

News Release

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S&P Global France Manufacturing PMI[®]

Manufacturing output falls at fastest rate since first COVID-19 wave in 2020

Key findings

Worst output performance outside pandemic era since 2013

New order downturn steepens as inflationary pressures persist

Business confidence remains at subdued level

The French manufacturing sector downturn worsened at the beginning of the third quarter, latest PMI[®] data from S&P Global showed, as both output and new orders declined for a second month running and to their greatest extents since the initial wave of COVID-19 disruption took place in the first half of 2020. Aside from declines seen during the pandemic era, French goods production fell at the sharpest rate since April 2013 as high inflation squeezed demand and persistent supply issues constrained output.

Indeed, intense price pressures remained evident in July, although the rate of input cost inflation eased to a 17-month low. Meanwhile, business confidence was subdued as firms cited their concerns around the economic climate, the war in Ukraine and the outlook for inflation.

The seasonally adjusted S&P Global France Manufacturing Purchasing Managers' Index[®] (PMI[®]) dipped below the 50.0 no-change mark in July for the first time since November 2020 and signalled a deterioration in manufacturing business conditions. At 49.5, the headline measure was down from 51.4 in June and at its lowest level in just over two years.

June's solid decline in output was compounded in July as the downturn intensified. Overall, manufacturing production fell at the quickest pace since May 2020. However, excluding pandemic-related disruption, the decline was the strongest since April 2013. Slowing activity at clients, shortages of materials and weaker demand were cited as factors behind July's deterioration.

New business received by French manufacturers fell yet again during the latest survey period and to the greatest extent since May 2020. According to anecdotal evidence, a hesitancy among clients to place orders, higher prices and generally subdued demand conditions contributed to the decrease. New work intakes from overseas markets also contracted during July, extending the current downturn in export demand that started in March.

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



Source: S&P Global.
Data were collected 11-22 July 2022.

Comment

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

"The July PMI survey suggests the French manufacturing sector is in a downturn. Output and new orders both fell at their strongest rates since the initial wave of COVID-19 infections in the first half of 2020 as high inflation squeezed demand. Excluding pandemic-related disruptions though, the latest decline in production was the strongest for over nine years.

"A major drag on the economy as whole is inflation. The manufacturing sector has seen rampant price pressures for some time, but the economic impact of these has only recently begun to bite hard. New orders fell sharply in July, but firms also reduced their purchasing activity and, in some cases, reduced workforce numbers to cut back on costs.

"Until we see a substantial cooling of price pressures, it's difficult to foresee the economy picking back up. Business confidence remained at a suppressed level during July, reflecting manufacturers' concerns around the outlook for inflation, supply chains and the war in Ukraine."

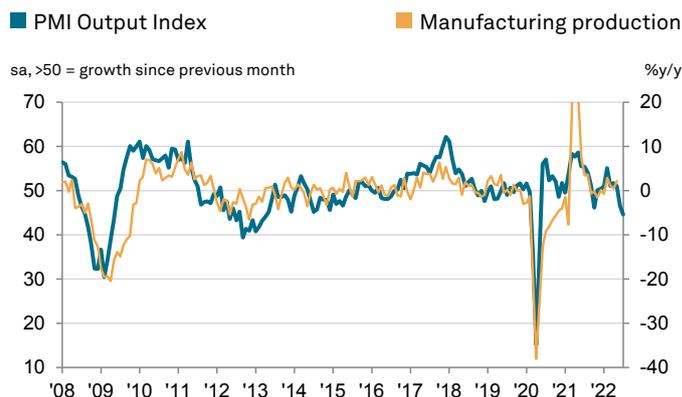
In response to falling new orders, French manufacturers began making inroads into their backlogs, which until July, had risen for nineteen successive months. Overall, the decrease in outstanding business volumes was modest, but contrasted starkly with the solid increase seen on average since the end of 2020.

Meanwhile, latest survey data highlighted still-steep cost pressures across the French manufacturing sector, despite the rate of input price inflation slowing to a 17-month low. Higher expenses were commonly linked to greater transport, energy and material prices. Firms continued to respond by raising their selling charges in July. The rate of output price inflation picked up slightly from June.

There was some evidence of supply-chain pressures – which have been a key factor behind rising inflation – easing slightly during July as average input lead times lengthened to the least marked extent in a year-and-a-half. Nevertheless, vendor performance still deteriorated sharply overall.

Amid high input prices and ongoing supply uncertainty, French manufacturers raised their stocks of purchases in July. Lower demand prompted firms to reduce purchasing activity however, which fell at the fastest pace since May 2020.

Lastly, business confidence was historically subdued in July, reflecting companies' concerns surrounding inflation, the war in Ukraine and the economic outlook. Subsequently, the rate of employment growth slowed to a ten-month low.



Sources: S&P Global, INSEE.

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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.

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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CNA (Conseil national des achats – National Purchasing Council), is a non-profit making, non union trade association, gathering individuals, and people actually involved in the purchasing activity of companies or public services. Its aim is to increase the efficiency of the purchasing function in the economy by training and informing those concerned, defining and applying a professional ethic, providing studies, research, surveys, and all actions of general interest in any field directly or non directly related to purchasing and subsidiary functions.

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.