

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:15 (CET) / 08:15 (UTC) March 24th 2021

IHS Markit Flash France PMI[®]

Softer decline in French business activity as new orders stabilise

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 49.5 in March (47.0 in February), 3-month high
- Flash France Services Activity Index⁽²⁾ at 47.8 in March (45.6 in February), 3-month high
- Flash France Manufacturing Output Index⁽³⁾ at 57.6 in March (53.6 in February), 38-month high
- Flash France Manufacturing PMI⁽⁴⁾ at 58.8 in March (56.1 in February), 39-month high

Data collected March 12-23.

Latest PMI data pointed to the softest contraction in French business activity for three months in March. However, the result extended the current run of decline that began in September, with restrictions related to coronavirus disease 2019 (COVID-19) continuing to limit economic activity.

At the sector level, the decline was predominantly driven by service providers, where activity levels fell for the seventh month in a row. That said, the pace of decline was the softest in 2021 so far. Meanwhile, manufacturers posted a sharp increase in production, with the rate of growth the quickest since January 2018.

The softer contraction in overall activity came amid a stabilisation in new orders during March. The result ended a six-month sequence in which demand conditions had deteriorated. Underlying data pointed to a sharp improvement at manufacturers which was offset by a further decrease among service providers. Some panellists commented that demand was building amid anticipation for the reopening of the economy, while others noted that ongoing restrictions continued to hinder sales.

Overall stabilisation in new work was supported by an improvement in international demand conditions during March. In fact, new export orders increased for the second month running and the fastest rate for just over three years. Growth was centred on the

manufacturing sector, where firms recorded a sharp increase in foreign sales. Service providers posted another marked decline, although the rate of reduction the softest in the current 13-month sequence.

Continuing the trend seen in the first two months of the year, French businesses took on additional staff at the end of the first quarter. Moreover, the rate of increase was the strongest for almost two-and-a-half years and solid overall. Sector data indicated that hiring was broad-based, with both manufacturers and service providers continuing to register higher employment levels, although the former posted the quicker rate of growth.

Meanwhile, there were signs of rising capacity pressures across the French private sector in March, with backlogs of work increasing for the first time since July 2020. Similar to the trend for output, the upturn was driven by the manufacturing sector, where outstanding business rose at the quickest pace since January 2018. That said, the latest decrease in the service sector was only fractional.

On the price front, input costs rose sharply at the end of the first quarter, with the rate of inflation accelerating to the quickest since May 2019. The result was predominantly driven by soaring costs in the manufacturing sector, where the pace of increase was the strongest since May 2011. Meanwhile, input prices for services firms increased at the quickest rate of seven months and solidly overall. Panellists often commented that shortages of raw materials were the main cause of higher prices. In line with the rise in overall input costs, average prices charged across the French private sector increased at the fastest pace for 17 months.

Finally, despite the degree of positivity easing slightly from February, confidence towards the one-year business outlook remained strong. Anecdotal evidence indicated that firms expect an improvement in demand once COVID-19 restrictions are relaxed.

Comment

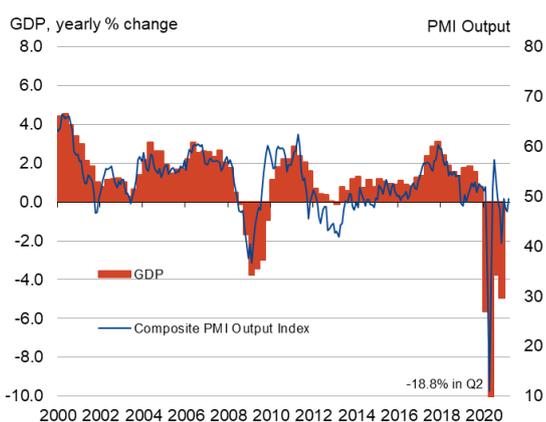
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

“The latest France Flash PMI data provided positive news for the French private sector. Activity trended towards stabilisation, reversing the downward momentum seen in January and February, and new orders were unchanged after six months of continuous decline. Meanwhile, hiring activity continued to build and firms are confident of a rise in activity once restrictions are relaxed.

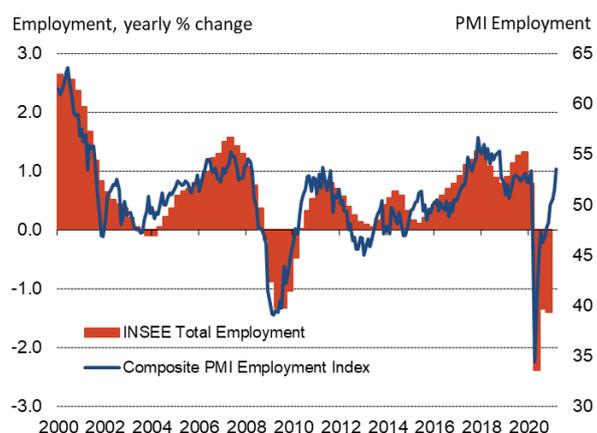
“That said, there remain ongoing challenges related to the pandemic. Firstly, raw material shortages continued to drive costs sharply higher, which may act as a squeeze on profit margins until the recovery in demand conditions gathers pace. Secondly, the threat of setbacks to the reopening of the economy remains tangible. The recent re-introduction of lockdown restrictions in Paris serves as a reminder that the road to recovery may still be a bumpy one.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream

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Note to Editors:

Final March data are published on April 1st for manufacturing and April 7th 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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