

News Release

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S&P Global France Manufacturing PMI[®]

Slowdown in demand growth weighs on factory output in May

Key findings

French manufacturing output rises at subdued rate

New order growth slows amid steep inflationary pressures

Companies build up stocks to mitigate against supply issues

France's manufacturing output expanded once again during May, but growth was sluggish amid a marked slowdown in new business growth. There were reports of clients becoming hesitant to place new orders due to higher prices charged. May survey data signalled a further steep increase in selling charges as firms sought to protect their profit margins.

Meanwhile, there were still signs of intense supply chain challenges as input lead times lengthened further. As a result, manufacturers built up their stocks to mitigate against the adverse effect of input shortages.

The seasonally adjusted S&P Global France Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted 54.6 in May. This was down from 55.7 in April and its lowest since October 2021.

The greatest influence on decline in the headline PMI number came from its largest component, new orders, which signalled a marked slowdown in growth. The suppliers delivery times gauge (which is inverted in the index calculation) also weighed on the figure as it improved to a 16-month high.

French manufacturing companies continued to record higher output volumes during May. Among those firms that registered production growth, this was often attributed to raw material deliveries and stock-building. That said, the expansion slowed and was only marginal overall amid reports of subdued demand conditions and persistent shortages of critical components.

New orders received by French goods producers rose in May, but the rate of increase slowed notably and was the softest seen across the current seven-month growth sequence. According to firms, client demand was dampened by increases in prices charged. Demand conditions in external markets was also a drag during May, as evidenced by a third successive decrease in new export orders.

Meanwhile, latest survey data signalled continued pressure

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



Source: S&P Global.
Data were collected 12-24 May 2022.

Comment

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

"The French manufacturing sector is just about managing to stay in growth territory, but the current pace of expansion is sluggish amid a multitude of economic headwinds to the industry.

"A notable area of weakness was the investment goods sub-sector, with survey data signalling a sharp and accelerated decline in new orders at capital goods makers.

"These developments highlight the strong degree of uncertainty facing businesses at present, which is weighing on investment decisions as some companies adopt a wait-and-see approach in this current climate.

"As well as the war in Ukraine, steep inflationary pressures are curtailing client appetite. Overall manufacturing new order growth almost ground to a halt in May, while exports continued to drop.

"A small positive for the sector were the signs, albeit limited, of some parts of the supply chain stabilising. Improved availability of critical inputs could help businesses ride out a soft patch in demand as they rebuild their stocks."

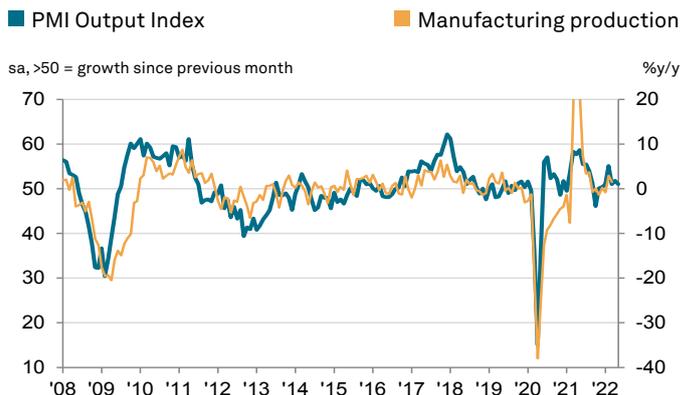
across manufacturing supply chains midway through the second quarter. Average lead times on the delivery of inputs lengthened sharply as transport issues, shortages of items at vendors and the war in Ukraine adversely impacted vendor performance. However, delivery times worsened to the weakest extent since January 2021.

Amid signs, albeit limited, of stabilisation in parts of the supply chain, latest survey data signalled an increase in stocks of purchases. The expansion in pre-production inventories was the fastest since last December. Where stocks were bolstered, this was often as part of efforts to protect against future shortages.

The consequence of supply issues continued to be seen in prices data during May as input costs soared higher once again. Overall, the rate of input price inflation was among the steepest on record, despite slowing since April. Similarly, output charges rose substantially in May, but to a slower extent than seen previously.

Elsewhere, latest survey data highlighted a strain on operating capacities across the French manufacturing sector. Backlogs of work increased for an eighteenth consecutive month. To accommodate for greater output levels, firms increased employment at the fastest rate for three months.

Lastly, French manufacturers remained optimistic towards the coming 12 months, although the level of business confidence was below its historical average as businesses were concerned about the impact of inflation, persistent supply issues and slowing global economic growth.



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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 0.0 (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.