

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

Strong manufacturing sector growth continues into 2018

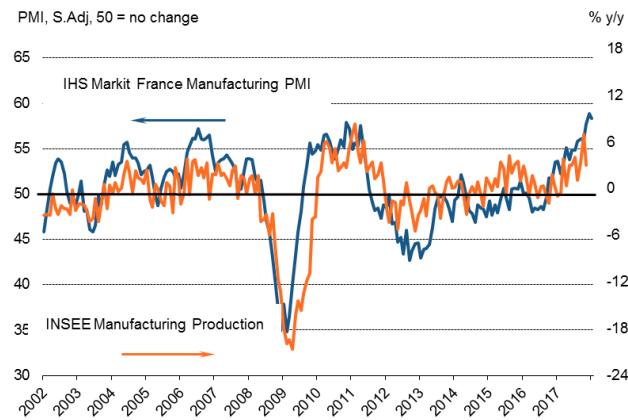
Key findings:

- Output, new orders and employment rise at marked rates
- Business sentiment hits record high
- Inflationary pressures intensify

Data collected January 12-24

Historical overview:

IHS Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: IHS Markit, INSEE

Summary:

Strong growth in the French manufacturing sector continued during the first month of 2018. Output, new orders and employment continued to increase at historically marked rates, despite slowing slightly from December. Encouragingly, the rate of increase in client demand outstripped capacity enhancements, as evidenced by a sharper accumulation of unfinished work. In turn, this contributed to the strongest degree of business sentiment since data collection began for this series five-and-a-half years ago.

On the price front, input price inflation intensified and led to a sharper hike in average charges.

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.

The **IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®)** posted 58.4 in January to signal a further improvement in the overall health of the French manufacturing sector. Although down fractionally from 58.8 in December, the index signalled one of the steepest improvements in business conditions since the survey's inception in April 1998. Growth was recorded in each of the three monitored sub-sectors, led by intermediate goods.

Underpinning the overall expansion was another marked rise in new orders. Indeed, the rate of new business growth remained among the sharpest recorded since 2010, despite moderating from December. Furthermore, the rise in client demand was broad-based across both domestic and foreign markets, with new exports orders also rising at one of the sharpest rates seen for seven years.

Buoyed by a strong intake of new orders, firms continued to expand their workforce numbers during January. The rate of job creation remained among the most marked in the survey history. Nevertheless, backlogs of unfinished work accumulated further and at the sharpest pace for over 11 years.

Strong demand, combined with capacity enhancements led to another expansion in output, which in turn contributed to a fifth consecutive rise in post-production inventories.

Meanwhile, input price inflation quickened to a nine-month high amid reports of higher raw material

costs, including steel, copper and paper. Some firms responded by raising their selling prices, as evidenced by the sharpest round of charge inflation since July 2011.

Finally, business confidence hit its highest level since data collection began for this series in July 2012. Expectations of higher investment and strong global demand were cited as key factors supporting business optimism.

Comment:

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

"French manufacturing sector growth remained elevated at the start of 2018, pulling back only marginally from December's near 17-and-a-half year peak.

"Goods-producers continued to benefit from strong demand conditions in both domestic and foreign markets, with the rates of expansion in total new orders and new export orders among the sharpest in the survey history. In turn, firms took on additional workers to enhance operating capacity and boost output.

"Capacity pressures persisted, however. Indeed, the rate of backlog accumulation was the most marked in over 11 years, boding well for further employment growth in the coming months."

-Ends-

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Note to Editors:

The France Manufacturing PMI (Purchasing Managers' Index) is produced by IHS 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 January flash was based on 93% 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⁾	0.0	0.3

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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.com.

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About PMI

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