

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

French private sector growth gains momentum

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 57.2 in September (76-month high)
- Flash France Services Activity Index⁽²⁾ rises to 57.1 in September (54.9 in August), 4-month high
- Flash France Manufacturing Output Index⁽³⁾ rises to 57.5 (56.2 in August), 77-month high
- Flash France Manufacturing PMI⁽⁴⁾ increases to 56.0 (55.8 in August) 77-month high

Data collected September 12-21

The latest set of flash France PMI[®] data signalled a further rise in French private sector output during September. The pace of growth remained sharp overall with the **IHS Markit Flash France Composite Output Index**, which is based on around 85% of usual monthly survey replies, posting well above the neutral 50.0 level. Moreover, at 57.2 the rate of expansion was the most marked since May 2011.

Having moderated in each of the previous three months, the rate of growth in **service sector activity** accelerated in September and was only marginally weaker than May's near-six-year peak. Further positive news was evident at goods-producers, with **manufacturing production** rising to the greatest extent since April 2011.

Underlying the solid increase in private sector activity was another sharp expansion in **new orders**. As was the case with output, the rate of expansion quickened to a near six-and-a-half year high and was marked overall. The acceleration was driven by the service sector. Meanwhile, the rate of new business growth at manufacturers weakened from August, but remained marked nonetheless.

Buoyed by sharp increases in activity and new orders, private sector companies continued to hire additional **staff members** in September, thereby

continuing a trend that has been evident since November last year. Job creation was broad-based across both the manufacturing and service sectors. The rate of growth accelerated in each case, and was marginally steeper at service providers.

Notwithstanding another expansion in private sector payrolls, firms recorded a nineteenth consecutive monthly rise in **business outstanding**. Moreover, the rate of backlog accumulation accelerated sharply from the preceding month and was only fractionally softer than May's six-year record. Backlogs of unfinished work accrued to a greater extent at manufacturers than at their service sector counterparts, although rates of expansion were marked in each case.

September data signalled a further rise in average **input costs** faced by companies operating in the French private sector. Moreover, having softened in each of the preceding four months, the rate of inflation increased sharply from August and was only just shy of the series average.

Average **selling prices** at French private sector companies increased during September, having decreased slightly in August. Charge inflation was evident in both the manufacturing and service sectors. Of particular note, the increase in services was the first for five-and-a-half years.

Finally, French private sector companies maintained an optimistic outlook towards their prospects for activity growth over the coming 12 month period. Indeed, **business confidence** improved at both manufacturers and service providers alike.

Comment

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

"According to the latest flash PMI data, the French private sector's 2017 revival continued in September. Indeed, the resurgence gained

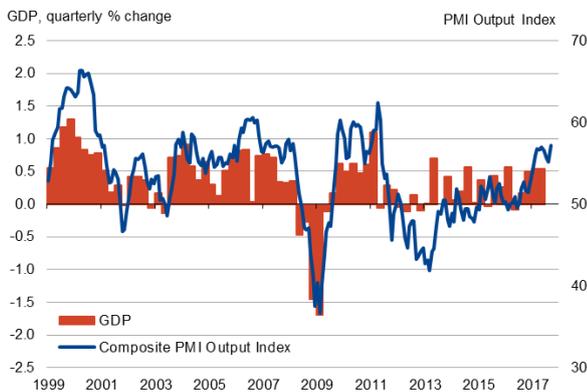
momentum with growth of output and new orders hitting near six-and-a-half year highs. Encouragingly, private sector growth appears to be broad-based, with similar rates of expansion recorded in both the manufacturing and services sectors.

“On the eve of the president’s signature labour reforms, perhaps the key takeaway of the latest survey is another marked rise in employment. Moreover, with backlogs of work accumulating to the second-sharpest extent since May 2011, the current period of jobs growth looks far from over.

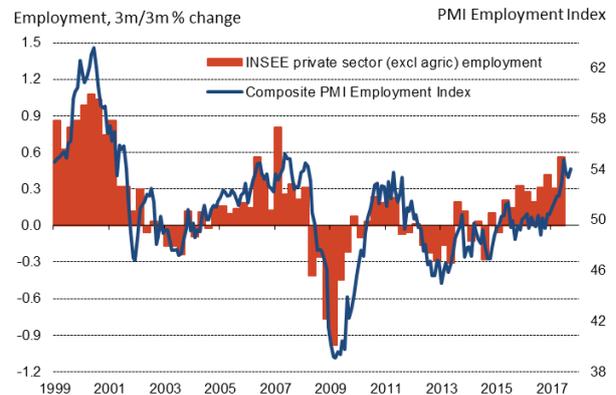
“A further positive development was a rise in business confidence to a level well above the long-run series average. Business optimism therefore looks well placed to support private sector growth in the coming months, and help facilitate labour market reforms in bringing down the country’s high unemployment rate (currently 9.5%).”

-Ends-

Economic output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final September data are published on October 2nd for manufacturing and October 4th 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 | 0.6 |

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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