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IHS MARKIT FRANCE MANUFACTURING PMI®

Slightly quicker improvement in business conditions as output growth accelerates

KEY FINDINGS

Health of manufacturing sector improves marginally

Faster rise in production

Rebound in new orders

Following a slowdown in the final month of 2019, business conditions in the French manufacturing sector improved at a quicker rate during January. The result was primarily driven by a faster rise in production and a recovery in new orders. Meanwhile, purchasing activity grew at the quickest rate for seven months, which led to the softest contraction in pre-production inventories in the current sequence of decline. Looking forward, sentiment towards the business outlook was the strongest since May last year.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single figure measure of developments in overall business conditions – rose to 51.1 in January, up from 50.4 in December. The reading pointed to a slightly faster improvement in business conditions, but one that was only marginal overall.

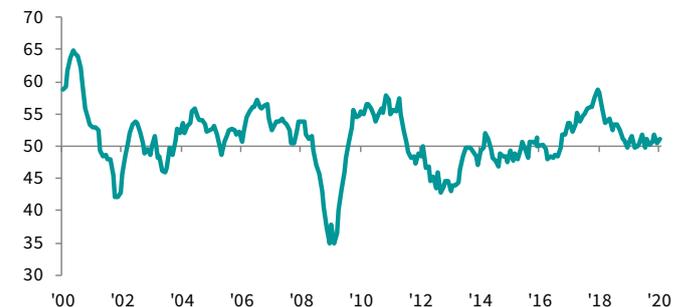
The strengthening of the health of the manufacturing sector was partially driven by an acceleration in output growth during January. The latest rise was the joint-quickest in current four-month sequence of expansion and modest overall.

Underpinning the faster rise in production was a slight rebound in new orders at the start of 2020. Though marginal overall, the increase was only the second in the past five months.

The renewed expansion in sales was supported by a rise in new export business. The increase represented a return to growth following a broad stagnation in December, but was only fractional overall.

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Meanwhile, input buying at French manufacturers expanded in January. Though only marginal, the pace of growth was the quickest for seven months. Some survey respondents associated the rise in purchasing activity with an increase in demand.

Amid a faster rise in quantity of purchases, there was a softer contraction in pre-production inventories during January. In fact, the latest decline was the slowest in the current 13-month sequence of depletion and only fractional.

Despite rising new orders, firms cut their staff numbers during January. The reduction was the first for six months. That said, the rate of decline was only slight.

On the cost front, there was a renewed decline in input prices faced by French manufacturers. That said, the rate of decrease was only marginal overall. When explaining reduced cost burdens, panellists mentioned lower prices for wood and steel.

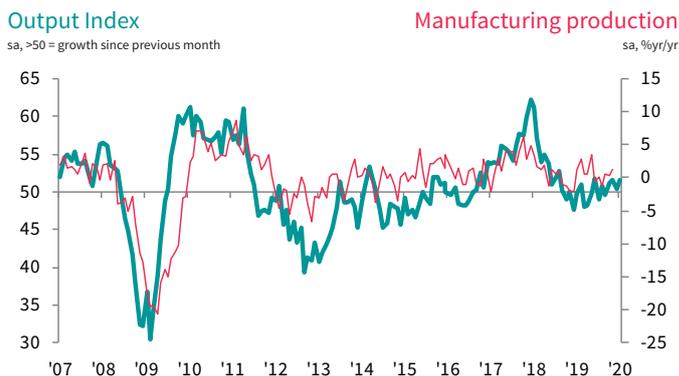
Finally, firms remained optimistic towards the 12-month business outlook during January. Confidence was supported by expectations for improved demand conditions and a subsequent increase in new orders. Notably, the degree of positivity was the strongest for eight months.

COMMENT

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

"The first set of final PMI results for 2020 revealed a broad-based improvement across the French manufacturing sector with most survey indices rising from January. Output grew at a faster pace compared to December and there was a fresh rise in new orders. That said, there was a disappointment on the job front, as employment slipped into contraction territory.

"At the sub-sector level, consumer goods firms led the way with another marked improvement in business conditions. Meanwhile, the health of the investment goods sub-sector stabilised after deteriorating in December. The worst performing category was intermediate goods, where output and new orders both continued to fall."



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.

January 2020 data were collected 13-24 January 2020.

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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