

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

## Headline PMI rises to 12-month high in August but stays just below growth threshold

### Key findings:

- Services business activity virtually unchanged since July
- New business falls at softer pace and backlogs of work rise
- Employment growth at 15-month high

Data were collected 12-26 August

There were signs of stabilisation in the French service sector midway through the third quarter as business activity was almost unchanged month-on-month, following a sustained period of contraction since September 2024. Employment also increased at the fastest pace for 15 months amid a fresh uptick in backlogs of work. There was a reduced demand-side drag as the decline in total new orders eased, although new business from abroad fell markedly.

As for prices, inflationary pressures crept higher despite competition reportedly restricting output charge increases. Looking forward, year-ahead growth expectations improved but were muted.

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 — recorded 49.8 in August. This was up from 48.5 in July and its highest reading in exactly a year. Moreover, the headline index came in just below the 50.0 no-change threshold, signalling a near-stabilisation of output across the sector.

While some survey respondents reported lower client numbers in August — a factor which pulled total new business inflows lower — some panellists noted a pick-up in sales. Subsequently, the rate of decline in demand for services softened on the month and was the weakest since the beginning of the year.

August's softer reduction in overall new work volumes came despite a sharp drag from non-domestic customers. New work received from abroad fell for the first time in three months, with the reduction its quickest in 2025 so far.

For the first time since April 2024, French services companies recorded an increase in volumes of outstanding business. Albeit modest, the rate of backlog accumulation was the sharpest in over two years.

Evidence of capacity constraints coincided with a fresh month of employment growth across France's service sector. August marked the first expansion to workforce numbers since November last year, with the rate of increase at its strongest for 15 months. The uptick reflected both permanent and temporary recruitment, according to panel members.

Expectations for business activity over the forthcoming 12 months improved midway through the third quarter. Hopes of greater client numbers and plans to offer additional services underpinned optimism, according to anecdotal evidence. Although sentiment somewhat recovered after July's sharp drop, the overall level of positivity was muted by historical standards.

Meanwhile, French services companies faced rising operating expenses during August. In fact, cost pressures intensified, with the rate of input price inflation quickening to a six-month high. Wages, transportation and raw materials were reportedly more costly, panel member reports suggested.

Firms chose to share at least part of the burden of higher costs with their clients as selling prices rose for a third straight month. The rate of increase even quickened to a nine-month high, although it was only marginal overall as companies were reportedly

restricted from raising too harshly due to competitive pressures.

#### Comment

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

*"The French private sector economy is edging closer to stabilization. The HCOB Composite PMI rose to 49.8 in August, only marginally in contraction territory. This marks the highest reading in a year. Improvements stemmed from both services and manufacturing, with rates of decline cooling in both sectors. Overall, these are encouraging developments, though they must be viewed with caution given the broader climate of uncertainty and economic weakness in France, which now also faces the prospect of another government crisis. Despite the positive directional signals, the economic situation remains fragile, and political instability could quickly undo these early signs of recovery."*

*"Conditions in the French services sector still remain subdued. Declines in business activity and order volumes slowed, but overall index levels remain historically low. Foreign orders have dropped significantly, with companies reporting a decline in international clientele numbers. Nevertheless, backlogs of work increased during the reporting month, attributed to a mix of staff shortages and delays on the customer side. Despite the weak economic environment, service providers resumed hiring in August after eight consecutive months of workforce reductions."*

*"Business expectations remained below the long-term average. At the time of the August PMI survey dates, it was not yet known that Prime Minister Bayrou would seek a vote of confidence in parliament on September 8 to push through an austerity budget. However, the prospect of continued political uncertainty is likely to weigh further on companies' outlook."*

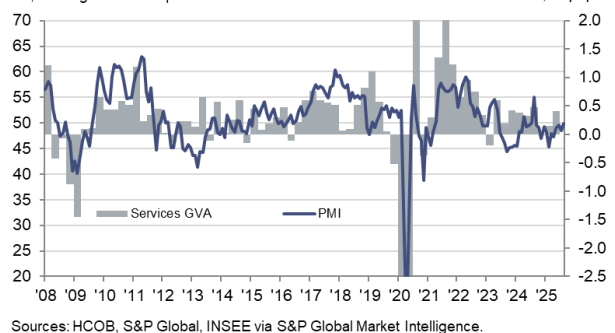
*"Price dynamics in the services sector have changed little and input costs and output prices continue to edge up slightly. Persistently moderate price developments suggest that cost pressures in the services sector are neither escalating sharply nor easing significantly, which can be interpreted as a sign of relative stabilization, but also of a lack of momentum on the demand side."*

-Ends-

**HCOB France Services PMI Business Activity Index**  
sa, >50 = growth since previous month



**HCOB France Services PMI Business Activity Index Services GVA**  
sa, >50 = growth since previous month  
sa, %qtr/qtr



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

### French private sector nears stabilisation in August

The **HCOB France Composite PMI<sup>®</sup> Output Index\*** rose from 48.6 in July to 49.8 in August, reaching a 12-month high and indicating a near-stabilisation of private sector business activity across France.

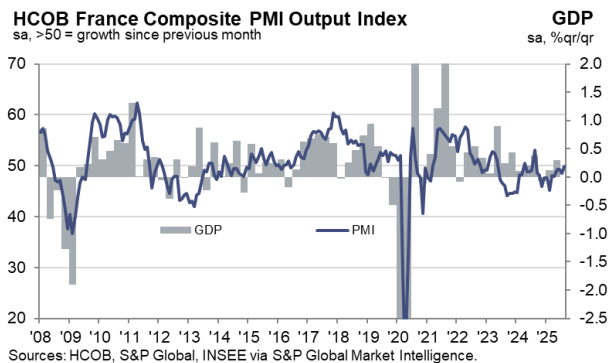
Inflows of new work continued to fall in August, although the rate of decline was the softest in almost a year. Slower reductions in new business were registered by both manufacturers and service providers.

There was a renewed uptick in private sector employment amid a broad-based improvement in hiring trends. The rate of job creation was the fastest since June 2023. Backlogs of work nevertheless increased — the first monthly rise for over two years.

Price pressures crept slightly higher. Input costs rose by the quickest margin since February, while the rate of output charge inflation accelerated to a ten-month high.

The business outlook remained muted, despite sentiment improving since July. This was true across both monitored sub-sectors.

\*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<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 79% of final responses. Flash composite data were calculated from 82% 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](mailto: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.

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