

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

Solid increase in activity at the start of the fourth quarter

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 52.6 in October from 50.8 in September (2-month high)
- Flash France Services Activity Index⁽²⁾ at 52.9 in October (51.1 in September), 2-month high
- Flash France Manufacturing Output Index⁽³⁾ at 51.0 in October (49.7 in September), 4-month high
- Flash France Manufacturing PMI⁽⁴⁾ at 50.5 in October (50.1 in September), 2-month high

Data collected October 11-23

At 52.6 in October, the **IHS Markit Flash France Composite Output Index** rose from 50.8 in September, and pointed to a faster expansion in private sector business activity.

The solid increase in activity was underpinned by a broad-based expansion. **Manufacturers** registered a slight recovery in output with the quickest growth for four months. Meanwhile, **service providers** recorded a faster expansion, following a brief slowdown in September.

Strengthening demand was evident in the French private sector during September, as **volumes of new business** continued to rise. Moreover, the rate of expansion accelerated from October and was solid overall. Aggregate gains were driven by services firms, who registered faster growth than in the previous survey period. Manufacturers posted a slight contraction for the second month in a row.

Quicker growth in overall new orders was supported by a rebound in **new export business** at the start of the fourth quarter. The marginal rise was underpinned by increases in exports at both manufacturers and service providers.

Amid a further rise in business activity, French business increased their **staff numbers** in October. This extended the current sequence of workforce

expansion to three years. Employment growth was also slightly quicker than in September, driven by faster rises in both the manufacturing and service sectors.

For the sixth time in as many months, **capacity pressures** at French private sector firms increased in October. This was signalled by the fastest rise in backlogs for four months. At the sector level, manufacturers continued to post faster growth than service providers, registering their quickest rise for eight months.

On the price front, **cost burdens** increased markedly in October. The rate of inflation accelerated from September, driven by a sharp increase in service sector operating expenses. In contrast, manufacturers recorded the fastest decrease since April 2016, with some firms mentioning lower prices for steel and aluminium.

Firms opted to pass on overall higher costs to their clients with an increase in **output charges** at the start of the fourth quarter. Moreover, the rise was the fastest for nine months, amid broad-based hikes at the sector level.

Finally, private sector firms in France maintained their **optimism towards the one-year business outlook** in October, citing new product development initiatives and planned operational expansions. However, the degree of positivity was weaker than in September and the softest for four months.

Comment

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

"Following a slowdown in activity growth during September, the private sector rebounded at the start of the start of the fourth quarter. A recovery in manufacturing output coupled with faster growth in services saw total activity rise solidly.

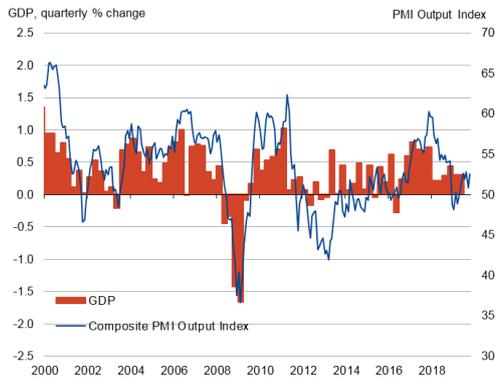
"That said, the rate of expansion in manufacturing

continued to notably lag behind that registered in the service sector, extending the trend seen throughout the majority of 2019 so far.

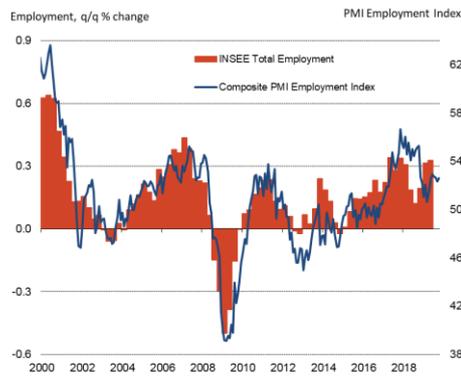
“Nonetheless, the data are consistent with the continuation of solid gains in both official economic output and employment heading into the end of the year.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final October data are published on November 4th for manufacturing and November 6th 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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