

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:50 (UK Time), 6 November 2013

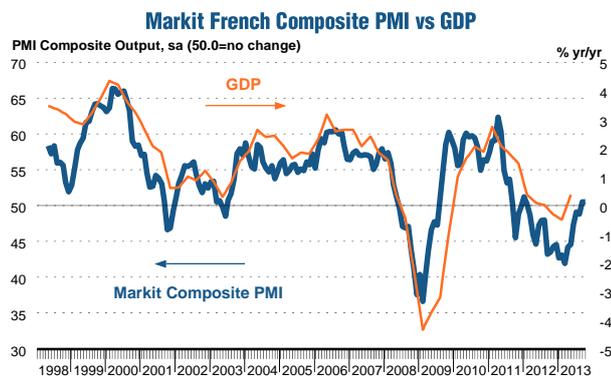
Markit France Services PMI® – final data (with Composite PMI®)

French service sector business activity edges higher for second month running

Key points:

- Final Markit France Services Activity Index⁽¹⁾ at 50.9 (51.0 in September), 2-month low.
- Final Markit France Composite Output Index⁽²⁾ at 50.5 (50.5 in September).

Historical overview:



Sources: Markit, INSEE

Summary:

Business activity in the French service sector increased for a second successive month in October. This was despite a reduction in incoming new work during the latest survey period. Employment rose slightly for the first time in one-and-a-half years, contributing to a drop in outstanding business. Higher input costs contrasted with a further decrease in output charges. Business expectations improved to the strongest level for 17 months.

The seasonally adjusted final **Markit France Services Business Activity Index** – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared with one month ago – recorded 50.9 in October. The latest reading was

fractionally down from 51.0 in September, and remained indicative of a marginal pace of expansion.

The seasonally adjusted final **Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – remained unchanged in October at 50.5. That signalled a second consecutive rise in private sector output, albeit marginal.

Activity rose despite a drop in the level of **new business** placed with French service providers. Lower incoming new work reversed a slight increase one month previously. Anecdotal evidence suggested that strong competitive pressures and a wait-and-see attitude among clients had contributed to the fall in new business. Composite data signalled a modest drop in private sector new business following a marginal rise one month previously.

Activity growth was partly sustained by services firms working through their **backlogs** in October. Outstanding business fell for the first time in three months, albeit marginally. Across the private sector as a whole, unfinished work decreased slightly in the latest survey period.

French service providers signalled an increase in **staffing levels** during October. It was the first rise in employment for one-and-a-half years, albeit marginal overall. Those panel members that reported job creation generally attributed this to higher activity levels. Composite data pointed to marginal rise across the private sector overall.

Input prices in the French service sector rose for a forty-sixth consecutive month in October. That said, the rate of cost inflation eased to a modest pace that was the slowest since July. Input cost inflation across the private sector quickened to an eight-month high.

Prices charged by French service providers continued to fall in the latest survey period. Panellists frequently commented on strong competitive pressures as a key factor weighing on their pricing power. The rate of decline in charges was solid and sharper than that signalled in the previous month. Composite data indicated a solid reduction in private sector output prices that was sharper than that recorded in September.

Confidence among French service providers regarding **future business activity** remained strong in October. The degree of positive sentiment improved to its highest level for 17 months. According to survey respondents, activity growth over the coming year is set to be supported by nascent signs of economic recovery, commercial development strategies and company restructuring initiatives. However, some panellists expressed concern regarding the impact of economic and political uncertainties.

Comment:

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

“The latest data provide some moderately encouraging signs for France’s dominant service sector at the start of Q4. Activity growth was sustained for a second consecutive month in October, albeit at a marginal pace, while employment rose for the first time in one-and-a-half years. These developments point towards a stabilisation of conditions in the sector, and offset the slight disappointment of new business slipping back into contraction. Business expectations improved to the highest level since May 2012, although this indicator remains well below its historical average.”

-Ends-

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

Notes to Editors:

The France Services PMI (Purchasing Managers' Index) is produced by Markit and is based on original survey data collected from a representative panel of over 300 companies based in the French service sector. The final France Services 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 90% of the replies used in the final data.

The France Composite PMI (Purchasing Managers' Index) is produced by Markit and is based on original survey data collected from a representative panel of over 700 companies based in the French private sector economy. The final France Composite 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 88% 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 Services Output Index ⁽¹⁾	-0.2	0.6
France Composite Output Index ⁽²⁾	-0.1	0.5

Notes

1. 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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.

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.

About Markit

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