

News Release

Embargoed until 0950 CET (0850 UTC) 4 November 2022

S&P Global France Services PMI®

Services activity rises modestly in October but confidence in the outlook slumps

Key findings

Business activity rises again in October, but only modestly

Confidence falls to lowest level since late-2020

Inflationary pressures stay elevated and weigh on sales

France's service sector remained in expansion territory during October, continuing an uninterrupted period of growth that began in April 2021. However, the upturn was only modest and slowed since September. Robust order books reportedly helped sustain growth, although the volume of incoming new work showed a weak trend and increased at a pace that was well below its long-run average.

Inflationary pressures remained elevated during October, with the rate of output charge inflation even accelerating to a five-month high. This was despite input costs rising at a slightly softer pace.

Meanwhile, the level of business confidence slumped to its lowest level in almost two years as companies cited their concerns towards the health of the economy.

The seasonally adjusted S&P Global France Services PMI® Business Activity Index posted 51.7 in October. This was down from 52.9 in September and indicated a weaker expansion in services output across France. Moreover, although coming in above the crucial 50.0 mark which separates growth from contraction, it was well below its long-run average, pointing to a subdued improvement by historical standards.

Where an increase in activity levels was recorded, companies mentioned generally robust order book volumes. This was reinforced by survey data, which showed a further solid increase in the level of outstanding business across the France service sector.

However, some businesses commented on subdued activity levels during October, linking this to weak purchasing power among customers and heightened uncertainty. The volume of new business received by French service providers rose, but only marginally. As was the case with output, the increase in new orders was well below that seen on average across the survey history, with high prices noted as a factor behind the subdued trend in demand.

Looking ahead, the latest survey data highlighted weak business confidence. The Future Activity Index – which measures company expectations for output over the next

S&P Global France Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-26 October 2022

Comment

Joe Hayes, Senior Economist at S&P Global Market Intelligence, said:

"As the French manufacturing sector sinks deeper into contraction, the services sector has been left to maintain economic growth. So far, it's just about doing so – the Composite Output Index recorded just above the crucial 50.0 level in October. However, the underlying trend in the services sector is one of weakness. Both output and new orders rose only marginally in October and at rates that were well beneath their respective long-run averages.

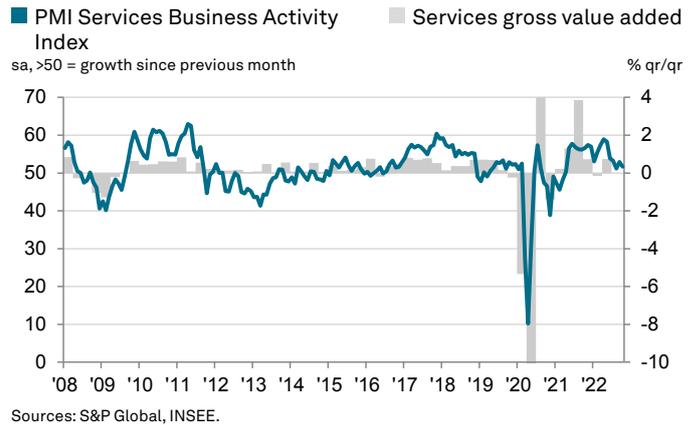
"Although the demand trend has clearly deteriorated, ample order book volumes are helping to sustain growth. Backlogs rose again in October, and this has also helped companies keep the door open for new recruits.

"The main challenge for the services sector is inflation. As client purchasing power is squeezed and real incomes fall, spending will come under pressure. Companies are awake to this risk, as evidenced by business confidence slumping to its lowest level in almost two years in October."

12 months – fell to its lowest level in just under two years in October. Concerns among businesses were centred on the economic outlook, both domestically and elsewhere, although the possibility of persistently high inflation and a drop in investment appetite also led business sentiment to deteriorate.

Nevertheless, despite less upbeat projections towards the year ahead, there was another robust expansion in service sector employment across France at the start of the fourth quarter. The rate of job creation was only marginally weaker than September's three-month high. The recruitment of trainees and capacity expansions were noted by panellists.

Lastly, diverging trends were seen across price indicators during October. Having accelerated slightly in September, the rate of input cost inflation eased during the latest survey period. On the other hand, French service providers raised their selling charges to the quickest extent in five months. Underpinning cost pressures were high wage and energy bills, as well as reports of increased transport costs. In response, French service providers were more aggressive in their price setting and chose to at least partly pass on these greater expenses to their customers.



S&P Global France Composite PMI®

Composite output grows only fractionally and at weakest pace in over a year-and-a-half

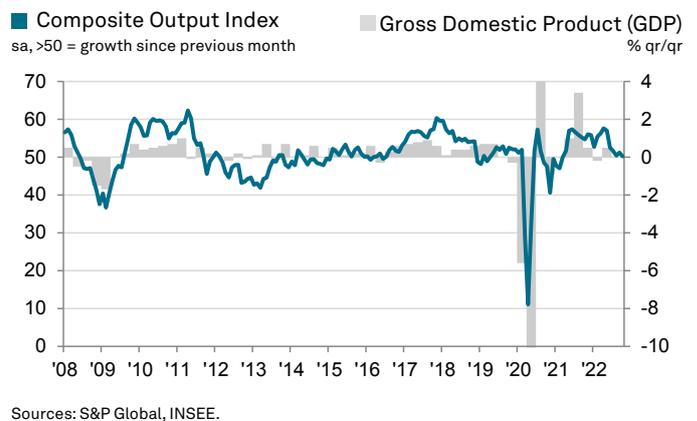
The S&P Global France Composite PMI Output Index* fell to 50.2 in October, down from 51.2 in September and its lowest level since March 2021. Overall, the latest survey data suggest that France's private sector economy grew only fractionally at the start of the fourth quarter.

A significant drag on growth came from the manufacturing sector, where output fell sharply. This was however offset by a modest rise in services activity.

That said, overall new business inflows fell for a third successive month in October. This was exclusively driven by a rapid deterioration in new orders placed with manufacturers as demand for French services rose marginally.

Overall input cost inflation eased in October but remained elevated. A slightly faster rate of increase in services charges compared with a weaker rise in manufacturers' factory gate prices. As a result, the overall rate of output charge inflation was little-changed in October.

More positively, a strong increase in private sector employment was registered at the start of the fourth quarter.



*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 78% 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 PMI

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