

Embargoed until 0950 CET (0850 UTC) 4 November 2019

IHS MARKIT FRANCE MANUFACTURING PMI®

Modest recovery in manufacturing production during October

KEY FINDINGS

Faster improvement in business conditions

Quickest rise in output for four months

New orders fall marginally

French manufacturers posted a slightly quicker improvement in business conditions in October. The result was supported by the fastest rise in output since June and a quicker increase in staff numbers. However, despite a rise in new export orders, there was a further marginal fall in overall new business. Meanwhile, firms pared back purchasing activity for the second month in a row, which contributed to the sharpest depletion in pre-production inventories since August 2016.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – rose to 50.7 in October, up from 50.1 in September. The reading pointed to a marginal improvement in business conditions in the French manufacturing sector.

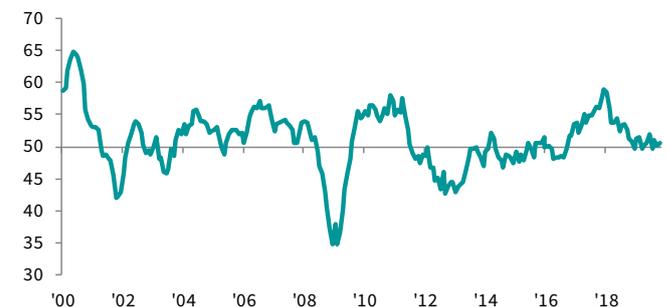
A key factor behind the result was a moderate rise in production at French manufacturing businesses. The latest increase was the quickest for four months. Some panellists mentioned new business plans when explaining the expansion.

Improving foreign demand was evident in the latest survey period, as new export orders rose slightly following a stagnation in September. However, overall new business fell for the second month in a row. The rate of decline was little-changed from September and only marginal overall.

Latest survey data also revealed a further increase in staff numbers at manufacturers in France, extending the current run of workforce expansion to three months. Moreover,

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

the rate of job creation was the quickest since June. When reporting a rise in employment, some panellists associated this with efforts to expand output.

Despite the further increase in staff numbers at the start of the fourth quarter, firms were unable to alleviate capacity pressures. Backlogs of work increased for the fifth month in a row, with the rate of expansion accelerating from September.

Meanwhile, input buying at French manufacturing firms continued to decline. The pace of reduction quickened slightly from September and matched that seen in July, which was the fastest since August 2016. This, in part, drove the sharpest contraction in pre-production inventories since August 2016.

On the cost front, input prices fell for the second month in a row. Moreover, the rate of reduction accelerated to the fastest for three-and-a-half years and was solid overall. Despite the decrease in cost burdens, firms opted to increase their average output charges.

Finally, firms remained optimistic towards the business outlook in October, supported by expectations for a rise in new business. However, the degree of positivity fell to the weakest since April 2016.

COMMENT

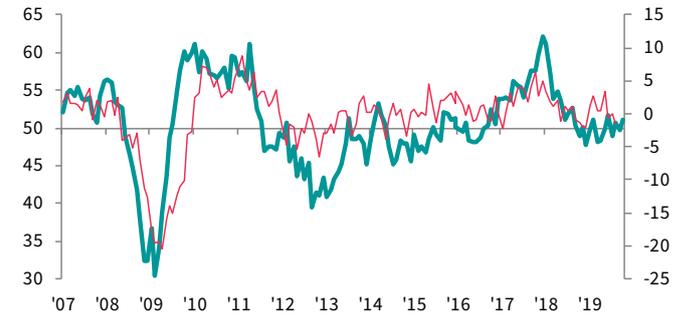
Eliot Kerr, Economist at IHS Markit, which compiles the France Manufacturing PMI® survey, said:

"Latest PMI data pointed to the quickest rise in French manufacturing production for four months, which helped support a slight improvement in business conditions. The survey results also pointed to an upward trend in employment, as staff numbers increased at the fastest pace since June.

"That said, new orders fell marginally for the second month in a row, indicating continued weakness in demand conditions. Underlying data suggested that this weakness was centred on the domestic market, as firms posted a slight recovery in new export business during October."

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.

October 2019 data were collected 11-24 October 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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