

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Flash France PMI®

## French business activity declines for fourth month in a row

### Key findings:

HCOB Flash France Composite PMI Output Index<sup>(1)</sup> at 46.7 (Nov: 45.9). 2-month high.

HCOB Flash France Services PMI Business Activity Index<sup>(2)</sup> at 48.2 (Nov: 46.9). 2-month high.

HCOB Flash France Manufacturing PMI Output Index<sup>(4)</sup> at 39.6 (Nov: 41.1). 55-month low.

HCOB Flash France Manufacturing PMI<sup>(3)</sup> at 41.9 (Nov: 43.1). 55-month low.

Data were collected 05-12 December

Activity levels across France's private sector shrank further at the end of the year, latest HCOB 'flash' PMI® data revealed, extending the downturn in the euro area's second-largest economy to four months. Both manufacturers and service providers recorded declines in output. However, a softer contraction in services meant December's overall drop in activity was slower than in the prior month. Nevertheless, the latest survey results showed further weakness in demand, which contributed to the sharpest reduction in employment in over four years. There was a modest improvement in business confidence, however, with firms' expectations for the next 12 months edging back into optimistic territory.

After three successive monthly decreases, the headline **HCOB Flash France Composite PMI Output Index** ticked higher in December. That said, posting 46.7 (November: 45.9), and thereby in sub-50.0 contraction territory, the index signalled an extension of the downturn seen in the French private sector since September. The overall pace of decline indicated by the headline figure was solid and the second-sharpest seen over the past 11 months, despite easing from the month prior.

Sub-sector data highlighted the broad-based nature of the French economy's decline. The harshest drag on activity came from the manufacturing industry, which saw production levels shrink at the most rapid pace in over four-and-a-half years. Surveyed manufacturers frequently remarked on the adverse impact of weak demand conditions. Services companies on the panel also noted lower sales, with some respondents mentioning that political uncertainty was a hindrance. Service providers did register a weaker drop of activity compared to November, however.

The level of incoming new business received by private sector companies in France decreased for a seventh month in succession during the final month of 2024. Albeit softer than November's four-year record, the contraction was still marked. Domestic political instability, softness in industries such as construction and automotives and lower interest from clients elsewhere in Europe dampened sales volumes, according to anecdotal evidence. Indeed, the latest survey data revealed a steep month-on-month drop in new export orders, and one that was markedly quicker than that seen for new business overall (thus implying a steeper drag from foreign client demand).

French private sector businesses made further inroads into their backlogs of work during December, stretching the current sequence of depletion in outstanding orders to nearly a year-and-a-half. Persistent evidence of spare capacity, coupled with a further shrinkage of new order intakes, led employment levels to fall. The drop in workforce numbers was the steepest since September 2020, more-than-offsetting November's marginal uptick. Labour market trends deteriorated in both monitored sectors, with a faster pace of factory job shedding combining with renewed headcount cuts at services companies.

The renewed drop in employment came despite an improvement in business sentiment. The HCOB Future Activity Index moved back above the neutral 50.0 threshold in December, signalling optimistic growth expectations in the year ahead. That said, the degree of positivity was weak by historical standards, with the current political landscape in France often cited by firms

as a reason to be downbeat towards the outlook.

As for trends in prices, December's 'flash' survey data showed a moderation in cost pressures across France. Both manufacturers and service providers recorded weaker rises in their input prices, with the aggregated pace of inflation remaining below its historical average. That said, selling prices were broadly unchanged on the month as firms in both sectors reported that competitive pressures had prevented them from raising their charges.

### Comment

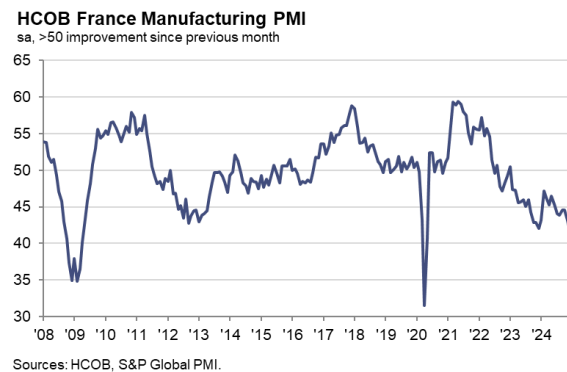
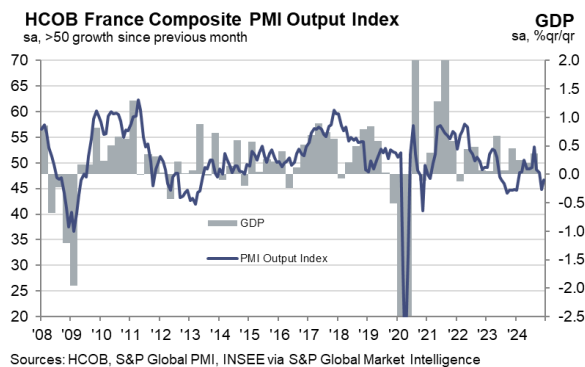
Commenting on the flash PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

*“France's crisis shows no signs of abating. The Composite HCOB Flash PMI has seen a slight improvement in December compared to the previous month, but it remains in contraction territory, offering no hope for recovery. The industrial sector remains the Achilles heel of the French economy, and even the relatively better-performing services sector fails to provide any growth impetus. Political instability, leaving France without a government and an approved budget for 2025, is likely to persist into the coming year. The hasty and poorly organized appointment of the seasoned politician François Bayrou as Prime Minister by President Emmanuel Macron is unlikely to bring about more stable conditions. Bayrou lacks support from both the left and the right, suggesting he may face the same fate as Barnier. Instability appears to be here to stay and will not disappear anytime soon.*

*“The manufacturing sector experienced a dismal year in 2024. According to PMIs, the French industry has not grown in any month. The Flash HCOB Manufacturing PMI remains well below the growth threshold of 50 in December and is slightly weaker compared to the previous month. There is a significant lack of orders from both domestic and international markets, leading to a notable decline in employment. Political instability in the country, weak economic conditions in sectors such as construction and the automotive industry, and reduced interest from customers in other European countries are dampening sales, as anecdotal evidence suggests.*

*“The service sector remains in limbo. Apart from a brief period around the Summer Olympics in Paris, service providers have struggled to generate growth momentum. The Flash HCOB Services PMI continues to paint a weak picture of the sector in December, despite a slight increase from the previous month. While the index for new orders has seen a jump, it remains in decline overall. Particularly alarming, though not surprising, are the first layoffs by French service providers in almost four years. Surveyed service companies indicated that political uncertainty is a hindrance to business.”*

-Ends-



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**Note to Editors**

Final December data are published on 2 January for manufacturing and 6 January 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?"

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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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