NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Manufacturing PMI®

French factory production falls at strongest pace since May 2020

Key findings:

HCOB France Manufacturing PMI ends 2024 at a 55-month low

Sharpest reduction in pre-production stocks since June 2009

French goods prices discounted again; employment levels shrink further

Data were collected 05-16 December 2024.

The HCOB PMI® survey for December revealed a deepening downturn in France's manufacturing sector as 2024 drew to a close. Production volumes fell at the steepest rate since May 2020 amid another substantial weakening of new order inflows. The weak demand environment led to contractions in manufacturers' inventories, with pre-production stocks falling at the steepest rate since June 2009. Employment levels were also cut back again, and to a much stronger degree than in November, while firms priced their goods more competitively in order to stimulate sales.

In addition, concerns regarding client investment appetite and French politics, coupled with expectations of persistent softness in demand, led business sentiment to remain negative in December.

The seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index™ (PMI®)**, compiled by S&P Global, dropped even further below the 50.0 no-change threshold in December, signalling a steeper rate of decline in operating conditions across France's goods-producing industry. Falling to 41.9, from 43.1 in November, the headline index indicated the sharpest contraction in the health of the sector since May 2020.

Fragile sales conditions were once again the main headwind for French factories during the latest survey period. Although the pace of decline in new orders softened, it held close to November's four-and-a-half-year record. Respondents indicated that new business wins were restricted by low interest from clients, particularly in the car and construction industries.

Total sales volumes were also suppressed by export demand, with new business received from overseas shrinking in December, as has been the case on a monthly basis for almost three years. Customers in other parts of Europe showed a reduced appetite for French goods, according to anecdotal evidence.

French manufacturers' response to the continued slump in sales was multifaceted. First and foremost, production cutbacks were made, extending the current sequence of declining output to over two-and-a-half years. In fact, December's fall was the most pronounced since May 2020.

Fewer new customer orders meant that French goods producers tapered input purchasing at the end of the year. The reduction, albeit weaker than in November, was still the second-sharpest for a year.

Surveyed companies were more aggressive when it came to inventory reductions during December. Stocks of purchases fell to the steepest extent since June 2009 and at a pace that was among the quickest on record. As for finished products held in warehouses, volumes were down at the most rapid pace in over four years.

On top of cutbacks to production and inventories, the level of factory employment in France also dropped in December. Moreover, the pace of job shedding was the sharpest in five months and accelerated markedly since November. Still, despite lower staffing capacity, backlogged orders were reduced at a faster rate. The pace of depletion was the most substantial in just over four-and-a-half years.

To stimulate sales, prices charged for French goods were discounted for a third successive month. This came despite a further (but slower and relatively mild) uptick in costs.

Finally, French goods producers looked to the future with pessimism. Fears of a protracted downturn in demand, political uncertainty and subdued client investment plans dampened confidence.

Comment

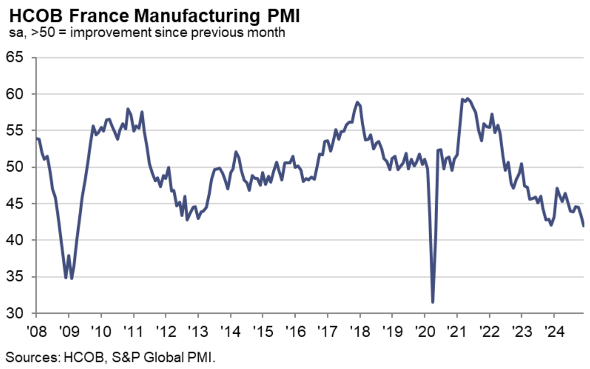
Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

"The French industrial crisis deepens. The HCOB PMI for manufacturing has once again sent negative signals in December. Excluding the COVID-19 pandemic, the sector's output is now falling at its fastest pace since 2009. Public debt remains a significant issue, exacerbated by the country's political instability. President Emmanuel Macron has yet to establish a strong government capable of taking the necessary steps to address the deficit through a mix of spending cuts and revenue increases. François Bayrou, recently hastily appointed as Prime Minister, also lacks a clear majority and, like his predecessor Michel Barnier, is reliant on the political fringes to pass the 2025 budget.

"A lack of demand momentum is weighing heavily on sales as order intakes shrank both domestically and internationally in December, despite some softening in declines when compared to the previous month. Surveyed companies cited reduced demand from customers in the automotive and construction sectors, and fewer sales to customers across Europe, as reasons for fewer new orders. Consequently, purchasing volumes by companies sank considerably, which is another bleak signal.

"2025 is unlikely to be easier. Surveyed companies have little hope for the new year. Future output expectations for the next twelve months remain negative. According to the surveyed industrial firms, domestic political uncertainty and low customer investment willingness weighed on confidence. It is therefore unsurprising that French industrial companies made significant layoffs. Reflecting the pessimistic outlook of companies surveyed by S&P Global, the French central bank has also lowered its growth forecast for 2025 from 1.2% to 0.9%, citing "heightened uncertainty" for economic prospects both domestically and internationally. This is slightly more optimistic than HCOB Economics, which forecasts growth of just 0.8%."

-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 92% 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
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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About CNA
CNA (Conseil national des achats – National Purchasing Council), is a non-profit making, non union trade association, gathering individuals, and people actually involved in the purchasing activity of companies or public services. Its aim is to increase the efficiency of the purchasing function in the economy by training and informing those concerned, defining and applying a professional ethic, providing studies, research, surveys, and all actions of general interest in any field directly or non directly related to purchasing and subsidiary functions.

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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