

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

### Activity returns to growth despite subdued demand conditions

#### Key findings:

- Flash France Composite Output Index<sup>(1)</sup> at 51.3 in June (32.1 in May), four-month high
- Flash France Services Activity Index<sup>(2)</sup> at 50.3 in June (31.1 in May), four-month high
- Flash France Manufacturing Output Index<sup>(3)</sup> at 55.5 in June (36.3 in May), 28-month high
- Flash France Manufacturing PMI<sup>(4)</sup> at 52.1 in June (40.6 in May), 21-month high

Data collected June 12-22.

Private sector activity in France rose for the first time in four months during June as restrictions related to dealing with the COVID-19 pandemic continued to be lifted.

Output growth was recorded in both the manufacturing and service sectors, with the former posting its quickest rise in production since February 2018. Both readings were in stark contrast to the sharp declines registered over the past three months.

Despite widespread reports of the reopening of businesses, demand conditions remained subdued in June, with new orders continuing to decline. That said, the latest reduction was by far the softest since lockdown restrictions were first introduced in March and moderate overall. Both covered sectors registered further declines, with the quickest seen at service providers.

The trend for international demand mirrored that in the domestic market, with new export business falling further at the end of the second quarter. The rate of contraction remained sharp despite easing to the softest for four months. Panellists mentioned fewer orders from the US, China and Europe with the COVID-19 pandemic again widely blamed.

In line with subdued demand conditions, private sector firms continued to cut back on staff numbers in June. That said, the rate of workforce contraction eased for the second month in a row to reach the slowest since March. Job losses came at both manufacturers and service providers, although the rate of reduction remained quicker in services.

Outstanding business at French private sector firms fell for the fourth month in a row during June. However, the latest decrease was the slowest in that sequence and modest overall. In fact, manufacturers registered their first increase in backlogs since February, but that was more than offset by a reduction for service providers.

Meanwhile, input prices rose for the first time in four months. The rate of inflation was only marginal, however, with service firms recording a slight increase and goods producers a fractional decrease. Anecdotal evidence suggested that the rise in cost burdens was driven by higher fuel prices and greater expenditure on protective equipment.

Despite the rise in input prices, firms continued to cut their average output charges in June. The result extended the current run to four months, with some panellists commenting that discounts were necessary to retain clients. That said, the rate of decrease eased for the second month in a row.

Finally, there was renewed optimism among French private sector firms, with sentiment towards the 12-month business outlook moving into positive territory for the first time since February. Confidence was seen across both monitored sub-sectors, although it was slightly stronger at service firms. Anecdotal evidence suggested that optimism was driven by hopes of an economic recovery following the further loosening of coronavirus-related restrictions.

**Comment**

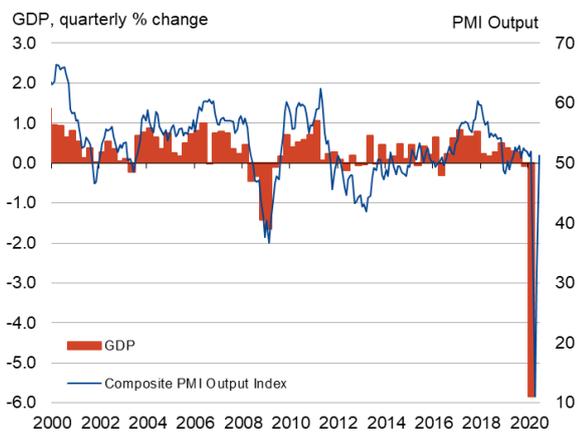
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

*“The latest PMI data suggests that France is finally entering a period of recovery as we move past the peak of the coronavirus crisis. The further loosening of restrictions has allowed some semblance of normality to resume, with many businesses and workers returning to work, particularly in the manufacturing sector.*

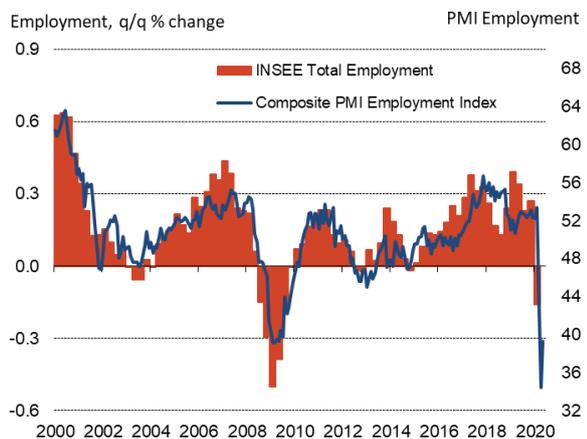
*“Barring any large scale second outbreak, demand should also follow activity into expansion territory, as confidence continues to recover. Given ongoing cross-border restrictions in many countries around the world, this will most likely be driven by the domestic market in the short-run, with international demand taking a little longer to recover.”*

-Ends-

**Economic Output**



**Employment**



Sources: IHS Markit, INSEE via Datastream

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**Note to Editors:**

Final June data are published on July 1<sup>st</sup> for manufacturing and July 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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