

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:15 (CET) / 08:15 (UTC) 21 February 2022**

## IHS Markit Flash France PMI<sup>®</sup>

### French business activity growth at strongest since last June

#### Key findings:

- Flash France Composite Output Index<sup>(1)</sup> at 57.4 in February (52.7 in January), 8-month high.
- Flash France Services Activity Index<sup>(2)</sup> at 57.9 in February (53.1 in January), 49-month high.
- Flash France Manufacturing Output Index<sup>(3)</sup> at 55.0 in February (50.9 in January), 7-month high.
- Flash France Manufacturing PMI<sup>(4)</sup> at 57.6 in February (55.5 in January), 7-month high.

Data collected 10-17 February.

Following January's slump in activity growth, output across the French private sector increased at a sharp and accelerated rate during February, with momentum gains seen across both services and manufacturing. The improvement reflected stronger trends in demand, according to anecdotal evidence, and latest survey data signalled the fastest expansion in new orders since last June.

Nevertheless, supply chain disruptions persisted in February and continued to exert upward pressure on input prices. Business operations were also hindered by poor material availability and prolonged delivery times as backlogs of work increased to the quickest extent since April 2011.

The Flash France Composite Output Index rose to 57.4 in February, its highest mark since last June and a considerable improvement from January's 9-month low of 52.7. The improvement in the headline figure reflected momentum gains at both manufacturers and service providers across the month, which according to surveyed businesses was due to stronger demand for French goods and services.

Latest survey data signalled strong month of new order intakes for French private sector companies. Greater activity levels at clients were supportive of demand according to survey respondents, while some firms in the manufacturing sector attributed the

improvement in sales to a rebound in the aeronautic industry. Overall, the increase in new business was sharp and the fastest since last June.

Furthermore, latest survey data showed overseas markets lending their support to French private sector demand conditions in February. New export orders increased solidly and at the quickest pace in seven months. Asian and American markets were mentioned as international sources of sales growth.

To accommodate for stronger demand, French private sector companies expanded employment during February. In some cases however, the increase in staffing levels reflected the recruitment of temporary workers to cover for staff members absent due to COVID-19 isolation. The rate of jobs growth was strong overall and quickened since January. Manufacturers registered a particularly sharp upturn – the expansion here was the fastest since September 2000.

Despite increased staffing numbers, capacity pressures across the French private sector intensified in February, as evidenced by a sharper accumulation in work-in-hand (i.e. orders received but not yet completed). The increase in backlogs was sharp and the strongest since April 2011.

While many companies indicated that increasing order book volumes was a key factor behind the rise in backlogs of work, poor availability of raw materials and other inputs was also reported to have contributed. Supplier delivery times continued to lengthen substantially in February, according to the latest survey data.

Consequently, pressures across the supply chain pushed up input prices further during February. In addition to rising costs relating to fuel and utilities, wage pressures were reported, as well as higher market prices for a multitude of raw materials such as metals and electronic products. The rate of input cost inflation was substantial and held close to that seen in January, which was the steepest for just over

17 years.

In response, output charges were raised during February. The increase was only narrowly weaker than January's series record. The sector split showed the strongest rate of output price inflation at manufacturers, as has generally been the case since the onset of the pandemic.

Finally, private sector companies in France remained strongly optimistic towards the business outlook over the coming 12 months. The level of confidence strengthened to an eight-month high, with firms expecting improvements in the public health situation to facilitate higher volumes of new business.

## Comment

Commenting on the Flash PMI data, Joe Hayes, Senior Economist at IHS Markit said:

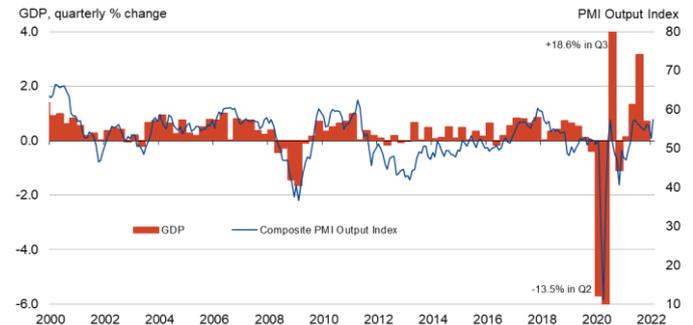
*"The slump in January proved to be short-lived as business activity growth accelerated sharply in February to its strongest since last June. Now that the trajectory of COVID-19 in France is on the downturn, this should continue to facilitate greater activity levels across both sectors. Indeed, anecdotal evidence from our survey panel suggests that business confidence is improving and supporting demand conditions."*

*"However, the economic themes for 2022 will be focused on supply chains and inflation, which seem a long way off normalising based on the latest PMI survey. Supplier delivery times lengthened sharply once again during February, while input cost inflation remains stubbornly elevated. Sources of inflation are broad – our panel members reported rising prices for a multitude of inputs, and these are now being compounded by rising utility costs and wages."*

*"We're still yet to see these issues dent output, demand and employment, but it will take prudent macroeconomic management from policymakers to alleviate supply-side pressures without harming the demand-side of the economy."*

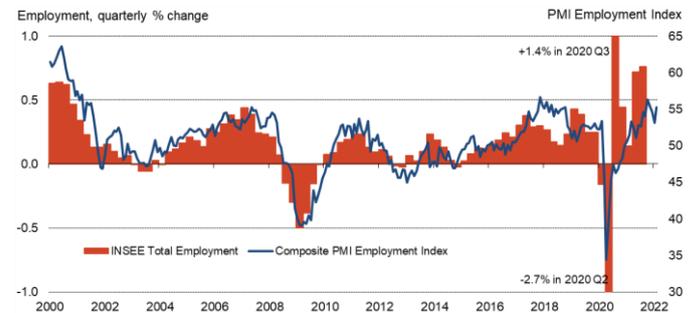
-Ends-

## Economic Output



Sources: IHS Markit, INSEE via Datastream.

## Employment



Sources: IHS Markit, INSEE via Datastream.

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**Note to Editors:**

Final February data are published on 1 March for manufacturing and 3 March 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>(4)</sup>	0.1	0.3
France Services Business Activity Index <sup>(2)</sup>	-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.

**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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