

IHS Markit France Manufacturing PMI®

Business conditions continue to improve with another marked rise in output

Key findings

Production expands sharply for the second month running...

... but new orders remain stagnant

Rate of job shedding continues to ease

Data were collected 10-24 July 2020.

Latest PMI® data pointed to another modest improvement in business conditions across the French manufacturing sector, as firms continued to ramp up their operations after coronavirus-induced shutdowns. The result was primarily driven by a marked expansion in output, which came despite a lack of new order growth. Meanwhile, goods producers cut staff numbers at the slowest pace since January.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 52.4 in July, up fractionally from 52.3 in June. The latest reading signalled another modest improvement in operating conditions following June's initial rebound.

Underpinning the headline result was a second successive monthly expansion in output. Moreover, the rate of growth accelerated from June to reach the fastest for nearly two-and-a-half years. Panellists often suggested that increased production was driven by pre-pandemic orders that were previously frozen, rather than an influx of fresh demand.

Subdued demand conditions were reflected by a broad stagnation in new business received by French goods producers. Following a stabilisation in June, sales were little-changed for the second month running. Anecdotal evidence indicated that some firms' clients remained hesitant to place orders due to concerns about a second coronavirus outbreak.

Weighing on overall demand was a further decrease in new export orders during July. The latest result extended the current sequence of decline to six months. Though marked

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:

"French manufacturers saw another improvement in business conditions during July, which was predominantly supported by output growth, much like in June. However, the resurgence in activity has seemingly been driven by the unfreezing of previously existing orders, according to panellists' comments. This suggests that the recovery in production could be a false dawn, with underlying demand yet to recover. New orders were little-changed for the second month running, and while June's stabilisation could be viewed in a positive light, the latest reading represents an end to the upward trajectory in the index seen over the previous two months. Manufacturers' clients are hesitant to place orders while they remain in recovery mode, which is a challenge the sector will have to overcome in order to achieve sustainable growth going forward."

overall, the rate of reduction eased to the softest since February.

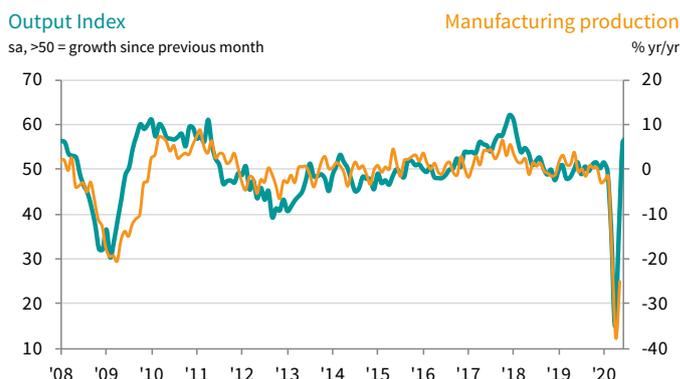
Amid the absence of new order growth, French manufacturers continued to cut their staff numbers at the start of the third quarter. However, the rate of workforce contraction eased for the third month running to reach the softest since January. The latest decline was modest overall.

In a further sign of supply-side disruption, input delivery times lengthened further in July. Some panellists continued to comment that delays were driven by raw material shortages. The rate at which vendor performance deteriorated remained marked, despite easing to the softest since before lockdown restrictions were introduced in Europe.

On the cost front, input prices continued to fall, however the rate of reduction eased to the slowest in the current five-month sequence of decline. When explaining lower costs, panellists mentioned reduced prices for aluminium, copper and palm oil.

Despite another fall in input prices, firms opted to maintain factory gate charges in July. The result followed three months of successive reduction amid the worst of the COVID-19 crisis.

Looking forward, businesses were optimistic towards the one-year outlook for output, supported by expectations for a gradual return to pre-coronavirus levels of activity. The degree of positivity was, however, fractionally weaker than in June.



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 10-24 July 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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