

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

Weaker fall in activity during May as firms begin to reopen after lockdown

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 30.5 in May (11.1 in April), three-month high
- Flash France Services Activity Index⁽²⁾ at 29.4 in May (10.2 in April), three-month high
- Flash France Manufacturing Output Index⁽³⁾ at 35.3 in May (15.1 in April), two-month high
- Flash France Manufacturing PMI⁽⁴⁾ at 40.3 in May (31.5 in April), two-month high

Data collected May 12-20. The response rate for May was not affected by shutdowns in place due to the Covid-19 outbreak.

French private sector activity fell further in May as restrictions designed to stem the spread of global coronavirus disease 2019 (COVID-19) continued to weigh on the economy. However, the rate of reduction in activity eased noticeably from April's unprecedented contraction as some firms began to reopen.

The softer decrease in output was driven by slower declines in output in both the manufacturing and service sectors. The fall in output at manufacturers was slower than at service providers, although both contractions remained historically marked.

The coronavirus outbreak and resulting lockdown measures continued to suppress demand in May. New business fell for the third month in a row, with the rate of decline remaining considerable overall. That said, the latest reduction was much softer than April's extreme fall.

International demand continued to tumble in May, with new export orders falling for the fifth month in succession. However, the rate of reduction eased from April when it was the sharpest since composite data were first available in September 2014. At the sub-sector level, both manufacturers and service providers saw softer, but still considerable, declines.

Amid a further decline in new business, private sector firms continued to pare back staff numbers in May. The rate of workforce contraction was weaker than in April, but remained historically marked. Sector data suggested that manufacturers cut employment at a quicker pace than service providers.

Subdued demand conditions saw backlogs of work fall further in May, extending the current sequence of decline to three months. Though sharp, the latest reduction was softer than April's historic decrease. Service sector firms registered a faster contraction than their manufacturing counterparts.

Input prices faced by private sector companies in France fell for the third successive month in the latest survey period. However, following April's sharp decrease, the rate of reduction eased in May and was modest overall. Anecdotal evidence suggested that the influence of falling oil prices on related goods more than offset higher costs for inputs in short supply.

In line with the trend for input prices, firms continued to cut their average output charges in May. Though marked overall, the latest reduction was softer than April's recent record. At the sector level, the fall in output prices was noticeably softer at manufacturers for the second month in a row.

Finally, French businesses remained pessimistic towards the 12-month business outlook in May, driven by expectations of a prolonged global economic slowdown. That said, the degree of negativity eased since April, with some panellists expecting a steady rise in output as lockdown restrictions are removed. Of the two covered sectors, manufacturers were the most pessimistic, although service providers also anticipated a reduction in activity over the next year.

Comment

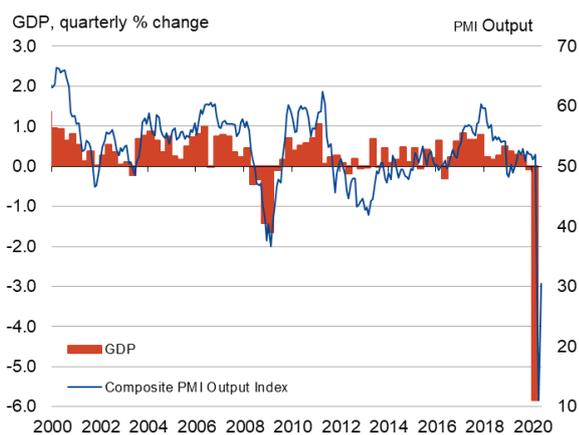
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

“As anticipated, the latest France Flash PMI results pointed to a much slower contraction in business activity during May, with some companies reopening as lockdown measures are cautiously pared back. However, despite some firms beginning to resume operations, the private sector as a whole posted another sharp decline in activity, falling further from an already low base set in April. The data highlights the difficulties economies may face in the recovery from this crisis, as firms continue to lay-off workers amid a persistently uncertain outlook.

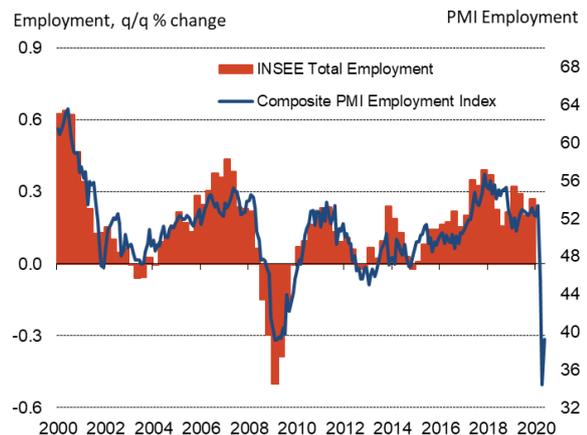
“Given the sharp contraction in first quarter GDP caused by only two weeks in lockdown, the latest PMI data suggest that we are set for colossal reduction in economic activity during the second quarter.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final May data are published on June 1st for manufacturing and June 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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