

IHS Markit France Manufacturing PMI®

Production falls at sharpest rate since May 2020 as supply issues intensify

Key findings

Output levels decline as firms struggle to secure necessary materials

Demand conditions show signs of weakening amid supply constraints

Lead times lengthen at near-record pace; cost inflation at decade high

Data were collected 12-22 October 2021.

Manufacturing output declined for the first time since January, latest PMI® data showed, as severe supplier delivery delays left many firms with insufficient quantities of inputs. Supply issues also affected order books as material shortages had a cascading effect throughout the sector. Negative trends in output and new orders were particularly strong in the capital goods sector.

Meanwhile, input lead times lengthened at the second-fastest rate in the survey history, stoking input cost and output price inflation higher.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – fell to 53.6 in October, down from 55.0 in September and at its lowest reading since January.

Although still above the 50.0 no-change mark and indicative of growth, the index's two principal components – new orders and output – both posted fresh contractions.

Production fell in a broad-based fashion during October, with all three monitored market groups registering lower output. Capital goods makers were the main drag as overall manufacturing production fell at the fastest pace since May 2020. Survey respondents primarily linked the downturn to insufficient input stocks.

Weaker demand conditions also reportedly weighed on output in October. New orders fell for the first time since last December, with capital goods producers once again leading a broad-based decline. Due to supply shortages, activity at

continued...

France Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Joe Hayes, Senior Economist at IHS Markit, said:

"The supply chain issues we've been documenting for some months have been somewhat restrained to the supply-side of the economy, at least until now.

"Rapid rates of inflation have ensued, but production has still continued to grow and order books fill up. In October, French manufacturers recorded lower output volumes for the first time since January, while new business intakes fell for the first time in 2021.

"Because firms cannot secure the inputs needed to make their products, orders are now also falling as clients are facing lengthy delays on orders or are unable to get components and other items needed to turn semi-finished goods into finished goods.

"It's difficult to imagine the situation improving any time soon. Prudent inventory management will be crucial for businesses hoping to keep production lines going."

clients dropped, causing demand to follow suit. New orders from overseas clients increased at the aggregate level, although the rate of growth slowed and was only marginal.

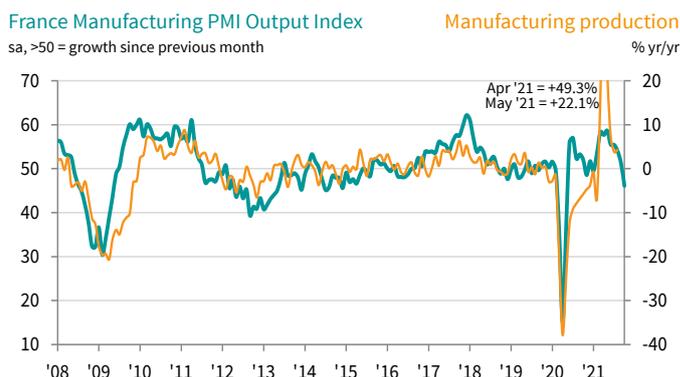
Despite supply-chain issues, French manufacturers were still able to increase purchasing activity in October. Input buying was expanded as firms boosted their efforts to build up stocks. Pre-production inventories increased modestly during the latest survey period.

However, firms were hit with an accelerated deterioration in vendor performance during October. Supplier delivery times lengthened to the second-sharpest extent in the series' history, surpassed only by that seen in April 2020 at the beginning of the pandemic. While stock levels at vendors were reportedly low, transport availability was also scarce.

Increased pressure on suppliers contributed to accelerated rates of inflation during October. Input costs increased at the fastest rate since February 2011 as almost three-quarters of survey respondents recorded greater operating expenses. Consequently, output charges increased as firms shared higher cost burdens with their customers.

Meanwhile, capacity pressures continued to rise, as evidenced by increased backlogs of work. Difficulties securing inputs caused orders to remain incomplete, according to firms, while others also mentioned shortages of staff.

Employment rose for a ninth month in a row during October. Although the rate of jobs growth improved, it remained far weaker than those seen earlier in the year.



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.

Survey dates and history

Data were collected 12-22 October 2021.

Data were first collected April 1998.

Flash vs. final data

Flash data were calculated from approximately 92% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (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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