NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash France PMI®

French economy remains in contraction at start of fourth quarter

Key findings:

HCOB Flash France Composite PMI Output Index(1) at 47.3 (Sep: 48.6). 9-month low.

HCOB Flash France Services PMI Business Activity Index(2) at 48.3 (Sep: 49.6). 7-month low

HCOB Flash France Manufacturing PMI Output Index(4) at 42.5 (Sep: 44.0). 9-month low.

HCOB Flash France Manufacturing PMI(3) at 44.5 (Sep: 44.6). 2-month low.

Data were collected 10-22 October

France's private sector economy registered a further deterioration in October, latest HCOB PMI® survey data revealed, as business activity shrank at the quickest rate since January. As was also the case in September, both manufacturers and service providers reported lower output over the course of the month. Restricting activity was a sharp and accelerated decrease in new order inflows. Total new business intakes fell at the steepest pace in the year-to-date, with underlying data signalling a substantial demand drag from export markets. Indeed, sales to non-domestic clients fell at the joint-fastest rate since May 2020 (matching that seen in October 2023). The flash HCOB survey also showed French business confidence slipping, with growth expectations at an 11-month low.

Meanwhile, cost pressures remained benign, with the rate of input price inflation easing to its weakest in just shy of four years. Output prices increased modestly having been unchanged in September.

The headline **HCOB Flash France Composite PMI Output Index** posted below the 50.0 no-change threshold for a second month running in October, indicating a further contraction in private sector business activity levels across the eurozone's second-largest economy. At 47.3, the headline index compared to 48.6 in September and therefore its lowest level since the start of 2024.

Weak demand was commonly cited by survey respondents in both monitored sectors as a reason for lower output. Manufacturers recorded a much quicker fall than their services counterparts, however, and this trend was also apparent in data for new orders. For the French private sector as a whole, new business intakes fell at the steepest rate since December last year. Some panellists reported a hesitancy among customers to place orders. Non-domestic markets were a sharper drag on sales performances in October, as evidenced by an accelerated fall in new export business. In fact, the drop in new orders from abroad was the joint-fastest since May 2020 (equal to October 2023).

An accelerated fall in new business led French companies to make further inroads into their backlogs. For a fifteenth month running, pending orders decreased in October. The rate of depletion in unfinished work was solid overall. An absence of capacity pressures led workforce numbers to be reduced across the private sector at the start of the fourth quarter. While the fall in employment was only marginal, it was the most pronounced since November 2020. It was also the first time in almost four years that job cuts have been registered in both manufacturing and services. The ending of fixed-term contracts was often cited, although some firms in the goods-producing sector noted implementing short-time working practices.

Headcount reductions came amid a further deterioration in business confidence. Firms' growth expectations declined noticeably to hit an 11-month low at the start of the fourth quarter. Some panel members foresee weak demand conditions continuing and have subsequently lowered their projections for output over the coming year. The outlook was particularly downbeat across the manufacturing sector, with firms here at their most pessimistic since May 2020.

As for prices, latest HCOB survey data revealed a further cooling of cost pressures across France. The rate of input price inflation slowed to a 47-month low at the start of the fourth quarter and was also well below its series average. After no change to selling prices in September, French companies raised their charges in October. The rate of increase was only modest, however.

Comment

Commenting on the flash PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

"France remains trapped in economic decline as the fourth quarter begins, with the challenges from the third quarter persisting. The HCOB Flash PMI for October stands at 47.3 points, clearly indicating a contracting economy. Despite early elections four months ago, uncertainty continues to loom over the economic outlook. Prime Minister Michel Barnier is facing a fragile political situation, and the 2025 budget remains unresolved, further undermining business confidence. A clear strategy to tackle the ongoing deficit and debt issues is still lacking. The HCOB Nowcast predicts only slight growth as the fourth quarter kicks off. Pressure is mounting on the government in Paris to take urgent measures to stabilise the economy and address fiscal imbalances.

"The French industrial sector remains mired in a deep crisis. The HCOB Flash Manufacturing PMI for October stands at 44.5 points, confirming the ongoing downturn. A small silver lining amid the prolonged weakness is the beginning of a decline in input prices, though demand has been contracting for some time. However, the outlook at the start of the fourth quarter remains bleak. Both domestic and international order volumes show no signs of recovery. Particularly worrying is the further drop in expected output for the next twelve months. The industry could benefit from greater political stability in Paris and targeted investments to support the much-needed recovery.

"The French services sector continues to face tough conditions in October. The HCOB Flash PMI remains in contraction territory at 48.3 points, signalling ongoing weakness in services activity. Despite this sluggish performance, input prices rose, maintaining pressure on company costs. The outlook is mixed: in the short term, conditions are expected to worsen as both domestic and international orders remain weak, and employment levels decline. However, there is a glimmer of hope as business expectations for the next twelve months remain optimistic, suggesting the potential for a longer-term recovery in the sector."

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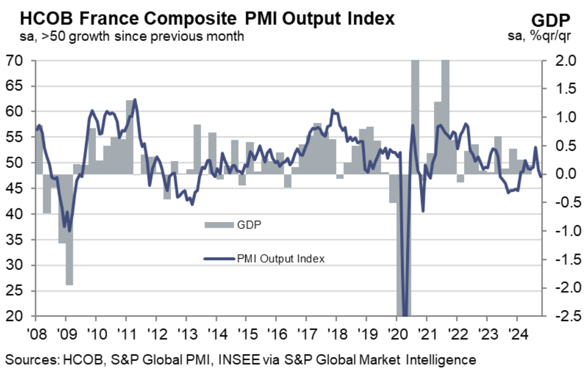

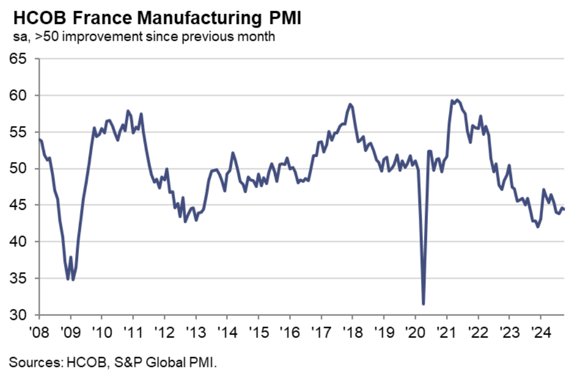

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Note to Editors

Final October data are published on 4 November for manufacturing and 6 November for services and composite indicators.

The HCOB France PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 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
Composite Output Index[1]	-0.1	0.4
Manufacturing PMI[3]	0.1	0.3
Services Business Activity Index[2]	-0.1	0.5

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.

S&P Global 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 S&P Global. Please contact economics@spglobal.com.

Notes
1. The Composite Output Index 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 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.
4. 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?”

Hamburg Commercial Bank AG
Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI
Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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. https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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