NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Services PMI®

Services activity shrinks in September as demand conditions worsen

Key findings:

Steeper reduction in output

Prices charged discounted as cost pressures remain tame

Business growth expectations improve

Data were collected 11-25 September

France's service sector deteriorated during the final month of the third quarter. After nearly stabilising in August, business activity fell at the joint-quickest pace since April, with firms noting delayed client decision-making, weak sales conditions and increased uncertainty. Lower intakes of new business were once again registered, prompting cuts to prices charged to boost competitiveness. That said, firms continued to hire additional staff and business confidence strengthened.

The seasonally adjusted **HCOB France Services PMI® Business Activity Index** — which measures changes in the volume of business activity compared with one month previously — fell to 48.5 in September, from 49.8 in August. The decrease took the survey's headline measure deeper into contraction territory, although it was indicative of a modest decline in output.

September's faster reduction nevertheless compared with a near- stabilisation in August. According to panellists, activity levels were constrained by client hesitancy, raised uncertainty and generally challenging sales conditions. Amid these reports, the latest survey data signalled a further decrease in the volume of incoming new work at French services companies. September's fall extended the current sequence of shrinking new business to just over a year. However, the latest fall was the slowest since January.

French service providers closed out the third quarter with another decline in new business from abroad. Albeit softer than August's year-to-date record, the contraction remained solid.

Employment was again a bright spot for the French service economy. Workforce numbers increased in September for a second straight month amid reports of expansions to sales departments. The rate of job creation slowed, however, and was only marginal. Greater staffing capacity coincided with renewed backlog depletion in September. The decrease in outstanding business volumes was moderate overall.

French service providers looked towards the coming 12 months with optimism. In fact, the overall level of positive sentiment rose to a three-month high. Where growth was projected, panel members cited expectations of stronger demand conditions following the release of new offerings to the market.

That said, compared against the historical average of the series, the level of confidence was subdued. Panellists with a downbeat assessment towards the outlook attributed this to political uncertainty.

Turning to prices, September survey data showed a further rise in operating expenses. Higher supplier fees and wage bills were reported by respondents. The rate of increase was relatively muted, however, with inflation coming in below the long-run average of the survey.

Prices charged by French services companies were discounted at the end of the third quarter. This marked the first month of decrease since May. Competitive pressures drove firms to lower their charges, anecdotal evidence revealed. The decline was only marginal, however.

Comment

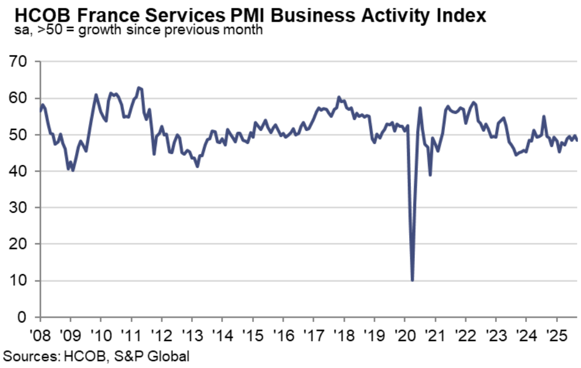
Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg at Hamburg Commercial Bank, said:

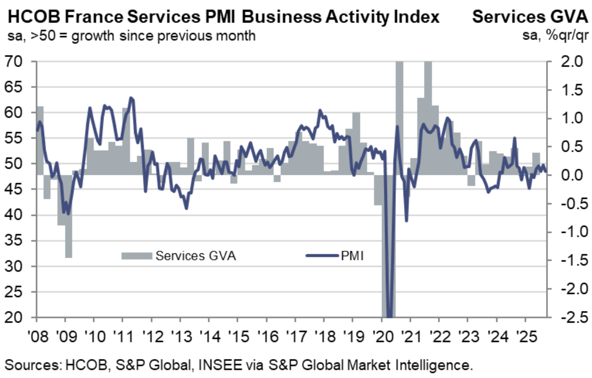
"French politics is currently offering little support to businesses, as the ongoing political deadlock adds to uncertainty and undermines confidence. Amidst this turmoil, France's private sector lost ground: the HCOB France Composite PMI weakened in September, with activity declining in both the manufacturing and service sectors.

"After approaching the growth threshold in August, the headline HCOB Services PMI experienced a renewed decline. The primary driver of this weak performance remains subdued demand conditions, as reflected in lower new order volumes. Domestically, political gridlock is likely contributing to clients hesitating in making spending decisions. Additionally, the challenging geopolitical and trade environment continues to weigh on foreign demand, as evidenced by the decline in export orders.

"Input price inflation continues, whereas output prices decreased in September. This suggests that companies' margins might shrink, although cost pressures are subdued compared to historical levels. Interestingly, margin compression, coupled with restrained demand, has not yet translated into layoffs, as the employment index still indicated growth."

-Ends-





HCOB France Composite PMI®

Private sector business activity falls at quickest pace since April

The **HCOB France Composite PMI® Output Index*** signalled a quicker reduction in private sector business activity during September. After posting just shy of the 50.0 no-change mark in August with a reading of 49.8, the index dropped to a five-month low of 48.1.

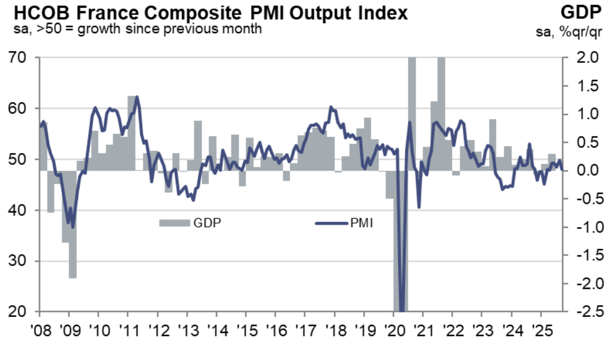
Both broad sectors posted faster declines in output, although the fall in manufacturing was steeper. This was also true for new orders, with goods producers seeing a quicker decline than service providers. However, composite new business decreased at a softer pace than in the month prior.

Employment growth was maintained amid rising job numbers in both monitored sectors. Hiring slowdowns were broad-based, pulling the aggregate pace of job creation down to just a marginal pace. Backlogs of work were nevertheless reduced.

Prices charged across the private sector were discounted for the first time since May. Input cost rose solidly, although inflation was mild by historical standards.

Growth expectations picked up in September to their highest in three months. Stronger sentiment was exclusive to the service sector, however.

**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.*



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

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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 89% 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.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html.

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