News Release

Embargoed until 0950 CET (0850 UTC) 3 December 2021

IHS Markit France Services PMI®

Including IHS Markit France Composite PMI®

Activity growth improves to five-month high

Key findings

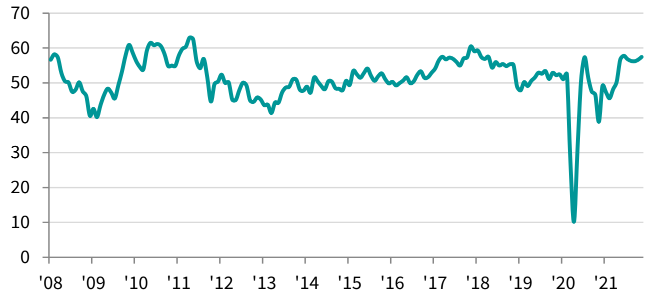
Strong jobs growth sustained as business activity continues to grow

Firms report still-strong demand pressures

Output prices rise at fastest rate since June 2011

France Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

Data were collected 10-25 November 2021.

The recent period of strong services activity growth showed no signs of slowing in November, with the expansion accelerating to a five-month high as panel members reported robust demand conditions and continued efforts to restore activity levels to their pre-pandemic state. Improving tourism trends also provided additional support to the sector, while employment growth remained strong as firms boosted their capacities.

Meanwhile, price pressures intensified, with rates of input cost and output charge inflation reaching new multi-year highs.

The seasonally adjusted France Services Business Activity Index increased to 57.4 in November, from 56.6 in October, signalling the strongest expansion in service sector output since June. As has been the case since May, when looser pandemic-related restrictions began supporting a broad recovery in the sector, the latest rate of growth was well above the historical average. According to anecdotal evidence, the resumption of certain activities impacted by the pandemic helped boost activity, in addition to still-resilient demand conditions.

Latest survey data highlighted strong new order growth at French service providers in November, despite the pace of expansion moderating slightly. There were several reports of increased business enquiries, particularly from existing clients. Improved tourism was also a contributing factor, according to panellists. New export sales registered back-to-back months of growth during the latest survey period.

However, French service providers continued in their struggles to process workloads in a timely and efficient manner. This was evidenced by a further rise in the level of business outstanding during November. Overall, the rate of backlog accumulation was strong and the fastest since July.

Efforts to bolster capacities were seen through continued hiring during November. Where jobs growth was recorded, this was often attributed to the resumption of services that had been put on hold due to the pandemic, as well as expectations of continued activity growth.

Positive expectations were also captured by the latest survey data, with French service providers signalling a strong level of optimism towards future activity. According to anecdotal evidence, continued growth in demand is anticipated by firms and is expected to drive output higher over the coming 12 months.

Meanwhile, prices data pointed to intensifying inflationary pressures at French service providers during November. Input costs increased at the fastest rate in almost 13-and-a-half years, with the rate of inflation quickening for a sixth straight month. Higher charges from suppliers, as well as greater energy, staff and transport expenses were mentioned by firms.

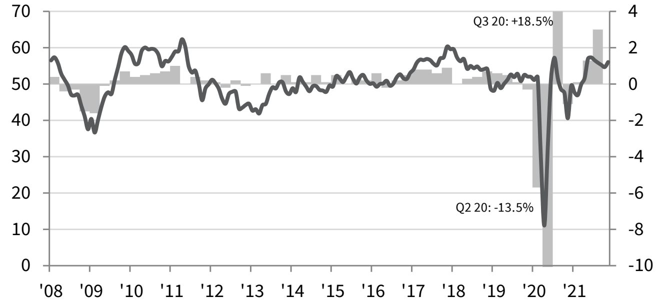
Businesses responded to higher cost burdens by raising their own selling prices in November. The rate of increase accelerated and was the strongest since June 2011.

IHS Markit France Composite PMI®

Strong services growth masks stagnant manufacturing economy

France Composite PMI Output Index
sa, >50 = growth since previous month

GDP
% qr/qr



Sources: IHS Markit, INSEE.

