

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

French private sector growth remains strong in July

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 56.8 in July (57.4 in June), 3-month low.
- Flash France Services Activity Index⁽²⁾ at 57.0 in July (57.8 in June), 2-month low.
- Flash France Manufacturing Output Index⁽³⁾ at 56.1 in July (55.5 in June), 2-month high.
- Flash France Manufacturing PMI⁽⁴⁾ at 58.1 in July (59.0 in June), 5-month low.

Data collected 12-23 July.

The July Flash France PMI[®] survey signalled sustained recovery at the start of the third quarter, with private sector activity registering another strong month-on-month expansion. Growth was spurred on by further intakes of new business, which grew at one of the fastest rates seen in over three years. Service sector output growth continued to surpass that seen in the manufacturing sector amid looser lockdown restrictions. That was in spite of a faster increase in goods production.

The Flash France Composite PMI Output Index recorded 56.8 in July, down slightly from June's 41-month high of 57.4, but still indicative of strong growth in French private sector activity. The headline figure has recorded above the neutral 50.0 mark since April, marking four consecutive months of growth and the longest positive sequence since the COVID-19 pandemic began in early 2020. Where expansion was reported, firms primarily linked this to improving demand conditions.

As has been the case since March, new orders received for French goods and services increased during the latest survey period. Although the expansion lost some momentum, the overall rate of growth was broadly similar to those seen in the previous two months and one of the sharpest for over three years. The trend in overseas demand also remained positive during July, with new export

orders growing for a sixth successive month.

To meet growing operational requirements, French private sector businesses increased their workforce numbers during July. Staffing levels grew at a modest pace across both manufacturers and service providers, although in both cases rates of job creation slowed compared to June.

However, backlogs of work continued to rise. The rate of accumulation remained sharp overall and reflected heightened capacity pressures at both goods producers and service providers. Higher outstanding workloads were attributed to both supply- and demand-side factors, with intense supply chain issues being exacerbated by strong demand growth. Another month of substantial input delivery delays was recorded in the manufacturing sector amid on-going shortages of materials and transportation delays.

As a consequence of these supply chain issues, French private sector companies observed rising input costs during July. By sector, manufacturers recorded substantially faster input price inflation than service providers, but in both cases price gains were firmer than in June. Overall, private sector input cost inflation was the strongest since May 2011. Firms continued to pass higher costs on to their clients through increases in their selling prices. That said, the extent to which output charges were raised was marginally softer than in June.

Having reached a new record in June, the level of positive sentiment receded during July to a four-month low. Some firms were concerned that sustained difficulties in acquiring inputs could result in lower levels of output. Nonetheless, other firms expect to raise output in line with looser pandemic-related restrictions and a global economic recovery.

Comment

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

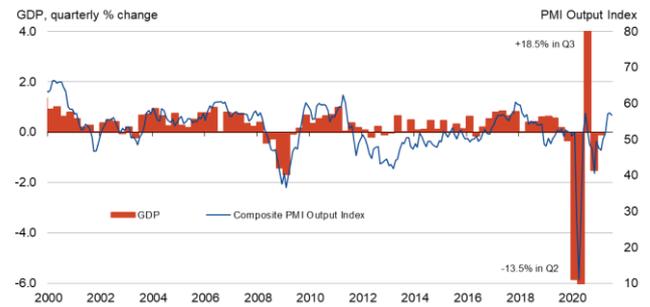
“It’s perhaps slightly disappointing to see the headline composite output figure dip slightly in July, but as the French economy normalises to a state of looser lockdown restrictions, it is not so much of a surprise. Regardless, the PMI pointed to another strong month-on-month rate of output growth, with service providers outperforming their manufacturing counterparts once again.”

“Given the sharp increases in new orders that PMI data are signalling, the only hindrance to sustaining strong rates of output growth will be on the supply-side. Backlogs of work were accumulated once again in July as firms struggled to meet unrelenting demand pressures amid looser lockdown measures and subsequent economic recovery efforts both domestically and overseas. This was compounded by continued shortages of inputs and poor freight availability, leading to the fastest rate in cost inflation since May 2011.”

“At present, firms in the post-lockdown boom are showing a willingness to pass through higher expenses through their charges. However, if clients start showing less tolerance to rising prices, the economic recovery could be jeopardised.”

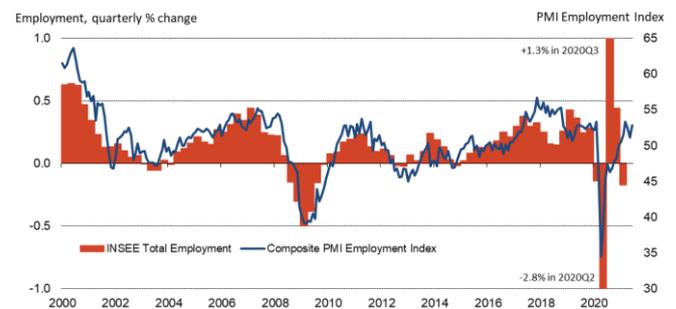
-Ends-

Economic Output



Sources: IHS Markit, INSEE via Datastream.

Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final July data are published on 2 August for manufacturing and 4 August 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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