

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION****EMBARGOED UNTIL: 09:15 (CET) / 08:15 (UTC) 16 December 2021****IHS Markit Flash France PMI<sup>®</sup>****Services continue to drive growth as goods production declines further****Key findings:**

- Flash France Composite Output Index<sup>(1)</sup> at 55.6 in December (56.1 in November), 2-month low.
- Flash France Services Activity Index<sup>(2)</sup> at 57.1 in December (57.4 in November), 2-month low.
- Flash France Manufacturing Output Index<sup>(3)</sup> at 49.2 in December (50.1 in November), 2-month low.
- Flash France Manufacturing PMI<sup>(4)</sup> at 54.9 in December (55.9 in November), 2-month low.

Data collected 6-14 December.

France's private sector economy registered a further strong expansion in business activity during December, latest flash PMI<sup>®</sup> data showed, but the composite figure once again masked wide divergences at the sector level as strong growth in services output offset a decline in manufacturing production.

The Flash France Composite Output Index recorded 55.6 during December, down from 56.1 in November, but remained indicative of strong growth in business activity. That said, the headline number belied contrasting trends. Manufacturing output finished the year with a decline for the second time in the past three months. Subsequently, the service sector remained the engine of overall growth during December.

According to anecdotal evidence provided by survey respondents, higher activity levels were supported by new business wins, although a new wave of COVID-19 infections and the emergence of the Omicron variant reportedly weighed on the upturn. Meanwhile, manufacturers attributed lower output at their units to shortages of raw materials and semi-finished components.

Total new business intakes grew during the latest survey period, marking a tenth successive month in which demand for French goods and services has

improved. However, the increase in overall new orders was the softest for three months amid rising COVID-19 cases across France, which some firms, particularly in the service sector, linked to weaker sales performances. Encouragingly, new manufacturing orders rose at the quickest pace for four months, but growth was still subdued in comparison to earlier in the year.

Meanwhile, overseas demand deteriorated to the strongest extent since January during the latest survey period. The drop in new foreign client business was particularly pronounced at service providers as the emergence of the Omicron variant dented tourism.

Nevertheless, the strong trend in private sector employment continued in December, with the overall rate of jobs growth remaining well above its long-run average despite easing to a three-month low. According to firms, expectations of growth next year, as well as high existing workloads underpinned increased hiring activity. Both manufacturers and service providers registered expansions in staff numbers.

Despite strong recruitment over the past few months, backlogs of work continued to rise at French private sector firms in December. Late deliveries of inputs and delayed production schedules were commonly cited factors by survey respondents.

Elsewhere, steep price pressures persisted in December, with input costs and output charges rising notably. However, there were signs of these steep inflation rates abating, having slowed since November. Nevertheless, rising staff costs and higher prices for raw materials continued to exert upward pressure on business expenses, which firms reportedly passed onto their clients by raising selling charges.

*Continued...*

## Comment

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

*“France’s economy ended the fourth quarter with another solid monthly expansion in output, but the headline number doesn’t really tell us the full story as trends by sector are still widely divergent.*

*“Growth in France is, at present, entirely reliant on the service sector as manufacturing output fell for the second time in the past three months.. Weak demand for goods, supply shortages and the consequent impact these have on production is weighing heavily on manufacturers. Meanwhile, although services firms are continuing to see rising activity levels, growth slowed from November as some firms saw new business intakes dented by the latest wave of COVID-19 infections hitting France right now. Tourism has also been a welcomed pillar of additional support to the services sector since the middle of this year, but December data showed new business from overseas falling amid the emergence of the Omicron variant.*

*“It’s clear that the risks to the economy have grown substantially since November, and a fresh wave of COVID-19 infections could de-rail services activity. While France has so far distanced itself from implementing virus-combatting measures of the same stringency as other parts of Europe, changes in business and consumer behaviour in the face of the Omicron variant could dent the recovery.”*

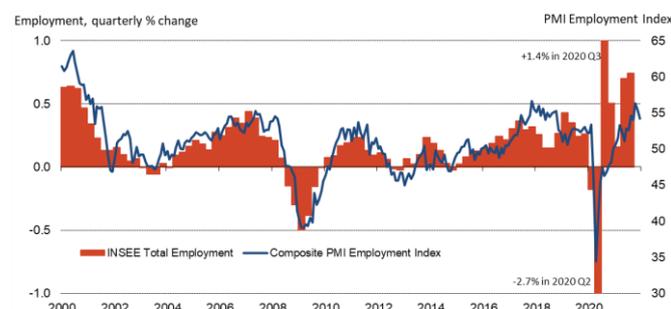
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## Economic Output



Sources: IHS Markit, INSEE via Datastream.

## Employment



Sources: IHS Markit, INSEE via Datastream.

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**Note to Editors:**

Final December data are published on 3 January for manufacturing and 5 January 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>	0.1	0.3
France Services Business Activity Index <sup>(2)</sup>	-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](mailto:economics@ihsmarkit.com).

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