

## MARKET SENSITIVE INFORMATION

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## S&P Global Flash France PMI®

### French economy contracts in August for the first time in a year-and-a-half

#### Key findings:

Flash France PMI Composite Output Index<sup>(1)</sup> at 49.8 (Jul: 51.7). 18-month low.

Flash France Services PMI Activity Index<sup>(2)</sup> at 51.0 (Jul: 53.2). 16-month low.

Flash France Manufacturing Output Index<sup>(4)</sup> at 44.4 (Jul: 44.6). 27-month low.

Flash France Manufacturing PMI<sup>(3)</sup> at 49.0 (Jul: 49.5). 27-month low.

Data were collected 12-19 August

The French private sector economy contracted midway through the third quarter, marking the first decline since COVID-related disruptions in the opening months of 2021. The renewed downturn, albeit only marginal, was driven principally by the manufacturing sector, although services activity growth continued to weaken. The major drag on output was demand, with the latest survey data signalling a broad-based drop in new business intakes that was the sharpest since November 2020. Employment growth subsequently softened, undermined also by a further deterioration in business confidence. Overall, French companies were at their least optimistic in almost two years.

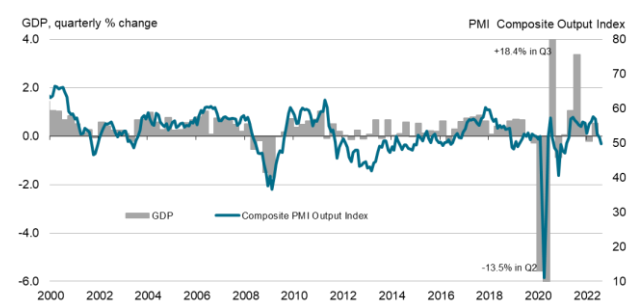
On a slightly more positive note, inflationary pressures continued to ease in August, while manufacturers reported fewer supplier delivery delays when compared to July.

The headline **Flash France PMI Composite Output Index** fell below the vital 50.0 threshold in August that separates expansion from contraction. At 49.8, this signalled the first reduction in private sector output levels across France since February 2021 and was down from 51.7 in July.

Beneath the composite number, latest PMI data showed a third successive decline in manufacturing production that was the sharpest since the initial wave of COVID-19 infections in the first half of 2020. Surveyed goods producers commented on the detrimental impact of falling new orders, with firms subsequently reducing their output levels in response.

Meanwhile, services activity continued to rise, although the rate of expansion was the only mild and the weakest since April 2021.

#### S&P Global Flash France PMI Composite Output Index



Source: S&P Global, INSEE.

The level of incoming new business at French private sector firms declined in August for the first time since February 2021 and followed on from stagnation in July. The drop in new orders was broad-based across both monitored sectors, although manufacturers saw the sharpest deterioration in demand. According to panellists, hesitancy among clients, inflation and weak underlying market conditions underpinned the drop in new sales.

With current economic conditions worsening, French companies grew less optimistic towards the year-ahead outlook in August. The overall level of business confidence fell to its weakest since November 2020, with panellists commenting on uncertainty and subdued demand expectations.

In line with softer confidence and new business growth, August survey data highlighted the slowest increase in private sector employment for just over a year. The non-replacement of leavers and run-off of fixed-term contracts was cited by some respondents. That said, there was a slightly faster increase in the level of work outstanding during August. Growth was once again confined to the service sector, however, as manufacturing backlogs were unchanged since July.

Elsewhere, there was a further softening of both input cost and output price inflation in August. The increase in input prices was the slowest for six months, while output charges were raised to the weakest extent in the year to date. Weaker price pressures coincided with fewer incidences of supplier delivery delays. According to August PMI data, input lead times lengthened to the least marked extent since January 2021.

# News Release

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

*“August flash PMI data for France suggest the economy has now entered into contraction for the first time in a year-and-a-half as a sharp manufacturing downturn more than offset only a marginal increase in service sector activity. High inflation and a waning post-COVID boost to demand has led businesses and consumers to cut back on discretionary spending, causing demand for services to fall for the first time since March 2021. This was accompanied by another steep decline in manufacturing order books as businesses in both sectors commented on weakening underlying demand conditions and growing client hesitancy.”*

*“European economies look set for a challenging run into year-end and France is no exception. High inflation has squeezed purchasing power among consumers and businesses alike, although we saw further signs to suggest we have passed peak price pressures. Nevertheless, inflation remains elevated and businesses reported more and more clients being deterred from placing orders due to the current price level. The downward trend in the France PMI may well persist now demand for goods and services is falling.”*

-Ends-

# News Release

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## Note to Editors

Final August data are published on 1 September for manufacturing and 5 September 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 <sup>1</sup>	-0.1	0.4
Manufacturing <i>PMI</i> <sup>2</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	-0.1	0.5

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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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## About PMI

Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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