

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Flash France PMI®

French private sector output falls at slowest rate in 17 months

Key points:

- Flash France Composite Output Index⁽¹⁾ climbs to 48.8 (47.4 in June), 17-month high
- Flash France Services Activity Index⁽²⁾ rises to 48.3 (47.2 in June), 11-month high
- Flash France Manufacturing PMI⁽³⁾ up to 49.8 (48.4 in June), 17-month high
- Flash France Manufacturing Output Index⁽⁴⁾ rises to 51.3 (47.9 in June), 25-month high

Data collected 12-23 July

Summary:

The rate of decline in French private sector output eased further in July. The **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, posted 48.8, up from 47.4 in June. The latest reading was the highest since February 2012 and indicative of only a moderate pace of contraction.

In the **service sector**, business activity fell at the slowest rate for 11 months in July. In **manufacturing**, output increased for the first time since February 2012, and at the fastest pace for over two years.

The weaker drop in overall output across the French private sector economy reflected a similar easing in the rate of decline in **new business**. The latest fall in incoming new work was only modest and the slowest in 17 months. Service providers and manufacturers both signalled slower reductions in new business. Anecdotal evidence pointed to stabilising demand in certain markets, although mention continued to be made of strong competitive pressures.

Backlogs of work in the French private sector fell further in July, extending the current period of decline to 19 months. However, the latest reduction

was marginal and the weakest in this sequence. Service providers indicated a slower fall in outstanding business, while manufacturers reported a rise for the first time since April 2012.

The rate of **job shedding** in the French private sector moderated further in July. The latest fall in staffing levels was the slowest in 15 months. Both service providers and manufacturers signalled weaker reductions in employment.

Prices charged by private sector firms in France were down for a fifteenth successive month in July. Moreover, the latest decrease was the sharpest since January. While manufacturers signalled another modest reduction in selling prices, service providers indicated the sharpest fall in six months.

In contrast, **input prices** faced by French private sector companies rose for a second consecutive month in July, albeit marginally. Whereas service providers signalled a rise in costs, manufacturers recorded a decline.

Activity expectations in the French service sector remained positive in July. The degree of positive sentiment was the highest since August 2012. Company acquisitions, diversification into new product areas and fruitful investments were among the reasons given by panellists for optimism during the latest survey period.

Comment:

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

"Output in the French private sector moved closer to stabilisation at the start of the third quarter. Manufacturers actually signalled a rise in output for the first time in almost one-and-a-half years, while service providers registered a slower decline in activity. With key variables such as new business, employment and backlogs of work all showing more modest declines, and service providers reporting a



In conjunction with



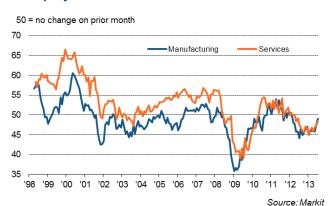
more positive outlook regarding future activity, momentum seems to be heading in the right direction and could herald a return to growth in the second half of the year."

-Ends-

Economic output



Employment



For further information, please contact:

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Note to Editors:

Final July data are published on 1 August for manufacturing and 5 August 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	Average difference	Average difference in absolute terms
France Composite Output Index ⁽¹⁾	-0.1	0.5
France Manufacturing PMI ⁽³⁾	0.0	0.4
France Services Business Activity PMI Index ⁽²⁾	-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 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.





4. 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?"

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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