

**EMBARGOED UNTIL: 00:01 (UTC) March 15<sup>th</sup> 2021**

# IHS Markit France Business Outlook

## Strongest outlook for business activity since before escalation of COVID-19 pandemic

### Key findings:

- Business confidence buoyed by COVID-19 vaccination programmes
- Firms anticipate a rise in earnings over the coming year
- Positive sentiment regarding future employment and capex

### Data collected February 11-23

The latest IHS Markit France Business Outlook survey pointed to an improved outlook for business activity across the French private sector, with firms anticipating robust growth over the next 12 months. Optimism was primarily driven by hopes that coronavirus disease 2019 (COVID-19) vaccines would lead to a full reopening of the economy and a subsequent recovery in demand conditions.

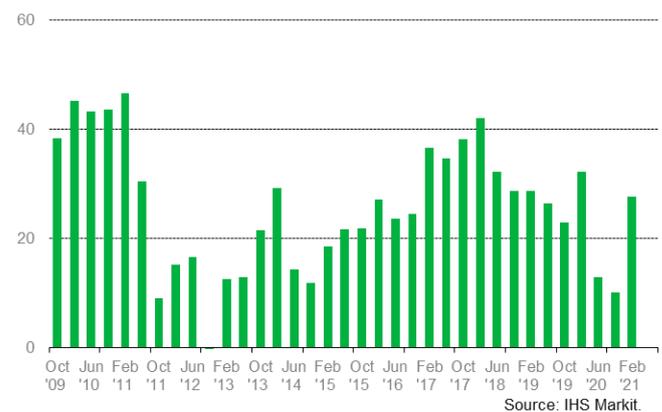
February data also revealed positive forecasts for profits, employment and capex. Meanwhile, expectations regarding cost inflation also strengthened from October.

Up from +10% in October, a net balance of +28% of companies anticipated a rise in business activity over the next 12 months, the highest figure since before the escalation of the COVID-19 pandemic in the spring of 2020.

At the sector level, the improvement in sentiment was broad-based, with optimism stronger among services firms. That said, manufacturers recorded the highest level of positivity since June 2018.

Despite improving significantly from October, confidence levels were softer than both the global and developed market averages (+32% and +33% respectively).

### France business activity expectations



### Corporate Earnings

February data indicated that French private sector companies were optimistic in their 12-month forecast for profits. The result marked the first positive reading for a year, although the net balance of firms anticipating a rise was historically subdued (+8% compared to the series average of +12%). Underlying data revealed that positivity was underpinned by service providers, while manufacturers were neutral in their earnings forecasts.

The overall level of confidence towards profits in France was below both the eurozone (+12%) and developed markets (+20%) averages.

### Employment & Investment Plans

In line with an improved outlook for activity, French businesses expected an increase in employment over the coming year. In fact, a net balance of +14% of companies predicted a rise in staff numbers, marking the strongest expectations around hiring since June 2019. Services firms were more optimistic than their manufacturing counterparts.

Similar to the trend for employment, sentiment surrounding capex plans moved back into positive territory during February. The degree of positivity was stronger than the historical average, although subdued relative to that recorded at global level. Meanwhile, research & development plans in France remained downbeat, although the degree of negativity eased from October.

### Inflation Expectations

February data indicated that firms expect non-staff costs to keep rising over the coming year. Moreover, the net balance of +19%, up from +6% in October, was the highest for two years. Private sector companies in France also anticipated a rise in staff costs over the next 12 months, with inflation the strongest for a year.

Amid anticipations of higher cost burdens, firms reported plans to lift their output prices by February 2022. Both manufacturers and service providers forecast increases, but the level of conviction was stronger among the former.

### Comment:

Commenting on the France Business Outlook survey data, **Eliot Kerr**, Economist at IHS Markit, said:

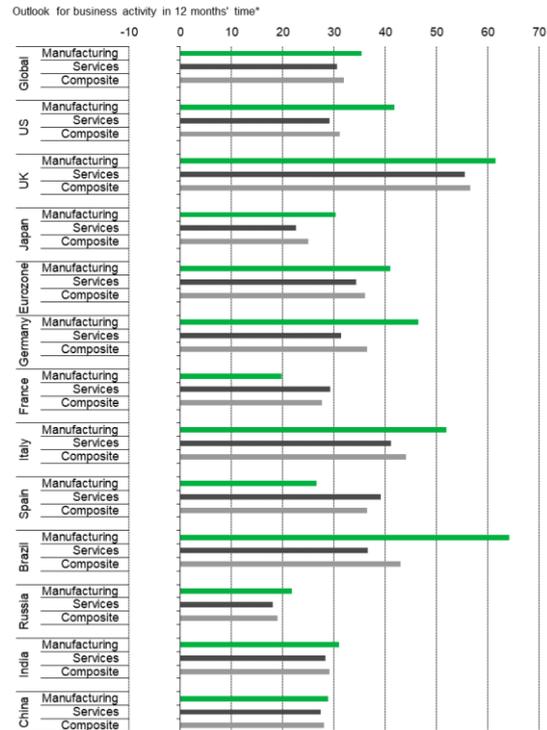
*“The latest Business Outlook data show that positive vaccination news in recent months had a significant impact on expectations for the coming year. Amid widespread anticipations for a strong global economic recovery in the second half of this year, French businesses are at their most optimistic on activity since before lockdown measures were first introduced.”*

*“That said, the recent progress on immunisation has had little effect on business expectations regarding a recovery from the pandemic. In fact, the proportion of companies that are expecting a recovery to pre-coronavirus levels of activity within two years was 47% in February, down fractionally from 48% last October.”*

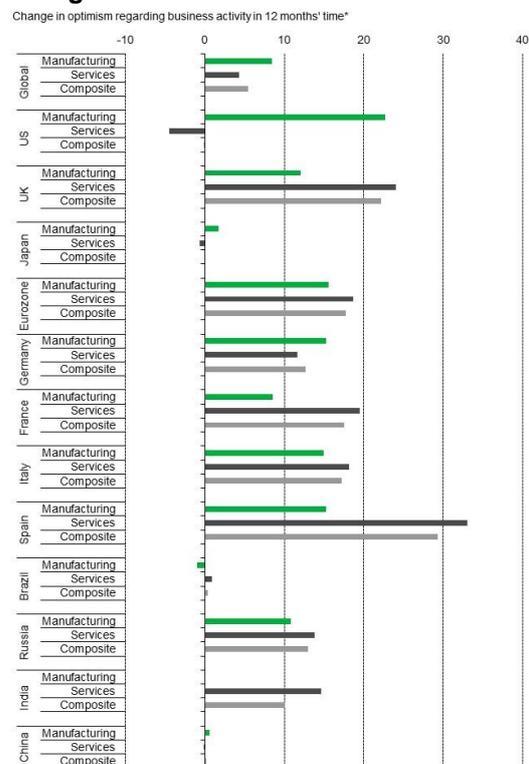
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### Business optimism in February



### How business activity expectations have changed since October



**For further information, please contact:****IHS Markit**

Eliot Kerr, Economist  
Telephone +44-203-159-3381  
Email [eliot.kerr@ihsmarkit.com](mailto:eliot.kerr@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between February 2 and 25.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

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