

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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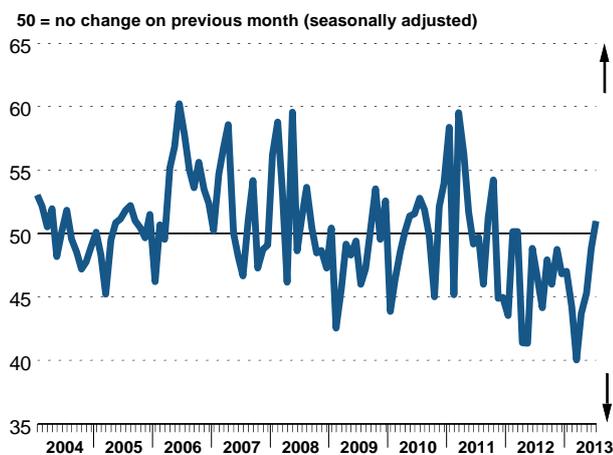
Markit France Retail PMI[®]

French retail sales rise for first time in 16 months

Key points:

- Slight expansion of sales recorded in July
- Slowest fall in employment for over a year
- Further reduction in purchasing activity

Historical overview:



Source: Markit

Summary:

This release contains the July findings from the monthly Retail PMI[®] survey for France, produced by Markit and based on a panel of 300 retailers. The headline figure is the Retail PMI, which measures month-on-month changes in sales.

French retailers signalled a return to growth in sales during July. Although modest, the month-on-month increase was the first recorded since March 2012. Sales were also marginally higher on an annual basis. Employment continued to fall, but the rate of job shedding eased to a marginal pace. Retailers' margins remained under considerable pressure, despite a weaker rise in purchasing costs.

Purchasing of goods for resale fell further as retailers attempted to limit the build-up of stock.

The headline Retail PMI registered 51.0 in July, up from 48.9 in June and above the 50.0 threshold for the first time in 16 months. Anecdotal evidence suggested that sales growth was supported by improved demand conditions and promotional offers.

Sales were also higher on a year-on-year basis in July. It was the first annual growth registered since February 2012, albeit marginal. Panellists commented that good weather and store refurbishments had contributed to the expansion.

When compared with previously set plans, actual like-for-like sales once again fell short in July. However, the degree to which sales disappointed was the least marked since January.

Retailers hold a pessimistic outlook with regard to the one-month outlook for sales. Targets are set to be missed by a substantial margin, the first time in six months in which negative expectations have been recorded.

Factors expected by retailers to boost sales over the coming three months include good weather, commercial campaigns and new product launches. Those factors set to depress sales include a difficult economic climate, low customer footfall and labour market weakness.

Gross margins in the French retail sector remained under pressure in July. The rate of decline remained marked, despite easing since the previous month. There were a number of reports linking lower margins to promotional offers.

The rate of inflation of purchasing costs eased in July. Anecdotal evidence suggested that some suppliers had offered discounts to shift stock, although other respondents noted that increased

prices for fruit and vegetables had contributed to higher average purchasing costs.

French retailers signalled a rise in their inventories of goods for resale during July. That said, the rate of growth was marginal and weaker than in June.

July data pointed to a further reduction in staffing levels at French retailers. The latest fall was the sixteenth in consecutive months. However, the rate of decline eased to a marginal pace that was the weakest since May 2012.

Comment:

Jack Kennedy, Senior Economist at Markit and author of the France Retail PMI, said:

“The French retail sector finally snapped out of its extended downturn in July. Although sales were up only slightly, it was the first growth in 16 months, amid reports of firmer demand conditions. However, retailers were again faced with a considerable squeeze on their margins, as they competed to offer discounts in a bid to stimulate sales. Meanwhile, the slowest drop in employment for over a year points to an easing of the gloom that has enveloped the retail sector in recent times.”

-Ends-

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Notes to Editors:

“PMI” is an acronym for *Purchasing Managers’ Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. Markit now uses “PMI” to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the France Retail *PMI*, Markit Economics has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the French retail sector. Similarly, the composition of the panel in geographical terms and by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

Markit Economics ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure “diffusion index” for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

About Markit

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency.

Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com.

About PMIs

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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