

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0915 CET (0815 UTC) 24 January 2024

HCOB Flash France PMI[®]

Economic activity in France falls at steepest pace since September

Key findings:

HCOB Flash France Composite PMI Output Index⁽¹⁾ at 44.2 (Dec: 44.8). 4-month low.

HCOB Flash France Services PMI Business Activity Index⁽²⁾ at 45.0 (Dec: 45.7). 4-month low.

HCOB Flash France Manufacturing PMI Output Index⁽⁴⁾ at 40.5 (Dec: 40.7). 44-month low.

HCOB Flash France Manufacturing PMI⁽³⁾ at 43.2 (Dec: 42.1). 4-month high.

Data were collected 11-22 January

Having ended 2023 deep inside contraction territory, France's economy began the new year with another marked month-on-month reduction in private sector business activity. In fact, the downturn worsened in January as faster falls in output at both service providers and manufacturers led to the steepest overall rate of decline since last September. A ninth successive month of weakening demand was a major factor behind January's contraction, placing the onus firmly on backlogs as the means to boost activity. Indeed, outstanding work volumes declined, as did employment and business confidence.

The headline **HCOB Flash France Composite PMI Output Index** remained below the critical 50.0 threshold that separates growth from decline in January for an eighth month in a row, stretching the downturn seen in the eurozone's second-largest economy that began in mid-2023. At 44.2, the headline index was down from 44.8 in December, its lowest for four months and indicative of a steep contraction in business activity.

Underlying data showed sustained reductions in output at manufacturers and service providers, albeit with the former once again providing the strongest downward pull on total economic activity levels in France. Notably, factory production decreased at the fastest pace in over three-and-a-half years. Meanwhile, services business activity fell to the greatest degree since last September.

According to anecdotal evidence, weaker sales performances placed a considerable constraint on output volumes at French companies. Lower activity levels at clients, uncertainty towards the outlook, as well as general weakness across the economy were reasons given for the drop in new order inflows in January. Overall, the level of new incoming business fell for a ninth consecutive month, although the rate of decrease was the softest since August last year.

The sustained decline in demand continued to drive French private sector firms towards backlog completion, with outstanding workloads falling for a sixth successive month in January. The reduction was broad-based, sector data showed, and led by goods producers.

Less pressure on operating capacities contributed to a third successive month of falling employment levels across France. That said, the rate of job shedding was only marginal and driven exclusively by manufacturers, where cuts to workforce numbers were registered for an eighth month in a row. Factories that reduced headcount reported the non-renewal of temporary contracts.

Having recovered slightly at the end of 2023, January survey data signalled a renewed drop in business confidence across France. Overall, the level of optimism was the second-strongest in five months but remained well below its historical average. Expectations of prolonged weakness in demand, leading market conditions to worsen in multiple parts of the economy, kept business sentiment at a subdued level, according to anecdotal evidence.

As for prices, January survey data signalled a slight intensification of inflationary pressures across France. Overall input costs rose at a sharper pace, reflecting a steeper rise in services companies' operating expenses. Salaries, energy and certain raw materials were cited as sources of inflation. That said, the overall rate of increase in input prices was among the softest seen in nearly three years and broadly in line with the survey average.

A slightly faster rate of output charge inflation was likewise registered at the start of 2024 due to price increases made by service providers. In fact, the rise in selling prices was the fastest for seven months as the burden of greater costs were generally passed on to clients.

Lastly, the HCOB Flash France Manufacturing PMI – an index which provides a snapshot of the health of the manufacturing economy – rose to a four-month high of 43.2 in January, up from 42.1 in December. Underlying data revealed that this was primarily driven by the Suppliers' Delivery Times Index (which is inverted in the index calculation) falling to a 12-month low amid disruption in the Red Sea.

Comment

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

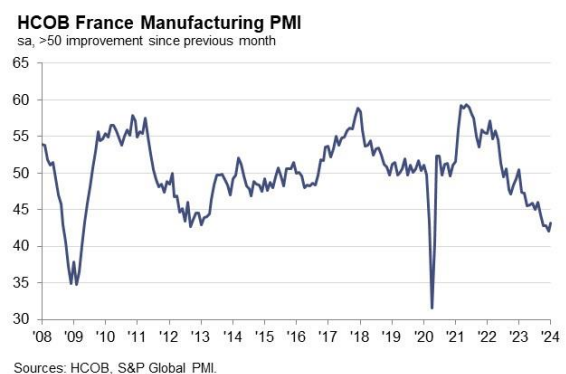
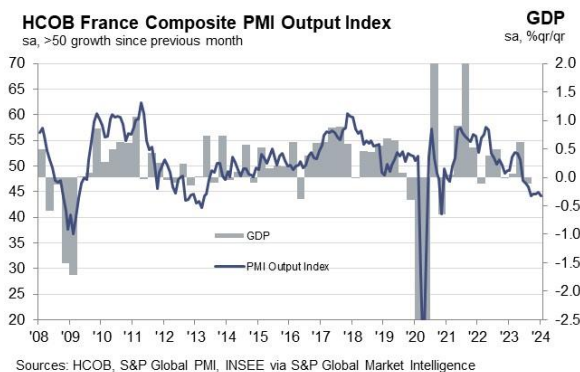
"The French economy is kicking off 2024 on a slow note. The latest HCOB Flash PMIs show a depressing picture overall. According to our nowcast model, which also takes the latest HCOB PMI figures into account, Europe's second-largest economy is likely to stagnate in the first quarter of 2024, but risks are to the downside."

"The French service sector could become a beacon of hope. Even though activity fell for an eighth month, new business overall and from abroad fell at a slower pace. Employment even increased for another month, although only marginally. Of course, the situation remains poor, but these could be the first signs of an imminent improvement in the service sector."

"Manufacturing is taking a hard hit. Production is shrinking at the fastest pace since the start of the pandemic in 2020, the PMI for new business is stuck at a level below the 40 mark and employment continues to fall sharply. Weak demand is putting a lot of pressure on the manufacturing sector, anecdotal evidence shows."

"Most probably, the ECB won't start cutting rates in the next few months amid surging wages. PMIs for input and output prices remain clearly above the 50 mark in France, hinting at stubborn euro area consumer price inflation. According to anecdotal evidence, input prices rose due to higher wages, confirming the concerns that ECB members have over cutting interest rates early. Companies have largely been able to pass on their costs to customers, therefore explaining the increase in selling prices. The rising prices are mainly coming from the service sector, which is labour-intensive and therefore strongly affected by wage increases."

-Ends-



Contact

Hamburg Commercial Bank AG

Norman Liebke
Economist
T: +49-171-5466-753
norman.liebke@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

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

Note to Editors

Final January data are published on 1 February for manufacturing and 5 February 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.

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.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2024 S&P Global Ltd. All rights reserved. www.spglobal.com

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>

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.