

# IHS Markit France Manufacturing PMI®

## Business conditions improve at quickest rate for six months

### Key findings

Health of manufacturing sector improves for second month running

New orders increase for first time in three months

Brexit causes severe supply-side disruptions

Data were collected 12-22 January 2021.

January PMI® data pointed to a slightly quicker improvement in business conditions faced by French manufacturing firms. The result was supported by a fresh increase in new orders, which came despite a slight reduction in output. On the supply-side, the end of the Brexit transition period and ongoing issues related to the coronavirus disease 2019 (COVID-19) contributed to severe delays on the delivery of inputs. Meanwhile, cost burdens rose at the sharpest rate for nearly three years.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 51.6 in January, up from 51.1 in December. The latest reading indicated the quickest improvement in the health of the French manufacturing sector for six months, albeit one that was modest overall.

The improvement in business conditions was partially driven by a return to growth in new orders during January. The result marked the first increase in sales since October. That said, the rate of expansion was only slight overall.

Underlying data indicated that the rise in new work was centred on the domestic market, with new export orders falling for the third month running. However, the latest reduction was broadly similar to that recorded in December and only marginal overall.

Despite the overall improvement in demand conditions, there was a fresh decline in output in the opening month of 2021. Production has now fallen in two of the past three

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France Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"January's PMI results were emblematic of the current situation with COVID-19 as demand conditions began to improve amid expectations of a recovery, while output remained subdued because of ongoing restrictions designed to stem the spread of the virus. The first improvement in new orders for three months, coupled with the strongest expectations for the year ahead since April 2019, indicated that confidence is building. However, firms were unable to respond with increased production, causing backlogs to rise again.

"We can expect this pattern to continue for as long as the current restrictions remain in place, and as anticipation for a global economy recovery continues to build. Production growth will begin to follow as vaccination programmes become more widespread, giving governments the confidence to relax restrictions and firms the ability to operate closer to full capacity."

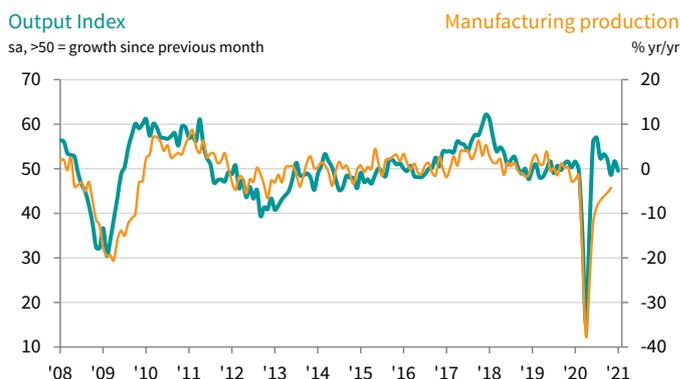
months, although the latest contraction was slight overall. Anecdotal evidence suggested that COVID-19 restrictions continued to limit operating capacity at some factories.

Suppliers' delivery times faced by goods producers in France lengthened markedly during the latest survey period. Panel members often commented on severe delays at ports resulting from the end of the Brexit transition period. The rate at which vendor performance deteriorated was, however, softer than those seen at the onset of the pandemic.

Meanwhile, input prices increased for the sixth month running. In fact, the rate of cost inflation accelerated to the quickest since February 2018 and was sharp. Survey respondents noted higher prices for a wide range of raw materials including steel, wood and milk.

In line with the further rise in costs burdens, French manufacturers continued to increase their output prices in January. Moreover, the rate of charge inflation was the sharpest since May 2019.

Finally, manufacturers remained optimistic towards the 12-month business outlook in January. Confidence was supported by expectations for an improvement in demand conditions as COVID-19 vaccines become more widely available. Notably, the degree of positivity was the strongest since April 2019.



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-22 January 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 0.0 (0.3 in absolute terms).

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### 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.

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