

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Manufacturing PMI®

French manufacturing output falls at fastest pace since January

Key findings:

- Steepest decline in new factory orders in the year-to-date
- French manufacturers retrench, with purchasing and employment down
- 12-month outlook turns pessimistic for first time since January

Data were collected 12-22 August 2024.

Latest HCOB PMI® survey data revealed a deepening downturn across France's manufacturing sector during August. New orders fell at a pace that was only surpassed by months during the COVID-19 pandemic or global financial crisis, leading production and purchasing activity to decrease rapidly. Job cutting also entered a fifteenth straight month, while expectations for output in the next 12 months turned pessimistic for the first time since the start of the year.

Notably, July saw a further steep acceleration in the rate of input cost inflation, which reached its sharpest in a year-and-a-half. Selling price increases were restrained, however, as companies were wary of losing competitiveness.

The seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index™ (PMI®)**, compiled by S&P Global, signalled a marked and accelerated deterioration in the health of France's goods-producing economy midway through the third quarter. Despite only falling fractionally to 43.9, from 44.0 in July, the headline index nevertheless pointed to the sharpest deterioration in factory operating conditions for seven months.

A notable drop in demand for French goods was signalled by the latest survey results. According to firms, new orders decreased at the joint-fastest pace since May 2020 (matching that seen in December). Incidentally, the only months in the survey history to register a steeper fall in demand were during the global financial crisis or COVID-19. Where a decrease in new business was reported, panellists commented on lower sales to clients domestically and abroad.

The volume of new work received from overseas clients shrank during August. Fewer orders from clients in Europe and the Americas dampened export demand, anecdotal evidence suggested. The reduction was the quickest for three months and sharp overall.

French manufacturers lowered production for a twenty-seventh consecutive month midway through the third quarter. According to data split by the three main industrial categories, the contraction in output was driven by the intermediate and investment goods sectors. Overall, the pace of decline was the fastest since January.

In response to worsened demand conditions, French manufacturers retrenched during August. Employment levels shrank for a fifteenth straight month, while purchasing activity was reduced sharply and to the greatest extent in the year-to-date. Efforts to boost cashflow and a preference for using up existing stock motivated firms to cut their input buying, anecdotal reports accompanying survey responses showed. August data signalled lower pre- and post-production inventory levels across the French manufacturing sector.

Despite lower input demand, French goods producers recorded longer supplier delivery times midway through the third quarter. The deterioration in vendor performance was the most marked since February.

Turning to prices, latest survey data highlighted a further sharp monthly rise in French manufacturers' input costs. The overall rate of inflation did cool slightly from July's 18-month high, but it remained just above the survey long-run average. Steep and sustained increases in costs fed through to output charges in August, as French goods producers raised their prices at the quickest pace since March 2023.

Lastly, French manufacturers turned pessimistic regarding the 12-month outlook towards production for the first time since January. Political uncertainty, both domestically and overseas, was cited by some panel members as a concern.

Comment

Commenting on the PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

"The state of the French manufacturing sector is deteriorating. What seemed like a recovery of the industrial sector at the start of 2024 turned out to be just a brief uptick. The slowdown of the manufacturing sector continued in August. Output declined for the twenty-seventh month running, as too did new orders overall."

"Suppliers' delivery times are lengthening again, partly due to disruption at the Red Sea. In August, the index for suppliers' delivery times dropped by over three points compared to July and over five points compared to June, therefore extending July's downturn."

"French manufacturers raised selling prices even though input price inflation cooled. In August, the corresponding index for output prices increased sharply, while input prices increased at a slower pace compared to the previous month."

"The consumer goods sector is giving the French manufacturing sector a boost. It was the only sub-sector where output increased, while investment and intermediate goods production declined. Consumer goods companies remained positive on their outlook, although new orders here dropped sharply."

"French manufacturers are bracing for tough times ahead. For the first time since the beginning of the year, the index for future output expectations dropped below the neutral threshold. The index fell further in August and was below the long-term average for the third month in a row. Surveyed manufacturers mentioned political uncertainty, both domestically and abroad as a concern."

-Ends-

HCOB France Manufacturing PMI

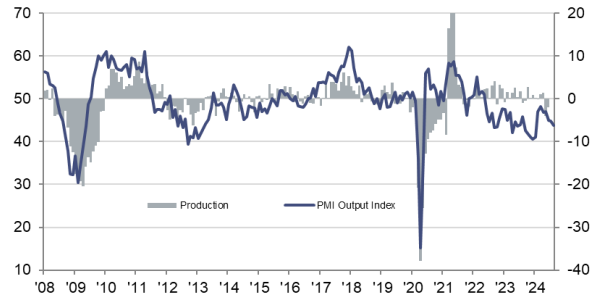
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

PMI Output Index

sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI, INSEE via S&P Global Market Intelligence.

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Note to Editors

The HCOB 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.

Flash data were calculated from 81% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Hamburg Commercial Bank AG

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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