

Embargoed until 0950 CET (0850 UTC) 1 December 2020

IHS Markit France Manufacturing PMI®

Fresh deterioration in business conditions amid renewed COVID-19 lockdown

Key findings

First decline in operating conditions for three months

Sharp reduction in new orders drives output lower

New restrictions contribute to marked lengthening of delivery times

Data were collected 12-23 November 2020.

November data pointed to a fresh deterioration in the health of the French manufacturing sector, as the country faced new coronavirus disease 2019 (COVID-19) restrictions. Lockdown measures imposed at the end of October saw new orders drop sharply in the latest survey period. As a result, output fell for the first time in six months. Elsewhere, temporary closures at a number of suppliers saw input delivery times lengthen sharply. Meanwhile, input price inflation accelerated to the quickest for 18 months.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 49.6 in November, down from 51.3 in October. The latest result signalled the first deterioration in business conditions across the manufacturing sector for three months.

Weighing on the headline index was a renewed decrease in sales during November. The reduction was the first for four months and the sharpest since May. Panellists often commented that their clients were hesitant to commit to orders while the COVID-19 outlook remained uncertain.

Amid softer inflows of new work, French manufacturers cut production in the latest survey period. The contraction was the first for six months, but only modest overall.

The reintroduction of lockdown measures also hindered the supply-side of the French manufacturing sector in November. Input delivery times lengthened at the sharpest rate for six months. Anecdotal evidence indicated that some suppliers had significantly reduced their operations amid

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France Manufacturing PMI
sa, >50 = improvement since previous month



Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"Amid the reintroduction of lockdown restrictions across France, it was unsurprising to see a fresh deterioration in business conditions faced by manufacturers. New orders dropped markedly in November, partially undermining the recovery seen in recent months. Moreover, output slipped back into contraction territory after five months of successive growth.

"On a more positive note, the rate of job shedding eased to the softest for four months and was modest overall. The result suggests that firms are now more resilient to downside economic shocks than at the start of the crisis, having made their operations leaner. The last time national lockdown measures came into force during March, employment fell sharply."

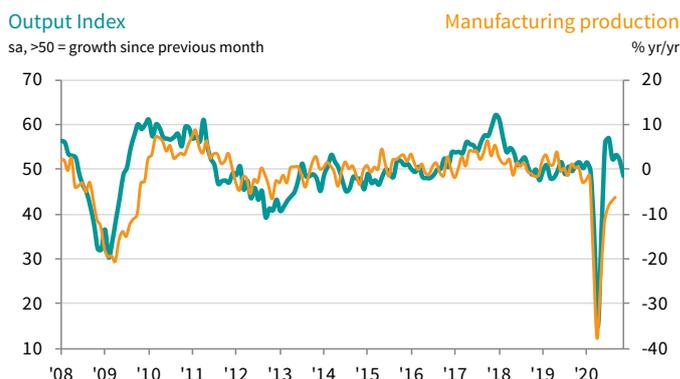
tighter COVID-19 restrictions.

On the cost front, input prices continued to rise, extending the current run of inflation to four months. Moreover, the latest increase was the quickest since May 2019 and sharp overall. Survey respondents often cited higher raw material costs.

Manufacturers opted to pass on some of the higher costs to their clients with another increase in average output charges during November. In line with the trend for input prices, the result marked the fourth successive monthly rise and was the quickest in that sequence.

Meanwhile, French goods producers continued to cut their staff numbers in middle of the fourth quarter. The result stretched the current sequence of workforce contraction seen throughout 2020 so far. When explaining the latest decline, panellists often mentioned a deterioration in demand conditions. That said, the decrease in employment was the softest for four months and modest overall.

Looking forward, firms remained optimistic towards the 12-month business outlook. However, the degree of positivity remained far weaker than the historical average. Where firms were confident of output growth, they often mentioned expectations for an effective vaccine to be widely available in the next 12 months.



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 12-23 November 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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