

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

Private sector output contracts for the first time in two-and-a-half years

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 49.3 in December from 54.2 in November (30-month low)
- Flash France Services Activity Index⁽²⁾ at 49.6 in December (55.1 in November), 34-month low
- Flash France Manufacturing Output Index⁽³⁾ at 47.7 in December (50.0 in November), 44-month low
- Flash France Manufacturing PMI⁽⁴⁾ at 49.7 in December (50.8 in November), 27-month low

Data collected December 5-13

At 49.3 in December, the **IHS Markit Flash France Composite Output Index** fell markedly from 54.2 in November, amid widespread reports of disruption to business due to the ongoing 'gilets jaunes' protests.

The largest impact was seen in the **services sector**, as business reported the first contraction in **activity** since June 2016. The latest reading was in stark contrast to the robust growth seen in 2018 overall.

Meanwhile, **manufacturing production** fell following November's stabilisation. Although moderate overall, the contraction was the fastest for 44 months. In contrast to services, manufacturers often blamed automotive sector slowdown for lower output rather than recent protests.

In line with the trend for output, **new business** across the French private sector fell for the first time since June 2016. Panellists again often blamed the 'gilets jaunes' protests for the decline. At the sector level, contraction was broad-based but the sharpest decline was reported by manufacturers.

Employment growth decelerated further in December, easing to the slowest pace reported since February 2017. This was primarily driven by a second successive cut to manufacturing jobs, although the rate of employment decline was softer

than in November.

December data pointed to a slower rise in **backlogs of work**. Service providers recorded their softest rise in outstanding business for 28 months. On the other hand, manufacturers saw marginal growth following stagnation for incomplete business in November.

On the price front, **input costs** continued to increase markedly at the end of the fourth quarter. Panellists continued to cite higher fuel and raw material prices. At the sector level, the sharpest rate of inflation was reported by manufacturers.

Average **output charges** rose moderately again in December. Moreover, the rate of increase was broadly-unchanged compared to November. Reflective of the trend for input prices, manufacturers raised their charges at a faster pace than service providers.

December's negative economic shock saw **confidence** towards the business outlook fall to its lowest level for three years. The drop in expectations was seen across both the services and manufacturing sectors. Anecdotal evidence suggested that firms were worried about the current social unrest and its potential to have further adverse effect on economic activity.

Comment

Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

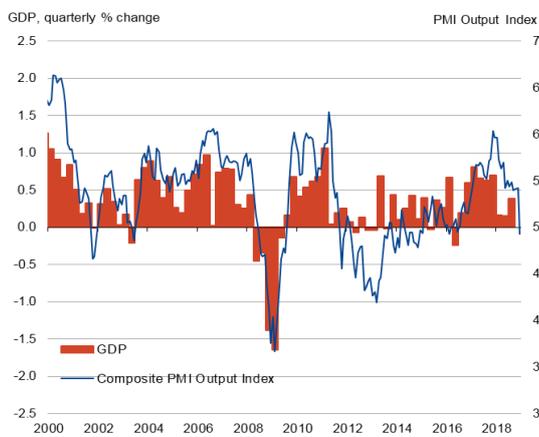
"Having held up reasonably well throughout the initial months of Q4, latest flash data pointed to an outright contraction in France's private sector for the first time in two-and-a-half years, following the protests which have swept through the country in recent weeks. Momentum in the manufacturing sector's downturn gathered pace, while most notably, the service sector's resilience came to a halt, with business activity and demand dropping.

"Prior to the December flash results, survey data

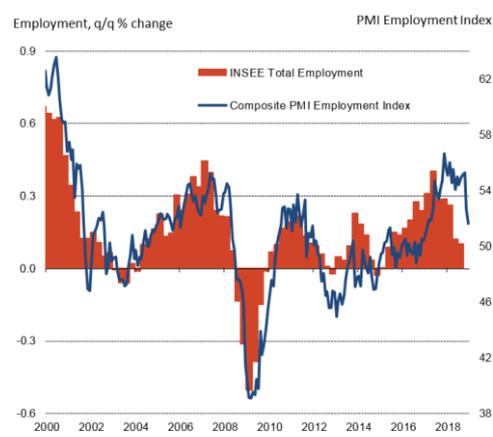
suggested that the French economy was set to record a fairly reasonable quarterly expansion in Q4. Having propped private sector growth up in recent months, contraction in the service sector presents significant downside risks to Q4 growth prospects.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream.

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Note to Editors:

Final December data are published on January 2nd for manufacturing and January 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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