

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION

EMBARGOED UNTIL: 09:15 (CEST) / 07:15 (UTC) 23 September 2021

IHS Markit Flash France PMI[®]

Growth continues to lose steam as supply constraints bite

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 55.1 in September (56.9 in August), 5-month low.
- Flash France Services Activity Index⁽²⁾ at 56.0 in September (56.3 in August), 5-month low.
- Flash France Manufacturing Output Index⁽³⁾ at 51.2 in September (54.0 in August), 8-month low.
- Flash France Manufacturing PMI⁽⁴⁾ at 55.2 in September (57.5 in August), 8-month low.

Data collected 13-22 September.

The September Flash France PMI[®] revealed a further loss of growth momentum as the third quarter drew to a close. The French private sector recorded its slowest rate of growth since April and notched a third successive month in which the economic recovery has cooled. While rates of expansion lost steam in both manufacturing and services, the slowdown at the former was particularly notable in September. According to surveyed firms, manufacturing output growth was curtailed by shortages of raw materials and other key components.

The Flash France Composite PMI Output Index fell to 55.1 in September, from 55.9 in August, signalling the weakest rate of growth in private sector business activity since April, and a further slowdown from June's peak in the recovery from the COVID-19 pandemic. Nevertheless, a still-strong rise in services output supported a similar outturn at the composite level in September, contrasting with a considerably slower rate of manufacturing production growth.

Latest survey data signalled a further and accelerated deterioration in supplier performance faced by French goods producers. In fact, the increase in average lead times during September was, with the exception of the intense bottlenecks seen in April 2020 when swathes of containment

measures were implemented globally, the worst on record. Low supplies of raw materials and key components, poor freight availability, port closures in Europe and Asia and strong demand were all mentioned as contributing factors.

As a result, both manufacturing and service sector companies reported increased input prices during September. Overall, the rate of cost inflation across the French private sector was the steepest since April 2011 and overwhelmingly attributed to a lack of material supply. As a consequence, output charges were raised in both sectors during the latest survey period. The month-to-month increase was particularly sharp at manufacturers, and hit a fresh survey record high.

The effects of material shortages and higher prices also contributed to a slowdown in new order intakes during September, according to panel members. Some service sector companies also linked weaker activity levels to the introduction of the "pass sanitaire", which requires evidence of a low COVID-19 transmission risk. Overall, total new order growth eased to a five-month low, although there were reports that recovering activity levels at clients had supported growth in a number of cases.

More positively, private sector employment increased during September at the fastest pace in almost three years. According to anecdotal evidence, firms boosted recruitment, particularly of fixed-term employees, in order to meet high levels of demand.

Stronger jobs growth was accompanied by the slowest rise in backlogs of work for five months during September. Some companies were able to clear their incomplete orders as a result of slowing demand growth. That said, while the rate of accumulation was notably weaker than seen in previous months, it was still solid overall.

Lastly, business optimism improved during September for the first time since June. Some

companies linked their increased confidence to rising vaccination rates, expectations of improving global economic growth and stability in the market for raw materials and other key components.

Comment

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

“Flash PMI data for September provides clear evidence that economic growth in France is cooling. The index has been trending lower since it peaked in June, and this could easily continue as we head into the autumn and winter period across Europe.

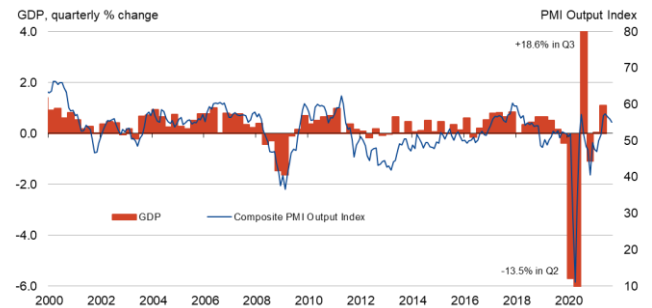
“The most striking finding from the September survey was the strong drop-off in manufacturing production growth, which panel members linked to the well-documented supply-side issues that are ongoing at present. Firms still can’t secure vital components and other raw materials in a timely manner, and rising prices are causing some projects to no longer be economically viable, which is impacting demand. These issues aren’t just confined to the manufacturing sector either, with service providers also affected.

“An accelerated deterioration in supplier delivery times has again pushed up inflation, after August data provided tentative hopes that some of these pressures were coming off the boil.

“Overall, slowing demand growth, rising prices and considerable supply-side issues are – to say the least – far from the ideal conditions as we head into what seems to be another challenging winter period.”

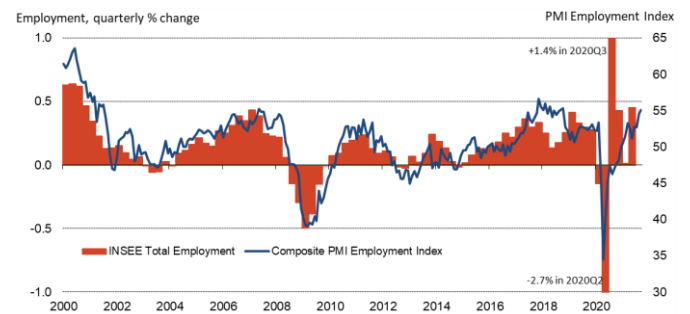
-Ends-

Economic Output



Sources: IHS Markit, INSEE via Datastream.

Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final September data are published on 1 October for manufacturing and 5 October 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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