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## IHS MARKIT FRANCE MANUFACTURING PMI®

### Business conditions deteriorate in March

#### KEY FINDINGS

Renewed contraction in output and new orders

Employment increases only fractionally

Softest rise in cost burdens since October 2016

Following improvements in the first two months of 2019, business conditions in France's manufacturing sector deteriorated during March. The marginal decline was driven by renewed contractions in output and new orders, while export sales fell at the quickest pace for three months. Consequently, firms increased staff numbers at the slowest pace in 2019 so far, and input buying declined at the fastest rate for two-and-a-half years. Input price inflation eased to its softest since October 2016.

The headline IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – fell to 49.7 in March, down from 51.5 in February. This pointed to the first deterioration in business conditions since December 2018.

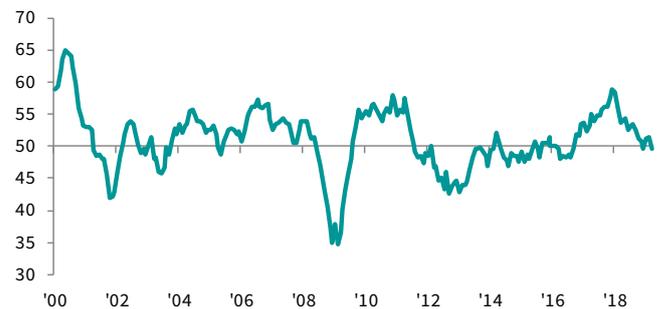
French manufacturers were unable to sustain the brief recovery in production seen in February, as output fell moderately in March. Panellists suggested that the fourth contraction in six months was largely due to falling new orders.

After a fractional recovery in the previous survey period, new business fell at the quickest pace for three months in March. Although moderate overall, the reduction was the fourth in the past five months. Some survey participants noted weaker demand from their clients.

A driving factor behind the fall in new work was an accelerated decline in new export business. The solid contraction was the fastest recorded in 2019 so far and extended the current sequence of reduction to seven months. Manufacturers

Manufacturing PMI

sa, >50 = improvement since previous month



suggested that weaker automotive and retail demand had contributed to lower export sales.

In line with the renewed fall in output, French manufacturers increased staff numbers only fractionally in March. The rate of job creation eased to the slowest since the decline seen last December. Where panellists recorded a rise in employment, some mentioned attempts to increase productivity.

Input purchasing by French manufacturers also fell in March. Moreover, firms noted the fastest decline for two-and-a-half years, with some panellists attributing the contraction to the deterioration in new orders.

On the price front, input cost inflation eased for the fourth month in a row during March, reaching its slowest rate for nearly two-and-a-half years. That said, the latest increase in costs burdens was still sharp overall, with panellists citing higher raw material prices.

Manufacturers expect output to be higher in 12 months' time, but the level of positive sentiment fell to a three-month low in March. Concerns of weak underlying demand weighed on confidence.

## COMMENT

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

*"Unfortunately, France's manufacturing sector could not maintain the upward momentum seen at the start of 2019, as business conditions slipped into deterioration during March. The weakness was driven by a poor performance in new orders and consequently a renewed fall in production."*

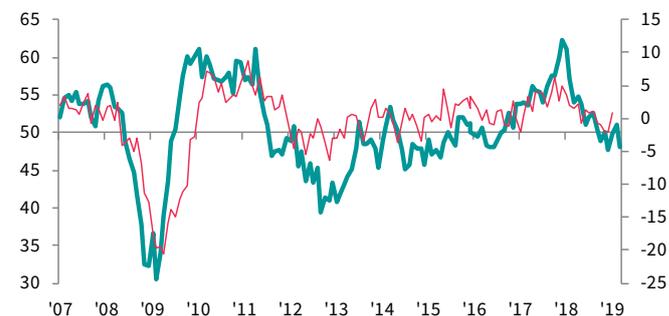
*"The results are worrying given the continuation of social unrest. As long as the 'gilets jaunes' protests remain prominent, domestic demand will be subdued and there is seemingly no support from exports. The dismal performance of international sales continued into March, with a seventh consecutive monthly reduction in new export business registered."*

## Output Index

sa, >50 = growth since previous month

## Manufacturing production

sa, %y/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.

March 2019 data were collected 12-22 March 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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