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IHS MARKIT FRANCE MANUFACTURING PMI®

Production decline deepens to set another record low

KEY FINDINGS

Lowest headline PMI since data collection began

Output contraction accelerates beyond March's record

New orders collapse further

Data were collected 7-23 April

According to the latest PMI® data, business conditions faced by French manufacturers deteriorated at a record pace in April. The result was driven by fresh record lows for production and new business as well as a drastic reduction in employment. Meanwhile, there was evidence of deepening supply-side disruption as manufacturers recorded the steepest deterioration in vendor performance since the survey's inception in 1998

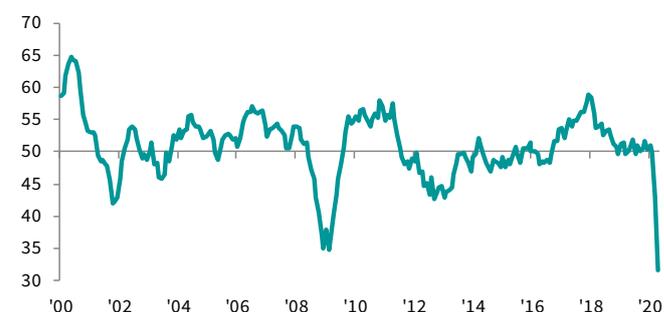
Looking forward, firms were severely pessimistic towards the business outlook amid expectations for a prolonged economic downturn.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single figure measure of developments in overall business conditions – fell to 31.5 in April, down from 43.2 in March. The reading pointed to the sharpest deterioration in business conditions since data collection began just over 22 years ago.

The result was partially driven by an unprecedented contraction in output during April, with many panellists citing factory closures amid restrictions to stem the spread of coronavirus. The latest decline was by far the fastest in the series history, eclipsing the previous record set in March.

The coronavirus pandemic and resulting lockdown measures stifled demand in April. New orders placed with French manufacturers fell at by far the quickest pace on record. Aggregate demand received little aid from international markets, with the seasonally adjusted New Export Orders Index also sinking to a historic low.

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Amid widespread business shutdowns, French manufacturers drastically reduced staff numbers in April. In fact, employment fell at the quickest rate in the survey history, faster than the previous record set in January 2009.

Despite employing fewer workers, softer inflows of new orders allowed firms to alleviate backlogs. Moreover, the rate of reduction accelerated from March to reach the quickest since the series inception in October 2002.

On the supply-side, severe disruption was evidenced by a sharp deterioration in vendor performance. Average lead times lengthened to the greatest extent since data collection began in April 1998.

Meanwhile, input prices fell for the second month in a row during April. Anecdotal evidence suggested that the inflationary effects of some shortages were more than offset by weaker demand for other products. The further decline in costs saw firms cut average output charges in an attempt to stimulate new business.

Finally, firms remained pessimistic towards the one-year business outlook, with sentiment declining to the lowest level in the survey history. Some firms cited expectations of a prolonged economic downturn.

COMMENT

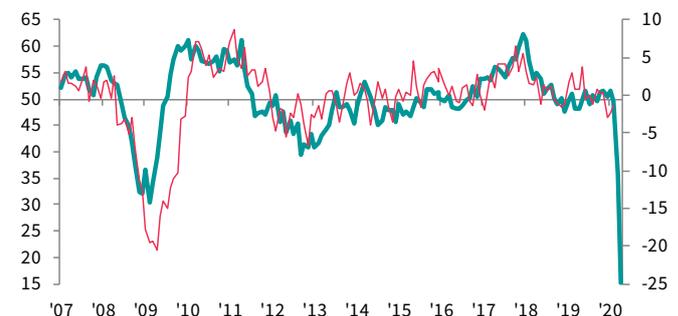
Eliot Kerr, Economist at IHS Markit, which compiles the France Manufacturing PMI® survey, said:

"With the country facing its first full month of restrictions due to the coronavirus pandemic, the decline in manufacturing output deepened in April. Production fell at a record pace amid widespread business closures which devastated both supply and demand.

"Moreover, despite the government announcing that restrictive measures will be gradually wound-down starting on the 11th of May, firms were severely pessimistic towards the business outlook. Caution around a second outbreak will likely limit the speed at which normality is resumed, and we can therefore expect any recovery to be drawn out."

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, INSEE.

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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.

April 2020 data were collected 7-23 April 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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

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