

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB France Services PMI[®]

Sharpest downturn in service sector activity for two-and-a-half years in August

Key findings:

- Business activity falls at fastest pace since February 2021
- New orders decline for fourth month running
- Input cost inflation eases to two-year low

Data were collected 10-25 August

Service sector output continued to decline in August and the rate of contraction accelerated to its fastest for two-and-a-half years, according to the latest HCOB PMI[®] survey conducted by S&P Global. The downturn in business activity was accompanied by a solid reduction in new order volumes and a slowdown in job creation to its weakest since last November.

Inflationary pressures moderated again in August, despite many reports citing higher salary payments. Input costs increased at the slowest pace for two years, while prices charged inflation dipped to a 27-month low.

At 46.0 in August, down from 47.1 in July, the seasonally adjusted **HCOB France Services PMI[®] Business Activity Index** – which measures changes in the volume of business activity compared with one month previously – registered below the crucial 50.0 no-change value for the third consecutive month. Moreover, the latest reduction in service sector activity was the steepest recorded since February 2021.

Survey respondents typically cited subdued underlying business conditions and the impact of elevated interest rates on consumer demand in August. As a result, total new orders decreased for the fourth month in a row and at the fastest pace since November 2020. Service providers often commented on a lack of new business opportunities due to squeezed budgets among businesses and households.

Export sales also decreased in August, with the rate of decline the steepest since February. This was mostly linked to shrinking demand from clients across the rest of the euro area.

Reduced customer spending contributed to a renewed fall in unfinished work during the latest survey period. Although only modest, the reduction in backlogs of work was the fastest for two-and-a-half years.

A lack of pressure on business capacity led to more cautious hiring policies across the service economy in August. The latest survey pointed to only a marginal rise in employment numbers and the rate of job creation was the lowest for nine months. Where staffing levels were increased, this was attributed to long-term business expansion plans and hopes of a recovery in customer demand.

The proportion of service providers expecting a rise in business activity during the year ahead (34%) continued to exceed those that forecast a reduction (16%). However, the overall degree of business optimism eased during August and was the second-lowest so far this year (undershot only by that seen in June). Survey respondents often noted concerns about the impact of rising borrowing costs, although some noted expectations of an eventual rebound in broader economic conditions.

Finally, input cost inflation moderated for the sixth month running in August, albeit only marginally. The latest increase in business expenses was driven by rising wages and higher fuel prices, according to survey respondents.

Service providers sought to pass on rising costs to customers in August, but the rate of price charged inflation was the lowest

since May 2021. Some firms noted that intense competition for new work and subdued demand conditions had limited their pricing power.

Comment

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

“The French services sector remains under pressure in August. The trend is a trifecta of obstacles: a third consecutive month of dwindling business activity, coupled with a simultaneous decline in new business both overall and abroad. The companies surveyed predominantly point towards two key culprits: the restraint of customer budgets and general caution regarding the economic outlook.”

“The weakening of the services sector is reflected in the employment situation. Although services companies hired more staff in August, the pace continues to flatten out, reaching the joint-lowest PMI value since May 2021.”

“When it comes to prices, things are still pretty tense. Service providers are facing higher input prices due to elevated energy costs and rising wages, according to the companies surveyed. Once again, businesses were able to nudge up their selling prices, though at the slowest pace since May 2021.”

“Despite experiencing gloomy business conditions in August, companies are managing to see a bit of sunshine for the coming months. Companies cited a hoped-for upturn in the overall economy as the reason for the optimism, although risks were reported due to higher interest rates and weakness across the real estate sector.”

-Ends-

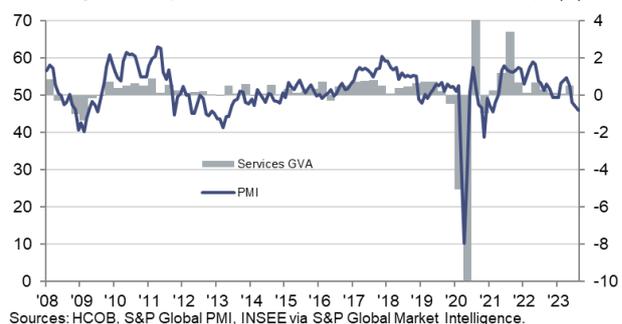
HCOB France Services PMI Business Activity Index

sa, >50 = growth since previous month



Services PMI Business Activity Index

sa, >50 = growth since previous month



Services GVA

sa, %qr/qr

HCOB France Composite PMI[®]

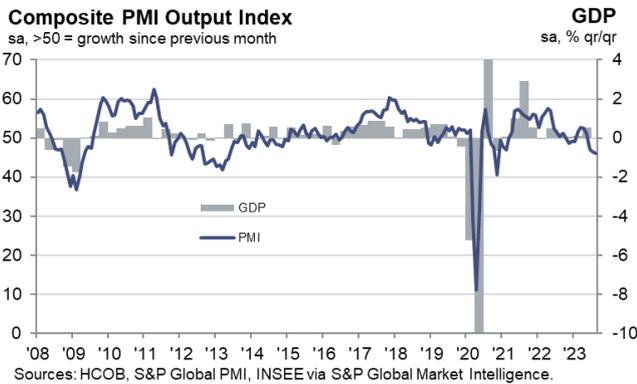
Private sector output falls for the third month running

At 46.0 in August, the **HCOB France Composite PMI[®] Output Index** dropped from 46.6 in July and signalled a third consecutive monthly reduction in private sector activity. Moreover, the latest reading indicated the fastest pace of decline since November 2020. Solid reductions in output volumes were seen in both the manufacturing and service sectors.

Total new business volumes also declined again in August, and the rate of contraction accelerated to its steepest for 33 months. Softer demand resulted in a renewed fall in backlogs of work during the latest survey period.

Private sector employment increased only slightly in August. Additional staff recruitment in the service economy contrasted with a solid reduction in the manufacturing sector.

August data pointed to another slowdown in overall input price inflation, with the latest reading the lowest since March 2021. At the same time, prices charged inflation across the private sector economy eased to its weakest for 28 months.



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Note to Editors

The HCOB France Services PMI[®] 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 88% of final responses. Flash composite data were calculated from 85% 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@ihsmarkit.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.

S&P Global (NYSE: SPGI)

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html.

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