News Release

Embargoed until 0950 CEST (0750 UTC) 6 May 2020

IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

Contraction in services activity deepens during April

KEY FINDINGS

Fresh low for Business Activity Index

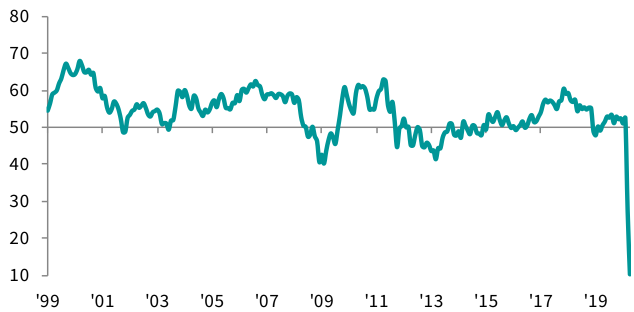
New order collapse accelerates

Foreign demand evaporates further

Data collected 7-27 April

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

April PMI® data pointed to an unprecedented contraction in French service sector activity, with the rate of decline accelerating beyond March's previous record. The result came amid the country's first full month of lockdown measures, which dragged down new business at a historic pace, with both domestic and foreign demand evaporating. Deteriorating conditions saw firms cut staff numbers at a quicker rate, and business sentiment hit its lowest level since data collection began in May 1998.

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 at a series low of 10.2 in April, down from a previous record of 27.4 in March. The latest reading pointed to an even quicker contraction in business activity compared to the previous survey period. Panellists often associated lower output with the temporary closure of their business amid lockdown measures to stem the spread of the coronavirus pandemic.

In an environment of evaporating demand, new business at French service providers plummeted further in April. Moreover, the rate of decline eclipsed that registered in March to set a new series record. The reduction was partially driven by another steep decline in new export business. In the latest survey period, international sales fell at the quickest rate since the series was incepted in September 2014.

In response to the deterioration in economic conditions, firms severely reduced their staff numbers in April. In fact, the latest workforce contraction was the fastest since data collection began 22 years ago, moving past the previous records from the aftermath of the global financial crisis.

Despite firms employing fewer staff, softer inflows of new work saw volumes of outstanding business decline in April. Moreover, the rate of contraction accelerated to reach the fastest since the survey's inception.

Meanwhile, cost burdens faced by French service providers fell sharply in April. The reduction was the quickest recorded since data collection began, with panellists mentioning heavy discounts from their suppliers amid faltering demand conditions.

Firms opted to cut their average output prices in a further attempt to boost sales during April. The decline was the fastest since June 2009 and followed the first reduction for just over a year in March.

Finally, service sector companies were pessimistic towards a return to growth in the short-term, with sentiment towards the 12-month business outlook hitting a new series low. When explaining negativity, panellists often cited expectations for a prolonged global economic downturn.

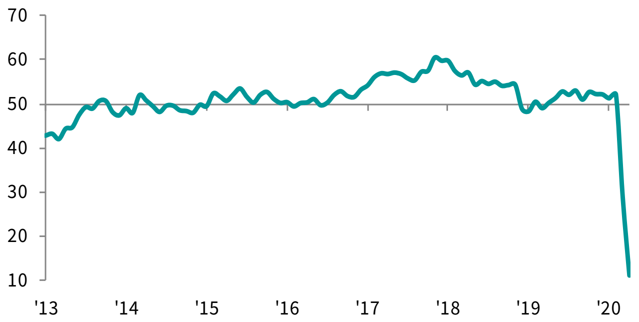
PMI® By IHS Markit

IHS MARKIT FRANCE COMPOSITE PMI®

Private sector activity decline deepens in April

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The latest Composite Output Index* pointed to a fresh low for French private sector business activity, with the rate of contraction accelerating to reach the fastest in 22 years of data collection. The collapse eclipsed the previous record set in March, with the country facing the first full month of lockdown measures during April.

At the sub-sector level, the reduction in activity was broad-based but slightly faster in services. That said, both manufacturers and service providers posted record deteriorations.

Amid widespread business closures, there was further collapse in demand during April, with new business declining at the quickest pace since comparable data were first compiled in May 1998. The reduction was broad-based across both goods producers and services firms, although quicker at the latter.

Weighing on total new orders was a further reduction in new export business during April. In fact, the latest decline was the fastest since the series began in September 2014. The result was driven by record contractions in both covered sub-sectors.

Finally, there was little sign of positivity in the French private sector during April, with sentiment towards the 12-month business outlook weakening to a new series low. Manufacturers were slightly more negative than their service providing counterparts.

** 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

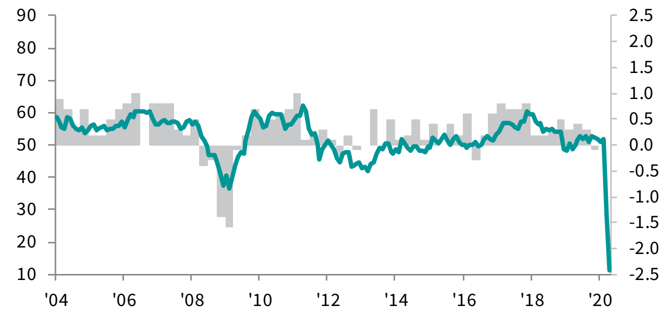
Commenting on the PMI data, Eliot Kerr, Economist at IHS Markit said:

"The latest PMI results for the French service sector were truly unprecedented, as the coronavirus pandemic tightened its grip on the global economy. The headline Business Activity Index for service providers barely registered in double-figures, with the reading pointing the sharpest contraction in survey history. The pain was even more severe than that felt in the manufacturing sector and contributed to a record decline in composite activity.

"Going forward, the easing of French restrictions on the 11th of May should lead to a partial recovery in the coming months. However, it remains to be seen whether growth can be sustained, with the risk of a second outbreak jeopardising the chances of a prolonged expansion. Moreover, any return to long-term growth rates might be gradual, with consumers taking time to overcome hesitancy surrounding public health before they resume their previous spending habits."

Composite Output Index
sa, >50 = growth since previous month

Gross Domestic Product (GDP)
%qr/qr



Sources: IHS Markit, INSEE.

CONTACT

IHS Markit

Eliot Kerr
Economist
T: +44-2031-593-381
eliot.kerr@ihsmarkit.com

Katherine Smith
Public Relations
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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.

April 2020 data were collected 7-27 April 2020.

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

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

About CNA

CNA (Conseil national des achats – National Purchasing Council), is a non-profit making, non union trade association, gathering individuals, and people actually involved in the purchasing activity of companies or public services. Its aim is to increase the efficiency of the purchasing function in the economy by training and informing those concerned, defining and applying a professional ethic, providing studies, research, surveys, and all actions of general interest in any field directly or non directly related to purchasing and subsidiary functions.