

# IHS Markit France Manufacturing PMI®

## Output and new order growth rates improve following marked slowdowns

### Key findings

Trends in output and new orders improve but round off subdued quarter

Delivery delays at least severe since March as pressures abate

Purchasing activity rises further; firms stockpile at record pace

Data were collected 06-16 December 2021.

Having endured an uninterrupted period of slowing output growth throughout the second half of 2021, followed by an outright contraction in October, some signs of stability in the French manufacturing sector appeared at the end of the year as marginal expansions were recorded in both November and December.

The latest improvement in output growth coincided with tentative signs of supply chain pressures abating as input lead times lengthened to the least marked extent since March. This also enabled some firms to accelerate their purchasing activity and secure surplus stocks. Inventories subsequently rose at the fastest pace on record.

The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – edged slightly lower to 55.6 during December, from 55.9 in November. Although output, new orders and stocks of purchases all moved higher, these were more than offset by weaker employment growth and a slower rate of deterioration in supplier performance (all else equal, an increase in the Suppliers' Delivery Times Index is traditionally indicative of less favourable economic conditions). These factors subsequently pulled the headline PMI lower in December.

The latest survey data pointed to a marginal increase in manufacturing output during December. There were reports of improved sales performances, although the pace of expansion was relatively weak as input shortages continued to weigh on production schedules and broader demand conditions.

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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:

*"The December PMI survey gave us a few reasons to be a bit more optimistic towards the manufacturing sector looking ahead. The Suppliers' Delivery Times Index registered a meaningful move higher in December. We're by no means anywhere near out of the woods yet, and a large portion of our survey panel are still seeing shortages and increasing lead times, but there were some reports of improving stock levels at vendors.*

*"Firms took advantage though, and we saw purchasing activity growth accelerate and stocks of purchases accumulate to the fastest extent on record, which will certainly help firms increase production levels.*

*"We also saw continued hiring across the sector, despite anecdotal evidence suggesting that demand conditions still remain subdued. Manufacturers expect order books to begin filling a lot faster as the supply situation improves.*

*"Overall, the stabilisation in the output and new order indices following the harsh slowdown in the second half of 2021, combined with some alleviation of supply-side constraints, suggests growth rates could get better in 2022."*

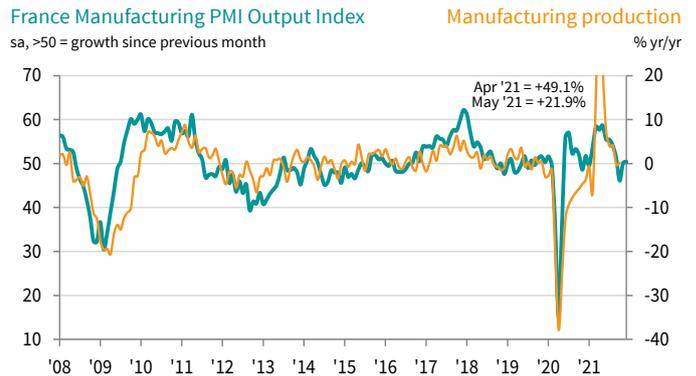
Back-to-back increases in new orders were registered during December, with the rate of expansion quickening to a four-month high. New business from overseas clients also improved over the month amid reports of rebounding activity in the aerospace sector. Capital goods producers registered the strongest increase in international orders during December.

Many firms expect order books to improve further in the coming months and subsequently hired additional workers in preparation. Nevertheless, there was clear evidence of mounting capacity pressures in December, with backlogs of work rising strongly.

Difficulties in obtaining raw materials and other inputs was reportedly one reason for the increase in work-in-hand. Supplier delivery times continued to lengthen sharply in December, although the extent to which lead times were delayed was the weakest since March. There were a limited number of firms that benefited from improved stock levels at vendors.

Regardless, the slight alleviation of supply-chain pressures facilitated an accelerated increase in purchasing activity during December, which also supported the fastest expansion in pre-production inventories on record.

Lastly, although input cost inflation slowed from November, it was still substantial overall. French manufacturers continued to share increasing cost burdens with their clients, although the extent to which selling charges were raised was the weakest in four months.



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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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 06-16 December 2021.

Data were first collected April 1998.

### Flash vs. final data

Flash data were calculated from approximately 87% 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.

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