

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit France Manufacturing PMI<sup>®</sup>

### Employment growth at near 17-year peak

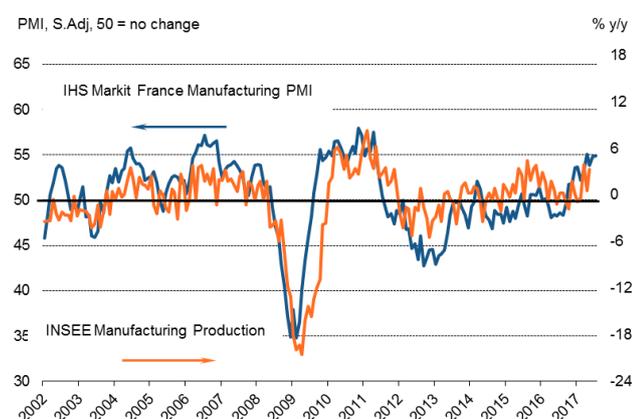
#### Key findings:

- Rate of job creation the most marked since October 2000
- New orders and output increase further
- Degree of business confidence hits record-high

Data collected July 12-24

#### Historical overview:

##### IHS Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: IHS Markit, INSEE

#### Summary:

Business conditions in the French manufacturing sector improved further at the start of the third quarter. The expansion continued to be driven by sharp increases in output and new orders, which in turn, encouraged firms to take on new workers to the greatest extent in almost 17 years. Input price inflation remained sharp, but eased for the third consecutive month, while, on the contrary, average selling prices increased at a quicker pace as some firms took advantage of firm client demand. Companies' confidence towards future output

growth was the most marked since that series began in July 2012.

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<sup>®</sup> (PMI<sup>®</sup>)** posted 54.9 in July to signal a further improvement in the overall health of the French manufacturing sector. The index was up from June's reading of 54.8 and only just shy of April's six-year peak.

Underpinning growth was a tenth consecutive rise in **new orders**. The rate of expansion weakened from June but remained marked nonetheless. The increase was broad-based as **new export orders** also rose and at a pace unchanged from June and just shy of April's near six-year high.

Encouraged by higher client demand, French goods producers increased their **output** in July. The rate of expansion remained marked, but failed to maintain pace with the rate of growth in new orders which contributed to a second successive fall in **post-production inventories**.

Amid a positive economic environment, firms continued to take on additional **staff members** in July. Moreover, the rate at which they did so was the most marked in almost 17 years. This, however, did little to prevent a further sharp build-up of **unfinished work**.

Firms also raised their **purchasing activity** in July, albeit to a weaker extent than seen in June. That said, firms continued to deplete their **pre-production inventories** as they looked to enhance output.

Meanwhile, **input price** inflation remained sharp despite softening to a nine-month low. In contrast, firms raised their average **selling prices** at a sharper pace in July, which was indicative of both higher raw material prices and firm client demand.

Average **lead times** on inputs continued to lengthen, as a strong demand environment put further pressure on supply chains.

Finally, firms remained **confident** of a rise in output over the next year. Moreover, the degree of optimism was the sharpest on record.

### Comment:

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

*“Strong growth momentum in the French manufacturing sector continued at the start of the third quarter, driven by healthy demand in both domestic and foreign markets. Against this robust economic backdrop, firms took on additional staff members to the greatest extent in almost 17 years, adding to expectations of a further fall in the country’s now well documented high level of unemployment (9.6% in Q1 2017). Indeed, amid another marked accumulation of unfinished work, manufacturing employment seems primed for a positive Q3.*

*“A solid degree of optimism also played a starring role, hitting a series record high in July. The upturn in business confidence has coincided with a rebound in economic conditions in the eurozone and, more recently, reduced political uncertainty following the conclusion to the French presidential and legislative elections, and looks set to support manufacturing growth in the coming months.”*

-Ends-

## For further information, please contact:

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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 June flash was based on 90% 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 <sup>(1)</sup>	0.1	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](mailto:economics@ihsmarkit.com).

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