

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Flash France PMI<sup>®</sup>

## Business activity in France declines at fastest rate since November 2020 as contractions in services and manufacturing worsen

### Key findings:

HCOB Flash France Composite PMI Output Index<sup>(1)</sup> at 46.6 (Jun: 47.2). 32-month low.

HCOB Flash France Services PMI Business Activity Index<sup>(2)</sup> at 47.4 (Jun: 48.0). 29-month low.

HCOB Flash France Manufacturing PMI Output Index<sup>(4)</sup> at 43.2 (Jun: 43.7). 3-month low.

HCOB Flash France Manufacturing PMI<sup>(3)</sup> at 44.5 (Jun: 46.0). 38-month low.

Data were collected 11-20 July

The French economy started the third quarter of 2023 with the sharpest reduction in business activity since November 2020, latest HCOB PMI<sup>®</sup> data compiled by S&P Global showed. July's contraction in output was the second in as many months, signalling a sustained deterioration in economic conditions. Activity levels were constrained by a further weakening of demand, putting more pressure on companies to look to their backlogs of work to sustain output. Indeed, the volume of orders pending completion fell again in July. Private sector employment growth meanwhile dropped to its softest in the year-to-date, although business confidence strengthened for the first time since March.

The latest survey data also highlighted another softening of inflationary pressures across France, although sectoral price trends remained divergent as falling manufacturing costs and charges contrasted with sustained, albeit slower, rises in equivalent measures at services firms.

The headline **HCOB Flash France Composite PMI Output Index** fell for a fourth month running in July to 46.6, from 47.2 in June. Crucially, the index recorded beneath the 50.0 mark which separates growth from contraction for the second consecutive survey period, pointing to a sustained downturn in private sector business activity across France. July's decline was solid overall and the fastest since November 2020.

July also marked the second successive month where both manufacturing and services output fell. Notably, rates of contraction accelerated across both sectors, indicating the broad-based nature of July's accelerated drop of overall activity. Factory production volumes continued to fall at a markedly stronger pace than services activity, however, with firms often citing weakness in demand as a reason for lower output. Services companies also linked lower sales to falling activity, although some companies commented on clients being deterred by higher prices. Overall, total new business inflows fell for a third month in a row and at the quickest rate in over two-and-a-half years.

Weaker sales meant firms had a greater reliance on backlogs of work to uphold activity levels. Outstanding business volumes fell for a second straight month in July, albeit marginally. Nevertheless, private sector businesses in France continued to add to their workforce numbers, sustaining the current sequence of jobs growth that started over two-and-a-half-years ago. The pace of hiring did slow, however, to its weakest in the year-to-date.

Meanwhile, July survey data showed a further cooling of inflationary pressures across France as overall rates of input cost and output price inflation fell to 28- and 27-month lows respectively. That said, there were considerable differences in price trends by sector as historically elevated pressures in the service sector contrasted with an accelerated decline in costs and charges at manufacturers. According to anecdotal evidence, factory costs were driven lower by falling raw material prices. On the other hand, surveyed service providers commented on rising wage bills.

Looking ahead, there was a strengthening of business confidence across France in July. Some companies linked expectations of growth to recent hiring activity, particularly in the service sector. Manufacturers remained pessimistic in their assessment of the next 12 months, although the degree of negativity eased since June.

### Comment

Commenting on the flash PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

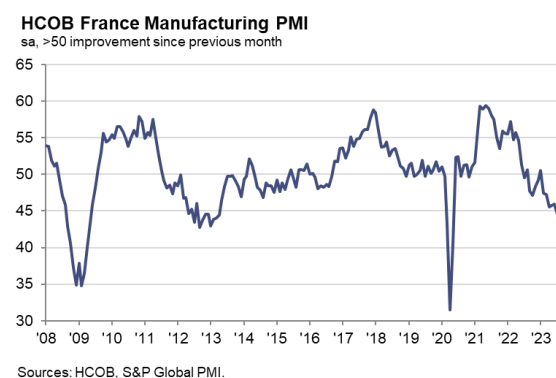
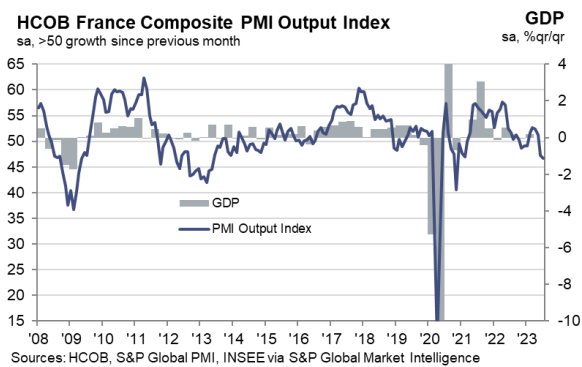
*“The French economy took another hit in July as both the manufacturing and services sectors saw a decline. The drop in new export business was even steeper, reflecting weak global demand as the Chinese economy has not bounced back so far this year as expected.*

*“All in all, the data signals a noticeable cooldown of the economy, showing the sharpest reduction of business activity since November 2020, which preceded a contraction in GDP.*

*“Prices continued to increase in July, but once again there was a stark contrast between the manufacturing and services sectors. While manufacturing prices have been falling for some months thanks to declines in raw material costs, service prices continued to increase at a still highly elevated pace. According to anecdotal evidence, input prices were driven by higher labor costs.*

*“Despite the less than promising state of the French economy, companies were more optimistic than in June. Anecdotal evidence suggests this shift is attributed to recent employment growth, particularly in the service sector. Conversely, sentiment in manufacturing appears more restrained, where firms are pessimistic towards the next twelve months.”*

-Ends-



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**Note to Editors**

Final July data are published on 1 August for manufacturing and 3 August 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>	-0.1	0.4
Manufacturing PMI <sup>3</sup>	0.1	0.3
Services Business Activity Index <sup>2</sup>	0.0	0.6

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@ihsmarkit.com](mailto:economics@ihsmarkit.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?"

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### About PMI

Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) 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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