

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Flash France PMI<sup>®</sup>

## French economy endures another steep contraction midway through fourth quarter

### Key findings:

HCOB Flash France Composite PMI Output Index<sup>(1)</sup> at 44.5 (Oct: 44.6). 2-month low.

HCOB Flash France Services PMI Business Activity Index<sup>(2)</sup> at 45.3 (Oct: 45.2). 3-month high.

HCOB Flash France Manufacturing PMI Output Index<sup>(4)</sup> at 41.0 (Oct: 42.0). 42-month low.

HCOB Flash France Manufacturing PMI<sup>(3)</sup> at 42.6 (Oct: 42.8). 42-month low.

Data were collected 09-21 November

France's economy recorded another steep reduction in business activity midway through the fourth quarter, latest HCOB PMI<sup>®</sup> data showed, extending the current period of continuous contraction seen since June. Demand for French goods and services also worsened at the fastest pace in three years in November, while backlogs of work were depleted further. Businesses' expectations towards the next 12 months deteriorated, contributing to the first month of job cutting since late-2020.

On the prices front, cost pressures were little-changed from October, with input costs still rising sharply. Selling price inflation ticked higher, however, with output charges increasing at the fastest rate since May.

The headline **HCOB Flash France Composite PMI Output Index** remained well below the 50.0 level which separates growth from contraction in November, registering 44.5, fractionally lower than October's 44.6. Overall, the headline measure signalled another steep reduction in business activity across the euro area's second-largest economy midway through the fourth quarter. November's fall in private sector output extended the downturn into a sixth month.

According to sub-sector data, both manufacturing and services output declined during the latest survey period. Factory production remained the principal drag on the wider economy, decreasing at the quickest rate since May 2020. Activity at services companies fell markedly and at a broadly similar rate to October.

Survey respondents indicated that subdued demand conditions restricted their output levels, with clients reportedly hesitant to place new orders. Some companies also linked geopolitical and economic uncertainty to a reduction in new business wins. November survey data signalled a seventh straight month-on-month decrease in private sector new orders across France. Furthermore, the contraction was the sharpest in three years. Notable weakness in demand was evident across both manufacturing and services.

Dwindling inflows of new work led French companies to deplete their outstanding orders once again in November. The rate of reduction in backlogs was steep and unchanged since October (which was the most marked since November 2020). With unused business capacity rising across France, the latest survey data indicated the first monthly fall in private sector employment levels for three years. Job shedding was driven in its entirety by manufacturers, however, with firms here cutting staff numbers at the sharpest rate since May 2020. Although employment growth continued at services companies, it was only marginal and the softest seen across the current 35-month expansion sequence. Anecdotal evidence showed that, in many cases, lower staffing capacity reflected the non-renewal of temporary contracts.

Businesses' expectations towards activity over the next 12 months weakened during November. Projections differed considerably by sector, however, with strong pessimism at manufacturers contrasting with optimism at service providers.

Nevertheless, positive sentiment was subdued in services amid concerns surrounding the outlook for investment and the wider economy. Manufacturing firms' downbeat assessment reflected expectations of a further order book contraction.

Lastly, the latest survey data showed a persistence of strong cost pressures facing French businesses. Although the rate of input price inflation softened, it remained above its historical average. Rising costs once again stemmed from the service sector, with companies here citing higher salaries and general inflation as reasons for increased expenses. Output charges subsequently rose, as has been the case since March 2021, reflecting more aggressive price setting by services firms as factory gate charges were discounted for a sixth month in a row. Nevertheless, the overall rate of output price inflation accelerated to the quickest since June.

## Comment

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

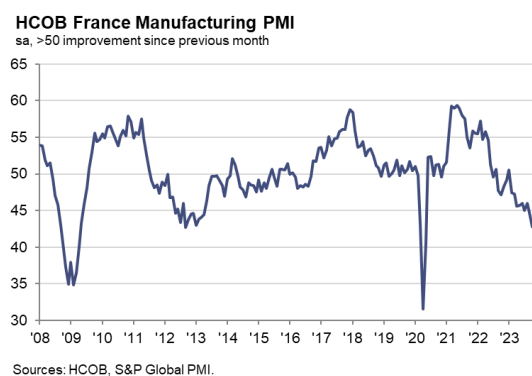
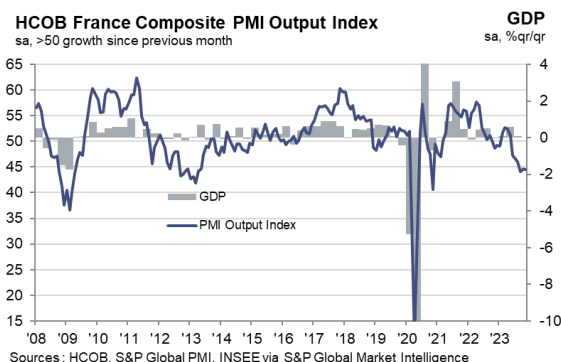
*"The French economy is kind of in a dead-end. Output has declined for the sixth month in a row, especially precipitated by lower demand overall and from abroad. Both sectors' activity levels – manufacturing and services – declined significantly in November. It looks as if geopolitical and economic uncertainty played a major role here, as this was mentioned by some companies as reason for the lack of new orders. Our nowcast model, which incorporates the latest PMI data, is pointing to a marginal decline in GDP growth."*

*"Services companies are struggling to get out of the mud. Lower activity levels, tighter financing conditions and lower demand are dragging on companies' optimism. Although the corresponding PMI remained above 50, it is well below its long-term average. However, services companies were able to pass through higher input prices to their clients."*

*"Unemployment will likely rise in the coming months. Employment has dropped for the first time since late 2020 after a clear downward trend in recent months. Manufacturers are laying off workers while services companies are hiring at a slower pace. The downward trend in the PMI surveys was confirmed by official employment data by INSEE, which shows that the unemployment rate has risen for the past two quarters."*

*"The inflation threat remains at large. The latest PMI data indicate that prices are still rising sharply, suggesting that official inflation statistics could remain at higher-than-anticipated levels for longer than previously thought. Input prices rose again at basically the same sharp pace as last month, while output prices notch up again. The upwards move of the output prices index was driven by services companies. Overall, input price pressures remain strong, and considering the pass-through dynamics of input price inflation to customers, it implies that the upward trajectory of output prices may not have concluded."*

-Ends-



## Contact

### Hamburg Commercial Bank AG

Norman Liebke  
Economist  
T: +49-171-5466-753  
[norman.liebke@hcob-bank.com](mailto:norman.liebke@hcob-bank.com)

Katrin Steinbacher  
Head of Press Office  
Senior Vice President  
T: +49-40-3333-11130  
[katrin.steinbacher@hcob-bank.com](mailto:katrin.steinbacher@hcob-bank.com)

### S&P Global Market Intelligence

Joe Hayes  
Principal Economist  
T: +44-1344-328-099  
[joe.hayes@spglobal.com](mailto:joe.hayes@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
T: +44-796-744-7030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

## Note to Editors

Final November data are published on 1 December for manufacturing and 5 December 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@spglobal.com](mailto: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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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.

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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. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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