

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB France Services PMI<sup>®</sup>

## Services activity declines at strongest pace since February 2021 as demand conditions falter

### Key findings:

Business activity falls for first time since January as demand weakens

Solid jobs growth sustained but confidence sinks to 31-month low

Inflationary pressures cool markedly but remain historically elevated

Data were collected 12-27 June

June survey data marked a disappointing end to the first half of the year for France's service sector as business activity declined at the strongest rate in over two years. Having shown signs of resilience in previous months, the contraction brought to an end a four-month sequence of growth. Output levels were restrained by an accelerated decrease in demand, with panellists remarking on the challenges posed by increased borrowing costs, inflation and growing reluctance among clients. Business confidence also fell, dipping to its weakest level in just over two-and-a-half years.

Meanwhile, there was a sizeable cooling of price pressures in June. Rates of input price and output charge inflation remained elevated by historical standards, however, with greater salary expenses cited as a factor pushing up operating costs.

The seasonally adjusted **HCOB France Services PMI<sup>®</sup> Business Activity Index** – which measures changes in the volume of business activity compared with one month previously – fell to 48.0 in June, down from 52.5 in May. Crucially, the headline figure registered below the 50.0 no-change threshold for the first time since January, ending a four-month sequence of expansion. Although business activity fell only moderately, the rate of decline was the strongest since February 2021.

Where lower activity was reported, firms commented on weakening demand conditions and in some cases, the shutdown of premises. Intakes of new business fell for a second successive survey period in June, with the rate of contraction quickening to the strongest in nearly two-and-a-half years. Higher interest rates, stricter credit conditions, inflation and waning client appetite weighed on sales performances, according to anecdotal evidence. Lower new business from non-domestic clients was also registered in June for the first time since March.

There was a broad stabilisation in outstanding business volumes during June. This followed on from four consecutive months of growth in backlogs of work. In addition to fewer new order intakes, a sustained rise in staffing numbers boosted service providers' capacity to complete work. The rate of job creation was solid, despite easing to a three-month low.

However, confidence towards the 12-month outlook weakened at the end of the second quarter as concerns regarding higher interest rates and economic uncertainty weighed on growth expectations. Firms were optimistic overall, but the level of positivity slumped to its lowest in just over two-and-a-half years.

Finally, there was a considerable cooling of cost pressures across France's service sector in June, with the rate of input price inflation easing to a 22-month low. Nevertheless, operating expenses continued rising sharply and at a rate that was in excess of the historical average, with a number of companies reporting higher salary costs.

A similar trend was observed in selling charges, which continued rising but at a much softer pace than in the previous month. Overall, the rate of output charge inflation eased to an 18-month low.

## Comment

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

*"After four months of continuous growth, the HCOB PMI for June shows a contraction in the French services sector. It could well be that GDP in France declines in the second quarter, as the service sector accounts for the largest share of French economic output. Our nowcast for France's GDP indicates a 0.9% decline in economic output in the second quarter with both the manufacturing and services sector shrinking.*

*"The service companies surveyed cited declining new orders both at home and abroad. The decline in new orders was mainly attributed to inflationary pressures, higher borrowing costs and greater difficulty in securing loans. Although business expectations for the coming twelve months remain positive, the corresponding HCOB PMI has fallen by over 4 points and suggests that service sector firms have become less optimistic towards the outlook.*

*"There is no overly encouraging news from the price front. While both input and output prices in the manufacturing sector declined in June, they continued to rise in the services sector. The companies surveyed attributed the increase in input prices to higher wages. Official negotiated wage growth had amounted to an annual rate of 4.9% in the first quarter of 2023, and the PMI suggests this level could be maintained in the second quarter."*

-Ends-

**HCOB France Services PMI Business Activity Index**

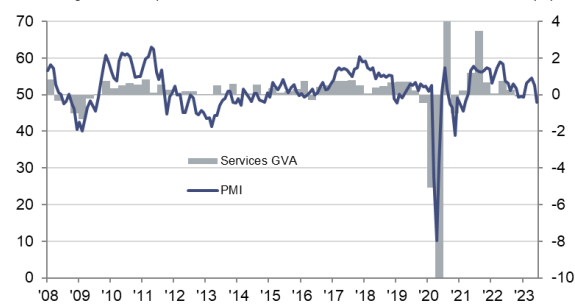
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

**Services PMI Business Activity Index**

sa, >50 = growth since previous month



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

## HCOB France Composite PMI<sup>®</sup>

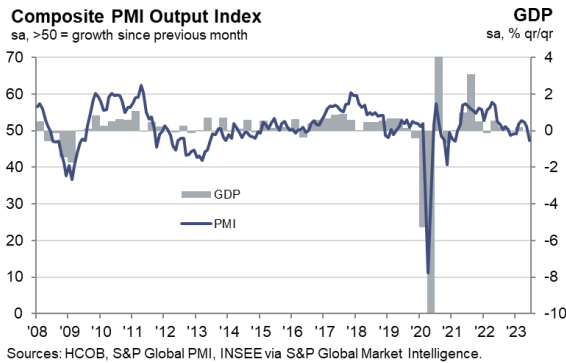
### French private sector moves back into contraction in June as services weakens

The **HCOB France Composite PMI<sup>®</sup> Output Index** registered 47.2 in June, down from 51.2 in May and below the 50.0 no-change mark for the first time since the opening month of the year. Overall, the latest survey data signalled a moderate contraction in private sector business activity, but one that was nevertheless the sharpest since February 2021. A renewed decline in services output tipped the composite index into contraction territory, although manufacturing production fell at a sharper pace.

A broad-based decline in new orders was recorded in June, with rates of decrease quickening across both sectors. Composite new orders subsequently fell at the fastest pace since November 2020. Backlogs of work also fell, although this was primarily driven by manufacturers, who recorded another strong alleviation of capacity pressures.

Solid growth in services employment supported hiring during June. That said, business confidence slipped to a 32-month low.

Price pressures abated at the end of the second quarter, with rates of input cost and output price inflation easing to 27- and 25-month lows respectively.



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## Note to Editors

The HCOB France Services PMI<sup>®</sup> 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 90% of final responses. Flash composite data were calculated from 91% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.5 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is -0.1 (0.4 in absolute terms).

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.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.

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.

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Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) 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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html).

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