

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

Softer rise in private sector activity during July

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 51.7 in July from 52.7 in June (2-month low)
- Flash France Services Activity Index⁽²⁾ at 52.2 in July (52.9 in June), 2-month low
- Flash France Manufacturing Output Index⁽³⁾ at 49.6 in July (51.7 in June), 3-month low
- Flash France Manufacturing PMI⁽⁴⁾ at 50.0 in July (51.9 in June), 3-month low

Data collected July 12-23

At 51.7 in July, the **IHS Markit Flash France Composite Output Index** fell from 52.7 in June, pointing to a slower increase in private sector business activity.

Modest growth was driven by the **service sector**, which posted an expansion in business activity for the fourth month in a row. However, the rate of increase decelerated from June and was moderate overall. Meanwhile, **manufacturing** output slipped back into contraction territory, following a first rise for four months in June. That said, the decline was only marginal.

In line with the trend for output, **new orders** placed with private sector companies in France rose at a softer rate in July. The latest rise was moderate overall, driven by a solid increase in demand at service providers. In contrast, manufacturers saw new order volumes return to contraction after June's rebound.

New export business was broadly stagnant at the start of the third quarter, with a contraction in international sales at manufacturers broadly offsetting a modest rise at services firms. Although the decline at goods producers was only slight overall, it was the quickest for three months.

As has been the case in each month since November 2016, French private sector firms

increased their staff numbers in July. The rate of job creation eased from June's eight-month high, but remained solid overall. At the sector level, workforce expansion was driven by service providers as manufacturers recorded their first reduction in employment during 2019 so far.

July data pointed to increased capacity pressures in the French private sector, with **backlogs of work** increasing for the third month in a row. However, the latest rise was softer than in June and historically subdued. The slower expansion in outstanding business was driven by weaker increases in both covered sectors.

On the price front, **input costs** faced by French private sector firms continued to rise in July. However, the rate of inflation decelerated for the second month in a row to reach the softest for nearly two years. A key factor behind the slowdown was a first fall in cost burdens faced by manufacturers since May 2016.

Similarly, **output prices** set by private sector companies increased only slightly during July. The rate of inflation decelerated from June, with both manufacturers and service providers recording softer rises.

Finally, private sector firms maintained their **optimism towards the business outlook** at the start of the third quarter. Moreover, the degree of confidence was stronger than in June, primarily driven by an increase in optimism in the service sector.

Comment

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

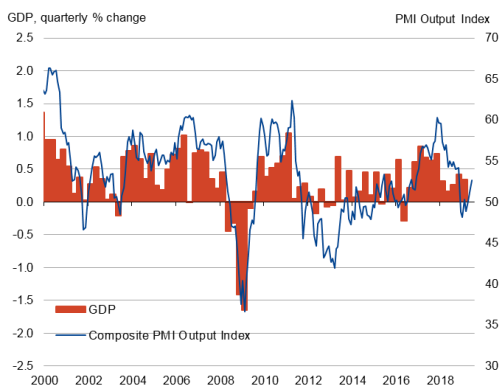
"Following a seven-month high in June, growth of the French private sector eased at the start of the third quarter. The slowdown was driven by softer new order growth, as sales at manufacturers slipped back into contraction territory at a time of ongoing

geopolitical tensions.

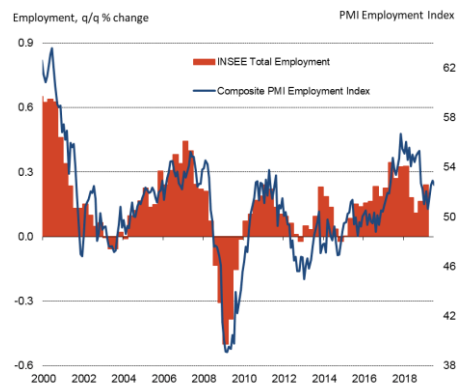
“Notably, the rate of expansion in overall business activity remains historically subdued and far weaker than the averages registered during 2017 and 2018. Moreover, softer growth in July dents hopes of a swift recovery to the long-run rate, which were beginning to materialise after June’s solid performance.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final July data are published on August 1st for manufacturing and August 5th 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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