

IHS Markit France Manufacturing PMI®

PMI dips to six-month low in August

Key findings

Growth momentum eases as supply chain issues persist

New orders rise at softest rate since January

Business confidence slides amid concerns about cost inflation

Data were collected 12-23 August 2021.

The French manufacturing sector remained in robust growth territory during August, the latest PMI figures showed, despite the headline index falling to its lowest level in six months.

The key indices which feed into the headline France Manufacturing PMI, output and new orders, both signalled softer expansions in August, while there was a notable drop in business confidence as a number of firms grew concerned about ongoing supply chain issues and intense cost pressures.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – recorded 57.5 in August to signal a strong rate of improvement in business conditions facing French goods producers. However, this was down from 58.0 in July, the lowest reading since February and the third month running in which the figure has fallen.

The August survey signalled a seventh successive rise in manufacturing output in France, which firms attributed to strong demand conditions. However, the rate of expansion eased to a six-month low. Sector data showed intermediate goods makers as the sole driving force behind August's overall expansion, as consumer goods and investment goods producers registered lower output volumes.

That said, all three groups recorded greater intakes of new work in August, supporting further growth in aggregate new orders at French manufacturers. Although the latest rise in total demand was the slowest since January, it was still strong. Additionally, new export business expanded at a softer rate during the latest survey period.

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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:

"Economic conditions in France's manufacturing sector remain strong as we head towards the end of the third quarter, although further slowdowns in the rate of output and new order growth suggest we're well past the peak."

"Given the immense supply-side challenges being thrown at goods producers too, we can hardly be surprised to see production growth slowing, although during this time we've also seen backlogs of work accumulate at some pretty hefty rates. It's likely that firms have sufficient work in the wings to keep producing at a decent rate. They're certainly gearing for it, as employment growth is strong and accelerated in August, and purchasing activity continues to rise."

"Fears are however starting to mount as to when the material shortages, delivery delays and intense price pressures will take their toll. Surveyed businesses cited all of these as threats to the outlook and business confidence subsequently slipped to a nine-month low."

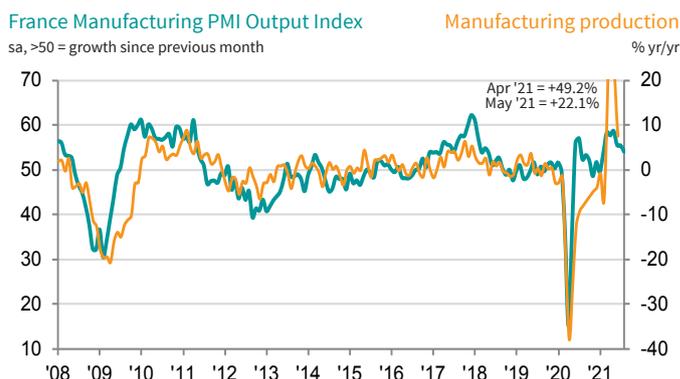
To cope with sustained growth in new business, employment was expanded in August. The rate of job creation was solid and faster than in July. However, French goods producers continued to see their backlogs of work increasing. A combination of growing demand and shortages of key manufacturing inputs reportedly limited the ability of firms to process orders in a timely fashion.

Evidence of supply chain disruption was seen through a further substantial lengthening of input lead times during August. Panel members reported numerous reasons why supplier performance deteriorated such as transport delays, shortages of stock and capacity issues at vendors.

Consequently, French manufacturers boosted their purchasing activity during August. Stock-building initiatives and bulk buying materials to avoid future price rises were frequently mentioned by companies that expanded their buying activity. In turn, pre-production inventories increased for the first time since March.

The strong imbalance between input demand and input supply created further intense price pressures. Input costs increased at a steep rate once again amid increases in prices for a wide range of materials. To cover rising expenses, French manufacturers hiked their charges for the thirteenth month in a row.

Fears of prolonged supply chain disruption curtailed business confidence, according to some firms. While on average, firms expect output to rise over the coming year, the degree of optimism slid to a nine-month low.



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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 12-23 August 2021.

Data were first collected April 1998.

Flash vs. final data

Flash data were calculated from approximately 78% 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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