

News Release

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

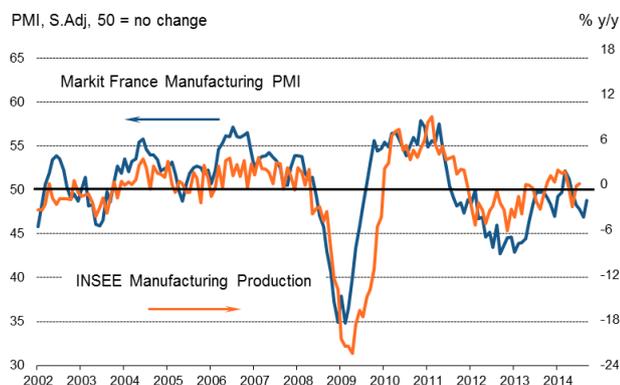
French manufacturing sector downturn eases in September

Key points:

- Business conditions deteriorate at slowest pace in four months
- Rates of decline in output and new orders moderate
- Pace of job shedding eases

Historical overview:

Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: Markit, INSEE

Summary:

The French manufacturing sector contracted at a slower rate in September. This was indicated by the headline **Markit France Manufacturing Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to measure the performance of the manufacturing economy – posting 48.8, up from 46.9 in August. The latest reading was the highest in four months.

The PMI was boosted by weaker declines in new orders, output, employment and stocks of purchases during the latest month. Only an easing

in the rate of lengthening of suppliers' delivery times acted to weigh on the headline index.

Production at French manufacturers decreased for a fourth consecutive month in September. However, the latest reduction was modest and the weakest in this sequence.

The slower decline in output reflected an easing in the rate of contraction of **new orders**. September's fall in new work was the slowest in three months, albeit solid overall. Panellists commented that demand conditions remained generally fragile. Data suggested that the principal weakness was centred on the domestic market, as **new export orders** fell only fractionally and at the slowest rate in the current five-month period of contraction.

French manufacturers continued to make inroads into their **backlogs of work** during September, which survey respondents attributed to lower new order intakes. That said, the rate at which outstanding business was reduced eased from August's 18-month record to the slowest since May.

Although French manufacturers continued to cut **staffing levels** in September, the rate of job shedding eased to a modest pace that was the weakest since May. Panellists commented on company reorganisation strategies and the non-replacement of voluntary leavers as factors behind lower employment.

Output prices continued to fall in September, amid strong competitive pressures. **Input prices** were also down slightly – the first decline in four months.

Purchasing activity was scaled back further in the latest survey period, reflective of lower production requirements. **Stocks of purchases** also declined, although the rate of contraction eased to the slowest in 13 months. Despite lower demand for inputs, **suppliers' delivery times** continued to

lengthen, which panellists linked to vendors holding low stock levels.

Finally, **stocks of finished goods** held by French manufacturers declined further in September, although the latest drop was the slowest since June.

Comment:

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

“Although the rate of contraction eased in September, the French manufacturing sector

continued to struggle, with output, new orders and employment falling further. There seems to be no end in sight to the persistently weak demand environment, and the PMI data suggest that the manufacturing sector will have weighed on GDP throughout the third quarter.”

-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 September flash was based on 96% 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 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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