

News Release

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

French private sector contracts again in June

Key points:

- Flash France Composite Output Index⁽¹⁾ down to 48.0 (49.3 in May), 4-month low
- Flash France Services Activity Index⁽²⁾ falls to 48.2 (49.1 in May), 4-month low
- Flash France Manufacturing Output Index⁽³⁾ falls to 47.1 (50.3 in May), 6-month low
- Flash France Manufacturing PMI⁽⁴⁾ drops to 47.8 (49.6 in May), 6-month low

Data collected 12-20 June

Summary:

June's flash PMI data painted another picture of subdued economic performance in France, with output down for a second successive month, orders falling slightly and the sharpest cut in staffing levels for four months.

After accounting for seasonal factors, the **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, posted a reading of 48.0 in June. That was down from May's 49.3 and a four-month low.

The decline in output was broad-based, with both manufacturers and service providers registering reductions since May. Goods-producers saw output decline to the sharpest degree in half-a-year; services companies the greatest in four months.

Weighing on total output was a marginal fall in **new orders**. June data marked the third month in a row that a net reduction in new work has been recorded, although there were divergent trends within the private sector.

On the one hand, manufacturers recorded the sharpest cut in new work of 2014 so far, with both demand from at home and abroad faltering (new export orders also declined to a greater degree than

in May). Service providers fared a little better in contrast, with new business volumes unchanged following two consecutive months of contraction.

The continuation of soft trends in output and new orders weighed on staffing levels in June, with a net decline in private sector **employment** recorded for the eighth month in a row. Latest data marked the sharpest overall fall for four months, with manufacturers recording a relatively sharper fall in headcounts than service providers.

Further signs of excess capacity in the private sector were provided by the latest **backlogs of work** data, which showed a marginal contraction for the second month in a row.

On the price front, **input price inflation** accelerated in June to a five-month high. Manufacturing costs rose for the first time since January, while service sector input price inflation rose to a stronger degree. Higher fuel prices were noted, while some companies reported an increase in wage costs. Metals prices were noted in several instances to have risen.

In contrast, competitive pressures and soft underlying demand continued to weigh on the pricing power of firms in June. Average **output charges** were cut for a twenty-sixth month in a row, with service providers registering the more marked reduction (manufacturing output prices were lowered to a modest degree).

Finally, **business expectations** amongst service providers remained in positive territory during June, but nonetheless well down on the survey's historical average. On the one hand, some firms retained a positive outlook and are planning to raise investment and take advantage of new business opportunities over the coming year. However, others worry about a weak domestic economic climate, and are concerned about low public sector budgets.

In conjunction with



Comment:

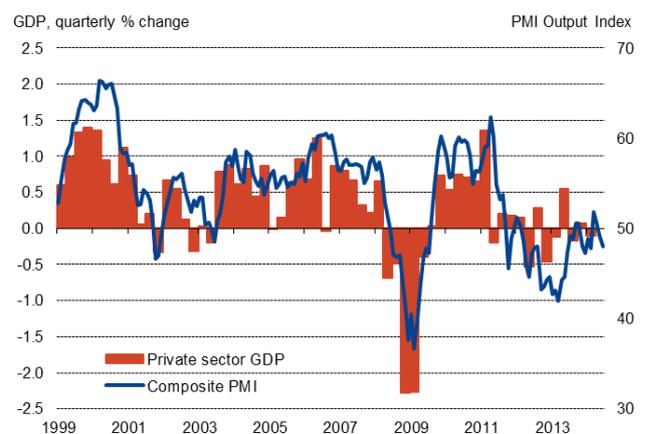
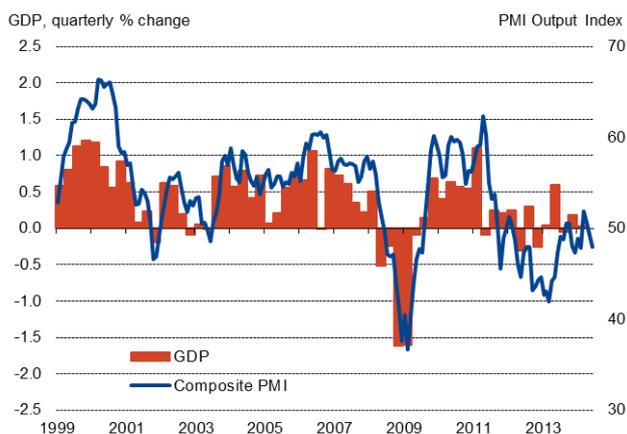
Paul Smith, Senior Economist at Markit, which compiles the Flash France PMI® survey, said:

“There remained little sign of any turnaround in the performance of France’s economy at the end of Q2, with output falling for a second successive month and at a faster rate. The data are consistent with another disappointing GDP outturn for Q2 following stagnation in the first quarter.”

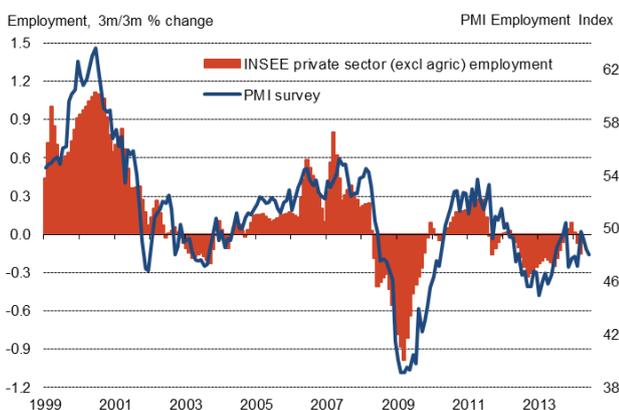
“Although service providers indicated a stabilisation of new business during the month, a sharper reduction in manufacturing, new orders was especially disappointing with the data implying that demand for French produced goods from both at home and abroad was faltering.”

“On these trends, the economic underperformance of France seems set to persist well into H2 2014.”

Economic output



Employment



Sources: Markit, INSEE via EcoWin.

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Note to Editors:

Final June data are published on 1 July for manufacturing and 3 July for services and composite indicators.

The France PMI (Purchasing Managers' Index) is produced by Markit Economics and is based on original survey data collected from a representative panel of 750 companies based in the French manufacturing and service sectors. The **flash** estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI 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 Composite Output Index ⁽¹⁾	-0.1	0.5
France Manufacturing PMI ⁽³⁾	0.1	0.4
France Services Business Activity Index ⁽²⁾	-0.2	0.6

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.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. 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?"
3. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"
4. 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

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