

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

Coronavirus outbreak drives record contraction in private sector activity

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 30.2 in March (52.0 in February), series low
- Flash France Services Activity Index⁽²⁾ at 29.0 in March (52.6 in February), series low
- Flash France Manufacturing Output Index⁽³⁾ at 35.6 in March (49.0 in February), 132-month low
- Flash France Manufacturing PMI⁽⁴⁾ at 42.9 in March (49.7 in February), 86-month low

Data collected March 12-23. The response rate for March was not affected by shutdowns in place due to the Covid-19 outbreak.

French private sector activity contracted at the sharpest rate in nearly 22 years of data collection during March, amid widespread business closures due to the coronavirus outbreak.

At the sub-sector level, the reduction was broad-based, but faster at service providers who recorded their quickest decline since data collection began in May 1998. While softer than their services counterparts, manufacturers also registered a sharp decrease in activity and the strongest since March 2009.

Amid wide-ranging measures to stifle the spread of the disease, the Covid-19 outbreak depressed demand in March. **Overall new orders** placed with French businesses fell at the fastest pace in the series history. Registering a series record contraction, service providers again experienced a faster decline than manufacturers, despite the latter recording a considerable fall in new work.

Tumbling demand was partially driven by weaker international sales in March. The latest contraction in new export business was the quickest since composite data collection began in September 2014. Both monitored sub-sectors registered their sharpest declines seen during this period.

Amid falling new orders, private sector firms cut their staff numbers for the first time in nearly three-and-a-half years during March. Moreover, the rate of reduction was the quickest since April 2013. The result was driven by decreases at both manufacturers and services providers, with the former recording the sharper pace of decline.

Following almost a year of successive accumulation, March data pointed to a sharp fall in outstanding business at French businesses. Fewer orders allowed firms to alleviate backlogs to the quickest degree since March 2009. At the sub-sector level, service providers recorded the faster reduction, although manufacturers also registered a marked decline.

Despite weaker demand conditions, supply shortages drove **input prices** higher in March. That said, the rate of inflation eased to the softest in the current 49-month sequence and was only marginal overall. The rise in overall costs was underpinned by a slight rise in the service sector as manufacturers recorded a solid reduction.

French private sector companies opted to absorb higher costs and reduce **average output prices** in March. The decrease ended a two-and-a-half-year sequence of inflation. However, there were contrasting results at the sub-sector level, with manufacturers raising output prices for the first time in three months, while service providers cut output prices solidly.

Finally, amid widespread expectations of a global economic recession, firms were pessimistic towards the **12-month business outlook** in March. Moreover, the degree of negativity was the most marked since composite data collection began in July 2012. Both manufacturers and service providers recorded series low levels of confidence.

-Ends-

Comment

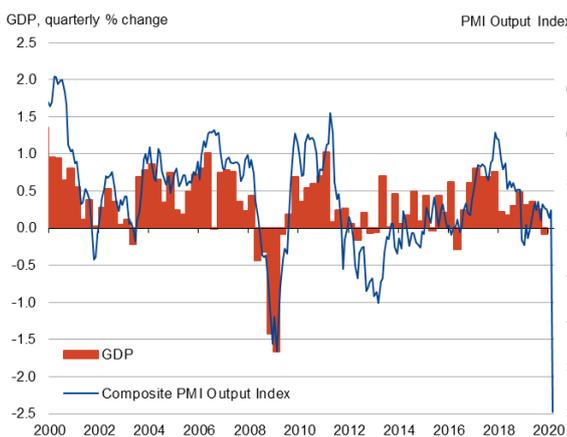
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

“The latest PMI data revealed dismal results for the French private sector, with coronavirus-driven shutdowns leading to widespread economic disruption.

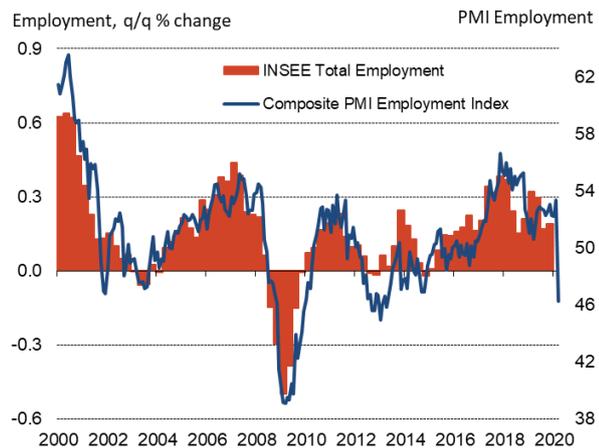
“March saw a record rate of declines for services activity, while the manufacturing sector suffered to the greatest extent since the global financial crisis. Taken together, these declines suggest GDP is collapsing at an annualised rate approaching double digits.

“Currently with the fourth highest number of confirmed infections in Europe, France has put in place wide-ranging measures to stem the further spread of COVID-19 but is also balancing these with policies to limit the associated economic impact. Over the coming months, the PMI will be a crucial indicator in assessing the development of the effects of these policies on the economy.”

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final March data are published on April 1st for manufacturing and April 3rd 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⁾	0.0	0.3
France Services Business Activity Index ⁽²⁾	-0.2	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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