

IHS Markit France Manufacturing PMI®

Business conditions improve amid renewed rise in production

Key findings

Marginal improvement in health of the manufacturing sector

Output recovers from November's contraction

Expectations for the year ahead reach highest level since April 2019

Data were collected 4-16 December 2020.

December PMI data pointed to a fresh improvement in business conditions faced by French manufacturing firms. The upturn was predominantly driven by a renewed expansion of production, which helped to offset a further decline in new orders. Meanwhile, coronavirus disease 2019 (COVID-19) vaccine breakthroughs saw confidence levels rise to the highest since April 2019. Amid increased production requirements and high hopes for the year ahead, firms added to their staff numbers for the first time in a year.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 51.1 in December, up from 49.6 in November. The latest result signalled a slight improvement in the health of the manufacturing sector, which followed the first deterioration for three months in November.

Underpinning the latest improvement in business conditions was a rise in production. Output has now grown in six of the past seven months, the exception being a slight contraction in November. The latest increase was modest overall.

The expansion in production came despite a second successive monthly reduction in new orders during December. Although softer than November's six-month record, the rate of decline was solid overall. Some panellists commented that the recent COVID-19 lockdown had weighed on demand conditions.

Meanwhile, expectations that a COVID-19 vaccine may become widely available throughout 2021 saw optimism

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:

"December PMI data pointed to an improved performance in the French manufacturing sector, with business conditions rebounding after November's deterioration and output returning to growth territory. These positive results came despite the country facing strict COVID-19 lockdown measures throughout the vast majority of the latest survey period and are testament to the resilience of French manufacturing businesses."

"Looking forward, the firms are very optimistic that output will continue to grow, with hopes that the available COVID-19 vaccines can restore some sort of normality to the world. For now, demand conditions remain subdued, but we expect a recovery to begin gathering pace in the second quarter of 2021."

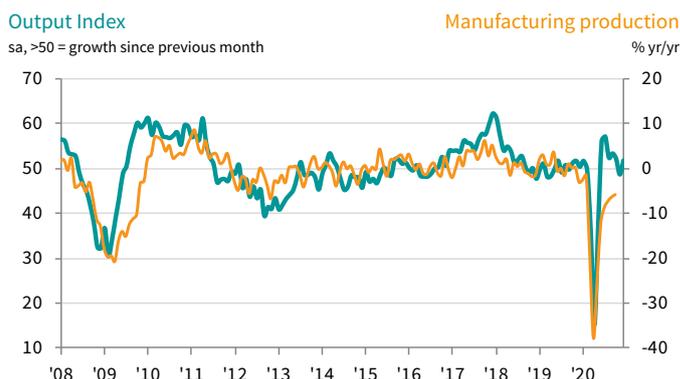
towards the year ahead rise markedly. In fact, the overall level of confidence reached the highest since April 2019.

In line with higher production levels and improved confidence towards the business outlook, French goods producers increased worker numbers in the final month of 2020. The result marked the first expansion in employment since December 2019. That said, the rate of growth was only marginal overall.

Following a renewed decline in November, purchasing activity across the manufacturing sector returned to growth in December. Moreover, the pace of expansion was the quickest since August 2018 and solid overall. Anecdotal evidence indicated that the rise in input buying was due to increases in production.

On the cost front, input prices continued to rise in December, extending the current run of inflation to five months. Notably, the latest increase was the sharpest for almost two years. When explaining elevated costs burdens, panellists often cited higher prices for raw materials, with metals such as steel and aluminium mentioned in particular.

Firms opted to pass on some of the additional costs to their clients, with an increase in average output prices in the last month of the year. Despite remaining modest overall, the rate of charge inflation accelerated to the quickest since October 2019.



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 4-16 December 2020.

Data were first collected April 1998.

Flash vs. final data

Flash data were calculated from approximately 85% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

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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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