

News Release

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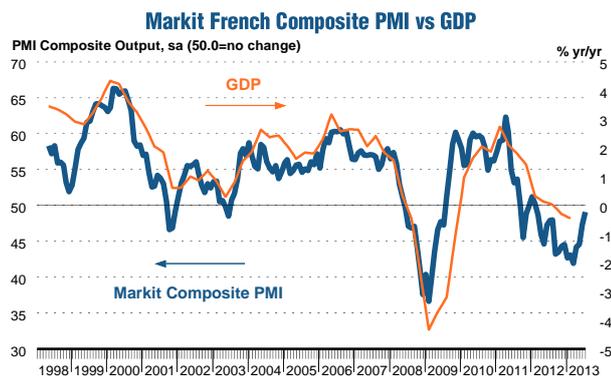
Markit France Services PMI® – final data (with Composite PMI®)

July data signals only modest reduction of services activity

Key points:

- Final Markit France Services Activity Index⁽¹⁾ at 48.6 (47.2 in June), 11-month high.
- Final Markit France Composite Output Index⁽²⁾ at 49.1 (47.4 in June), 17-month high.

Historical overview:



Sources: Markit, INSEE

Summary:

Latest data signalled weaker reductions of both business activity and new work in the French service sector. Staffing levels also declined at a slower pace in July, with the latest round of job cuts the weakest since June 2012. Backlogs of work meanwhile fell at the slowest pace since February 2012. On the prices front, service providers cut their output charges sharply in response to strong competitive pressures, while input price inflation in the sector remained only moderate.

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 – posted 48.6 in July, up from 47.2 in June. Furthermore, it was the highest index reading since August 2012.

Across the French private sector as a whole, output fell only marginally and at the weakest rate in the current 17-month period of contraction. The seasonally adjusted final **Markit France Composite Output Index** – which covers the combined manufacturing and service sectors – posted 49.1, up from 47.4 in June.

Similarly, **new business** intakes at French service providers decreased at a slower rate during July. Moreover, the rate of reduction was only modest, and the weakest in the current 16-month sequence of decline. Survey respondents largely attributed the fall in new business to softer client demand. However, there were a number of panellists that reported increased order book volumes that were boosted by the implementation of new commercial strategies.

With manufacturers also reporting a slower reduction in new work, overall new business across the French private sector decreased at the weakest rate since the current sequence of falls started in March 2012.

Employment at service sector companies declined for the fifteenth consecutive month in July. However, the rate of job shedding eased to only a modest pace. Job cuts were generally associated with company restructuring plans to reduce excess capacity.

Composite data signalled an easing in the rate of job shedding across the French private sector as a whole in July. The latest fall in employment was the slowest in 15 months.

Backlogs of work at French service providers fell over the month amid reports of spare capacity at some firms. That said, the rate of backlog depletion was only slight, and the weakest since February 2012.

A rise in outstanding business at manufacturers contributed to a moderation in the rate of backlog

depletion across the French private sector as a whole during July. The latest fall was only marginal and the slowest in just under one-and-a-half years.

Average **input costs** in the service sector continued to rise during July. The rate of inflation was broadly unchanged from June and only modest. Nonetheless, it was the quickest rise in input costs since March.

Across the whole of the French private sector, input prices were broadly static, posting only a fractional rise. A drop in manufacturing input costs offset the rise in services.

Despite higher operating costs, **output charges** set by service sector companies were reduced for the sixteenth month in a row during July. Furthermore, the rate of discounting was sharp, and the fastest recorded since January. According to anecdotal evidence, businesses cut their tariffs in order to remain competitive.

Composite data signalled the sharpest reduction in output prices across the French private sector since November 2009.

French service providers were **optimistic** in July that business activity would increase by the corresponding month in 2014. The degree of confidence was up fractionally from June and it was the highest since August 2012. Optimism was driven by forecasts of improved market conditions. Some businesses were still concerned however that client demand remains weak.

Comment:

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

“The French service sector made a further move towards stabilisation in July, with activity and new business both showing slower falls. This partly came at the cost of substantial price discounting, with average tariffs posting another sharp decline. Nevertheless, a sunnier outlook appears to be taking hold among service providers, as evidenced by future activity expectations improving to the highest level for almost a year.”

-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 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 July flash was based on 92% 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 July flash was based on 91% 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.

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