

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0800 (UK Time) 23 January 2014

Markit Flash France PMI®

Slower fall in French output at start of 2014

Key points:

- Flash France Composite Output Index⁽¹⁾ rises to 48.5 (47.3 in December), 3-month high
- Flash France Services Activity Index⁽²⁾ climbs to 48.6 (47.8 in December), 3-month high
- Flash France Manufacturing Output Index⁽³⁾ rises to 48.2 (45.2 in December), 3-month high
- Flash France Manufacturing PMI⁽⁴⁾ up to 48.8 (47.0 in December), 3-month high

Data collected 13-22 January

Summary:

French private sector firms reported a third successive monthly drop in output during January. However, the rate of contraction was modest and the weakest in this sequence. The **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, posted 48.5, up from 47.3 in the previous month.

Slower falls in activity were recorded in both the **service** and **manufacturing** sectors. In each case, the latest drop was the least marked since October.

New business at French private sector firms also fell at a slower pace during the latest survey period. The rate of decline eased to the weakest in the current four-month period of contraction, with service providers and manufacturers both indicating slower falls. Anecdotal evidence suggested that although economic conditions remained generally challenging, new product launches and the exploitation of new business opportunities had benefited some companies. Manufacturers noted a rise in export business for the first time in three months, albeit only marginal.

January data indicated a reduction in **outstanding business** at French private sector companies for the fourth month in succession. That said, the rate

of decline eased to a modest pace that was the slowest since October. Service providers and manufacturers alike signalled weaker reductions in backlogs.

French private sector firms signalled job shedding for a third consecutive month during January. **Employment** decreased at a moderate pace that was little-changed since December. Whereas service providers reported an accelerated rate of job losses, manufacturers noted only a marginal drop in staffing levels that was the weakest in four months.

Input prices in the French private sector increased further in January. Moreover, the rate of inflation accelerated to a 21-month high. Cost inflation in the service sector climbed to the sharpest since December 2011, but manufacturers indicated the weakest rise in input prices in four months.

In contrast to the trend signalled for input costs, **output prices** in the French private sector continued to fall in January. Firms in both the service and manufacturing sectors indicated lower charges, often linked to competitive pressures.

Business expectations in the French service sector remained positive in January, although confidence softened since December and was below the survey's long-run average. Some companies indicated that sales and marketing campaigns were hoped to boost activity over the coming year.

Comment:

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

"Weakness in the French private sector persisted in January, with output falling further, albeit at a reduced rate. Moderate falls in new orders, employment and backlogs of work were also recorded, in each case across both the service and

In conjunction with

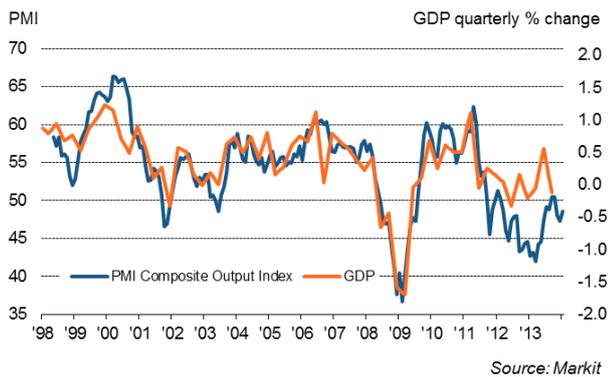


manufacturing sectors, pointing to a general softness that seems to show little sign of lifting. Meanwhile, contrasting trends in input and output prices were recorded, with the gap between the survey's respective indices widening to the largest in nearly three years, as strong competitive

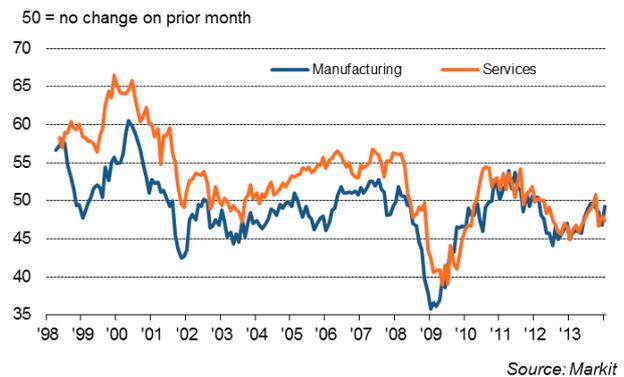
pressures eroded firms' pricing power and prevented the pass-through of higher purchasing costs to clients."

-Ends-

Economic output



Employment



For further information, please contact:

Markit

Jack Kennedy, Senior Economist
Telephone 44-1491-461-087
Email jack.kennedy@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-78-1581-2162
Email caroline.lumley@markit.com

Note to Editors:

Final January data are published on 3 February for manufacturing and 5 February 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?"

In conjunction with



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:

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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