

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

### Private sector recovery accelerates amid rebound in domestic demand

#### Key findings:

- Flash France Composite Output Index<sup>(1)</sup> at 57.6 in July (51.7 in June), 30 month-high
- Flash France Services Activity Index<sup>(2)</sup> at 57.8 in July (50.7 in June), 30-month high
- Flash France Manufacturing Output Index<sup>(3)</sup> at 56.9 in July (56.0 in June), 29-month high
- Flash France Manufacturing PMI<sup>(4)</sup> at 52.0 in July (52.3 in June), 2-month low

Data collected July 10-23.

French business activity rose at the quickest rate for two-and-a-half years in July, with new work increasing for the first time in five months as more businesses reopened following the coronavirus disease 2019 (COVID-19) lockdown.

The acceleration in output growth was primarily driven by a sharp increase in services activity following June's marginal rise. Meanwhile, manufacturers posted a marked expansion in production for the second month running, with the rate of growth accelerating slightly to reach the quickest since February 2018.

The expansion in overall activity was supported by a rise in new orders placed during July. Growth represented the first increase in sales since February and the pace of expansion was the quickest since November 2018. At the sub-sector level, there was a solid expansion in new business at service providers, while manufacturers saw broadly no change in new orders compared to June.

Underlying data suggested that the improvement in demand was centred on the domestic market, with new export orders continuing to decline at the beginning of the third quarter. Another fall in exports extended the current sequence of reduction that has been observed throughout 2020 so far. That said, the rate of decrease eased for the third month in succession to reach the softest since before

coronavirus-related restrictions were first imposed in Europe. Both manufacturers and service providers reported a deterioration in international demand during July.

Despite the overall increase in new business, private sector firms in France continued to cut their staff numbers in July, extending the current run of workforce contraction to five months. However, the rate of job shedding was the softest in the aforementioned sequence, with both goods producers and services firms registering slower decreases than in June.

The combination of a sharp rise in new orders and a further reduction in employment drove a modest increase in backlogs of work during July. This represented the first expansion in volumes of outstanding business since February and was supported by increases in both covered sub-sectors. The rate of accumulation was sharpest at manufacturing firms.

Following June's broad stabilisation, input costs faced by French businesses increased in July. Inflation was predominantly driven by higher operating costs at service sector firms, while manufacturers recorded a marginal reduction. However, the overall rate of inflation was modest and far slower than the historical average.

In line with higher input prices, firms opted to increase their average charges in the latest survey period. Though marginal overall, the rise in output prices was the first for five months. Sub-sector data pointed to a slight rise at service providers and a broad stabilisation at manufacturers.

Looking forward, French private sector firms were optimistic towards the one-year business outlook. Moreover, the degree of positivity improved to the strongest since February, with many panellists citing expectations of a continued recovery as the COVID-19 crisis subsides. Overall confidence was predominantly driven by service providers.

**Comment**

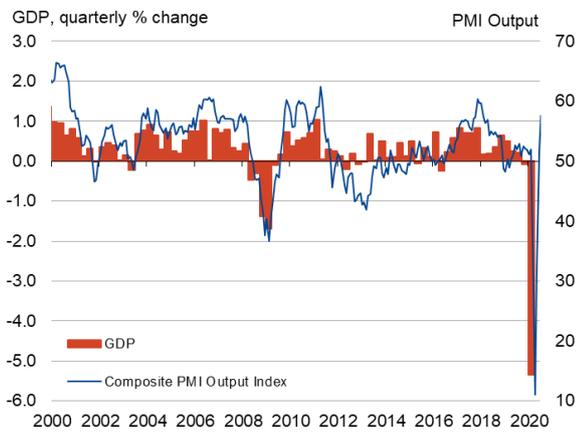
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

*“The July PMI figures pointed to strong growth in French private sector business activity, confirming that the economy has entered its recovery phase following the COVID-19 lockdown. The results for new orders suggest that domestic demand is finally beginning to recover with more and more businesses reopening and consumers starting to adopt some of their former spending habits.*

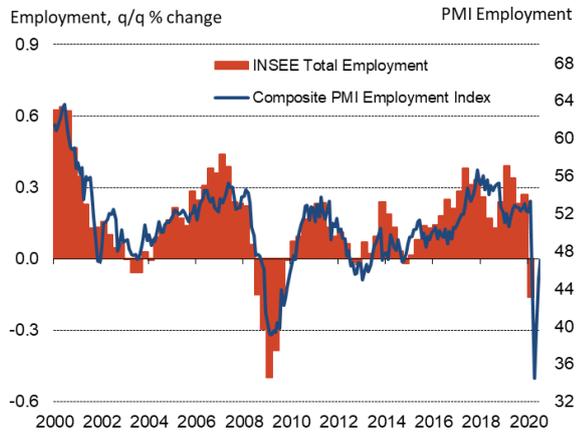
*“Going forward, a steady rebuilding of demand should give businesses the confidence to start hiring more staff and this will further aid the economy in returning to pre-coronavirus levels of output.”*

-Ends-

**Economic Output**



**Employment**



Sources: IHS Markit, INSEE via Datastream

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**Note to Editors:**

Final July data are published on August 3<sup>rd</sup> for manufacturing and August 5<sup>th</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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