

News Release

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S&P Global France Manufacturing PMI[®]

New factory orders slump at fastest rate since May 2020 as uncertainty and inflation take their toll

Key findings

Output Index little-changed from September's 28-month low

New orders fall rapidly as underlying demand conditions worsen

Stocks of finished goods rise at record pace

French manufacturing sector business conditions deteriorated at a faster pace at the start of the fourth quarter, latest PMI[®] data from S&P Global showed, as new orders slumped to an extent rarely seen since data were first collected in 1998. As a result, production volumes fell sharply and businesses remained pessimistic towards the year ahead. October survey data also highlighted a survey-record accumulation of finished goods stocks as companies struggled to ship their products.

Meanwhile, French manufacturers remained stuck with elevated cost pressures. High energy prices were frequently mentioned by survey respondents. Output price inflation also remained historically high, despite slowing to a 14-month low.

The seasonally adjusted S&P Global France Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted below the 50.0 no-change mark for a second month in a row, indicating back-to-back deteriorations in the health of France's goods-producing sector. At 47.2 in October, the headline measure fell from 47.7 in September to its lowest level in almost two-and-a-half years.

French manufacturing output volumes declined in October, extending the current downturn that began in June. The rate of contraction was of a similar strength to that seen in September, which was the sharpest since May 2020. Companies that cut their output levels commented on weak demand and persistent supply issues.

October survey data pointed to a rapid deterioration in new factory orders across France. The decrease was among the fastest seen since data were first collected in 1998, with panel comments attributing the sales slump to subdued underlying demand conditions, high inflation and overstocked clients. Weak economic conditions abroad also drove a sharp decline in new export orders at the start of the fourth quarter.

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



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

Comment

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

"The October PMI survey provide further confirmation that France's manufacturing sector is in recession. Gauges of output and new orders are bogged down in the kind of territory we've only previously seen during periods of high economic stress such as the pandemic, the eurozone sovereign debt crisis and the global financial downturn between 2008 and 2009.

"In response, we're seeing more cautious business behaviour creep in. Stocks of purchases fell for the first time since March, with companies attributing this to cashflow preservation efforts. The volume of new inputs purchased slumped sharply in October as companies adjusted to the negative economic outlook.

"Although this has helped reduce the strain on suppliers, which should also extend to addressing the demand-supply imbalance which has caused inflation to soar, we're still seeing historically elevated price pressures. Falling natural gas prices across Europe in recent weeks will be a relief to French manufacturers, as anecdotal evidence suggests that energy remains a principal driver of cost pressures at present."

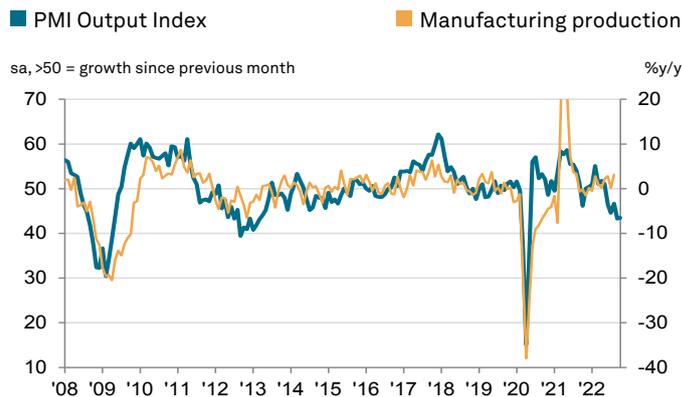
With new business intakes dropping, French manufacturers were able to clear outstanding orders during October. This was evidenced by a reduction in backlogs of work, the second in as many months. Another consequence of the rapid decline in demand was a survey-record accumulation in stocks of finished goods. According to anecdotal evidence, some clients postponed their orders.

French manufacturers cut back their purchases of inputs during October, a fifth straight month in which this has been the case. Although the decline was slightly softer than in September, it was still sharp overall. Companies that reduced their purchases linked it to downbeat demand forecasts. Stocks of inputs fell for the first time since March during the latest survey period, with companies taking a more cautious approach with cashflows.

Weaker input demand contributed to a further easing of supply-chain pressures during October. Although overall the latest survey data suggested that supplier capacity remained stretched, incidences of delivery delays were at their least widespread in two years.

On the price front, inflationary pressures were still elevated during October. Higher energy costs were a principal factor behind the latest uptick in operating expenses, according to firms. However, the rate of input price inflation did ease from September's three-month high. Meanwhile, output prices rose at the weakest pace since August 2021.

Looking ahead, expectations of persistent high inflation, continued geopolitical uncertainty and elevated energy costs kept business sentiment in negative territory during October.



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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.