News Release

Embargoed until 0950 CET (0850 UTC) 5 January 2022

IHS Markit France Services PMI®

Including IHS Markit France Composite PMI®

Strong service sector performance sustained in December

Key findings

Business activity increases at second-fastest rate since June...

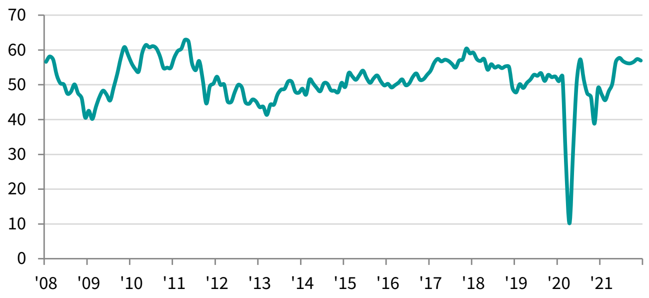
...but new order growth weakens amid rising COVID-19 infections

Firms hike selling fees to greatest extent since May 2011

Data were collected 06-20 December 2021.

France Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

A sharp rate of growth in service sector business activity was sustained during December, according to the latest PMI® survey, and although the expansion was slightly weaker than in November, it was the second-quickest since June. According to firms, the strength of the upturn in business activity was a reflection of accommodative demand conditions. That said, amid a fresh wave of COVID-19 infections, new business growth eased.

Meanwhile, price pressures remained acute during December. Output charges rose at the fastest pace since May 2011 amid a further steep increase in operating costs.

The seasonally adjusted France Services Business Activity Index registered 57.0 during December. Albeit a slight reduction compared to 57.4 seen in November, it was still indicative of a sharp expansion and one that was the second-quickest since June.

Where greater activity levels were reported, firms attributed this to healthy demand pressures. French service providers signalled increased intakes of new business during December. Events, and efforts to secure new clients were reportedly factors behind the improvement in sales performances. That said, the expansion was the softest since September amid rising COVID-19 infections, which firms indicated had an adverse impact on footfall and, in some cases, led to cancellations.

Demand from foreign clients was a particularly notable drag on overall new business in December, declining for the first time since September and at the strongest rate in a year amid the emergence of the Omicron variant of COVID-19.

Nevertheless, despite business activity continuing to grow sharply, this was insufficient to stem an increase in capacity pressures during December. Backlogs of work rose for a ninth month in a row, with the rate of accumulation accelerating to the quickest since July.

To tackle the added strain on operating capacities, French service providers hired extra workers during December, marking a twelfth successive monthly increase. Overall, the rate of employment growth was strong, but eased to a three-month low.

Overall, French service providers expect business activity levels to increase over the next 12 months. The level of business confidence was strong, despite easing to its lowest since September. A decline in COVID-19 cases and the subsequent improvement in demand that would follow was mentioned as a key reason for the optimistic outlook. That said, some panellists were concerned about the impact of rising prices.

Latest survey data continued to point to substantial cost pressures across the French service sector. Fuel, electricity, salaries and raw materials were all noted as sources of inflation. Although the increase in input prices was softer than in November, it was the second-sharpest in 13-and-a-half years.

To combat greater cost burdens, French service providers hiked their charges in December. Overall, output prices were raised to the greatest extent since May 2011.

© 2022 IHS Markit

IHS Markit France Composite PMI®

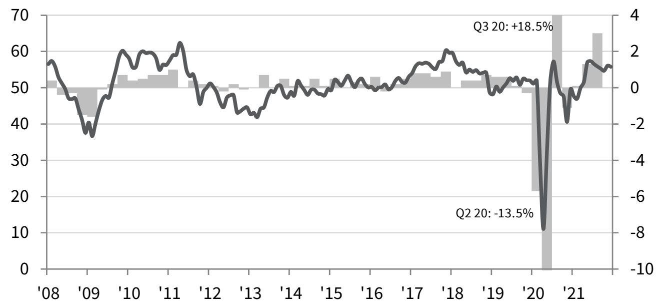
Strong service sector growth masks subdued manufacturing performance

France Composite PMI Output Index

sa, >50 = growth since previous month

GDP

% qr/qr



Sources: IHS Markit, INSEE.

France's private sector economy grew at a strong rate in December, according to composite PMI data. However, this masked notable divergences between the two contributing sectors – manufacturing and services – as more granular data showed that growth was almost exclusively driven by the latter as the former only registered a marginal increase in production.

