

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Flash France PMI®

Flash France Composite Output Index rises to 31-month high

Key points:

- Flash France Composite Output Index⁽¹⁾ rises to 51.6 (47.9 in February), 31-month high
- Flash France Services Activity Index⁽²⁾ climbs to 51.4 (47.2 in February), 26-month high
- Flash France Manufacturing Output Index⁽³⁾ rises to 52.8 (50.8 in February), 34-month high
- Flash France Manufacturing PMI⁽⁴⁾ climbs to 51.9 (49.7 in February), 33-month high

Data collected 12-21 March

Summary:

French private sector output returned to growth in March. Although moderate, the rate of expansion was the sharpest in 31 months. This was indicated by the **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, posting 51.6, up from 47.9 in February. That was the first reading above the 50.0 no-change threshold since last October.

Expansion was broad-based across the service and manufacturing sectors. **Services** activity increased for the first time in five months during March. Growth was at a 26-month high, albeit modest overall. **Manufacturers** reported a solid rise in output that was the sharpest since May 2011.

Underpinning activity growth was a rise in the level of **new orders** received by French private sector companies during March. This ended a five-month period of contraction. In the manufacturing sector, growth of new work picked up to a solid pace that was the sharpest in 34 months (partly boosted by a faster rise in **new export orders**). Service providers signalled a marginal increase in new business, following five successive monthly falls. Panellists commented on improved demand conditions and successful marketing initiatives.

Outstanding business in the French private sector rose for the first time in six months during March. Growth was solid and the sharpest since August 2011, with service providers and manufacturers both indicating higher backlogs of work.

Employment in the French private sector was broadly stable in March, with the rate of job shedding easing to a negligible pace. Little-changed staffing levels were signalled by both services and manufacturing companies.

Input prices faced by French private sector firms increased for the tenth month running in March. That said, the rate of inflation eased to a slight pace that was the slowest since last July. Service providers' input costs rose modestly, whereas manufacturers reported a sharper reduction.

French private sector companies' **output prices** decreased further, in line with the trend observed since May 2012. Service providers reported a sharper drop in charges than manufacturers. Anecdotal evidence highlighted strong competitive pressures as a factor undermining firms' pricing power.

Business expectations in the French service sector remained positive in March, albeit easing a touch from February's near two-year high. New products, new markets and promising pipelines of work were cited by panellists as reasons for optimism. However, some firms expressed concern over a still-subdued economic climate, increased taxes and tight bank lending.

Comment:

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

"Much-improved PMI data in March indicate that the private sector is moving in the right direction, with activity, new business and backlogs all returning to growth. Improving conditions both at home and

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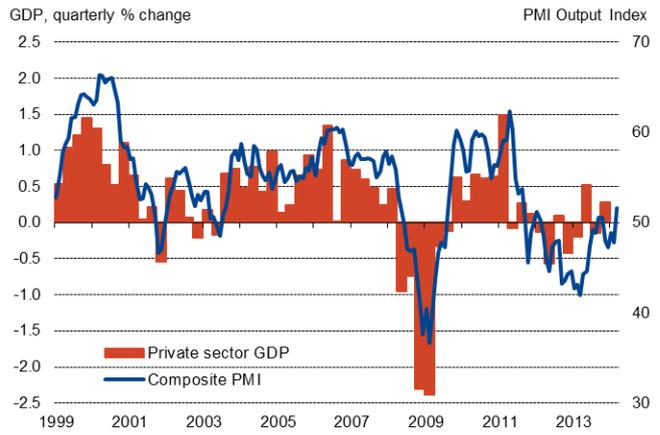
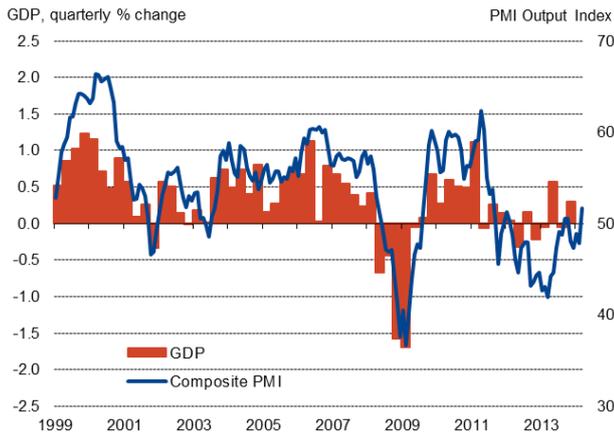


abroad were reported to have contributed to expansion, although there was further evidence that price discounting had been necessary to support sales. If activity growth can gain some traction in the coming months then we could also see some

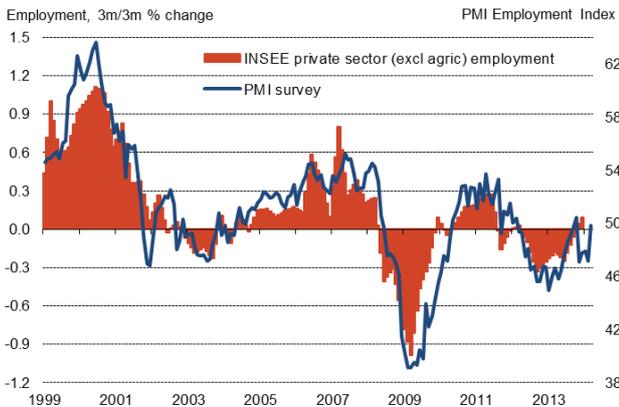
improvement on the employment front, which would deliver a timely boost to confidence.”

-Ends-

Economic output



Employment



Sources: Markit, INSEE via EcoWin.

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Note to Editors:

Final March data are published on 1 April for manufacturing and 3 April for services and composite indicators.

The France PMI (Purchasing Managers' Index) is produced by Markit Economics and is based on original survey data collected from a representative panel of 750 companies based in the French manufacturing and service sectors. The **flash** estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

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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 Composite Output Index ⁽¹⁾	-0.1	0.5
France Manufacturing PMI ⁽³⁾	0.0	0.4
France Services Business Activity Index ⁽²⁾	-0.2	0.6

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.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. 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?"
3. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"
4. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.

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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About PMI:

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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