

MARKET SENSITIVE INFORMATION

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S&P Global Flash France PMI®

French economy returns to growth midway through first quarter

Key findings:

Flash France PMI Composite Output Index⁽¹⁾ at 51.6 (Jan: 49.1). 7-month high.

Flash France Services PMI Activity Index⁽²⁾ at 52.8 (Jan: 49.4). 5-month high.

Flash France Manufacturing Output Index⁽⁴⁾ at 45.9 (Jan: 47.5). 3-month low.

Flash France Manufacturing PMI⁽³⁾ at 47.9 (Jan: 50.5). 4-month low.

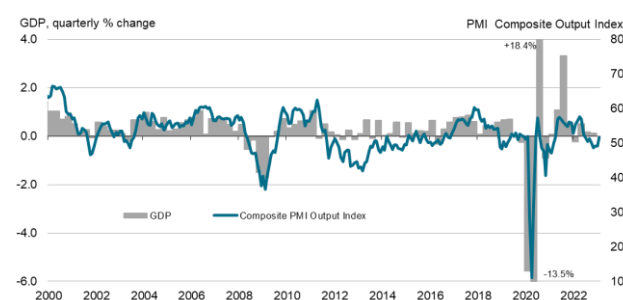
Data were collected 10-17 February

Private sector business activity in France increased in February for the first time since October last year, according to 'flash' PMI data from S&P Global. Although the renewed upturn was only modest, it was the strongest expansion since July 2022 and ended a three-month sequence of falling output. Other notable survey findings included a further moderate expansion in employment and an easing of input cost inflation. That said, new order intakes continued to decline, signalling still-subdued demand conditions, while business confidence weakened.

The headline **Flash France PMI Composite Output Index** rose above the critical 50.0 mark in February, thereby pointing to a renewed expansion in private sector business activity across France. At 51.6, this was up from 49.1 in January and in expansion territory for the first time since last October. Although the latest results indicated a rate of growth which was only modest, it was nonetheless the strongest since July 2022.

However, sector level data showed notable differences in the performances of manufacturers and service providers. Goods producers reported a ninth consecutive decrease in output during February, with the rate of decline at its sharpest since last November. Manufacturing output was reportedly constrained by continued weakness in demand. Meanwhile, activity at services companies increased for the first time in four months and at the quickest pace since last September.

S&P Global Flash France PMI Composite Output Index



Source: S&P Global, INSEE.

As has been the case since August 2022, the latest survey data signalled a reduction in new order intakes at private sector companies across France. Both manufacturers and service providers recorded a drop in new business wins during February, although the slump in order books was considerably stronger at goods producers as new sales fell only marginally at services providers. According to anecdotal evidence, demand conditions were adversely impacted by inflation and client hesitancy.

Survey respondents also highlighted persistent weakness in export performances in February as new business receipts from foreign clients fell again. Overall, this marked a twelfth successive monthly decline in new export orders. Notably, manufacturers recorded the steepest slump since the first COVID-19 lockdown period in the first half of 2020.

However, despite February survey data showing contracting new business and rising activity levels, there was a renewed increase in backlogs of work midway through the first quarter. This was exclusively driven by services companies as manufacturing firms saw pressure on capacity fall. Indeed, the drop in outstanding orders at goods producers came amid the first monthly fall in post-production inventories since last September as firms stepped up their efforts to reduce surplus stocks.

Nevertheless, the resilient hiring trend continued during February, with private sector employment rising for a twenty-sixth month running. The rate of job creation was little-changed from January's three-month high and above its historical average.

Looking ahead, survey respondents expect output levels to rise over the coming 12 months. New projects, recruitment

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and investment plans, as well as expectations of a recovery in demand, were highlighted as reasons to be optimistic by firms. Overall, the level of positive sentiment eased slightly since January, but was the second-strongest since July 2022.

Elsewhere, the latest survey data signalled a further weakening of cost pressures across France in February. The rate of input price inflation, albeit steep and still well above its long-run average, was the weakest since December 2021. Marked differences were apparent at the sector level however, with the rate of increase in operating expenses at services firms still close to its series peak. Firms here commonly mentioned higher costs due to salary pressures. This compared with the manufacturing sector trend, where input cost inflation was at its softest in almost two-and-a-half years.

Output price inflation also eased during February after accelerating to an eight-month high at the start of the year. According to firms, prices charged were raised in an attempt to pass higher costs on to clients.

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

“At face value, the February ‘flash’ PMI survey results for France are positive, showing the economy was in growth territory for the first time since October 2022. More encouragement could be taken from the underlying sector data, which showed the expansion was driven by services, a sector which has been under pressure due to the negative demand impact of eroding real incomes.

“However, it’s difficult to say for certain if we’re at an inflexion point and the French economy is now on its path to recovery. The manufacturing sector downturn intensified in February, and demand conditions within this sector are clearly still fragile. Factory export orders fell at the sharpest rate since May 2020, providing a downbeat assessment of broader global economic conditions.

“The likelihood of further increases in interest rates also remains, and this poses a risk to demand and activity. Inflation remained stubborn in the service sector, with rates of input cost and output price inflation holding close to their peaks. How much needs to be done by monetary policymakers to push this lower is uncertain, although sustained resilience in the labour market suggests more needs to be done to take heat out of the French economy.”

-Ends-

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Note to Editors

Final February data are published on 1 March for manufacturing and 3 March 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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