

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Services PMI®

Activity and new business levels rise for first time since August 2024

Key findings:

- Demand for French services picks up, supporting activity growth
- Employment drops as year-ahead expectations remain weak
- Competitive pressures restrict company pricing power

Data were collected 12-25 November

France's service sector sprung back into growth in November, according to the latest HCOB PMI® survey, as a fresh increase in new business inflows spurred activity levels higher. The expansions in output and new orders were the first seen since August 2024.

Nevertheless, other survey sub-indices portrayed a relatively subdued state of affairs in November, with employment falling and businesses' year-ahead expectations remaining weak. Company pricing power was also constrained by competitive pressures, according to respondents. Output prices were virtually unchanged, despite input cost inflation accelerating.

The seasonally adjusted **HCOB France Services PMI Business Activity Index** — which measures changes in the volume of business activity compared with one month previously — increased to a 15-month high of 51.4 in November. Rising from 48.0 in October, the survey's headline measure recorded above the 50.0 no-change threshold for the first time since August 2024, indicating higher business activity levels following 14 successive months of decline.

Spurring growth in service sector output levels was a fresh rise in new business. Like activity, this marked the first monthly expansion since August 2024. Improvements in demand were reflective of increased appetite from both new and existing customers, according to qualitative evidence. That said, the upturn was only marginal overall.

The trend in new export business also showed an improvement, at least relative to the prior three months. Inflows of new work from non-domestic clients were broadly stable, following a string of solid contractions.

November's rise in activity was also underpinned by clearances of outstanding business. In fact, backlogs of work decreased for a third straight month and at a faster rate than in October. The robust hiring trend observed since August came to an end midway through the fourth quarter, however. Service sector payroll numbers fell for the first time since July, albeit only fractionally. Resignations and lower fixed-term contract numbers were cited by surveyed companies.

French services businesses were nevertheless optimistic of activity growth over the coming 12 months. Expectations of a rise in client numbers, new product launches and plans to increase headcounts were given as reasons to be positive towards the outlook. That said, the overall level of optimism was weak by historical standards.

Turning to prices, November survey data signalled a lack of pricing power among French service providers. Prices charged were broadly unchanged on the month amid reports from some firms of intense competition for work. Flat sales prices came despite an increase in input cost pressures. Salaries, energy and raw materials were noted as sources of inflation, according to anecdotal evidence. The extent to which input prices rose was broadly in line with its average over the past 12 months, but nonetheless picked up from October's four-and-a-half-year low.

Comment

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

"Finally, some positive news. For the first time in over a year, output in France's private sector has increased. In November, the Composite PMI climbed back above the growth threshold, driven by a notable rebound in services business activity. However, manufacturing remains a drag on overall performance, posting its steepest fall in nine months and widening the gap between the two sectors."

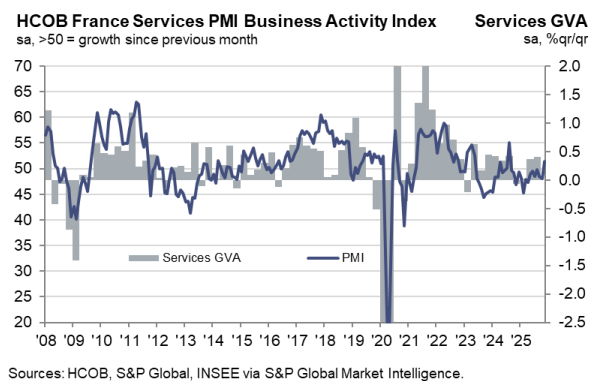
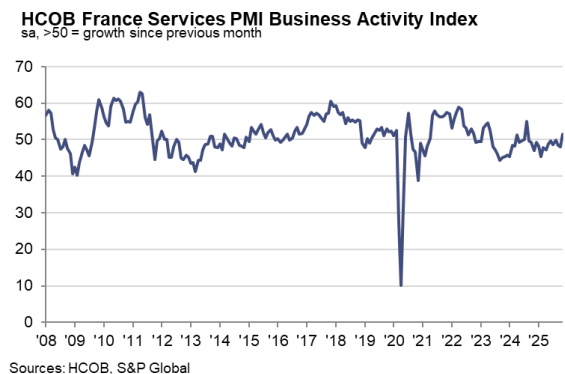
"The improvement in services is encouraging, yet it remains to be seen whether this is just a one-off uptick or the start of a sustained recovery. The coming months will provide clarity. At least, order intakes are moving in the right direction, with domestic demand improving and foreign orders stabilising."

"Against this backdrop, business expectations remained cautious and at a relatively low level, though they improved in November. If the government manages to reach a budget compromise and reduce political uncertainty, household consumption and business investment could benefit from a more stable policy environment."

"The lingering weakness in services is reflected in employment and outstanding business volumes. After months of subdued activity, incomplete work volumes continue to shrink, prompting companies to halt recent hiring trends and slightly reduce headcount. Given developments in the past months, employment growth is likely to remain modest in the near term."

"Price dynamics are broadly consistent with pre-COVID patterns, although the PMI for output prices slipped below the 50-mark amid competitive pressures, leading some firms to cut prices."

-Ends-



HCOB France Composite PMI[®]

Private sector output rises for first time in 15 months

The **HCOB France Composite PMI[®] Output Index*** registered 50.4 in November, an increase from 47.7 in October and in expansion territory for the first time since August 2024. The upturn reflected stronger service sector activity levels as manufacturing output fell at the fastest pace in nine months.

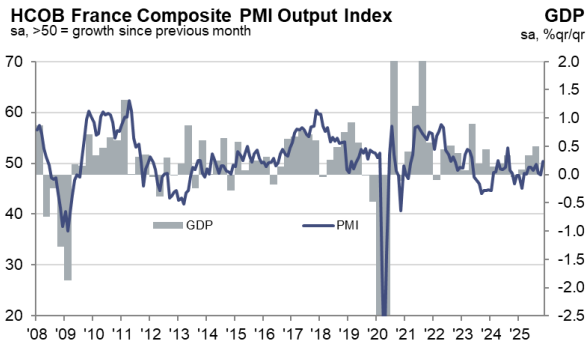
Similarly, new private sector orders increased as a result of an improvement in demand for French services. However, the rise in total new business was only marginal overall. Exports provided a boost to sales, with new work from overseas clients rising at manufacturers and stabilising in the service sector.

Meanwhile, amid a broad-based reduction in payroll numbers, private sector employment decreased for the first time in four months across France. Nevertheless, backlogs of work fell at a quicker pace.

Input cost inflation quickened to a three-month high as price pressures intensified across both monitored sectors. Prices charged were little-changed since October.

Looking ahead, businesses' expectations improved, particularly across the goods-producing sector, but they remained subdued overall.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.



Contact

Hamburg Commercial Bank AG

Jonas Feldhusen
Junior Economist
T: +49-151-2294-9096
jonas.feldhusen@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Joe Hayes
Principal Economist
T: +44-1344-328-099
joe.hayes@spglobal.com

Hannah Brook
EMEA Communications Manager
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

Note to Editors

The HCOB France Services PMI[®] is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 1998.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Flash services data were calculated from 83% of final responses. Flash composite data were calculated from 90% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.6 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is 0.0 (0.4 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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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