

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

Weakness in manufacturing offset by sharper service sector growth

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 56.3 in November (54.7 in October), 4-month high.
- Flash France Services Activity Index⁽²⁾ at 58.2 in November (56.6 in October), 46-month high.
- Flash France Manufacturing Output Index⁽³⁾ at 48.0 in November (46.1 in October), 2-month high.
- Flash France Manufacturing PMI⁽⁴⁾ at 54.6 in November (53.6 in October), 2-month high.

Data collected 10-19 November.

The fastest increase in services activity for almost four years drove a stronger expansion in the wider economy during November, the latest Flash France PMI[®] data showed, as manufacturing production registered back-to-back declines. Overall, combined output across the two sectors increased at an accelerated rate, ending a four-month period of slowing growth.

Meanwhile, supply-chain disruptions persisted and continued to exert substantial upward pressure on prices. Overall output charges increased at the steepest rate in ten-and-a-half years as input cost inflation held close to October's 17-year peak.

The Flash France Composite PMI Output Index rose to 56.3 in November, from 54.7 in October, its highest reading in four months. That said, the headline figure continued to mask widely divergent trends at the sector level. Manufacturing output fell for a second month running, while services activity expanded sharply and at the fastest rate since January 2018.

While poor availability of inputs, long lead times and subdued levels of demand impeded manufacturing production volumes, service providers reported greater intakes of new business and continued recovery efforts within their sector.

Private sector new business increased for a ninth month running during November. A slight increase in manufacturing new orders was a contrast with October's reduction, but was marginal and notably weaker than those seen in the first half of 2021. Demand for French services on the other hand continued to rise at a strong rate during the latest survey period. New client wins and higher workloads from existing customers were noted by service providers, as well as some revival in tourist activity. Indeed, overall new export order growth picked up to a three-month high in November as stronger expansions were recorded in both monitored sectors.

There were still signs of strong capacity pressures during November, with backlogs of work increasing at the fastest pace in three months. This trend was observed across both manufacturing and services firms, with anecdotal evidence linking material shortages and rising new business intakes to the accumulation in work-in-hand.

In order to meet existing and expected demands on their businesses, private sector employment across France continued to increase in November. In line with the trend seen in recent months, jobs growth remained well above its historical average and was primarily led by service providers.

Elsewhere, steep rates of both output price and input cost inflation were once again recorded in November. Price pressures were particularly acute at manufacturers, in part a reflection of their sensitivity to intense shortages of components, but service providers were also reportedly impacted by supply issues. Indeed, as well as increased prices of materials and other items, transport, energy and staff costs also contributed to rising expenses. Overall, the rate of input price inflation held close to October's 17-year high.

There were widespread comments from businesses linking higher output prices to greater cost burdens.

Selling charges were increased at the strongest rate since May 2011 during November as both manufacturers and service providers marked up their prices to stronger extents to protect their profit margins.

Comment

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

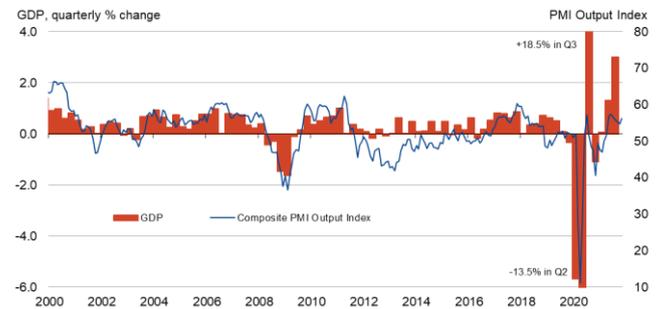
“Having embarked on a clear period of slowing growth in the months leading up to October, the flash PMI data for November showed a fresh acceleration in French economic expansion. As well as stronger growth in output, new orders rose at a faster pace, which firms suggest is down to businesses recovering, helping to lift client demand.

“However, the driving force behind improvements in the data is services. Manufacturers are still struggling with component shortages, long lead times and subdued demand conditions. These factors drove back-to-back drops in production.

“Unfortunately, this puts the wider economic recovery in a precarious position, especially with the raft of new COVID-19 containment measures being implemented across other parts of Europe. While French officials have talked down the prospect of imminent restrictions, the trajectory of the virus in the coming weeks will be a key determinant of near-term economic activity, as any new restrictions are likely to hit the service sector, which at present is giving the economic recovery its principal impetus.”

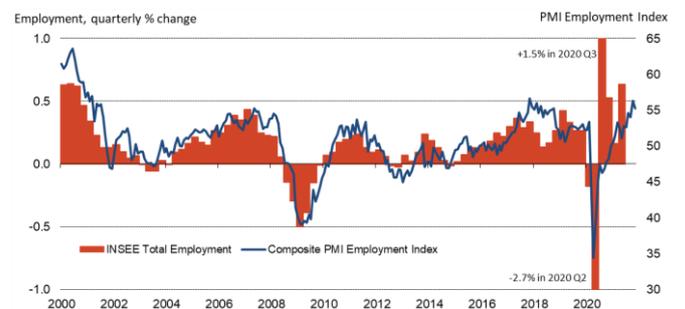
-Ends-

Economic Output



Sources: IHS Markit, INSEE via Datastream.

Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final November data are published on 1 December for manufacturing and 3 December 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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