News Release

Embargoed until 0950 CET (0850 UTC) 2 November 2020

IHS Markit France Manufacturing PMI®

October sees modest improvement in business conditions

Key findings

Health of manufacturing sector improves at similar rate to September

Output growth softens, but new orders rise at quicker pace

Rate of workforce contraction eases for second month running

Data were collected 12-23 October 2020.

October PMI® data pointed to another modest improvement in business conditions across the French manufacturing sector. The result came amid a slower increase in production, but a faster rise in new orders. Meanwhile, employment continued to decline, although the rate of reduction softened for the second month running. Looking ahead, firms were optimistic towards the one-year business outlook for the fifth month running, however, the overall level of confidence remained historically subdued.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 51.3 in October, up fractionally from 51.2 in September. The latest reading signalled a moderate improvement in the health of the French manufacturing sector and one that was in line with the historical average.

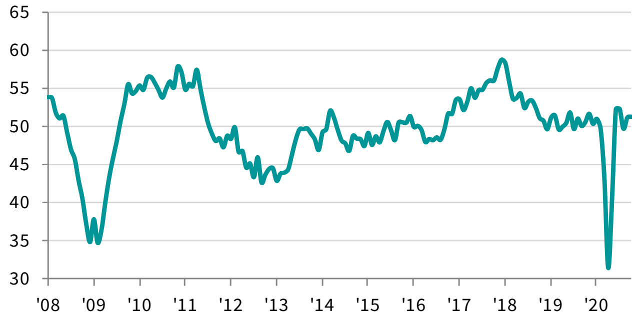
The improvement in operating conditions was partially supported by a further expansion in output during October. When explaining the rise, panellists often cited strengthening demand conditions as the impact of the coronavirus disease 2019 (COVID-19) continued to subside. That said, the latest increase in production was the softest in the current five-month sequence of growth and modest overall.

New orders received by French manufacturing firms continued to rise at the start of the fourth quarter. Although moderate overall, the rate of growth accelerated to the quickest for almost a year. Underlying data suggested that the increase in sales was centred on the domestic market, with new export orders broadly stagnating during October.

continued...

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:

"The latest PMI data pointed to another solid month for French manufacturers, as the sector continued to recover from the coronavirus-induced downturn earlier this year. Although output growth softened, it remained broadly in line with the series trend, and new orders increased at a quicker rate.

"Slightly less positive was the continued reduction in employment, however, the rate of workforce contraction continued to ease. Meanwhile, sentiment regarding future output remained in positive territory, so it is possible that employment will continue to trend towards stabilisation.

"However, the manufacturing sector now faces the significant possibility that COVID-19 restrictions will remain in place for a prolonged period. According to flash PMI data, the recent imposition of curfews has already had a substantial negative impact on the service sector, and that is likely to spill over into the manufacturing sector going forward. Furthermore, with the winter months fast approaching, a further tightening of measures cannot be ruled out."

On the jobs front, employment continued to fall, extending the current sequence of workforce contraction to ten months. Some panellists commented that demand conditions had not improved at a fast-enough rate to maintain current staffing levels. However, the latest reduction in payroll numbers was the softest for three months.

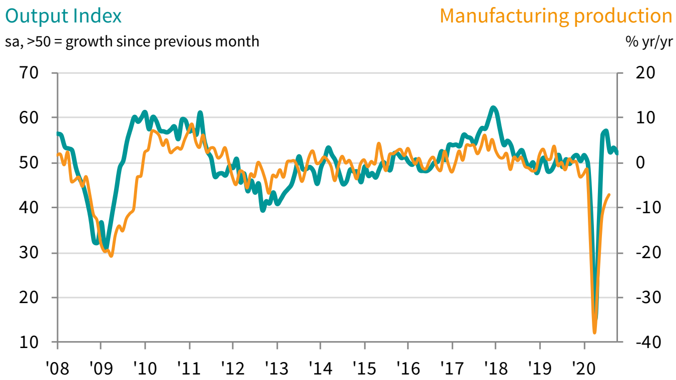
Reduced employment and a rise in new business led to a further expansion in backlogs of work during October. The result extended the current run of increase to five months. The rate of growth was little-changed for the second month in a row and solid overall.

Input delivery times in the French manufacturing sector continued to lengthen in the latest survey period. However, vendor performance deteriorated to a lesser extent than in September.

Cost burdens faced by goods producers rose for the third month in a row. Moreover, October's increase was the quickest since May 2019 and marked overall. Panellists often cited higher prices for raw materials.

Firms opted to pass on some of the higher costs to their clients, with another increase in average output prices during October. The rate of charge inflation was slightly quicker than in September, but modest overall.

Finally, French manufacturers remained optimistic towards the 12-month business outlook at the start of the fourth quarter, supported by expectations for a further improvement in demand conditions. That said, the degree of positivity was softer than the historical average.



Sources: IHS Markit, INSEE.

Contact

Eliot Kerr
Economist
IHS Markit
T: +44-203-159-3381
eliot.kerr@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@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.

Survey dates and history

Data were collected 12-23 October 2020.

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 0.0 (0.3 in absolute terms).

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About CNA

CNA (Conseil national des achats – National Purchasing Council), is a non-profit making, non union trade association, gathering individuals, and people actually involved in the purchasing activity of companies or public services. Its aim is to increase the efficiency of the purchasing function in the economy by training and informing those concerned, defining and applying a professional ethic, providing studies, research, surveys, and all actions of general interest in any field directly or non directly related to purchasing and subsidiary functions.

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.