

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Flash France PMI<sup>®</sup>

## French economy suffers post-Olympics slump in September

### Key findings:

HCOB Flash France Composite PMI Output Index<sup>(1)</sup> at 47.4 (Aug: 53.1). 8-month low.

HCOB Flash France Services PMI Business Activity Index<sup>(2)</sup> at 48.3 (Aug: 55.0). 6-month low.

HCOB Flash France Manufacturing PMI Output Index<sup>(4)</sup> at 42.8 (Aug: 43.8). 8-month low.

HCOB Flash France Manufacturing PMI<sup>(3)</sup> at 44.0 (Aug: 43.9). 2-month high.

Data were collected 12-19 September

After a strong services-led expansion in August, France's private sector economy slipped back into decline at the end of the third quarter, latest HCOB PMI<sup>®</sup> survey data revealed. Overall business activity levels fell at the fastest pace since January amid an accelerated contraction in new orders, which panellists attributed to slowing market conditions and a shrinkage in customer numbers. Backlogs of work decreased at the quickest rate since last November, although employment grew marginally after a small drop in the previous survey period.

Notably, September survey data signalled a marked easing of cost pressures, with input prices rising at the softest pace in close to four years. Moreover, for the first time since February 2021, prices charged were discounted.

After increasing four points in August to a 27-month high of 53.1, the headline **HCOB Flash France Composite PMI Output Index** slumped to 47.4 in September, its lowest level since January. Furthermore, having fallen below the critical 50.0 mark, the latest figure indicated a renewed contraction in private sector business activity at the end of the third quarter, and one was that solid overall.

While manufacturing production fell at the sharpest pace since January, September's fresh decline was primarily driven by the more sizeable services sector, which slipped back into contraction after strong growth in August. With the Olympic Games in Paris coming to an end, panel members cited a drop-off in customer numbers, although there were mentions of generally subdued consumption from clients and cautiousness amongst buyers.

New business receipts shrank solidly and in a broad-based manner at the end of the third quarter. Having come close to stabilising in August due to a pick-up in demand for services, total new order inflows fell at the quickest pace since June. The drop in sales was particularly pronounced in the manufacturing sector, with firms reporting lower interest from customers in North America and other parts of Europe such as Germany. Indeed, private sector new export business extended its current sequence of decline to just over two-and-a-half years in September.

The effect of lower sales volumes was evident in the sub-index for backlogs of work, which slipped deeper into contraction territory at the end of the third quarter. Weak demand was widely cited as the reason for reduced outstanding business volumes, anecdotal evidence showed. The accelerated fall in pending workloads, which was the fastest since last November, was driven by the services economy.

Nevertheless, business confidence across France strengthened during September as growth expectations were their most optimistic for four months. Outlooks continued to contrast between sectors, however, as negative sentiment across manufacturing contrasted with a considerable uplift in positivity among services firms. According to the latter, respondents were hopeful of a recovery through to the end of the year and at the start of 2025.

Greater optimism supported hiring activity across France in September. Having fallen fractionally in August, employment levels edged slightly higher during the latest survey period. Once again, job creation was confined to the service sector as factory staffing numbers were cut. The decrease in manufacturing employment did slow sharply, however, and was its least pronounced since May. In some cases, headcounts were lifted in anticipation of greater activity.

HCOB PMI survey data indicated a considerable easing of cost pressures across France in September. The overall rate of input price inflation cooled to a 46-month low, with both manufacturers and services providers experiencing an alleviation of cost pressures. With margins under less strain, French firms offered discounts for the first time since February 2021. Price reductions were exclusive to the service sector, although factory gate charges were broadly unchanged since August.

### Comment

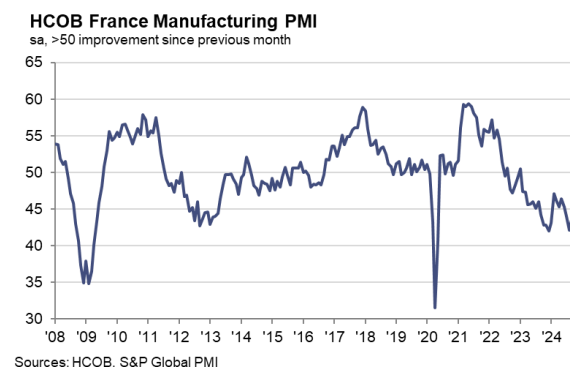
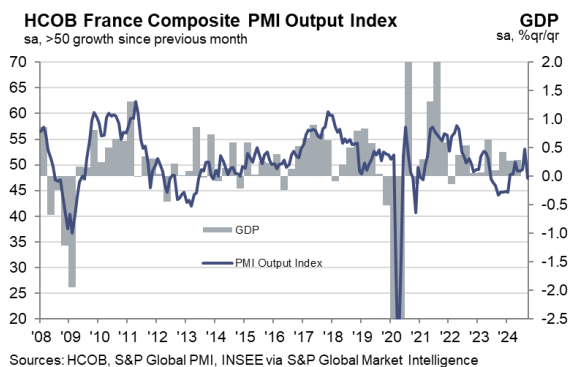
Commenting on the flash PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

*“It is a sad reality; the strong growth in the French economy seen in August evaporated by September. The Flash Composite HCOB PMI has dropped well below the critical 50 mark, now standing at 47.4. This confirms the suspicion that the service sector surge in August was an Olympics-related anomaly, which has now dissipated. The situation in manufacturing remains difficult, much like in the previous month. Our HCOB Nowcast predicts near stagnation in the French economy for the third quarter, compared to the previous one. With this, France joins the group of Eurozone economies struggling with significant growth challenges.*

*“There is deep disappointment in the French services sector. The HCOB Flash PMI for services dropped by nearly 7 points in September to 48.3, following a month boosted by strong demand due to the Olympics in France. Particularly hard-hit in September were national and international new orders, as well as backlogs of work. A bright spot remains the stable employment levels and easing price pressures. Although input prices continued to rise, they did so at a slower pace than the previous month. Notably, despite the sector’s weakness, service providers remain cautiously optimistic about the future, although this optimism is significantly below the historical average.*

*“The year seems lost for French factories. The HCOB Flash PMI for manufacturing showed a slight improvement in September, rising to 44.0 points, but remains deep in recession territory. Output is shrinking at the fastest pace since the beginning of the year, and new orders continue to decline. As a result, employment shrank. The situation remains bleak, and industrial companies lack optimism. Orders from North America and key European markets like Germany are particularly affected. Politically, the situation remains unstable following the snap elections and the appointment of Michel Barnier as Prime Minister, with no clear parliamentary majority in place to push through the significant economic reforms that could revive the industry.”*

-Ends-



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**Note to Editors**

Final September data are published on 1 October for manufacturing and 3 October 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 <sup>1</sup>	-0.1	0.4
Manufacturing PMI <sup>3</sup>	0.1	0.3
Services Business Activity Index <sup>2</sup>	-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](mailto: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

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

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