

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash France PMI<sup>®</sup>

### Employment growth sharpest in almost ten-and-a-half years

#### Key findings:

- Flash France Composite Output Index<sup>(1)</sup> at 57.5 in October (77-month high)
- Flash France Services Activity Index<sup>(2)</sup> rises to 57.4 in October (57.0 in September), 7-month high
- Flash France Manufacturing Output Index<sup>(3)</sup> rises to 58.1 (57.6 in September), 78-month high
- Flash France Manufacturing PMI<sup>(4)</sup> increases to 56.7 (56.1 in September) 78-month high

Data collected October 12-24

According to latest flash data, the resurgence in the French private sector showed no sign of abating at the start of the fourth quarter. Indeed, the rate of growth accelerated from September with the **IHS Markit Flash France Composite Output Index**, which is based on around 85% of usual monthly survey replies, posting 57.5, up from 57.1 in September and a near-six-and-a-half-year high.

Output growth was broad-based across each monitored sub-sector. Building on a strong performance in September, **service sector activity** rose to the greatest extent since March 2017. A similar trend was evident at goods-producers, with **manufacturing production** quickening to a six-and-a-half year high.

The expansion in private sector activity was underpinned by another rise in **new business**. The rate of increase eased fractionally from September's 76-month high, but remained sharp nonetheless. Growth in new orders continued to be observed in both the services and manufacturing sectors, with the rate of expansion marginally quicker in the former.

Buoyed by strong client demand, private sector firms continued to take on additional **staff members** in October, extending the latest period of job creation to 12 months. Moreover, the rate of

growth was the most marked in just shy of ten-and-a-half years (May 2007). The pace of expansion in the services sector overtook that in the manufacturing economy. Nevertheless, rates of increase accelerated from September and remained marked in each instance.

Despite the rise in headcounts, firms continued to record a monthly rise in **business outstanding**. The rate of backlog accumulation was broadly unchanged from the previous month and marked overall. Backlogs of unfinished work accrued to a greater extent at manufacturers than at their service sector counterparts, perhaps reflective of the sharper expansion in service sector payrolls.

Latest data highlighted a further rise in average **input costs** faced by firms operating in the French private sector. Furthermore, the rate of inflation quickened from September and was only fractionally weaker than April's 70-month high. The rate of increase accelerated at both manufacturers and service providers, and remained far sharper in the former.

French private sector companies raised their average **selling prices** for the second successive month in October. The rate of charge inflation remained far weaker than for input prices, but was the sharpest since March 2012 nonetheless.

Finally, French private sector companies maintained an optimistic outlook towards their prospects for activity growth over the coming 12 month period. While **business confidence** improved slightly at manufacturers, it softened to a nine-month low at service providers.

#### Comment

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

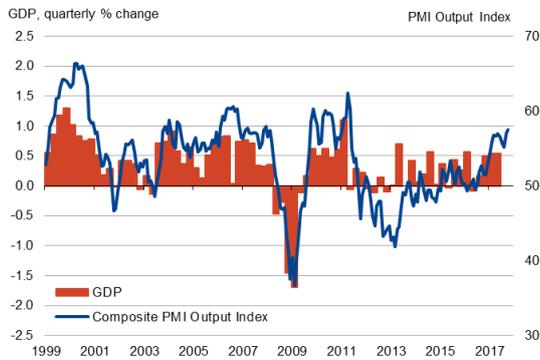
*"The latest flash PMI data highlight a strong start to the fourth quarter for the French private sector, with output increasing to the greatest extent in nearly*

six-and-a-half years. Further encouragement was provided by the broad-based nature of the expansion, with output growth accelerating in both the manufacturing and service sectors, each underpinned by solid client demand.

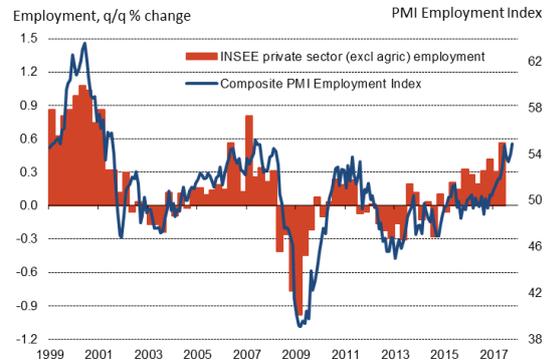
“One of the key points from the latest survey was the sharpest rise in employment for over ten years, buoyed by a combination of strong domestic and foreign demand and labour law reforms. Despite this, firms continued to report supply-side constraints, with backlogs of unfinished work accumulating at one of the sharpest rates for six years. Taken together, further employment gains look likely as we move through the final quarter of the year.”

-Ends-

### Economic output



### Employment



Sources: IHS Markit, INSEE via Datastream.

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**Note to Editors:**

Final October data are published on November 2<sup>nd</sup> for manufacturing and November 6<sup>th</sup> 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 <sup>(1)</sup>	-0.1	0.4
France Manufacturing PMI <sup>(3)</sup>	0.1	0.3
France Services Business Activity Index <sup>(2)</sup>	-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](mailto:economics@ihsmarkit.com).

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