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IHS MARKIT FRANCE MANUFACTURING PMI®

Softest improvement in business conditions for three months

KEY FINDINGS

Business conditions improve only marginally

Output growth slows and new business falls

Broad stagnation in employment

Business conditions in the French manufacturing sector improved at the slowest pace for three months in December. The result was driven by a slowdown in output growth and a return to contraction in new orders. Similarly, there was a broad stagnation in employment and a renewed downturn in purchasing activity.

Looking forward, although firms remained confident of a rise in output during 2020, the degree of positivity was in line with October's three-and-a-half-year low.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – fell to 50.4 in December, down from 51.7 in November. The reading pointed to a marginal improvement in business conditions across the French manufacturing sector, the slowest for three months.

Supporting the overall improvement in the health of the sector was a further rise in output. However, similar to the trend for the headline index, the latest rise was slower than in November and only marginal overall.

Meanwhile, there was a renewed contraction in new orders placed with goods producers during the final month of 2019. The rate of decline was the quickest for three months, but only moderate overall. Some panellists cited softening demand conditions.

Contributing to the decline in overall sales was a fractional decrease in new export business during December. The result represented the first reduction for five months.

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Amid a fall in new business, employment in the French manufacturing sector broadly stagnated. This led to a seventh successive monthly rise in backlogs of work. That said, the latest increase in outstanding business was the softest for three months and moderate overall.

Following a broad stabilisation in November, purchasing activity at goods producers in France decreased in the last month of the year. The pace of reduction was slower than that registered in October, but slightly quicker than the 2019 average.

On the cost front, firms recorded the first rise in input prices since August. Moreover, the rate of inflation was the fastest for seven months and solid overall. When explaining higher costs, panellists mentioned increased expenditure on pork, dairy products and raw materials.

Manufacturing businesses opted to pass on some of the higher costs to their clients, with a rise in average output prices. The rate of charge inflation was fractionally quicker than that registered in November and remained historically subdued.

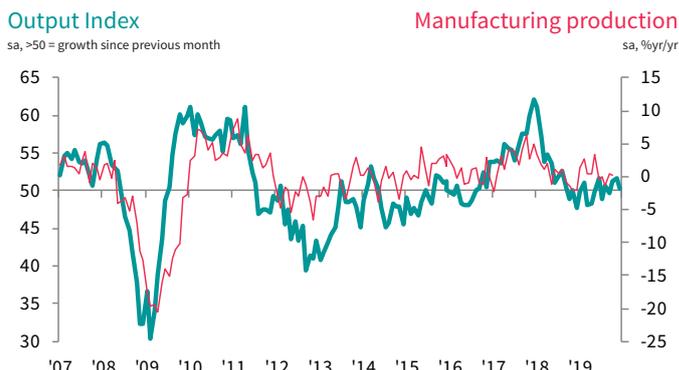
Finally, confidence towards the one-year business outlook eased in December. The degree of optimism was the joint-weakest since April 2016.

COMMENT

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

"Following two promising months in October and November, growth in the French manufacturing sector stuttered during December. The latest data revealed only a marginal increase in production and a fresh contraction in new business. This led firms to cease hiring efforts and reduce their purchases of inputs.

"As has been the case for several months, the most positive reading came from the consumer goods sub-sector. Output growth accelerated to the quickest since February and new orders rose at the fastest pace for over a year. Meanwhile, the performance of the manufacturing sector as a whole was hindered by the intermediate and investment goods categories. Notably, production for the latter fell at the sharpest rate since September 2018."



Source: IHS Markit, INSEE.

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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.

December 2019 data were collected 5-16 December 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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