

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit France Manufacturing PMI®

French manufacturing output grows at fastest pace since May 2011

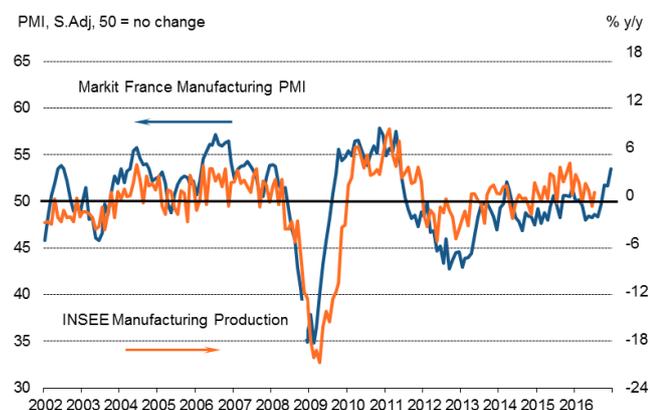
Key findings:

- Sharp increases in output and new orders in December
- Most marked rise in staffing numbers in five-and-a-half years
- Strong inflationary pressures persist

Data collected December 6-15

Historical overview:

Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: IHS Markit, INSEE

Summary:

Business conditions in the French manufacturing sector continued to improve in December. Furthermore, the latest survey data signalled solid and accelerated expansions in output, new orders and employment. The rate inflation of manufacturers' costs was meanwhile the strongest for five-and-a-half years, which in turn led to a second straight monthly rise in selling prices.

The headline **Markit France Manufacturing Purchasing Managers' Index® (PMI®)** posted 53.5 in December to signal a further improvement in the

overall health of the French manufacturing sector. The index figure was up from November's reading of 51.7 and at a 67-month high.

The PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector, while any reading below 50.0 indicates overall deterioration.

Underlying the latest improvement was another rise in **output**, the fourth in as many months. Moreover, the rate of increase was the most marked since May 2011.

In line with the trend for output, the amount of **new business** placed with French manufacturers also increased in December. Likewise, the rate of expansion was the sharpest in 67 months. Growth was broad-based across both domestic and foreign clients, with December seeing a third successive rise in **export orders**.

In turn, this contributed to another fall in **post-production inventories**, despite the solid expansion in output.

Faced with higher production targets, firms looked to enhance their operating capacity in December, which in turn led to the fastest rate of **job creation** since June 2011. In spite of this, the amount of **unfinished work** at French manufacturing companies continued to accumulate.

As well as increasing headcounts, firms raised their **purchasing activity** in December. Moreover, the rate of expansion was the most marked in over five-and-a-half years. Concurrently, the level of **pre-production inventories** was little-changed from the preceding month.

Meanwhile, inflationary pressures faced by firms operating in the French manufacturing sector intensified in December amid reports of higher commodity prices. The rate of increase in **input**

prices was the most marked since June 2011. Average **selling prices** also increased as some companies passed on higher cost burdens to their clients.

Finally, average supplier **delivery times** continued to lengthen during December. Furthermore, the rate of deterioration in vendor performance was marked, albeit slightly more subdued than in the previous month.

Comment:

Alex Gill, Economist at **IHS Markit**, which compiles the France Manufacturing PMI® survey, said:

“The French manufacturing sector continued its recent growth momentum in December, with the headline PMI rising to its highest level since May 2011. Favourable demand conditions had encouraged firms to raise output, which resulted in the sharpest round of job creation in five-and-a-half years. These are positive signs for France as the country contends with high levels of unemployment.”

-Ends-

News Release

For further information, please contact:

IHS Markit

Alex Gill, Economist
Telephone +44-1491-461-015
Email alex.gill@ihsmarkit.com

Joanna Vickers
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

The France Manufacturing PMI (Purchasing Managers' Index) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the French manufacturing sector.

The **final** France Manufacturing PMI follows on from the **flash** estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The December flash was based on 94% of the replies used in the final data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
France Manufacturing PMI ⁽¹⁾	0.1	0.4

The **Purchasing Managers' Index**[®] (**PMI**[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

1. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

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About PMI

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