

News Release

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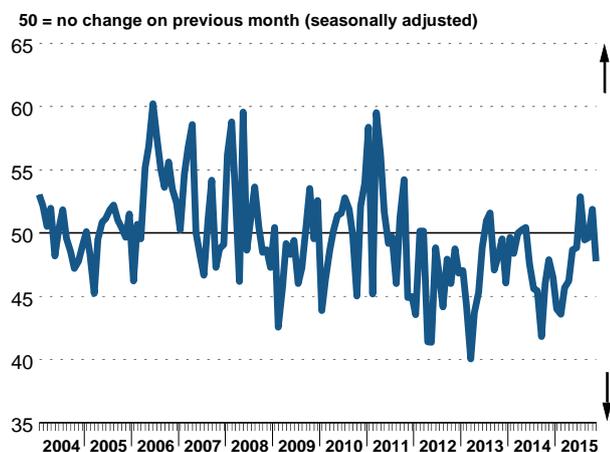
Markit France Retail PMI®

French retail sales fall at sharpest rate in seven months

Key points:

- Sales down on both monthly and annual measures
- Gross margins decline to greatest extent in ten months
- Steeper drop in purchasing activity

Historical overview:



Source: Markit

Summary:

This release contains the November findings from the monthly Retail *PMI*® survey for France, produced by Markit and based on a panel of 300 retailers. The headline figure is the Retail PMI, which measures month-on-month changes in sales.

French retailers reported a renewed fall in sales during November. The latest drop was the sixteenth in the past 18 months, and the rate of decline was the sharpest since April. Sales were also down markedly on an annual basis, while previously set targets were not met. The squeeze on retailers' margins intensified, despite a slower rise in their

average purchasing costs. Purchasing of goods for resale fell at a sharper rate, but failed to prevent a further build-up of unsold stock. Staffing levels were trimmed further, but the rate of job shedding eased to a marginal pace.

The seasonally adjusted headline Retail PMI® registered 47.8 in November, down from 51.9 in the previous month. The latest reading pointed to the sharpest rate of decline in seven months. Weak economic conditions, lower customer footfall, a lack of consumer spending power and the impact of the Paris attacks were among the factors cited by panellists as weighing on sales.

Sales were well down on an annual basis in November. The year-on-year rate of decline was the sharpest since March.

Actual sales once again disappointed relative to retailers' previously set plans in November. The extent of the latest shortfall was in fact the most marked for ten months. Retailers nevertheless expressed optimism that sales would exceed target levels in December, with the degree of confidence stronger than seen in the previous month.

Factors expected by retailers to boost sales over the coming three months include new commercial campaigns, new product launches, promotions, increased purchasing power, cold weather and Christmas.

Those factors reported by panel members as likely to depress sales over the next three months include difficult economic conditions, high unemployment, the impact of terrorist attacks, geopolitical worries and competitive pressures.

French retailers' gross margins remained under considerable pressure in November. The rate of decline was the most marked in ten months. A

number of panellists linked lower margins to promotional offers.

The amount of goods bought by French retailers for resale fell for a fourth month in succession during November. The rate of contraction in purchasing activity was the sharpest since April.

Lower purchasing activity failed to prevent a further build-up of unsold inventories during November. The latest rise in stock levels was the sixth in as many months.

Employment in the French retail sector fell further in November, extending the current period of job shedding to three months. That said, the latest drop was marginal and the weakest in this sequence.

Comment:

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

“The French retail sector suffered a return to contraction in November, as sales were hit by a combination of weak economic conditions and the impact of the Paris attacks. Alongside the sharpest reduction in sales for seven months, retailers saw an intensifying squeeze on their margins as fierce competitive pressures in the sector forced many to discount their goods.”

-Ends-

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Notes to Editors:

“PMI” is an acronym for *Purchasing Managers’ Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. Markit now uses “PMI” to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the France Retail *PMI*, Markit Economics has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the French retail sector. Similarly, the composition of the panel in geographical terms and by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

Markit Economics ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure “diffusion index” for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

About Markit

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 30 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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