

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Flash France PMI[®]

French economy shrinks at fastest pace since January, denting business confidence

Key findings:

HCOB Flash France Composite PMI Output Index⁽¹⁾ at 44.8 (Oct: 48.1). 10-month low.

HCOB Flash France Services PMI Business Activity Index⁽²⁾ at 45.7 (Oct: 49.2). 10-month low

HCOB Flash France Manufacturing PMI Output Index⁽⁴⁾ at 40.7 (Oct: 43.1). 11-month low.

HCOB Flash France Manufacturing PMI⁽³⁾ at 43.2 (Oct: 44.5). 10-month low.

Data were collected 12-20 November

France's private sector recorded a third consecutive monthly fall in business activity levels midway through the final quarter of the year, with the pace of contraction accelerating to its quickest since January. Weaker demand was a common theme seen throughout company anecdotal responses during November – both commercial clients and households reportedly lowered their interest in French goods and services – and the latest data showed that new order volumes contracted at the steepest pace in four years. Notably, for the first time since May 2020, surveyed French businesses recorded negative expectations for activity over the coming 12 months.

A positive from November's 'flash' figures was a renewed uptick in private sector employment. However, there was an intensification of cost pressures, with input prices rising to the greatest degree in three months.

The headline **HCOB Flash France Composite PMI Output Index** fell markedly in November to 44.8, from 48.1 in October. Not only was this below the critical 50.0 threshold, and therefore indicative of a third straight monthly decline in private sector output, it signalled the steepest contraction since January.

By sector, the HCOB 'flash' numbers revealed deepening downturns at both manufacturers and service providers midway through the fourth quarter. A sharp decline in factory production (which was the steepest in the year-to-date) reportedly reflected a myriad of factors. Manufacturers cited the automotive, construction and cosmetic industries as drags, in addition to weakness across international markets. Service sector respondents remarked on political and economic uncertainty, with clients reportedly hesitant to spend. The decrease in services activity was the quickest since January.

The level of incoming new work received by private sector businesses in France slipped deeper into decline in November. New orders shrank by the greatest margin in exactly four years amid a broad-based deterioration in sales performances at the industry level. Demand conditions were detrimentally impacted by a considerable slump in new work from abroad, as evidenced by the most rapid decline in new export business since May 2020. Geopolitical uncertainty and weaker order inflows from the US were mentioned by panellists in November.

A sharper fall in new orders led French businesses to channel more resources towards completing backlogs of work. Outstanding business volumes subsequently decreased for a sixteenth month in a row during the latest survey period. Moreover, the pace of depletion was the fastest in four years, with both manufacturers and service providers registering greater reductions in pending orders.

Notably, French companies anticipate the contraction trend in activity to carry on into 2025 as, for the first time since May 2020, expectations for output over the next 12 months were pessimistic. Prolonged weakness in demand was frequently cited as a

reason to be downbeat towards the outlook, anecdotal evidence revealed. Negative sentiment stemmed from uncertainty, particularly relating to broader economic conditions, business shutdowns and challenges in specific industries such as automotives and construction.

Nevertheless, after marginally shrinking during October, the HCOB 'flash' PMI data showed a renewed uptick in private sector employment across France, with the rate of job creation the strongest for six months. Hiring was limited to just services firms, however.

Regarding prices, November saw an intensification of cost pressures across France. Operating expenses increased at the quickest pace for three months, but the pace of inflation was weak when compared to the series average. Higher salary costs were often cited by panellists. Output charges rose in response, although service providers exclusively drove this trend as competitive pressures reportedly led factory gate prices to be discounted at the quickest pace in 15 months.

Comment

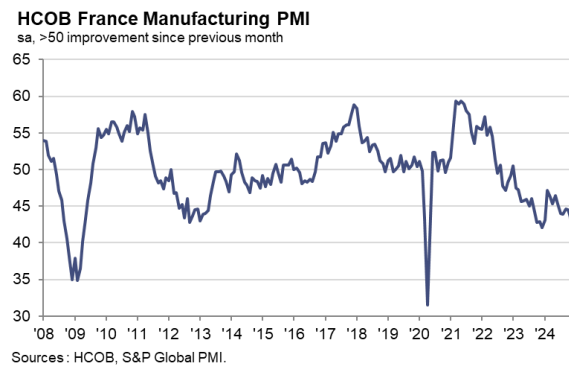
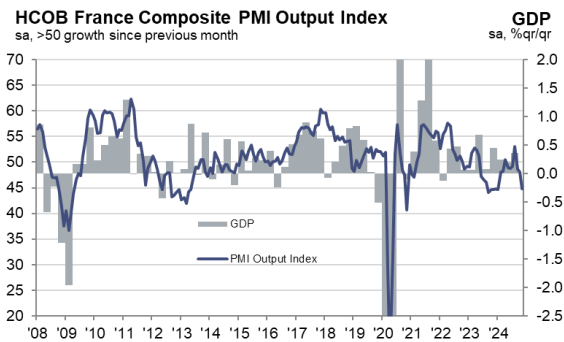
Commenting on the flash PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

"The French economy is being rocked by uncertainties. The HCOB Flash Composite PMI for November starkly reveals that businesses are heavily impacted by crises both domestically and internationally. Particularly alarming is the outlook for the future. Politically, there is no sign of relief given the deadlock over the country's 2025 budget, which remains unresolved due to internal political disputes. Now, even Prime Minister Michel Barnier's government is at risk of collapsing, which could jeopardize efforts to reach a budget agreement. This is not a good signal for private consumption and investment decisions.

"The French industrial sector faces significant challenges. As the year draws to a close, November's manufacturing output index has plummeted to a 2024 low. According to surveyed companies, the automotive, construction, and cosmetics sectors are particularly struggling. Factory order intakes are shrinking both domestically and internationally. Additionally, despite a marked weakness in demand, manufacturers' input prices have risen strongly compared to the previous month, while their output prices fell. Understandably, factory workforce reductions continued in November. What glimmer of hope should French industrialists hold onto to remain optimistic?"

"The service sector is shrinking. French service providers are facing the same bleak outlook as the industrial sector. Survey participants reported that the drop in demand reflected current political and geopolitical uncertainties. Given the escalating political crisis in Paris and the ongoing war between Russia and Ukraine, it is hardly surprising that the index for future activity plummeted to the neutral level of 50.0, signalling expectations of stagnation in the service sector. The only silver lining is that service providers are still creating new jobs. A small glimmer of hope in otherwise dark times."

-Ends-



Contact

Hamburg Commercial Bank AG

Dr Tariq Kamal Chaudhry

Economist

T: +49-171-915-9096

tariq.chaudhry@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 November data are published on 2 December for manufacturing and 4 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 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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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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