

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0800 (UK Time) 24 July 2014

Markit Flash France PMI®

French private sector output contracts again, albeit at slower pace

Key points:

- Flash France Composite Output Index⁽¹⁾ rises to 49.4 (48.1 in June), 3-month high
- Flash France Services Activity Index⁽²⁾ rises to 50.4 (48.2 in June), 3-month high
- Flash France Manufacturing Output Index⁽³⁾ falls to 45.0 (47.6 in June), 15-month low
- Flash France Manufacturing PMI⁽⁴⁾ falls to 47.6 (48.2 in June), 7-month low

Data collected 11-23 July

Summary:

The latest flash PMI data signalled that France's private sector remained in contraction at the start of the third quarter. Output was down for the third month in succession, although the rate of decline eased to a marginal pace that was the weakest in that sequence.

After accounting for seasonal factors, the **Markit Flash France Composite Output Index**, based on around 85% of normal monthly survey replies, posted 49.4, up from 48.1 in June.

Driving the headline index higher was an improvement in the performance of the French **service sector**. Activity there increased for the first time in three months, albeit marginally. On the other hand, the **manufacturing sector** sank further into contraction, with output falling at the sharpest rate in 15 months.

New business received by French private sector firms decreased for a fourth consecutive month in July. Although moderate, the rate of decline was quicker than in June. Lower new work was signalled in both the services and manufacturing sectors, with the latter reporting the sharper fall.

Anecdotal evidence suggested that client budgets

were under pressure, leading to a squeeze on new orders despite further reductions in prices charged by French private sector firms.

Indeed, **output prices** fell for a twenty-seventh successive month in July, with the rate of decline accelerating since June. A number of panellists indicated that they had been forced to pare their margins in order to stem the loss of new business, with competitive pressures generally reported to be strong. Both service providers and manufacturers reported lower charges.

In contrast, firms' **input prices** continued to rise at a solid pace in July, with companies in both services and manufacturing signalling increases. There were reports from the survey panel of increased costs for labour and raw materials.

Employment in the French private sector decreased for the ninth month running in July. That said, the rate of decline was marginal and the weakest since March. Both service providers and manufacturers cut staffing levels, amid anecdotal reports of ongoing company restructuring programmes and the non-replacement of voluntary leavers.

Backlogs of work at French private sector firms fell for a third consecutive month in July, although the rate of contraction was slight overall. A solid reduction of outstanding business at manufacturers offset a marginal increase at service providers.

Business expectations in the French service sector remained positive in July, although the level of confidence slipped to a three-month low. Among those panellists anticipating activity growth over the next 12 months, business expansion plans and hopes of a revival in demand were among the reasons cited. However, other respondents commented that market conditions remained sluggish, with clients reluctant to commit to new projects in the present uncertain climate.

In conjunction with



Comment:

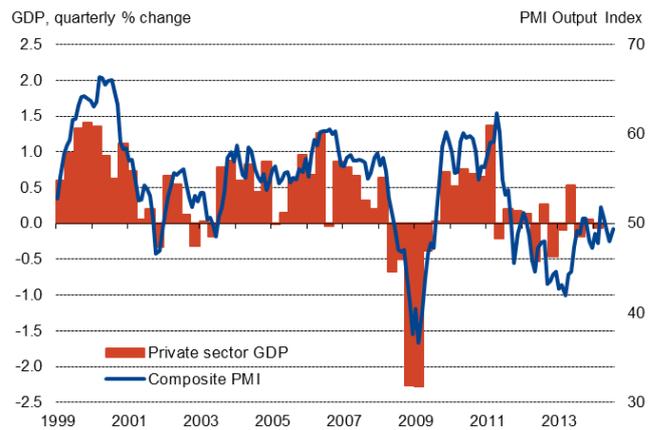
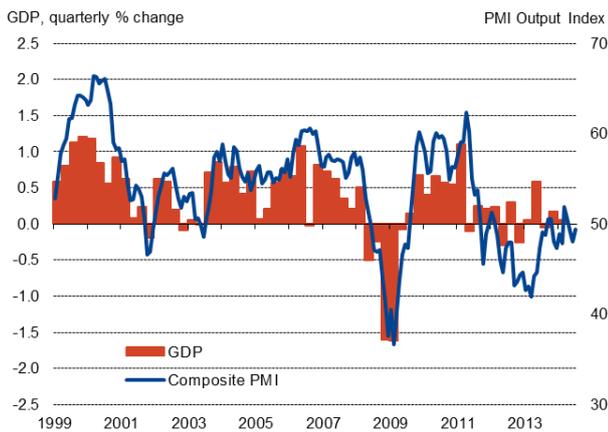
Jack Kennedy, Senior Economist at Markit, which compiles the Flash France PMI® survey, said:

“The French private sector economy remained in reverse gear in July, dragged down by weakness in the manufacturing industry which offset a small improvement in services.”

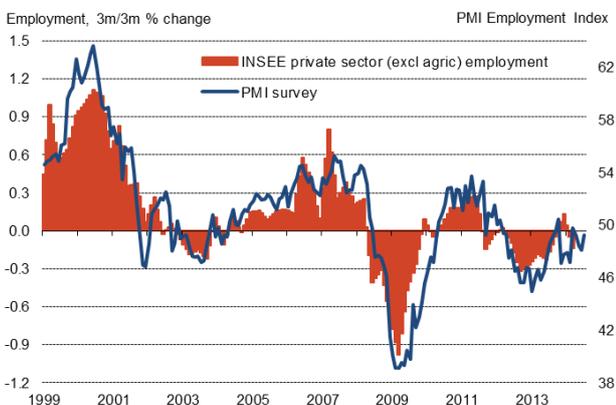
“Companies reported that further price cutting was insufficient to hold back the receding tide in new business, as the weak demand environment continued to stoke intense competitive pressures.”

“PMI data remain consistent with quarterly GDP close to stagnation levels, as the economy continues to show little sign of turning around its recent sluggish performance.”

Economic output



Employment



Sources: Markit, INSEE via EcoWin.

In conjunction with



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Note to Editors:

Final July data are published on 1 August for manufacturing and 5 August 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	0.4
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

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