

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
Embargoed until 0950 CEST (0750 UTC) 2 April 2024

# HCOB France Manufacturing PMI<sup>®</sup>

## French manufacturing output nears stabilisation in March, but demand conditions remain challenging

### Key findings:

- Production downturn alleviated by growth in consumer goods
- New orders weaken, but to second-weakest extent since January 2023
- Firms slightly optimistic towards the 12-month outlook for output

Data were collected 12-21 March 2024.

Although the French manufacturing sector endured another month of contraction in March, the latest HCOB PMI<sup>®</sup> data provided some positive signals for the industry as production fell at the weakest pace since the downturn began nearly two years ago and business sentiment was optimistic.

However, demand conditions remained challenging, with many companies offering discounts on their goods to stimulate sales. Factory employment also declined in March, while buying activity and inventories continued to shrink.

The seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>)**, compiled by S&P Global, registered 46.2 in March. This was slightly below February's 11-month high of 47.1 and indicated a solid deterioration in the health of France's goods-producing sector.

The principal drag on the headline figure was the new orders component — which carries a weight of 30%- — as the index fell deeper into contraction territory during March. Inflation, budget constraints and weakness in key markets such as construction were cited by panellists as reasons for lower demand. However, the decrease was the second-weakest since January 2023.

A sizeable negative influence on the headline index also came from the HCOB Suppliers' Delivery Times Index (which is inverted in its calculation). Average input lead times broadly stabilised in March, which represented a marked improvement from the delays French manufacturers experienced in the first two months of 2024.

Despite an accelerated fall in factory orders, the downturn in French manufacturing output cooled for a third straight month in March. According to anecdotal evidence, restocking efforts lifted output at some companies. Market group data revealed production growth in the consumer goods segment, which helped to partially alleviate downturns elsewhere. Subsequently, the reduction in output was the weakest seen across the current 22-month period of decline.

Inventory trends across France turned less negative at the end of the first quarter as both pre- and post-production stocks fell at slower rates. However, anecdotal evidence indicated that firms remained steadfast in their use of pre-existing stocks of inputs in production, leading purchasing activity to fall at a slightly more rapid pace.

Meanwhile, an absence of capacity pressures was highlighted by another monthly reduction in backlogs of work. That said, the rate of depletion was at its softest since last August.

Sustained weakness in demand, lower backlogs of work and a continued focus on inventory reduction led French manufacturers to lay off workers in March. Job shedding was achieved through the non-renewal of temporary contracts, panellists noted. This marked the tenth successive month of declining factory employment, with the rate of contraction gathering pace since February.

More positively, March survey data signalled an optimistic outlook towards production over the coming 12 months. Hopes of an economic rebound domestically and abroad fuelled growth expectations, according to qualitative data.

Lastly, March survey data showed further decreases in both input costs and output charges across France's manufacturing sector. There was a divergence in trends, however, as a softer decline in operating expenses compared with the fastest fall in selling prices since last December. Competitive pressures reportedly drove firms to discount.

### Comment

Commenting on the PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

*"The recovery of the French manufacturing sector is postponed to at least the second quarter. Although output declined at the slowest rate over the near two-year sequence of contraction, the sector still faces major difficulties with weak client demand, increased interest rates and elevated prices. Manufacturers' struggles are also evident by the fact that companies across the sector cut staff."*

*"Consumer goods drove the limited improvement of French manufacturing in March. Output in the consumer goods sector rose sharply, while the other two segments – investment and intermediate goods – declined for another month. Client demand was the strongest in this segment, also driving up consumer goods selling prices to a ten-month high."*

*"Supply chain issues appear to be diminishing. Manufacturers are shaking off the supply chain disruptions caused by Houthi attacks in the Red Sea. The PMI for suppliers' delivery times rose again and was around 50, signalling stability, after the Index had fallen to a near one-year low in January."*

*"French manufacturers are looking into the future with optimism. The Future Output Index is above 50 for the second month in a row and while it is still below its historic average, manufacturers are building their optimistic view upon an amelioration in demand, driven by an economic recovery this year. Forecasts about incoming interest rate cuts and a betterment of the French and Global economy are supporting the companies' expectations."*

-Ends-

**HCOB France Manufacturing PMI**

sa, >50 = improvement since previous month

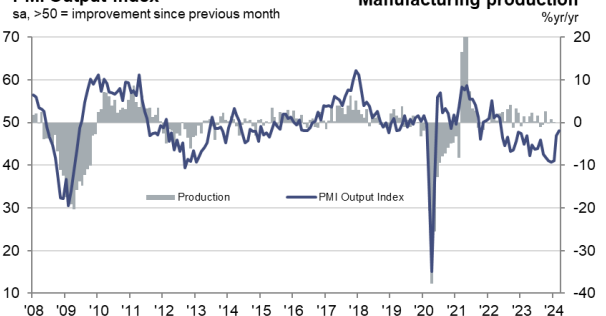


Sources: HCOB, S&P Global PMI.

**PMI Output Index**

sa, >50 = improvement since previous month

**Manufacturing production**



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 90% 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](mailto:economics@spglobal.com).

## Hamburg Commercial Bank AG

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html)

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