

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

July data points to further robust increases in output and employment

Key findings:

- Flash France Composite Output Index⁽¹⁾ declines to 55.7 (56.6 in June), 6-month low
- Flash France Services Activity Index⁽²⁾ falls to 55.9 (56.9 in June), 6-month low
- Flash France Manufacturing Output Index⁽³⁾ edges down to 54.8 (55.4 in June), 4-month low
- Flash France Manufacturing PMI⁽⁴⁾ increases to 55.4 (54.8 in June) 75-month high

Data collected July 12-21

The latest set of flash France PMI[®] data signalled a further rise in French private sector output during July. The rate of expansion 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 at 55.7. However, this was down from 56.6 in June and marked a further fall from May's six-year peak. Notably, it was the lowest index reading seen since the start of the year.

Softer increases in output were seen across both manufacturers and service providers in July. **Service sector activity** rose sharply overall despite the rate of increase slowing for the second month in a row. At the same time, the latest survey signalled a solid expansion in **manufacturing production**, albeit with the rate of growth weakening to a four-month low.

French private sector companies also noted a steep increase in overall **new business** at the start of the third quarter. The pace of expansion remained robust despite edging down from June's 73-month record. The slowdown predominately reflected softer growth in new orders at service providers as manufacturers indicated that the rate of increase was little-changed since the previous month.

Greater output and new orders prompted companies to add to their **payrolls** for the ninth month running in July. Service providers have now increased their staffing levels in each month of 2017 so far, though the rate of growth softened from June's multi-year high. In contrast, manufacturing employment expanded at a solid pace that was the fastest for nearly 17 years.

Despite higher staff numbers, capacity pressures persisted in July as highlighted by a further solid rise in **backlogs of work**. Higher levels of work-in-hand (but not yet completed) were registered in both the service and manufacturing sectors. That said, rates of accumulation eased since the previous survey period.

July data signalled greater average **input costs** faced by French private sector firms, as has been the case in each of the past 17 months. That said, both manufacturers and services companies indicated that inflation softened to a nine-month low.

Average **output charges** declined for the second month in a row in July, albeit at a marginal rate that was unchanged from the previous month. Sector data highlighted divergent trends, however, with a modest decline at services companies contrasting with a solid increase in factory gate charges.

Overall **business confidence** in France remained strong in July, despite edging down to a six-month low. While services companies expressed a weaker degree of optimism towards the year-ahead, the level of confidence across the manufacturing sector improved to its strongest in the five-year series history.

Comment

Commenting on the Flash PMI data, Annabel Fiddes, Economist at IHS Markit said:

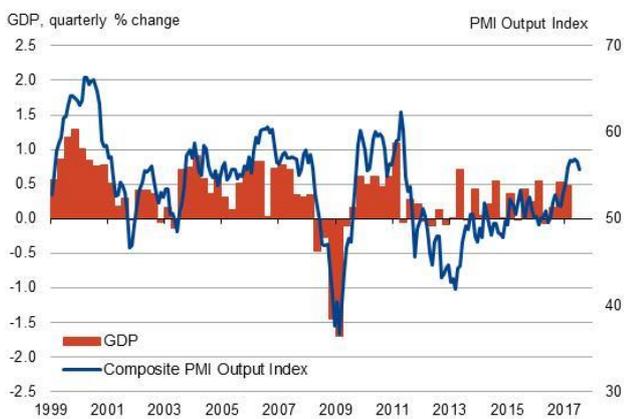
“The latest set of PMI figures indicate that the French private sector continued to expand at a robust pace in July, despite losing a little momentum from the previous quarter.

“Steep increases in output and employment were key takeaways from the latest release, with manufacturing firms noting the quickest rise in staff numbers for nearly 17 years.

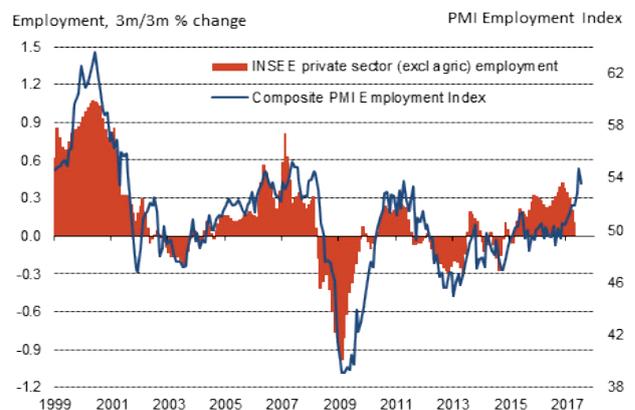
“Further increases in total new orders and backlogs suggest that companies will continue to ramp up output and add to payrolls going forward, and marks a solid start to the second half of the year.”

-Ends-

Economic output



Employment



Sources: IHS Markit, INSEE via Datastream.

For further information, please contact:

IHS Markit

Annabel Fiddes, Economist
Telephone +44-1491-461-010
Email annabel.fiddes@ihsmarkit.com

Joanna Vickers
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

Final July data are published on August 1st for manufacturing and August 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⁾	0.1	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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