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-

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.”

continued...
based at the sub-sector level.

Meanwhile, new orders received by French manufacturing companies increased midway through the third quarter, albeit only fractionally overall. Panelists 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 panelists 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.