

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

New order growth hits 80-month high

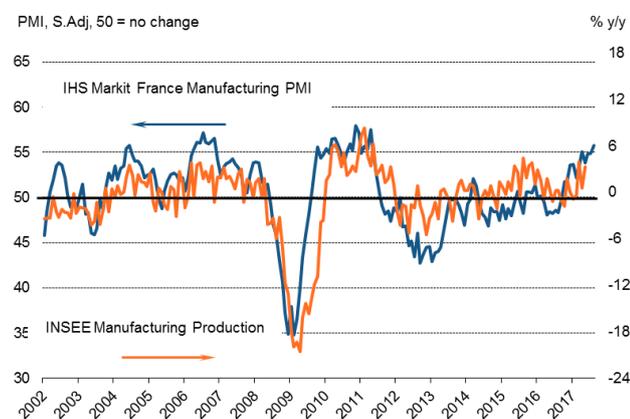
Key findings:

- New orders rise to greatest extent since December 2010
- Rate of jobs growth dips from July's multi-year high but remains marked
- Growth of purchasing activity sharpest in 75 months

Data collected August 11-23

Historical overview:

IHS Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: IHS Markit, INSEE

Summary:

Overall growth in the French manufacturing sector gained momentum midway through the third quarter. The expansion continued to be driven by marked increases in new orders and output, which facilitated further rises in staffing numbers and purchasing activity as companies looked to enhance operating capacity. Input price inflation remained solid, which in turn, contributed to a further rise in average charges. Meanwhile, optimism towards future output growth fell to a

seven-month low, but remained firmly positive 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 55.8 in August to signal a further improvement in the overall health of the French manufacturing sector. The index was up from July's reading of 54.9 and the highest since April 2011.

Underpinning the latest expansion was another sharp rise in **new orders**. Indeed, the latest expansion was the most marked in over six-and-a-half years. Following a similar trend to total new orders, new business from foreign clients rose to the greatest extent since April 2011.

Buoyed by a marked increase in client demand, firms raised their **output** in August to the greatest extent since April 2011. In spite of this, **post-production inventories** fell for the third successive month as production growth failed to keep pace with new contract wins.

Manufacturers continued to hire **additional workers** in August as they looked to enhance operating capacity in line with greater client demand. The rate of jobs growth remained marked despite dipping slightly from July's near 17-year peak. In spite of this, **backlogs of work** continued to rise at a marked pace.

Robust demand conditions also encouraged firms to raise their **purchasing activity** in August. Furthermore, the rate of growth was the steepest in 75 months and sharp overall. In turn, this

contributed to a rise in **pre-production inventories**.

Elsewhere, **input price** inflation facing French manufacturers intensified from July amid reports of higher raw material prices. That said, the rate of increase remained weaker than the series average. Meanwhile, firms raised their **charges** to a weaker extent than in the previous month.

Supplier delivery times continued to lengthen at a marked, albeit marginally weaker pace.

Finally, firms remained **confident** that output at their units will rise over the coming 12 months, citing foreign demand among the key factors.

Comment:

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

“The French manufacturing sector’s strong 2017 continued in August. Indeed, the new order rate of growth picked-up to an 80-month peak, driven by strong demand from both domestic and foreign clients. In turn, firms raised their purchasing activity and staffing numbers to boost operating capacity. In spite of this, outstanding business continued to accumulate at a marked pace, suggesting the current upward trend in employment has far from run its course.”

-Ends-

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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 August flash was based on 93% 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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