

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

Growth of private sector output eases in January amid softer upturn in new work intakes

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 51.5 in January (52.0 in December), 4-month low
- Flash France Services Activity Index⁽²⁾ at 51.7 in January (52.4 in December), 4-month low
- Flash France Manufacturing Output Index⁽³⁾ at 50.9 in January (50.3 in December), 2-month high
- Flash France Manufacturing PMI⁽⁴⁾ at 51.0 in January (50.4 in December), 2-month high

Data collected January 13-23

French private sector activity expanded at a weaker pace in January as a softer rise in services activity offset a mild pick-up in manufacturing production growth. The **IHS Markit Flash France Composite Output Index** was down from 52.0 in December to 51.5 at the start of 2020, signalling the slowest rate of expansion since last September.

Although service providers continued to outperform manufacturers, the former saw activity growth ease to the weakest in four months. At the same time, factory output rose at a stronger, albeit still slight, pace than in December.

Aggregate **new work intakes** increased for the tenth month in succession, but the upturn moderated to the slowest since September 2019. Growth in the service economy eased to an eight-month low, with a number of companies commenting on strike disruptions during January. Meanwhile, goods producers registered a renewed rise in order book volumes.

Weak **international demand** acted as drag on order flows, with private sector firms signalling stagnant export business at the start of the year. That said, there were divergences at the sector level, with a renewed increase in the manufacturing industry contrasting with the first decline for four months at

services companies.

French companies foresee output expansion over the course of the coming 12 months, with the overall degree of **optimism** improving to a nine-month high. Strengthening sentiment was recorded across both the manufacturing and service sectors. Export opportunities to Asia, diversification, new partnerships and aggressive sales efforts were cited as potential drivers of growth. A number of firms also hope for the end of strikes and reduced competition to support business activity.

Upbeat growth projections in turn underpinned **job creation** in the private sector. The rate of employment expansion was moderate and matched that seen at the end of 2019. While service providers continued to hire extra staff, goods producers left workforce numbers broadly unchanged.

Flash PMI data for January suggested that the strength of jobs growth was insufficient to prevent **unfinished work** from rising further, with sustained increases in new orders adding strain on capacity. The upturn in backlogs was solid, but softened from December's 14-month high. Sub-sector data indicated that the slowdown was widespread across the manufacturing and service sectors.

Amid reports of higher fuel, metal, raw material and staff costs, average **prices paid** by French companies continued to increase in January. Furthermore, the overall rate of inflation accelerated to a joint eight-month high. Service providers saw their cost burdens rise to the greatest extent since last May, while goods producers signalled a softer and only marginal uptick in purchase costs.

In response to rising expenses, firms lifted their own **selling prices** during January. At the composite level, the rise was the most pronounced in three months. In the service sector there was an uptick in inflation, but goods producers lowered their charges for the first time in close to three-and-a-half years.

Comment

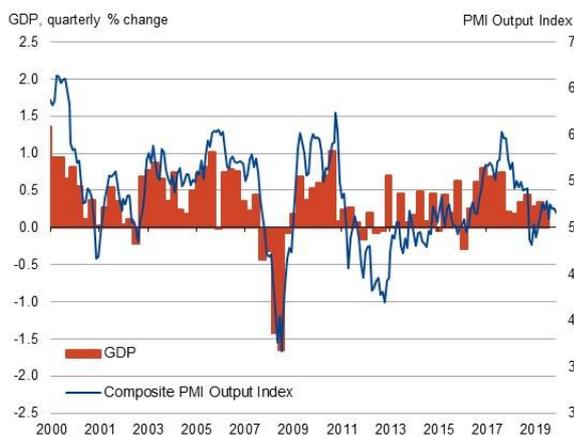
Commenting on the Flash PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

“The flash PMI data continued to show a slowdown in economic growth across France. While there were warnings of softer conditions in the service sector, linked to national railway strikes, manufacturing displayed mild signs of revival. Factory orders and exports returned to expansion mode – in part aided by price-discounting strategies – thereby boosting production growth. Goods producers signalled their first drop in charges in close to three-and-a-half years.

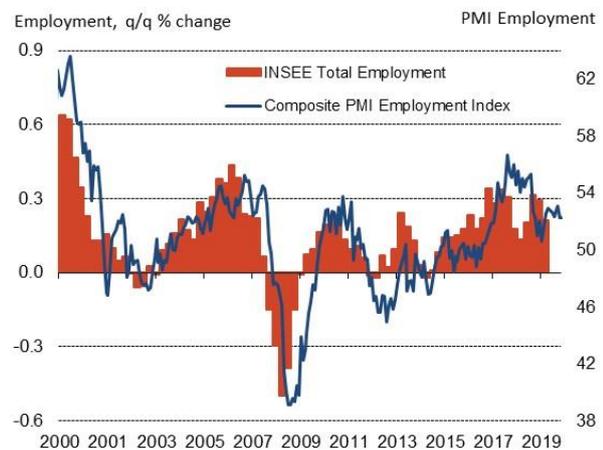
“Encouragingly companies across both sectors are in buoyant mood regarding the year-ahead outlook for business activity, with optimism at a nine-month high. This upbeat growth projections continued to drive job creation and should ensure the private sector stays in expansion territory in the near-term.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final January data are published on February 3rd for manufacturing and February 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 ⁽⁴⁾	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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