

News Release

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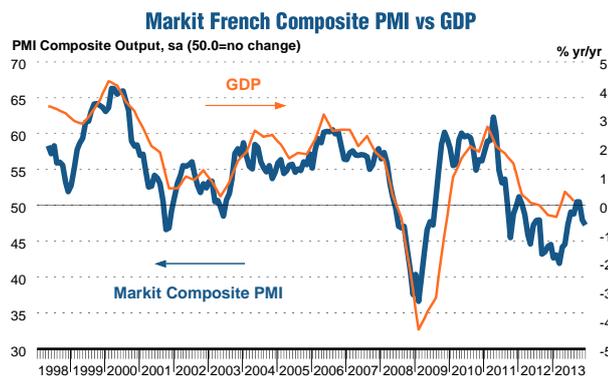
Markit France Services PMI® – final data (with Composite PMI®)

French service sector business activity falls at sharpest rate since June

Key points:

- Final Markit France Services Activity Index⁽¹⁾ at 47.8 (48.0 in November), 6-month low.
- Final Markit France Composite Output Index⁽²⁾ at 47.3 (48.0 in November), 7-month low.

Historical overview:



Sources: Markit, INSEE

Summary:

French service providers reported a further drop in business activity during December. Moreover, the rate of contraction quickened slightly since the previous month. Dragging activity lower was another fall in new business. Outstanding business continued to decline, despite a further reduction in staffing levels. Input costs rose further, but output charges decreased. Confidence regarding future activity rose in the latest survey period.

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 47.8, down marginally from 48.0 in November. The latest reading was the lowest in six months. Panellists attributed lower activity to another fall in incoming new work.

The seasonally adjusted final **Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – posted 47.3 in December, down from 48.0 in November. The latest reading was the lowest in seven months.

New business at French service providers was down for the third month in succession during December. That said, the latest fall was modest and the slowest in this period. Anecdotal evidence suggested that clients were scaling back their spending in response to continued economic uncertainties.

Composite data signalled a third successive monthly reduction in new business, with the rate of decline unchanged from the modest pace recorded in November.

Lower inflows of new work allowed French service providers to make further inroads into their **backlogs of work** during December. Although moderate, the rate of decline in outstanding business was the sharpest since May.

Outstanding business across the French private sector as a whole decreased for the third month running, with the rate of contraction accelerating to the sharpest since May.

The drop in unfinished work at French service providers occurred despite another reduction in **staffing levels**. Job losses were recorded for the second month running, albeit at a weaker pace than in November. A number of panellists indicated that they had chosen not to replace voluntary leavers.

Composite data signalled a second consecutive monthly fall in employment, although the latest drop was modest and weaker than in November.

Contrasting price trends were recorded again in the French service sector during December. On the one hand, **input costs** continued to rise, albeit

moderately and at a slower pace than in November. On the other hand, **output charges** decreased further, falling for the twenty-first consecutive month. The rate at which charges were cut remained solid, despite easing marginally in the latest survey period. Lower tariffs were attributed by survey respondents to strong competitive pressures and, in some cases, client requests for discounts.

A similar picture was signalled across the French private sector overall, with input cost rising at a solid pace whereas output charges were reduced further.

French service providers' **business expectations** remained positive in December, with panellists on average expecting growth of activity during the coming 12 months. Furthermore, the degree of positive sentiment signalled was stronger than in November and only slightly below the 17-month high recorded in October. Factors underpinning panellists' confidence included hopes of a revival in general demand conditions, promising pipelines of work and business investments coming to fruition.

Comment:

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

"The French service sector lost further ground in December, with business activity falling at the sharpest rate in six months. Persistently weak demand continues to impact on the sector's performance, with firms reporting continued declines in both new business and backlogs of work. However, firms hold some positivity that the situation will improve in 2014, with business expectations holding at a level better those seen over much of the past year-and-a-half."

-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 December flash was based on 87% 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 December flash was based on 91% 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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