

News Release

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S&P Global France Manufacturing PMI[®]

Manufacturing downturn eases in December

Key findings

Output falls at slowest pace in seven months

First decline in employment since January 2021

Business confidence picks up as new order downturn eases

France's manufacturing sector contracted further during December, with output and new orders falling for a seventh successive month. However, these declines moderated, signalling an easing of the downturn. There was even a slight pick-up of business confidence to a four-month high.

That said, French manufacturing employment levels fell for the first time since January 2021, while output price inflation accelerated slightly despite weak demand conditions and a further easing of cost pressures.

The seasonally adjusted S&P Global France Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted below the 50.0 no-change mark in December for a fourth month in a row, signalling a further deterioration in operating conditions across France's goods-producing sector.

However, at 49.2, the latest reading was an increase from 48.3 in November and up to its highest since August, thereby signalling a softer downturn.

French manufacturers recorded another decrease in output during December, the seventh in as many months. Weak demand and difficulties securing inputs led to production cutbacks, according to anecdotal evidence. However, the decline was the weakest over the aforementioned sequence as some companies were able to raise output following critical component deliveries.

There was a further decline in new orders received by French manufacturers in December. Survey respondents commented on generally weak demand conditions amid high inflation and lower client activity levels. The deterioration was strong, but the softest since June. Nevertheless, export performances worsened, with new orders from overseas customers falling at the quickest pace since May 2020.

French manufacturers continued to make inroads into their backlogs during December, with incomplete order volumes falling for the fourth month in a row. Amid evidence of

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



Source: S&P Global.
Data were collected 06-16 December 2022.

Comment

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

"France's manufacturing downturn continued into December as the effects of inflation, slowing economic activity and high energy costs weighed on the performance of the sector.

"However, the strength of the downturn continued to ease, with output and new orders falling at their slowest rates since May and June respectively. An improvement in business confidence also provides tentative signs that the industrial sector recession may not be as severe as first feared.

"Inflation remains a key risk to the performance of the manufacturing sector, with high prices deterring clients from making new orders. The fact that energy costs thus far haven't surged to the levels some were initially expecting has been a boost to the sector, although whether things take a turn for the worst this remains to be seen."

growing spare capacity, French manufacturers cut their staffing levels back for the first time since January 2021. According to panellists, this reflected the non-replacement of leavers.

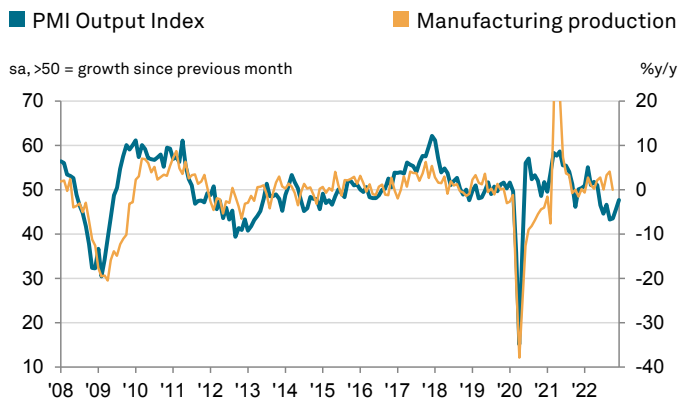
With production requirements falling, there was a reduction in purchasing activity at the end of the year. The rate of decline was steep and the quickest for three months. Concurrently, stocks of purchases fell to the quickest extent since September 2021. Some companies reduced their stocks to preserve cashflow.

Meanwhile, December survey data showed a further lengthening of supplier lead times. In fact, vendor performance worsened to a slightly greater extent than in November. Nevertheless, supply-chain pressures were at their second-least intense since October 2020.

French manufacturers faced another month of sharp rises in their operating costs during December. Panel members generally linked the increase to higher energy prices, although there were some reports of suppliers hiking their fees. Overall, the rate of input cost inflation was the weakest in almost two years.

On the other hand, there was a slight acceleration in the rate of output charge inflation during December as companies opted to share the burden of higher costs with their customers through selling price rises.

Finally, although business confidence improved, it remained historically subdued as inflation, recession concerns and high energy costs weighed on sentiment.



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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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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.