

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

Private sector growth continues despite broad stagnation in manufacturing

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 52.0 in December from 52.1 in November (3-month low)
- Flash France Services Activity Index⁽²⁾ at 52.4 in December (52.2 in November), 2-month high
- Flash France Manufacturing Output Index⁽³⁾ at 50.2 in December (51.6 in November), 3-month low
- Flash France Manufacturing PMI⁽⁴⁾ at 50.3 in December (51.7 in November), 3-month low

Data collected December 5-13

At 52.0 in December, the **IHS Markit Flash France Composite Output Index** was little-changed from 52.1 in November, pointing to a further modest expansion of business activity across the French private sector.

At the sector level, performances diverged from those seen in the previous two survey periods. **Manufacturing** production broadly stagnated so overall activity growth was supported by the **service sector**, where firms recorded a ninth successive monthly expansion, albeit one that was moderate overall.

Similar to the trend in business activity, private sector companies saw another increase in **new orders** during December. The rate of growth was little-changed from November and modest overall. Underpinning the latest result was a solid rise in new business at service providers, while manufacturers posted a renewed decline.

Stronger **international demand** helped support new order growth at the end of the fourth quarter, as new export orders abroad increased for the third month in a row. That said, the latest rise was the softest in the current sequence and only marginal overall. At the

sector level, the result was driven by an expansion at service providers. Manufacturing firms recorded approximately no change in new business from abroad compared to November.

Amid a further rise in business requirements, private sector firms in France continued to increase their **staff numbers** in December. This extended the current sequence of workforce expansion to just over three years. The rate of job creation was slightly softer than November's 13-month high, but remained solid overall. Sector data revealed contrasting trends, with service providers recording the quickest rise in employment since July, while numbers were broadly stable in manufacturing.

Despite the overall increase in employment, **volumes of outstanding business** continued to grow at a faster pace in December. In fact, the latest expansion was the quickest since October 2018. In contrast to November, growth was primarily driven by the service sector.

On the cost front, **input prices** continued to rise, extending the current run of inflation to nearly four years. The latest increase was faster than in November, but remained historically subdued. When explaining inflation, panellists mentioned higher transport costs and elevated pork prices.

Firms opted to pass on some of the additional costs to their clients, with a slight increase in **output charges** recorded during the latest survey period. The rate of inflation was little-changed from November amid a fractionally slower increase in the service sector and marginally quicker rise at manufacturers.

Finally, businesses remained optimistic towards the one-year **outlook for output** in December, supported by expectations for accelerated demand growth. The degree of positivity remained historically elevated but was weaker than November's seven-month high.

Comment

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

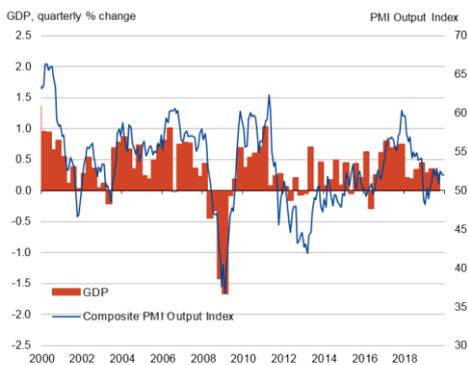
“The latest PMI data pointed to further activity growth in the French private sector, but revealed disappointing results for the manufacturing sector.”

“Following some green shoots in October and November, manufacturing production stagnated and new orders returned to contraction territory. Moreover, employment and outstanding business stuttered to somewhat quell hopes of sustained industrial recovery.”

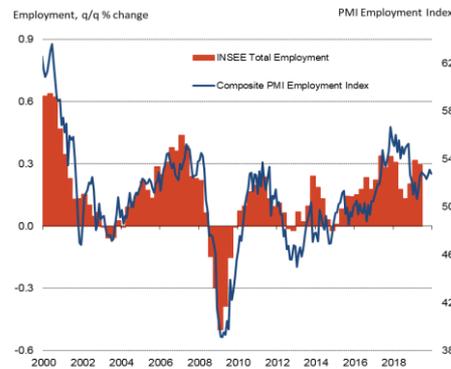
“On the other hand, service sector growth remained broadly in line with trend and continued to provide support to the economy. Taking into account other data, our Nowcast model points to a healthy growth rate of around 0.4% in the fourth quarter.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final December data are published on January 2nd for manufacturing and January 6th 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 ⁽³⁾	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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