

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

French economy remains in firm growth territory in August

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 55.9 in August (56.6 in July), 4-month low.
- Flash France Services Activity Index⁽²⁾ at 56.4 in August (56.8 in July), 4-month low.
- Flash France Manufacturing Output Index⁽³⁾ at 54.0 in August (55.4 in July), 6-month low.
- Flash France Manufacturing PMI⁽⁴⁾ at 57.3 in August (58.0 in July), 6-month low.

Data collected 12-20 August.

The August Flash France PMI[®] signalled another strong month of economic expansion midway through the third quarter, despite rates of growth in both manufacturing and services softening slightly. Demand for French goods and services increased strongly as firms remarked on improving tourism and a still-robust appetite to spend among clients. Consequently, employment grew at the sharpest pace in almost three years, although backlogs of work continued to rise. Meanwhile, inflationary pressures eased marginally, but were still notable, and business confidence eased to a seven-month low.

The Flash France Composite PMI Output Index registered 55.9 for August, down from July's 56.6 but indicative of strong growth in business activity over the month. Although the headline figure was at its lowest level since April, it was comfortably above the long-run average of the series (53.3). The slowdown reflected weaker rates of expansion in both manufacturing and services, although, according to respondents from both sectors, growing domestic and international demand and increased tourism supported the robust rise in overall business activity.

Latest survey data pointed to further growth in new orders at private sector companies in France. Anecdotal evidence suggested that underlying client demand remained healthy in light of pandemic-

related restrictions being lifted and tourism improving. That said, the rate of increase in total new business was the slowest in four months. Meanwhile, new orders from overseas clients expanded for a seventh month running, although growth momentum eased.

Employment across the French private sector rose further during August, in line with the trend seen since the start of 2021. Moreover, the pace of jobs growth was the fastest since October 2018, with both goods producers and service providers expanding their staffing numbers at sharper rates. That said, business capacity was stretched further, as evidenced by another month-on-month rise in backlogs of work. Despite the rate of accumulation easing to a four-month low, it was marked overall.

The impact of intense supply shortages and delivery bottlenecks was once again apparent in August. Manufacturers continued to record a rapid lengthening in average input lead times, leading to higher input prices at both goods producers and service providers. Higher material and labour costs were linked to the sharp rise in input prices during August. In turn, firms passed on greater expenses to their customers through higher selling charges. That being said, rates of inflation eased marginally. Manufacturers continued to observe considerably stronger price pressures than their service sector counterparts.

Looking ahead, businesses retained their view that output volumes would rise over the coming 12 months. Many firms expect economic conditions to improve as France recovers from the pandemic. However, the level of positive sentiment dipped to a seven-month low as some firms were concerned about a prolongation of supply chain issues.

Comment

Commenting on the Flash PMI data, Joe Hayes, Senior Economist at IHS Markit said:

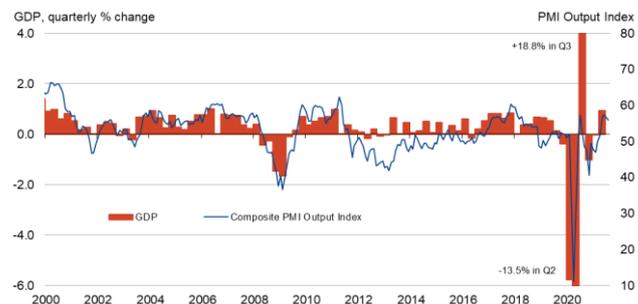
“Another strong month of growth across France was signalled by the flash PMI figure for August. Despite some of the challenges businesses are facing on the supply side, it’s encouraging to see PMI data consistently signalling robust expansion. Furthermore, given we’re now midway through the third quarter, the survey data up to this point suggest we could see another decent outturn in the corresponding GDP figure.

“There are, however, factors holding back growth to some extent. On top of the heavy supply chain issues, some survey respondents noted that there had been some adverse consequences on new business due to the “pass sanitaire”, requiring proof of a double vaccination or low risk of carrying COVID-19 infection. That said, overall demand conditions still remain strong, which supported the fastest rate of jobs growth in almost three years.

“The overall signal from the latest PMI survey is that business conditions remain fruitful for further growth heading into the end of the third quarter.”

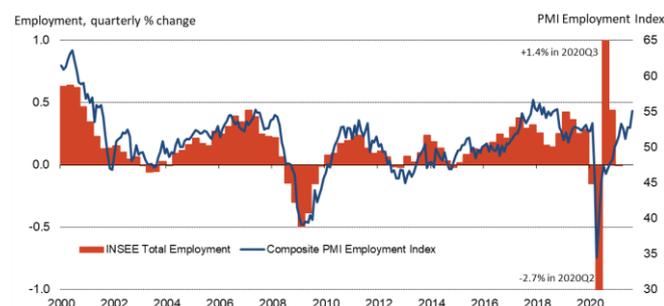
-Ends-

Economic Output



Sources: IHS Markit, INSEE via Datastream.

Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final August data are published on 1 September for manufacturing and 3 September 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 ⁽⁴⁾	0.1	0.3
France Services Business Activity Index ⁽²⁾	-0.1	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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