

IHS Markit France Manufacturing PMI®

French manufacturing sector growth remains strong in April

Key findings

Business conditions improve at marked, albeit softer, rate

Output and new orders continue to rise sharply

Strongest rate of input cost inflation for a decade

Data were collected 12-23 April 2021.

April PMI® data pointed to another marked improvement in business conditions across the French manufacturing sector, as output and new orders continued to rise sharply. Meanwhile, input costs increased at the strongest rate for a decade amid widespread reports of raw material shortages.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – registered 58.9 in April, down marginally from 59.3 in March. The latest reading pointed to another marked improvement in business conditions faced by French goods producers, albeit one that was slightly softer than in the previous survey period.

The strong headline figure was partially supported by another marked upturn in output at the start of the second quarter. Despite easing from March, the rate of growth was among the quickest since data collection began just over 23 years ago. When explaining higher production levels, panellists often noted improving demand from their clients.

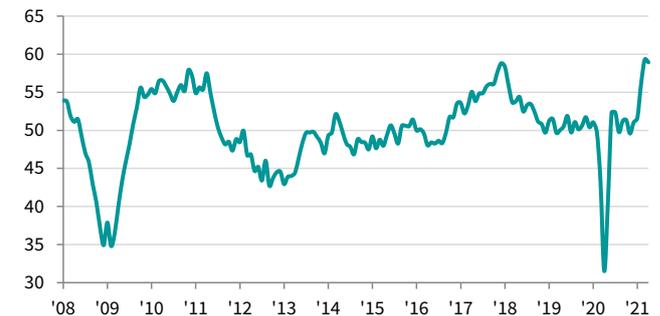
Strengthening demand conditions were evidenced by a further rise in new orders placed with manufacturers during April. Although softer than in March, the increase was marked by historical standards. Underlying data indicated that each of the three monitored sub-sectors recorded sales growth.

On the price front, cost burdens continued to rise sharply in April. In fact, the rate of input price inflation accelerated for the eighth month in a row to the quickest since April 2011. Panellists continued to report widespread shortages of raw materials at their suppliers. Firms opted to pass on some of

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:

"The latest PMI figures saw the continuation of a strong run for the French manufacturing sector. Although rates of growth generally eased, the overall increases in key barometers such as output and new orders remained historically marked, and confidence towards the 12-month business outlook remained elevated."

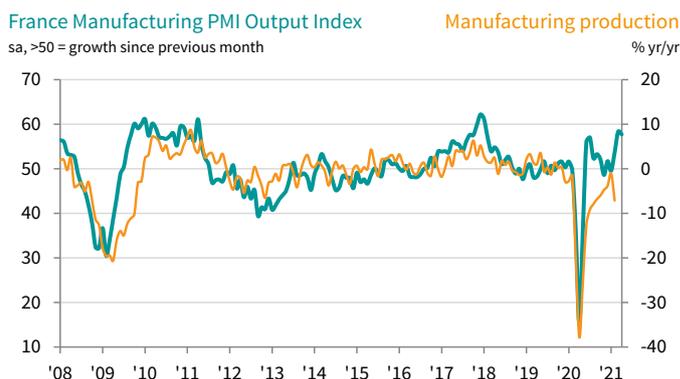
"On the other hand, persistent supply-chain disruption remains a worry, with bottlenecks related to COVID-19 continuing to cause delivery delays and drive prices higher. Raw material shortages have been widely reported for a number of months and the resulting upward pressure on costs may begin to take a toll on margins. Fortunately, improving demand conditions allowed firms to pass through these costs at a quicker rate in April, however, with COVID-19 measures ongoing, further sharp increases in costs will likely squeeze profitability."

the additional costs to their clients with another increase in average output charges.

Concurrent with the limited availability of some inputs, suppliers' delivery times continued to lengthen drastically in the latest survey period. Moreover, the deterioration in vendor performance was the second most severe on record, behind only that seen in April last year at the height of the pandemic.

Meanwhile, firms continued to hire additional staff at the start of the second quarter. The rate of job creation eased from March's recent high but remained sharp overall. Anecdotal evidence indicated that the hiring activity was associated with improving demand conditions.

Looking forward, manufacturers were confident of a further increase in output levels over the coming 12 months. Positivity was linked to expectations for a release of pent-up demand as COVID-19 restrictions are relaxed. The degree of optimism was the weakest for three months, but still historically marked.



Sources: IHS Markit, INSEE.

Contact

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

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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 12-23 April 2021.

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 0.1 (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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