Private sector business output expanded once again during November, marking an eighth successive month of growth. That said, the service sector was the sole driving force as manufacturing output levels were stagnant following October's decline.

The Composite Index, which is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, increased to 56.1 in November, from 54.7 in October, signalling an accelerated expansion in private sector business activity that was the fastest for four months.

By sector, manufacturing production was broadly unchanged following a reduction in October. Meanwhile, service sector activity grew at a strong and quickened pace.

Marked new order growth was registered in November. The increase was also broad-based as a renewed rise in demand for goods was supported by still-strong growth in new business at services firms. Employment also grew robustly during the latest survey period, with the rate of jobs growth well above its historical average.

Price pressures remained considerable, however, with rates of output price and input cost inflation edging higher. In fact, operating expenses increased at the fastest rate since October 2004, while output charge inflation reached a ten-and-a-half year high.

Comment

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

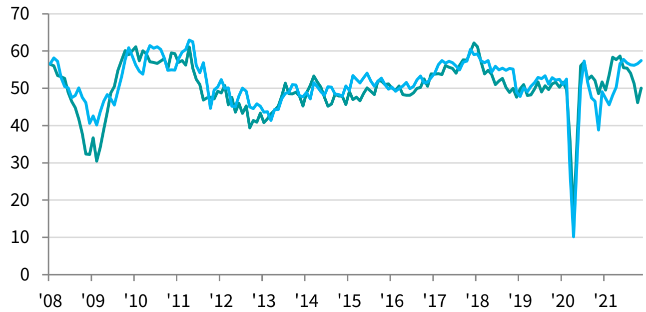
"November presented another positive month for France's service sector, with growth accelerating to a five-month high amid still-strong hiring activity and improving demand conditions.

"To be clear though, the service sector is what is keeping the economy afloat at the moment as France's manufacturing sector is struggling with massive supply-related constraints.

"This puts the wider economy in a precarious position, because as we've seen on other parts of Europe, the fate of the service sector is still a function of the trajectory of COVID-19 cases. Policymakers in France have so far talked down the potential for the most stringent of restrictions being implemented, which bodes well for economic activity through the next couple of quarters, but as we've seen before, this can change rapidly.

"That said, if France manages the current wave of infections, this should allow robust growth in the service sector to continue."

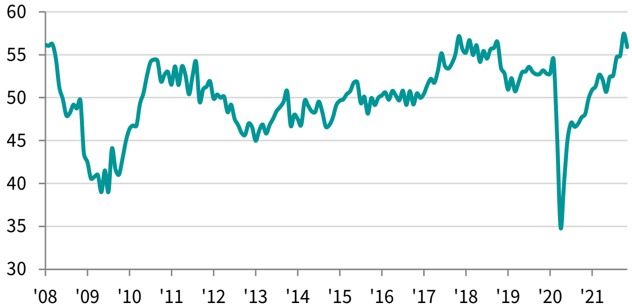
Manufacturing Output Index / Services Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit.

France Services PMI Employment Index

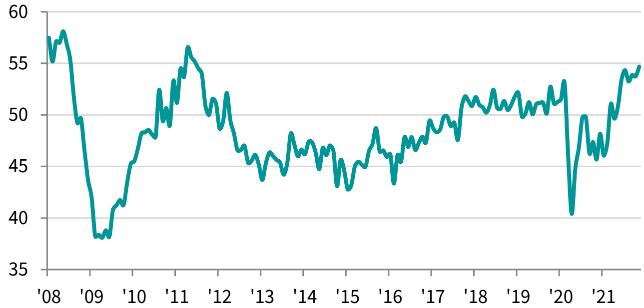
sa, >50 = growth since previous month



Source: IHS Markit.

France Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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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 10-25 November 2021.

Survey data were first collected May 1998.

Flash vs. final data

Flash services data were calculated from 86% 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).

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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.