

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Manufacturing PMI®

PMI rises to seven-month high as contractions in output and new orders slow markedly

Key findings:

- Softest decrease in factory production since last July
- Downturn in new orders cools amid smaller drag from export markets
- French goods charges discounted again as cost pressures ease

Data were collected 9-24 January 2025.

HCOB PMI® data for France indicated a continuation of the country's industrial downturn at the beginning of 2025. That said, there were some signs that suggested underlying conditions had improved, at least relative to the trend during the final quarter of last year, as contractions in output, total new orders and exports eased. Additionally, the survey's gauge of business sentiment rose to a five-month high.

Nevertheless, there was another marked reduction in factory employment, while stocks and purchasing volumes fell sharply as firms cut costs. Meanwhile, prices charged for French goods were discounted for a fourth straight month.

After a three-month spell of sustained declines, the seasonally adjusted **HCOB France Manufacturing Purchasing Managers' Index™ (PMI®)**, compiled by S&P Global, rose in January to 45.0. While this was below the 50.0 no-change mark and therefore indicative of a worsening in factory operating conditions, it was up from 41.9 in December to its highest mark since last June and signalled a considerable cooling of the industry's downturn.

French manufacturers commenced 2025 in a similar fashion to how they ended 2024, recording further declines in production and new orders. This extended the current period of contraction in these two measures to 32 months. However, rates of decrease cooled considerably in both cases. While weak demand remained a shared problem for many panellists in January, there were some companies that reported a pick-up in client interest. New business inflows fell at the slowest pace since last June.

Overseas markets provided less of a drag on total sales performances in January, with new export orders posting the weakest drop in four months. Some companies noted lower demand from customers in Africa.

Nevertheless, despite a softer contraction in demand, French manufacturers remained in retrenchment mode, reducing their purchasing activity substantially again at the start of the year. Stock reduction policies also prevailed, with survey respondents noting cashflow preservation efforts and the preference for using existing materials over newly purchased ones. Both pre- and post-production inventories decreased in January, albeit to lesser extents than in December.

Employment was another area where businesses sought to make cuts. Factory workforce numbers fell for a twentieth month running, with the rate of job shedding unchanged from December's five-month record. Staffing capacity was most commonly lowered via the non-renewal of temporary contracts, anecdotal evidence implied. Still, firms were able to clear their backlogs of work, with the pace of depletion remaining sharp despite easing.

When questioned about their predictions for production over the coming 12 months, surveyed French manufacturers were pessimistic overall. The political climate in France, concerns surrounding demand and difficult conditions in other industries such as agriculture and construction were noted as headwinds by panel members. However, firms were considerably less downbeat than in the final quarter of 2024, with the HCOB Future Output Index rising to a five-month high.

Lastly, January survey data revealed an easing of cost pressures in France. Input prices increased, albeit only modestly and at the softest pace in three months. Amid reports of competition and requests from clients for discounts, firms reduced their prices charged.

Comment

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

"France's manufacturing industry remains in a deep recession. The HCOB PMI for manufacturing rose significantly to 45.0 in January, but it remains below the growth threshold of 50. Output has now been shrinking for 32 consecutive months. Anecdotal reports suggest that the political climate in France is particularly concerning for the industry. Although the new government under François Bayrou survived a no-confidence vote in mid-January, the passage of a budget for 2025 in mid-February is far from certain. Long-term planning security and an end to political infighting in Paris could help the country and the manufacturing sector emerge from the crisis."

"Competitive pressures were reflected in prices. Input prices are still growing, but at a relatively weak pace in a historical context. According to surveyed industrial companies, costs for transport and materials such as wood and cardboard were up. However, weak demand in the sector forced industrial companies to lower their output prices as competition intensified."

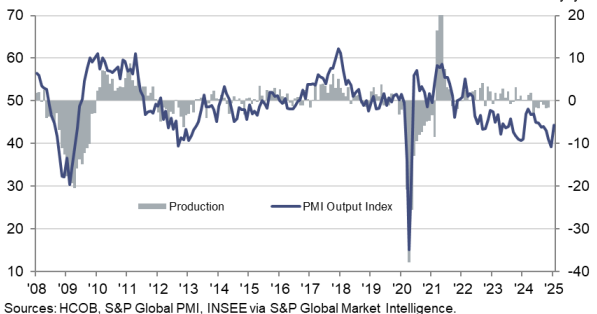
"The outlook remains pessimistic. Order intakes, both domestically and internationally, remain in contraction. Geopolitical tensions are weighing on international orders, although some companies reported lower sales in Africa. Expectations for output for the next twelve months remain negative, although sentiment saw a significant improvement compared to December. Due to this uncertainty, French industrial companies remain cautious about employment, primarily laying off temporary workers."

-Ends-

HCOB France Manufacturing PMI
sa, >50 = improvement since previous month



PMI Output Index
sa, >50 = improvement since previous month



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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 98% 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 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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