

IHS Markit France Manufacturing PMI®

Output growth quickens but backlogs of work accumulate

Key findings

Both output and new orders rise at sharpest rates since January 2018

Steepest accumulation of backlogs since November 2006

Near-record rise in selling prices amid further acceleration of cost inflation

Data were collected 11-21 May 2021.

The easing of COVID-19 lockdown restrictions contributed to a further strong improvement in business conditions in the French manufacturing sector during May. Output and new orders both increased at accelerated rates. Although firms took on extra staff in response to rising workloads, the strength of new order growth and difficulties securing materials led to a substantial build-up of backlogs of work.

Supply shortages also contributed to the sharpest increase in input costs for a decade and a near-record pace of output price inflation.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – ticked up to 59.4 in May from 58.9 in April, signalling a further substantial improvement in business conditions in the French manufacturing sector, and one that was the most marked since September 2000. Intermediate goods firms posted by far the greatest strengthening of operating conditions of the three broad categories covered by the survey.

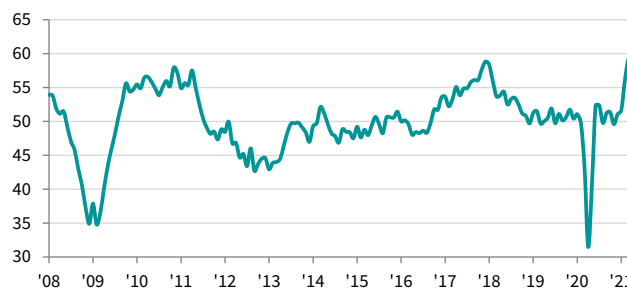
The easing of COVID-19 restrictions and the preparation for the end of lockdown were reportedly key factors behind the latest improvement in business conditions. New order growth quickened to a 40-month high, with new export business also up sharply. There were also some reports that customers had ordered in advance to guard against supply shortages.

The trend in new orders was matched by that for output, with production increasing at the sharpest pace since January

continued...

France Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

"Demand and production volumes continued to ramp up in the French manufacturing sector during May, with the loosening of lockdown restrictions playing a key part in this last month."

"The key challenge now for firms is being able to keep up with workloads. This is proving to be a struggle amid severe supply-chain delays and a lack of material availability. As a result, levels of backlogged work are rising sharply. We are therefore likely to see further expansions to production in the months ahead should some of these constraints start to ease, with hopefully more jobs created to help deal with backlogs."

"Inflationary pressures showed little sign of abating. On the contrary, input costs increased at the fastest pace for a decade, with output price inflation the second-fastest on record."

2018.

Rising new business encouraged firms to take on extra staff, with some manufacturers indicating that they had hired additional workers on a temporary basis to try and deal with the surge in new work. The rate of job creation was solid, but eased further from March's recent high.

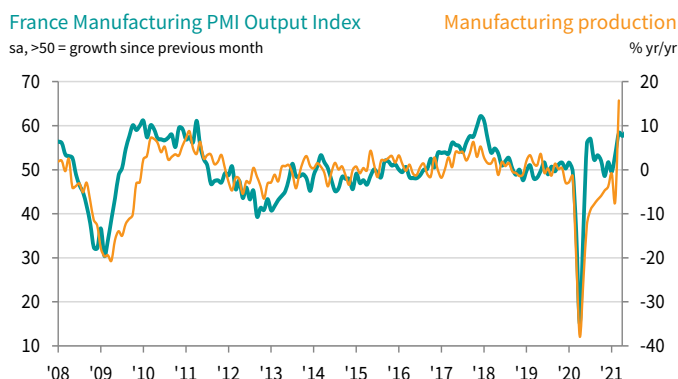
Despite efforts to raise capacity, the strength of new order growth and difficulties sourcing materials meant that backlogs of work accumulated sharply. Moreover, the increase was the greatest since November 2006. Firms continued to use inventories to try and meet new orders, leading finished goods stocks to fall for a third month running.

Supply issues were highlighted by a further severe lengthening of vendor delivery times, and one that was unprecedented prior to the COVID-19 pandemic. As well as material shortages, panellists also highlighted a lack of shipping containers.

Delivery delays meant that firms saw a drop in stocks of purchases despite a ramping up of purchasing.

Manufacturers were also faced with sharply rising input costs, with a range of raw materials and freight transport reportedly costing more. In turn, firms increased their own selling prices at the second-fastest pace in the series history.

Business expectations remained elevated in May, with firms predicting an ongoing rebound in activity once the COVID-19 pandemic comes to an end. That said, optimism eased to a four-month low.



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 11-21 May 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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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