

# News Release

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## S&P Global France Manufacturing PMI<sup>®</sup>

### Manufacturing sector conditions improve slightly as firms bolster hiring and demand downturn eases

#### Key findings

Employment rises again following brief drop in December

New orders fall at weakest pace since downturn began last June

Business confidence up; cost inflation slows to 25-month low

The January PMI survey covering France's manufacturing sector signalled a marginal improvement in operating conditions as the demand downturn lost strength and factory employment levels returned to growth. Although new orders fell, the drop was the weakest since mid-2022. Meanwhile, production volumes were reduced only moderately, a contrast to the strong contraction seen on average across the final six months of last year.

There was a slight improvement in business confidence during January, with growth expectations for the coming year at their most optimistic in five months. Input cost inflation slowed to a 25-month low, although selling prices increased at the fastest pace since last July.

The seasonally adjusted S&P Global France Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) rose to 50.5 in January, up from 49.2 in December and above the 50.0 mark that separates an improvement in operating conditions from a deterioration for the first time since last August. Nonetheless, this was still below the historic average of 51.5 and signalled only a marginal improvement when compared to December.

The French manufacturing sector continued to be weighed down by production cutbacks. January survey data signalled an eighth successive monthly reduction in factory output levels. According to firms, weak demand conditions led them to scale back production. Some companies also linked the drop in output to high energy costs. That said, the decline was broadly similar to that seen in December, which was the weakest seen over the current contraction sequence.

Another monthly decrease in new orders was registered in January as clients reduced their demand in response to high stock levels and slowing economic conditions. However, the drop in new business intakes was the weakest seen since the current downturn started in the middle of last year. This was also a key factor underpinning the increase in the headline PMI during January.

France Manufacturing PMI  
sa, >50 = growth since previous month



Source: S&P Global.  
Data were collected 12-24 January 2023.

#### Comment

Joe Hayes, Senior Economist at S&P Global Market Intelligence, said:

"We're starting to see more evidence to suggest that the worst of the manufacturing downturn is behind us. Although demand and production levels are still falling, rates of contraction are modest and markedly softer than those seen in the second half of last year.

"Other areas of the survey also provide some reason to be less downbeat on the industry's outlook, with employment levels rising and business confidence strengthening. A further easing of input cost inflation also helps reduce the pressure on factory margins.

"Nevertheless, survey respondents continue to remark on client de-stocking, a factor which continues to dampen new orders. A pick-up in finished goods inventories also suggests that output levels are still far stronger than is required to meet demand. As such, further cutbacks in production should not be ruled out."

Nevertheless, new business received from overseas clients fell sharply during the latest survey period and at the joint-quickest pace since May 2020.

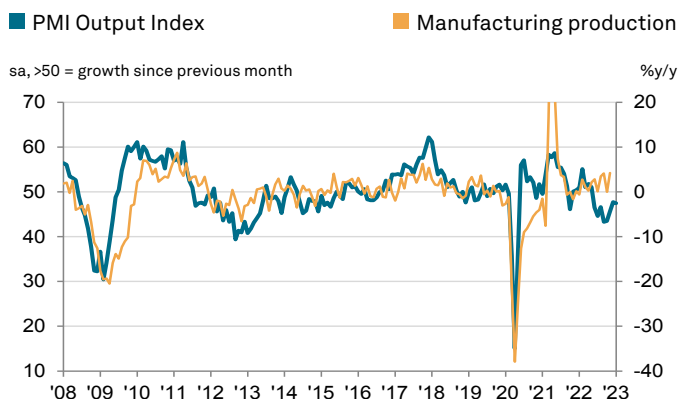
Still, the upward trend in the Future Output Index continued at the start of 2023. Overall, French manufacturers grew more optimistic towards the year ahead, with growth expectations at their most positive since last August. Some respondents were anticipating improvements in sales performances.

Indeed, greater confidence in the outlook spurred an increase in hiring activity across the French manufacturing sector in January. Employment levels grew modestly, reversing the contraction seen at the end of 2022. With the exception of December, workforce numbers have increased in every other month for the past two years.

That said, operating capacities were more stretched in January, with backlogs of work rising for the first time since last August. Market groups data showed this was exclusively driven by consumer goods makers.

Meanwhile, subdued demand conditions led stocks of finished goods to rise in January. Pre-production inventories fell, however, in line with a drop in purchasing activity as firms took extra action to protect cashflows.

The downward trend in input cost inflation continued at the start of 2023 as operating costs rose at the weakest pace since December 2020. However, firms were more aggressive in setting their prices, as evidenced by the strongest rise in output charges since July.



## Contact

Joe Hayes  
Senior Economist  
S&P Global Market Intelligence  
T: +44-1344-328-099  
[joe.hayes@spglobal.com](mailto:joe.hayes@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44-7967-447-030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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### Survey methodology

The S&P Global France Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1998.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Flash vs. final data

Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (0.3 in absolute terms).

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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. [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).