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IHS Markit France Manufacturing PMI®

Output rebounds following easing of lockdown restrictions

Key findings

First improvement in health of manufacturing sector since January

Sharp output expansion following three-month plunge

Fractional rise in new orders signals stabilisation in demand

Data were collected 12-23 June 2020.

Latest PMI® data pointed an improvement in business conditions faced by French manufacturers as the country's lockdown restrictions were eased further. The result followed three months of sharp deterioration in the health of the sector, when many businesses were closed due to the coronavirus outbreak. However, in June, there widespread reports of firms beginning to resume normal operations and that was reflected by a marked expansion in output. Meanwhile, there were signs of stabilising demand, with new orders rising for the first time in five months.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – rose to 52.3 in June, up from 40.6 in May. The reading indicated the first improvement in operating conditions since January, after three months of severe decline due to the coronavirus crisis.

Improved health of the manufacturing sector was underpinned by a sharp expansion in production. Although rising from a low base, the rate of growth was the fastest since February 2018. Panellist often cited the easing of lockdown measures when explaining higher output.

Another consequence of easing coronavirus-related restrictions was a return to growth in new orders. The rise in sales was only fractional overall, but represented the first increase for five months. Underlying data suggested the expansion was driven by domestic demand, with new export business continuing to fall sharply. That said, the rate of contraction in exports eased to the slowest since February, before the onset of the lockdowns in Europe.

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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:

"The French manufacturing finally moved back into growth territory during June following three months of severe contraction during the coronavirus lockdown. Perhaps even more promising though, was the stabilisation in demand, which signals that firms are starting to believe the worst of this crisis is behind them. That confidence was also reflected in the reading for output expectations which registered above the 50.0 mark for the first time in four months."

"Taken in context against the results of other European countries, the performance of the French manufacturing sector was particularly impressive in June. Flash PMI data pointed to a further contraction in German manufacturing production and only a slight rise in the UK. The next challenge for French goods producers will be to achieve sustainable growth, a key risk to which would be any large scale second-outbreak following the easing of restrictions."

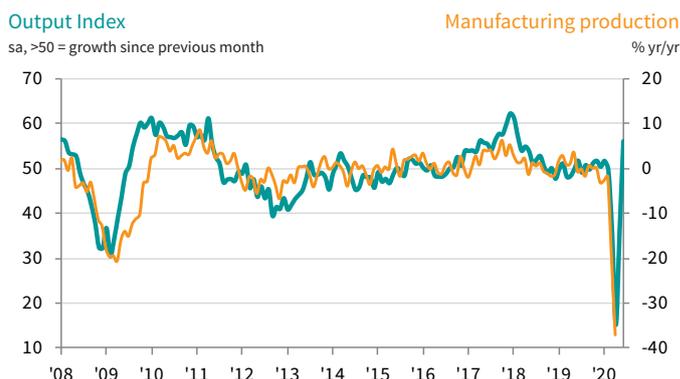
Despite stabilising demand conditions, French manufacturers continued to pare back staff numbers in June. The result extended the current sequence of workforce contraction that began in January. That said, despite remaining sharp overall, the rate of reduction eased to the softest for three months.

Similar to the trend for employment, purchasing activity continued to fall, but a slower pace than in May. Though solid, the latest reduction was the softest since February.

Meanwhile, there was further evidence of severe supply side disruption, with supplier delivery times continuing to lengthen markedly. The extent to which vendor performance deteriorated remained far greater than the historical average amid shortages of some inputs. On the cost front, input prices continued to fall. However, the rate of decrease eased to the slowest in the current four-month sequence of reduction and was modest overall.

A further decrease in input costs gave firms the opportunity to continue cutting their average output charges. That said, the latest reduction was only marginal. Anecdotal evidence suggested that firms cut prices in an attempt to stimulate new business.

Finally, manufacturers reported renewed optimism towards the 12-month business outlook in June. Confidence was driven by hopes that the coronavirus crisis was coming to an end.



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 12-23 June 2020.

Data were first collected April 1998.

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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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