

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0915 CEST (0715 UTC) 21 April 2023

HCOB Flash France PMI[®]

French economy expands at fastest pace in almost a year amid resurgent service sector

Key findings:

HCOB Flash France Composite PMI Output Index⁽¹⁾ at 53.8 (Mar: 52.7). 11-month high.

HCOB Flash France Services PMI Business Activity Index⁽²⁾ at 56.3 (Mar: 53.9). 11-month high.

HCOB Flash France Manufacturing PMI Output Index⁽⁴⁾ at 41.9 (Mar: 46.8). 35-month low.

HCOB Flash France Manufacturing PMI⁽³⁾ at 45.5 (Mar: 47.3). 35-month low.

Data were collected 12-19 April

A resurgence in service sector activity drove the fastest expansion in France's private sector economy since May 2022, latest survey data showed. A second successive increase in overall new business inflows also indicated an improvement in demand conditions. Meanwhile, France's labour market remained resilient, with employment growth accelerating to an 11-month high. Business confidence strengthened, albeit only fractionally, while there was also a further cooling of price pressures.

The headline **HCOB Flash France Composite PMI Output Index** rose to 53.8 in April, from 52.7 in March, signalling a solid and accelerated increase in private sector business activity across France at the beginning of the second quarter. Moreover, the latest upturn was the fastest in almost a year and marked a third consecutive monthly expansion in output.

That said, the headline figure was merely a reflection of service sector strength, which recorded a considerable acceleration in growth since the end of the first quarter. On the other hand, factory production fell at the steepest pace for just shy of three years, extending the manufacturing sector downturn seen since the middle of last year.

According to service sector survey respondents, a pick-up in market activity supported growth, leading to higher new business intakes. In comparison, manufacturing firms commented on subdued demand conditions, which in some instances were linked to recent strike action across France.

The level of incoming new orders increased in April, marking a second successive monthly improvement in demand and one that was the strongest in nearly a year. Sector-level data for new business once again highlighted bifurcating trends, with a deepening decline in demand for French manufactured goods contrasting with a faster improvement in service sector new business intakes.

Demand for French services was supported by clients in overseas markets during April, with the latest survey data signalling the first increase in new business from foreign customers since May 2022. However, a sharp and faster deterioration in export demand at manufacturers led to a fourteenth consecutive decline in overall overseas new business.

A faster expansion in new business subsequently led to an intensification of capacity pressures across France in April. This was evidenced by an increase in the volume of work outstanding at private sector companies. The rate of backlog accumulation was solid and unchanged from March's ten-month high. Manufacturing firms continued to clear their pending orders during the latest survey period, whereas service providers recorded higher levels of incomplete business.

France's labour market continued to show resilience in April, with private sector employment levels rising for a twenty-eighth consecutive month. Additionally, the rate of job creation quickened to an 11-month high and outpaced its historic average by a

considerable margin. Both manufacturers and services companies expanded their workforce numbers, although hiring activity was much stronger at the latter.

Meanwhile, there was a fractional improvement in business confidence during April as the outlook among manufacturers moved back into optimistic territory. Underpinning greater positivity were upbeat expectations regarding sales, with firms hopeful of a pick-up in the next year.

There was a further cooling of inflationary pressures across France during April. The rate of input cost inflation eased to a 20-month low but remained sharp overall. The service sector remained the main source of price pressures, with respondents here commenting on rising salary costs. Input prices at manufacturers rose only modestly as some companies saw their expenses drop due to lower energy and raw material costs.

Prices charged for goods and services continued to rise at the start of the second quarter, although the pace of increase softened for a third consecutive survey period as some companies opted to pass through lower costs to their customers. Subsequently, the rate output charge inflation slowed to a 16-month low.

Comment

Commenting on the flash PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

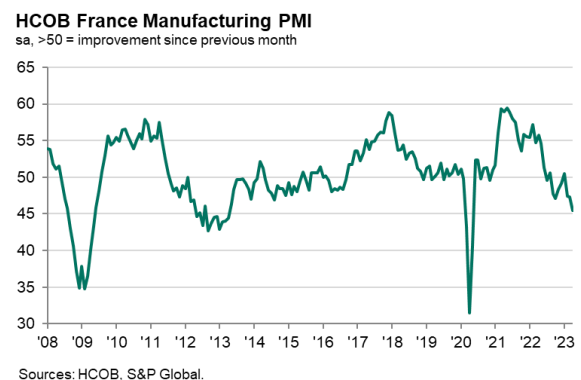
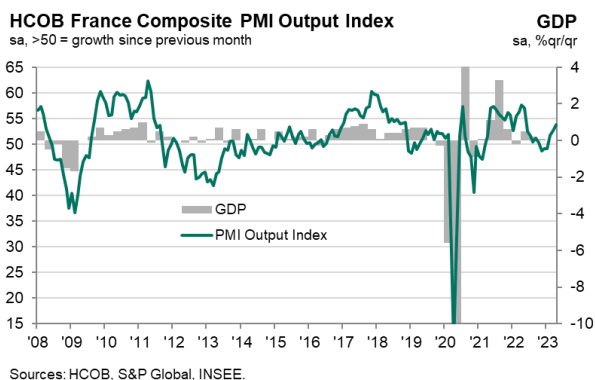
"For the third month in a row, the HCOB PMI signals an improvement in the economic situation in France. The French economy is starting the second quarter on a positive note with the services sector, which accounts for around 80% of the economy, improving in April at the strongest pace since May 2022. Manufacturing on the other hand continues to weaken, with the downturn accelerating. Overall, the current widespread protest activity against the pension reform pushed through by the government is leaving a visible mark on the manufacturing PMI survey results, with the corresponding HCOB PMI for manufacturing production falling from 46.8 in March to 41.9 in April. Surprisingly, no traces of the protests are visible in the services sector. The positive performance of the French economy in April is entirely due to the services sector, as it has been in the past three months. The companies surveyed said that new business at home and abroad improved."

"In contrast to the services sector, the situation in manufacturing worsened for the third month in succession. Production and new business were the main contributors to the deterioration. The HCOB Manufacturing PMI is at its lowest level since May 2020."

"Both input and selling prices have continued to rise in services and manufacturing. However, the easing of prices in manufacturing is much more advanced than in services, as the decline in energy prices plays a larger role in manufacturing. Companies in the service sector also indicated that rising wage costs are currently causing additional price pressure."

"According to the HCOB PMI, the employment situation improved in April in both the service and manufacturing sectors, which is encouraging against the backdrop of a historically low unemployment rate of 7% and suggests that the unemployment rate will continue to decline."

-Ends-



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Note to Editors

Final April data are published on 2 May for manufacturing and 4 May for services and composite indicators.

The HCOB France PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 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 | 0.1 | 0.3 |
| Services Business Activity Index ² | 0.0 | 0.6 |

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 Index 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?"

Hamburg Commercial Bank AG

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About PMI

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. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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