

MARKET SENSITIVE INFORMATION

Embargoed until 0915 CEST (0715 UTC) 23 September 2022

S&P Global Flash France PMI®

Slight pick-up in French economic growth in September despite worsening manufacturing downturn

Key findings:

Flash France PMI Composite Output Index⁽¹⁾ at 51.2 (Aug: 50.4). 2-month high.

Flash France Services PMI Activity Index⁽²⁾ at 53.0 (Aug: 51.2). 2-month high.

Flash France Manufacturing Output Index⁽⁴⁾ at 43.4 (Aug: 46.6). 28-month low.

Flash France Manufacturing PMI⁽³⁾ at 47.8 (Aug: 50.6). 28-month low.

Data were collected 12-21 September

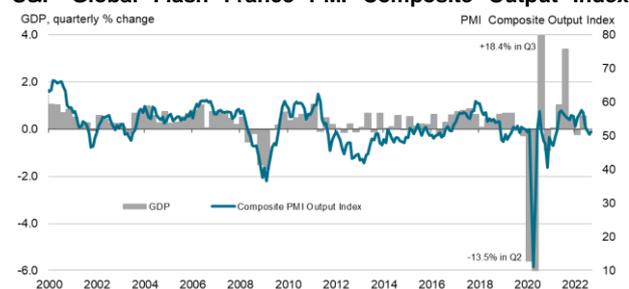
A slight pick-up in private sector growth was recorded across France at the end of the third quarter, latest PMI® data from S&P Global showed, although the underlying trend in output remained weak. Driving the marginal improvement was the services sector, with growth here quickening following August's 16-month low amid a renewed rise in new business intakes. That said, the manufacturing downturn accelerated as high inflation, overstocked warehouses and weakening demand led to a further sharp decline in goods production.

The headline **Flash France PMI Composite Output Index** increased to 51.2 in September, from August's 17-month low of 50.4, indicating a marginal uplift in overall economic growth across France at the end of the third quarter.

According to surveyed firms in the service sector, the sole driver of the latest expansion, greater intakes of new business supported growth. However, this was a stark contrast to the trend in the manufacturing sector where output levels fell at the sharpest rate since May 2020, marking a deeper downturn across French factories. Some businesses with exposure to automotive- and energy-related industries attributed lower output to weak demand from their clients.

For the second month in a row, total order book volumes across the French private sector economy declined. As was the case with output, sector trends bifurcated in September as a rejuvenation in new business at services firms compared with a substantial and faster drop in the demand for manufactured goods. While the renewed rise in services order books was insufficient to drive growth at the composite level, it did lead to a slightly weaker decline in total order

S&P Global Flash France PMI Composite Output Index



Source: S&P Global, INSEE.

book volumes compared to August.

However, export demand fell at a stronger pace in September as inflows of new work from foreign clients fell at quicker rates for both manufacturers and services firms. The latest decrease marked the seventh successive contraction in external market demand and was faster than in August.

Elsewhere, latest survey data indicated a further easing of supply-chain pressures as average input lead times lengthened to the least marked extent for almost two years. While there were still numerous reports of challenges in sourcing raw materials and electronic components, some companies mentioned reduced strain on suppliers due to falling input demand. Indeed, purchasing activity at French manufacturers fell at the fastest rate since May 2020.

Backlogs of work at private sector firms in France rose once again in September, with the rate of accumulation accelerating to a four-month high. The rise in outstanding business was a reflection of capacity pressures at services companies. Difficulties securing staff and a pick-up in new orders reportedly strained operations. Manufacturers on the other hand saw backlogs of work fall at the sharpest pace since May 2020.

Latest survey data signalled another monthly increase in private sector employment across France. The rate of job creation was the fastest for three months as some companies expanded their workforces in a bid to boost activity levels. A wide disparity between jobs growth was seen at the sector level however as only a marginal rise in hiring at manufacturers contrasted to strong employment growth at services firms.

Meanwhile, price pressures across the French economy

News Release

intensified during September. Input cost inflation quickened to a three-month high, moving closer to March's series peak. Although there were reports of certain raw material prices falling amid improving availability and reduced stress on suppliers, many companies commented on soaring energy costs. There were also reports of rising wage bills, particularly across the service sector. In response, output charge inflation edged up to a four-month high.

Lastly, the level of business confidence was only fractionally up from August's 21-month low and remained below its historical average. In fact, the outlook among manufacturers fell sharply into negative territory for the first time since May 2020. Recession fears, concerns surrounding inflation and the prospect of energy shortages were highlighted as notable apprehensions among businesses.

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

"The upward movement in the Composite Output PMI should not take away from the clear message seen across the survey as a whole – the French economy is struggling. Weakness is its most striking in the manufacturing sector, where the downturn accelerated in September as overstocked warehouses, rapidly deteriorating demand for goods, heightened economic uncertainty and intense price pressures drove production volumes lower.

"Another worrying find from the latest survey was the pick-up in inflationary pressures, despite more evidence that supply stress is fading. According to surveyed firms, this reflected higher energy tariffs and wage bills. Energy security is a principal concern of companies as we head into the colder months across Europe.

"The overall improvement in September was services-driven as a renewed increase in new business supported a slight pick-up in activity growth. Nevertheless, trends in output and new orders on the services side were still subdued by historical standards. Given the large degree of weakness we're seeing in the manufacturing sector, it's likely that we'll see some of this spill over into services, thereby raising the risk of a recession in France."

-Ends-

News Release

Contact

S&P Global Market Intelligence

Joe Hayes
Senior Economist
Telephone +44 (0) 1344 328 099
Email: joe.hayes@spglobal.com

Sabrina Mayeen
Corporate Communications
Telephone +44 (0) 7967 447030
Email sabrina.mayeen@spglobal.com

Note to Editors

Final September data are published on 3 October for manufacturing and 5 October 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?"

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 S&P Global Ltd. All rights reserved. www.spglobal.com

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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

If you prefer not to receive news releases from S&P Global, please contact joanna.vickers@spglobal.com. To read our privacy policy, [click here](#).

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.