

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0800 (UK Time) 20 February 2014

Markit Flash France PMI®

Sharper fall in services activity but manufacturing output rises

Key points:

- Flash France Composite Output Index⁽¹⁾ dips to 47.6 (48.9 in January), 2-month low
- Flash France Services Activity Index⁽²⁾ falls to 46.9 (48.9 in January), 9-month low
- Flash France Manufacturing Output Index⁽³⁾ rises to 50.5 (48.8 in January), 7-month high
- Flash France Manufacturing PMI⁽⁴⁾ drops to 48.5 (49.3 in January), 2-month low

Data collected 12-19 February

Summary:

French private sector output continued to fall in February. This was highlighted by the **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, registering 47.6. Down from 48.9 in January, the latest index reading signalled a slight acceleration in the rate of decline.

Driving the fall in overall output was a further reduction of activity in the **service sector**, with the latest drop the sharpest in nine months. In contrast, **manufacturers** signalled an increase in output for the first time since last July, albeit marginal.

New orders received by French private sector companies fell for a fifth consecutive month in February. Although moderate, the rate of contraction quickened to the sharpest since last June. Both service providers and manufacturers recorded faster declines in new business, with a number of panellists commenting on tight client budgets. There was better news on manufacturers' **new export orders**, which increased for a second consecutive month, albeit at a marginal pace.

Outstanding business in the French private sector decreased for the fifth month running in February. Although quickening since January, the rate at

which backlogs were depleted was modest. Sector data showed that service providers cleared unfinished work at a sharper rate than manufacturers.

Employment in the French private sector fell for a fourth successive month in February. Moderate reductions in staffing levels were recorded in both the service and manufacturing sectors. Some survey respondents indicated that workforce numbers had been lowered in line with decreased activity.

Input price inflation in the French private sector eased to a five-month low in February. Service providers and manufacturers both indicated slower increases in costs.

Prices charged by French private sector companies continued to fall in February, with a number of panellists mentioning strong competitive pressures. However, the rate of decline moderated to the weakest since last September. Service providers reported a slower fall in charges, while manufacturers noted an increase that, although modest, was the sharpest since October 2012.

Business expectations in the French service sector improved to the highest for almost two years in February. A number of panel members commented that upcoming product launches were hoped to drive activity growth over the next 12 months.

Comment:

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

"French private sector firms reported a slightly sharper decline in output during February, largely reflecting weakness on the services side. However, the data did reveal some positive developments, namely a return to growth of manufacturing production and another marginal rise in new export

In conjunction with

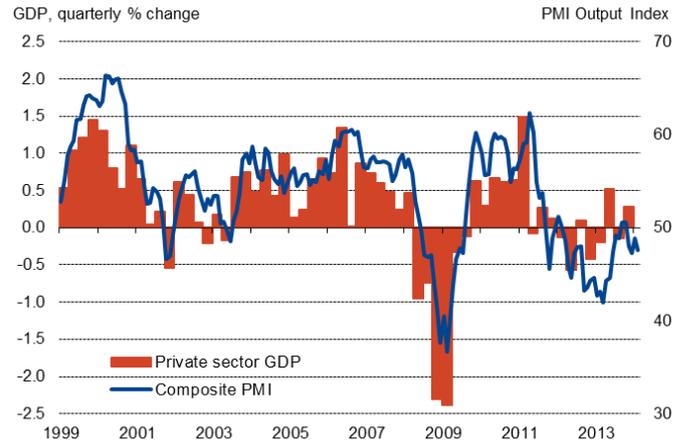
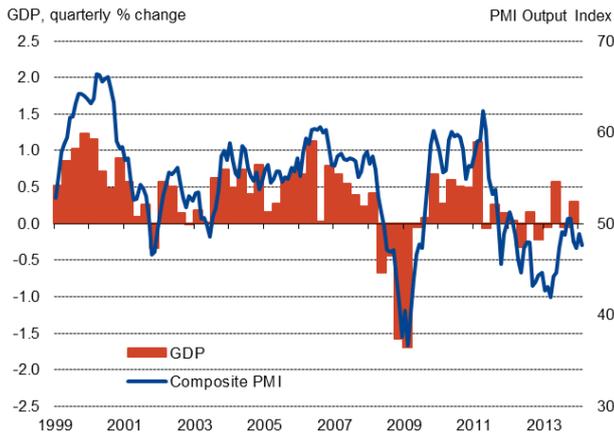


orders. Moreover, service providers' confidence rose to a 23-month high, with a number of panellists indicating that they had been innovating on new products which are now close to market, resulting in

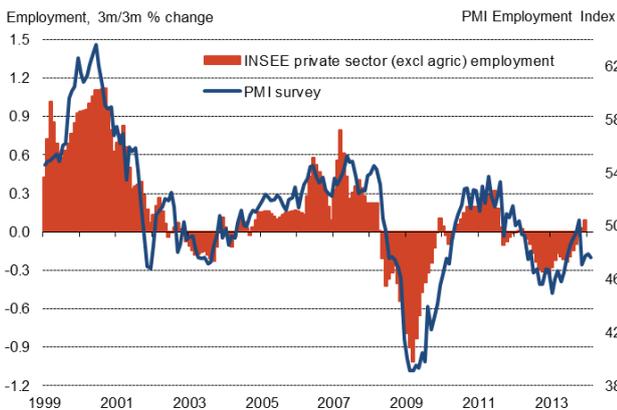
a more bullish outlook for the sector.”

-Ends-

Economic output



Employment



Sources: Markit, INSEE via EcoWin.

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Note to Editors:

Final February data are published on 3 March for manufacturing and 5 March 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.

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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 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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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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