

IHS MARKIT FRANCE MANUFACTURING PMI®

Fastest rise in French manufacturing output for five months

KEY FINDINGS

Modest expansion in production

Moderate rebound in new orders

Fastest rate of job creation since July 2018

Latest PMI data pointed to a modest improvement in business conditions across the French manufacturing sector. The result was underpinned by the quickest expansion in output for five months and a renewed rise in new business. Moreover, firms increased their staff numbers at a quicker pace and volumes of outstanding business rose at the fastest rate since February 2018.

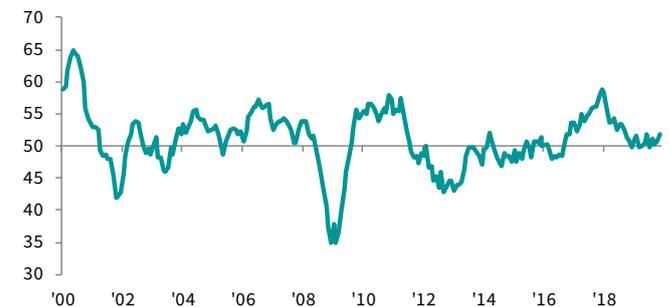
The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – rose to 51.7 in November, up from 50.7 in October. The reading pointed to a moderate improvement in business conditions in the French manufacturing sector, the quickest since June.

A key factor behind the quicker improvement in operating conditions was an accelerated rise in production during November. The latest expansion was the fastest for five months and modest overall. When explaining the increase, some panellists cited elevated demand from their clients.

Amid stronger demand conditions, there was a renewed rise in new orders placed with French manufacturers. The moderate increase was the first since August and only the third in the past nine months.

The expansion in overall new orders was supported by further growth in international sales midway through the fourth quarter. Though marginal overall, the latest increase was the quickest for five months. Anecdotal evidence pointed to stronger demand from the Czech Republic, Ivory Coast and Mauritania.

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

November data also revealed a further increase in staff numbers at French manufacturing firms, extending the current run of workforce expansion to four months. Moreover, the rate of job creation was the quickest since July 2018 and solid overall.

Despite the rise in employment, volumes of outstanding business continued to grow during November. In fact, the latest increase in backlogs of work was the sharpest since February 2018.

On the price front, cost burdens faced by manufacturers in France continued to fall, extending the current run of decline to three months. The latest decrease was slightly softer than that registered in October and moderate overall. When explaining lower input prices, some panellists mentioned discounts on raw materials such as iron and wood.

Meanwhile, firms continued to increase their average output charges midway through the fourth quarter, but the rate of inflation eased to the softest since a decline over three years ago.

Finally, manufacturers maintained their optimism towards the one-year outlook for output. Notably, the degree of positivity was the strongest since May.

COMMENT

Eliot Kerr, Economist at IHS Markit, which compiles the France Manufacturing PMI® survey, said:

"Latest PMI data revealed positive results across the board for the French manufacturing sector in November. Although the rate of output growth remained subdued, it was the quickest for five months, supported by a renewed expansion in new orders. Moreover, firms continued to hire additional staff and the pace of job creation was the fastest since July 2018."

"Underlying data pointed to another strong performance from the consumer goods sub-sector, where production rose solidly and volumes of new work continued to grow. Meanwhile, the picture at both intermediate goods firms and investment goods producers was mixed. The former registered a rebound in output but another fall in new work, while the latter saw new business rise for the first time in just over a year and output fall again."

Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, %yr/yr



Source: IHS Markit, INSEE.

CONTACT

IHS Markit

Eliot Kerr
Economist
T: +44-203-159-3381
eliot.kerr@ihsmarkit.com

Katherine Smith
Public Relations
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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.

November 2019 data were collected 12-22 November 2019.

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

About PMI

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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