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IHS MARKIT FRANCE MANUFACTURING PMI®

Operating conditions improve slightly in August

KEY FINDINGS

Marginal rise in production

Modest rebound in new orders

Staff numbers increase slightly

French manufacturing firms recorded a marginal improvement in operating conditions in August, driven by rebounds in both output and new orders. Similarly, there was a renewed increase in employment and purchasing activity ticked up slightly. Capacity pressures remained evident, with backlogs of work rising for the third month in a row.

On the cost front, input prices increased modestly, following a decline in July. Meanwhile, average output charges continued to rise, extending the current run of inflation to 34 months.

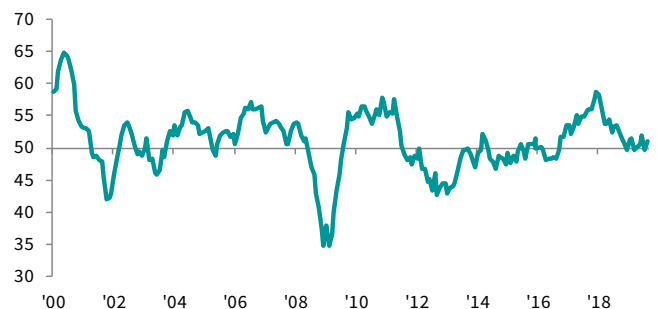
The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – rose to 51.1 in August, up from 49.7 in July. The reading pointed to a renewed improvement in operating conditions that was marginal overall.

Underpinning the improvement in business conditions was a rise in production at French manufacturers. The marginal increase represented a return to growth following a decline in July. Some survey participants associated the rise with elevated demand.

New orders placed with goods producers in France rebounded in the middle of the third quarter. Moreover, the rate of increase was the fastest since last September and moderate overall.

The rise in overall new orders was supported by a recovery in international sales of manufacturing goods during August. The expansion was only the second in the past 12 months.

Manufacturing PMI
sa, >50 = improvement since previous month



Following a slight decrease in July, firms in the French manufacturing sector increased their staff numbers during August. However, the rate of job creation was only marginal overall. Some panellists attributed the latest workforce expansion to a rise in output.

Similar to the trend in employment, purchasing activity returned to growth in the middle of the third quarter. The rate of expansion was only marginal overall, although in line with the historical average.

Meanwhile, backlogs of work at goods producers in France increased for the third month in a row. The latest rise was the quickest for six months and solid overall.

On the cost front, input prices faced by French manufacturing firms rose in August. The result represented a return to inflation after the first reduction for over three years in July. Firms opted to pass on higher costs to their clients by increasing output charges.

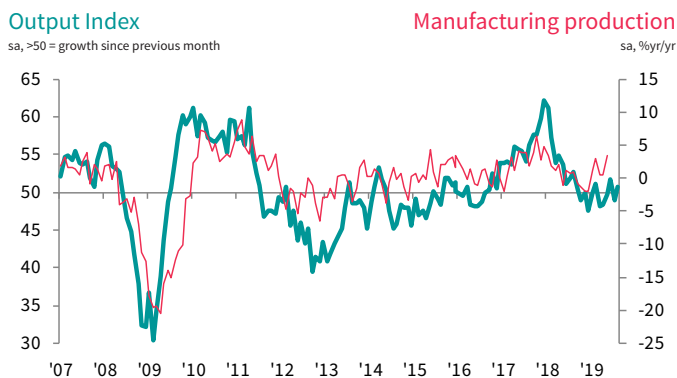
Businesses in the manufacturing sector remained confident of a rise in output over the coming year, supported by expectations of an improvement in external demand. The degree of optimism was stronger than in July, but remained historically subdued.

COMMENT

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

"The latest PMI data revealed positive results, as French goods producers recorded rebounds in both output and new orders. The rise in production was only the second recorded in the past six months, and pointed to a resilient French manufacturing sector at a time when their European counterparts are struggling."

"At the sub-sector level, output growth was founded on expansions at both consumer and intermediate goods firms, which more than offset a further contraction at investment goods producers."



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.

August 2019 data were collected 12-22 August 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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