

Embargoed until 0950 CEST (0750 UTC) 3 June 2021

IHS MARKIT FRANCE SERVICES PMI®

INCLUDING IHS MARKIT FRANCE COMPOSITE PMI®

May sees sharp rise in business activity as virus-related restrictions ease

KEY FINDINGS

Strongest expansion in new business in over three years...

... but employment growth moderates to five-month low

Expectations improve to strongest for over a decade

Data collected 11-25 May

May PMI® data pointed to a sharp and accelerated expansion in French service sector activity as the economy gradually reopened following a series of virus-related restrictions. The latest rise in output was supported by robust growth in new orders, which was the sharpest in over three years. Growth was centred on stronger domestic demand conditions as exports continued to fall. Despite the influx of new orders, firms raised staffing levels only marginally, with the rate of job creation the softest in five months. Subsequently, further signs of capacity pressures emerged after a sharp accumulation in backlogs was recorded. Hopes of a return to normality boosted optimism in May, with sentiment towards the year-ahead outlook improving to the strongest in over a decade.

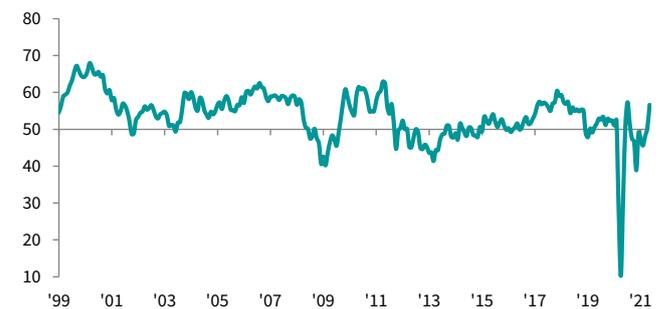
The headline seasonally adjusted IHS Markit France Services Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – registered at 56.6 in May, up sharply from 50.3 in April. The latest reading pointed to a second consecutive monthly expansion in service sector business activity, and one that was the strongest since last July.

Underlying data indicated that growth was led by the Post & Telecommunications and Financial Intermediation sub-sectors. Meanwhile, the Hotels & Restaurants category remained the main drag on the overall service sector's performance.

French service providers reported higher volumes of new

France Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

business, with the rate of expansion the strongest since January 2018. In contrast, exports fell for the fifteenth month in succession, although the decline was only marginal and the weakest in this sequence.

To cater for rising output requirements, service providers added to their workforces. However, the rate of expansion eased for the second month in a row. Panellists reported difficulties sourcing suitable candidates for vacancies and voluntary resignations. As a result, incomplete work rose for the second month in a row, with the latest accumulation the sharpest in over three years.

On the cost front, input prices faced by French service providers increased in May. The rate of inflation moderated slightly from April's recent peak but was still solid. Panellists often reported higher prices for raw materials.

Firms opted to partly pass on higher material expenses in May, with a renewed increase in output prices recorded. The rate of charge inflation was only marginal, however.

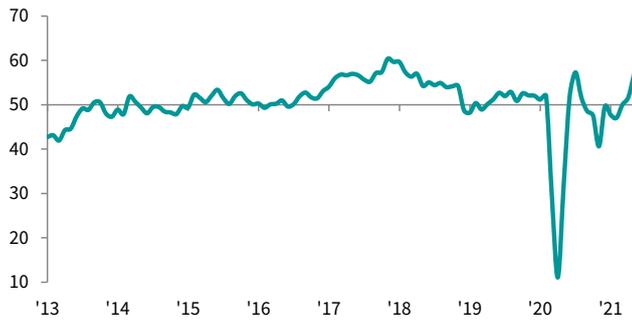
Finally, sentiment regarding the 12-month business outlook improved to the strongest in over a decade in May. The gradual reopening of businesses fuelled hopes for a return to normality and stronger demand conditions. The Financial Intermediation sub-sector recorded the strongest confidence.

IHS MARKIT FRANCE COMPOSITE PMI®

Private sector output grows at a robust pace in May

France Composite PMI Output Index

sa, >50 = growth since previous month



Source: IHS Markit

The France Composite Output Index* rose to 57.0 in May, from 51.6 in April, signalling a sharp and accelerated rate of growth. The uptick was the strongest since July 2020.

At the sector level, the result was driven by a broad-based expansion, with both manufacturers and service providers recording stronger uplifts. The former registered the slightly faster rate of growth, although the expansions in both sectors were sharp.

In line with the trend for activity, new order growth also gained momentum, with the rate of increase the quickest since January 2018. Stronger expansions were seen at both service providers and goods producers in May.

To cater for the improving demand environment, private sector firms in France added to their headcounts. That said, the rate of expansion softened to a four-month low. Both sectors registered a moderation in employment growth, with service providers seeing only a marginal increase. Consequently, backlogs rose at the most marked rate since March 2018.

Turning to prices, input cost inflation was sharp but moderated slightly. Manufacturers noted the much stronger cost pressures. Private sector firms increased their selling charges, with the rate of inflation picking up to the strongest in almost a decade.

* 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.

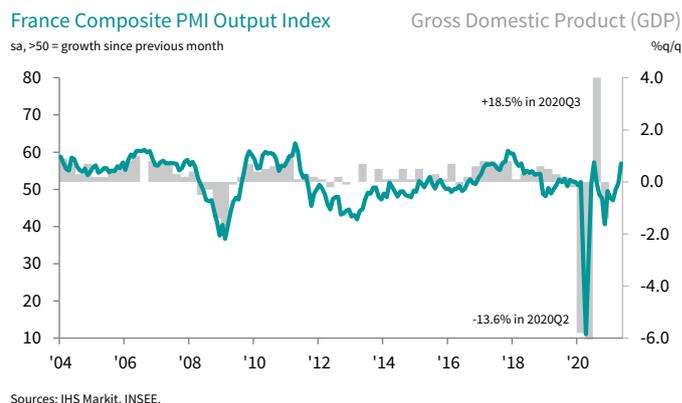
COMMENT

Commenting on the PMI data, Shreeya Patel, Economist at IHS Markit said:

"Latest PMI data indicated a strong improvement in business activity across the French service sector after virus-related restrictions eased in May, allowing schools and many businesses to reopen after a period of closure. Stronger demand, particularly from the domestic market, underpinned the uplift.

"That said, output was somewhat hindered by capacity constraints after a softer increase in headcounts contributed to a marked rise in backlogs. Meanwhile, sector data continued to reveal a struggling hospitality sector with many businesses having to operate with restrictions on capacity.

"Nevertheless, the upturn across France's private sector, and a rising vaccination rate will place the country in good stead for strong growth as we head into the summer."



CONTACT

IHS Markit

Shreeya Patel
Economist
T: +44-134-432-8196
shreeya.patel1@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-2072-602-234
joanna.vickers@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.

May 2021 data were collected 11-25 May 2021.

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

Flash vs. final data

Flash services data were calculated from 83% of final responses. Flash composite data were calculated from 89% 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).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

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.