

News Release

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

Sharper fall in output at French companies in December

Key points:

- Flash France Composite Output Index⁽¹⁾ falls to 47.0 (48.0 in November), 7-month low
- Flash France Services Activity Index⁽²⁾ drops to 47.4 (48.0 in November), 6-month low
- Flash France Manufacturing Output Index⁽³⁾ slips to 45.3 (48.0 in November), 7-month low
- Flash France Manufacturing PMI⁽⁴⁾ falls to 47.1 (48.4 in November), 7-month low

Data collected 5-13 December

Summary:

The rate of decline in French private sector output accelerated during December. The **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, posted 47.0, down from 48.0 in November and signalling a second consecutive fall in output.

Both the manufacturing and service sectors signalled sharper reductions in output than in November. **Services** activity decreased for the second month running, and at the fastest pace since June. Meanwhile, **manufacturers** posted a marked decline in production, extending the current sequence of contraction to five months.

Respondents indicated that lower **new orders** was behind the fall in output, in turn linked to caution among clients. New business decreased for the third month running. Services companies recorded a modest decline in new orders that was broadly in line with that seen in November. Meanwhile, manufacturing new orders decreased at the fastest pace since April. New export business at manufacturers declined for the second successive month.

With new orders decreasing, companies utilised spare resources to work through outstanding

business. **Backlogs of work** fell solidly and at the sharpest pace in eight months.

Staffing levels also continued to decline during December. Employment in the French private sector has fallen in 21 of the past 22 months. The solid reduction in December was reflective of falls across both the manufacturing and service sectors and was mainly linked by firms to a decrease in new orders.

The rate of **input price inflation** in the French private sector eased from November and remained much weaker than the series average. Manufacturers posted the slowest rise in input costs in three months, while inflation in the service sector was the weakest since July.

Companies continued to lower their **output prices** during December amid reports from panellists of strong competition for new business. Charges have decreased in each month since May 2012 and the latest fall was solid despite easing slightly from the previous month. The overall reduction in charges was driven by the service sector, as manufacturing output prices were little-changed for the third month running.

Despite sharper reductions in activity and new business, **sentiment** at French services companies improved in December. That said, optimism was still well short of the series average. Those companies that predicted activity to be higher in 12 months' time often linked this to hopes of improving economic conditions and expansion into new markets.

Comment:

Andrew Harker, Senior Economist at Markit and author of the Flash France PMI®, said:

"The last flash PMI readings for 2013 paint a worrying picture on the health of the French economy. The return to contraction in November

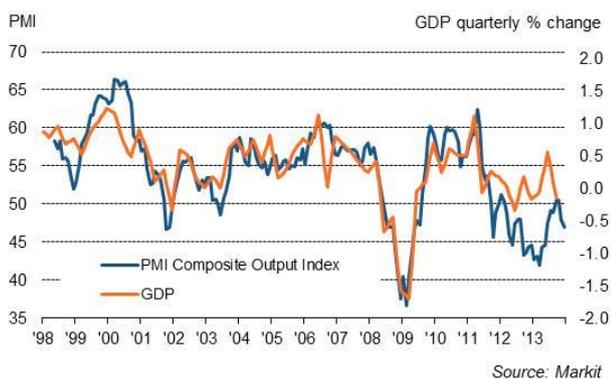
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has been followed up with a sharper reduction in December, with falling new business at the heart of this as clients were reportedly reluctant to commit to new contracts. Firms will hope that such reticence ends in the new year as they seek to avoid another protracted downturn.”

-Ends-

Economic output



Employment



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Note to Editors:

Final December data are published on 2 January for manufacturing and 6 January 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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