

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash France PMI[®]

French economic growth slows again at the beginning of 2022

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 52.7 in January (55.8 in December), 9-month low.
- Flash France Services Activity Index⁽²⁾ at 53.1 in January (57.0 in December), 9-month low.
- Flash France Manufacturing Output Index⁽³⁾ at 50.8 in January (50.4 in December), 4-month high.
- Flash France Manufacturing PMI⁽⁴⁾ at 55.5 in January (55.6 in December), 3-month low.

Data collected 12-20 January.

Latest survey data showed economic activity rising at a slower rate at the beginning of 2022, with combined manufacturing and service sector output growth easing to a nine-month low. For manufacturing, there was a slight improvement in sector expansion, but a notable easing in services growth weighed on the overall performance of the French economy.

Once again, the latest PMI data continued to highlight the effects that the latest wave of COVID-19 infections, as well on-going supply chain disruptions, are having on economic activity. Inflationary pressures also intensified across France, with output prices increasing at the fastest rate on record amid a stronger rise in cost burdens.

The Flash France Composite Output Index fell to 52.7 during January, from 55.8 in December. While this continued to signal private sector activity rising over the month, and as has now been the case since last April, it was also indicative of growth slowing to the weakest over this period. The drag on economic performance stemmed from the service sector as the production of goods rose at a slightly faster pace. However despite this, services firms remained the principal driver of overall growth in France.

Where an increase in activity was reported, this was often linked to better demand conditions. That said, output was hindered by staff shortages, according to firms, as headcounts were adversely impacted by COVID-19 infections. Low supply of inputs also continued to be a hindrance as companies battled against a further lengthening of vendor delivery times.

Overall new orders at private sector firms in France increased during January. The upturn in sales was also broad-based across both manufacturing and services, but the rate of expansion eased in both cases. The large number of COVID-19 cases across France due to the spread of the Omicron variant was cited as a major cause behind the softer improvement in demand, according to survey respondents.

Nevertheless, continued growth in order books encouraged companies to recruit additional workers in January. Overall, the rate of jobs growth was strong by historical standards, but the weakest since July. Once again, the surge in COVID-19 infections was noted as an impediment to hiring efforts.

Indeed, amid some firms indicating that their staffing levels remain insufficient, backlogs of work across French businesses increased at a stronger rate during January. According to survey data, the extent to which outstanding business rose was the fastest in six months.

Elsewhere, latest PMI data signalled an intensification of price pressures across France. In fact, overall input costs rose at the fastest rate since October 2004, reflecting greater expenses relating to staff, transport, energy and a wide array of raw materials. In response, selling charges were raised to the quickest extent since records began in October 2002.

Finally, private sector companies across France

remained optimistic towards future activity in January. Positive expectations reflected expectations of greater staffing levels and the consequent improvement in capacity this brings. Other firms anticipate demand to recover further from the pandemic, particularly from overseas clients.

Comment

Commenting on the Flash PMI data, Joe Hayes, Senior Economist at IHS Markit said:

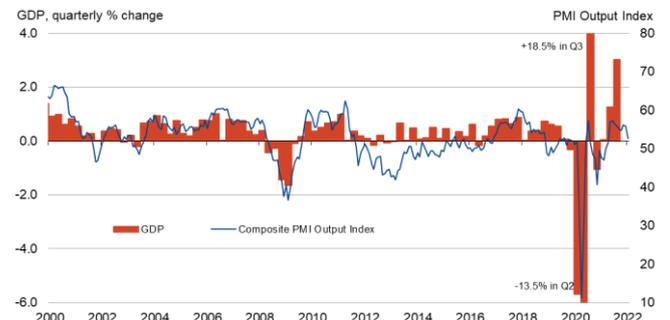
“Given the surging number of daily COVID-19 cases we’ve seen in France, it’s no surprise to see softer PMI numbers in January. In comparison to eurozone peers, France has taken a more lenient approach and stopped short of implementing more stringent measures, enabling growth to be sustained. However, the economic impact was still apparent as staff members isolating due to contracting the virus meant many firms struggled to reach their potential, creating further backlogs of work and leaving orders unfilled.

“Supply chain issues continue to impact the economy, particularly manufacturers, but we do appear to have seen the worst as delivery times lengthened to a far weaker extent than seen during much of 2021. That being said, the inflationary side effects remain in play and are being exacerbated by rising staff costs and energy prices.

“While the start of a new year marks the turning of a new leaf for many, it seems the French economy is still suffering a hangover from the challenges we saw for large parts of 2021.”

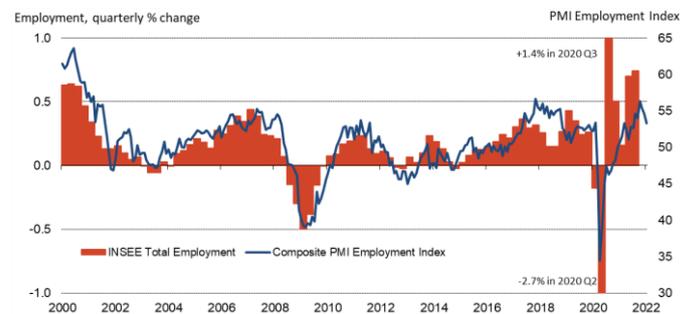
-Ends-

Economic Output



Sources: IHS Markit, INSEE via Datastream.

Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final January data are published on 1 February for manufacturing and 3 February for services and composite indicators.

The France PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of 750 companies based in the French manufacturing and service sectors. The **flash** estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
France Composite Output Index ⁽¹⁾	-0.1	0.4
France Manufacturing PMI ⁽⁴⁾	0.1	0.3
France Services Business Activity Index ⁽²⁾	-0.1	0.5

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"
4. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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