

IHS Markit France Manufacturing PMI®

Fractional deterioration in business conditions as output growth loses momentum

Key findings

Production rises at softest pace for three months in August

Rate of workforce contraction accelerates

Slight increase in new orders after July's broad stagnation

Data were collected 12-21 August 2020.

August PMI® data signalled a fractional deterioration in business conditions across the French manufacturing sector. The result came amid the slowest rise in production in the current three-month sequence of growth and a marked reduction in staff numbers. Meanwhile, new orders ticked up after broadly stagnating in July, though the increase was only marginal overall.

Looking forward, French good producers remained optimistic towards the one-year business outlook, but the degree of positivity was the weakest for three months.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 49.8 in August, down from 52.4 in July. The latest reading pointed to a slight decline in the health of the manufacturing after moderate improvements in both June and July. At the sub-sector level, there was a sharp deterioration at intermediate goods producers which more than offset improvements at both consumer and investment goods firms.

Contributing to the downward trajectory of the headline index was a substantially softer expansion in output during August. The latest rise was the weakest for three months and modest overall. When explaining further increases in production, some firms cited improving demand conditions.

Despite the further rise in output, firms continued to cut staff numbers in August. Moreover, the rate of job shedding accelerated from July and was marked overall. Underlying data suggested the decrease in employment was broad-

continued...

France Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"Following two months of strong growth, the French manufacturing sector suffered a slight setback on its path to recovery, as the rate of output expansion eased substantially in August. New orders barely registered an increase, highlighting the hesitancy among manufacturers' clients to commit to future business. The slower production growth also brought with it a re-acceleration in the rate of job cutting and we saw nervousness from businesses regarding the year ahead, with sentiment softening to the weakest for three months."

based at the sub-sector level.

Meanwhile, new orders received by French manufacturing companies increased midway through the third quarter, albeit only fractionally overall. Panellists commented that some of their clients were beginning to operate closer to full capacity, although demand conditions remained relatively subdued overall.

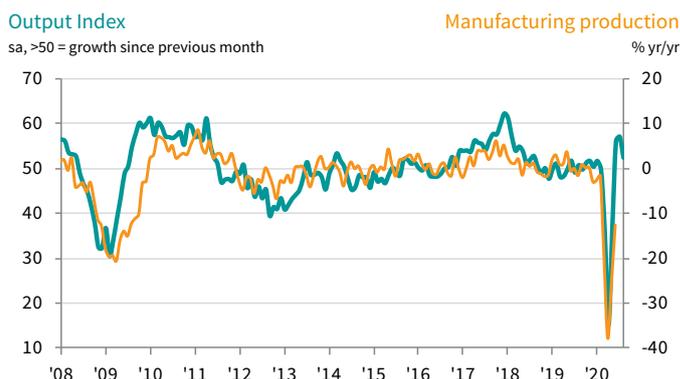
The rise in new business did not, however, translate into an increase in input buying. Purchasing activity fell for the seventh month in a row, with the rate of decline little-changed from July.

Amid a reduced quantity of purchases, pre-production inventories continued to contract. Moreover, the rate of depletion accelerated for the second month in a row and was marked overall.

On the cost front, input prices rose for the first time in six months. The rate of inflation was the quickest since last December, though only modest overall. Some panellists cited higher prices for hygiene products.

Firms opted to pass on some of the higher costs to their clients with an increase in average output charges. The result marked the first rise since March, but one that was only modest overall.

Finally, sentiment towards future output remained in positive territory but weakened to a three-month low. Confidence was supported by hopes of a prolonged recovery from the coronavirus disease 2019 (COVID-19) crisis.



Sources: IHS Markit, INSEE.

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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 12-21 August 2020.

Data were first collected April 1998.

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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.

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