

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Services PMI[®]

French services activity remains in contraction as demand conditions deteriorate further

Key findings:

- Output and new business decline at fastest rates in three months
- Renewed political uncertainty weighs on year-ahead outlook
- Decreasing employment trend extends into the third quarter

Data were collected 10-28 July

Having come close to stabilising in June amid a rebound in business confidence, July HCOB PMI[®] survey data marked a disappointing start to the second half of 2025 as output and new orders saw accelerated declines, while growth expectations weakened sharply. Meanwhile, as has been the case since December last year, services employment levels declined. Positively, the rate of input cost inflation remained contained, although prices charged rose only marginally as competition restricted firms' pricing power.

After nearing expansionary territory (readings above 50.0) in June with its highest reading for nine months, 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 from 49.6 to 48.5 in July. Consequently, this signalled the quickest rate of decline in services output since April.

According to panellists, weak demand conditions, low client business activity and inadequate staffing capacity weighed on output volumes. Indeed, the latest survey data indicated the sharpest reduction in new work intakes for three months. Customers delaying their decision-making reportedly weighed on sales performances, anecdotal evidence revealed.

Notably, a further (albeit fractional) improvement in new business from international clients implied that July's decrease in total new orders was driven by the domestic market.

July's decrease in total workloads — the eleventh in as many months — meant that further progress was made on clearing backlogs. That said, French service providers subsequently lowered employment levels amid a lack of capacity pressures. The non-renewal of temporary contracts and non-replacement of voluntary leavers were cited as reasons for the decline in service sector job numbers.

A noteworthy finding from the latest round of survey data related to companies' year-ahead expectations. After a strong improvement in June, business sentiment weakened drastically at the start of the third quarter. Although on balance firms still predicted growth over the forthcoming 12 months, forecasts were subdued as the proportion of panel members anticipating higher activity (24%) was almost completely offset by those predicting a contraction (23%). Political uncertainty in France, coupled with concerns regarding the demand outlook, weighed on sentiment.

Turning to prices, the latest survey data continued to point to relatively stable inflationary pressures as input costs increased at a rate that was broadly in line with the average seen across the first half of 2025. Furthermore, the rise in operating expenses was weaker than that seen on average across the survey history. Purchasing prices and salaries were the principal sources of cost pressures, anecdotal evidence suggested.

Prices charged were subsequently lifted, marking the eighth time in the past ten months that this has been the case. However, the rate of inflation was only marginal overall as competition for new work restricted company pricing power.

Comment

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

“France’s Composite PMI has declined to a three-month low, marking a subdued start to the second half of the year. Although GDP growth came in stronger than expected at 0.3% quarter-on-quarter, this expansion was largely driven by changes in inventories. This raises concerns about the sustainability of the current growth path. The muted private sector sentiment suggests limited momentum in the near term.

“Activity in the French service sector had approached the expansion threshold in recent months, but the HCOB Services PMI registered a moderate decline in July. This reflects persistently weak demand conditions. Notably, some survey respondents pointed to delayed decision-making as a factor weighing on demand. These delays likely stem from political uncertainty within France and ongoing geopolitical tensions in global trade. As a result, business expectations for the next 12 months have deteriorated.

“The slowdown in business activity is increasingly reflected in capacity utilization. In July, backlogs of work declined, and forward-looking expectations worsened significantly. This is translating into a more challenging environment for workers in the services sector: temporary contracts are less frequently renewed, and voluntary departures are often not followed by new hires, leading to a net reduction in employment.

“On the price side, conditions remain broadly unchanged from the previous month. Input prices continue to rise moderately, driven by higher wages and increased costs for intermediate goods. Given firms’ limited pricing power, output price inflation remains contained. The modest increase in prices charged reflects both cost pressures and efforts to support revenue growth.”

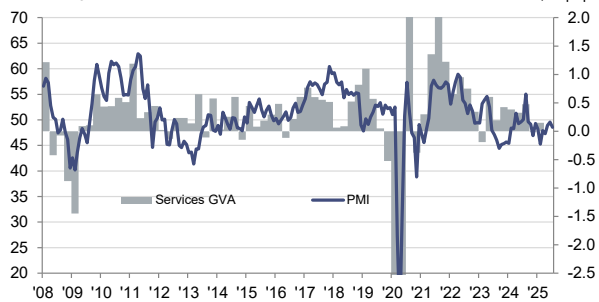
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HCOB France Services PMI Business Activity Index
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

HCOB France Services PMI Business Activity Index Services GVA
sa, >50 = growth since previous month



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

HCOB France Composite PMI[®]

Business confidence slides to six-month low

The **HCOB France Composite PMI[®] Output Index*** signalled a slightly quicker decline in private sector business activity across France in July. Falling from 49.2 in June to 48.6, the latest data point indicated a moderate but accelerated contraction. Manufacturing and services posted similar rates of decrease in output at the start of the third quarter.

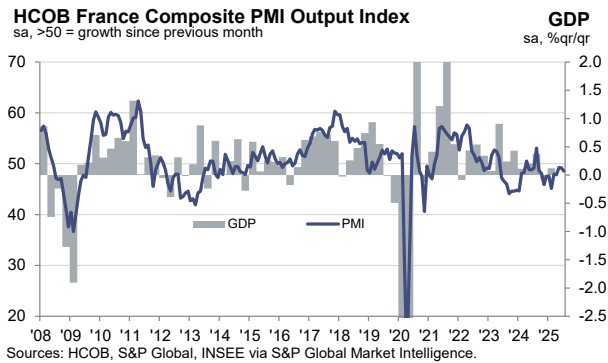
Amid sharper falls in new business across both monitored sectors, the composite level data pointed to the steepest drop in overall sales since April. A marked drag on private sector order books came from manufacturing exports, which slumped sharply on the month. Sales to non-domestic clients in the service sector were fractionally higher, by contrast.

Sustained (and more pronounced) job shedding across services offset a pick-up in factory hiring in July, leading private sector job numbers to fall at the fastest pace in three months.

Notably, year-ahead output expectations deteriorated sharply after June's large improvement. Business confidence slid to a six-month low in July.

As for pricing trends, rates of both input cost and output charge inflation remained weak by historical standards.

*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 92% of final responses. Flash composite data were calculated from 96% 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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S&P Global (NYSE: SPGI)

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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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