

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

Output growth softens to 21-month low in September

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 53.6 in September from 54.9 in August (21-month low)
- Flash France Services Activity Index⁽²⁾ falls to 54.3 in September (55.4 in August), 4-month low
- Flash France Manufacturing Output Index⁽³⁾ at 50.4 in September (52.7 in August), 2-year low
- Flash France Manufacturing PMI⁽⁴⁾ up to 52.5 in September (53.5 in August), 3-month low

Data collected September 12-20

At 53.6 in September, down from 54.9 in the previous month, the **IHS Markit Flash France Composite Output Index** remained above the crucial 50.0 no-change mark for a twenty-seventh month in a row, with the latest figure signalling a solid increase in output across the French private sector. That said, the pace of expansion was at a 21-month low. A broad-based slowdown was recorded, with both the manufacturing and service sectors registering weaker gains during September.

Continuing the sequence observed since July 2016, **service providers** recorded a further improvement in business activity during September. The rate of growth was marked overall, although the weakest registered since May. Whilst **client demand** remained solid overall, with many service firms reporting new project wins, inflows of new business grew at the slowest pace in nearly two years.

Manufacturing firms operating in France reported the slowest increase in output for two years during the latest flash survey period. September's expansion was only marginal overall. Anecdotal evidence suggested that many manufacturers saw a reduction in demand from the automotive sector. Furthermore, French manufacturing firms reported a contraction in **new export orders** during September, following an improvement in August.

Despite a general slowdown in output and new

orders across the two monitored sectors, French private sector companies continued to take on new hires at a marked rate during September. Although easing since August, the pace of **job creation** remained strong in the context of historical data.

Partly reflecting an increase in employment alongside slower growth of new orders, **backlogs of work** built up at a weaker pace during September. Nevertheless, outstanding work has now built-up consistently on a month-by-month basis since March 2016.

On the price front, input price **inflation** faced by French private sector companies sharpened during September. Many respondents reported higher fuel bills and payroll rates. Average cost burdens have increased in every month since March 2016.

Survey data indicated that companies reacted to higher cost burdens by raising **output charges** at a faster rate in September. However, the rate of selling price inflation remained subdued overall.

Finally, **business confidence** across the French private sector improved during September. Whilst there was some concern towards new regulation in the services sector, this was outweighed by positive sentiment towards solid underlying demand.

Comment

Commenting on the Flash PMI data, Sam Teague, Economist at IHS Markit said:

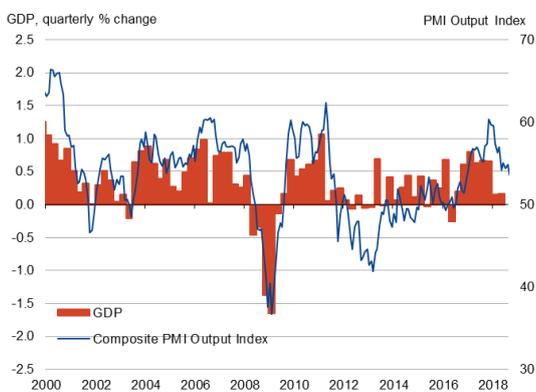
"Output growth across the French private sector slipped to its lowest since December 2016 during the latest survey period, with data indicating a broad-based slowdown across both the manufacturing and service sectors. Manufacturing businesses frequently reported a deterioration in the automotive sector. Moreover, the survey data saw a general slowdown in new business across the whole private sector, with growth reaching a near two-year low in

September.

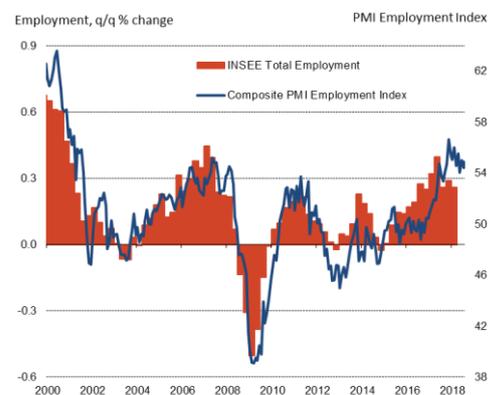
“Input price pressures sharpened at a faster pace in the latest survey, reflecting higher wage and fuel bills. Nonetheless, despite higher cost burdens, optimism among French businesses improved during September, evidenced by a further marked improvement in job creation.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

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