

MARKET SENSITIVE INFORMATION

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S&P Global Flash France PMI®

Service sector resilience offsets manufacturing malaise in May

Key findings:

Flash France PMI Composite Output Index⁽¹⁾ at 57.1 (Apr: 57.6). 2-month low.

Flash France Services PMI Activity Index⁽²⁾ at 58.4 (Apr: 58.9). 2-month low.

Flash France Manufacturing Output Index⁽⁴⁾ at 51.4 (Apr: 51.8). 2-month low.

Flash France Manufacturing PMI⁽³⁾ at 54.5 (Apr: 55.7). 7-month low.

Data were collected 12-20 May

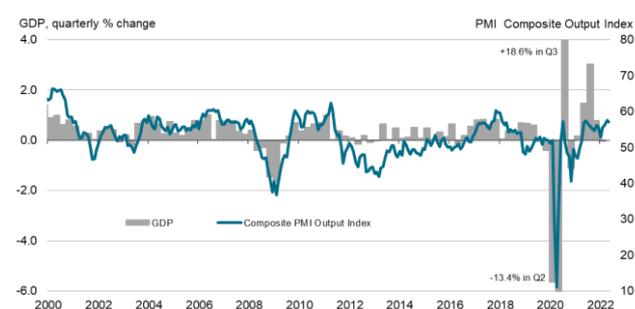
The French private sector economy expanded for a fourteenth successive month during May, latest PMI® data by S&P Global showed, with the overall rate of growth nudging only slightly lower from April's 51-month high. The strength of France's upturn was pulled lower by weaker expansions in both the services and manufacturing sectors during May. However, as has generally been the case over the past year, the rise in overall activity levels was almost entirely driven by services firms as goods production increased at a sluggish pace. While a sustained positive impact from the lifting of pandemic-related restrictions reportedly supported higher business output in the service sector, weak demand due to higher prices weighed on manufacturing production.

Elsewhere, French employment levels rose at the fastest pace since March 2001, while incidences of supplier delays across the manufacturing sector were at their least widespread for almost a year-and-a-half. That said, price pressures once again intensified in May, with rates of input cost and output price inflation accelerating to fresh record highs.

The headline **Flash France PMI Composite Output Index** recorded 57.1 in May and signalled a sharp expansion in private sector activity. Although this marked a slight drop from April's 51-month high of 57.6, the latest upturn far-outpaced that seen on average across the series since its inception in May 1998.

There was further evidence of a sustained boost to activity levels as a result of the removal of pandemic-related restrictions in recent months. The resumption of projects previously put on hold, trade shows and public events were cited as boosts to output by survey respondents in the service sector.

S&P Global Flash France PMI Composite Output Index



Source: S&P Global, INSEE.

Among the manufacturing industry panellists that observed an increase in production, raw material deliveries and stock-building efforts drove the weak expansion seen here.

Latest survey data pointed to a further improvement in demand across France. New business intakes rose at a strong pace, although the expansion slowed from the ten-month high seen in April. As was the case with output, the increase in new orders at services companies was noticeably faster than among goods producers during May. There were mentions of clients being dissuaded from placing orders due to higher prices charged, while other customers chose to adopt a wait-and-see approach amid geopolitical uncertainty and supply-chain issues. However, this was offset by stronger demand within the service sector, with firms often mentioning recovery efforts from the pandemic.

With new business intakes rising strongly, there was evidence of growing and sustained capacity pressures during May. The level of work outstanding across France increased in a broad-based fashion and marked a fifteenth successive increase in backlogs. Long lead times on component shipments impeded the speed at which orders could be completed, according to some companies.

Nevertheless, there was some evidence of stabilising conditions across certain parts of manufacturing supply chains in May as input delivery times lengthened to the weakest extent since January 2021.

To accommodate for greater activity levels and enhance capacities, latest survey data pointed to a strong rise in staffing numbers across France's private sector. In fact, the rate of employment growth was the strongest since March

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2001 amid an acceleration in recruitment activity at both manufacturers and service providers.

The increase in workforce numbers was accompanied by a strongly optimistic outlook towards the coming 12 months. Expectations of stronger demand conditions were widely noted by panel members that anticipate higher business activity. That said, the degree of positivity eased slightly since April and differed largely by sector. Services firms were much more bullish on their prospects than their manufacturing counterparts, with raw material availability and inflation highlighted by the latter as key risks to the outlook.

Latest survey data signalled an intensification of price pressures across France in May. Both input costs and output charges increased at survey-record rates, but inflationary trends by sector diverged as faster rises in prices at services firms offset slower increases at manufacturers. According to anecdotal evidence, shortages of components, the war in Ukraine, as well as rising transport and fuel costs, were mentioned as sources of inflation. To protect margins, survey respondents passed on higher costs to clients by hiking their charges.

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

“The French economy is showcasing a remarkable degree of resilience amid mounting economic headwinds. Overall business activity rose sharply in May and at a rate that was only slightly weaker than April’s multi-year high. According to our panel members, businesses, particularly in the service sector, enjoyed another boost to their order books as a result of the removal of pandemic restrictions in recent months.

“The picture is more gloomy on the manufacturing side of France. As well as sustained supply-chain pressures and challenging conditions for exporters, rapid inflation is dissuading clients from placing orders. Manufacturing demand was more-or-less stagnant in May, while exports declined. As a result, we saw further evidence of a two-speed economy emerging within France as a resilient service sector continues to mask sluggishness across the manufacturing industry.

“The only real positive was seen in employment data as jobs growth was at its strongest in over two decades. Whether strong hiring trends can be sustained amid rising cost pressures and any further softening in the demand-side of the economy remains to be seen. Both input costs and output prices rose at new record rates in May.”

-Ends-

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Note to Editors

Final May data are published on 1 June for manufacturing and 3 June 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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