

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

French manufacturing sector grows at weaker pace in February

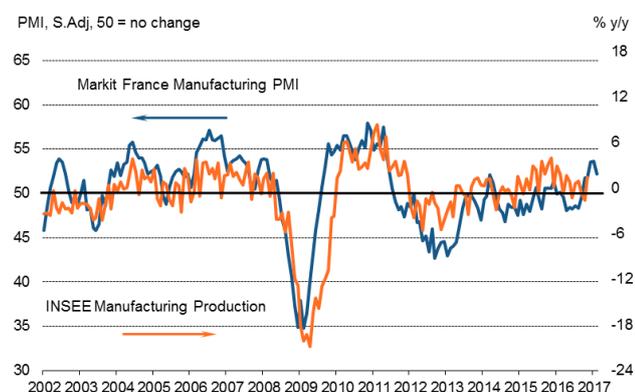
Key findings:

- Firms increase output at fastest pace in 69 months...
- ...but slower rises in domestic and foreign demand recorded
- Charge inflation hits five-and-a-half year high

Data collected February 10-21

Historical overview:

Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: IHS Markit, INSEE

Summary:

Manufacturing companies in France reported a further improvement in operating conditions during February, buoyed by a sharp and accelerated pace of expansion in output. However, the rate of new business growth eased from the previous month in both foreign and domestic markets to suggest a weakening underlying demand trend. Employment and purchasing activity also rose to a lesser extent than in January. Meanwhile, strong cost push inflation pressures persisted and contributed to another rise in average selling prices.

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 **Markit France Manufacturing Purchasing Managers' Index® (PMI®)** posted 52.2 in February to signal another improvement in the overall health of the French manufacturing sector. The index was down from January's reading of 53.6 and hit a three-month low.

Contrary to a weaker overall expansion, firms raised **production** at a quicker pace in February. The rate of expansion was the sharpest since May 2011. However, this did not prevent a fall in **post-production inventory** levels, albeit at a fractional pace.

French manufacturing companies recorded a fifth consecutive rise in incoming **new work** in February amid some reports of greater demand from the automotive sector. However, the rate of increase eased for the second successive month and was marginal overall. **New export orders** followed a similar trend, increasing at a softer pace than in January.

Employment in the French manufacturing sector rose for the fourth consecutive month during February. That said, the rate of job creation eased to a three-month low. Concurrently, **backlogs of work** continued to accumulate.

Firms raised their **purchasing activity** for the fifth time in as many months in February. However, the rate of growth was weaker than seen in the previous period amid waning client demand. In contrast, the level of **pre-production inventories** declined for the first time since last October.

Input prices faced by French goods-producers continued to increase at a marked pace in February

amid frequent reports of higher raw material costs. In turn, this contributed to another rise in **average selling prices** as firms looked to protect their margins. Moreover, the rate of charge inflation was the most marked in five-and-a-half years.

Finally, **average lead times** continued to increase during February, albeit at a softer pace than in the previous month.

Comment:

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

“French manufacturing growth continued into a fifth consecutive month in February, driven by the sharpest expansion in output since May 2011. New business from both domestic and foreign clients also increased. However, rates of growth eased for a second successive month, suggesting a downward trend in underlying demand conditions. This was partly indicative of the sharpest round of charge inflation in five-and-a-half years, while political uncertainty may have also played a role.”

-Ends-

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Note to Editors:

The France Manufacturing PMI (Purchasing Managers' Index) is produced by 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 February 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 ⁽¹⁾	0.1	0.4

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.

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 Markit. Please contact economics@ihsmarkit.com.

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About PMI

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