

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0915 CET (0815 UTC) 21 March 2024

HCOB Flash France PMI[®]

French private sector business activity falls at slightly faster pace

Key findings:

HCOB Flash France Composite PMI Output Index⁽¹⁾ at 47.7 (Feb: 48.1). 2-month low.

HCOB Flash France Services PMI Business Activity Index⁽²⁾ at 47.8 (Feb: 48.4). 2-month low.

HCOB Flash France Manufacturing PMI Output Index⁽⁴⁾ at 47.2 (Feb: 46.9). 14-month high.

HCOB Flash France Manufacturing PMI⁽³⁾ at 45.8 (Feb: 47.1). 2-month low.

Data were collected 12-19 March

France's private sector economy remained in contraction territory at the end of the first quarter, according to the latest HCOB Flash PMI survey. Although the decline in business activity accelerated slightly since February, it was still only modest and the second-weakest over the current ten-month downturn. The faster fall in output came amid a quicker deterioration in demand for French goods and services, with this also contributing to a renewed decrease in employment. However, firms' expectations for growth in the coming year rose to a 14-month high.

With weakness in demand persisting, the rate of output charge inflation cooled to a 37-month low. A softer increase in input prices was also recorded, although cost pressures remained sharp overall.

The headline **HCOB Flash France Composite PMI Output Index** dipped from February's nine-month high of 48.1 to 47.7 in March, signalling another month-on-month contraction in business activity which was marginally faster than previously. However, the decline was modest overall and the second-slowest over the French private sector's current ten-month downturn. March's slightly faster contraction was driven by a quicker drop in services activity, which firms in the sector attributed to weaker sales conditions. On the other hand, the slump in manufacturing production alleviated further with output down by the lowest degree since January 2023.

Demand for French goods and services continued to shrink at the end of the first quarter. The trend mirrored that of output, with private sector new orders falling at a slightly faster pace than in February. Both manufacturers and service providers registered steeper reductions in sales, with anecdotal evidence pointing to client hesitancy, challenging economic conditions and inflationary pressures as drags on demand. The overall pace of contraction was solid, but weaker than seen on average over the current 11-month demand slump. Exports also remained a headwind to French businesses, with the latest survey data signalling a twenty-fifth consecutive decline in international order intakes.

Subdued sales performances placed pressure on staffing levels in March. After fractionally rising in February, private sector employment across France decreased in March – the fourth time in the past five months that this has been the case. However, job losses were confined to the manufacturing sector as net employment rose again at services companies. Where lower workforce numbers were reported, resignations and the non-renewal of temporary contracts were cited.

The completion of backlogs enabled companies to prop up business activity levels and partially offset the drag from lower sales during March. Overall, the volume of outstanding work decreased for an eighth straight month, and at a quicker pace than in February. The reduction was broad-based and led by services companies, sector data showed.

For the first time since last November, both manufacturing and services firms registered higher input prices on the month. Notably, services companies saw cost pressures cool to a 31-month low, but they remained sharp and above their long-term trend amid continued reports of rising salary expenses. Consequently, despite goods producers registering the fastest uptick in

operating costs for nearly a year, the overall rate of input price inflation slowed.

Prices charged for French goods and services rose, albeit only mildly and to the weakest extent in just over three years. This result reflected a month of softer price hikes by services companies, and a further round of discounting from manufacturers. Strong competition reportedly motivated some companies to reduce their prices charged.

Lastly, March survey data highlighted stronger optimism among French private sector businesses. The level of positive sentiment rose to its highest since January 2023 amid a strong improvement in service sector confidence. A recovery in broader economic conditions, greater hiring and new client wins underpinned the pick-up in growth expectations, anecdotal evidence showed.

Comment

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

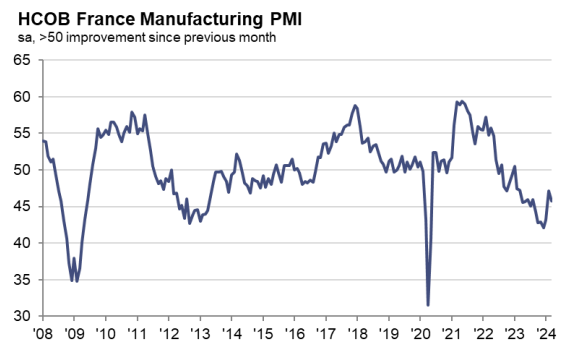
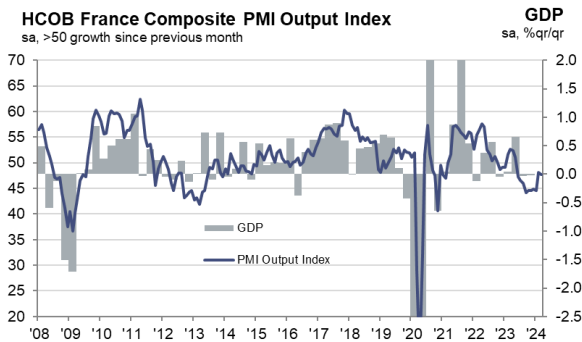
“The French economy is delaying its recovery into at least the second quarter. The HCOB Composite Flash PMI fell slightly compared to February, staying in contraction territory. This is especially due to lower demand as the PMI for new business fell at a steeper rate. In addition, backlogs of work fell at a faster rate compared to the previous month, indicating that companies compensated for lower demand by working through orders on hand. However, companies painted a more optimistic picture of the future due to an expected economic recovery this year.

“Manufacturers are shaking off the supply chain disruptions caused by Houthi attacks in the Red Sea. The PMI for suppliers’ delivery times rose again and was around 50, signalling stability, after the index had fallen to a near one-year low in January.

“Companies are looking confidently into the future. Output expectations increased to a 14-month high and were slightly above the index’s long-term average, signalling companies’ robust optimism. Firms substantiated their positive belief to expectations of better economic conditions. Some cautiousness was demonstrated by a reluctance to make any further hirings, however.

“Increasing wages are a problem for French consumer price inflation. The latest HCOB Flash PMI figures show that the labour-intensive services sector is still dealing with increasing input and output prices due to increasing wages. Although the Indeed Wage Tracker is flagging a slowdown of overall wage increases in the coming months, pay growth is set to stagnate in the middle of 2024, which may be hinder inflation’s downward trajectory.”

-Ends-



Contact

Hamburg Commercial Bank AG

Norman Liebke
Economist
T: +49-171-5466-753
norman.liebke@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Joe Hayes
Principal Economist
T: +44-1344-328-099
joe.hayes@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

Note to Editors

Final March data are published on 2 April for manufacturing and 4 April 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.

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.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2024 S&P Global Ltd. All rights reserved. www.spglobal.com

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>

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.