

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Services PMI®

Services employment falls for first time in four years

Key findings:

Contractions in output and new orders slow...

...but employment decreases for first time in four years

12-month growth expectations pick up but remain subdued

Data were collected 5-18 December

The French service sector ended 2024 with a further reduction in business activity levels, marking four months in succession that output has fallen as weak demand conditions remained a constraint for firms. Reductions in activity and new orders slowed, however, with contractions much softer than in November. Nevertheless, for the first time in four years, services employment shrank across France.

When casting their assessment towards the 12-month outlook for activity, firms were more upbeat than in November, although the level of optimism was subdued by historical standards. Meanwhile, price pressures retreated as the year came to a close.

The seasonally adjusted **HCOB France Services PMI® Business Activity Index** — which measures changes in the volume of business activity compared with one month previously — registered in sub-50.0 contraction territory for a fourth successive month in December. However, with a solid increase to 49.3, from November's ten-month low of 46.9, the headline figure signalled a marked easing of France's service sector downturn, and pointed to a decrease in output that as only marginal overall.

Where survey respondents reported lower activity on the month, they linked this to various factors including weaker client demand, political uncertainty and challenges securing loans. Indeed, December survey data indicated a fourth successive monthly decline in the level of incoming new work received by French services firms. There were some mentions of customer cautiousness and budget freezes by those panellists that experienced a drop in new sales at the end of the year. However, matching the trend in business activity, the pace of contraction in new orders slowed noticeably and was the softest since last September.

Overseas demand was also a drag on company output in December. While the decline in new export sales cooled, it was sharp overall and quicker than the concurrent fall in total new business intakes.

A noteworthy finding from the December HCOB PMI survey was regarding services employment in France, which posted its first reduction in exactly four years. Some firms carried out redundancies, although there were more frequent citations of leavers not being replaced or temporary contracts not being renewed. The extent to which workforce numbers fell was only modest, however.

Lower staffing capacity did not prevent French services firms from making further inroads into their backlogs of work at the end of 2024, extending the current sequence of decreases seen since May last year. That said, the pace of depletion in outstanding orders slowed to the weakest in four months.

In addition, job losses came despite a fresh uptick in businesses' growth expectations for the next 12 months. The level of optimism rebounded from the four-and-a-half-year low seen in the previous survey period, but it was nevertheless subdued by historical standards and the second-weakest since September 2023. Political uncertainty dampened sentiment, as did concerns about market conditions in sectors such as construction and real estate.

Turning to prices, December survey data pointed to retreating inflationary pressures as both input costs and output charges rose at slower paces. In both cases, rates of inflation were beneath their respective long-run averages.

Comment

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

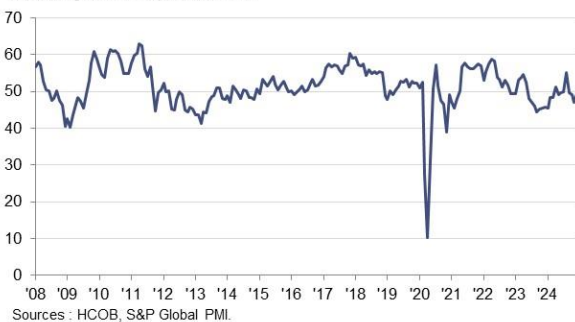
“Although the service sector in France continued to contract slightly, according to the HCOB PMIs for services, it was a step in the right direction as the index improved compared to the previous month. That said, aside from the period around the Olympic Games, the service sector has barely supported overall growth this year. Surveyed companies cited lower customer demand, political uncertainty, and difficulties in obtaining credit as contributing factors to December’s drop in activity.

“Despite weak demand for services in France, input prices are increasing, although inflation remains well below the historical average. Positively, compared to the previous month, cost pressures eased slightly. However, service providers’ pricing power is suffering more due to the current demand weakness. This year, service prices have not risen faster than input prices.

“The year 2025 might bring a bit more dynamism. However, French service providers aren’t that optimistic in the medium term. Order intakes are falling, and the order situation is particularly suffering abroad. Regarding their subdued outlook, reporting companies cite political uncertainty as a major reason, which is understandable given the unclear political and financial situation in Paris. Reflecting this sentiment, there were layoffs in December. Future output is expected to grow over the next twelve months, but not at the pace firms typically expect, with the future activity index below its historical average.”

-Ends-

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



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



HCOB France Composite PMI[®]

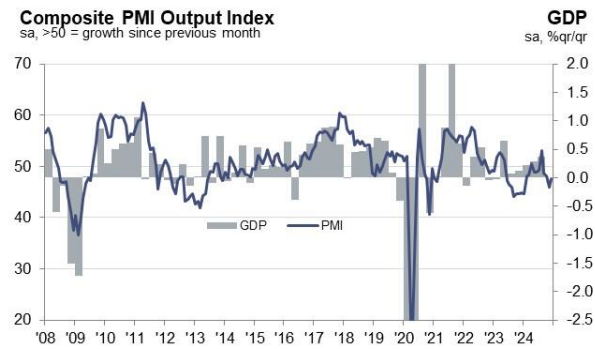
French economy in contraction for a fourth month running

The HCOB France Composite PMI[®] Output Index — a weighted average of the HCOB France Manufacturing Output Index and HCOB France Services Business Activity Index — posted 47.5 in December. While this was up from November’s ten-month low of 45.9, it continued to signal a reduction in private sector output across France, thereby extending the current downturn to four months.

As was the case in almost every month of 2024, the volume of new orders received by French companies declined during December. The pace of decline was the slowest since last September, however. Export markets were a considerable drag, although the contraction in sales to international clients was likewise less pronounced on the month.

After a marginal uptick in the previous month, employment fell during the December. Albeit moderate, job losses were the greatest since October 2020 and broad-based by sector. Despite lower staff numbers, backlogs of work were reduced.

Pricing trends remained benign at the composite level, with rates of input cost and output charge inflation coming in below their respective long-term averages.



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

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 75% of final responses. Flash composite data were calculated from 83% 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 0.0 (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

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