

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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

## French manufacturers see further sharp fall in demand for goods in August, driving output, confidence and prices charged lower

### Key findings:

New orders decrease at sharp and accelerated pace in August

Production volumes, employment and business sentiment deteriorate

Quickest fall in prices charged since August 2016 as competition rises

Data were collected 10-23 August 2023.

France's manufacturing sector continued to struggle in August, latest HCOB PMI<sup>®</sup> data showed, with an accelerated decline in new orders putting production and employment under pressure. Subsequently, businesses turned even more pessimistic towards the 12-month outlook, with discounting becoming more widespread as part of efforts to remain competitive. Overall, prices charged fell at the quickest pace since August 2016.

The seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)**, compiled by S&P Global, registered 46.0 in August. While this was up by nearly one index point since July's 45.1, it was nevertheless indicative of a solid deterioration in the health of France's manufacturing sector, and well below the long-run average of the headline index (51.4). Overall, operating conditions faced by French goods producers have now deteriorated for seven consecutive months.

Behind France's manufacturing downturn was a further sharp decline in new orders. August survey data signalled an accelerated reduction in demand for goods, with a considerable drag also coming from clients beyond French borders. According to panel members, sluggish market conditions, postponed orders and waning appetite from clients led to the latest shrinking of sales volumes.

According to data split by the three main industrial groupings, much of the weakness in order books laid within the intermediate and investment goods sectors. This was also the case with respect to production volumes, with consumer goods producers bucking the trend and registering a modest uptick. Nevertheless, the overall level of output across France's manufacturing economy fell solidly and for a fifteenth month in a row.

Concerns surrounding the demand outlook was also a factor behind August's slump in business sentiment. French manufacturers were at their most pessimistic since May 2020 during the latest survey period.

Indeed, expectations of slumping demand and a subsequent drop in production volumes led surveyed companies to reduce their purchasing activity in August. The decline was substantial and the quickest for over three years. Satisfactory volumes of stocks also meant firms had little appetite to make additional purchases in August. Warehoused inputs fell for the fourth successive month.

Notably, there was a further and accelerated reduction in manufacturing employment levels during the latest survey period. The fall in workforce numbers was solid and the quickest for three years. According to anecdotal evidence, firms opted to not renew or replace temporary workers and voluntary leavers in an attempt to align staffing capacity with lower production requirements. Despite job losses, firms were still able to clear backlogs of work in August, albeit only fractionally and at a slower pace than in July.

Meanwhile, the latest survey data indicated a further strong decrease in firms' input costs. The pace of reduction was little-changed from July's 11-year record. Lower raw material and energy prices were mentioned by panel members.

Subsequently, lower operating expenses provided French manufacturers greater flexibility over their pricing strategies. Factory gate charges fell for a third month in a row, with strong competitive pressures reportedly encouraging firms to pass on lower costs to their clients. The decrease in output charges was the fastest since August 2016.

### Comment

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

*“France’s manufacturing sector could now enter a recession in the third quarter. The intermediate goods sector is the main drag on the industry, comfortably offsetting the marginal growth seen in the consumer goods segment. There are not many signs that suggest an improvement in manufacturing lies ahead in the coming months.*

*“Manufacturers are still having a tough time getting new orders. The HCOB PMIs for new orders overall and new orders from abroad remain in deep contraction territory. The meagre order situation is affecting companies’ expectations, as they are becoming more pessimistic about the future.*

*“The manufacturing industry’s struggles are also evident in the jobs market. The HCOB employment PMI stands at its lowest level since the start of the COVID-19 pandemic in 2020, with the pace of job cuts increasing from the previous month. The pessimistic outlook of companies, caused by the poor order situation, plays a major role here.*

*“There’s a ray of sunshine on the price front. Input prices continued to fall sharply, with the companies surveyed reporting falling raw material and energy prices. Companies in the intermediate goods sector in particular reported falling costs. Output prices fell again, too, although at a much slower pace than input prices. Against the background of a historically high inflation rate, this is encouraging news overall, so inflation can be expected to fall further.”*

-Ends-

**HCOB France Manufacturing PMI**

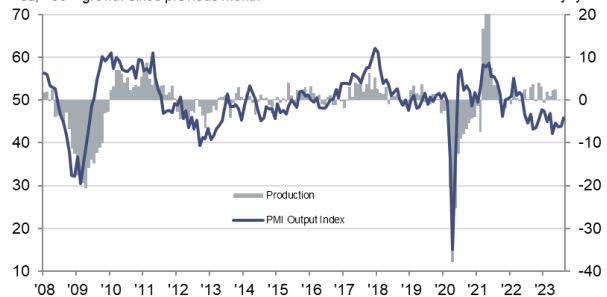
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

**PMI Output Index**

sa, >50 = growth since previous month



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 82% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.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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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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