

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (CEST) / 0700 (UTC) June 22nd 2018

IHS Markit Flash France PMI®

Service sector drives stronger growth of overall output in June

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 55.6 in June from 54.2 in May (2-month high)
- Flash France Services Activity Index⁽²⁾ improves to 56.4 in June (54.3 in May), 2-month high
- Flash France Manufacturing Output Index⁽³⁾ at 51.8 in June (53.7 in May), 19-month low
- Flash France Manufacturing PMI⁽⁴⁾ down to 53.1 in June (54.4 in May), 16-month low

Data collected June 12-21

The French services economy drove an acceleration in private sector output growth during June, but manufacturing lost further momentum.

Posting 55.6 in June, up from 54.2 in the previous month, the **IHS Markit Flash France Composite Output Index** registered a two-month high. The index remains at a historically strong level, though is still down on readings seen around the turn of 2018.

There was a noticeable divergence between the two principal sectors covered by the survey in June.

On the one hand, **services providers** registered a robust and accelerated rate of activity growth, supported by a similar sized increase in new work. Panellists reported that market activity had picked up, and there was some success in converting this into hard contract wins.

In contrast, **manufacturers** recorded only a modest increase in output, the lowest in over a year-and-a-half. New orders rose at the weakest pace since February 2017, amid a number of reports that business conditions were not as conducive to growth when compared to the start of the year. This was a common theme reported across both domestic and export markets. Where growth was reported, China was mentioned as a source of higher demand.

Capacity pressures across the private sector economy persisted during June, with **backlogs of unfinished work** continuing to increase. Rates of growth across the manufacturing and service sectors were similarly solid, with panellists commenting on increased orders and a lack of available resources as reasons for further growth.

Manufacturers noted similar factors affecting their suppliers, as highlighted by another sharp deterioration in **average lead times** for the delivery of inputs. Stocks were reportedly low at vendors, with a lack of staff and available transportation also cited as factors weighing on supplier performance.

Meanwhile, companies continued to add to their **staffing levels** during June. Service sector employment rose to the strongest degree in four months, which was linked to increased workloads and the replacement of leavers. Manufacturers recorded another solid rise in job numbers, extending the current run of growth to 20 months.

Price pressures continued to build during June. **Input costs** rose to the strongest degree for five months, with the acceleration largely driven by sharp inflation in the manufacturing economy. There were reports of a rise in the price of metals, with aluminium, copper and steel most widely mentioned. Oil related products were also up in cost, whilst some panellists mentioned that higher tariffs had an inflationary impact.

Where possible, companies (especially manufacturers) sought to pass on their higher input costs to clients. **Average output prices** rose at a solid pace that was the strongest since January. However, competitive pressures continued to restrict overall pricing power.

Finally, French companies maintained an optimistic **outlook** for the year ahead during June, amid hopes of further demand growth. However, the degree of optimism eased to a seven-month low.

Comment

Commenting on the Flash PMI data, Paul Smith, Economics Director at IHS Markit said:

“France’s economy showed noticeably divergent trends at the end of the second quarter, with the manufacturing and service sectors heading in markedly different growth directions.

“Whilst the services economy strengthened on the back of increased market activity, manufacturers faced a number of headwinds including a general loss of external demand momentum, ongoing vendor delivery delays and rising price pressures, especially for metals (in part linked to higher tariffs).

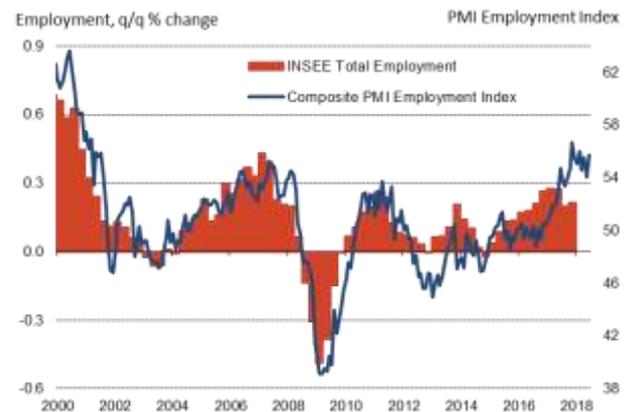
“Although the surveys suggest that underlying economic growth is continuing at a decent clip, on balance the latest data support the current IHS call for a 0.3% rise in GDP for Q2 as a whole.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

For further information, please contact:

IHS Markit

Paul Smith, Economics Director
Telephone +44-1491-461-038
Email paul.smith@ihsmarkit.com

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

Note to Editors:

Final June data are published on July 2nd for manufacturing and July 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	0.5

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi

The intellectual property rights to the Flash France PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).