

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Manufacturing PMI®

Factory orders in France fall at fastest rate since May 2020

Key findings:

Sharpest drop in manufacturers' new orders since first wave of COVID-19

Competitive pressures drive firms to discount the price of their goods

Firms predict further contractions in output in the coming year

Data were collected 12-22 November 2024.

November HCOB PMI® data signalled a deepening downturn in France's manufacturing sector. The volume of new work received by firms in the industry sank at the most rapid pace since May 2020, with demand weakness reportedly emanating from both domestic and international markets. In turn, French goods producers made substantial cuts to their purchasing activity and ran down their stocks further to preserve cashflow. Employment was also reduced, but input costs ticked up. Output charges were discounted to the greatest extent in over a year as strong competition restricted firms' pricing power.

Looking ahead, the latest survey data revealed pessimism among panellists, with factory output expected to fall over the coming 12 months.

The seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index™ (PMI®)**, compiled by S&P Global, recorded 43.1 in November, down from 44.5 in October. With the latest reading of the headline index marking a twenty-second month in which it has posted below the critical 50.0 no-change threshold, the latest survey data marked a sustained deterioration in the health of France's goods-producing sector. The decline was sharp overall and the most marked in the year-to-date.

November survey data indicated another considerable month-on-month reduction in new order intakes at French factories. The latest contraction was the steepest since May 2020, with panellists mentioning lower levels of new work from clients in both domestic and international markets. Outside of France, the US and Germany were cited as drags on exports. In fact, the HCOB PMI data revealed the quickest decrease in sales to foreign customers for four-and-a-half years.

Deteriorating demand conditions led production volumes to shrink further midway through the fourth quarter. Anecdotally, firms noted weaker activity levels at clients in sectors such as construction, cosmetics and automotives. Overall, the drop in output was the sharpest for ten months.

French manufacturers became more prudent with their spending during November amid the fragile demand environment. Firstly, purchasing volumes were cut by the joint-greatest margin since May 2020, while both pre- and post-production stocks decreased at faster rates. Cashflow preservation reportedly motivated firms to make their inventories leaner, anecdotal evidence showed.

Factory employment continued to decline midway through the final quarter of 2024. In many cases, staffing numbers were lowered via the non-replacement of temporary workers. Still, despite November marking a year-and-a-half of continuous job cuts, manufacturers in France were able to reduce their backlogs of work at the fastest pace since May 2020.

In terms of pricing trends, the latest data revealed a renewed uptick in firms' operating costs. However, while the rate of inflation was soft when compared to the long-run average, firms were unable to pass on higher expenses to their clients during November. Amid reports of competitive market pressures, output charges were decreased to the joint-greatest extent in over eight years (matching that seen in August 2023).

Lastly, French manufacturers remained pessimistic towards the outlook for output over the coming 12 months. Uncertainty, weak conditions in the construction and automotive industries, as well as economic fragility abroad, weighed on expectations, according to anecdotal evidence.

Comment

Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

"France's industrial sector remains in crisis mode. The HCOB Manufacturing PMI saw a further decline in November, returning to the level seen in January. The year 2024 has failed to meet expectations for a substantial recovery in the industry. Output continues to shrink, and French procurement managers are holding back on inventory purchases. Surveyed companies reported that they are trying to protect their cash flow by reducing inventories."

"French manufacturing was also hit by higher costs. Despite the deep crisis, input prices in the French industrial sector rose in November. Compounding the issue, output prices shrank due to competitive pressures, signalling margin erosion."

"The outlook remains bleak. National and international order intakes have shrunk significantly in November. Output expectations for the next twelve months are also markedly downbeat. Surveyed companies attribute this to uncertainty, concerns over the automotive and construction industries, and subdued business conditions in export markets. Consequently, employment continued to decline. Manufacturers of capital and intermediate goods are the driving force behind the employment reduction, according to our data."

-Ends-

HCOB France Manufacturing PMI

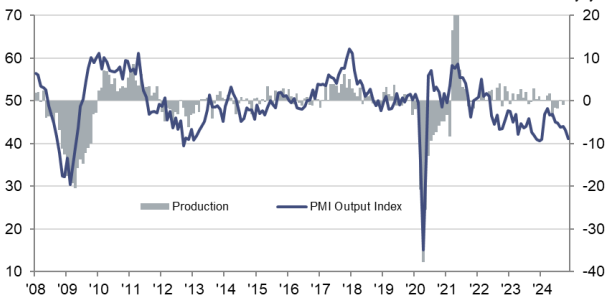
sa, >50 = improvement since previous month



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 92% 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.

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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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