

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash France PMI[®]

French economy stabilises in April as renewed expansion in services activity offsets manufacturing malaise

Key findings:

HCOB Flash France Composite PMI Output Index⁽¹⁾ at 49.9 (Mar: 48.3). 11-month high.

HCOB Flash France Services PMI Business Activity Index⁽²⁾ at 50.5 (Mar: 48.3). 11-month high.

HCOB Flash France Manufacturing PMI Output Index⁽⁴⁾ at 46.8 (Mar: 48.2). 3-month low.

HCOB Flash France Manufacturing PMI⁽³⁾ at 44.9 (Mar: 46.2). 3-month low.

Data were collected 11-19 April

After ten consecutive months of declining business activity, the French economy stabilised at the start of the second quarter, with private sector output levels broadly unchanged from those seen in March. Notably, services activity increased for the first time since May 2023, although this was counteracted to some extent by an accelerated decline in manufacturing production. New business volumes fell further, albeit to the weakest extent across the current one-year contraction. Exports exerted a sharper negative influence on overall sales, however. More benign trends in output and new orders coincided with the strongest rise in private sector employment since July 2023.

Elsewhere, April's 'flash' PMI results signalled intensifying price pressures across France. Rates of inflation in input cost and output prices quickened to five- and three-month highs, respectively.

The headline **HCOB Flash France Composite PMI Output Index** recorded its highest reading since May 2023 during April, rising from 48.3 in March to 49.9. Posting only fractionally beneath the 50.0 mark, the latest data signalled a broad stabilisation of business activity across France's private sector economy at the beginning of the second quarter.

For the first time in almost a year, service sector business activity increased in France during April. Higher demand was reported as a reason for growth, anecdotal evidence showed. Indeed, the 'flash' survey results pointed to a marginal improvement in sales performances across the service sector, thereby ending an 11-month sequence of decline.

That said, total new business volumes continued to contract during April, with the increase in demand for services insufficient to offset the drag from manufacturing. The overall rate of decline was modest as the boost from the service sector drove the weakest contraction in a year, but new orders placed with French factories fell at the steepest pace since January amid reports of deteriorating demand from clients in overseas markets such as Germany, North America, and Africa. There were also reports of a reduced appetite for manufactured goods from clients in the construction sector. Indeed, new export orders fell at the fastest rate in three months during April.

Private sector backlogs of work were reduced for a ninth successive month in April. The decrease was modest overall and broadly similar to those seen in the two previous months. Manufacturers registered their quickest depletion in pending orders for three months as new sales dipped, while progress on outstanding business slowed across the services sector.

There was a further expansion in employment across France during April, the third in as many months and one which was the quickest since last July. Sector data revealed this was entirely services-led, however, as factory workforce numbers continued to fall.

An improved trend in hiring came despite business confidence slipping from March's 20-month high. Business sentiment across

both sectors weakened in April, although manufacturers were pessimistic on balance for the first time in three months. Employment growth and positive demand forecasts underpinned service providers' optimism, although downbeat goods producers highlighted uncertainty towards order books and activity at clients.

Cost pressures across France's private sector increased at the start of the second quarter. The rate of input price inflation quickened to a five-month high and was steep overall. Of note, operating expenses for manufacturers rose at the sharpest pace since February 2023. Metals and oil-based products were reportedly up in price, anecdotal evidence showed, while wage increases were cited as the principal factor driving service providers' costs higher.

Consequently, prices charged for French goods and services rose to the greatest extent in three months. This was exclusively driven by services companies, however, which they attributed to general inflationary pressures across the economy.

Comment

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

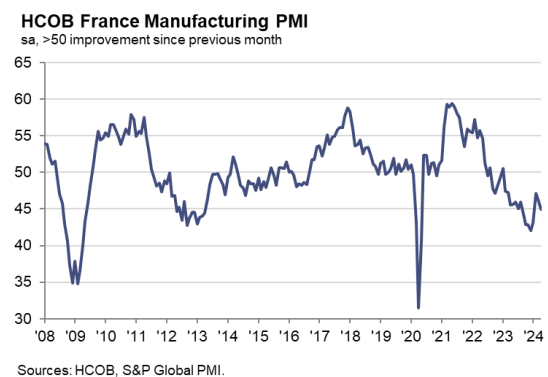
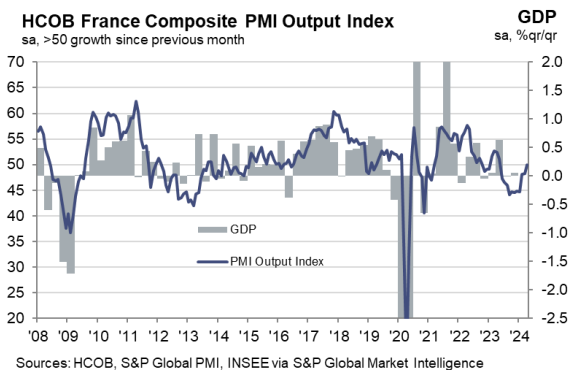
The French economy is back on track. The Composite Flash PMI reached its highest level in 11 months, with 49.9 index points taking it almost out of the contraction zone. The only reason for that surprisingly robust figure is the expansion of the services sector, which experienced an increase in demand for the first time since April 2023. The manufacturing sector stays put in decline due to a deceleration of activity. Overall, our HCOB nowcast model for the second quarter points to a recovery of the French economy, driven by the services sector.

The French services sector is the workhorse of the economy. Services activity grew for the first time since May 2023, when large protests started to drive negative economic sentiment. The main reason for the expansion was higher demand. Because demand was strong in April, backlogs of work declined at a slower pace compared to the previous month.

French manufacturing output stays subdued, but we expect it will soon follow the path of the services sector. The manufacturing sector delays the overall economy's recovery for now, though. The Output Index dropped for another month, mostly offsetting services activity growth. Weak demand in manufacturing was the main reason for the faster deterioration.

Prices remain elevated due to higher wages, energy and oil prices. In particular, output price inflation reaccelerated in April, staying clearly above 50. Input prices also reaccelerated compared to the previous month. The labour-intensive services sector is mostly responsible for price pressures in France. Increases in wages and fuel prices were cited as the reasons for services and goods inflation, respectively. According to the Indeed Wage Tracker, wage growth should slow further in the coming months, appeasing monetary policymakers. We also believe that the recent resurgence in energy prices should calm down somewhat in the medium term.

-Ends-



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Note to Editors

Final April data are published on 2 May for manufacturing and 6 May for services and composite indicators.

The HCOB France PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 750 companies based in the French manufacturing and service sectors. The flash estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

| Index | Average difference | Average difference in absolute terms |
|---|--------------------|--------------------------------------|
| Composite Output Index ¹ | -0.1 | 0.4 |
| Manufacturing PMI ³ | 0.1 | 0.3 |
| Services Business Activity Index ² | -0.1 | 0.5 |

The Purchasing Managers' Index™ (PMI®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI® surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@spglobal.com.

Notes

1. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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.

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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. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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