

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Manufacturing PMI®

French manufacturing conditions remain subdued, but business confidence jumps to 27-month high

Key findings:

Goods production declines in May amid weak demand conditions

Business confidence hits highest level since Russia-Ukraine war began

Output charges increase for first time in a year due to rising costs

Data were collected 10-23 May 2024.

France's manufacturing sector remained challenged by sustained weakness in order books, causing a further drop in production volumes. The latest HCOB PMI® survey data also indicated that firms reduced their purchasing activity, as well as both pre- and post-production inventories.

There was a positive development, however, as businesses' year-ahead growth expectations were at their strongest since February 2022, just prior to Russia's invasion of Ukraine.

Meanwhile, prices charged for French goods increased for the first time in a year as firms reportedly passed on higher costs to their clients.

The seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index™ (PMI®)**, compiled by S&P Global, posted in sub-50.0 contraction territory for a sixteenth successive month in May. At 46.4, compared to 45.3 in April, the survey's headline measure indicated a solid deterioration in the health of the French goods-producing sector midway through the second quarter. That said, it also signalled the softest pace of decline since February.

The downturn in French manufacturing production was extended in May, marking two years of continuous month-on-month declines in output. Market groups data revealed that intermediate and capital goods were the reason for the sustained contraction trend as consumer goods production expanded. This helped keep the overall rate of decline in manufacturing output weaker than seen on average in 2023.

Lower production was reportedly a result of subdued sales performances. Total factory orders decreased in May, albeit to one of the softest extents in two years as some factories reported recovering client appetite. New export orders shrank at a steeper rate, however, with less interest noted from customers in Morocco and the Middle East.

French manufacturers once again turned to their backlogs of work as a means to support output. Volumes of outstanding business fell in May, as has been the case in every month since February 2023. An absence of capacity constraints also led French factories to reduce their workforce numbers. Anecdotal evidence suggested this was achieved by the non-renewal of temporary contracts. The rate of job shedding was moderate, but quickened slightly since April.

Lower new orders and backlogs, in tandem with a preference to use up existing stocks of raw materials and semi-finished items, led purchasing activity to decrease during May. The decline was sharp and the fastest since the start of 2024. The latest survey data showed pre-production inventories falling for a thirteenth month running in May.

Despite weak input demand across France, there were various reports from panellists of increased raw material costs during the latest survey period. Chemicals and steel were said to have risen in price on the month. Overall, input prices rose modestly, but for a second month in succession.

French manufacturers responded to cost pressures by raising their own selling prices in May, the first time this has been the

case in exactly a year.

Lastly, the latest survey results signalled a notable improvement in business sentiment within the French goods-producing sector as the HCOB Future Output Index rose to its highest level since February 2022. Optimism towards conditions in key external markets supported growth forecasts, anecdotal evidence highlighted.

Comment

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

"The French manufacturing sector might see a recovery soon. The HCOB Manufacturing France PMI for May improved by more than one index point to 46.4, but still remained deep in the contraction zone. However, this might change soon for the reason of recovering overall demand. Global manufacturing is recovering, from which French manufacturers will profit. Also, the manufacturers surveyed anecdotally noted expectations of stronger foreign demand, too.

"Right now the consumer goods sector is the only growing sub-sector in France. The other two segments – intermediate and investment goods – both shrank rapidly, although at slightly slower rates compared to April. Better consumer goods demand also led to higher manufacturing output price inflation, which drove broader manufacturing inflation in May.

"Domestic demand in France is set for a drastic comeback soon. Although the HCOB PMI for total new orders is still clearly below 50, the index jumped up more than three index points. However, foreign demand slowed down even further, with a faster drop compared to the previous month. Where higher demand was reported, this was confined to the consumer goods segment.

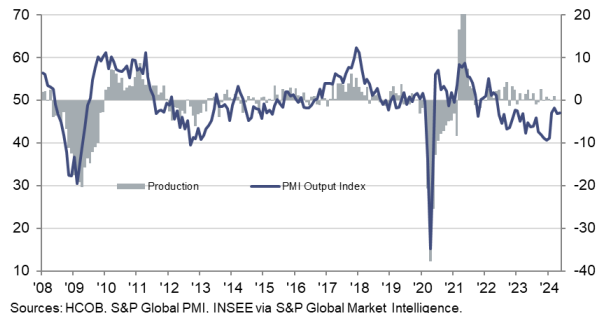
"Optimism among French manufacturers surged in May. The corresponding index for future output expectations rose sharply, now matching its historic average. Surveyed manufacturers cited stronger foreign demand in the coming twelve months as their main reason of the more optimistic outlook."

-Ends-

HCOB France Manufacturing PMI
sa, >50 = improvement since previous month



PMI Output Index
sa, >50 = improvement since previous month



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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 92% 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.

Hamburg Commercial Bank AG

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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

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