

News Release

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S&P Global France Services PMI®

First expansion in services activity since October 2022

Key findings

French service sector activity rises moderately in February

New business intakes grow, albeit only marginally

Inflationary pressures remain close to record highs

Business activity at French service providers expanded in February for the first time since October last year. The upturn was the strongest in seven months as surveyed companies noted a pick-up in client activity and some improvements in underlying demand conditions. Indeed, the rise in activity was accompanied by a rejuvenation in new business growth.

Notably, French services companies hired extra workers once again, with the rate of job creation ticking up to a four-month high. Employment expenses had a strong influence on overall input costs during February, according to panel members. Input price inflation was at its sharpest since last October. Prices charged subsequently rose, and at their fastest pace in nine months.

The seasonally adjusted S&P Global France Services PMI® Business Activity Index rose markedly from 49.4 in January to 53.1 in February. Posting above the critical 50.0 threshold for the first time since October 2022, the latest results signalled a renewed expansion in business activity across France's service sector. Furthermore, the rate of growth was solid and the quickest since July last year. February's uptick was a notable turnaround from each of the prior three months, where services activity had fallen.

According to survey respondents, output was spurred higher by improving underlying demand conditions and a general increase in market activity. The level of incoming new business received by French service providers increased in February, albeit only marginally. Nevertheless, this was a noteworthy improvement when compared with the declines seen in each of the previous three survey periods.

The improvement in overall demand was curbed however by another marked deterioration in sales performances to non-domestic based clients. New export business fell at the quickest rate since December 2020.

The latest survey data highlighted a further increase in service sector workforce numbers across France. In fact, the rate of job creation was the fastest since last October and broadly level with that seen on average over the current

S&P Global France Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-23 February 2023

Comment

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

"France's service sector sprang back to growth in February. The expansion was solid and a marked turnaround when compared with the declines seen in January and at the back-end of 2022.

"Overall, the February PMI surveys are a net positive for the French economy. A solid expansion in services activity was sufficient to offset weakness on the manufacturing side. There was also evidence of improving underlying demand for services and suggestions that, despite eroding real incomes, private consumption and business expenditure is showing some resilience.

"February's PMIs will add conviction to no-recession calls. However, it will also justify the stance of monetary policy hawks within the ECB. Input costs rose sharply once again and the PMI here is proving to be stubborn. Notably, service sector companies raised their charges at the second-fastest rate on record in February. This suggests that pricing power remains strong for services firms."

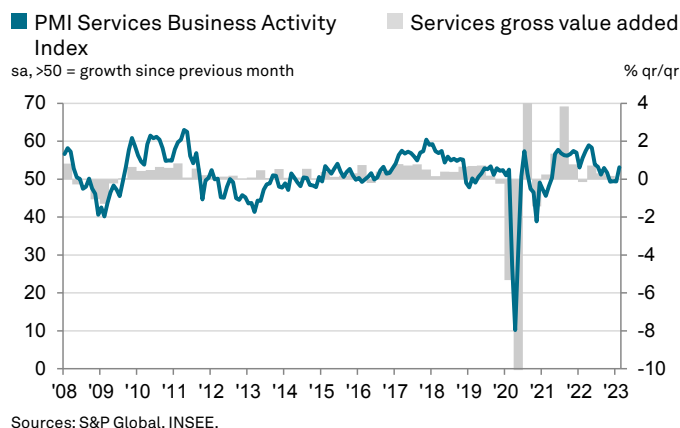
26-month sequence of rising employment.

Still, workforce expansion failed to prevent a build-up of incomplete business. Backlogs of work rose in February, reversing January's slight decline. The accumulation was solid and the fastest for four months.

Meanwhile, February survey data signalled considerable inflationary pressures across the French service sector. Input costs rose at an accelerated pace midway through the first quarter, with the rate of increase at a four-month high. According to anecdotal evidence, salary expenses were a key driver of cost inflation.

Service providers responded to the intensification of cost pressures by raising their charges more aggressively during February. Overall, selling prices were increased to the second-greatest extent in the series history, surpassed only by the record in May 2022.

Concerns surrounding inflation reportedly curbed business confidence during February. Although on balance firms were optimistic towards the next 12 months, the degree of positivity eased slightly since January. Nevertheless, hopes of a revival in demand spurred positive growth projections at some companies.



S&P Global France Composite PMI®

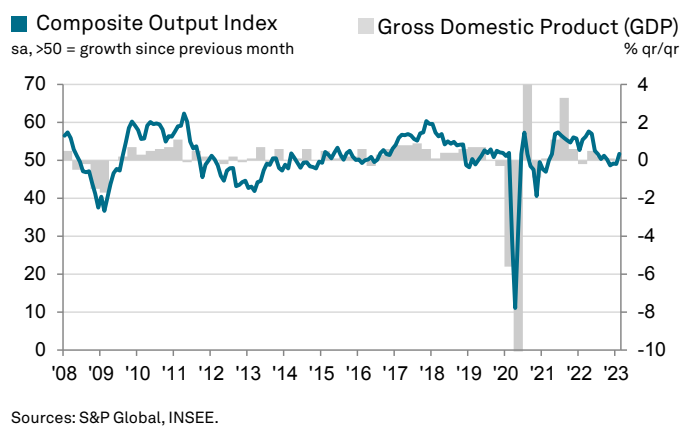
Service sector pulls private sector economy back into growth territory during February

The S&P Global France Composite PMI Output Index* rose from 49.1 in January to 51.7 in February, thereby signalling a return to expansion in France's private sector following three months of decline. That said, the upturn was exclusively a reflection of an improvement in the service sector as manufacturing output fell at the strongest pace since last October.

Although business activity growth was rejuvenated, there was a further drop in the overall level of new incoming work in February. While new business receipts at services firms rose marginally, this was more than offset by a steeper decline in new factory orders.

Nevertheless, private sector employment across France continued to rise, with the rate of job creation accelerating to a four-month high. Increased hiring came amid a renewed rise in backlogs of work in February.

Elsewhere, input price inflation remained steep but eased to a 12-month low as manufacturing cost pressures rapidly subsided. Output charge inflation eased only slightly from January's eight-month peak.



*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.

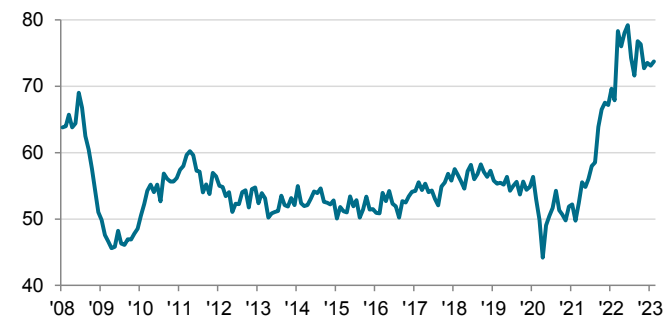
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



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 74% of final responses. Flash composite data were calculated from 80% 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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Contact

Joe Hayes
 Senior Economist
 S&P Global Market Intelligence
 T: +44-1344-328-099
joe.hayes@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44-7967-447-030
sabrina.mayeen@spglobal.com

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