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## IHS MARKIT FRANCE MANUFACTURING PMI®

### Output growth hits two-year low in September

#### KEY FINDINGS

Marginal rise in production volumes

Lower export sales weigh on new business growth

Input cost inflation moderates

French manufacturers experienced a renewed slowdown in output growth during September, with the latest expansion of production volumes the weakest for two years. The latest survey also revealed a softer rise in overall new work, partly reflecting a slight drop in export sales.

Intense supply chain pressures continued, as signalled by another sharp lengthening of lead time for materials. There were widespread reports that suppliers had struggled to keep up with rising demand for manufacturing inputs.

The headline 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 improvement of the sector, while any reading below 50.0 indicates deterioration.

At 52.5 in September, down from 53.5 in August, the seasonally adjusted final IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) signalled a slower improvement in business conditions. The index was unchanged from the earlier 'flash' reading for September and signalled the joint-weakest rate of manufacturing growth since February 2017.

Slower rates of output and new business growth were the main factors weighing on the PMI in September. Production volumes increased only slightly, with the rate of expansion the weakest for two years. Meanwhile, new work rose at the slowest pace since June. External demand was particularly subdued, with new export sales declining for the second time in the past three months.

Manufacturing PMI

sa, >50 = improvement since previous month



Survey respondents noted that ongoing global trade tensions had dampened demand from outside the euro area in September. There were also reports that a general slowdown in the automotive sector had been a factor leading to lower export orders.

Despite a moderation in overall new business growth, latest data pointed to the fastest rise in backlogs of work for three months. Manufacturers cited constraints on production growth at their plants and subsequent efforts to boost capacity. As a result, staffing levels continued to rise at manufacturing firms, with the rate of job creation edging up since August.

September data signalled another sharp deterioration in vendor performance. Delivery times from suppliers lengthened to the greatest extent for three months, which was widely linked to low stocks and shortages of components (particularly electronics items). However, growth of input buying slipped to a near two-year low, which led to a fall in stocks of purchases for the first time since March.

A strong rate of input cost inflation continued in September, driven by rising energy bills and metals prices. Pressure on operating margins resulted in the fastest increase in factory gate charges since June.

COMMENT

Tim Moore, Associate Director at IHS Markit, which compiles the France Manufacturing PMI® survey, said:

*“September data points to another disappointing month for the French manufacturing sector. Global trade frictions and stretched supply chain capacity were the main headwinds faced by goods producers, which contributed to an unhealthy mix of falling export sales and rising input prices.*

*“Softer demand growth and more subdued business confidence towards the near-term outlook meant that output levels increased at the slowest pace for exactly two years. Survey respondents noted that a soft patch for business conditions in the automotive sector had weighed on growth during September.*

*“The main positive aspect of the latest survey was a sustained upturn in staff hiring. Job creation edged up slightly since August, which manufacturers linked to long-term capacity upgrades and ongoing business investment plans at their plants.”*

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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.

September 2018 data were collected 12-21 September 2018.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, %y/yr



Source: IHS Markit, INSEE.