

## Purchasing Managers' Index<sup>®</sup> MARKET SENSITIVE INFORMATION

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

### Quicker rise in private sector output despite renewed production decline

#### Key findings:

- Flash France Composite Output Index<sup>(1)</sup> at 51.9 in February (51.1 in January), 2-month high
- Flash France Services Activity Index<sup>(2)</sup> at 52.6 in February (51.0 in January), 4-month high
- Flash France Manufacturing Output Index<sup>(3)</sup> at 49.0 in February (51.6 in January), 7-month low
- Flash France Manufacturing PMI<sup>(4)</sup> at 49.7 in February (51.1 in January), 7-month low

Data collected February 12-20

**French private sector activity** grew at a faster pace in February. The modest increase was supported by a solid expansion in services, which more than offset a decline in factory output. The contraction in manufacturing ended a four-month sequence of expansion, while services activity growth was the quickest since last October.

Overall **new orders** placed with French business continued to rise in February, extending the current run of growth to almost a year. The rate of expansion accelerated slightly from January, but remained modest overall. Similar to the trend in output, there were contrasting results at the sector level, with service providers registering a solid increase in new business and manufacturers recording a fresh decrease. When explaining the reduction, goods producers cited softer demand in the automotive sector, the discontinuation of Boeing 737 Max production and disruptions related to coronavirus.

Aggregate new orders increased despite a further fall in international demand in February. **New export orders** contracted for the second month in a row, with the rate of decline accelerating from January. The result was driven by the fastest reduction at manufacturers since March last year. Meanwhile, service providers recorded a slight rise in work from abroad.

Amid a further rise in new orders, private sector firms continued to add **staff numbers** during February. Moreover, the rate of job creation was the fastest since November and solid overall. The composite trend was driven by strong employment growth at services firms, which was the quickest for 16 months. On the other hand, manufacturers reduced headcounts for the second month in succession.

February data pointed to another increase in **volumes of outstanding business** across the French private sector. That said, the latest rise was the slowest for four months and modest overall. At the sector level, softer backlog growth in services contrasted with an accelerated accumulation in manufacturing.

On the cost front, **input prices** continued to rise, extending the current sequence of inflation to four years. Though solid overall, the latest increase was the slowest since September 2019. Sector data revealed a softer rise at service providers and renewed cost inflation at manufacturers. When explaining higher input prices, panellists often mentioned increased raw material costs.

French private sector companies passed on some of the additional cost burdens to their clients in the middle of the first quarter with a modest increase in **average output prices**. Moreover, the rise was the quickest for four months and historically marked. The result was driven by a solid increase at service providers, which more than offset a slight reduction at manufacturers.

Finally, firms remained optimistic towards the **12-month business outlook** in February, supported by plans for new product launches and expectations for an improvement in demand. Although the degree of positivity was weaker than January's 9-month high, confidence remained historically elevated, underpinned by positive sentiment across both manufacturing and services.

**Comment**

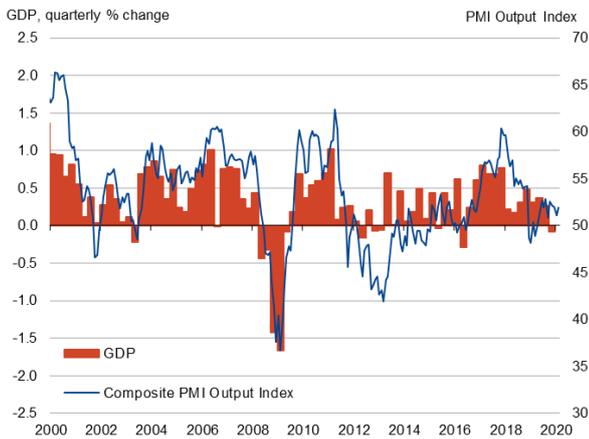
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

*“Faster private sector growth in February can be solely attributed to services, where the expansion in activity was the quickest for four months. Meanwhile, there was fresh disappointment in the manufacturing sector.*

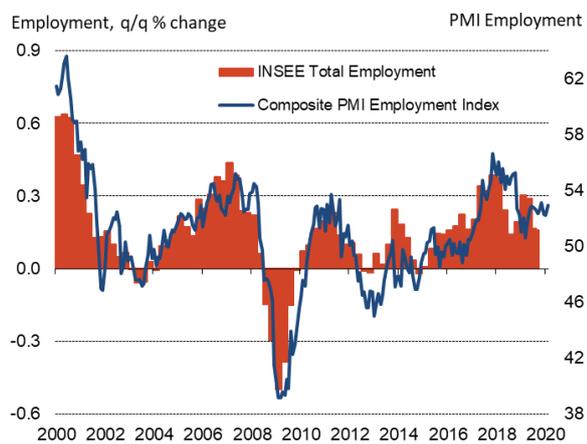
*“Despite PMI data signalling green shoots for manufacturers in recent months, there was a renewed production decline in February. A first output contraction for five months came amid several headwinds for demand and a subsequent reduction in new orders. Automotive sector weakness, the prolonged discontinuation of Boeing 737 Max production and supply-chain issues related to the coronavirus, all negatively impacted on French manufacturers in the latest survey period.”*

-Ends-

**Economic Output**



**Employment**



Sources: IHS Markit, INSEE via Datastream.

**For further information, please contact:**

**IHS Markit**

Eliot Kerr, Economist  
Telephone +44-203-159-3381  
Email [eliot.kerr@ihsmarkit.com](mailto:eliot.kerr@ihsmarkit.com)

Katherine Smith  
Telephone +1-781-301-9311  
Email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

**Note to Editors:**

Final February data are published on March 2nd for manufacturing and March 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 <sup>(1)</sup>	-0.1	0.4
France Manufacturing PMI <sup>(4)</sup>	0.0	0.3
France Services Business Activity Index <sup>(2)</sup>	-0.2	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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