

MARKET SENSITIVE INFORMATION

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S&P Global Flash France PMI®

Growth slumps to weakest since peak Omicron disruption at start of 2022

Key findings:

Flash France PMI Composite Output Index⁽¹⁾ at 52.8 (May: 57.0). 5-month low.

Flash France Services PMI Activity Index⁽²⁾ at 54.4 (May: 58.3). 5-month low.

Flash France Manufacturing Output Index⁽⁴⁾ at 45.7 (May: 51.0). 25-month low.

Flash France Manufacturing PMI⁽³⁾ at 51.0 (May: 54.6). 19-month low.

Data were collected 13-21 June

The French economy endured a marked slowdown in growth at the end of the second quarter, with private sector business output rising at the slowest rate since the wave of disruption caused by the Omicron wave in January. Excluding the start of the year, the latest expansion was the slowest since April 2021.

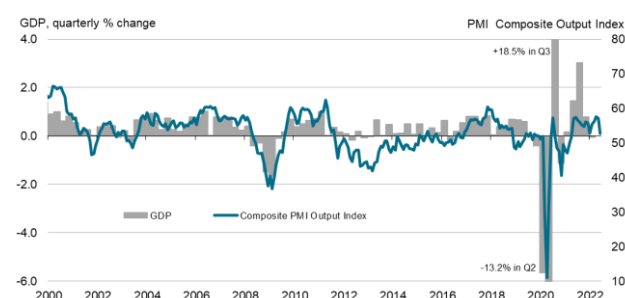
The slowdown was driven by weakening trends in both services and manufacturing during June. Goods production fell for the first time since October 2021 and to the greatest extent in just over two years as manufacturing demand declined and supply-side issues persisted. Services growth meanwhile slumped amid reports of growing uncertainty and deteriorating economic conditions.

Latest survey data also pointed to another rapid increase in prices across France, although inflation rates cooled slightly since May. Meanwhile, business confidence dropped to a 19-month low.

The headline **Flash France PMI Composite Output Index** fell markedly from 57.0 in May to 52.8 in June, signalling the slowest rise in French private sector business activity since the start of the year. According to survey respondents, weaker demand and persistent supply-side issues weighed on growth, although some companies mentioned heightened uncertainty due to political developments in France and the ongoing war in Ukraine.

Sector trends bifurcated in June as manufacturing output contracted for the first time since October last year, with goods producers highlighting the adverse impact that rising prices has had on demand. Services activity meanwhile expanded further, but the rate of growth eased notably since May to a five-month low.

S&P Global Flash France PMI Composite Output Index



Source: S&P Global, INSEE.

June survey data signalled a further softening in demand trends at the end of the second quarter. Overall new order growth slowed to a 14-month low amid deteriorating trends across both sectors. In some cases, the weaker upturn was attributed to unfavourable market conditions and a general softening in underlying demand, although a number of firms cited the inflationary environment as a factor. The drag on new business was also particularly strong from overseas markets in June, as evidenced by new export orders declining at the fastest pace since November 2020.

Looking ahead, private sector companies in France maintained an optimistic view towards the next 12 months, although the level of confidence slid to a 19-month low in June amid weakening positivity across both manufacturers and service providers. Concerns surrounding high inflation and its affect on demand were widely cited, as well as expectations of weakening economic conditions.

Amid a less positive outlook towards the future, private sector employment in France rose at the slowest rate in four months during June. The slowdown in jobs growth was particularly notable in the manufacturing sector and came amid the first reduction in backlogs of work since November 2020. That said, a resilient hiring trend at services firms ensured the overall expansion in staffing levels remained strong by historical standards. Services companies also saw sustained capacity pressures in June, although the rate of backlog accumulation was the softest in eight months.

June survey data continued to highlight the intense inflationary environment facing private sector businesses across France. Although the rate of inflation eased slightly, overall input costs rose to one of the quickest extents on record. Survey respondents frequently mentioned higher

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prices for raw materials, fuel and transport, as well as rising wages. In a bid to at least partly offset margin pressures, selling charges were lifted further in June.

Lastly, while June's survey indicated a persistence of supply-chain disruptions, which firms attributed to the war in Ukraine, staff shortages and inadequate item availability across the market, the extent to which supplier delivery times lengthened was the weakest for almost a year-and-a-half. However, input buying activity fell for the first time since November 2020 as businesses noted sufficient stock levels and a preference to use them over making additional purchases at current prices.

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

“France endured a particularly sharp slowdown in growth during June, as well as a further bifurcation between the manufacturing and services economies. Nonetheless, trends deteriorated in a broad-based fashion over the month as high inflation begins to bite harder. Overall growth was at its slowest since the Omicron disruption was at its peak in January. Barring this though, the ‘flash’ PMI for June is at its lowest level since April 2021.

“While a loss of momentum was to be expected as the resumption of economic activities post-lockdown boosted growth, the slowdown has been aggravated by substantial price pressures. This has been particularly aggressive in the manufacturing sector, where output and new orders both declined strongly and for the first time since October last year, serving as a worrying sign for what could be to come for the service sector.

“The slowing economic trend in France is also compounded by a fresh bout of political uncertainty due to the hung parliament result in the national elections. Business confidence slid to a 19-month low in June. Overall, June ‘flash’ PMI data add to tangible recession risks for France.”

-Ends-

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Note to Editors

Final June data are published on 1 July for manufacturing and 5 July 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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