

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash France PMI<sup>®</sup>

### French private sector growth eases after July's sharp expansion

#### Key findings:

- Flash France Composite Output Index<sup>(1)</sup> at 51.7 in August (57.3 in July), 2-month low
- Flash France Services Activity Index<sup>(2)</sup> at 51.9 in August (57.3 in July), 2-month low
- Flash France Manufacturing Output Index<sup>(3)</sup> at 50.7 in August (57.0 in July), 3-month low
- Flash France Manufacturing PMI<sup>(4)</sup> 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 at 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**

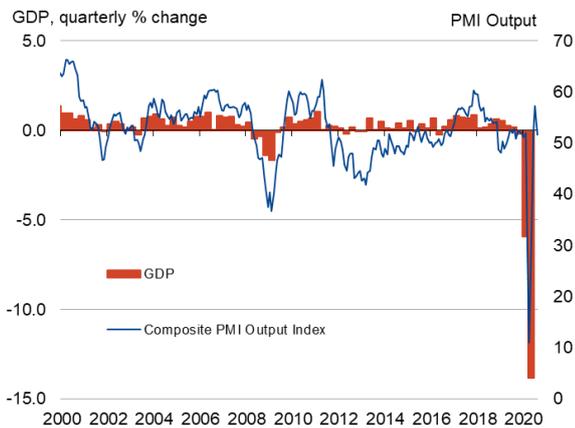
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

*“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.”*

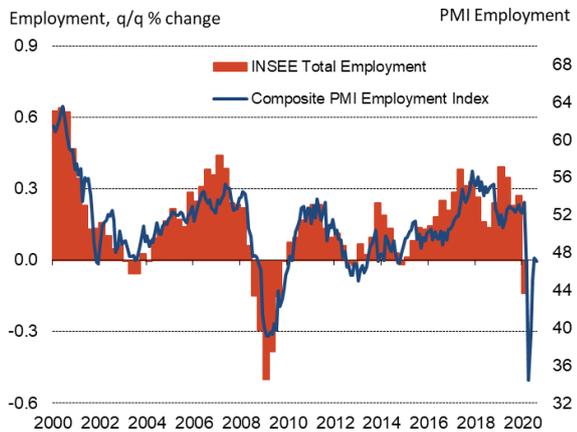
*“Overall, the results highlight the fragility of demand conditions faced by French businesses and cast further doubt over the V-shaped recovery that many had hoped for.”*

-Ends-

**Economic Output**



**Employment**



Sources: IHS Markit, INSEE via Datastream

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**Note to Editors:**

Final August data are published on September 1<sup>st</sup> for manufacturing and September 3<sup>rd</sup> 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 <sup>(1)</sup>	-0.1	0.4
France Manufacturing PMI <sup>(4)</sup>	0.0	0.3
France Services Business Activity Index <sup>(2)</sup>	-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](mailto:economics@ihsmarkit.com).

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