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IHS MARKIT FRANCE MANUFACTURING PMI®

Faster improvement in business conditions as output expands for first time in five months

KEY FINDINGS

Moderate improvement in operating conditions

First rise in production since September 2018

New orders expand fractionally

February data pointed to a modest improvement in business conditions faced by French manufacturers. The result was underpinned by a return to growth in output, the first since last September. Moreover, despite a further contraction in new export orders, new business rose fractionally. Meanwhile, the rise in sales saw firms increase their staff numbers for the second month in a row, albeit at a slower pace than in January.

The headline IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – rose to 51.5 in February, up from 51.2 in January. This signalled a moderate improvement in the health of the sector, one that was faster than in January.

For the first time since September 2018, French manufacturers recorded an expansion in production. Panel members associated the rise with increased new orders and higher productivity. That said, the upturn in output was only marginal overall and slower than the historical average.

In line with the trend for output, new orders grew for the first time in four months. However, the increase was only fractional overall. Survey respondents noted strengthening demand and the successful implementation of promotional offers.

Growth in new business was centred on the domestic market, however. New orders from abroad fell for the sixth month in a row, with the rate of contraction accelerating in February. The decline was still only marginal overall, but panellists

Manufacturing PMI
sa, >50 = improvement since previous month



continued to mention weak demand from the automotive sector.

Meanwhile, due to a rise in demand, French goods producers increased purchasing activity midway through the first quarter. However, the rate of growth was softer than in January and only marginal overall. This, coupled with an expansion in output, saw pre-production inventories fall for the second month in a row.

In order to address higher workloads, French factories increased staff numbers in February. The moderate rise was the second in as many months, albeit the pace of hiring eased compared to January.

On the price front, input cost inflation softened to a 19-month low in February. However, the rise was still sharp overall, with panellists mentioning elevated rates for raw materials, electrical components and transport. The additional cost burden was passed on to clients, with average output charges increasing solidly and at a quicker rate than in January.

French goods producers remained optimistic towards the business outlook, despite sentiment falling slightly in February. Confidence was historically elevated, with panellists mentioning strong underlying demand and new product development initiatives.

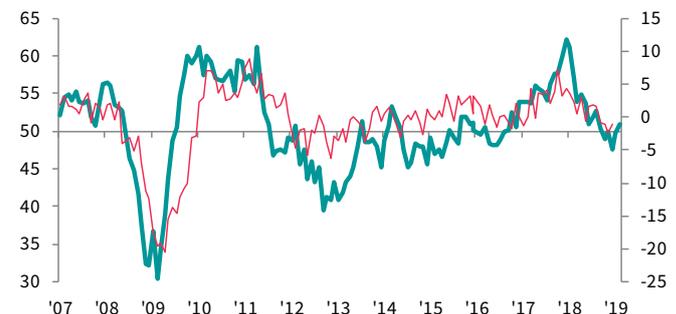
COMMENT

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

"France's manufacturing sector saw a mild recovery in February, registering the first rise in production for five months. Underpinning the improved performance was a return to growth in new orders, which saw firms increase staff numbers again. On the other hand, the reading for exports remained disappointing. Manufacturers posted a decline in new business from abroad for the sixth month in a row."

"The results show that France's domestic performance provided resistance against weakening export markets. Such resilience was not seen in Germany, where the latest flash release showed a collapse in manufacturing export business, driving output into contraction territory."

Output Index Manufacturing production
sa, >50 = growth since previous month sa, %ytr/yr



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.

February 2019 data were collected 12-21 February 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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