IHS Markit Flash France PMI®

French private sector growth eases after July’s sharp expansion

Key findings:
- Flash France Composite Output Index(1) at 51.7 in August (57.3 in July), 2-month low
- Flash France Services Activity Index(2) at 51.9 in August (57.3 in July), 2-month low
- Flash France Manufacturing Output Index(3) at 50.7 in August (57.0 in July), 3-month low
- Flash France Manufacturing PMI(4) at 49.0 in August (52.4 in July), 3-month low

Data collected August 12-20.

Following the quickest expansion for nearly two-and-a-half years in July, French business activity grew at a softer rate during August. The latest increase in output was modest overall and in line with the initial recovery posted in June.

At the sub-sector level, the slowdown was broad-based, with both manufacturers and service providers registering softer growth than in July. Services firms recorded a quicker increase than their manufacturing counterparts for the second month running.

Softer activity growth was partially driven by a slower rise in new orders midway through the third quarter. The latest increase in sales was only marginal, with manufacturers posting a slight decline and services firms recording a softer expansion.

Underlying data indicated that new order growth remained centred on the domestic market as new export business fell for the eighth month in a row. However, the rate of decline continued to ease from April’s series record, with international demand conditions deteriorating at the slowest pace since before the escalation of the coronavirus disease 2019 (COVID-19) pandemic in March. Both monitored sub-sectors saw softer decreases in foreign sales compared to July and service providers continued to register the sharper rate of contraction.

The slowdown in new order growth saw private sector firms continue to pare back their staff numbers in August, extending the current sequence of workforce contraction to six months. Moreover, the rate of reduction accelerated slightly from July and was solid overall. The decrease in overall employment was predominantly driven by a sharp cut to manufacturing payrolls.

Meanwhile, backlogs of work faced by French private sector firms fell during the latest survey period. The result followed the first rise for five months during July when firms saw a surge in new orders. The downturn in August was driven by a solid reduction in outstanding business at service providers, which more than offset a modest expansion at manufacturing firms.

On the cost front, input prices faced by French businesses continued to rise midway through the third quarter. In fact, the rate of inflation accelerated to the quickest since January, with panellists citing higher prices for hygiene products and air freight. Of the two monitored sub-sectors, services saw the sharper rise in cost burdens.

In line with higher input costs, firms opted to increase their average charges in August. The result marked the first rise in output prices since before lockdown measures were first introduced across much of Europe during March. The rate of inflation was modest overall.

Looking forward, French private sector firms remained optimistic towards the 12-month business outlook. However, the degree of positivity eased from July’s five-month high and was weaker than the historical average. Anecdotal evidence suggested that firms remained wary of further COVID-19 outbreaks. Underlying data indicated that service providers were more confident than their manufacturing counterparts.
Comment

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

“The latest PMI data pointed to a slower rise in activity across the French private sector during August. Following the sharp expansion registered in July, growth momentum has somewhat stuttered, with the expansion in new orders slowing to a snail’s pace as manufacturers fell back into contraction territory. Meanwhile, there was a reacceleration in the rate of job cutting after three months of successive easing.

“Overall, the results highlight the fragility of demand conditions faced by French businesses and cast further doubt over the V-shaped recovery that many had hoped for.”

-Ends-

Sources: IHS Markit, INSEE via Datastream
For further information, please contact:

IHS Markit

Eliot Kerr, Economist  Katherine Smith
Telephone +44-203-159-3381  Telephone +1-781-301-9311
Email eliot.kerr@ihsmarkit.com  Email katherine.smith@ihsmarkit.com

Note to Editors:

Final August data are published on September 1st for manufacturing and September 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):

<table>
<thead>
<tr>
<th>Index</th>
<th>Average difference</th>
<th>Average difference in absolute terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>France Composite Output Index</td>
<td>-0.1</td>
<td>0.4</td>
</tr>
<tr>
<td>France Manufacturing PMI</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>France Services Business Activity Index</td>
<td>-0.2</td>
<td>0.5</td>
</tr>
</tbody>
</table>

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 the 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers’ Index® (PMI®) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi

The intellectual property rights to the Flash France PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.