

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

French business activity falls back into contraction territory

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 48.7 in March from 50.4 in February (2-month low)
- Flash France Services Activity Index⁽²⁾ at 48.7 in March (50.2 in February), 2-month low
- Flash France Manufacturing Output Index⁽³⁾ at 48.8 in March (51.0 in February), 3-month low
- Flash France Manufacturing PMI⁽⁴⁾ at 49.8 in March (51.5 in February), 3-month low

Data collected March 12-21

At 48.7 in March, the **IHS Markit Flash France Composite Output Index** fell from 50.4 in February, signalling a renewed decline in private sector business activity. Contributing to the downturn was an acceleration in the rate of new order decline, driven by the sharpest fall in new export business for nearly three years. Meanwhile, input price inflation eased from February, and employment grew at the slowest pace since December 2016.

The moderate contraction in output was driven by declines in both the manufacturing and service sectors. **Goods producers** saw output fall at the fastest pace since December, with panellists citing lower new orders volumes. Meanwhile, after a fractional recovery in February, **service providers** recorded a modest downturn in business activity.

A key factor behind the reduction in business activity was a fourth consecutive monthly decline in **new business**. March's contraction in new orders was moderate overall but quicker than in February. The rate of decrease was consistent across both the manufacturing and service sectors.

The decline in new orders was partially driven by the fastest fall in **new export work** for nearly three years. Some panellists suggested that the 'gilets jaunes' disruption and the postponement of Algerian elections were in part to blame.

Softer demand saw a renewed fall in **outstanding business** at the end of the first quarter. The marked contraction was the sharpest for almost six years, although the deterioration was principally led by the service sector.

Despite March's weak showing, French private sector firms continued to increase their **staff numbers**. That said, the latest workforce expansion was marginal overall and the softest since December 2016. The slowdown in net hiring was broad-based, with both manufacturers and services firms recording weaker employment growth than in February.

On the price front, **input cost inflation** eased for the third month in a row during March. The net rise in prices was driven by higher fuel, transport and wage costs, according to anecdotal evidence. Services firms recorded a faster increase than their manufacturing counterparts for the first time since July 2016.

Meanwhile, **output price inflation** was broadly consistent with the rate in February. Some panellists attributed the marginal uptick in average output charges to higher input costs. Although reporting only a moderate increase overall, manufacturers increased their output prices at a sharper rate than services firms.

Consistent with the decline in output during March, private sector firms were slightly less **confident towards the business outlook**. That said, the degree of optimism remained above the historical average as firms cited future investment plans.

Comment

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

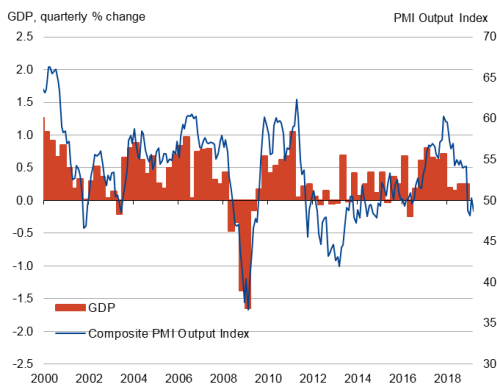
"At the end of the first quarter, the French private sector was unable to continue the recovery seen in February, as both the manufacturing and service sectors registered contractions in business activity."

“Worryingly, new orders continued to tumble amid a slowdown in demand and downward momentum in new export business. New work from abroad fell at the fastest pace for nearly three years, with a broad-based decline across both sectors.

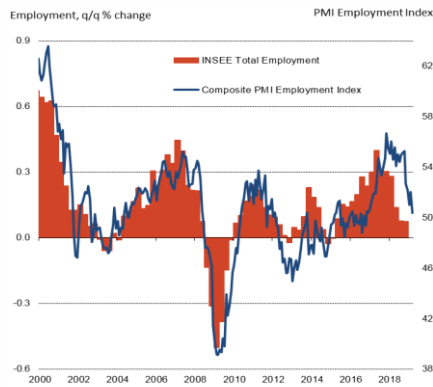
“There was some respite in that input price inflation continued to soften, particularly in the manufacturing sector. However, the private sector looks fragile, with the latest data consistent with a stagnation of economic growth. Firms subsequently increased employment at the slowest pace since December 2016.”

-Ends-

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 ⁽³⁾	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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