

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

French private sector growth accelerates in April

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 56.9 in April from 56.3 in March (2-month high)
- Flash France Services Activity Index⁽²⁾ rises to 57.4 in April (56.9 in March), 2-month high
- Flash France Manufacturing Output Index⁽³⁾ up to 54.7 (53.9 in March), 2-month high
- Flash France Manufacturing PMI⁽⁴⁾ drops to 53.4 (53.7 in March) 13-month low

Data collected April 11-20

Having softened in the previous two months, private sector growth accelerated at the start of the second quarter. Indeed, at 56.9, up from 56.3 in March, the **IHS Markit Flash France Composite Output Index** continued to signal an above-trend rate of expansion.

The acceleration in overall growth was indicative of sharper rates of expansion in both the **manufacturing** and **services** sectors. The rate of increase in the latter continued to outstrip the former, but both remained marked and above their respective long-run averages nonetheless.

Underpinning output growth was a further rise in **new orders**, the twenty-second in as many months. The rate of increase quickened from March, albeit only fractionally, and remained above the long-run series average. A sharper rise in new work at service providers contrasted with a moderation at their goods-producing counterparts.

Buoyed by strong client demand, French private sector firms took on additional workers in April, thereby extending the current period of job creation to a year-and-a-half. Moreover, the rate of **employment** growth quickened from March and was marked overall. As was the case with new business, the acceleration was driven by service providers, while jobs growth eased at goods-producers.

In spite of further improvements to operating capacity, the amount of **unfinished work** at French private sector companies continued to rise in April. The rate of backlog accumulation eased to an eight-month low, but remained marked nonetheless. The slowdown was driven by the service sector, whereas an acceleration in backlog growth was evident at manufacturers.

Input prices faced by private sector firms in France increased in April, thereby continuing a trend that has been observed since March 2016. Anecdotal evidence suggested that salary increases as well as a general rise in raw material prices were the principal drivers of the latest overall inflation. As has been the case since October 2016, the rate of inflation was sharper in the manufacturing sector.

In line with higher input costs, private sector firms raised their average **selling prices** in April, extending the current period of increase to eight months. The rate of increase softened fractionally from March but remained broadly in line with the average for this sequence. Manufacturers continued to record a sharper rate of charge inflation than their service sector counterparts.

Finally, French private sector firms maintained an optimistic outlook at the start of the second quarter. The degree of positive **sentiment** dipped slightly from March, but remained marked overall. Service sector firms overtook their manufacturing counterparts as being the more confident.

Comment

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

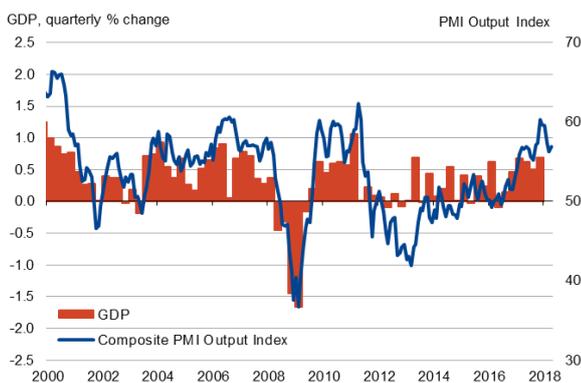
"The French private sector remained firmly in expansionary mode according to latest flash data. Indeed, at 56.9, the headline composite output figure signalled a sharper rate of growth than in March, and one that remained well above its long-

run average (53.9).

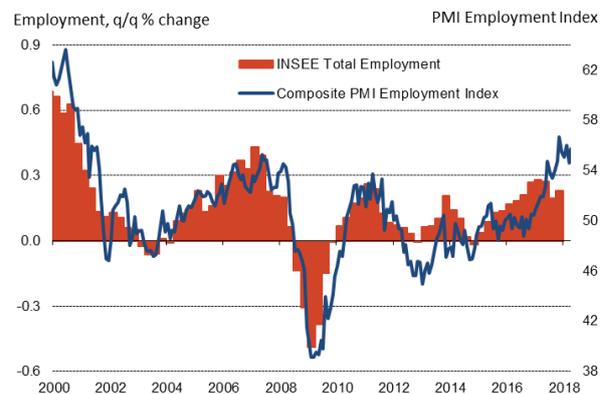
“After having shown signs of slowing in recent months, the data will buoy hopes that the renaissance in the French economy has far from run its course. Further encouragement can be garnered from the broad-based nature of the acceleration, with sharper growth evident in both the manufacturing and services sectors, the former on the back of marked moderations in the prior two months.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final April data are published on May 2nd for manufacturing and May 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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