

# News Release

Embargoed until 0750 UTC (0950 CEST) 1 July 2022

## S&P Global France Manufacturing PMI®

### Manufacturing output declines as new orders fall at strongest rate since November 2020

#### Key findings

Demand for goods declines following steep price rises

Output driven lower by falling new orders and rising uncertainty

Business confidence slips to lowest level in over two years

The French manufacturing economy endured a challenging month in June as weakening demand conditions, persistent supply problems and an uncertain outlook all contributed to the first decrease in goods production since October 2021. Following steep increases in selling prices in recent months, latest survey data signalled the fastest drop in new business for over a year-and-a-half as clients grew hesitant to placing orders. Meanwhile, business confidence slipped to its lowest level in over two years.

With production requirements diminishing and price pressures remaining elevated, firms scaled back input purchasing. There were signs of tentative and limited improvements in supply chains as delivery times lengthened to a weaker extent.

The seasonally adjusted S&P Global France Manufacturing Purchasing Managers' Index® (PMI®) fell to 51.4 in June, its lowest level in 18 months and a notable decline from 54.6 in May. All five of the headline PMI's sub-components had negative influences during June, with the largest drags coming from new orders and output.

For the first time since October last year, latest survey data signalled lower levels of production and new business at French manufacturers. In fact, new orders fell at the steepest rate since November 2020. According to anecdotal evidence, demand conditions deteriorated as clients grew hesitant to place new orders due to higher prices. Demand from overseas markets also fell in June, with firms citing a reduced appetite from customers in the US and Germany.

In addition to lower sales, production levels were driven lower by persistent supply issues and uncertainty caused by the war in Ukraine, according to survey respondents.

With intakes of new work falling, some French manufacturers were able to make inroads into their backlogs in June. As a result, the rate of accumulation in outstanding business slowed markedly to an 18-month low. The robust hiring trend

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



Source: S&P Global.  
Data were collected 13-23 June 2022.

#### Comment

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

"With growth having slowed to a crawl for the most part since late last year, June survey data showed the French manufacturing sector slipping into contraction territory as output levels fell.

"Supply issues, as well as the disruption caused by the war in Ukraine, have been negative factors for a while now, but it appears that the high inflationary environment has finally bit down on demand for goods as new orders fell at the quickest rate since November 2020.

"Businesses are now becoming concerned about the outlook. Manufacturing sector confidence slid to its lowest level since May 2020.

"Given the persistently high rates of inflation across Europe, softness in demand is likely to continue as businesses and households continue to belt-tighten. The harsh slowdown trend in the manufacturing sector serves as an ominous bellwether for what could be in store for the services economy as customers become resistant to price hikes."

seen for the most part of the last year-and-a-half continued however, despite the rate of jobs growth easing since May.

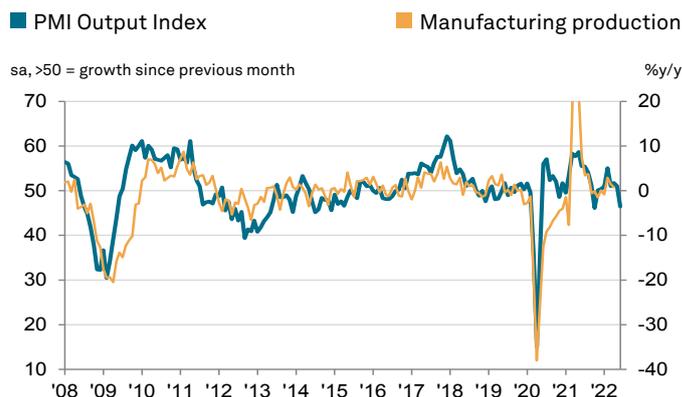
To address the strain on capacities, stocks of finished goods were also depleted in June, and to the quickest extent in five months. Where inventories were reduced, firms commented on the use of warehoused goods to fulfil orders.

Meanwhile, French manufacturers cut their purchasing activity in June for the first time in just over a year-and-a-half. Sufficient holdings of pre-production items were cited by some respondents, while others downwardly adjusted their buying levels in line with falling new orders.

Nevertheless, stocks of purchases rose further in June. The expansion reflected prior efforts to hedge against supply issues and price rises in the future. There were however some tentative signs of stabilising supply-chain conditions as average input lead times lengthened to the least marked extent in 17 months.

There was also a softening of inflationary pressures during June. Rates of input cost and output price inflation eased slightly, but were still both consistent with rapid monthly increases.

Finally, the level of business confidence slid once again at the end of the second quarter to its lowest mark in just over two years. Concerns around the impact of inflation, and the prospect of a recession, weighed on the outlook at French manufacturers.



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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 0.0 (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).