

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

Manufacturing sector growth sharpest since September 2000

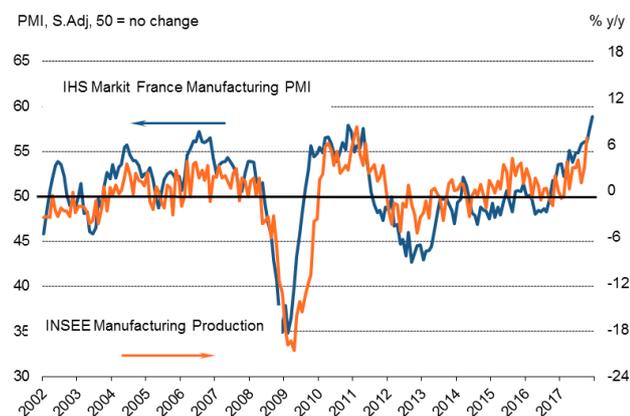
Key findings:

- Output and employment rise to greatest extents in over 17 years
- New orders expand at fastest pace since November 2010
- Business confidence at five-and-a-half year high

Data collected December 5-14

Historical overview:

IHS Markit Manufacturing PMI v INSEE Manufacturing Production



Summary:

The French manufacturing sector ended 2017 on a solid footing. New order growth hit a seven-year high, which in turn encouraged firms to hire additional workers and expand their output, each increasing to the greatest extent since the second half of 2000. Nevertheless, backlogs of work accumulated to the sharpest degree in over 11 years, contributing to the highest degree of business confidence since the series' inception five-

and-a-half years ago. On the price front, inflationary pressures eased somewhat, but remained marked nonetheless.

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 58.8 in December to highlight a further improvement in the overall health of the French manufacturing sector. Up from 57.7 in November, the index signalled the sharpest improvement in business conditions since September 2000. Growth was evident across each of the three monitored sub-sectors, led by investment goods.

The overall improvement continued to be driven by improving client demand. Indeed, the latest data highlighted the sharpest rise in **new orders** since November 2010.

Responding to higher new order volumes, firms hired additional **staff members** and at the fastest pace in over 17 years. Nevertheless, **backlogs of unfinished work** continued to rise as new order growth outstripped enhancements to operating capacity. Moreover, the rate of accumulation in outstanding business was the most marked since November 2006.

Another marked expansion in **output** was recorded. Indeed, in line with the trend for employment, the rate of growth was the most marked since the second half of 2000. Higher production fed through to a fourth successive rise in **post-production inventories**.

Supplementing rising client demand was a further expansion in **purchasing activity**, the sharpest

since April 2011. This put pressure on company supply chains, contributing to the sharpest rise in **lead times** since March 2011 and a broadly unchanged level of **pre-production inventories**.

Meanwhile, **input costs** rose at a slower pace, but inflation remained marked overall amid reports of higher raw material prices. This, combined with robust client demand, contributed to a further rise in average **selling prices**.

Finally, **business confidence** was the most marked since data collection began for this series in July 2012 amid reports of higher capital investment.

Comment:

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

“The French manufacturing sector ended the year with a bang, as business conditions improved to the greatest extent in just shy of 17-and-a-half years in December. At an average of 55.2 for 2017, the headline PMI signalled the sharpest rate of growth over the calendar year since 2010.”

“Growth was underpinned by robust client demand in both domestic and foreign markets which, in turn, contributed to the sharpest expansions in output and employment since 2000. The sector, therefore, looks primed for further growth as we move into 2018, especially given a another marked accumulation of unfinished work and the highest degree of business confidence on record.”

-Ends-

For further information, please contact:

IHS Markit

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

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

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 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⁾	0.0	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

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 www.markit.com/product/pmi

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