

IHS Markit France Manufacturing PMI®

French manufacturers continue to boast strong growth in June

Key findings

Output growth remains marked despite slowing

Further loosening of lockdown measures boosts demand

Selling prices rise at fastest rate in survey history

Data were collected 11-23 June 2021.

The French manufacturing sector ended the second quarter with another month of strong growth across key measures of economic health such as output, new orders and employment as more pandemic-related restrictions were lifted across France. New business increased at the second-fastest rate in nearly three-and-a-half years, while both production and employment grew for a fifth successive month.

That said, manufacturing sector clients bore the brunt of supply-side disruptions as further shortages of inputs drove up costs, which led firms to hike their output prices at a survey-record rate.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – posted 59.0 in June, down slightly from 59.4 in May, to signal another substantial improvement in business conditions across the French goods-producing sector.

Demand for French goods continued to grow during June, extending the positive trend seen since the start of 2021. The expansion was once again sharp as a further loosening of containment measures boosted new orders, particularly from customers in the service sector. Intermediate goods makers recorded the fastest rise in new work, although growth was strong across all three market groups. Similarly, overall new export orders grew at a marked rate, led by intermediate goods producers.

Robust demand conditions supported another strong month-on-month rise in manufacturing output across

continued...

France Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Joe Hayes, Senior Economist at IHS Markit, said:

"The recovery in France's manufacturing sector continued at the end of the second quarter, with indicators relating to demand, employment and business confidence all portraying an encouraging growth story.

"With a further loosening of lockdown measures on the horizon as vaccination rates rise, the demand-side of the economy looks poised for lift-off.

"That said, question marks remain over whether the intense supply-side disruptions we've observed in the year-to-date will persist long enough to impact production schedules, re-hiring and prices.

"Inventories were run down further amid intense input lead time delays and stock shortages, while output prices were hiked to the sharpest extent in 19 years of data collection as firms decided to pass higher costs on to clients.

"We eagerly await the survey data in the months ahead to help us ascertain whether these supply issues will disrupt the post-pandemic recovery."

France. That said, the pace of expansion eased to a four-month low, with some firms suggesting that production schedules were adversely impacted by delivery delays and shortages of inputs.

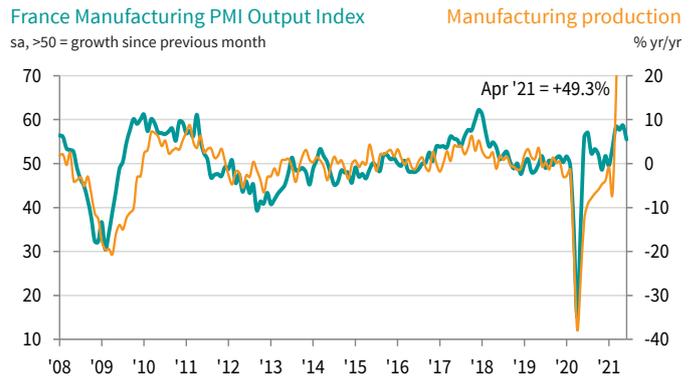
Latest survey data pointed to a substantial lengthening of input lead times in June. The deterioration in vendor performance was one of the worst seen across the survey history - beaten only by April 2020 when countries around the globe first started implementing lockdown measures.

Intense input shortages, rising transport costs and lengthy lead times contributed to the fastest rise in operating costs since April 2011. Chemicals, commodities, metals and electronic components were all reportedly up in price. Firms responded by hiking their output prices to the greatest extent in nearly 19 years of data collection.

Nevertheless, with busy production schedules to fulfil and in anticipation of further input cost increases, firms expanded their purchasing activity in June. That said, pre-production inventories were depleted at the quickest rate since January as firms struggled to build up their stocks.

The combined effect of strong demand and poor input availability led to capacity pressures at manufacturers, with backlogs of work rising sharply. To cope with growing order books, firms hired additional staff at the quickest pace in three months.

Looking ahead, firms remained strongly optimistic that output volumes would rise over the coming 12 months. The level of positive sentiment strengthened amid expectations of supply constraints remaining short-lived.



Contact

Joe Hayes
Senior Economist
IHS Markit
T: +44 1344 328 099
joseph.hayes@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

Survey methodology

The IHS Markit France Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 11-23 June 2021.

Data were first collected April 1998.

Flash vs. final data

Flash data were calculated from approximately 93% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (0.3 in absolute terms).

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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.

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