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IHS MARKIT FRANCE SERVICES PMI®

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Service sector activity rises at fastest pace since January 2018

KEY FINDINGS

Services firms see full quarter of uninterrupted growth

Further easing of containment measures supports expansion

Inflationary pressures intensify

Data collected 11-25 June

In light of a further lifting of pandemic-related restrictions during June, French service sector firms recorded another strong expansion in business activity to complete a full quarter of uninterrupted month-on-month growth. The rise in output was the sharpest since the beginning of 2018 amid another healthy improvement in the demand for French services. Consequently, outstanding volumes of work built up further, supporting jobs growth.

Elsewhere, business confidence remained strongly positive, while rising vendor fees exerted upward pressure on input costs and led services firms to raise their charges.

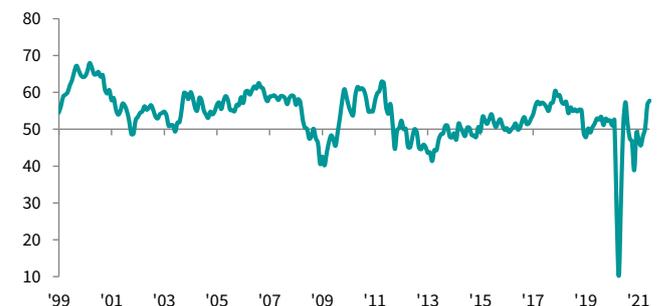
The headline seasonally adjusted IHS Markit France Services Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – rose to 57.8 in June, from 56.6 previously, its highest reading in just under three-and-a-half years.

Surveyed firms primarily linked the latest expansion to a further round of easing virus containment measures. By segment, consumer-facing "Other Services" led the upturn, while Hotels & Restaurants continued to drag on overall activity levels.

Greater output was supported by another month of strong growth in demand for French services. Overall, the expansion in new work was the third in successive months and the fastest since January 2018. Additionally, surveyed companies signalled the first increase in new business from abroad since February 2020.

France Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Due to the gradual nature of the French economy's re-opening, service sector businesses recorded strong pressure on their operating capacities in June. The rate of accumulation in backlogs of work quickened and was the strongest for over a decade.

Larger volumes of work outstanding, coupled with strong demand growth led French service providers to hire additional workers during the latest survey period. Overall, the rate of jobs growth was solid and the fastest for three months. Sub-sector data showed Post & Telecommunications, Renting & Business Services and Financial Intermediation as the segments driving up employment levels.

With regards to future activity levels, French service providers remained firmly optimistic that growth would continue over the coming 12 months as the global economic recovery gathered momentum. Just over half of the survey panel forecast growth in the year ahead.

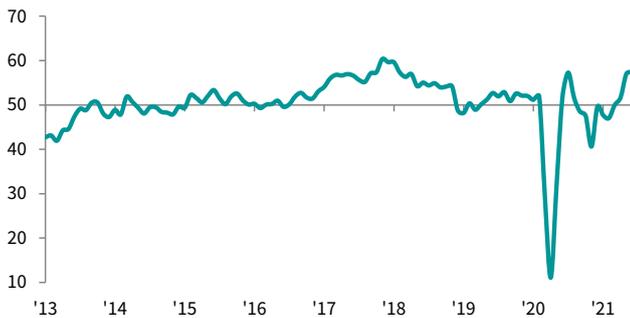
Finally, survey data revealed intensifying price pressures during June. Cost inflation reached a 17-month high, linked to greater supplier fees and shortages of inputs. The combination of strong demand and rising expenses led firms to hike their selling charges in June. Furthermore, the rate of output price inflation was the steepest in almost a decade.

IHS MARKIT FRANCE COMPOSITE PMI®

Activity growth edges higher to 41-month high in June

France Composite PMI Output Index

sa, >50 = growth since previous month



Source: IHS Markit

At 57.4, the France Composite Output Index* signalled a strong expansion in business activity across the French private sector in June, completing the first quarter of uninterrupted growth since late-2019. Moreover, the expansion gathered pace (index registered 57.0 in May) and was the strongest in just under three-and-a-half years.

As has been the case since April, the expansion was broad-based across the manufacturing and service sectors, although it was the first time since July 2020 that the upturn was led by the latter. Growth in manufacturing output remained strong despite slowing, while looser lockdown restrictions facilitated a faster expansion in services activity.

Total intakes of new business continued to rise in June. The increases seen across both sectors were sharp overall, although stronger demand growth in the service sector offset a weaker upturn in manufacturing.

In line with the trend seen since January, employment levels were lifted across the French private sector. The rate of jobs growth quickened across both sectors and was led by goods producers. However, backlogs of work were accumulated at the fastest rate since January 2018.

Lastly, price pressures persisted in June, although rates of input price and output charge inflation were notably stronger at manufacturers. In both cases, the increases were at decade highs.

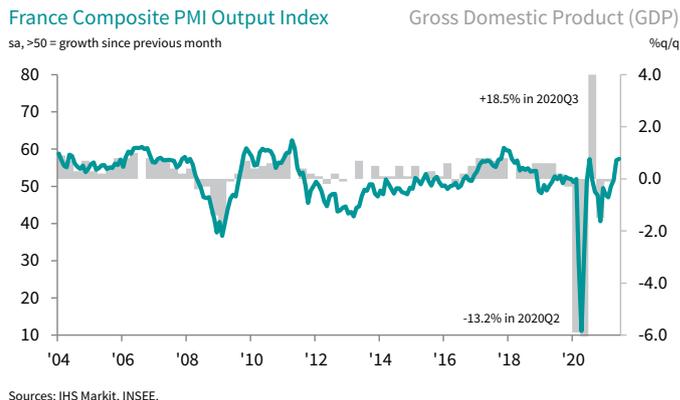
* Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The France Composite Output Index is a weighted average of the France Manufacturing Output Index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

COMMENT

Commenting on the PMI data, Joe Hayes, Senior Economist at IHS Markit said:

“It comes as no shock to see the France Services PMI producing another strong print for a month in which lockdown measures were peeled back further. We’ve witnessed a complete quarter of growth for the first time since the pandemic began, and the growth momentum needed to drive a sustained recovery is likely to build as pent-up demand is released and operating capacities expand.”

“That said, we’re noticing some spillover into the service sector from the intense supply chain distortions seen in the manufacturing surveys. Rising supplier fees and input shortages led to accelerated input price inflation in June. Given the strength of new business at present, firms decided to pass higher costs through to their prices, which rose at the sharpest rate in almost a decade. We’re likely to see continued price pressures so long as demand remains resilient.”



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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.

June 2021 data were collected 11-25 June 2021.

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

Flash vs. final data

Flash services data were calculated from 91% of final responses. Flash composite data were calculated from 92% 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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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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