

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

French manufacturing sector growth remains elevated in October

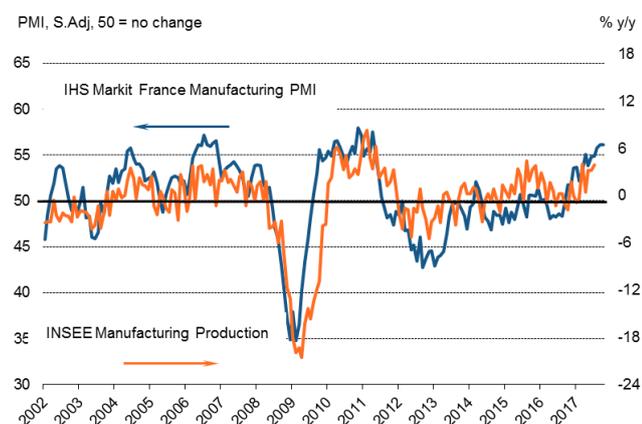
Key findings:

- Output and new orders rise at marked rates
- New export orders continue to increase
- Business sentiment improves

Data collected October 12-24

Historical overview:

IHS Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: IHS Markit, INSEE

Summary:

The revival of the French manufacturing sector continued at the start of the fourth quarter. Output growth was little-changed from September's multi-year high, buoyed by further robust client demand in both foreign and domestic markets. Firms responded to higher production targets by taking on new staff and expanding their purchasing activity. Alongside this was a further robust degree of business sentiment. Elsewhere, inflationary pressures intensified amid higher raw material 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 **IHS Markit France Manufacturing Purchasing Managers' Index[®] (PMI[®])** posted 56.1 in October to signal a further improvement in the overall health of the French manufacturing sector. The index was unchanged from September and thus the joint-highest highest since April 2011.

Overall growth continued to be driven by a sharp rise in **new business**. Indeed, the rate of expansion was among the sharpest recorded in the last seven years despite easing for the second successive month. An increase was also evident in **new export orders**.

Bolstered by robust client demand, manufacturers continued to raise their **production** in October and at a rate little-changed from September's 77-month peak. This contributed to a second successive build-up of **post-production inventories** as firms anticipate future sales growth.

Robust demand conditions also put further pressure on sector supply chains, in turn contributing to another lengthening of average **delivery times**.

Responding to higher production targets, firms hired additional workers in October, thereby extending the current period of **job creation** to 12 months. Despite this, the amount of **unfinished work** continued to accumulate at a marked pace, and to the greatest degree since December 2010.

Concurrent with enhanced operating capacity, goods-producers raised their **input buying** for the thirteenth consecutive month. The rate of expansion remained among the sharpest recorded for six years, despite easing from September. In

turn, this contributed to a third successive rise in **pre-production inventories**, albeit to only a marginal extent.

Meanwhile, **inflationary pressures** intensified, with both input and output prices increasing at accelerated rates. Anecdotal evidence suggested that higher raw material prices were behind the rises.

Finally, firms remained **optimistic** that output will increase over the coming 12 months.

Comment:

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

“Growth momentum in the French manufacturing sector was sustained at the start of the fourth quarter, with the PMI unchanged from the previous month’s six-and-a-half year high. Once again, growth was underpinned by strong demand in both foreign and domestic markets, in turn leading to marked expansions in employment, purchasing activity and output.”

“Perhaps a slight cause for concern was a moderation in the rate of export growth to a seven-month low. The slowdown was indicative of the recent appreciation of the euro (against the US dollar and other major currencies), however, given robust domestic and global demand, the sector’s strong overall growth rate looks likely to be maintained as we close out the calendar year.”

-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 October 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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About PMI

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