

News Release

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S&P Global France Manufacturing PMI®

Supply constraints and war in Ukraine restrain manufacturing growth in April

Key findings

Manufacturing output growth constrained by war in Ukraine

Reports of automotive sector weakness; supply issues persist

Output price inflation accelerates to series high

The French manufacturing sector continued to expand at the beginning of the second quarter, latest PMI® data from S&P Global showed, as new order growth improved amid reports of clients placing advanced purchases in anticipation of price hikes and further supply issues. However, production schedules were reportedly restrained by inadequate input availability and the war in Ukraine.

Meanwhile, price pressures remained considerable in April, with rates of input cost and output price inflation both accelerating. In the case of the latter, the increase was the sharpest on record.

The seasonally adjusted S&P Global France Manufacturing Purchasing Managers' Index® (PMI®) increased to 55.7 in April, up from 54.7 in March and indicating a solid improvement in operating conditions within France's goods-producing sector. With the exception of suppliers' delivery times (which is inverted in the headline PMI calculation), all sub-indices had a positive contribution during April.

The headline index's largest components – new orders and output – both recorded faster rates of growth at the beginning of the second quarter. Higher intakes of new work were reportedly a factor that drove the latest increase in production. According to some surveyed businesses, general demand conditions were favourable over the month. That said, other firms noted clients placing advanced purchases in anticipation of higher prices.

Overall, the increase in new orders was solid and exceeded that for output in April. Manufacturing production across France rose only modestly during the latest survey period. A number of firms suggested that weakness in the automotive sector had been a drag on growth, partly linked to the war in Ukraine. The Russian invasion was also noted as a reason for falling new export orders in April, which fell for a second successive month.

With output volumes rising at a slower pace than new

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



Source: S&P Global.
Data were collected 08-22 April 2022.

Comment

Joe Hayes, Senior Economist at S&P Global, said:

"France's manufacturing sector continues to churn out growth in the face of an intensely challenging backdrop for goods producers. That said, some of the anecdotal evidence from panellists we received this month suggests production growth may be short-lived.

"Advanced purchases from clients in anticipation of price hikes underpinned order book growth at some firms. This is worrying evidence that suggests inflation expectations have become de-anchored, but it also suggests that weaker demand conditions are in the horizon if clients are bringing forward their purchases and are hesitant to place orders at higher prices.

"The supply situation also remains uncertain as bottlenecks in China due to COVID restrictions and the war in Ukraine have added to pressures. Firms continue to struggle to replenish their stock of finished goods, which have fallen in for the past six months.

"If firms can secure inputs, this may help support output in the face of weak demand if firms choose to rebuild their stocks, but rampant inflation and a concerning outlook for demand is diminishing support for growth."

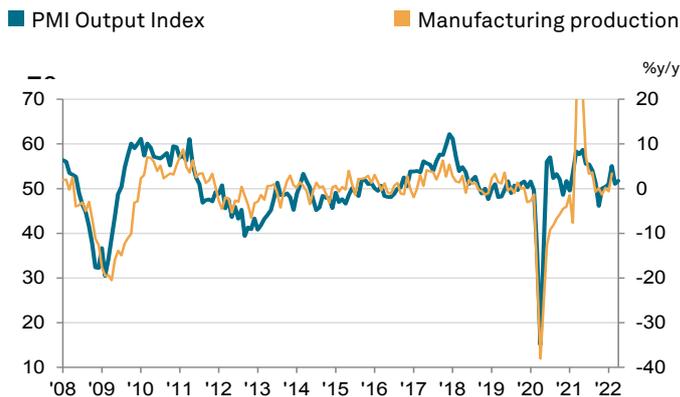
business, latest survey data signalled both a reduction in stocks of finished goods and an increase in unfinished orders at the start of the second quarter. The shortfall in production volumes caused by insufficient input supplies was commonly mentioned by firms that saw backlog accumulation and inventory depletion over the month.

Meanwhile, French manufacturers continued to add to their payrolls in April, with employment rising for a fifteenth month running. Numerous companies hired extra workers to boost their production capacities, according to anecdotal evidence.

However, gains in factory efficiency continued to be restrained by ongoing supply issues as input lead times lengthened sharply once again. Delivery delays were commonly attributed to shortages of raw materials and components at suppliers, while bottlenecks due to the war in Ukraine and COVID disruption in China were also mentioned.

Despite supply chain pressures, firms still managed to secure additional input purchases in April. However, the imbalance between demand and supply led vendors to charge higher prices. Input costs rose at the fastest pace since February 2011 as increased material prices were exacerbated by soaring fuel and energy costs. To protect margins, output charges were raised to the greatest extent on record.

Lastly, although business confidence increased from March's 19-month low, it was weaker than its historical average as geopolitical uncertainty and rising inflation weighed on the outlook.



Sources: S&P Global, INSEE.

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Survey methodology

The S&P Global France Manufacturing PMI® is compiled by S&P Global 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. Data collection began in April 1998.

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.

Flash vs. final data

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. ihsmarkit.com/products/pmi.html.