

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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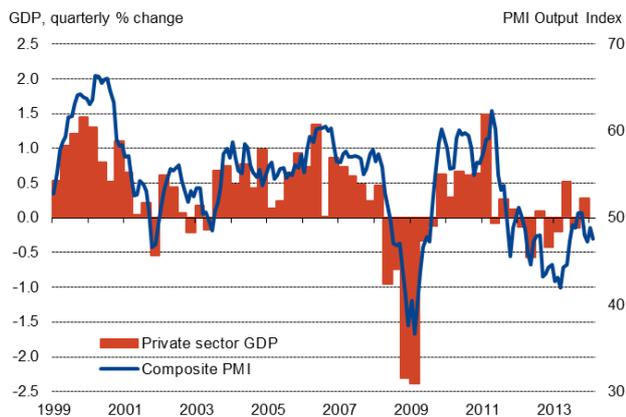
Markit France Services PMI® – final data (with Composite PMI®)

French services activity falls at sharpest rate in eight months

Key points:

- Final Markit France Services Activity Index⁽¹⁾ at 47.2 (48.9 in January), 8-month low.
- Final Markit France Composite Output Index⁽²⁾ at 47.9 (48.9 in January), 2-month low.

Historical overview:



Sources: Markit, INSEE via Ecwin.

Summary:

French service providers reported a sharper drop in activity during February. This reflected an acceleration in the pace of decline of new business. Similarly, backlogs of work and employment decreased at faster rates. Input price inflation eased, while output charges fell at a slower pace. Business expectations meanwhile improved to the highest level for almost two years.

The seasonally adjusted final **Markit France Services Business Activity Index** – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared with one month ago – posted 47.2 in February. Down from 48.9 in January, the latest index reading was the lowest in

eight months and indicative of a solid rate of contraction.

In contrast, manufacturers signalled a rise in output during February. Although marginal, it was the first increase since last July. Nonetheless, the seasonally adjusted final **Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – slipped from 48.9 in January to 47.9, signalling a slight acceleration in the rate of decline of private sector output.

The fourth consecutive monthly fall in service sector activity reflected a further drop in the level of **new business**. Although moderate, the rate of decline in new work accelerated to the sharpest since last August. Panel members commented on tight client budgets and lower public sector spending.

Composite data signalled a fifth successive monthly drop in new orders. The rate of contraction quickened since January but was moderate overall.

Reduced inflows of new work allowed French service providers to clear **backlogs of work** during February. Outstanding business decreased for the fifth month running and at the sharpest rate since last May.

Across the French private sector as a whole, outstanding business fell for the fifth month running, and at a sharper rate than in January.

In line with lower activity and new business, **employment** in the French service sector continued to decline in February, extending the current period of contraction to four months. Moreover, the rate of job shedding accelerated to the sharpest since last November.

Manufacturers also cut staffing levels at a sharper rate than in February. Consequently, overall employment across the French private sector decreased at the fastest pace in three months.

Prices charged by service providers in France fell for a twenty-third successive month in February. However, the latest decline was the least marked since last September. Panel members commented on competitive pressures and client requests for discounts as reasons contributing to the latest decrease in charges.

Output prices across the French private sector as a whole fell moderately and at the slowest pace for five months during February.

Input prices faced by French service providers continued to rise in February. That said, the rate of cost inflation eased from January's two-year high to a pace much slower than the historical average for the survey.

Composite data signalled the weakest rate of cost inflation across the French private sector in seven months.

Business expectations in the French service sector remained positive in the latest survey period. The degree of confidence signalled was the highest in almost two years, although remained softer than the survey's long-run trend. Anecdotal evidence suggested that optimism was supported by tentative signs of recovery, planned new product launches and fresh commercial strategies.

Comment:

Jack Kennedy, Senior Economist at Markit, which compiles the France Services PMI® survey, said:

"The latest French service sector data disappointed, with activity, new business and employment all falling at sharper rates in February. Weak client spending was again reported to have weighed on service providers' performance. However, companies are hopeful of turning the corner in the foreseeable future, with confidence in the 12-month outlook improving to the highest level for almost two years. Anecdotally, sentiment was linked in a number of cases to new product launches, as companies look to innovate and bring new services to market in a bid to improve their fortunes."

-Ends-

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Notes to Editors:

The France Services PMI (Purchasing Managers' Index) is produced by Markit and is based on original survey data collected from a representative panel of around 400 companies based in the French service sector. The final France Services PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The February flash was based on 80% of the replies used in the final data.

The France Composite PMI (Purchasing Managers' Index) is produced by Markit and is based on original survey data collected from a representative panel of around 800 companies based in the French private sector economy. The final France Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The February flash was based on 81% of the replies used in the final data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
France Services Output Index ⁽¹⁾	-0.2	0.6
France Composite Output Index ⁽²⁾	-0.1	0.5

Notes

1. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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Purchasing Managers' Index[®] (PMI[®]) surveys are now available for 32 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. To learn more go to www.markit.com/economics.

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