

## MARKET SENSITIVE INFORMATION

Embargoed until 0915 CET (0815 UTC) 23 November 2022

## S&P Global Flash France PMI®

### French economy contracts for the first time since February 2021

#### Key findings:

Flash France PMI Composite Output Index<sup>(1)</sup> at 48.8 (Oct: 50.2). 21-month low.

Flash France Services PMI Activity Index<sup>(2)</sup> at 49.4 (Oct: 51.7). 20-month low.

Flash France Manufacturing Output Index<sup>(4)</sup> at 46.0 (Oct: 43.5). 3-month high.

Flash France Manufacturing PMI<sup>(3)</sup> at 49.1 (Oct: 47.2). 3-month high.

Data were collected 10-21 November

France's private sector economy contracted in November, according to the latest 'flash' PMI survey by S&P Global, marking the first month of decline since February 2021. Manufacturing production volumes continued to fall during November, a sixth successive month in which this has been the case, although a renewed drop in service sector activity was the principal factor behind the overall contraction.

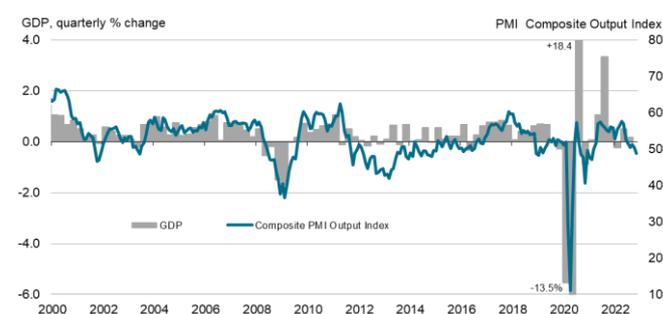
Economic activity levels were quelled by falling new business intakes during November, with survey data signalling weakening demand conditions yet again. Backlogs of work subsequently fell, although a twenty-third successive month of job creation was recorded. Employment growth did slow to a one-and-a-half-year low, however.

Meanwhile, rates of both input cost and output price inflation were at the slowest in nine months, albeit still sharp by historical standards. The level of business confidence slumped to its lowest in two years.

The headline **Flash France PMI Composite Output Index** fell below the crucial 50.0 threshold in November to 48.8, from 50.2 in October, signalling the first contraction in French private sector business activity since February 2021. Manufacturing output fell, as has been the case since June, although the rate of reduction was the slowest in three months. Crucially, however, it was the first contraction in services activity in 20 months that drove the overall economy into decline.

According to survey respondents, falling client demand was a key factor underpinning lower output levels across both monitored sectors during November. Some companies also remarked on the adverse economic impact of uncertainty.

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



Source: S&P Global, INSEE.

The level of incoming new work placed with French private sector companies fell for a fourth month in a row during November. Manufacturers continued to record rapidly falling new order intakes, although the severity did ease when compared with October. Services firms recorded their first reduction in new business since August. Surveyed companies in both sectors linked weaker demand conditions to high prices. Companies also noted the adverse effect that high energy costs has had on the purchasing power of their customers.

In both sectors, the declines in new orders exceeded those seen in output. The latest survey data suggests that this was explained by the completion of outstanding orders, helping prevent activity levels falling by further in November. Backlogs of work across the French private sector fell for the first time since February 2021, as companies allocated more resources into completing unfulfilled business.

A freeing up of capacity was also seen across parts of the supply chain in November, as evidenced by fewer reported incidences of lengthening delivery times when compared to October. The latest survey data highlighted that delivery delays were their least widespread in just over two years.

Receding supply-related disruptions led the rate of input cost inflation to ease during November to its weakest in nine months. The slowing of cost pressures within the manufacturing sector was especially notable, with the respective index here falling by seven points to its lowest in almost two years. Some companies mentioned falling prices for certain raw materials such as wood and metals.

The weaker rise in operating expenses fed through to output charges in November. Prices charged for French goods and

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services continued to rise sharply, but to the softest extent since August. Although many companies continued to pass through higher operating expenses to their selling prices, companies that experienced cost reductions took the opportunity to lower their charges.

Meanwhile, business expectations towards the next 12 months softened in November. The Composite Future Output Index fell to its lowest level in two years as companies noted their concern towards the economic outlook, particularly in Europe, due to the adverse effects of high inflation and energy market uncertainty.

There were signs that the darkening business outlook had fed through to hiring decisions in November. Although employment growth was sustained for a twenty-third successive month, the rate of job creation was the weakest since May 2021. The termination of temporary contracts and the non-replacement of leavers were factors reported by companies that saw staffing levels drop.

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

*“Although France’s manufacturing sector has been in a downturn since the start of the second half of 2022, overall economic activity levels throughout this period had been propped up by continued growth in services. This vital support for the economy looks to have ended as service sector output fell for the first time in just over a year-and-a-half in November. As a consequence, ‘flash’ PMI data pointed to the first reduction in French economic activity since February 2021.*

*“The demand environment has made it intensely challenging for companies to continue growing. Strong headwinds to order books came through a combination of high inflation, intense cost pressures, uncertainty and rising interest rates. Although our PMI surveys suggest that France’s service sector had navigated through these challenges reasonably well up until October, this resilience has now been broken. Business confidence slumped to a two-year low, while a renewed drop in backlogs of work and slowing employment growth highlight growing fragility of the French economy.*

*“Some positives may be taken from the PMI price indices in November, which showed rates of inflation easing. Nevertheless, they were still elevated, and anecdotal evidence suggests that companies are still opting to pass on higher costs to their clients, despite the damaging effect this is having on order books.”*

-Ends-

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## Contact

### S&P Global Market Intelligence

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

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

## Note to Editors

Final November data are published on 1 December for manufacturing and 5 December 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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