

IHS Markit France Manufacturing PMI®

Sharpest rise in manufacturing employment since September 2000

Key findings

Fastest increases in output and new orders since start of 2018

Growth of both hiring and purchasing activity gathers momentum

Raw materials shortages cause severe supply-chain disruption

Data were collected 12-24 March 2021.

March PMI® data pointed to a notable improvement in business conditions faced by French manufacturers as demand conditions continued to recover following the downturn related to the coronavirus disease 2019 (COVID-19) crisis. In response to stronger inflows of new orders, firms lifted output at the quickest pace since January 2018, while increases in employment and purchasing activity also gathered momentum. There were, however, further signs of severe supply-chain disruption as a result of the pandemic, with input delivery times lengthening markedly and cost burdens continuing to soar.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 59.3 in March, up from 56.1 in February. The latest reading signalled the quickest improvement in the health of the French manufacturing sector since September 2000.

The upturn was partially driven by a sharp expansion in production at the end of the first quarter. The rate of output growth was the strongest for over three years. Panellists often cited stronger client demand when explaining higher activity levels.

New orders rose at a faster pace for the second month running during March. In fact, the latest increase was the sharpest since January 2018 and historically marked. The expansion in new work was broad-based across the three monitored market groups.

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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:

"Latest PMI data pointed to a very strong performance by the French manufacturing sector in March, giving further indication that demand conditions are improving ahead of the anticipated reopening of the global economy later this year.

"The headline PMI figure was artificially inflated by another sharp deterioration in vendor performance (in normal circumstances a sign of improving demand), however, the bulk of the improvement was driven by stronger trends in output, new orders and employment. Meanwhile, firms remain optimistic of further growth in the year ahead.

"While the recent introduction of lockdown measures in Paris serve as a reminder that the pandemic is still very much alive, these PMI results show that manufacturing conditions are on the path to recovery."

Amid strengthening demand conditions, French manufacturers increased their staff numbers in March. The result marked only the third monthly rise in employment since the start of 2020. Notably, the rate of workforce expansion accelerated to the quickest for twenty-and-a-half years.

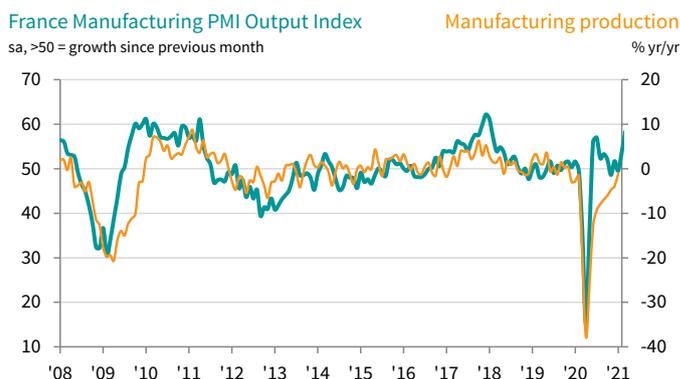
In line with increased hiring activity, manufacturing firms stepped up their input buying in March. In fact, purchasing activity rose at the fastest rate since December 2017. Some panellists commented that they needed additional materials to fulfil incoming orders, while others mentioned efforts to build input stocks amid shortages of raw materials.

On the supply-side, vendor performance continued to deteriorate sharply in March. Moreover, input delivery times lengthened to a greater extent than in February. Panellist continued to cite shortages of raw materials.

Amid the increasing scarcity of raw materials, cost burdens soared during March. The rate of inflation accelerated to the quickest since May 2011 and was among the sharpest in the series history. Survey participants widely noted higher raw material prices, with steel often mentioned in particular.

Manufacturers opted to pass on some of the additional costs to their clients, with an increase in average output prices during March. Moreover, the rate of charge inflation was the strongest since June 2011 and marked overall.

Looking forward, firms were optimistic of a further rise in activity over the coming year. Although the degree of positivity eased from February, it remained historically marked.



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 12-24 March 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 0.1 (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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