

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
Embargoed until 0915 CEST (0715 UTC) 24 October 2025

# HCOB Flash France PMI®

## French business activity falls at quickest pace since February

### Key findings:

HCOB Flash France Composite PMI Output Index<sup>(1)</sup> at 46.8 (Sep: 48.1). 8-month low.

HCOB Flash France Services PMI Business Activity Index<sup>(2)</sup> at 47.1 (Sep: 48.5). 8-month low.

HCOB Flash France Manufacturing PMI Output Index<sup>(4)</sup> at 45.3 (Sep: 45.8). 8-month low.

HCOB Flash France Manufacturing PMI<sup>(3)</sup> at 48.3 (Sep: 48.2). 2-month high.

Data were collected 9-22 October

France's private sector economy slipped into a deeper downturn in October, latest HCOB PMI® data revealed, as overall business activity decreased for a fourteenth successive month and at the fastest rate since February. Demand for French goods and services worsened, while firms' expectations for output over the coming 12 months softened and were the weakest since July. Job creation was sustained, however, with companies in both the manufacturing and service sectors adding to their payroll numbers.

As for prices, there was a further subsiding of cost pressures as operating expenses rose at the slowest pace in almost five years. Prices charged were lifted after falling in September, albeit only marginally.

The headline **HCOB Flash France Composite PMI Output Index** fell for a second month in a row in October to 46.8, from 48.1 in September, bringing it further below the critical 50.0 threshold which separates growth from contraction. Subsequently, the figure pointed to a downturn in private sector business activity that was the sharpest for eight months. Steeper declines in output were seen in both manufacturing and services.

According to survey respondents, activity levels were constrained by weak client demand and subdued domestic economic conditions. The level of incoming new orders received by French firms fell further in October, extending the current sequence of contraction to nearly a year-and-a-half. Moreover, the reduction was stronger than in September. In some instances, panel members linked reduced client spending appetites to a volatile domestic political situation.

In terms of export performance, October survey data signalled a further deterioration, although the extent to which new business from abroad shrank was less pronounced than in September. Weaker declines in foreign orders were registered by both service providers and goods producers.

The absence of new business growth prompted French companies to clear backlogs instead. Outstanding order volumes were pulled lower by clearances at services firms, underlying sector data showed, as manufacturers saw the fastest rise in unfinished workloads since May 2022. According to some goods producers, capacity pressures were due to staff shortages and restocking efforts.

The positive month-on-month trend in employment continued at the beginning of the fourth quarter as private sector payroll numbers rose for a third month in succession. Jobs growth was broad-based by sector, although services companies saw a slightly quicker upturn than their manufacturing counterparts. Anecdotal evidence provided by panel members, particularly in the goods-producing industry, suggested that staff were often recruited on temporary contracts. Moreover, the overall rate of expansion in net employment was marginal.

Looking ahead, French businesses remained optimistic that activity levels would grow over the coming 12 months. That said,

expectations softened and remained subdued by historical standards. Additionally, positive sentiment stemmed entirely from the service sector as manufacturers foresee a decrease in their production levels. Where firms were downbeat, they often commented on political instability and expectations of reduced demand in the face of heightened uncertainty.

Finally, the latest 'flash' survey data signalled a further cooling of cost pressures for French companies during October. In fact, the rate of input cost inflation was the softest since November 2020. Meanwhile, there was a renewed (albeit marginal) increase in prices charged, reversing the discounting seen in the prior month.

## Comment

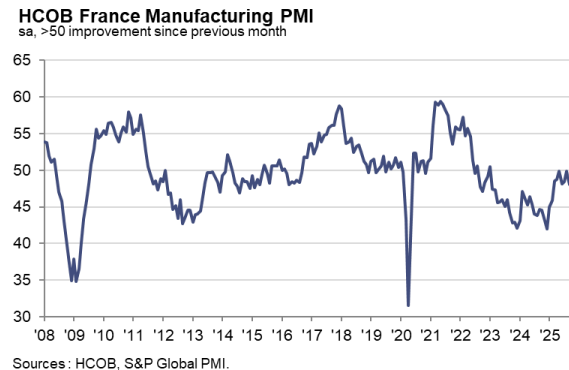
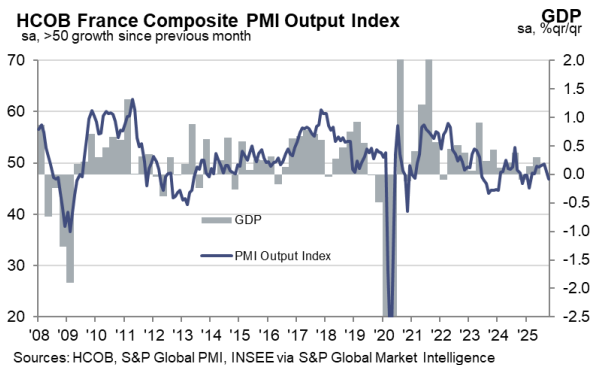
Commenting on the flash PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

*"The subdued trend in France's private sector persists. The Flash Composite PMI for October fell to 46.8, indicating a continued and stronger contraction in overall economic activity. Output in both manufacturing and services is declining, pointing to broad-based weakness. Our in-house HCOB nowcasting model predicts zero growth for the third quarter."*

*"While French firms maintain a fundamentally positive outlook, sentiment deteriorated. This is largely attributable to the weak global economic environment and domestic political uncertainty. The forward-looking index for business expectations has worsened further from an already low level, and the order situation remains lacklustre. Although Prime Minister Sébastien Lecornu gained short-term political leeway for budget negotiations by suspending the pension reform, the overall economic and political climate remains tense. This is likely to weigh on consumer spending and investment activity."*

*"Conditions in the manufacturing sector remain fragile. Declines in production and new orders suggest a prolonged period of weakness. In an effort to boost sales, manufacturers adjusted prices downwards, as output prices fell for the second consecutive month. However, it is worth noting that the sub-index for employment remains above the growth threshold in both sectors – a sign of underlying labour market resilience."*

-Ends-



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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 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 <sup>1</sup>	0.0	0.4
Manufacturing PMI <sup>3</sup>	0.1	0.3
Services Business Activity Index <sup>2</sup>	-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](mailto: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.

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### 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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