

# IHS Markit France Manufacturing PMI®

## Supply constraints weigh on manufacturing sector in September

### Key findings

Input lead times deteriorate at unprecedented rate prior to COVID-19

Output growth loses further momentum amid supply-side challenges

New order growth softens further

Data were collected 13-23 September 2021.

Latest survey data showed continued growth in the French manufacturing sector at the end of the third quarter, but low supply of raw materials and key components, further shipping delays and surging input prices weighed on production and new orders. As a result, employment levels stagnated, stock levels were reduced and firms, in an attempt to protect margins, passed higher costs on to their customers.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – slumped to its lowest level since January. At 55.0 in September, down from 57.5 in August, the headline figure still signalled a solid improvement in operating conditions.

That said, notwithstanding a marked decline in the Suppliers' Delivery Times Index, the slowdown would have been more pronounced given the indices for output, new orders and employment all fell by notable margins in September.

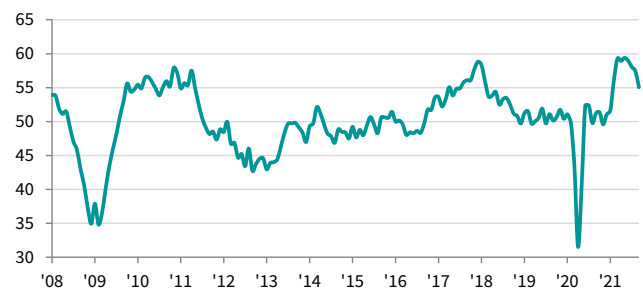
Negative supply-side factors were a key facet of the September survey. Average input lead times lengthened to the second-most marked extent in over 23 years of data collection, beaten only by that seen at the start of the COVID-19 pandemic in April 2020. International sea freight issues, particularly in China, coupled with low supplies of many inputs, contributed to the sharper deterioration in vendor performance.

Consequently, market prices for raw materials continued to rise, as did shipping fees. Latest survey data therefore pointed to a re-acceleration in the rate of input cost inflation, following a slight cooling in August. Overall, the increase in input prices

*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:

*"September survey data show us that the intense supply-side imbalances are now starting to seriously impede the French manufacturing sector and are even affecting the demand-side of the economy too."*

*"Lead times are rising at extreme rates, and port closures in Asia seen recently have added fuel to the fire. Shipping costs continue to rise, as do supplier rates for raw materials, such that some projects are no longer economically viable. Surveyed firms mentioned that clients are becoming hesitant and orders are being postponed or not placed at all, so we're now seeing a negative demand-side impact."*

*"What's more, the Output PMI also fell to its lowest mark since January and signalled only modest production growth in September. It's clear that manufacturing growth is easing, with little signs that the situation is going to improve in the immediate future."*

was the sharpest in ten-and-a-half years. Manufacturers responded by raising their selling charges in September at a rate that was just fractionally shy of July's series record.

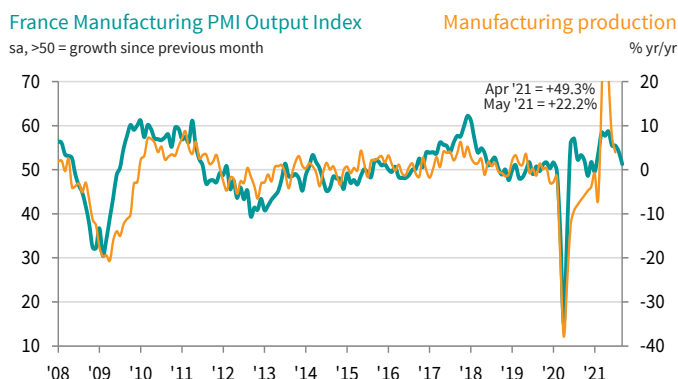
Poor availability of inputs was also a factor driving the slowest increase in purchasing activity for eight months during September. With supply constraints hindering firms from adequately replenishing their stocks, input inventories levels declined for the fifth time in six months.

Elsewhere, the effects of heavy supply chain issues were felt on the demand side of the manufacturing sector, according to some surveyed firms, who linked lower new incoming workloads to material shortages and a consequent hesitancy among clients to place orders. Demand for French goods still increased nonetheless, but at the weakest pace since January.

Difficulties in securing raw materials and other key components was also cited as a factor curtailing production growth in September. While output has risen in each of the past eight months, the latest rise was the slowest over this period.

In response to weakening production growth, manufacturing employment was close to stagnating in September, rising only fractionally. Meanwhile, capacity pressures continued to build, as evidenced by an increase in backlogs of work, although the rate of accumulation was the softest since January.

Lastly, and on a positive note, business confidence improved for the first time since June.



## Contact

Joe Hayes  
 Senior Economist  
 IHS Markit  
 T: +44 1344 328 099  
[joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

Joanna Vickers  
 Corporate Communications  
 IHS Markit  
 T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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 13-23 September 2021.

Data were first collected April 1998.

### Flash vs. final data

Flash data were calculated from approximately 95% 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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).