

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB France Services PMI[®]

Services activity declines for first time in three months but year-ahead growth expectations improve drastically

Key findings:

Service sector output falls for first time since October 2025

New business down at fastest pace in six months

HCOB Future Activity Index rises to 16-month high

Data were collected 12-27 January

The French service sector suffered a fresh setback as 2026 got underway, according to the latest HCOB PMI[®] survey, registering its steepest fall in new business for six months and its first reduction in activity volumes since last October.

That said, employment rose, while firms' expectations for growth in the year ahead strengthened markedly on the month and were their most upbeat since September 2024.

As for prices, input cost inflation ticked up to a five-month high, while charges for French services were raised to the greatest extent in just over a year.

The seasonally adjusted **HCOB France Services PMI Business Activity Index** — which measures changes in the volume of business activity compared with one month previously — slipped into sub-50.0 contraction territory in January, marking the first month of decline since last October. The headline index fell from 50.1 in December to 48.4, indicating a modest contraction in output across France's service sector.

Where a drop in activity levels was reported, surveyed companies noted weaker demand, exceptionally poor weather and generally unfavourable economic conditions as factors. Indeed, January survey data signalled a more rapid decline in new business intakes, and one that was the steepest in six months. Clients had adopted a wait-and-see approach to spending decisions, according to some panel members, although others mentioned the loss of customers. Meanwhile, services exports continued to fall sharply, with the rate of contraction only slightly softer than December's 13-month record.

French service providers made additional inroads into their backlogs of work during the opening month of the year. January's decline — which was the fifth in as many months — was also the most marked since March 2025. Firms showed a greater willingness to hire, following two successive months of virtually no change to employment levels. Workforce numbers increased in January, albeit at a pace that was only marginal overall. There was a mix of permanent and fixed-term recruitment activity, anecdotal evidence showed. Some companies noted that headcounts were expanded to support greater activity levels.

Looking ahead, French services businesses were considerably more optimistic towards the outlook for activity over the next 12 months. Growth expectations rose sharply in January to their strongest since September 2024. A number of firms cited increased investment intentions in 2026, whereas others attributed their positivity to forecasts of more supportive business conditions.

Turning to prices, the latest survey data indicated another solid rise in operating expenses faced by French services companies. Cost pressures stemmed from product prices, qualitative evidence gathered as part of the survey revealed, as well as wages. The overall rate of inflation ticked up to a five-month high but was below its long-run average.

After two successive months of broad stability in prices charged, French service providers chose to lift their fees at the

beginning of the year. The extent to which charges rose (on average) was the greatest since November 2024, albeit modest overall.

Comment

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

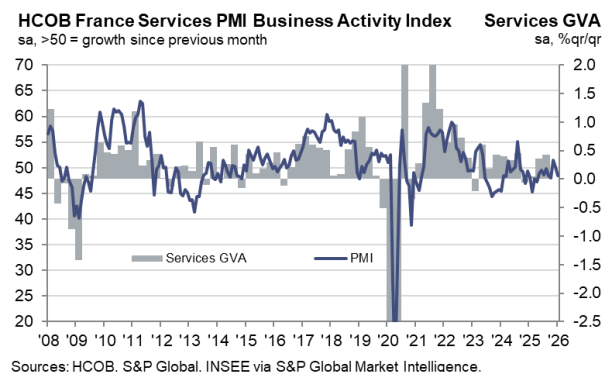
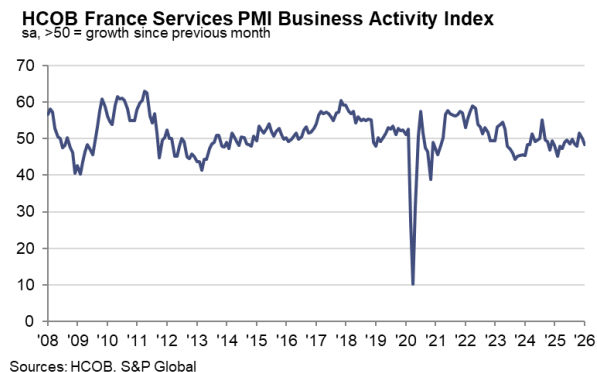
“France’s private sector economy currently presents a diverging picture. Manufacturing has shown tentative signs of gradual recovery in recent months, while the service sector entered the new year on a softer footing, reflected in a cooling of activity. As a result, the composite index has slipped back below the growth threshold, due to the heavier weight of services in the overall economy.”

“At the start of the year, France’s service sector experienced a fresh setback. Order books were notably sparse, with clients displaying caution. Against this backdrop, it is all the more noteworthy that forward-looking business expectations have risen significantly. This optimism appears to rest on the assumption that a resolution to the protracted budget deadlock will help reduce uncertainty, thereby supporting both consumption and investment momentum.”

“Labour market prospects in the French service sector appear to be broadly balanced. Survey data have pointed to a modest recovery in hiring throughout the second half of 2025, though simultaneous reports of diminishing work backlogs suggest this trend could be a fragile one. Should new business continue to fall short, the labour market outlook could become more challenging over the coming months.”

“Price dynamics in the French services sector remain modest for the time being. Where feasible, firms are attempting to pass higher costs, which are predominantly wage-related, on to customers in an effort to preserve margins. Overall, cost pressures are below their historical average, indicating that no meaningful inflationary impulse appears to be building in the service sector at present.”

-Ends-



HCOB France Composite PMI[®]

Private sector economy contracts in January

The HCOB France Composite PMI[®] Output Index* was below the 50.0 no-change threshold for the first time in three months in January, signalling the first contraction in the French private sector economy since October last year. Falling from 50.0 in December to 49.1, the index was indicative of a marginal decline.

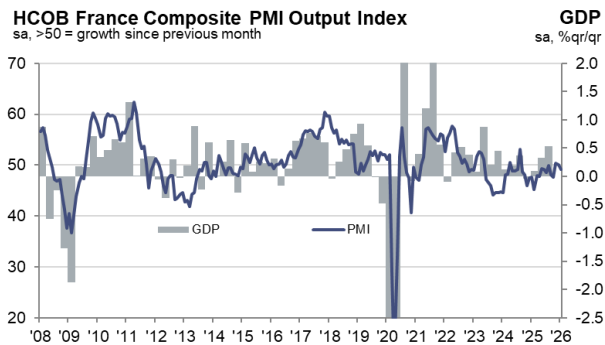
Demand for French goods and services weakened in January, as was the case at the end of 2025. Furthermore, the rate of decrease quickened to the sharpest for six months. New export business followed the same trend, declining to the greatest extent since last July.

Backlog clearances were sustained, owing to sharper reductions in outstanding work at services companies, which more than offset the fastest increase in capacity pressures at manufacturers since May 2022. Meanwhile, marginal upticks in employment were seen across both sectors in January.

Elsewhere, input cost inflation rose to a five-month high. Output charges were subsequently raised, albeit only slightly.

Lastly, private sector business confidence improved sharply and in a broad-based manner, hitting its highest level since September 2024.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.



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Note to Editors

The HCOB France Services PMI[®] 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 83% 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 (0.6 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is 0.0 (0.4 in absolute terms).

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

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

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