

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

Private sector output growth strongest since July 2020

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 57.0 in May (51.6 in April), 10-month high
- Flash France Services Activity Index⁽²⁾ at 56.6 in May (50.3 in April), 10-month high
- Flash France Manufacturing Output Index⁽³⁾ at 58.5 in May (57.7 in April), 40-month high
- Flash France Manufacturing PMI⁽⁴⁾ at 59.2 in May (58.9 in April), 2-month high

Data collected 11-20 May.

The May Flash PMI[®] data for the French private sector revealed a notable pick-up in growth momentum. Output rose for the second month running, and at a marked rate almost equalling that registered during the July 2020 rebound following the end of the first COVID-19 lockdown. Moreover, new business rose at the fastest rate since January 2018, resulting in the strongest growth in backlogs in over three years. This partly reflected difficulties hiring new staff, with employment rising at the slowest rate in four months.

The Flash France Composite PMI Output Index rose to 57.0 in May, from 51.6 in April. The latest figure signalled the fastest rate of growth since July 2020, and the second-strongest since February 2018. By sector, manufacturing production continued to grow at a faster rate than services activity, though the latter posted a more notable gain in momentum since April.

The rate of new business expansion also accelerated in May, reaching the fastest since January 2018. Goods producers and service providers alike registered the strongest gains in demand since early-2018. Manufacturing new export orders posted another solid increase, while new export business in the service sector declined at the slowest rate in the current 15-month sequence.

French private sector employment continued to recover in May, with the overall level of staffing rising for the fifth month running. Job creation was again broad-based across manufacturing and services although the rates of growth both eased since April, resulting in the slowest overall rise in workforces since January.

The combination of strengthening demand and slower employment growth led to increased pressure on operating capacity in May. The level of outstanding business rose for the third month running, and at the strongest rate since March 2018. Backlogs at manufacturers continue to increase at a much stronger rate than seen at service providers, reflecting supply chain difficulties.

Supply shortages and rising demand led to another marked round of input price inflation in May. The rate of inflation eased from April's decade-high, but was still the second-strongest in two-and-a-half years. Moreover, output price inflation accelerated to the fastest since August 2011. For both input and output prices, manufacturers continued to see much steeper increases than service providers in May.

French private sector firms were increasingly optimistic regarding their growth prospects in May. Overall sentiment for output in 12 months' time was the strongest since the series began in 2012. Service providers were the most upbeat since April 2011, while manufacturing output expectations remained strong despite easing to a four-month low.

Manufacturing

The Flash France Manufacturing PMI rose to 59.2 in May from 58.9 in April, just shy of March's 20-year high and signalling another marked overall improvement in manufacturing business conditions. Stronger growth rates for output and new orders supported the PMI, while suppliers' delivery times lengthened to the third-greatest extent on record.

Comment

Commenting on the Flash PMI data, Trevor Balchin, Economics Director at IHS Markit said:

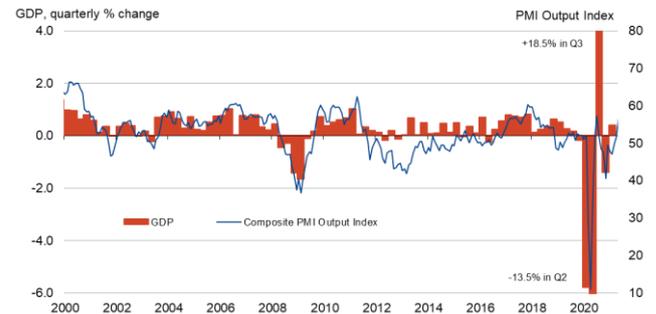
“The French private sector moved up a gear in May as lockdown restrictions were eased and the economy began to reopen. There was a clear underlying improvement in demand as new work expanded at the fastest rate in over three years, while output expectations were the strongest since the composite series was first available in July 2012.

“The service sector drove the overall acceleration in growth during May, both in terms of output and new orders, although manufacturing continued to register comparatively faster rates of expansion. Manufacturers remained hindered, however, by ongoing supply shortages and delays, with average lead times lengthening at one of the most marked rates in the survey history.

“The latest survey also suggested that firms were struggling to recruit enough extra staff to keep on top of workloads. Employment rose at the slowest rate in four months, while backlogs increased at the strongest pace in over three years.”

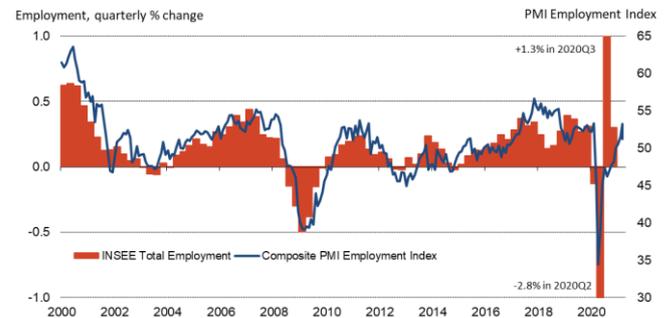
-Ends-

Economic Output



Sources: IHS Markit, INSEE via Datastream.

Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final May data are published on 1 June for manufacturing and 3 June 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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