

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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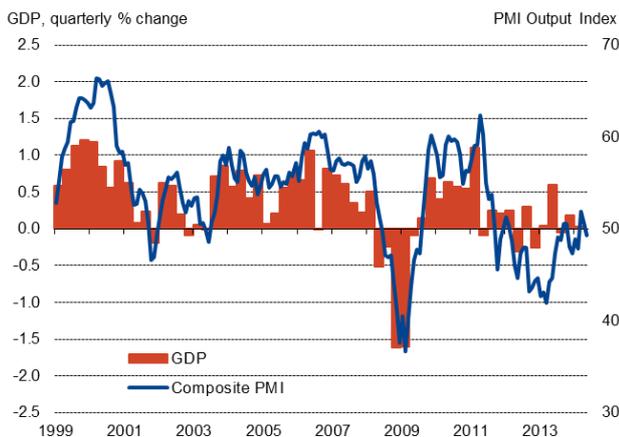
### Markit France Services PMI® – final data (with Composite PMI®)

#### Service sector activity falls for first time in three months during May

##### Key points:

- Final Markit France Services Activity Index<sup>(1)</sup> at 49.1 (50.4 in April), 3-month low.
- Final Markit France Composite Output Index<sup>(2)</sup> at 49.3 (50.6 in April), 3-month low.

##### Historical overview:



Sources: Markit, INSEE via Ecowin.

##### Summary:

French service providers reported a fall in business activity for the first time in three months during May. Underlying the decline was another drop in new business. Correspondingly, employment fell at a sharper rate. Output prices were cut at an accelerated pace despite a stronger rise in input costs. On a brighter note, companies' expectations regarding future business activity improved from April's 11-month low.

The seasonally adjusted headline **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 – posted 49.1 in May. Down from 50.4 in April, the

latest reading was indicative of a marginal rate of contraction.

Composite data also signalled a fall in output during May. The final **Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – posted 49.3, down from 50.6 in April. Although slight, it was the first decline for three months.

Contributing to lower activity was a further decrease in **new business** placed with French service providers during May. The latest reduction in new work was the second in consecutive months and, although moderate, the sharpest since February. A lacklustre demand environment and hesitancy among clients were cited by panellists as factors weighing on new business.

New business across the French private sector as a whole fell at the sharpest rate for 11 months during May.

**Outstanding business** in the French service sector decreased fractionally in the latest survey period, halting a two-month period of growth. Panellists indicated that lower new work inflows had allowed resources to be focused on existing contracts.

Composite data signalled a fractional reduction in outstanding business, following two months of growth.

Backlogs declined despite a further reduction of **staffing levels**. Employment fell for the seventh month in succession, with the latest reduction in payroll numbers the sharpest since February.

Employment across the French private sector overall decreased at a rate that, although moderate, was the sharpest in three months.

**Prices charged** by French service providers continued to fall in May, primarily reflecting strong competitive pressures. The rate of decline in

charges was marked, having accelerated to the fastest since July 2013.

Output prices across the French private sector as a whole fell at the sharpest rate in ten months.

In contrast, **input prices** in the French service sector rose at the strongest rate in four months during May. The rate of cost inflation was solid, albeit below the survey's long-run average. Salary increases and higher supplier tariffs were reported as the main reasons behind the rise in costs.

Composite data indicated that input price inflation quickened to a four-month high, although remained moderate.

**Business expectations** in the French service sector improved during May, having slumped to an 11-month low in April. That said, confidence remained well below the historical average for the survey. Panellists commented on company expansion strategies and fruitful business investments as factors set to support increased activity over the coming year. However, generally subdued economic conditions and tight client budgets were reported to remain impediments to growth.

#### Comment:

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

*"The French service sector disappointingly sank back into contraction territory during May, with activity falling for the first time in three months. A sluggish demand environment was blamed for a further drop in new business, while companies responded by cutting employment again. What's more, competitive pressures necessitated a sharper cut in output prices despite faster input cost inflation, putting pressure on companies' operating margins. After GDP stagnated in Q1, there seems to be little evidence of the French economy turning the corner so far in the second quarter."*

-Ends-

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**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 around 400 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 May flash was based on 86% 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 around 800 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 May flash was based on 89% 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 <sup>(1)</sup>	-0.2	0.6
France Composite Output Index <sup>(2)</sup>	-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](mailto:economics@markit.com).

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Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) 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](http://www.markit.com/economics).

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