NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash France PMI®

Contraction in French economy intensifies in December as activity falls at fastest pace for over three years

Key findings:

HCOB Flash France Composite PMI Output Index[(1)] at 43.7 (Nov: 44.6). 37-month low.

HCOB Flash France Services PMI Business Activity Index[(2)] at 44.3 (Nov: 45.4). 37-month low.

HCOB Flash France Manufacturing PMI Output Index[(4)] at 40.8 (Nov: 41.0). 43-month low.

HCOB Flash France Manufacturing PMI[(3)] at 42.0 (Nov: 42.9). 43-month low.

Data were collected 06-13 December

The French economy concluded 2023 with another month-on-month contraction in private sector business activity, latest HCOB PMI® data, compiled by S&P Global showed. This extended the period of decline that started at the midway point of the year. Notably, the decrease in output accelerated for the first time since September and was the steepest since November 2020. Similarly, new orders fell rapidly amid an increased drag from export markets, driving further backlog depletion and cuts to employment. Businesses also expressed less optimism towards the year ahead, with growth expectations at their joint-weakest in just over three years.

The headline **HCOB Flash France Composite PMI Output Index** fell to 43.7 in December, from 44.6 in November, signalling another contraction in private sector business activity across France. Overall, the headline figure was indicative of a sharp and accelerated decline in output volumes that was also the fastest since November 2020. Survey respondents attributed lower activity levels to weak demand conditions, reduced customer purchasing power and general sluggishness across the economy.

Both manufacturing and services companies recorded lower output during December and rates of decline quickened in both cases. The downturn across the goods-producing sector entered its nineteenth month, with the latest slump the sharpest seen since May 2020. French factories continued to perform far worse than their services counterparts, although a quicker and marked contraction in services activity (that was the fastest since November 2020) was the major driving force behind the near one-point slide in the Composite Output Index in December.

Subdued demand conditions remained prevalent across France at the end of the year, as evidenced by another sharp monthly fall in private sector new orders. The decrease was broad-based at the sector level, with firms commenting on the negative impact of inflation, competitive pressures, reduced client appetite and a general slowdown in several markets. Some companies also suggested that flooding and adverse weather caused sales performances to worsen. New business received from international customers also sank deeper into contraction in December.

As has been the case since August, the latest survey data pointed to a further clearance of backlogs of work at French companies. The rate of depletion was marked and the fastest since November 2020. Falling new business intakes reportedly led to an alleviation of capacity pressures, anecdotal evidence showed.

Reductions to outstanding work volumes were centred on the manufacturing sector, where the current sequence of backlog depletion entered an eleventh month. Subsequently, French factories reduced staffing numbers further, more-than-offsetting a marginal uptick in hiring at services companies. Overall, private sector employment levels across France fell for a second month in a row. Albeit marginal, the rate of job shedding was the fastest in just over three years.

Turning to prices, December survey data pointed to a cooling of inflationary pressures across France. Input costs continued to be driven higher by services companies, which firms explained was primarily a result of higher salary expenses. Manufacturers noted lower prices paid for the seventh time in the past eight months, however. The overall rate of input cost inflation was the softest since March 2021. Prices charged subsequently increased at a weaker rate, reflecting sustained discounting by goods producers and less aggressive price setting by service providers.

Lastly, there was a further erosion of business confidence at the end of 2023. Expectations towards activity in the year ahead fell to their joint-weakest since October 2020 amid forecasts of falling intakes of new business, reduced client activity and, in some cases, recession next year.

Comment

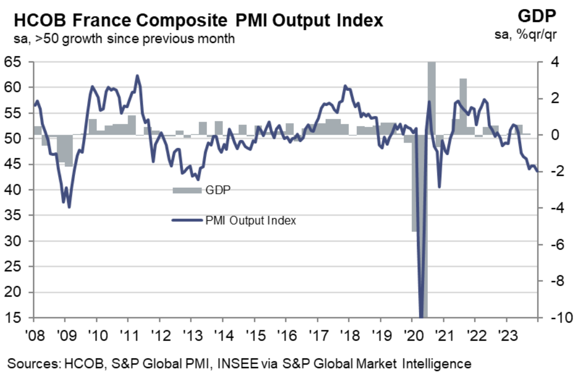
Commenting on the flash PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

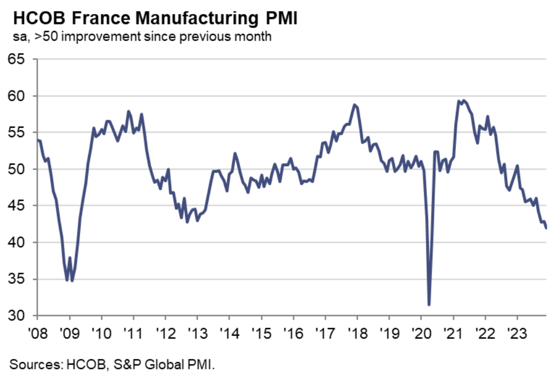
"The French economy is sinking into the recession quagmire, with HCOB Flash PMIs painting a disconcerting picture in December of the second-largest EU economy. Both the services and manufacturing sector contractions have intensified compared to the previous month. Survey participants attribute lower activity levels to weak demand conditions, reduced purchasing power of customers, and general sluggishness in the economy – not good news for year-end growth. Our HCOB Nowcast predicts a slight contraction of 0.2% for the French GDP in the fourth quarter.

"In December, the HCOB Flash PMI for the manufacturing sector hit its lowest level since May 2020, registering at 42.0. The French industry, in particular, expressed concerns about future prospects. Domestic and international orders are plummeting, signalling trouble for employment as job losses extended. The only consolation for the industry lies in falling input prices, but without substantial new order intakes, this is likely to provide only limited relief.

"French service providers are currently in a tough spot. The HCOB Flash PMI for services activity is at 44.3 index points, the worst since November 2020. New Business is in a dismal state and the backlog of orders is shrinking fast, too. This bodes ill for the performance of the sector in the near future. The silver lining is that employment remains stable. Overall, it's hardly surprising that our HCOB Nowcast predicts a decline of 0.2% for the service sector."

-Ends-





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Note to Editors

Final December data are published on 2 January for manufacturing and 4 January 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.

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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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