The Composite Index, which is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, recorded 55.8 in December. This was a slight decline from 56.1 in November, but still indicated a strong expansion in private sector business activity.

The manufacturing sector continued to underwhelm, with production rising only marginally in December following a decline in October and broad stagnation in November. Services firms meanwhile recorded a sharp increase in business activity.

Overall new orders increased for a tenth month running, albeit to a weaker extent. That said, the level of work outstanding rose at the fastest pace since July amid rising capacity pressures at firms in both sectors. Subsequently, private sector employment increased further.

Meanwhile, inflationary pressures remained considerable, despite subsiding slightly. Increases in selling prices and output costs continued to be far stronger at manufacturers than at service providers, however.

Comment

Joe Hayes, Senior Economist at IHS Markit, which compiles the survey:

"Against the negative flow of news with respect to COVID-19 cases and the emergence of the Omicron variant, survey data for December showed a resilient performance from the French service sector in the lead up to Christmas.

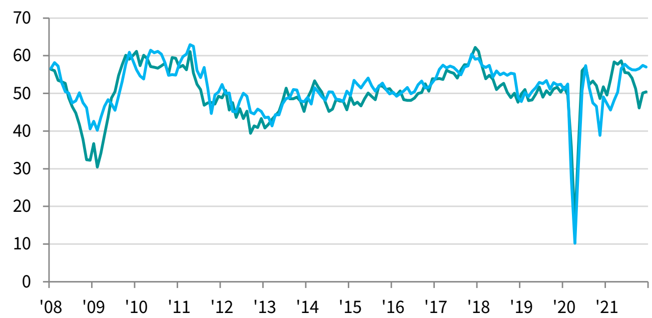
"Business activity grew at the second-quickest rate since June, outpaced only marginally by that seen in November. Anecdotal evidence suggests that demand for services remains robust, causing backlogs to build and hiring to continue.

"That said, new order growth weakened amid a notable dent to demand from overseas clients, reflecting the impact that rising COVID-19 infections had on tourism.

"The bigger picture for France's economy however shows its reliance on the service sector. Manufacturing performance continues to underwhelm – services was almost exclusively the driver for growth in December. This unfortunately means that economic growth and the government's response to the Omicron variant are inextricably linked as tighter restrictions will almost certainly place the economy in troubled waters."

Manufacturing Output Index / Services Business Activity Index

sa, >50 = growth since previous month

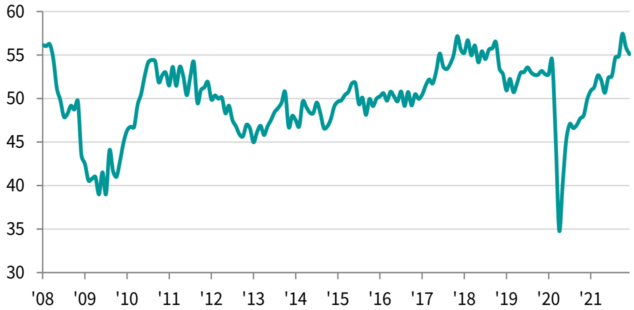


Source: IHS Markit.

© 2022 IHS Markit

France Services PMI Employment Index

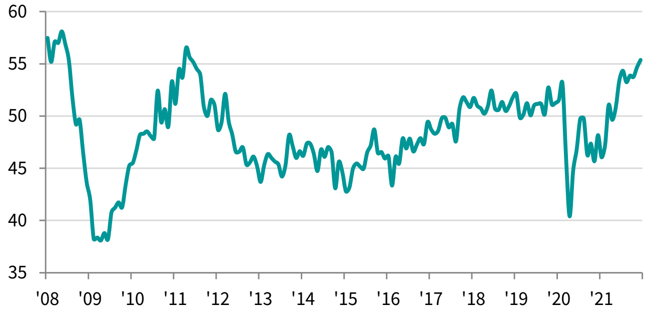
sa, >50 = growth since previous month



Source: IHS Markit.

France Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

Contact

Joe Hayes
Senior Economist
IHS Markit
T: +44-134-432-8099
joseph.hayes@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

Survey 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.

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

Survey dates and history

Data were collected 06-20 December 2021.

Survey data were first collected May 1998.

Flash vs. final data

Flash services data were calculated from 83% of final responses. Flash composite data were calculated from 85% 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).

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 © 2022 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@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.

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.

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.