

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0800 (UK Time) 23 October 2014

Markit Flash France PMI®

French private sector output falls at sharpest rate in eight months

Key points:

- Flash France Composite Output Index⁽¹⁾ falls to 48.0 (48.4 in September), 8-month low
- Flash France Services Activity Index⁽²⁾ falls to 48.1 (48.4 in September), 8-month low
- Flash France Manufacturing Output Index⁽³⁾ falls to 47.6 (48.4 in September), 2-month low
- Flash France Manufacturing PMI⁽⁴⁾ falls to 47.3 (48.8 in September), 2-month low

Data collected 13-22 October

Summary:

The latest flash PMI data signalled a deepening downturn in France's private sector economy during October. The seasonally adjusted **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, slipped to 48.0, from 48.4 in September. That was its lowest reading since February, albeit indicative of a moderate rate of contraction overall. Faster declines in output were recorded in both the **services** and **manufacturing** sectors during October.

New business received by French private sector companies decreased for the second month running during October. Moreover, the rate of contraction accelerated to the sharpest in 16 months. Steeper declines in new work were reported across the services and manufacturing sectors, with the latter posting the sharper reduction. Anecdotal evidence pointed to difficult market conditions and lower client spending. **New export orders** at manufacturers fell at a sharper rate than one month previously.

Employment in the French private sector fell further in October, extending the current period of contraction to one year. Furthermore, the rate of

decline quickened to the sharpest since April 2013. Similarly solid rates of job shedding were registered across the services and manufacturing sectors.

Staffing levels were cut in line with reduced workloads. **Outstanding business** at French private sector firms fell for the sixth month running, and at the fastest pace since May 2013. Lower backlogs were signalled by service providers and manufacturers alike.

Divergent trends continued to be observed for input and output prices during the latest survey period. **Input costs** rose for a seventeenth consecutive month, albeit at a moderate pace. Increases were signalled in both the services and manufacturing sectors.

Conversely, **output prices** decreased further in October. The rate of decline in charges was considerable, having accelerated to the sharpest in five years. Firms in both sectors cut their selling prices, citing intense competitive pressures and tough negotiations with clients.

Business expectations in the French service sector remained positive in October. That said, the degree of confidence softened from September's reading and remained well below the survey's historical average. Those panellists anticipating an increase in activity over the next 12 months cited new commercial strategies, business expansion plans and entry into new markets. However, there remained concern over a weak economic climate and tight client budgets.

Comment:

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

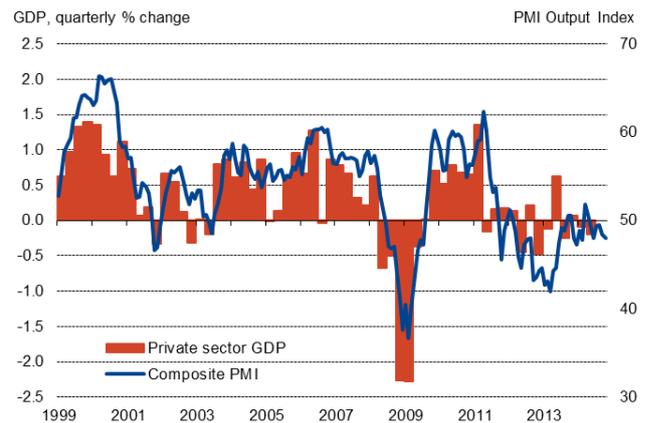
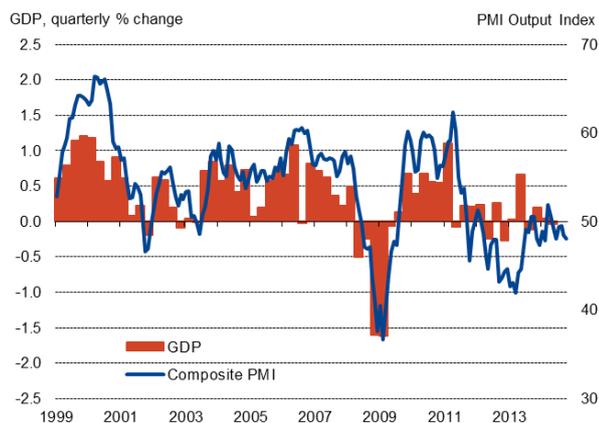
"The French economy remained stuck in reverse gear in October, as crumbling demand dragged activity lower. New orders fell at the sharpest pace in 16 months, leading firms to make deeper cuts to

In conjunction with

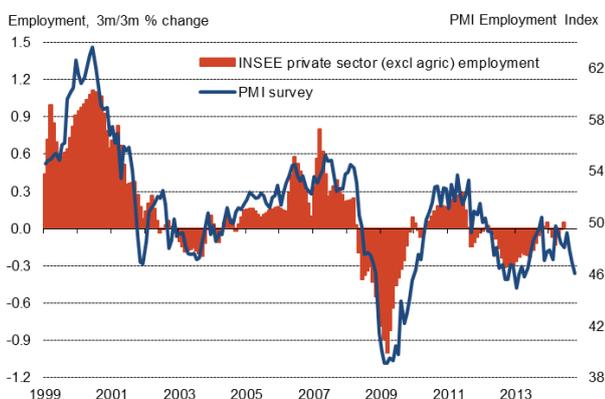


output and employment. Companies scrambled to attract new business by slashing their output prices to the greatest extent in five years, despite a further rise in input costs, underlining the extent of the pressures facing businesses at present.”

Economic output



Employment



Sources: Markit, INSEE via EcoWin.

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Note to Editors:

Final October data are published on 3 November for manufacturing and 5 November 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.

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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	0.4
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

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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