News Release

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IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

Activity decline accelerates amid imposition of COVID-19 curfews

KEY FINDINGS

Fastest contraction in activity for five months

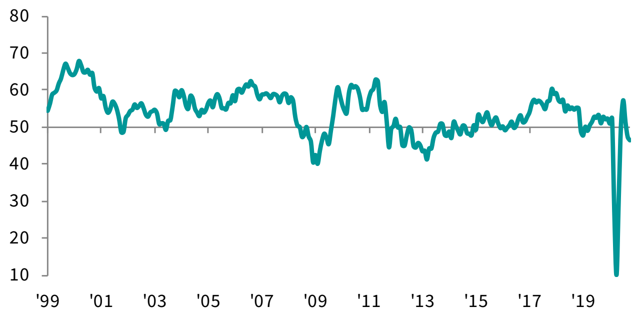
Sharp deterioration in demand conditions

Sentiment falls to weakest level since May

Data collected 12-27 October

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Following the introduction of tighter restrictions designed to stem the spread of the coronavirus disease 2019 (COVID-19) pandemic, October PMI® data pointed to the quickest decline in French service sector activity for five months. The downturn was accompanied by a sharp drop in new business and a further reduction in employment. Meanwhile, expectations regarding future activity slumped to the weakest level since May.

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 46.5 in October, down from 47.5 in September. The latest reading pointed to a solid contraction in service sector activity, and one that was the quickest for five months. Panellists often commented that rising COVID-19 infection rates and the subsequent restrictions had hampered activity. Sub-sector data suggested that the negative impact was most severe at Hotels & Restaurants.

In line with the trend for activity, new business received by French service providers fell sharply in October. The rate of reduction was the quickest since May, albeit far softer than at the height of the COVID-19 lockdown. Anecdotal evidence indicated that the recent imposition of curfews in major cities had contributed to the deterioration in demand conditions.

Aggregate sales received little support from international markets in the latest survey period, with new export business falling for the eighth month in a row. Moreover, October's decline was the fastest for three months and marked overall. Underlying data revealed that each of the six covered sub-sectors saw exports decline.

Amid a further reduction in new business, service providers continued to pare back their staff numbers in October. The result extended the current sequence of workforce contraction that began in March. However, the latest decrease was the softest in that run and modest overall.

Backlogs of work at French service providers fell for the third month running in October. That said, the rate of reduction eased for the second month in a row and was modest.

On the price front, input costs faced by service sector businesses continued to rise. However, the rate of inflation slowed to the softest since June. When explaining higher input prices, some survey respondents noted increased expenditure on hygiene products. Despite the rise in cost burdens, firms opted to continue cutting their average output charges, with some firms citing weaker client demand.

Looking forward, firms remained optimistic towards the 12-month business outlook, supported by expectations of an improvement in demand conditions. That said, sentiment softened to the weakest level for five months.

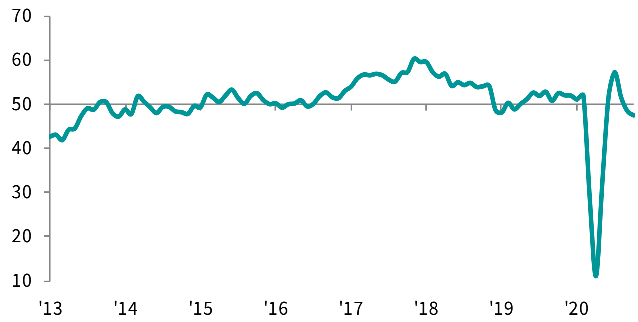
PMI® By IHS Markit

IHS MARKIT FRANCE COMPOSITE PMI®

Solid contraction in private sector activity during October

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The France Composite Output Index* fell to 47.5 in October, down from 48.5 in September. The latest reading signalled the quickest decline in combined manufacturing and services business activity since May and one that was solid overall.

At the sub-sector level, the downturn was driven by services firms, where activity was hindered by the recent imposition of COVID-19 curfews. Manufacturers, meanwhile, posted a fifth successive monthly expansion in production, although the rate of growth eased to the softest in that run.

The latest reduction in overall activity was accompanied by another decline in new orders. Moreover, the rate of reduction accelerated from September amid a sharp decline at services companies, which more than offset a quicker increase at manufacturers.

Employment in the French private sector continued to decrease at the start of the fourth quarter. However, the rate of workforce contraction eased to the softest in the current eight-month sequence. Both manufacturers and service providers registered slower declines in employment compared to September.

Firms remained optimistic towards the one-year outlook for activity, but sentiment slumped to the weakest for five months. The decline in confidence was driven by weaker expectations in the service sector.

* 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 data revealed disappointing results for the French private sector, with business activity declining at a quicker rate during October. The downturn was again centred on services sub-sector, where firms were most affected by the imposition of curfews across major cities. However, the rise in output at manufacturers also eased to the softest in the current five-month sequence of expansion.

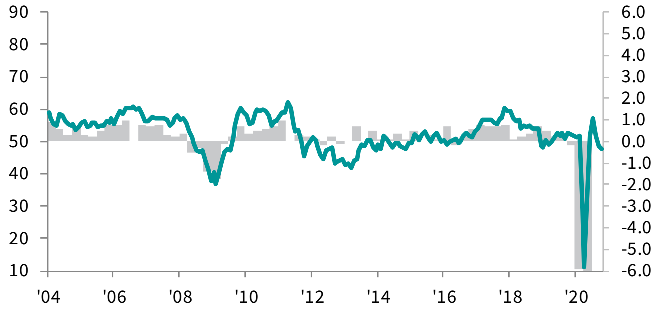
"The results point to a worrying trend for business activity, showing that the recent surge in infections and the introduction of new restrictions have already negatively impacted the economy. Moving through the winter months, the downward trajectory is likely to persist, particularly as declines at service providers begin to spill over onto their manufacturing counterparts."

Composite Output Index

sa, >50 = growth since previous month

Gross Domestic Product (GDP)

%qr/qr



Sources: IHS Markit, INSEE.

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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

October 2020 data were collected 12-27 October 2020.

Flash vs. final data

Flash services data were calculated from 90% 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 -0.2 (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).

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.

About CNA

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