

## MARKET SENSITIVE INFORMATION

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## S&P Global Flash France PMI®

### French business activity rises at fastest pace since January 2018

#### Key findings:

Flash France PMI Composite Output Index<sup>(1)</sup> at 57.5 (Mar: 56.3). 51-month high.

Flash France Services PMI Activity Index<sup>(2)</sup> at 58.8 (Mar: 57.4). 51-month high.

Flash France Manufacturing Output Index<sup>(4)</sup> at 51.2 (Mar: 51.0). 2-month high.

Flash France Manufacturing PMI<sup>(3)</sup> at 55.4 (Mar: 54.7). 2-month high.

Data were collected 08-20 April

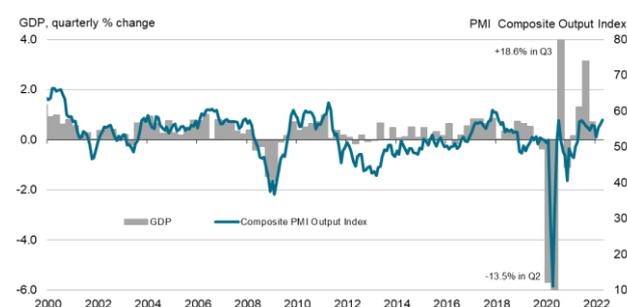
The French economy enjoyed a strong start to the second quarter of 2022, latest PMI® data by S&P Global showed, as private sector business activity grew at its sharpest pace in just over four years. The service sector was once again the main driving force as fewer COVID-19 restrictions continued to support demand. This compared with only a slight increase in manufacturing output during April as shortages of raw materials and components hindered production capabilities.

Elsewhere, survey data showed output charges rising at the fastest rate on record for the second month running. Indeed, a number of panel members raised their concerns about the impact of rising prices on demand, with business confidence remaining beneath its 2021 average amid rising geopolitical and inflationary fears.

The headline **Flash France PMI Composite Output Index** increased from 56.3 in March to 57.5 in April to signal the fastest increase in private sector business activity since January 2018. The service sector provided the main impetus to growth, with the expansion here outpacing that seen in manufacturing by a considerable margin.

According to survey respondents, supportive demand conditions drove the latest increase in activity levels, with many, particularly in the services sector, noting a sustained positive impact from the removal of COVID-19 restrictions. However, the expansion in manufacturing output was reportedly constrained by raw material and component shortages, as well as the war in Ukraine.

#### S&P Global Flash France PMI Composite Output Index



Source: S&P Global, INSEE.

Intakes of new business at French private sector companies increased for a fourteenth successive month during April. Higher demand for goods and services stemmed from both new and existing clients, according to panellists, although some companies saw advanced orders and bookings being placed in anticipation of higher prices. Overall, the increase in new business was sharp and the quickest since June 2021.

On the other hand, demand conditions among international customers fell for a second month in a row during April. The downturn was exclusively led by manufacturers, with firms mentioning the war in Ukraine and rising prices as contributing factors.

There remained clear evidence of capacity pressures at French companies at the start of the second quarter, with backlogs of work rising sharply and in a broad-based fashion. Higher levels of outstanding business were attributed to order book growth in most cases, although difficulties in obtaining inputs was commonly cited as a cause of rising backlogs at manufacturers.

Indeed, supplier delivery times lengthened once again during April. Inadequate stock levels at vendors were widely reported, although a number of panel members mentioned transport issues due to the war in Ukraine and stringent lockdowns in China. That said, the extent to which average input lead times lengthened was the weakest since February 2021.

Another strong monthly increase in staffing levels was recorded by private sector companies in France during April. The rate of job creation accelerated and was the fastest for six months. Where an increase in employment was

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recorded, this was often in line with greater activity levels. Service sector businesses recruited extra workers at a quicker rate than their manufacturing counterparts for the second month running.

Meanwhile, latest survey data highlighted substantial cost pressures across the French private sector economy in April. Overall input prices rose at the second-sharpest rate on record, surpassed only by that seen previously in March. Higher costs for numerous raw materials such as metals, wood products and chemicals were exacerbated by rising energy and fuel prices, according to firms.

Consequently, prices charged for French goods and services rose, with the rate of output price inflation accelerating to a series high for the second month in a row as companies sought to protect their margins and shared greater cost burdens with their clients.

Lastly, private sector firms in France remained optimistic with regards to the 12-month outlook for business activity in April. Many panellists were hoping to see business expansion as the global economy moves closer to a post-pandemic phase. That said, despite the level of confidence improving from March's slump, it was weaker than the 2021 average as some companies were concerned about the effects of rising inflation and the war in Ukraine.

Commenting on the flash PMI data, **Joe Hayes**, Senior Economist at S&P Global said:

*"The resilience of the French economy in April may come as a little surprising to many given rampant inflation, escalating geopolitical tensions and on-going supply-chain disruption. The strongest increase in economic output for over four years suggests there was still plenty of COVID catch-up at the start of the second quarter. Indeed, comments from our panel members back this up, with many linking this to an increase in their orders.*

*"Support for demand also came from clients placing advanced orders and bookings in anticipation of higher prices. This was particularly (but not exclusively) the case in manufacturing, and is important anecdotal evidence that tells us inflation expectations are still rising. Companies are now starting to fear that soon enough, clients will not be so accepting of price hikes. Output charges rose at a series record rate once again in April, surpassing the previous high set in March. Given how rampant inflation is at present, it's difficult to see sustained post-pandemic recovery efforts offsetting the negative impact from rising prices."*

-Ends-

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## Contact

### S&P Global

Joe Hayes  
Senior Economist  
Telephone +44-1344-328-099  
Email: [joe.hayes@spglobal.com](mailto:joe.hayes@spglobal.com)

Joanna Vickers  
Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@spglobal.com](mailto:joanna.vickers@spglobal.com)

## Note to Editors

Final April data are published on 2 May for manufacturing and 4 May for services and composite indicators.

The France PMI (Purchasing Managers' Index) is produced by S&P Global 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
Composite Output Index <sup>1</sup>	-0.1	0.4
Manufacturing <i>PMI</i> <sup>2</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	-0.1	0.5

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global 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 S&P Global. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### 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 *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.
4. 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?"

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Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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