

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:15 (CEST) / 07:15 (UTC) August 23rd 2018

IHS Markit Flash France PMI[®]

Growth momentum accelerates across French private sector

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 55.1 in August from 54.4 in July (4-month high)
- Flash France Services Activity Index⁽²⁾ rises to 55.7 in August (54.9 in July), 2-month high
- Flash France Manufacturing Output Index⁽³⁾ at 52.6 in August (52.0 in July), 3-month high
- Flash France Manufacturing PMI⁽⁴⁾ up to 53.7 in August (53.3 in July), 3-month high

Data collected August 12-22

At 55.1 in August, up from 54.4 in the previous month, the **IHS Markit Flash France Composite Output Index** remained above the crucial 50.0 no-change mark for a twenty-sixth month in a row. Moreover, the rate of growth accelerated to a four-month high thanks to stronger expansions in both the services and manufacturing sectors, with the former registering a sharper rate of growth for the seventh month running.

Continuing the sequence observed since July 2016, **service providers** recorded another expansion in business activity during August. The pace of the latest improvement was in-line with the average recorded over the aforementioned period. Many respondents linked the upturn in activity to stronger inflows of new orders.

Meanwhile, **manufacturers** also reported a faster increase in output in August. The rate of improvement was solid overall and the strongest seen since May. According to anecdotal evidence, demand was particularly robust from within France.

Alongside rising domestic demand, French manufacturers also noted a return to growth of **export orders**. That said, the rate of improvement was only marginal overall and below the historical average.

Reflecting on a improved expansion in new client

business, **capacity pressures** across the French private sector sharpened during August. Backlogs of work built-up at the steepest rate in the services sector, with many respondents noting continued strong new order growth. The manufacturing sector also saw an uptick in work outstanding.

The marked increase in workloads encouraged French private sector companies to hire additional staff at a greater pace in August. Furthermore, the rate of **job creation** was stronger than in July. At the sector level, both service providers and manufacturing firms noted additional hiring activity, with the former observing the stronger increase in payroll numbers.

Average **input costs** faced by French private sector companies rose in the latest survey period. Furthermore, the degree of cost pressures faced by businesses sharpened since July. Manufacturers continued to report higher cost burdens than service providers in August, with many noting higher oil-related material costs and rising raw material prices from South East Asia. Moreover, the rate of input price inflation faced by manufacturers accelerated to a six-month high.

French private sector companies continued to pass on part of the burden of rising input costs by increasing their **selling prices** in August. Output price inflation eased in the service sector, whilst it sharpened in manufacturing.

Finally, the degree of optimism among French businesses slipped to the lowest seen since November 2016. Manufacturing sector confidence deteriorated to a greater extent than services, with some forecasting elevated inflationary pressures.

Comment

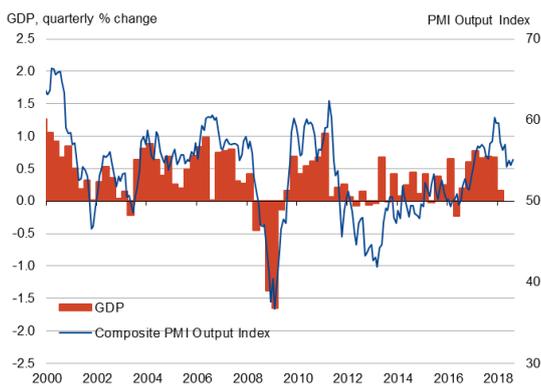
Commenting on the Flash PMI data, Sam Teague, Economist at IHS Markit said:

“Output growth across the French private sector ticked up to a four-month high in August, with both the service and manufacturing sectors seeing stronger expansions. Robust domestic client demand, alongside a renewed upturn in exports provided stimulus for the latest acceleration in growth.

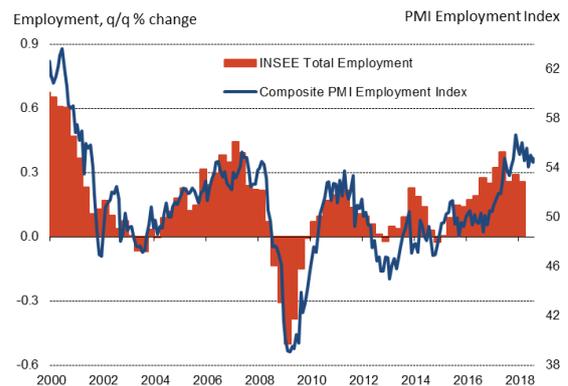
“A key theme in the latest survey were the sharp inflationary pressures reported in the manufacturing sector, with many respondents blaming higher oil-related input cost burdens. This in turn placed downward pressure on confidence towards expected output growth over the next year. That said, despite optimism slipping in August, French businesses continued to hire additional staff at an elevated pace, partly reflecting rising output requirements.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final August data are published on September 3rd for manufacturing and September 5th 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 ⁽³⁾	0.0	0.3
France Services Business Activity Index ⁽²⁾	-0.2	0.6

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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