

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

Activity decline deepens amid ongoing coronavirus shutdowns

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 11.2 in April (28.9 in March), series low
- Flash France Services Activity Index⁽²⁾ at 10.4 in April (27.4 in March), series low
- Flash France Manufacturing Output Index⁽³⁾ at 15.0 in April (35.8 in March), series low
- Flash France Manufacturing PMI⁽⁴⁾ at 31.5 in April (43.2 in March), series low

Data collected April 7-22. The response rate for April was not affected by shutdowns in place due to the Covid-19 outbreak.

French private sector activity continued to plunge in April, with ongoing business closures stifling both supply and demand. The latest headline IHS Markit France PMI posted a reading of just 11.2 in April, eclipsing March's historic result of 28.9 and a fresh series low.

The overall reduction in activity was driven by both manufacturers and service providers, with the latter registering the sharper decline. Both sub-sectors recorded their fastest contractions in output since composite data collection began 22 years ago.

The coronavirus outbreak continued to suppress demand in the first month of the second quarter, with new business falling further. Moreover, the latest decrease was faster than registered in March, setting a new record. Similar to the trend in business activity, the decline was broad-based at the sub-sector level, but quicker at services firms.

Aggregate demand received little-aid from international markets in April, with new business from abroad tumbling at a faster pace than in March. The decline in composite new export orders was the fastest in the series history. Both manufacturers and service providers posted record contractions.

Amid a drastic reduction in new business, firms pared back their staff numbers in April. Moreover, the rate of workforce contraction accelerated from March and was the fastest since data collection began. At the sub-sector level, employment fell fastest at manufacturing firms, although service providers also registered a considerable reduction.

Despite employing fewer staff, softer inflows of new orders allowed firms to work through outstanding business in April. In fact, the latest reduction in backlogs was the quickest in the survey history, surpassing the previous low recorded in March. The reduction was broad-based at the sub-sector level, but quicker at service providers.

Amid weaker demand conditions, input prices fell for a second successive month in April. Moreover, the rate of decline accelerated to the fastest since August 2009 and was sharp overall. When explaining lower input costs, firms often mentioned reduced prices for oil and related goods/services.

French private sector companies opted to cut their average output prices for the second month in a row during April. Anecdotal evidence suggested that discounts were offered as part of attempts to retain clients. The latest decrease in charges was the sharpest since July 2009, with the acceleration predominantly driven by a sharp decline at service providers.

Finally, amid widespread expectations of a global economic recession, firms were pessimistic towards the 12-month business outlook in April. The degree of negativity was the most severe since composite data were first available in July 2012. Both manufacturers and service providers recorded record lows for sentiment, with goods producers the more pessimistic.

Comment

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

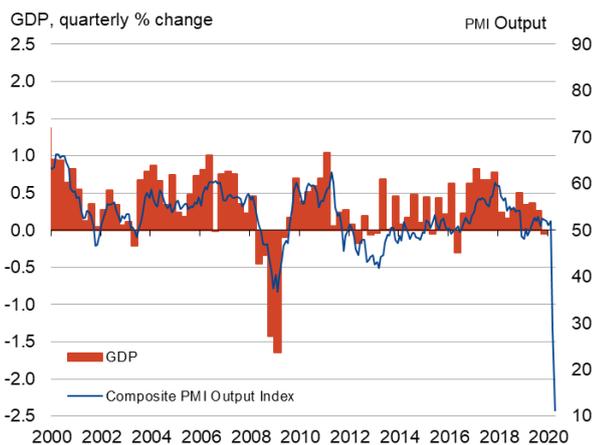
“While PMI readings from March were shocking, looser restrictions at the beginning of that month meant that April data were always likely to be worse. However, the numbers recorded in the latest survey period are unprecedented.

“The figures for output were by far the lowest on record, with the service sector business activity index barely making double-digits. Total new orders continued to collapse as demand evaporates and employment tumbled further.

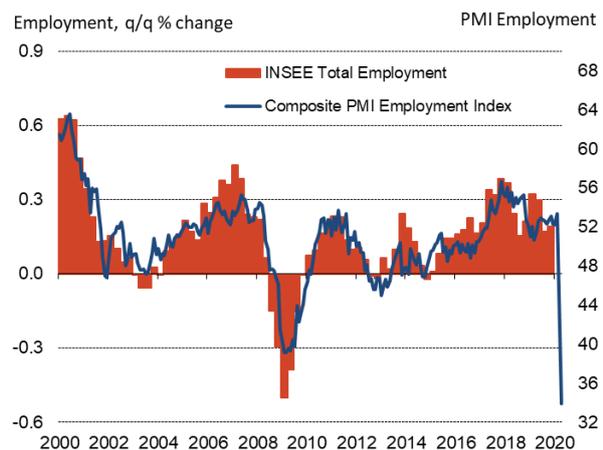
“Going forward, there are two key areas of focus. Firstly, how quickly will measures be lifted as the gradual easing of restrictions begins on the 11th of May? This will give the clearest indication on how fast we can expect activity to recover in the short-term. Secondly, will the easing of restrictions lead to a second outbreak of the virus? If so, any remaining hopes of a so-called ‘V-shaped’ recovery will vanish.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final April data are published on May 4th for manufacturing and May 6th 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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