

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash France PMI[®]

First expansion of business activity since last August

Key findings:

- Flash France Composite Output Index⁽¹⁾ at 51.7 in April (50.0 in March), 9-month high
- Flash France Services Activity Index⁽²⁾ at 50.4 in April (48.2 in March), 8-month high
- Flash France Manufacturing Output Index⁽³⁾ at 57.6 in April (58.3 in March), 2-month low
- Flash France Manufacturing PMI⁽⁴⁾ at 59.2 in April (59.3 in March), 2-month low

Data collected April 12-22.

April PMI data signalled a return to growth in the French private sector, with business activity rising for the first time since August 2020. Although modest overall, the pace of expansion was the quickest for nine months, following a period of subdued performance amid COVID-19 restrictions.

At the sector level, a fresh increase in services activity outweighed a slight slowdown in manufacturing growth. That said, the rise in output at goods producers was far stronger than that at their service sector counterparts. The expansion at services firms was the first for eight months but only marginal overall.

There were further signs of improving demand conditions across the French private sector during April, with new business increasing for the second month running. Moreover, the rate of growth accelerated from March to the quickest since July 2020. The modest rise was predominantly supported by manufacturers, but service sector firms also posted a slight monthly increase, their first of 2021 so far.

Underlying data indicated that the improvement in demand conditions was supported by international markets at the start of the second quarter. New export business increased for the third month running, and although the rate of growth eased from March, it remained solid overall. At the sector level,

growth was supported by goods producers, while service providers recorded a reduction in foreign sales for the fourteenth month in succession.

In line with the improvement in demand conditions, French businesses continued to hire additional staff in April. The result extended the current run of workforce expansion to four months. Despite easing slightly from the previous survey period, the rate of job creation remained historically marked. Both manufacturers and services firms reported an increase in employment, although the former continued to post a much stronger rate of growth.

Despite a rise in staff numbers, private sector firms registered a further increase in capacity pressures during April. Backlogs of work grew for the second month running and at the quickest pace since December 2019. The solid increase was predominantly driven by manufacturing firms, although service providers also posted their first expansion for nine months.

On the price front, input costs continued to rise sharply in April amid further panellist reports of severe global raw material shortages. In fact, the rate of inflation accelerated from March to the quickest since January 2018. Underlying data pointed to a broad-based increase at the sector level, although the rise at manufacturers was particular sharp and the quickest for a decade.

Firms opted to pass on some of the additional costs to their clients with an increase in average output prices during April. The rate of charge inflation was little-changed from March and modest overall. Sector data suggested that the increase was driven solely by goods producers, while service firms recorded a fractional reduction.

Finally, sentiment towards the one-year business outlook was the strongest since February 2018. Anecdotal evidence indicated that firms were confident of a strong economic recovery once COVID-19 restrictions are fully relaxed.

Comment

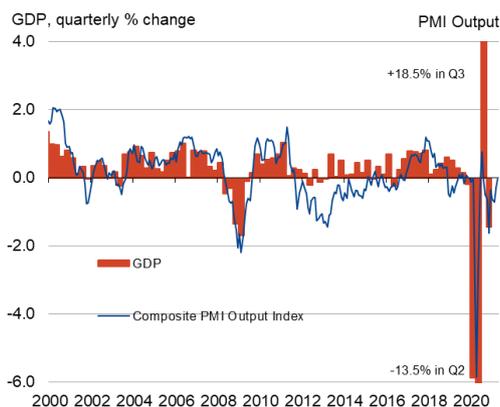
Commenting on the Flash PMI data, Eliot Kerr, Economist at IHS Markit said:

“Latest PMI data pointed to the first increase in private sector activity since the end of the initial COVID-19 rebound last summer. The result was a continuation of the improved trend seen in recent months, but previously growth had remained elusive due to an ongoing decline in the service sector. However, with an expansion in services activity and another strong rise in manufacturing production during April, the French private sector finally managed to achieve growth.”

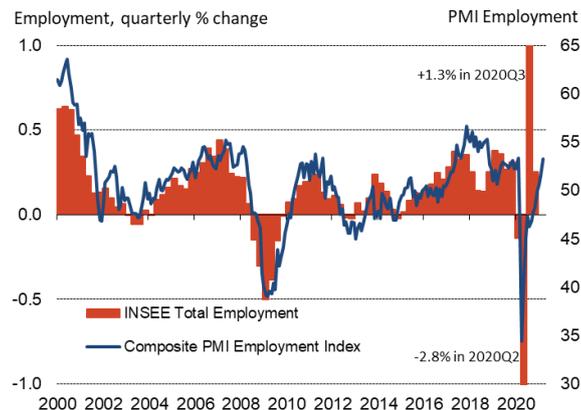
“Furthermore, with positive signs on the demand front and capacity pressures intensifying in both sub-sectors, the short-term outlook is continuing to strengthen for French businesses. Beyond the next few months, panel members are also confident of further upward momentum in demand and that was reflected by the strongest expectations towards the 12-month business outlook for over three years.”

-Ends-

Economic Output



Employment



Sources: IHS Markit, INSEE via Datastream

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Note to Editors:

Final April data are published on May 3rd for manufacturing and May 5th for services and composite indicators.

The France PMI (Purchasing Managers' Index) is produced by IHS Markit 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
France Composite Output Index ⁽¹⁾	-0.1	0.4
France Manufacturing PMI ⁽⁴⁾	0.1	0.3
France 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.

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 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?"
4. 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.

IHS Markit 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 IHS Markit. Please contact economics@ihsmarkit.com.

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