

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB France Services PMI®

## Quickest fall in services activity since April

### Key findings:

Headline PMI Business Activity Index falls to six-month low

Slowest increase in input costs since February 2021

Jobs growth ticks higher but business sentiment fades

Data were collected 9-28 October

The downturn in France's service sector accelerated during October, latest HCOB PMI® survey data showed, with activity levels falling at the fastest pace since April. Respondents linked declines in both new business volumes and year-ahead output expectations to political uncertainty. Nevertheless, jobs growth ticked up slightly.

As for inflation trends, input prices saw their slowest increase in over four-and-a-half years. Charges posted a renewed uplift after a marginal fall in September.

The seasonally adjusted **HCOB France Services PMI Business Activity Index** — which measures changes in the volume of business activity compared with one month previously — decreased for a second month in succession in October. This brought the headline index down from 48.5 in September to 48.0, a six-month low and indicative of the sharpest decline in services output since April.

Where lower business activity was recorded, panel members cited weaker demand and sluggish market conditions. Indeed, the latest survey data signalled a reduction in new business receipts across the French service sector. Political uncertainty was pinpointed by some companies as a factor weighing on sales performances.

New orders from customers in foreign markets decreased for a third consecutive month in October. However, the rate of contraction slowed to the softest over this sequence. A general lack of interest from overseas clients was reported, although some firms highlighted EU markets as a particular area of weakness.

Nevertheless, despite subdued demand conditions, French services companies boosted their workforce numbers in October. Furthermore, the rate of employment growth quickened. The filling of vacant positions and staff expansions in anticipation of greater activity underpinned job creation, anecdotal evidence showed.

Backlogs of work were subsequently cleared during the opening month of the fourth quarter. The rate of depletion was only marginal, however, and weaker than that seen in the previous survey period.

Firms' expectations for the next 12 months were positive overall, latest PMI survey data showed, with firms drawing optimism from upcoming new product launches, new contracts in the pipeline and recruitment plans. That said, confidence in the outlook waned on the month and was subdued by historical standards. Some companies anticipate activity levels to be restricted by the uncertain domestic political situation.

Turning to prices, October saw a marked cooling of cost pressures faced by French service providers. In fact, operating expenses rose at the slowest rate in over four-and-a-half years. Where higher costs were reported (less than 8% of respondents), firms mentioned salary increases.

As for charges, there was a renewed rise across France's service sector during October. The extent to which firms lifted their fees was marginal, but nonetheless the joint-quickest since November last year (matched by August).

Comment

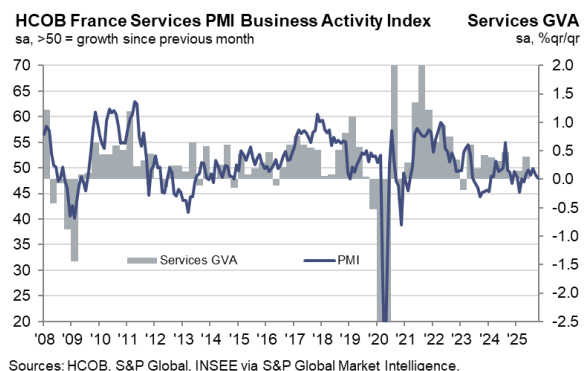
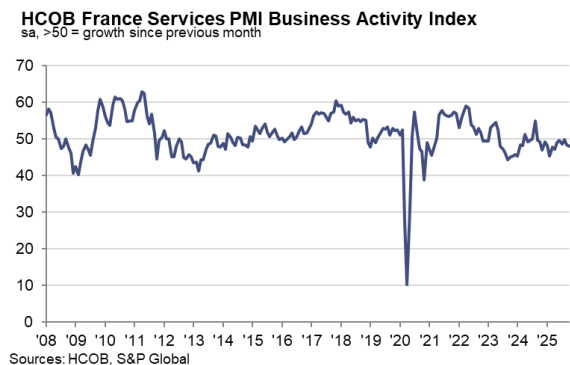
Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg at Hamburg Commercial Bank, said:

*"The downward trend in France's private sector economy continues unabated at the start of the fourth quarter. After the HCOB manufacturing PMI already signalled weakness in October, conditions in the service sector also deteriorated. As a result, the HCOB Composite PMI Business Activity Index has declined once again, marking the fourteenth consecutive month in which the French private economy has failed to register growth.*

*"The French service sector is under pressure, with weak demand emerging as the central issue. This is reflected in declining business activity and a disappointing level of new orders. Key drivers include customer caution and restraint, intense competitive pressures and ongoing political uncertainty. Business expectations for the coming 12 months have further deteriorated in October and remain well below the historical average. Several companies with a pessimistic outlook explicitly cited the political situation as a contributing factor.*

*"On a more positive note, hiring activity in the service sector has so far remained resilient. The corresponding index has stayed in expansion territory for three consecutive months, suggesting that the sluggish overall performance has yet to deter hiring. However, caution is warranted: if demand remains subdued, employment dynamics are likely to weaken over time. Declining backlogs of work serve as an additional warning sign, indicating that current hiring intentions may be built on shaky ground."*

-Ends-



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

### Sharpest decline in private sector output since February

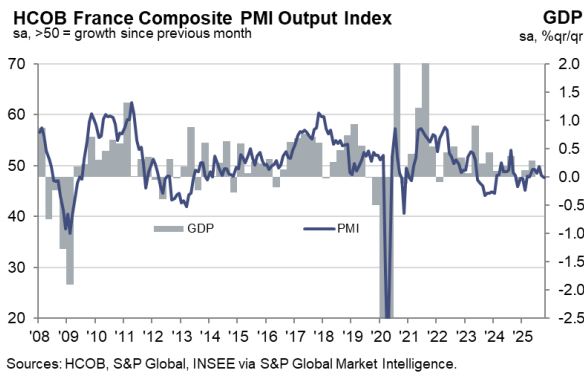
The HCOB France Composite PMI<sup>®</sup> Output Index\* remained below the 50.0 mark which separates growth from contraction during October, extending the decline in French private sector activity to 14 months. Furthermore, at 47.7, the index fell from 48.1 in September to its lowest level since February.

October survey data signalled a reduction in demand for French goods and services, with the rate of decline broadly matching that seen in the two previous survey months. This was despite a weaker drag from export markets as new business from abroad fell at the softest pace since June.

Employment nevertheless rose, and in a broad-based fashion, helping to sustain downward pressure on backlogs of work. This was despite a renewed uptick in outstanding orders in the manufacturing sector. Meanwhile, business optimism faded slightly, mainly due to a decline in sentiment at goods producers.

As for prices, input cost inflation cooled to a near five-year low in October. On the other hand, prices charged saw a renewed increase, owing to more aggressive price setting by services firms.

\*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 88% of final responses. Flash composite data were calculated from 92% 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.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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