Index, which is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, recorded 55.3 in September, down from 55.9 in August to signal the weakest rate of growth since April. While services activity growth remained resilient, manufacturing production growth slowed amid intense supply-side challenges.

Composite data showed the slowest expansion in new orders for five months during September amid a broad weakening in demand growth across manufacturers and service providers. However, sectoral trends diverged on the jobs front, where the strongest rise in service sector staffing levels since October 2018 contrasted with a broad stagnation in manufacturing employment. Capacity pressures built further as backlogs of work increased, albeit to the weakest extent in five months.

Meanwhile, inflationary pressures climbed higher as the fastest rise in private sector costs since March 2011 drove an accelerated increase in output prices.

Comment

Joe Hayes, Senior Economist at IHS Markit, which compiles the survey:

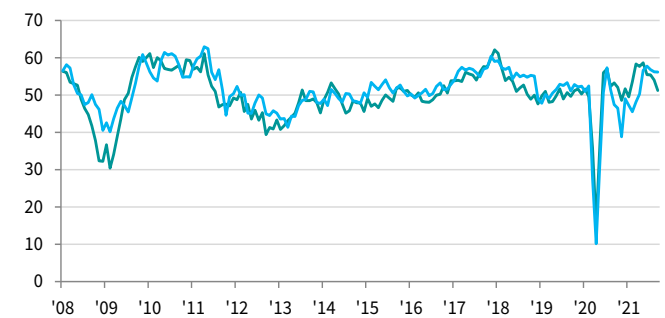
"France's service sector continued to drive the broader economic recovery in September. Although growth peaked earlier in the summer, services activity growth is still holding fairly close to that level.

"Reading through our panel member comments, it seems that demand is getting ever closer to reaching pre-pandemic levels, which explains why new order growth slowed in September, although some reports indicated that the "pass sanitaire" - which is used to prove members of the public have a low COVID-19 transmission risk - has had some negative impact on demand.

"More positively, however, employment growth accelerated and was close to a three-year high. Firms are shaping up their businesses to be capable of stronger activity growth, which is a clear positive sign as we head into what could potentially be a challenging winter period for Europe, fraught with uncertainty regarding the trajectory of the pandemic and associated challenges, especially in goods supply and price levels."

Manufacturing Output Index / Services Business Activity Index

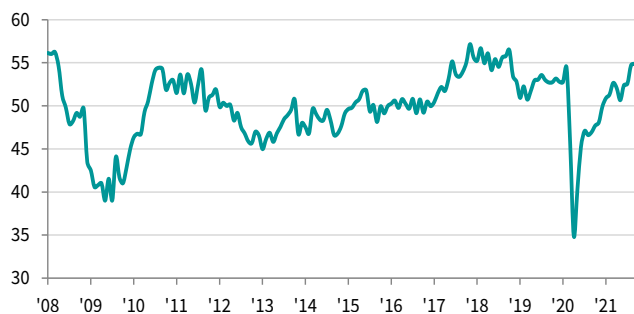
sa, >50 = growth since previous month



Source: IHS Markit.

France Services PMI Employment Index

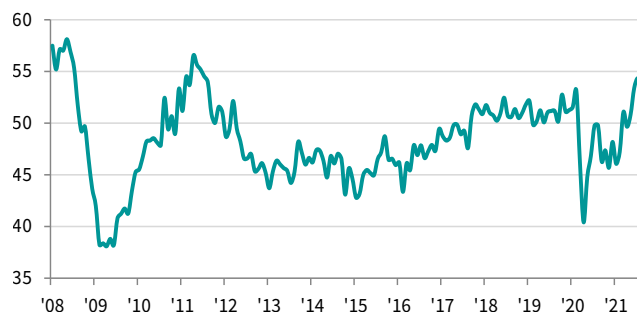
sa, >50 = growth since previous month



Source: IHS Markit.

France Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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Survey 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.

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

Survey dates and history

Data were collected 13-27 September 2021.

Survey data were first collected May 1998.

Flash vs. final data

Flash services data were calculated from 86% of final responses. Flash composite data were calculated from 90% 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. ihsmarkit.com/products/pmi.html.