

IHS Markit France Manufacturing PMI®

French manufacturing output continues to recover during September

Key findings

Business conditions improve amid faster rise in production

Fractionally quicker increase in new orders supported by export growth

Rate of workforce contraction eases

Data were collected 11-23 September 2020.

September PMI® data pointed to a further rise in output at French manufacturing firms, as the sector continued to recover following the coronavirus disease 2019 (COVID-19) lockdown. Output expansion, coupled with a slightly quicker rise in new orders, helped to support an improvement in business conditions, despite firms recording another decrease in employment.

Looking forward, goods producers were optimistic of a further rise in output over the coming 12 months amid hopes that the effects of the pandemic would continue to subside.

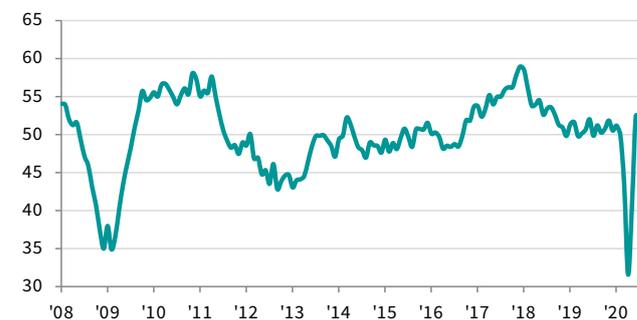
The seasonally adjusted IHS Markit France Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 51.2 in September, up from 49.8 in August. The latest reading signalled a modest improvement in business conditions faced by French manufacturers, albeit one that was softer than those recorded in June and July.

The strengthening in the health of the sector was partially driven by a fourth successive monthly increase in production during September. Moreover, the rate of expansion accelerated from August and was solid overall. When explaining higher output, some panellists mentioned an improvement in demand conditions.

In a further sign of stabilising demand, new orders placed with French goods producers rose for the second month running. Though slight overall, the latest increase in sales was the quickest for eight months. Some survey participants commented on a rebound in confidence among their clients

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"The latest PMI results suggest that the French manufacturing sector remains on the path to recovery from the coronavirus-induced downturn. Both output and new orders increased further and there were signs that business confidence began to gather momentum.

"However, with COVID-19 infection rates accelerating during September, there is a danger that the recovery could be thwarted. With the winter months approaching, we may yet see a renewed tightening of restrictions which would severely hinder the progress of many firms in the manufacturing sector. A second lockdown would likely lead some goods producers to question the sustainability of their business models, with the virus potentially reducing factory capacity for a prolonged period."

following the end of the lockdown period.

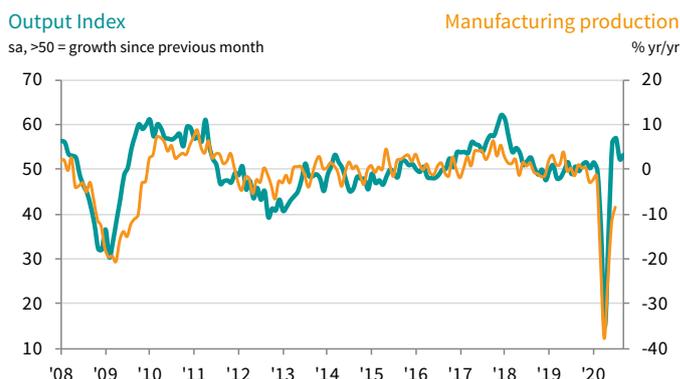
The rise in aggregate new orders was underpinned by the first increase in foreign sales for eight months during September. The rate of growth was the fastest for almost two-and-a-half years, albeit moderate overall. Anecdotal evidence pointed to stronger demand from Germany, Belgium and the UK.

Despite higher output requirements and another increase in new orders, French goods producers recorded a further decrease in employment at the end of the third quarter. The result extended the current sequence of workforce contraction that began in January. That said, the rate of job shedding eased from August.

On the cost front, input prices faced by French goods producers rose for the second month running. Moreover, the rate of inflation accelerated to the quickest since December 2019 and was solid overall. Panel members commented on higher prices for hygiene-related products and raw materials such as cement, palm oil and cereals.

Manufacturers opted to pass on some of the higher costs to their clients through an increase in output prices during September. That said, the rate of charge inflation eased from August and was marginal overall.

Finally, good producers remained confident of an increase in output over the coming year, supported by expectations that demand conditions would continue to improve. In fact, the degree of optimism was the strongest since before the escalation of the pandemic in March.



Sources: IHS Markit, INSEE.

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Survey methodology

The IHS Markit France Manufacturing PMI® is compiled by IHS Markit 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.

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.

Survey dates and history

Data were collected 11-23 September 2020.

Data were first collected April 1998.

Flash vs. final data

Flash data were calculated from approximately 85% of final responses. 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.

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