News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash France PMI®

French private sector economy stagnates at the start of the fourth quarter

Key findings:

Flash France PMI Composite Output Index[1] at 50.0 (Sep: 51.2). 19-month low.

Flash France Services PMI Activity Index[2] at 51.3 (Sep: 52.9). 2-month low.

Flash France Manufacturing Output Index[4] at 44.2 (Sep: 43.3). 2-month high.

Flash France Manufacturing PMI[3] at 47.4 (Sep: 47.7). 29-month low.

Data were collected 12-20 October

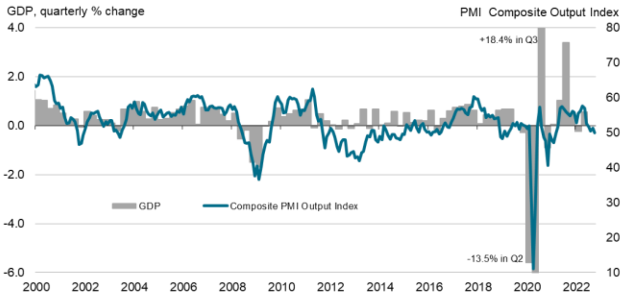
Having registered a continuous period of expansion since April 2021 when COVID-19 restrictions began to ease, the French economy stagnated in October. Business activity was hindered by demand conditions, with the latest survey data signalling a third successive decline in new order inflows as high prices and rising uncertainty were reported to have curbed client appetite. Inflationary pressures remained historically elevated in October as companies continued to face high input costs, particularly relating to energy, leading firms to pass these through to their customers via higher charges. Business confidence meanwhile slumped to its lowest level in almost two years.

The headline **Flash France PMI Composite Output Index** registered 50.0 in October, signalling no change in business activity levels across the French private sector economy at the beginning of the fourth quarter. This was down from 51.2 in September and its lowest reading since March 2021.

The manufacturing sector remained the weakest performing monitored segment of the French private sector in October, registering its fifth successive monthly decrease in output. Although the decline was softer than in September, it remained strong overall. Where a reduction in output was reported, this was often linked to lower order intakes, raw material shortages and weak market conditions.

Meanwhile, the services economy eked out another month of business activity growth in October, in line with the trend since April 2021. That said, growth was too weak to offset the drop in goods production, a contrast to the previous four months where the rise in services activity has been sufficient to drive an overall economic expansion across France. Uncertainty and weak client purchasing power were cited as factors weighing on service sector growth.

S&P Global Flash France PMI Composite Output Index



Source: S&P Global, INSEE.

Incoming new business receipts across France's private sector fell again in October, marking a third straight monthly decline. This was an exclusive reflection of demand conditions at manufacturers, with the latest survey data pointing to a rapid drop in new factory orders that was the sharpest since May 2020. High stock levels at clients, rising prices and slowing market conditions were often mentioned by firms as reasons for reduced new order intakes.

In another sign of weak manufacturing demand, stocks of finished goods rose at the fastest rate since data were first collected in 1998 during October, indicating the placement of unsold inventory into warehouses at a record speed.

Input costs continued to rise at a sharp pace during October, with anecdotal evidence frequently mentioning rising prices for energy. Survey respondents also commented on higher borrowing costs and wages. Overall, the rate of input price inflation was only marginally down from September's three-month high.

Meanwhile, another round of output price increases was seen at the start of the fourth quarter. The overall rate of selling charge inflation accelerated to a five-month high as companies continued to pass on higher costs to their customers wherever possible. Selling price pressures were their most acute at services firms, with rising interest rates and resilient demand conditions for certain services noted as drivers. Output price inflation eased in the manufacturing sector during October, however.

Looking towards the coming 12 months, latest survey data signalled positive expectations on balance, although the level of business confidence fell to its lowest level in almost

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two years and registered below its long-run average. Outlooks also differed notably by sector as pessimism among manufacturers contrasted with still positive (albeit weaker) expectations at services firms. Challenging economic conditions, particularly across Europe, high energy costs and falling client purchasing power were all noted as reasons to be downbeat towards the year ahead.

More positively, French private sector employment growth was sustained in October, marking a twenty-second successive monthly increase in hiring. The rate of job creation was solid overall and comfortably above its historical average. Furthermore, both sectors saw staffing numbers expand since September.

Commenting on the flash PMI data, **Joe Hayes**, Senior Economist at S&P Global Market Intelligence said:

"A 50.0 reading in the French Composite Output Index to start the final quarter of 2022 indicates a complete stagnation of the eurozone's second-largest economy. As high inflation erodes client purchasing power, borrowing costs rise and uncertainty grows, the outlook for France's economy looks daunting.

"The manufacturing sector has been in a downturn since the second quarter, according to our PMI data, and remained firmly in contraction territory during October. Strikingly, factory orders fell to an extent which has only been surpassed during periods of extreme economic turbulence such as the global financial recession of 2008/2009 and later eurozone sovereign crisis. Testament to the strength of the demand slowdown was a survey-record surge in stocks of finished goods as companies struggle to find buyers in the current market.

"The service sector meanwhile continued to grow, although the expansion weakened since September and was only marginal. Although we do continue to see a relative degree of resilience in this sector, the demands on services to solely drive overall economic growth across France are rapidly becoming too large."

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Note to Editors

Final October data are published on 2 November for manufacturing and 4 November for services and composite indicators.

The France PMI (Purchasing Managers' Index) is produced by S&P Global 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
Composite Output Index[1]	-0.1	0.4
Manufacturing *PMI*[3]	0.0	0.3
Services Business Activity Index[2]	-0.1	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.

S&P Global 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 S&P Global. Please contact economics@ihsmarkit.com.

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 *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.
4. 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?"

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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 https://ihsmarkit.com/products/pmi.html .

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