

MARKET SENSITIVE INFORMATION

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S&P Global Flash France PMI®

Strong services activity growth leads French economy to expand at fastest pace since May 2022

Key findings:

Flash France PMI Composite Output Index⁽¹⁾ at 54.0 (Feb: 51.7). 10-month high.

Flash France Services PMI Activity Index⁽²⁾ at 55.5 (Feb: 53.1). 10-month high.

Flash France Manufacturing Output Index⁽⁴⁾ at 46.9 (Feb: 45.0). 2-month high.

Flash France Manufacturing PMI⁽³⁾ at 47.7 (Feb: 47.4). 2-month high.

Data were collected 10-22 March

France's private sector saw a notable improvement in activity levels at the end of the first quarter, with overall output rising at the fastest pace since May 2022. This marked the second successive month of growth, albeit one that was entirely driven by services businesses as factory production fell for a tenth month running.

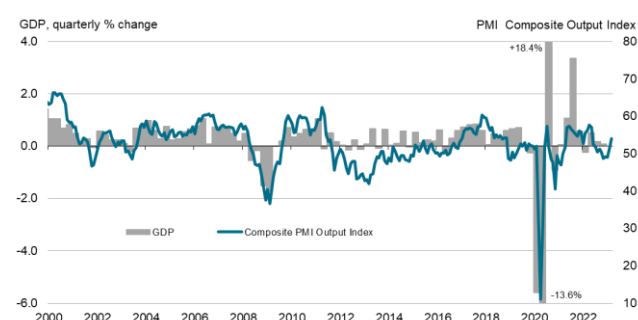
Supporting faster activity growth was a rejuvenation in demand, as seen through an expansion in new orders for the first time since mid-2022. Subsequently, surveyed companies saw their backlogs of work rise and raised staffing levels accordingly.

A cooling of price pressures was also recorded in March, with rates of input cost and output price inflation slowing to 18- and seven-month lows respectively amid receding supply-chain frictions.

The headline **Flash France PMI Composite Output Index** posted above the critical 50.0 threshold in March for a second straight month, indicating an expansion in private sector business activity across France at the end of the first quarter. Moreover, at 54.0, the index was up from February's 51.7 and signalled a solid rate of growth that was the quickest since May 2022.

Sector data revealed that March's upturn was exclusively driven by services activity, which grew strongly and at a pace that was firmly above its long-run average. By contrast, factory output volumes fell for a tenth month, albeit to a softer extent than in February.

S&P Global Flash France PMI Composite Output Index



March's solid and accelerated expansion in activity was fuelled by an improvement in demand conditions, according to survey respondents, with new business volumes rising for the first time since June 2022. However, in line with the trend in output, only services companies reported an increase in workloads as the downturn in factory orders continued.

Sufficient stock levels at clients reportedly weighed on demand for manufactured goods. In fact, reduced sales contributed to another increase in post-production inventories in March, while stocks of inputs fell further amid firms' efforts to align their material supplies with production schedules.

Another sharp monthly fall in purchasing activity was recorded in March, softening pressure on suppliers. Indeed, the latest survey data indicated the weakest strain on vendor capacity since August 2015.

Improving supply conditions helped alleviate some inflationary pressures during March, particularly across the manufacturing sector where input costs rose only moderately and at the softest pace in two-and-a-half years. In contrast, a considerably sharper increase in operating expenses was seen across the services sector, with companies here commenting on rising wage bills and general inflation. Nevertheless, the overall rate of input cost inflation across the private sector slowed to an 18-month low.

Prices charged for French goods and services continued to rise sharply during March. Where an increase in charges

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was reported, this was linked to higher interest rates and the passthrough of hikes in costs to customers. That said, the rate of increase was the slowest since August 2022.

Meanwhile, the level of employment across France's private sector continued to rise, extending the current sequence of job creation that started in January 2021. Moreover, the rise in staffing levels was strong and the quickest since the middle of last year. Hiring was principally driven by services firms as factory employment ticked up only marginally.

Despite strong and sustained recruitment efforts, French private sector companies observed an increase in unfinished workloads during March for a second successive month. The rate of backlog accumulation was solid and the fastest since May 2022.

Lastly, after recovering to an six-month peak in January, business confidence edged down for a second successive survey period in March to hit its lowest level in 2023 so far. Sector data showed an improved level of optimism at services firms, although manufacturers turned pessimistic towards the 12-month outlook for the first time since last November.

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

"The second-largest economy in the eurozone is showing remarkable resilience in the face of rising interest rates and elevated inflation, and the latest PMI numbers suggest that French GDP will once again increase in the first quarter of 2023. March's survey signalled the strongest improvement in France's economy since May 2022, and the first rise in new orders since the middle of last year.

"Of note is the make-up of these increases, with the expansions in activity and demand both exclusively driven by the service sector. This reflects well on the underlying health of France's domestic economy despite the strain that cost-of-living pressures, increased borrowing costs and recession concerns has put on consumer and business finances.

"Alleviating cost pressures, especially on the manufacturing side, has allowed businesses to be less aggressive in their price setting. While rates of input cost and output price inflation slowed in March, they still remained elevated, serving as a timely reminder that more from the European Central Bank may be required to stabilise prices."

-Ends-

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Note to Editors

Final March data are published on 3 April for manufacturing and 5 April 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 <i>PMI</i> ²	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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