NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash France PMI®

French private sector suffers worst decline in economic output since September 2023

Key findings:

HCOB Flash France Composite PMI Output Index(1) at 44.5 (Jan: 47.6). 17-month low.

HCOB Flash France Services PMI Business Activity Index(2) at 44.5 (Jan: 48.2). 17-month low.

HCOB Flash France Manufacturing PMI Output Index(4) at 44.6 (Jan: 44.3). 7-month high.

HCOB Flash France Manufacturing PMI(3) at 45.5 (Jan: 45.0). 9-month high.

Data were collected 10-19 February

The French economy slipped deeper into contraction midway through the first quarter, according to the 'flash' HCOB PMI® survey, stretching the current period of decline to six months. Furthermore, February's fall was sharp and the steepest since September 2023 as the drag from the private service sector intensified, more-than-offsetting a softer decrease in factory production. The survey data and accompanying qualitative evidence from panellists implied that weaker demand for French goods and services was a contributing factor, with private sector new orders down at one of the sharpest rates seen in close to five years. Weak sales performances also evidently weighed on companies' pricing power. Although input costs rose at the quickest rate in six months, output charges ticked up only fractionally. The most marked reduction in workforce numbers since August 2020 was another key finding from February's 'flash' results.

The headline **HCOB Flash France Composite PMI Output Index** fell deeper into sub-50.0 territory during February, indicating a sharper rate of decline in business activity across the eurozone's second-largest economy. At 44.5, the latest figure was more than three points below January's 47.6 and pointed to a marked acceleration of the private sector's downturn. In fact, the rate of decline signalled was the steepest since September 2023.

Underlying data revealed marked contractions in output across both manufacturing and services, although the drop in the headline index was entirely a reflection of the latter's worsening performance. Activity at French services companies fell at a pace that was considerably faster than in January and the steepest in nearly a year-and-a-half. This contrasted with the trend in the goods-producing industry, which posted its softest decrease in output since last July.

Survey respondents in both sectors frequently cited lower client demand in February. Low footfall, weak confidence in the outlook and investment reticence also dampened sales, anecdotal evidence suggested. According to the survey data, private sector new orders decreased by one of the most marked extents in around five years. Notably, a fractional uptick in the HCOB New Export Business Index implied that February's slump in new orders was primarily domestic-driven. New work received from abroad fell solidly but at the weakest pace in five months.

February's more rapid decline in new business placed a greater onus on existing work to support activity. Backlogged orders were reduced sharply and at the swiftest pace in 15 months. Amid falling workloads, French private sector companies lowered their employment levels midway through the first quarter. The decline in staffing numbers was the steepest since August 2020. The non-renewal of temporary contracts and non-replacement of voluntary leavers were methods used by firms to lower headcounts, anecdotal evidence revealed.

French businesses were challenged by intensified cost pressures in February. Input prices increased at the strongest rate since last August, with both manufacturers and services firms reporting marked rises in their operating expenses. However, a more competitive market prevented businesses from fully passing on cost increases. Prices charged for French goods and services rose only fractionally on the month.

In terms of the outlook, French companies were broadly neutral as expectations of lower manufacturing production were accompanied by a subdued level of optimism across services. Challenging sales conditions, a lack of confidence in pricing power and concerns regarding the health of the underlying economy were cited as reasons to be downbeat towards the year ahead.

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

"Recession with no end in sight. The HCOB French Flash PMI in February failed to provide any relief, with the headline Composite Output Index plunging over three points to signal its deepest contraction since September 2023. Surprisingly, it was the services sector, not the manufacturing sector, that caused the latest decline. This fresh setback for the French economy perhaps comes as a surprise, given the recent allaying of some political uncertainty in the country. Prime Minister Francois Bayrou managed to pass the 2025 budget by bypassing Parliament with Article 49.3 and survived a no-confidence vote. However, the economy seems to view Bayrou's achievement more as a temporary success rather than long-term stability, as he still lacks a majority in Parliament and could be ousted by the opposition at any time.

"The services sector is a cause for concern, with a significant downturn in activity compared to the previous month. The HCOB data presents a very weakened picture of the sector at the start of 2025. Order intakes are shrinking at a rapid pace and future activity expectations remain well below the historical average. In this situation, new hires are hardly possible, and we saw substantial layoffs in February.

"The manufacturing sector showed small signs of underlying improvement. The HCOB Flash PMI for manufacturing rose slightly in January but remains in contraction territory. Demand remains weak, although new orders shrank more slowly than in the previous month. Overall, there is little hope to be drawn from the slightly improved index figures, as the outlook for output is still viewed pessimistically and layoffs are commonplace. The sector's woes are exacerbated by faster increases in input prices."

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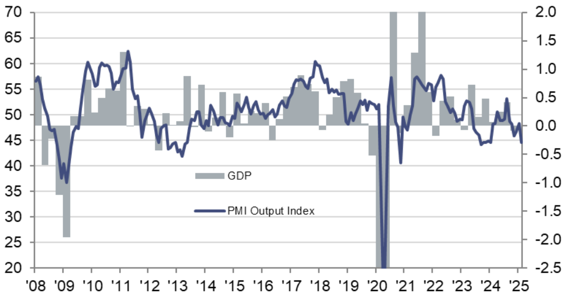

Sources: HCOB, S&P Global PMI, INSEE via S&P Global Market Intelligence

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Note to Editors

Final February data are published on 3 March for manufacturing and 5 March 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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S&P Global (NYSE: SPGI)
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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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