

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Manufacturing PMI®

New factory orders decrease at sharpest pace since January

Key findings:

- Demand for French goods, particularly from abroad, falls sharply in July
- Steep drop in year-ahead expectations for output
- Prices charged increase despite competitive pressures

Data were collected 10-24 July 2025.

Conditions facing French manufacturing businesses deteriorated further at the start of the third quarter, according to the latest HCOB PMI® survey data, with a rapid and accelerated fall in new orders weighing on production volumes. Underlying data indicated an intensified drag on sales from export markets, although challenging domestic conditions were also noted as a headwind.

Companies showed renewed concern towards the year-ahead outlook as business confidence sank to its lowest level since February, erasing strong gains seen since late last year.

The seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index™ (PMI®)** remained below the 50.0 no-change threshold in July, registering 48.2. This was little-changed from June's 48.1 and therefore pointed to another moderate decline in operating conditions faced by French factories.

The lack of movement in the headline index masked a host of adverse signals seen in the survey's sub-indices. Most notable was a sharp and accelerated drop in new orders (which is the PMI's weightiest component at 30%). New work received by French manufacturers fell at the fastest pace since January, with anecdotal evidence pointing to client hesitancy and domestic market weakness as factors. A considerable drag on demand came from external sources, with new export sales sinking rapidly and to the greatest extent in the year-to-date.

Helping to offset the downward drag from new orders was the suppliers' delivery times sub-index (which is inverted when aggregated with the other headline PMI components). Delays from vendors were their most considerable in two-and-a-half years amid reports of material and staff shortages.

A shallower fall in output also partially cancelled out the negative directional influence of new orders on the headline index. Still, the latest survey results indicated a decline in factory production, albeit one that was softer than that seen previously.

Subdued demand conditions also prompted French goods producers to lower their purchasing volumes in July. The decrease was solid overall and extended the current period of falling buying activity seen since mid-2022. Stocks of purchases likewise declined at the start of the third quarter, with sufficient inventory levels and reduced production requirements facilitating cutbacks.

Growth in stocks of finished goods was another repercussion of demand fragility, panel member comments indicated. Holdings of post-production goods rose for the first time since October 2023.

Nevertheless, factory employment numbers ticked higher across France, marking three successive monthly rises. The rate of job creation was only marginal, however. Recruitment revolved around fixed-term staff, anecdotal evidence suggested.

Sustained employment growth came despite a considerable drop in business confidence among French manufacturers. July's deterioration in sentiment ended an eight-month sequence of improving expectations.

Lastly, cost pressures across the French goods-producing sector were relatively soft in July. The rate of input cost inflation

remained well below its long-term average. Notably, output charges rose for the first time in five months, reflecting company efforts to pass on higher operating expenses to their customers.

Comment

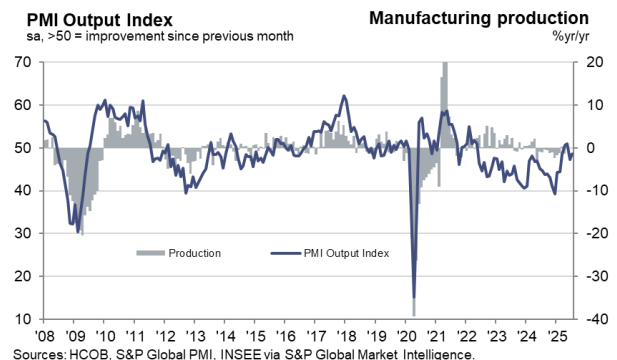
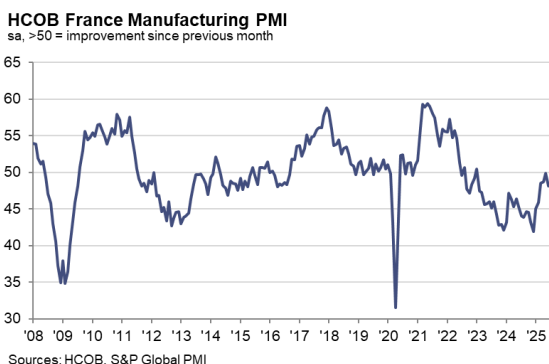
Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

"The economic outlook for France's manufacturing sector has noticeably deteriorated at the beginning of the second half of the year. While the first half showed moderate signs of recovery, with the output index even registering growth in two successive months, the latest data point to another slowdown. Although the headline manufacturing index edged up slightly and the decline in output was only marginal, the sharp deterioration in order intakes and business expectations are causes for concern.

"This downturn in orders and expectations stands in stark contrast to the growing hopes for an economic turnaround in the first half of 2025. Recent interest rate cuts by the European Central Bank, announced defense-related investments, and regulatory easing proposals at the EU level made the soil fertile for a rebound in industrial activity. Instead, the significant drop in new orders signals growing uncertainty in the manufacturing sector. This is likely attributable both to the tense global trade environment and to the austerity agenda outlined by prime minister François Bayrou in Parliament recently. The resulting political framework is currently not conducive to investment, likely leading to cancellations or postponements of orders.

"Delivery times have lengthened at the sharpest rate in two-and-a-half years. Anecdotal evidence points to a combination of labor shortages at suppliers, scarcity of certain intermediate goods, and sporadic strikes as contributing factors. Against the backdrop of trade frictions, further headwinds are likely in the coming months. Global supply chains may undergo structural adjustments in response to new tariffs and strategic shifts by firms aiming to reduce their exposure to the United States, although the latest EU-US agreement with 15 percent base tariffs for US imports might provide at least some planning certainty for businesses. Unfortunately, the question arises as to how long the agreements will remain in place. Given the recent unpredictability of US trade policy, one might also ask whether the US administration could backtrack and push for higher tariffs after all."

-Ends-



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Note to Editors

The HCOB France Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 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 Purchasing Managers' Index™ (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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 data were calculated from 99% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Hamburg Commercial Bank AG

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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