

News Release

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S&P Global France Business Outlook

Business growth expectations in France remain subdued

Key findings

French companies among the least optimistic globally

Firms planning to reduce investment activity and hiring intentions soften

Profitability expected to worsen

The S&P Global France Business Outlook survey once again showed a weak level of confidence among firms in the second-largest euro area economy. Relative to the other monitored parts of the world, only Germany registered weaker growth expectations than France.

In October, a net balance of +14% of respondents predicted higher levels of business activity in 12 months' time. This was little-changed from +13% in June and well below the long-term average of +25%, thereby indicating a subdued level of optimism.

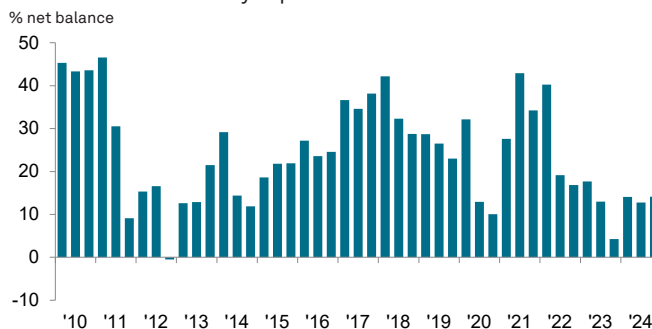
Where growth was anticipated, panellists cited expectations of lower interest rates, the launch of new products and hopes of more business-friendly public policies. That said, companies that were pessimistic commented on political uncertainty, both domestically and overseas, conflict in Ukraine and the Middle East, construction sector weakness and challenging economic conditions in Europe.

The outlook for business activity differed considerably at a sector level. While service sector companies saw growth expectations tick slightly higher (net balance rose to +17%), sentiment turned fractionally negative across the manufacturing industry (net balance fell to -1%).

Business investment activity expected to shrink over the coming 12 months

Although expectations of lower interest rates buoyed confidence at some French companies, October Business Outlook survey data showed planned investment activity is anticipated to shrink over the next 12 months. Regarding capital expenditure, survey

France Business Activity expectations



Source: S&P Global PMI.
Data were collected 10-28 October 2024.

Comment

Commenting on the France Business Outlook survey data, Joe Hayes, Principal Economist at S&P Global Market Intelligence, said:

"The outlook for the French economy remains gloomy. Domestic challenges are aplenty, with uncertainty regarding government policy, an ongoing downturn in the construction sector and weak market conditions more broadly across the single currency union have created a perfect storm, and businesses are struggling to see how they can navigate the next 12 months."

"Subdued business sentiment is feeding through to company plans for investment, which is set to shrink over the coming 12 months despite hopes of further interest rate reductions by the European Central Bank. Hiring intentions were also at their softest in four years, suggesting that retrenchment mode is setting in as firms brace for adverse trading conditions. Indeed, profitability forecasts remained downbeat, further highlighting the pessimistic mood among French businesses."

respondents foresee a reduction, as evidenced by a net balance of -1%. Albeit only fractionally negative, it marked the first time in four years that capex was predicted to decrease.

Research and development spending plans were also pared back by French private sector firms, latest Business Outlook data showed. The net balance of firms that forecast lower R&D expenditure was unchanged from June at -2%.

Regarding employment across France, the latest survey indicated that hiring looks set to stagnate over the coming year. The net balance of companies that expect employment to rise was only slightly positive at +2%, marking the most subdued plans for recruitment since October 2020. Weak hiring intentions was a trend seen across the eurozone as a whole during the latest survey period.

Firms anticipate weaker profitability

As has been the case in each survey period since June 2022, October Business Outlook survey data revealed that French private sector companies foresee a shrinkage of their profits over the next 12 months. That said, the net balance was less negative than that seen previously, rising to -6%, from -10%. Expectations of smaller corporate earnings were broad-based by sector, although manufacturing firms predicted a much larger hit to their profitability than their services counterparts.

