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IHS MARKIT FRANCE MANUFACTURING PMI®

Weakest improvement in operating conditions for over two years

KEY FINDINGS

Production unchanged from October

First contraction in new business for 26 months

Input cost inflation hits nine-month high

November data pointed to the softest improvement in French manufacturing operating conditions for 26 months. The latest results reflected falling new orders and job shedding. Meanwhile, prices continued to rise sharply as input cost inflation hit a nine-month high and charges increased at a solid pace.

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.

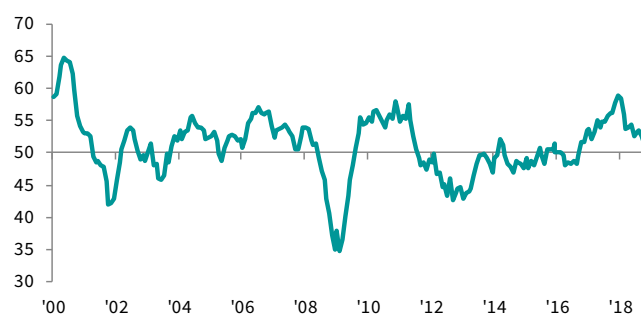
At 50.8 in November, down from 51.2 in October, the seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI®) pointed to a slower improvement in business conditions. In fact, the upturn was the weakest since September 2016, when a deterioration was recorded.

Weighing on the headline PMI was the first decline in new orders since September 2016. The marginal decline followed two months of slower new work growth.

Manufacturing output was unchanged since October. That said, the latest reading represented stabilisation following a drop in production in the previous month.

New export orders fell in November, the fourth time in five months this has been the case. That said, the decline was only marginal and eased since October.

Manufacturing PMI
sa, >50 = improvement since previous month



In line with fewer new orders, French manufacturing firms cut staff numbers for the first time in just over two years. At the sector level, intermediate goods producers recorded a quicker contraction than capital goods firms, while job creation was seen at consumer goods firms.

Similarly, input purchasing activity was down compared to October. The decline was the first for 26 months. In part, survey participants attributed the reduction to weak new business inflows.

On the price front, input costs continued to rise in November. The rate of inflation was the strongest for nine months, following two successive accelerations. Panellists overwhelmingly blamed higher cost burdens on increased raw material prices.

Survey respondents noted that part of the additional cost burden was passed onto customers, with charges rising solidly again in November. That said, the pace of inflation was unchanged from October after three consecutive accelerations.

Manufacturers remained optimistic towards output in a year's time. Sentiment was higher than in October, although it remained below the series average. Underpinning confidence were forecasts of greater client bases, the launch of new products and expansion plans.

COMMENT

Eliot Kerr, Economist at IHS Markit, which compiles the France Manufacturing PMI® survey, said:

"French manufacturers struggled across the board in November, reporting contractions in new orders and employment as well as sharp input cost inflation. However, any negativity towards unchanged output could be misplaced given it represented stabilisation after October's decline.

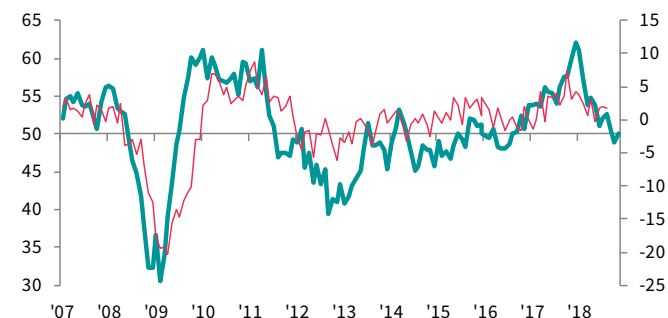
"The latest survey responses also revealed that recent 'gilets jaunes' protests adversely affected the supply side of the sector, with some panellists blaming demonstrations for lengthened delivery times."

Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, %yr/yr



Source: IHS Markit, INSEE.

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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.

November 2018 data were collected 12-23 November 2018.

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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