

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit France Manufacturing PMI® – final data

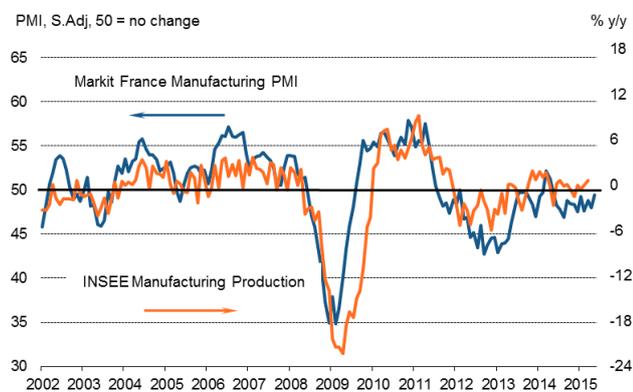
Contraction of French manufacturing sector eases in May

Key points:

- PMI climbs to 12-month high
- Output and new orders fall at slower rates
- Input price inflation at 17-month high

Historical overview:

Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: Markit, INSEE

Summary:

French manufacturers reported a moderation in the rate of deterioration in operating conditions during May. This was highlighted by the headline **Markit France Manufacturing Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to measure the performance of the manufacturing economy – posting 49.4, up from 48.0 in April. The latest reading was the highest for a year and was only slightly below the neutral 50.0 mark.

Output in the French manufacturing sector continued to fall in May. The latest drop in production was the twelfth in successive months, albeit the slowest since January. This reflected an

easing in the rate of contraction of **new orders**, which decreased at the weakest pace in the current 13-month period of decline. **New export orders** increased for the first time in 13 months, albeit marginally.

Backlogs of work at French manufacturers decreased for a thirteenth consecutive month in May. However, the latest drop was modest overall. Those panellists reporting lower outstanding business generally linked this to a lack of new orders to offset completed projects.

Employment in the French manufacturing sector continued to fall in May. The rate of job shedding was little-changed from the moderate pace recorded in April.

May data pointed to a fourth successive monthly reduction in **stocks of finished goods** at French manufacturers. That said, the latest drop was modest and the slowest in this sequence.

Purchasing activity by French manufacturers continued to decline in May, reflective of lower production requirements. The latest fall in input buying was the thirty-ninth in successive months, albeit the least marked since January. Correspondingly, **stocks of purchases** fell further, but at a slower pace.

May data pointed to another lengthening of **suppliers' delivery times**, which panellists commonly attributed to low stock levels at vendors' units. The rate at which lead times deteriorated was little-changed since April.

The rate of **input price** inflation in the French manufacturing sector accelerated to the fastest in 17 months during May, although remained weaker than the survey's historical average. Adverse exchange rates were cited by panellists as a factor contributing to increased purchasing costs. **Prices**

charged by French manufacturers for finished goods decreased for a fifteenth consecutive month in May, amid strong competitive pressures. The rate of decline in selling prices was the fastest since February.

Comment:

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

“The downturn in French manufacturing eased during May, in a sign that the sector may be getting

closer to stabilisation. Output, new orders and employment all fell at slower rates in the latest survey period. However, input and output prices headed in opposite directions, with the former rising at the sharpest rate in 17 months and the latter declining at the fastest pace since February, putting pressure on firms’ margins.”

-Ends-

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Notes to Editors:

The France Manufacturing PMI (Purchasing Managers' Index) is produced by Markit Economics and is based on original survey data collected from a representative panel of over 400 companies based in the French manufacturing sector.

The **final** France Manufacturing 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 92% 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 Manufacturing PMI ⁽¹⁾	0.1	0.4

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.

1. 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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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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