

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB France Services PMI®

## Demand for French services falls at strongest rate in five months

### Key findings:

- New business contraction weighs on services activity
- Output price inflation slows to marginal pace
- Business confidence and employment growth ease

Data were collected 12-25 June

France's service sector concluded the second quarter with a further monthly contraction in business activity, latest HCOB PMI® data showed, as the sharpest fall in new orders since January weighed on output. In some cases, survey respondents linked the softening to the uncertainty surrounding July's general election. Business confidence also weakened, as did jobs growth.

Notably, output prices rose at a marginal pace that was the weakest in over three years. The rate of inflation in services charges was broadly level with its pre-pandemic average.

The seasonally adjusted **HCOB France Services PMI® Business Activity Index** – which measures changes in the volume of business activity compared with one month previously – posted below the 50.0 no-change mark in June for a second month in a row, signalling lower levels of output compared with May. The index did rise however, from 49.3 to 49.6, and was indicative of a contraction that was once again only marginal overall. Nevertheless, the back-to-back months of decline were sufficient to offset April's modest expansion in activity, meaning that France's service sector was broadly stagnant on average across the second quarter.

Where lower output was recorded, firms attributed this to reduced footfall and weaker sales performances. Some panellists also cited the general election as a factor that limited activity in June.

Demand for French services declined at the end of the second quarter for the first time in three months. Survey respondents indicated that fewer client numbers restricted new business intakes. The reduction was solid and the fastest since January.

A particularly sharp drag came from non-domestic markets, with new export business shrinking markedly and for a fourth month running.

With new business volumes declining, French service providers made inroads into their backlogs of work in June. The rate of depletion was the fastest since January, albeit moderate overall.

Nevertheless, despite reduced intakes of new business and a concurrent fall in outstanding workloads, French service sector employment increased in June for a forty-second month in succession. Permanent and temporary staff were recruited in June, with some panellists noting that new hires formed part of their plans to grow their business. The rate of job creation cooled to a three-month low, however.

French services companies remained optimistic towards the 12-month outlook for business activity in June. That said, the level of confidence eased, in line with the trend since the most recent peak in growth expectations back in March. Uncertainty surrounding the outcome of the general election dampened sentiment, anecdotal evidence showed. Overall, the level of optimism dipped to a five-month low.

As for prices, June survey data signalled a further easing of inflationary pressures across France's service sector. Selling charges were up only marginally on the month, with the rate of increase broadly in line with its pre-pandemic average and at its

softest across the current 38-month bout of inflation.

On the other hand, while the rise in input costs was also the slowest in three years, it remained sharp overall and elevated by pre-pandemic standards. Higher wage bills were cited by panellists, in addition to greater raw material prices.

### Comment

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

*“Election uncertainty stalled the French services sector in June. The HCOB Business Activity Index showed a little improvement compared to the previous month but still stayed below 50, signalling contraction. Some panel members linked the drop in business activity to election-related uncertainty. It’s thinkable that the upcoming elections were the decisive factor, particularly because new orders have suddenly dropped. French service companies completed more backlogs of work in response to weaker demand, which explains the gap between the indices for output and new orders.*

*“Upcoming elections have made service providers less optimistic about future activity. In addition to business confidence being at a five-month low, it is also clearly below its historic average. In accordance with this, employment growth weakened.*

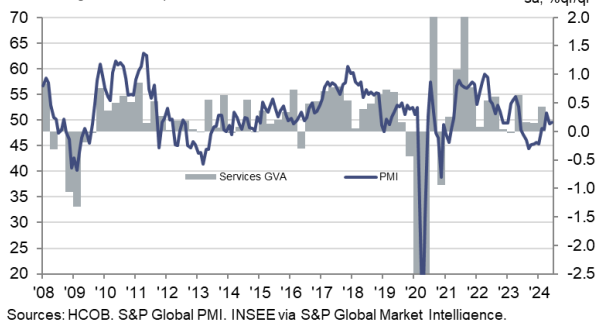
*“Service prices inflation continues to ease but still poses a risk. The latest rise in input prices was historically high, with companies noting greater salary costs and raw material price increases. On the other hand, output prices in the French service sector edged further towards the neutral threshold, meaning that companies did not fully pass on higher input costs to clients. According to anecdotal evidence, some companies were able to offer discounts due to lower interest rates.”*

-Ends-

**HCOB France Services PMI Business Activity Index**  
sa, >50 = growth since previous month



**France Services PMI Business Activity Index** and **Services GVA**  
sa, >50 = growth since previous month; sa, %q/qr



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

### French private sector contracts slightly in June

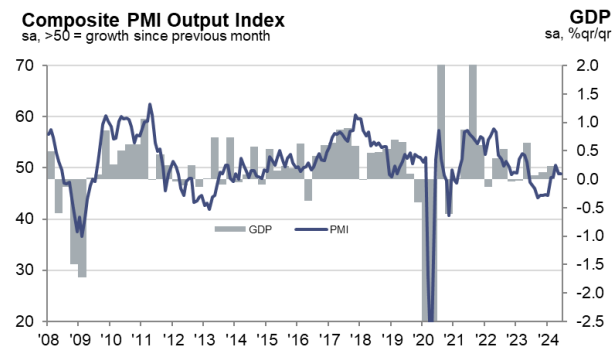
The HCOB France Composite PMI<sup>®</sup> Output Index – a weighted average of the HCOB France Manufacturing Output Index and HCOB France Services Business Activity Index – was little-changed in June, dropping only fractionally to 48.8, from 48.9 in May. Overall, this signalled a slight reduction in private sector business activity across France at the end of the second quarter.

However, there was a notable deterioration in demand for French goods and services, with the composite index for new orders falling by nearly four points to a five-month low. Both monitored sectors saw new business shrink across the month.

Weaker sales led to a faster rate of completion of backlogs. Outstanding orders fell at the sharpest pace since January. Nevertheless, employment rose, albeit to the softest extent in three months. Services was once again the only sector to record jobs growth.

Composite pricing trends diverged in June, as the softest rise in output charges since February 2021 contrasted with a slightly faster uptick in costs.

Lastly, private sector business confidence dropped to a four-month low in June.



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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 86% of final responses. Flash composite data were calculated from 88% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.5 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is -0.1 (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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