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IHS MARKIT FRANCE MANUFACTURING PMI®

Business conditions improve amid renewed increase in manufacturing employment

KEY FINDINGS

Moderate improvement in business conditions

Downturns in output and new orders soften

Jobs rise for first time in three months

French manufacturers recorded a modest improvement in operating conditions during the first month of 2019. However, the underlying data pointed to further contractions in key indicators such as output and new orders. Moreover, new export business fell for the fifth month in a row. Meanwhile, input price inflation eased to the softest in eight months. Optimism towards the business outlook reached a six-month high and firms lifted employment in January.

The headline IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – rose to 51.2 in January, up from 49.7 in December. This signalled a moderate improvement in business conditions compared to December.

Output fell fractionally in January, with some panellists linking the further contraction to continued weakness in the automotive sector. However, the pace of decline was softer than in December.

In line with the trend for output, new orders at French manufacturers fell in the first month of 2019. However, the pace of decline decelerated and was only fractional overall. Some survey participants suggested that the fall in new business was due to the ongoing 'gilets jaunes' protests.

Contributing to the decline in total new orders was a fifth consecutive monthly contraction in new business from abroad. That said, the latest reduction was the slowest in this sequence and only marginal overall.

Manufacturing PMI
sa, >50 = improvement since previous month



Good producers recorded the fastest increase in staff numbers for four months at the start of the first quarter. The moderate rise was the first since October.

Meanwhile, goods producers in France increased purchasing activity at the sharpest rate for four months in January. Despite this, pre-production inventories contracted for the fourth time in five months.

On the price front, input cost inflation decelerated for the second month in a row, reaching its lowest rate since May 2018. That said, the latest rise in cost burdens was still sharp overall, with panellists frequently mentioning higher raw material prices.

Output price inflation also eased for the second month in a row during January. However, the latest rise remained solid overall. Panellists suggested that charge increases reflected efforts to offset the higher costs of raw materials.

Finally, sentiment among French manufacturers towards the business outlook hit its highest level in six months. Some panellists were hopeful that new product development projects would lead to a rise in orders over the coming year, in turn boosting production.

COMMENT

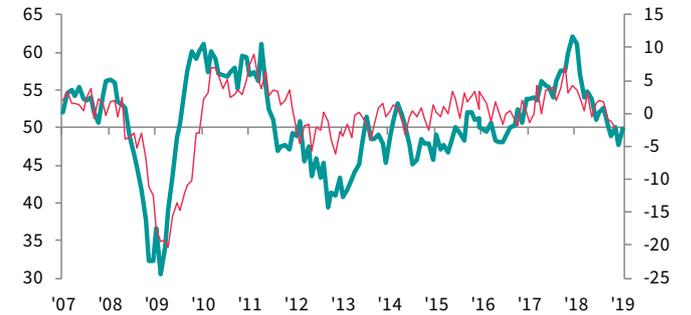
Eliot Kerr, Economist at IHS Markit, which compiles the France Manufacturing PMI® survey, said:

"Despite further declines in output and new orders during January, it is encouraging to see softer rates of contraction for both indicators. This, paired with the fastest employment growth since September, saw business conditions rebound after December's deterioration."

"The latest results may signal the start of a turnaround for the French manufacturing industry, following its subdued performance in the second-half of 2018. However, with the 'gilets jaunes' protests still ongoing and an anticipated global economic slowdown during 2019, the sector will continue to be tested in the coming months."

Output Index

sa, >50 = growth since previous month



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.

January 2019 data were collected 11-24 January 2019.

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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