

News Release

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

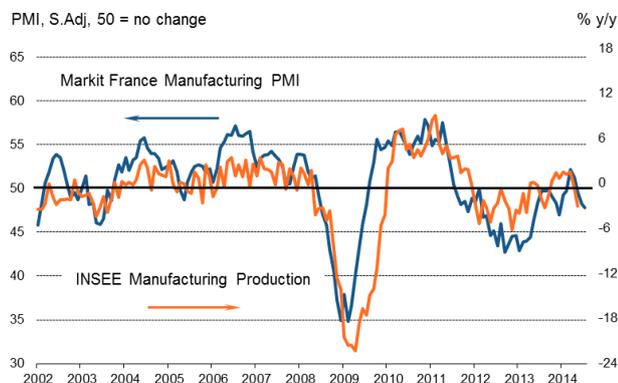
French manufacturing sector performance deteriorates further in July

Key points:

- PMI slumps to seven-month low
- Output and new orders fall at sharper rates
- Competitive pressures continue to weigh on output prices

Historical overview:

Markit Manufacturing PMI v INSEE Manufacturing Production



Sources: Markit, INSEE

Summary:

Business conditions in the French manufacturing sector worsened further in July. The headline **Markit France Manufacturing Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to measure the performance of the manufacturing economy – dropped to 47.8, from 48.2 in June. That was its lowest reading in 2014 so far.

The PMI was dragged lower by three of its five components during July. Output, new orders and stocks of purchases all contracted at sharper rates than one month previously. Employment continued

to fall, but at a reduced pace, while a sharper lengthening of suppliers' delivery times acted to cushion the drop in the headline index.

French manufacturers signalled a second consecutive monthly fall in **production** during July. Moreover, the rate of contraction accelerated to the sharpest since December 2013. Underlying lower output was a further decrease in **new orders**. Panellists commented that demand conditions remained generally weak. **New export orders** contracted for the third month running, although the rate of decline eased since June to a modest pace.

Backlogs of work at French manufacturers were depleted further during the latest survey period, reflective of the weakness in new orders. The rate of decline was little-changed from the solid pace recorded in June.

Staffing levels continued to be cut in July, as manufacturers sought to align capacity with lower workloads. The rate of job shedding remained moderate.

Purchasing activity by French manufacturers decreased for a twenty-ninth consecutive month in July. The rate of contraction was solid and slightly faster than in the preceding month.

Correspondingly, **stocks of purchases** continued to be pared. The latest drop in pre-production inventories was the thirty-eighth in successive months.

Suppliers' delivery times lengthened further in July. The rate of deterioration in vendor performance was marked, having accelerated to the sharpest since May 2011.

Input prices faced by French manufacturers rose for the second month running in July. Moreover, the rate of cost inflation accelerated to the fastest since December 2013.

In contrast, **output prices** remained under pressure, falling for a fifth consecutive month. A number of panellists reported that strong competitive pressures had weighed on charges.

Comment:

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

“The French manufacturing sector sank further into contraction territory during July, posting its weakest performance since the turn of the year. A deteriorating trend in new orders continued to weigh on the sector, with demand conditions reported to remain fragile. Associated competitive pressures maintained the squeeze on firms’ output prices, which fell further despite rising input costs.”

-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 July flash was based on 92% 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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