NEWS RELEASE
MARKET SENSITIVE INFORMATION
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# HCOB Flash France PMI®

## French private sector close to stabilising in July, although drag from manufacturing intensifies

**Key findings:**

HCOB Flash France Composite PMI Output Index(1) at 49.5 (Jun: 48.2). 3-month high.

HCOB Flash France Services PMI Business Activity Index(2) at 50.7 (Jun: 48.8). 3-month high.

HCOB Flash France Manufacturing PMI Output Index(4) at 44.1 (Jun: 45.3). 6-month low.

HCOB Flash France Manufacturing PMI(3) at 44.1 (Jun: 45.3). 6-month low.

Data were collected 11-22 July

Private sector output across France came close to stabilising in July, although a sharper contraction in factory production did slightly offset a renewed expansion in business activity at services firms. As a result, the combined level of output across both sectors decreased marginally at the start of the third quarter. The latest HCOB survey data also showed demand for French goods and services falling further, although employment growth was sustained. Notably, business confidence slipped for a fourth month in a row, down to its lowest level in the year-to-date. As for prices, rates of inflation in both input costs and output prices quickened.

The headline **HCOB Flash France Composite PMI Output Index** posted 49.5 in July. While indicative of a contraction in private sector output across France, it was one that was only marginal overall. Notably, the latest reading of the headline index was its highest in three months, having risen from 48.2 in June, and only just beneath the 50.0 threshold which marks stabilisation.

Driving July's decline in private sector economic activity was manufacturing, which recorded a twenty-sixth straight monthly fall in output. Moreover, the contraction was the fastest since January. Weak sales performances and delays from customers drove the slump in factory production, anecdotal evidence showed. On the other hand, business activity at services companies rose for the first time since April. The Olympic Games, as well as the end of the election period, were given as reasons for higher output.

The volume of new business received by French private sector firms fell at the beginning of the third quarter. Mirroring the trend seen in output, July's deterioration in demand was primarily factory-led, as manufacturers registered a steeper fall in new orders. Meanwhile, although demand for services fell, it did so only marginally and at a considerably slower pace than in June.

Backlogs of work were once again depleted, particularly in the goods-producing sector, as softer demand led companies to clear outstanding orders. This marked one full year of sustained backlog reduction across France's private sector. Nevertheless, the latest survey data showed another month of job creation, extending the current period of rising employment to six months. Hiring was restricted to just the service sector, however, and a solid drop in manufacturing workforce numbers meant the overall increase in net staffing numbers was only marginal overall.

July survey data signalled a further weakening of business confidence across France. While firms remained optimistic of higher activity levels in 12 months' time, the degree of positivity dropped for a fourth month running to a year-to-date low. While hopes of better economic conditions, both domestically and more broadly, supported projections of growth, some companies are expecting the housing market to remain weak, to the detriment of their activity levels. Additionally, some others noted that the Olympic Games would likely make output levels lower in 12 months' time on a year-on-year basis.

Finally, July survey data signalled a marked intensification of cost pressures across France, led by a sharp acceleration in input price inflation at manufacturers. Overall, the increase in operating expenses was the fastest since last November. Higher commodity and raw material prices were commonly linked to the rise. In turn, selling charges were increased at the fastest rate for three months as companies endeavoured to pass on some of the burden of higher costs to their clients.

**Comment**

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

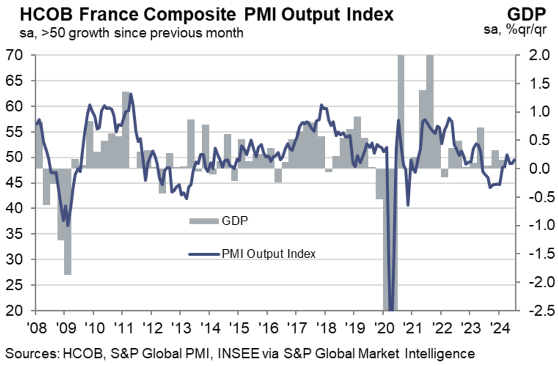
*“The Olympic Games are fuelling the French economy. Business activity increased for French service providers for the first time in three months. According to anecdotal evidence, this is partially due to the Olympic Games. Additionally, companies reported higher output due to the end of the election period, which led to more certainty.*

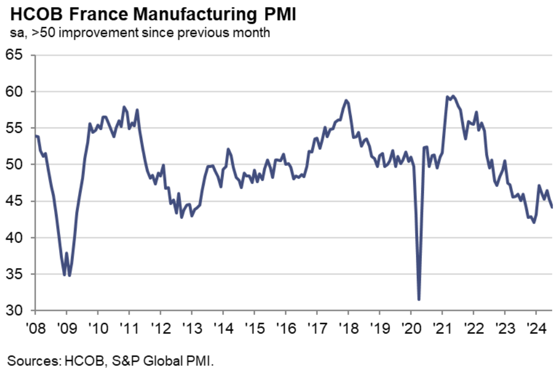
*“The French economy seems on track for a recovery in the second half of the year, a recovery led by the service sector, but both input and output prices remain a challenge for the French economy as inflation rates accelerated. Higher raw material prices drove up input prices and led to the fastest increase in selling prices over the last three months.*

*“The French economy is projected to grow by 0.3 % in the third quarter, according to our HCOB GDP Nowcast, due to the service sector expansion being signalled by the HCOB Flash PMIs. On the other hand, the industrial sector is expected to fall by almost 1% compared to the previous quarter.*

*“Lower demand and higher input prices appear to have worsened French manufacturers’ outlook for the next 12 months. The corresponding index for future output expectations dropped by almost three index points. Demand overall and from abroad weakened due to delays from customers.”*

-Ends-



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**Note to Editors**

Final July data are published on 1 August for manufacturing and 5 August 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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.



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

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