

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit France Manufacturing PMI® – final data

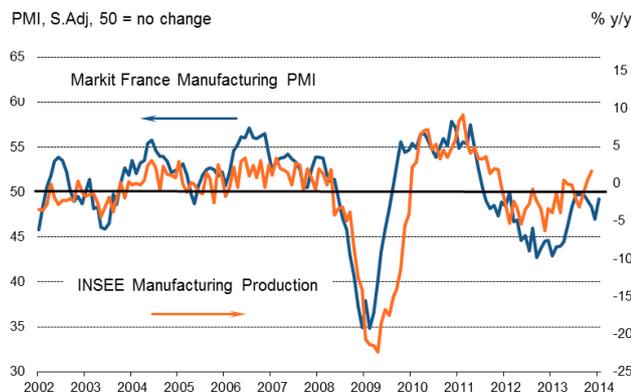
Slower decline in French manufacturing output signalled in January

Key points:

- PMI rises to highest level in four months
- Rates of contraction in output and new orders ease
- Employment falls at weaker pace

Historical overview:

Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: Markit, INSEE

Summary:

The downturn in France's manufacturing sector eased at the start of 2014. This was indicated by the headline **Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to measure the performance of the manufacturing economy – rising to a four-month high of 49.3 in January from 47.0 in December.

Four of the five components of the PMI acted to boost the level of the headline index during January. New orders, output, employment and stocks of purchases declined at slower rates. Only suppliers' delivery times made a weaker

contribution, lengthening to a less marked degree than one month previously.

Output at French manufacturers fell at a slower pace in January. The latest drop in production was modest and the least marked since October. This primarily reflected an easing in the rate of contraction of **new orders** to the weakest in the current four-month period of decline. **New export orders** increased for the first time in three months, albeit marginally.

Backlogs of work and **employment** both decreased at slower rates in January. In each case, the rate of contraction was marginal.

French manufacturers continued to run down their **stocks of finished goods** in January. The latest drop in post-production inventories was the twenty-second in consecutive months and faster than in December.

The **quantity of inputs purchased** by French manufacturers fell further in January. That said, the rate of decline eased to the slowest since October. **Stocks of purchases** continued to fall, with the rate of contraction remaining marked despite easing slightly since the preceding month.

Supplier performance deteriorated further in the latest survey period, with average lead times lengthening for a seventeenth successive month. In some cases, slower deliveries were linked by panellists to low stock levels at vendors' units.

Input prices faced by French manufacturers rose for the fifth month running in January. However, the rate of cost inflation eased to a modest pace that was the slowest since September.

Prices charged by French manufacturers for finished goods decreased for the first time in three months. Although modest, the rate of decline was the sharpest since last April. Anecdotal evidence

suggested that strong competitive pressures both domestically and abroad had contributed to the drop in output prices.

Comment:

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

“The French manufacturing sector remained stuck in contraction during January, but recorded a notably slower fall in output than was evident at the

end of 2013. While a recovery remains elusive for the time being, the hope will be that President Hollande’s new reform agenda will deliver some sort of a shot in the arm to business confidence and kick-start a return to growth.”

-Ends-

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Notes to Editors:

The France Manufacturing PMI (Purchasing Managers’ Index) is produced by Markit Economics and is based on original survey data collected from a representative panel of over 400 companies based in the French manufacturing sector.

The **final** France Manufacturing 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 January flash was based on 79% 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 Manufacturing PMI ⁽¹⁾	0.0	0.4

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.

1. 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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