

## **News Release**

Purchasing Managers' Index®

MARKET SENSITIVE INFORMATION

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# Markit Flash France PMI®

# French private sector output stabilises in September as service economy returns to growth

### **Key points:**

- Flash France Composite Output Index<sup>(1)</sup> rises to 50.2 (48.8 in August), 19-month high
- Flash France Services Activity Index<sup>(2)</sup> climbs to 50.7 (48.9 in August), 20-month high
- Flash France Manufacturing Output Index<sup>(3)</sup> drops to 47.8 (48.5 in August), 4-month low
- Flash France Manufacturing PMI<sup>(4)</sup> falls to 49.5 (49.7 in August), 3-month low

Data collected 12-20 September

## **Summary:**

French private sector companies signalled a broad stabilisation of private sector output during September. This ended an 18-month period of contraction. The **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, registered 50.2, up from 48.8 in August. The latest reading was indicative of a fractional rate of growth.

Underpinning the improved performance was a marginal expansion of **service sector** activity for the first time since March 2012. This offset a sharper fall in **manufacturing** output, which decreased at the fastest pace in four months.

The level of **new business** received by French private sector firms was unchanged in September. This followed a one-and-a-half year period of contraction. Broadly stable new orders were indicated by both service providers and manufacturers during the latest survey period.

Similarly, **outstanding business** was stable in September, with broadly flat trends signalled across both sectors.

Employment continued to fall in September, but

the rate of job shedding eased to only a marginal pace that was the slowest in the current 19-month period of decline. While some panellists reported that they had chosen not to replace voluntary leavers, others noted that additional staff had been recruited in anticipation of upcoming projects.

**Input prices** faced by French private sector firms increased for a fourth consecutive month in September. However, the rate of inflation was modest and slightly weaker than in the previous month. Where a rise in costs was recorded, this was linked by survey respondents to higher fuel and raw material prices.

**Output prices** continued to fall, extending the current period of decline to 17 months. That said, the latest reduction was only marginal and the weakest in that sequence as a return to inflation was seen in manufacturing. Competitive pressures were generally cited by those panellists that lowered their selling prices.

French service providers expect activity to rise over the coming year. However, the degree of **confidence** was down on August's 15-month high and remained well below the survey's long-run average.

#### Comment:

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

"The latest Flash PMI data point to stabilising business conditions in France during September. A return to expansion for the service sector counterbalanced a weaker manufacturing performance, but new business trends were broadly flat across both sectors. Employment also moved closer to stabilisation, which should help the economy remain on a firmer footing."

-Ends-





#### **Economic output**



#### **Employment**



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#### Note to Editors:

Final September data are published on 1 October for manufacturing and 3 October 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.

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	difference	in absolute terms
France Composite Output Index <sup>(1)</sup>	-0.1	0.5
France Manufacturing PMI <sup>(3)</sup>	0.0	0.4
France Services Business Activity PMI Index <sup>(2)</sup>	-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 <a href="mailto:economics@markit.com">economics@markit.com</a>.





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#### **About PMIs**

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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