

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash France PMI<sup>®</sup>

### Strong private sector growth continues at start of 2018

#### Key findings:

- Flash France Composite Output Index<sup>(1)</sup> at 59.7 in January (2-month high)
- Flash France Services Activity Index<sup>(2)</sup> rises to 59.3 in January (59.1 in December), 2-month high
- Flash France Manufacturing Output Index<sup>(3)</sup> dips to 61.2 (62.2 in December), 2-month low
- Flash France Manufacturing PMI<sup>(4)</sup> drops to 58.1 (58.8 in December) 2-month low

Data collected January 12-23

January flash data point to further strong growth in the French private sector economy. At 59.7, the **IHS Markit Flash France Composite Output Index** signalled a rate of expansion that was broadly unchanged from the prior survey period and only just shy of November's six-and-a-half year peak (60.3).

Encouragingly, the expansion was broad-based across both the **manufacturing** and **services** sectors. A fractional pick-up in the rate of increase at service providers was partially offset by a slight moderation at their manufacturing counterparts. The rates of growth remained historically marked in each case nonetheless.

As has been the case in recent months, output was supported by a further rise in **new orders**. Indeed, the rate of new order growth in January was the most marked since April 2011. The acceleration was driven by the services sector, which saw the sharpest rise in over six-and-a-half years. In contrast, the rate of expansion at manufacturers eased slightly from December, but remained marked overall.

Strong client demand continued to buoy **employment** numbers, which rose for the fifteenth time in as many months in January. Although slowing for the second month in succession, the

rate of job creation remained markedly greater than the long-run series average. The slowdown was driven by a slight moderation at manufacturers, while the rate of hiring at service providers was unchanged.

Despite the rise in staffing numbers, private sector firms recorded the sharpest rise in **unfinished work** since April 2011. Moreover, the latest increase extended the current period of backlog accumulation to 23 months. The acceleration was underpinned by a sharper rise at service providers. Meanwhile, manufacturers reported a fractional moderation from the previous month.

According to latest data, **input price** pressures faced by French private sector companies intensified during January. Indeed, the rate of inflation quickened to an 80-month high and moved above the long-run series average. Higher prices were generally attributed to a rise in raw material costs (including oil, steel, copper and aluminium) and greater wage bills. Inflation accelerated substantially at both manufacturers and service providers, hitting nine-and 80-month highs respectively.

In line with the trend for input costs, average **selling prices** rose at a sharper pace during January. Indeed, the rate of charge inflation was the most marked since August 2011 as some firms passed on higher cost burdens to their clients. The acceleration was broad-based across the manufacturing and services sectors, with the sharper increase evident in the former.

Finally, **business confidence** at French private sector firms remained elevated during the latest survey period, despite a fractional pull-back from December. The degree of positive sentiment remained broadly similar at both manufacturers and service providers.

**Comment**

Commenting on the Flash PMI data, Alex Gill, Economist at IHS Markit said:

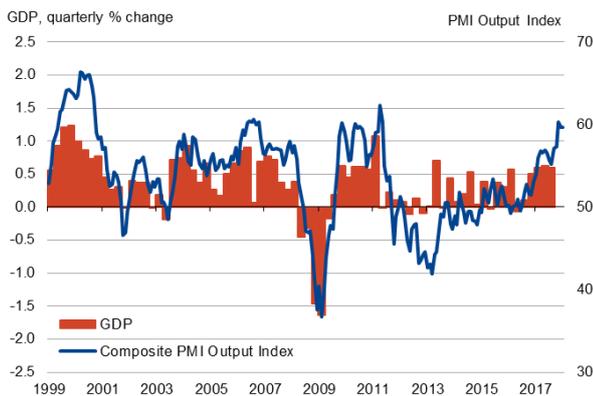
*“The French private sector economy started 2018 where it left off last year, with the headline flash composite output PMI figure remaining among the highest recorded in the survey’s near 20-year history.*

*“A sharp pick-up in client demand – indeed the strongest recorded by the PMI in over six-and-a-half years – encouraged a further sharp round of job creation. Nevertheless, backlogs of unfinished work accumulated to the greatest extent since April 2011. Together with a robust degree of business confidence, these trends look set to support further growth in the coming months.*

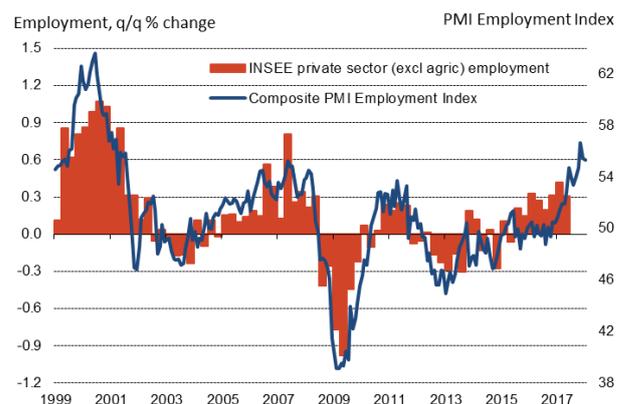
*“A standout theme in the latest data was a sharp acceleration in input cost inflation which, in turn, filtered through to a steep rise in average charges. Although relatively unaffected during the latest survey period, a continuation of this trend may put downward pressure on client demand as we move further into the new year.”*

-Ends-

**Economic output**



**Employment**



Sources: IHS Markit, INSEE via Datastream.

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**Note to Editors:**

Final January data are published on February 1<sup>st</sup> for manufacturing and February 5<sup>th</sup> 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 <sup>(1)</sup>	-0.1	0.4
France Manufacturing PMI <sup>(3)</sup>	0.0	0.3
France Services Business Activity Index <sup>(2)</sup>	-0.2	0.6

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](mailto:economics@ihsmarkit.com).

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