

News Release

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

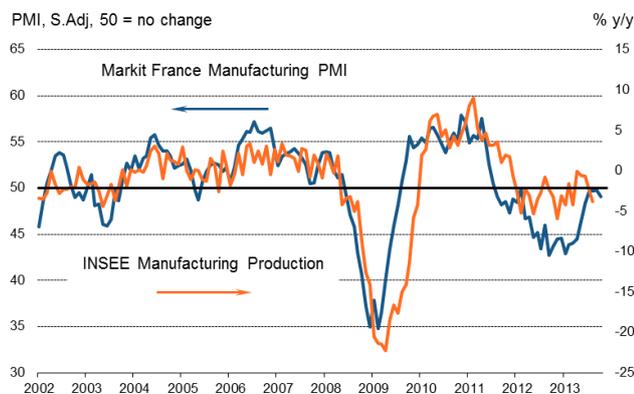
French manufacturing output falls for third month running in October

Key points:

- Further modest decline in production
- New orders slip back into contraction...
- ...despite rise in export sales

Historical overview:

Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: Markit, INSEE

Summary:

Latest data signalled a further slight deterioration in French manufacturing sector business conditions during October. The headline **Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to measure the performance of the manufacturing economy – registered 49.1, down slightly from 49.8 in September. That was the twentieth consecutive reading below the 50.0 threshold, albeit indicative of a marginal rate of deterioration in overall operating conditions.

Contributing to the drop in the headline PMI was a return to contraction of **incoming new orders** during the latest survey period. The decrease in new work occurred despite a further rise in **new**

export orders, which grew for the third time in the past four months. Although moderate, the rate of expansion in foreign sales was the sharpest since May 2011.

Falling new orders were accompanied by a reduction in **backlogs of work** at French manufacturers during October, albeit marginal.

Production was down for a third successive month in October, although the rate of decline eased to the weakest in that period.

Staffing levels continued to fall, extending the current period of job shedding to 20 months. That said, the rate of decline in employment remained modest. Company restructuring and the non-replacement of voluntary leavers were cited by panellists as reasons for lower headcounts.

Lower workloads resulted in a further drop in the quantity of raw materials and semi-manufactured goods bought by French manufacturers during October. The latest fall in **input buying** was the twentieth in successive months and solid overall.

Correspondingly, **stocks of purchases** contracted further, in line with the trend seen since June 2011. The latest reduction in pre-production inventories was the sharpest in five months.

Stocks of finished goods held by French manufacturers also fell, with some panellists commenting on efforts to free-up cashflow.

Average **purchasing costs** in the French manufacturing sector rose for a second consecutive month in October. The rate of input price inflation was robust and the sharpest since March 2012, with panellists commenting on higher prices paid for a range of raw materials.

In contrast, **charges for finished goods** remained broadly unchanged in the latest survey period, as

manufacturers looked to remain competitive in their pricing.

Suppliers' delivery times continued to lengthen in the latest month, reflecting low stock levels at vendors' units. The latest increase in lead times was the most marked since August 2011.

Comment:

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

"The French manufacturing sector remained in

contraction at the start of the fourth quarter, with output, new orders and employment all showing further (albeit modest) declines. One rare bright spot was a rise in export sales for the third time in the past four months, with growth the fastest since May 2011. Overall though, the data point to a sector continuing to struggle in the face of persistently weak economic conditions."

-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 October flash was based on 85% 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 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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