

News Release

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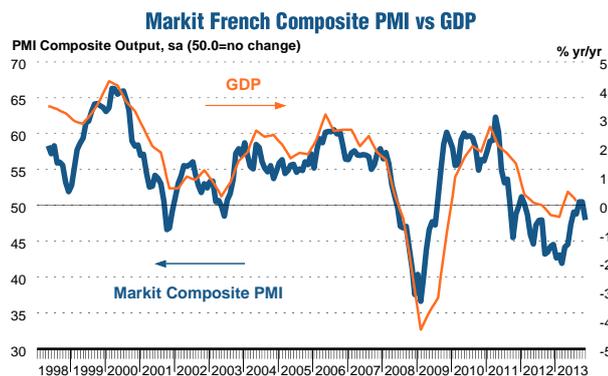
Markit France Services PMI[®] – final data (with Composite PMI[®])

French service sector slips back into contraction in November

Key points:

- Final Markit France Services Activity Index⁽¹⁾ at 48.0 (50.9 in October), 5-month low.
- Final Markit France Composite Output Index⁽²⁾ at 48.0 (50.5 in October), 5-month low.

Historical overview:



Sources: Markit, INSEE

Summary:

Business activity in the French service sector decreased for the first time in three months during November. New business, backlogs of work and employment also fell. Input price inflation strengthened, but output charges declined at a faster rate. Business expectations remained positive but to the weakest degree since July.

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 48.0. The latest reading was down from 50.9 in October and signalled a moderate rate of contraction.

The seasonally adjusted final **Markit France Composite Output Index** – which covers the

combined manufacturing and service sectors – posted 48.0 in November, down from 50.5 in October. The latest reading was the lowest in five months.

Underlying the fall in activity was a further reduction in the level of **new business** placed with French service providers during November. It was the second reduction in new work in consecutive months, and at the same moderate pace as recorded in October. Anecdotal evidence suggested that demand conditions remained subdued, while clients were reluctant to commit to new projects.

Composite data also signalled a reduction of new business, with the rate of decline quickening to the fastest in three months.

Lower inflows of new business allowed French service providers to focus their resources on existing contracts. **Backlogs of work** decreased for the second month running in November, and at the sharpest rate since May.

Outstanding business was also down across the private sector as a whole. Although moderate, the rate of contraction was the sharpest since May.

Employment in the French service sector fell during November, having risen marginally in October. The rate at which staffing levels were cut was the sharpest in seven months. In a number of cases, job cuts were attributed by panellists to company restructuring strategies.

Across the private sector as a whole, employment fell at a solid pace that was the sharpest in six months.

Input prices faced by French service providers increased further during November, continuing the trend that has been observed since January 2010. Panel members noted higher costs for energy and labour.

Composite data also pointed to a faster rise in input prices during November, with the latest increase the most marked since December 2012.

In contrast, **output prices** in the French service sector continued to be lowered, with a number of survey respondents commenting on strong competitive pressures. The rate at which charges were reduced was the sharpest since August.

Prices charged across the French private sector as a whole decreased further in November, with the latest decline the fastest in three months.

French service providers' **business expectations** remained positive in November. However, the degree of optimism signalled was down on October's 17-month high to the lowest level since July. Among those panellists signalling an upbeat outlook, some commented that enhanced marketing and business development strategies were hoped to underpin activity growth over the next 12 months. However, other respondents indicated that general business conditions remained tough and that competitive pressures were intense.

Comment:

Jack Kennedy, Senior Economist at Markit and author of the France Services PMI®, said:

“A relapse of the French service sector in November underlines the continuing challenges facing companies. Weak demand and confidence again weighed on new business inflows, while jobs were cut at the sharpest rate in seven months. The latest data highlight the risk of a further contraction in GDP during the fourth quarter, which would tip France back into recession.”

-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 over 300 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 November flash was based on 84% 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 over 700 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 November flash was based on 84% 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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