

News Release

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

Output stabilises in August as service sector expansion offsets sharper decline in manufacturing

Key points:

- Flash France Composite Output Index⁽¹⁾ rises to 50.0 (49.4 in July), 4-month high
- Flash France Services Activity Index⁽²⁾ rises to 51.1 (50.4 in July), 5-month high
- Flash France Manufacturing Output Index⁽³⁾ rises to 45.4 (45.2 in July), 2-month high
- Flash France Manufacturing PMI⁽⁴⁾ falls to 46.5 (47.8 in July), 15-month low

Data collected 12-20 August

Summary:

The latest flash PMI data signalled that French private sector output stabilised in August. This ended a three-month period of contraction. After accounting for seasonal factors, the **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, rose to 50.0, from 49.4 in July.

Divergent trends remained apparent at the sector level. On the one hand, **service providers** indicated a further rise in activity. Although moderate, the rate of growth was the sharpest in five months. In contrast, **manufacturers** continued to signal falling output, with the rate of contraction only slightly slower than July's marked pace.

New business at French private sector firms increased for the first time in five months during August, albeit marginally. Again, contrasting sector trends were recorded. New work at service providers rose for the first time since March and, although modest, the increase was the fastest since August 2011. In contrast, manufacturers indicated the steepest reduction in new orders for 16 months, with weakness apparent in both the domestic and export markets.

Although new business was up slightly, French private sector firms continued to run down their **backlogs of work** in August. The latest decrease in unfinished work was the fourth in successive months and the sharpest since February. Whereas service providers noted a slight reduction in backlogs, manufacturers reported the steepest decline since January 2013.

Employment in the French private sector fell for a tenth consecutive month in August. Moreover, the rate of job shedding quickened to the fastest since February. Lower staffing levels were recorded in the services and manufacturing sectors, with the latter posting the steeper decline.

Prices data highlighted a continued squeeze on French private sector firms' operating margins during August. **Input costs** rose at a solid rate that was the sharpest since January, with service providers and manufacturers both signalling increases. There was some mention from panellists of higher prices paid for certain raw materials.

However, **output prices** continued to fall at a solid pace, with firms in both sectors cutting charges. There were reports from the survey panel of aggressive competition forcing discounts to be offered.

French service sector companies were the least **optimistic** for 15 months during August. Panellists anticipate that generally weak demand conditions will weigh on activity over the coming year.

Comment:

Jack Kennedy, Senior Economist at Markit, which compiles the Flash France PMI® survey, said:

"Modest expansion in France's dominant service sector masked ongoing weakness in manufacturing during August. Overall, the data point to quarterly GDP tracking around stagnation in the third quarter,

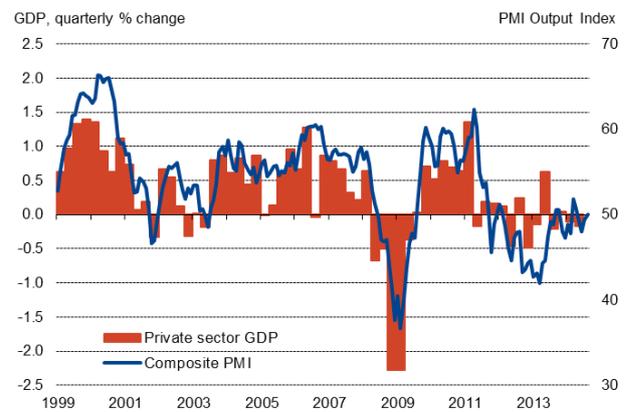
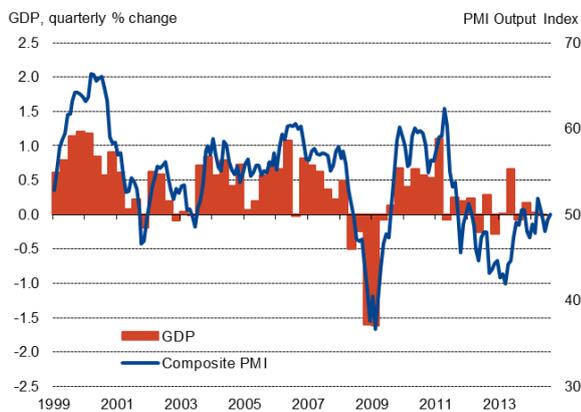
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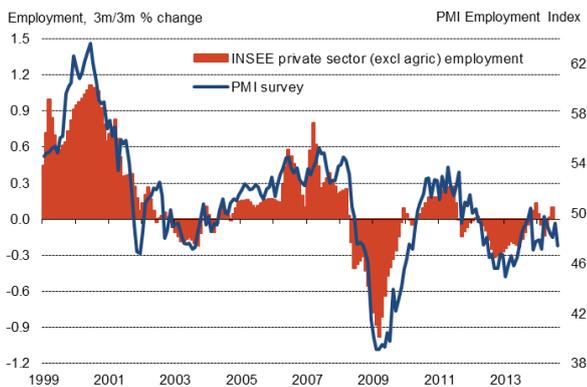
continuing the flat trend seen since the turn of the year.

“An acceleration in the rate of job cutting combined with ebbing business confidence in the service sector during August offers little to suggest that the economy is set to snap out of its sluggish performance any time soon.”

Economic output



Employment



Sources: Markit, INSEE via EcoWin.

In conjunction with



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Note to Editors:

Final August data are published on 1 September for manufacturing and 3 September 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	0.4
France Manufacturing PMI ⁽³⁾	0.1	0.4
France Services Business Activity 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 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 economics@markit.com.

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About PMI

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