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IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

Record contraction in service sector activity

KEY FINDINGS

Fastest activity decline since data collection began in 1998

Sharpest new business contraction in survey history

Rapid fall in new exports as global demand collapses

Latest PMI® data revealed a record contraction in French private sector activity, as demand plummeted amid restrictions to stem the spread of coronavirus disease 2019 (COVID-19). Widespread business closures saw new work fall at the fastest rate in survey history, eclipsing that recorded at the depth of the global financial crisis. Export orders fell dramatically as international demand collapsed, while firms cut staff numbers at the fastest pace since January 2013.

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 27.4 in March, down from 52.5 in February. The result pointed to the sharpest contraction in service sector business activity since the survey's inception in 1998. Anecdotal evidence suggested that the decline was driven by mandatory shutdowns aimed at stemming the spread of coronavirus. Underlying data revealed lower activity in each of the six monitored sub-sectors, with the sharpest decrease seen at Hotels & Restaurants.

Similar to the trend in activity, overall new business at French service providers fell drastically in March. The rate of decrease was the fastest in nearly 22 years of data collection, with firms reporting a severe deterioration in demand from their clients. At the sub-sector level, the sharpest decline was recorded by Hotels & Restaurants.

Contributing to the reduction in total new work was a marked fall in new export business at the end of the first quarter. The

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

pace of decline was the quickest on record (since September 2014). Panellists commented that international demand had dropped heavily amid widespread measures designed to limit the impact of COVID-19.

With lower business requirements, services firms pared back staff numbers in March. Moreover, the rate of workforce contraction was the most pronounced since January 2013. Notably, Post & Telecommunications posted a sharp rise in employment.

March data suggested that firms were able to reduce outstanding business, with softer inflows of work opening up capacity. In fact, the rate of backlog depletion was the fastest in survey history.

On the price front, input costs broadly stabilised to end a run of inflation that began over a decade ago. Anecdotal evidence suggested that lower wage expenditure offset higher raw material prices. The stagnation in costs allowed firms to cut average output charges in an attempt to boost sales.

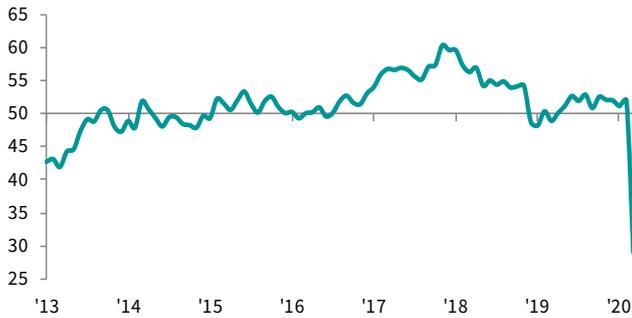
Finally, amid fears of prolonged coronavirus-related disruption, firms were pessimistic towards the business outlook for the first time in seven years. Moreover, the degree of negativity was the most severe since the survey's inception in May 1998.

IHS MARKIT FRANCE COMPOSITE PMI®

Coronavirus outbreak drives record contraction in activity

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The latest Composite Output Index* revealed the sharpest contraction in private sector business activity since data collection began in May 1998. At 28.9 in March, down from 52.0 in February, the reading was the lowest in survey history.

The fall in overall activity was driven by widespread business closures and plummeting demand amid the coronavirus outbreak. At the sub-sector level, the contraction in output was broad-based, but fastest at service providers where activity fell at the sharpest rate since the survey's inception. That said, manufacturers also recorded a sharp decrease in production – the fastest since March 2009.

There was evidence of deteriorating demand with a marked decline in new business during March. In fact, the reduction was the sharpest for nearly 22 years amid a historic fall at both manufacturers and service providers.

Weighing on aggregate new orders was a reduction in new export business at the end of the first quarter. The pace of contraction was the quickest since the composite series' inception in September 2014. Sub-sector data revealed steep decreases at both manufacturers and service providers.

Finally, private sector firms were pessimistic towards the one-year business outlook amid fears of a prolonged global economic downturn. In fact, sentiment reached the lowest level since the composite series' inception.

* 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.

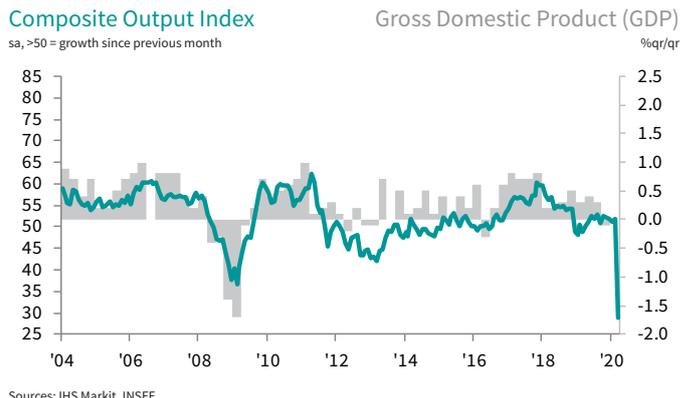
COMMENT

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

"March PMI data painted an ugly picture for the French service sector, with output and new business falling at record-pace amid shutdowns due to the coronavirus."

"The results were similar in the manufacturing sector, leading to a historic decline in private sector activity. Moreover, the difficult situation is set to continue with widespread lockdowns expected to remain in place until infection rates are quelled."

"It is now important that fiscal policy is effectively implemented to stem the flow of job losses and prevent a prolonged period of economic turmoil. In the short-term, a broad-based global economic recession is all but guaranteed, however governments around the world can take action to limit the longevity of disruption."



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.

March 2020 data were collected 12-26 March 2020.

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

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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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