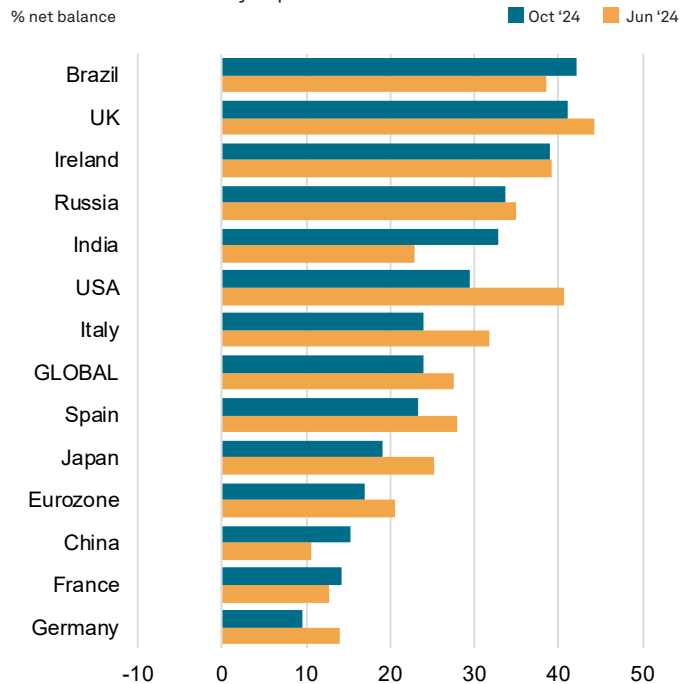
Inflation expectations nudge higher

Businesses' operating expenses were predicted to increase over the next 12 months, according to October Business Outlook data. Excluding costs relating to firms' labour force, input price inflation expectations rose for the first time in a year, with a net balance of +29% of respondents predicting higher non-staff expenses. As has been the case since June 2022, these cost pressures are expected to be stronger at services firms than at factories.

Survey respondents also foresee a further uplift in their wage bills over the coming year. The net balance of companies that forecast greater staff expenses rose fractionally to +33%, from +32% previously.

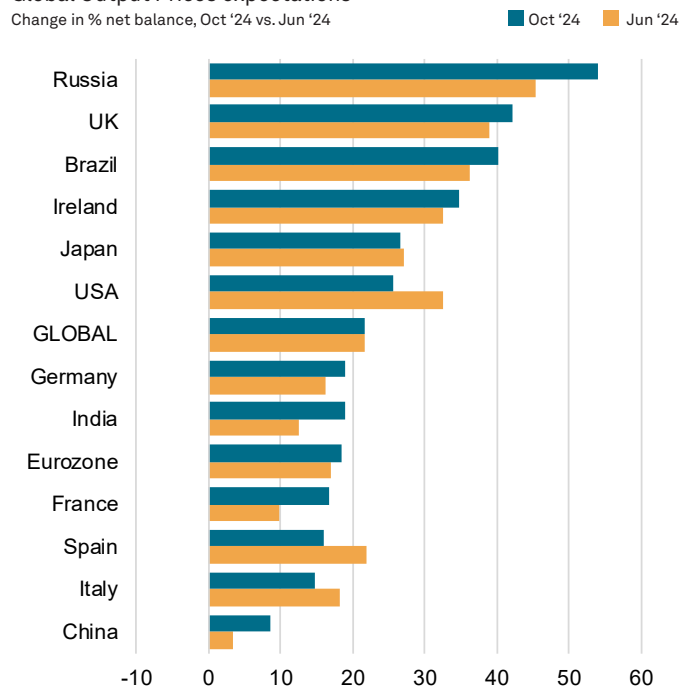
When it came to their own price setting plans, French private sector companies intend to be more aggressive over the coming 12 months. This was evidenced by an increase in the net balance of businesses predicting to lift their selling charges, which rose to +17%, from +10% previously. Consequently, output price inflation expectations were at their highest since October 2023. That said, this did come in below the global average of +22%.

Global Business Activity expectations



Source: S&P Global PMI.

Global Output Prices expectations



Source: S&P Global PMI.

Full data available on request from economics@spglobal.com.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

** The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.*

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