

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0950 (CET) / 0850 (UTC) February 1<sup>st</sup> 2017**

## Markit France Manufacturing PMI®

### Further marked growth in French manufacturing sector

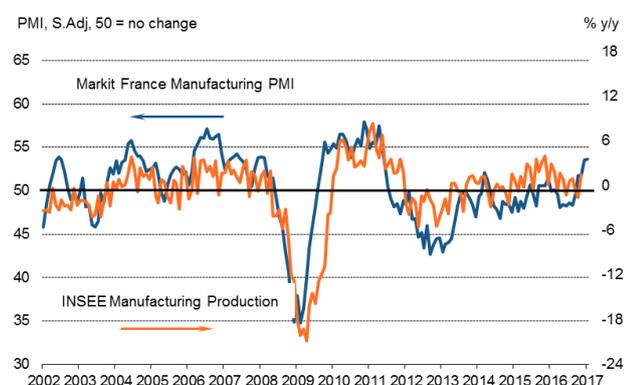
#### Key findings:

- Output and new orders continue to grow
- Staffing numbers rise at sharpest pace in over five-and-a-half years
- Input price inflation at 68-month high

Data collected January 12-24

#### Historical overview:

##### Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: IHS Markit, INSEE

#### Summary:

Business conditions in the French manufacturing sector continued to improve at the start of 2017. Growth continued to be driven by expansions in output, new orders and employment, while stocks of purchases remained broadly unchanged from the previous month. At the same time, average supplier delivery times lengthened to a greater extent than in December. Meanwhile, inflationary pressures persisted as evidenced by further rises in both input and output prices.

The headline **Markit France Manufacturing Purchasing Managers' Index® (PMI®)** 53.6 in January to signal a further improvement in the

overall health of the French manufacturing sector. The index figure was up fractionally from December's reading of 53.5 and at a 68-month high.

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.

A further expansion in **output** continued to underpin overall sector growth in January. Although softening fractionally from the previous month, the rate of increase remained marked overall. Meanwhile, the level of **post-production inventories** was unchanged after an eight-month sequence of decline.

In line with the trend for production, the amount of total **new orders** placed with French manufacturing firms increased in January, albeit at a weaker pace than seen in December. **New business from abroad** also continued to rise amid reports of higher demand from the German automotive sector. That said, the rate of expansion was the weakest in the current four-month period of growth.

French manufacturers hired additional **staff members** for the third successive month in January. Moreover, the rate of job creation was the most marked since June 2011. Anecdotal evidence suggested firms improved their operating capacity to meet higher production targets. However, this didn't prevent a further round of **backlog** accumulation.

As was the case in December, **purchasing activity** increased at a marked pace in January. That said, the level of **pre-production inventories** remained broadly-unchanged from the previous month.

Meanwhile, **input price** inflation rose at the fastest pace in over five-and-a-half years as oil and steel

prices continued to put pressure on production costs. In response, firms raised their average **selling prices** at the sharpest rate since October 2012.

Finally, average **lead times** lengthened for the fifty-third successive month. Moreover, the rate of deterioration in vendor performance was the most marked in this sequence.

**Comment:**

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

*“Operating conditions in the French goods-producing sector continued to improve at the start of 2017. Underlying sector growth was the sharpest round of job creation in over five-and-a-half years, with firms buoyed by further marked expansions in both output and new orders. These are encouraging signs given the broad desire in France to reduce its level of unemployment. However, uncertainty surrounding the political environment, including May’s presidential elections, may serve to dampen demand in coming months and provide a headwind to the resurgent labour market.”*

-Ends-

## For further information, please contact:

### IHS Markit

Alex Gill, Economist  
Telephone +44-1491-461-015  
Email [alex.gill@ihsmarkit.com](mailto:alex.gill@ihsmarkit.com)

Joanna Vickers  
Telephone +44-207-260-2234  
E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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 January flash was based on 91% 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 <sup>(1)</sup>	0.1	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.*

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](mailto:economics@ihsmarkit.com).

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