

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

Renewed slowdown in French private sector output growth

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 54.5 in May from 56.9 in April (16-month low)
- Flash France Services Activity Index⁽²⁾ falls to 54.3 in May (57.4 in April), 16-month low
- Flash France Manufacturing Output Index⁽³⁾ up to 55.5 (54.8 in April), 3-month high
- Flash France Manufacturing PMI⁽⁴⁾ up to 55.1 (53.8 in April) 3-month high

Data collected May 11-22

May data signalled a renewed slowdown in French private sector output growth. Indeed, at 54.5 in May, down from 56.9 in April, the **IHS Markit Flash France Composite Output Index** highlighted the weakest rate of expansion since the start of 2017.

The moderation in overall **output** growth was driven by the **services** sector, where the rate of increase in activity was the softest for 16 months. In contrast, **manufacturers** registered a sharper rise in output in May. Moreover, the rate of expansion was marked in line with the average seen in the current 21-month sequence of expansion.

The overall slowdown was indicative of softer underlying client demand, as the rate of growth in **new orders** moderated to a 17-month low. In line with the trend for activity, diverging trends were evident by sector, with a softer expansion at service providers contrasting with an acceleration at goods-producers.

In line with weaker rises in client demand, private sector firms in France took on **new staff** to a weaker extent midway through the second quarter. That said, the rate of job creation remained far sharper than the long-run series average. The rate of increase in employment was stronger at service providers than their manufacturing counterparts. Despite a notable moderation since April.

In spite of weaker growth in client demand, the amount of **unfinished work** at French private sector companies continued to increase in April, thereby extending the current period of expansion to 27 months. Nevertheless, the rate of accumulation eased to a nine-month low amid slower rises at both manufacturers and service providers.

Average **input prices** faced by companies operating in the French private sector rose for the twenty-seventh time in as many months during May. Moreover, the rate of inflation was the most marked for three months. Where an increase was reported, firms generally commented on a combination of higher wage bills and fuel costs. Manufacturers continued to record sharper inflation than their service sector counterparts.

French private sector firms reported a ninth consecutive rise in average **charges** in May. The rate of increase was broadly unchanged from the prior month and substantially less marked than the corresponding rise in input costs. Manufacturers continued to report a sharper increase in charges than service providers.

Finally, French private sector firms maintained an optimistic outlook midway through the second quarter. The degree of positive **sentiment** ticked-up slightly from April and remained marked overall. Service sector firms remained more confident than manufacturers.

Comment

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

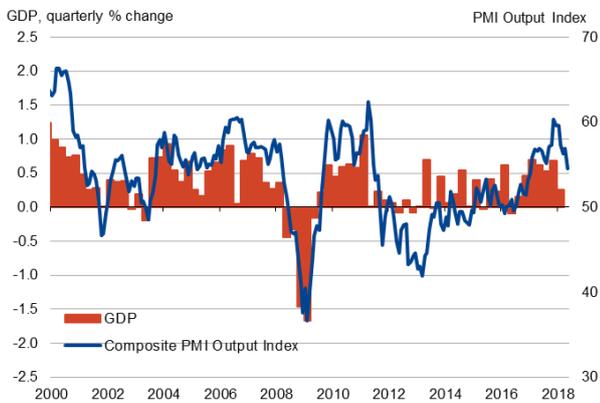
"Having showed signs of resilience in April, May saw a renewed slowdown in French private sector growth. Moreover, the headline composite output index signalled the weakest rate of expansion for almost a year-and-a-half, indicating that the French

private sector's economic revival is losing further steam in the second quarter.

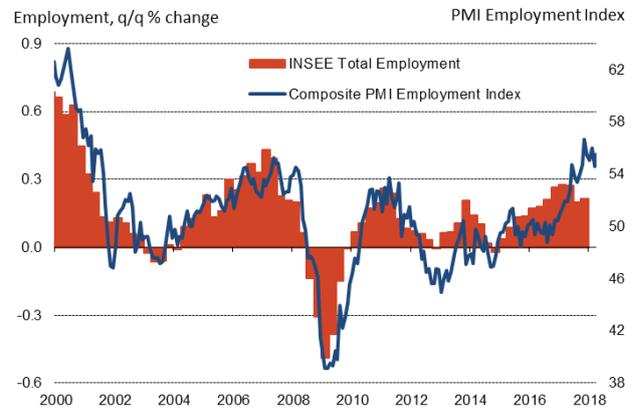
“On a brighter note, the data highlighted a better month for the manufacturing sector, with rates of expansion accelerating on a number of key metrics, including output, new orders and employment.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final May data are published on June 1st for manufacturing and June 5th 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⁾ | 0.1 | 0.3 |
| France Services Business Activity Index ⁽²⁾ | -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.

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