

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

Sharp decline in French business activity amid fresh COVID-19 lockdown

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 39.9 in November (47.5 in October), 6-month low
- Flash France Services Activity Index⁽²⁾ at 38.0 in November (46.5 in October), 6-month low
- Flash France Manufacturing Output Index⁽³⁾ at 48.5 in November (52.1 in October), 6-month low
- Flash France Manufacturing PMI⁽⁴⁾ at 49.1 in November (51.3 in October), 6-month low

Data collected November 12-20.

Latest PMI data pointed to a sharper contraction in French business activity during November, as the country faced tighter coronavirus disease 2019 (COVID-19) restrictions.

Private sector activity fell at the quickest pace since May when similar lockdown restrictions were last in place. At the sub-sector level, November's decline was predominantly driven by services, where firms recorded a sharper contraction for the second month running. Manufacturers saw production fall for the first time since May, but the rate of reduction was moderate overall.

In line with the trend for output, new orders received by French businesses fell markedly in November, with the pace of decline accelerating to the fastest for six months. Panellists often commented that clients were hesitant to place orders given the uncertain COVID-19 outlook. Services firms posted a sharper contraction than their manufacturing counterparts, although both sub-sectors registered their quickest rate of decline since May.

Overall demand conditions received little support from international markets during the latest survey period. New export orders continued to decline, extending the current sequence seen throughout 2020 so far. Moreover, the rate of reduction was the sharpest since June, with panel members continuing to suggest that the COVID-19 pandemic was

hampering demand. Underlying data indicated that service providers recorded a faster pace of decline than manufacturers.

Amid reduced output requirements, private sector firms continued to cut their staff numbers in November. This extended the current run of workforce contraction that began in March. However, the latest decline in employment was the softest in that sequence and modest overall. Manufacturers reduced payroll numbers at a slightly quicker pace than service providers.

Despite employing fewer staff, a decline in new work saw French businesses alleviate backlogs in the middle of the fourth quarter. In fact, the rate of reduction was the sharpest for six months, with both monitored sub-sectors posting decreases compared to October.

On the cost front, input prices rose for the sixth month running during November, with survey participants often mentioning higher raw material prices. However, the rate of inflation eased for the third month in a row to the softest since June. Underlying data revealed that the increase in input prices was driven by manufacturing as service providers saw costs fall for the first time since May.

Although private sector firms faced higher input costs, they opted to continue cutting their average output charges in November. Moreover, the rate of reduction accelerated to the quickest for six months and was solid overall. The result was solely driven by a sharp reduction at service providers, with manufacturers continuing to increase output prices at a modest pace.

Finally, French private sector firms remained optimistic towards the 12-month business outlook during November. Moreover, the degree of positivity strengthened fractionally from October's five-month low. Some panellists were confident that a COVID-19 vaccine would be available in 2021.

Comment

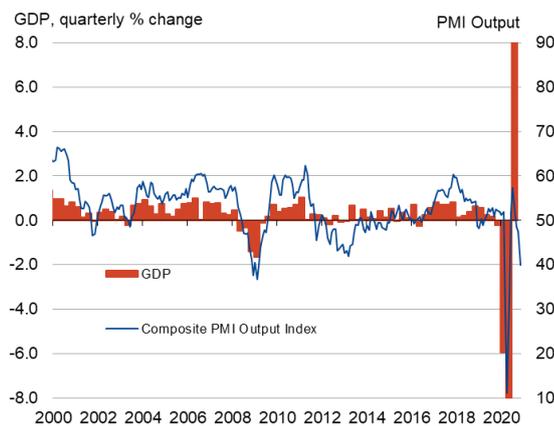
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

“With the renewed tightening of restrictions in France at the end of October, a sharp decline in private sector activity during November was almost inevitable. However, it is somewhat positive to see that the latest contraction in activity was substantially slower than during the previous lockdown. These results suggest that some French businesses have been able to adapt their operations to the new conditions and are subsequently less susceptible to sharp downturns in activity when tighter restrictions are imposed.

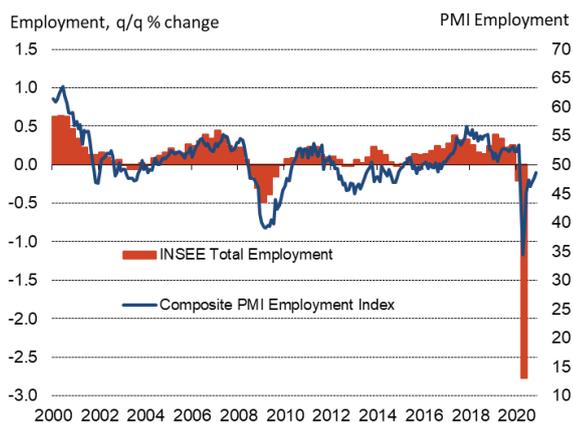
“Moreover, despite demand conditions deteriorating sharply, the pace of job cutting across the French private sector eased to the softest since before the escalation of the crisis in March. This suggests that private sector firms have become leaner compared to the start of the crisis, and hopefully employee numbers will be more resilient to the current downside economic risks.”

-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 October data are published on December 1st for manufacturing and December 3rd 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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