

News Release

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S&P Global France Services PMI®

New business declines for first time in 17 months

Key findings

New orders fall amid demand weakness

Slower rises in activity and employment

Business confidence at 21-month low

French service providers signalled a renewed decline in new orders midway through the third quarter of the year as demand showed further signs of waning. While business activity continued to rise, the rate of expansion slowed further amid the drop in new orders, and business confidence slumped to the lowest since November 2020.

The main positive from the latest survey was a further solid increase in employment, but here too the rate of growth softened. Meanwhile, inflation of both input costs and output prices remained elevated but eased further from the peaks seen earlier in the year.

The seasonally adjusted S&P Global France Services PMI® Business Activity Index remained above the 50.0 no-change mark during August, posting 51.2. This signalled a slight increase in service sector output, thereby extending the current sequence of growth to 17 months. That said, the reading was down from 53.2 in July and pointed to the weakest expansion in activity since the opening month of the current upturn in April 2021.

While some companies indicated that they had been able to secure new clients during the month and therefore expand activity, the increase was limited by an overall decline in new business.

The aforementioned reduction in new business ended a 16-month sequence of expansion as new orders fell modestly amid a weaker demand environment. Alongside the renewed decline in total new business was a further reduction in new export orders as international demand also deteriorated. New business from abroad decreased for the third month running, although the latest fall was only marginal.

Despite new orders decreasing in August, outstanding business continued to accumulate. Those firms that saw backlogs of work rise were generally those that had still been able to generate new order growth during the month. The rate of accumulation quickened to a three-month high, but was still much softer than those seen earlier in the year when strong increases in new orders were putting intense

S&P Global France Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-25 August 2022

Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"French service sector activity appears to be moving gradually towards stagnation territory, and forward-looking indicators suggest worse is to come. New orders dropped into contraction for the first time since early-2021 and business expectations slumped to the lowest since late-2020 amid increasing worries about the demand outlook."

"While employment continued to rise, this at least in part reflected the result of efforts to rebuild workforces following the pandemic. Job creation is unlikely to be sustained should current trends continue and the sector fall into contraction."

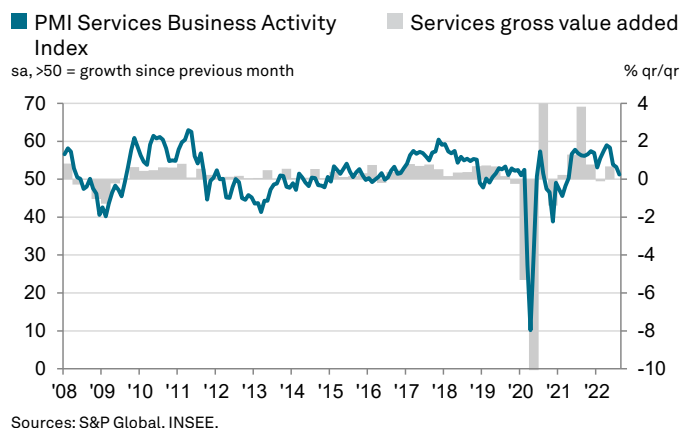
"Taken alongside further weakness in the PMI data for manufacturing, the latest figures for services suggest that the overall economy is stagnating during the third quarter and on a weak footing as the final months of the year approach."

pressure on capacity.

Service providers were still to some extent trying to rebuild workforces following the pandemic midway through the third quarter, with successful recruitment leading to another increase in employment. Staffing levels have now risen in each of the past 20 months. That said, in line with the broad trends seen in activity and new orders, the rate of job creation eased for the third month running and was the softest since February.

Inflationary pressures showed further signs of easing in August, but remained elevated. Rises in wages, energy costs and supplier charges resulted in a further steep increase in input costs, albeit one that was the slowest in six months. In turn, services companies raised their own selling prices at the softest pace since February.

Concerns around the impact of these still-elevated inflationary pressures on demand contributed to a marked drop in confidence regarding the year-ahead outlook for business activity in August. In fact, optimism slumped to the lowest since November 2020. Those companies that continued to forecast growth of activity generally linked this to hopes that the post-COVID recovery will extend over the coming year.



S&P Global France Composite PMI®

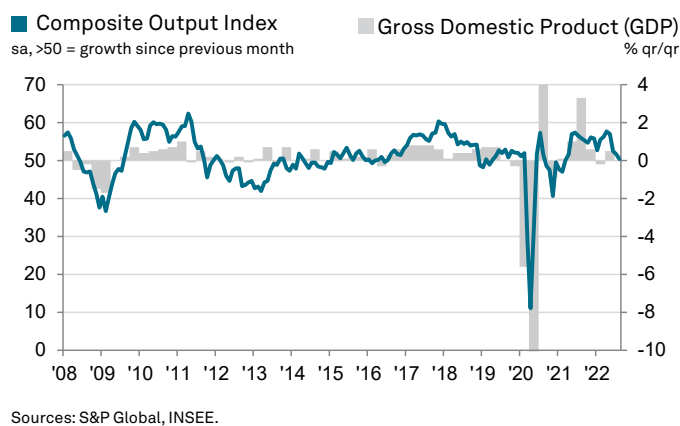
First decline in new orders for a year-and-a-half

The S&P Global France Composite PMI Output Index* posted only slightly above the 50.0 no-change mark during August. At 50.4, the latest reading was down from 51.7 in July and signalled the slowest expansion of private-sector output in France in the current 17-month sequence of growth.

Growth was centred on the services sector as manufacturing output fell for the third month running. That said, services activity rose at a slower pace than in July.

On a more positive note, employment continued to rise solidly. Firms also remained optimistic for the year-ahead outlook, but sentiment dropped to a 21-month low.

There were further signs of inflationary pressures easing midway through the third quarter, but both input costs and output prices increased sharply again in August. The latest rise in input costs was the softest in six months, while charge inflation was the weakest in the year-to-date. Slower price increases were seen across both manufacturing and services.



*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.

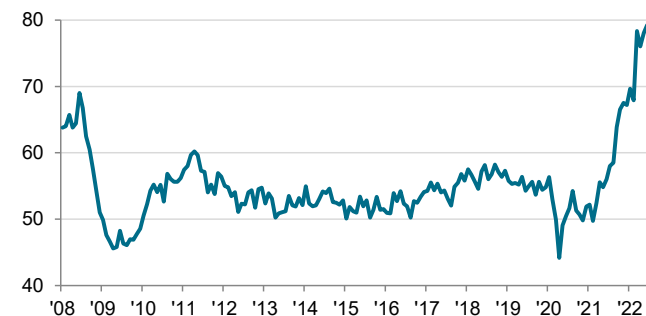
■ Manufacturing PMI Output Index
 ■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



Source: S&P Global.

France Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

Survey methodology

The S&P Global France Services PMI® is compiled by S&P Global 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. Data collection began in May 1998.

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.

Flash vs. final data

Flash services data were calculated from 71% of final responses. Flash composite data were calculated from 65% 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 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.

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