

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:15 (CEST) / 07:15 (UTC) 23 June 2021

IHS Markit Flash France PMI[®]

French private sector ends second quarter with strong back-to-back expansions

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 57.1 in June (57.0 in May), 11-month high.
- Flash France Services Activity Index⁽²⁾ at 57.4 in June (56.6 in May), 38-month high.
- Flash France Manufacturing Output Index⁽³⁾ at 55.5 in June (58.7 in May), 4-month low.
- Flash France Manufacturing PMI⁽⁴⁾ at 58.6 in June (59.4 in May), 4-month low.

Data collected 11-22 June.

The June Flash France PMI[®] survey signalled another month of strong growth across the private sector, rounding off a positive quarter for the economy as the lifting of lockdown restrictions enabled the recovery to take a firmer foothold. The service sector was the driving force behind June's expansion as the rate of growth in manufacturing cooled from May's 40-month peak. Nonetheless, both sectors observed strong increases in sales, leading to accelerated jobs growth.

The Flash France Composite PMI Output Index increased to 57.1 in June, from 57.0 in May, signalling another month of robust economic growth. The latest reading was the highest since July last year as the easing of lockdown restrictions helped drive the sharpest rise in service sector activity since April 2018. Meanwhile manufacturing firms recorded a strong, albeit softer rise in production volumes.

The latest expansion in output was spurred by a further sharp boost in demand for French goods and services. New orders at private sector businesses grew at the same marked rate recorded in May, which was the fastest since the start of 2018. According to surveyed firms, a further lifting of pandemic-related restrictions drove greater sales. Service providers led the upturn in new orders, while new work placed with manufacturers increased at

one of the fastest rates seen since the pandemic began last year. The positive trend in overseas demand also persisted, with data pointing to a fifth successive month of growing new export orders.

However, there was clear evidence of mounting capacity pressures in June's survey, as signalled by a fourth consecutive rise in volumes of outstanding work. Moreover, the rate of backlog accumulation accelerated to a pace unseen for just over a decade. Incomplete orders increased sharply across both sectors, with anecdotal evidence suggesting that capacity was strained due to high demand and shortages of certain inputs. Indeed, supply chain difficulties remained rife in June as delivery times lengthened to the greatest degree since last April.

Private sector companies responded by expanding their staffing levels in June, continuing the trend seen throughout 2021 so far. Jobs growth edged up to a three-month high amid a broad-based acceleration in hiring across manufacturers and service providers.

Elsewhere, inflationary pressures across France continued to build, with both input costs and output prices rising at faster rates. Prices paid by private sector firms increased at the strongest pace in just shy of a decade as suppliers hiked their rates due to ongoing supply shortages and high shipping costs. Firms reacted by increasing their output charges at the quickest pace since June 2011. Once again, rates of inflation were acutely stronger in the manufacturing sector.

Finally, latest survey data signalled sustained optimism among private sector companies in France. The level of positive sentiment eased slightly, but was at a level only surpassed by the survey peak seen in May. Expectations of a return to full operating capacities as lockdown measures are eased further underpinned strong growth projections.

Comment

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

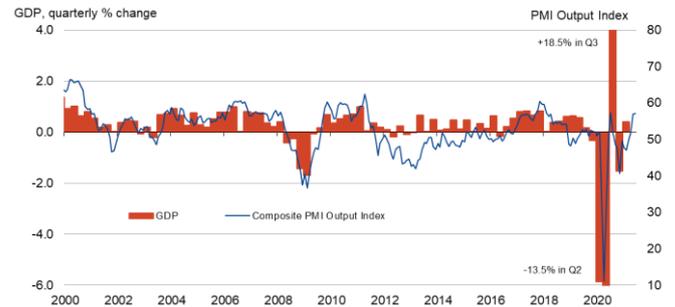
“Strong back-to-back months of output growth are exactly what we expected to see following the peel back of additional lockdown restrictions this month. It means the French economy has enjoyed its best quarterly performance since early 2018.

“With vaccination rates on the rise, survey data suggest that firms are becoming more confident that the stage is set for an economic recovery. Employment levels picked up in June as firms recorded another month of exceptional demand growth. The likelihood of further jobs growth also seems high as rising backlogs of work were coupled with strong positive expectations regarding future output levels.

“However, the survey data continue to shed light on acute supply chain challenges and the passthrough of rising input costs to consumer prices. The recovery could run into some speed bumps if the the supply-side is what is ultimately holding the economy back.”

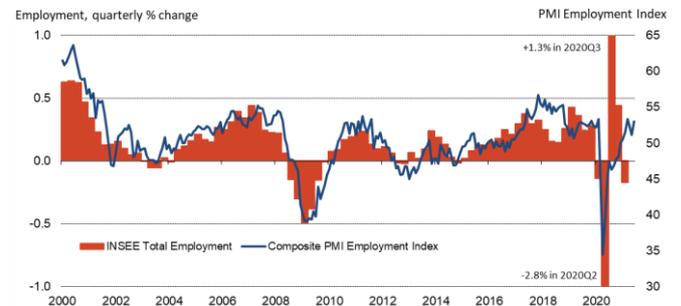
-Ends-

Economic Output



Sources: IHS Markit, INSEE via Datastream.

Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final June data are published on 1 July for manufacturing and 5 July 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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