

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:15 (CEST) / 07:15 (UTC) September 23rd 2020

IHS Markit Flash France PMI[®]

Private sector recovery stutters with first decline in activity since May

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 48.5 in September (51.6 in August), 4-month low
- Flash France Services Activity Index⁽²⁾ at 47.5 in September (51.5 in August), 4-month low
- Flash France Manufacturing Output Index⁽³⁾ at 53.0 in September (52.3 in August), 2-month high
- Flash France Manufacturing PMI⁽⁴⁾ at 50.9 in September (49.8 in August), 2-month high

Data collected September 11-22.

French business activity fell for the first time in four months during September amid widespread reports from panellists of renewed disruption related to the coronavirus disease 2019 (COVID-19) pandemic.

The fresh downturn was predominantly driven by a solid reduction in activity at services firms, while manufacturers recorded a slightly faster output expansion than in August.

The contraction in aggregate business activity came amid a modest reduction in new work. The result marked the first deterioration in demand for three months, with the rate of decline accelerating to the quickest since May. New orders fell in both monitored sectors, albeit at a quicker pace among service providers.

Underlying data suggested that the decrease in new orders was partially caused by weaker international demand, with new export orders received by French private sector companies falling for the ninth month in succession. That said, the rate of reduction eased to the softest since January as manufacturers posted a modest increase in foreign sales. Service firms, meanwhile, saw a marked decline for the seventh month in a row.

The recent surge in COVID-19 cases led to another fall in employment during September. Some panellists commented that they were hesitant to hire

additional staff due to fears of a second prolonged lockdown period. That said, the rate of workforce contraction eased from August and remained far softer than seen at the height of the crisis in April. Sub-sector data pointed to a broad-based reduction at both manufacturers and service providers.

Despite reducing staff numbers further, a fall in new orders led to another decrease in backlogs of work at private sector firms. The latest decline was slightly softer than in August, but again predominantly driven by the service sector. Manufacturers saw volumes of outstanding business rise for the fourth month running, although September's increase was the slowest since June.

On the cost front, input prices faced by French businesses continued to rise at the end of the third quarter. However, the rate of inflation decelerated from August's seven-month high and was modest overall. Anecdotal evidence suggested that increased costs were related to additional hygiene measures and higher prices for raw materials such as palm oil, cereals and cement.

Despite the further rise in input costs, there was a renewed decrease in output prices at private sector firms in September. Moreover, the rate of reduction was the sharpest for four months and solid overall. Some panellists commented that they cut charges in an attempt to drive new business higher. Sub-sector data revealed contrasting results, with services companies reducing output prices sharply, while manufacturing recorded an increase for the second month running.

Looking forward, French private sector firms remained optimistic towards the 12-month business outlook. In fact, the degree of positivity was stronger in both monitored sub-sectors compared to August, with confidence supported by hopes of improved demand conditions as the world continues to adapt to the challenges created by the COVID-19 outbreak.

Comment

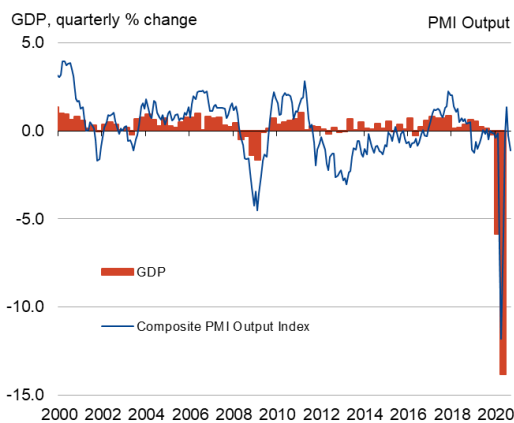
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

“The sharp rise in COVID-19 cases recorded across France during September helped to explain the first fall in business activity since May. August data had already pointed to a slowdown in the recovery but now the path towards pre-coronavirus levels of activity has gone into reverse. The rise in case numbers has been accompanied by fresh restrictions, but has also caused hesitancy among businesses due to fears of a second round of temporary business closures.

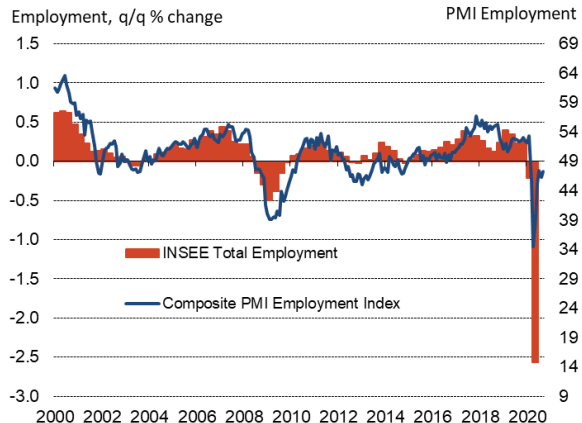
“For now, at least, firms remain optimistic towards the year ahead outlook, but should the current trajectory of infection rates persist, that confidence is likely be tested in the coming months.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream

For further information, please contact:

IHS Markit

Eliot Kerr, Economist
Telephone +44-203-159-3381
Email eliot.kerr@ihsmarkit.com

Katherine Smith
Telephone +1-781-301-9311
Email katherine.smith@ihsmarkit.com

Note to Editors:

Final September data are published on October 1st for manufacturing and October 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 ⁽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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi

The intellectual property rights to the Flash France PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, [click here](#).