

Monthly Business Survey – January 2023

Over the end of 2022, and despite the successive external shocks, economic activity remained resilient. According to the business leaders surveyed (approximately 8,500 companies and establishments questioned between 20 December and 5 January), activity improved again in December in the three major sectors, and to a greater extent than anticipated the previous month. For January, business leaders expect activity to improve further in industry and services, albeit at a slower pace, and to remain little-changed in construction.

Supply difficulties eased further in industry (40% of industrial firms reported difficulties after 41% in November and a peak of 64% in April) and especially in construction (33% after 36% in November). The rise in finished goods prices slowed slightly in industry, while still remaining strong; it continued at the same pace in construction and in those services covered by the survey. Recruitment difficulties remained significant, cited by 53% of respondents compared with 54% in November.

Our uncertainty indicator declined slightly in December but remained at a very high level. Cash positions stabilised, albeit at a relatively low level in industry. In industry, the balance of opinion on order books continued to fall while remaining above its long-term average; the balance of opinion on inventories continued to rise to well above its long-term average.

Regarding the consequences of the energy crisis, the situation as reported by business leaders appears to have stabilised compared with the last two surveys. Just under a quarter of businesses said their activity had been affected over the past month, which is similar to the proportions observed since October. Nearly a third of businesses said they expected the energy crisis to have an impact (weak or strong) on their activity over the next three months (40% in industry). Just over half of businesses said they expected it to have an impact on their margins over the next three months.

Based on the survey results, combined with other indicators, we expect GDP to have risen slightly in December and to remain little-changed in January. GDP is projected to have grown by around 0.1% in the fourth quarter of 2022 compared with the previous quarter.

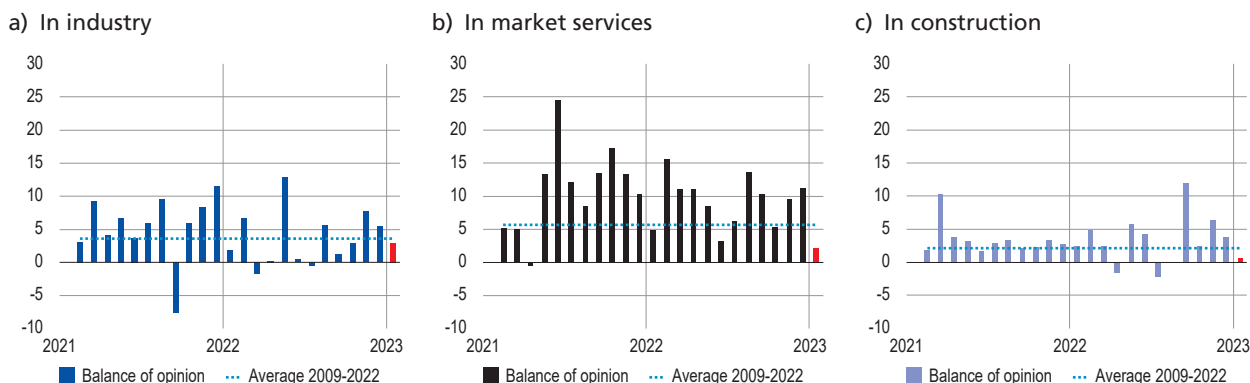
1. In December, activity increased in all three major sectors covered by the survey

In December, activity rose in **industry**, and at a marginally stronger pace than anticipated by business leaders last month.

Balances of opinion on production indicate that activity increased markedly in December in computer, electronic and optical products, the pharmaceutical and automotive industries and in other industrial products. In contrast, activity declined compared with the previous month in rubber and plastic products.

Balance of opinion on the change in activity

(balance of opinion, adjusted for seasonal and working-day variations; forecast for January)

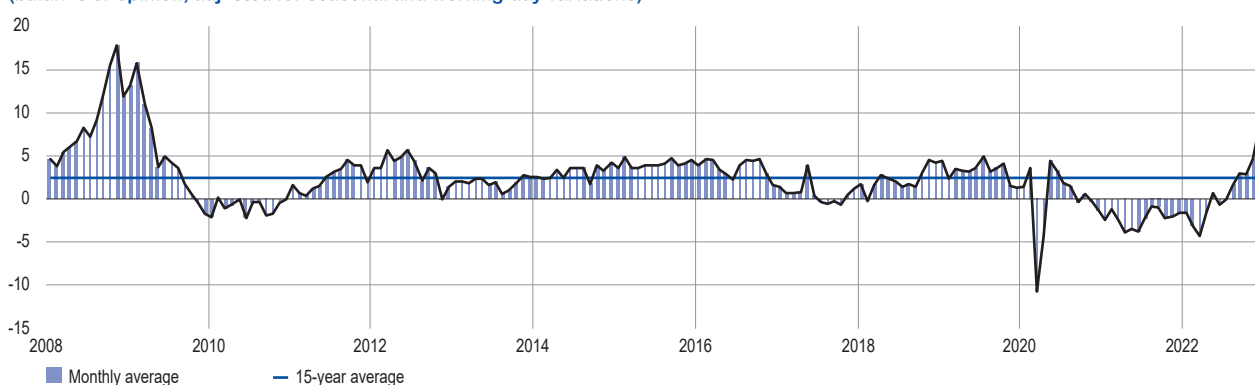


Note: The balance of opinion on the change in activity (which measures the difference between the proportion of businesses that said activity had risen and the proportion that said it had declined over the past month) was nearly 5 points in industry in December, which is slightly higher than the long-term average for the indicator. For January (red bar), business leaders expect a rise in activity of around 3 points.

Inventories rose sharply in December in industry and were deemed to be at a high level. They were above the long-term average in the majority of sectors, especially in electrical equipment and the automotive industry, and to a lesser extent in aeronautics and in wood, paper and printing. Depending on the case, this rise was attributed to lower demand, supply difficulties (leading to an increase in inventories of semi-finished goods at purchasing firms) or difficulties delivering finished goods (automotive and aeronautics industries). Business leaders also reported some precautionary behaviour, in anticipation of production difficulties over the coming months, linked notably to the energy crisis (fear of power cuts, etc.).

Inventories in industry

(balance of opinion, adjusted for seasonal and working-day variations)



In **market services**, activity rose sharply in December – and again at a faster pace than anticipated by business leaders last month – in personal services (accommodation and food services) and to a lesser extent in business services (management consultancy, information services, programming, legal and accounting activities).

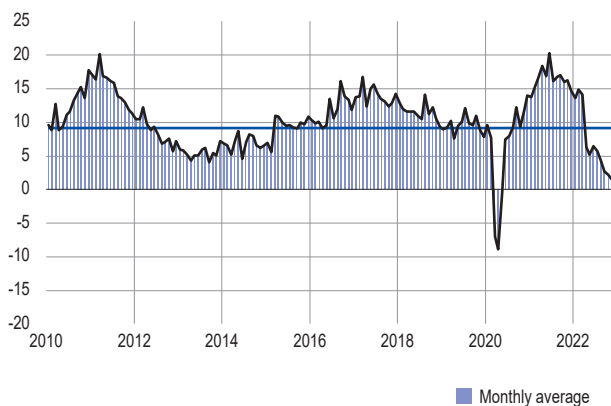
Activity increased again in **construction**, especially in finishing works.

The balance of opinion on **cash positions** stabilised in industry and market services, albeit at a very low level in industry compared with the past 15 years. In nearly all industrial sectors except transport equipment (including the automotive industry), current cash levels are now well below their long term average. In electrical equipment, chemicals, and computer, electronic and optical products, the gap is over 20 points.

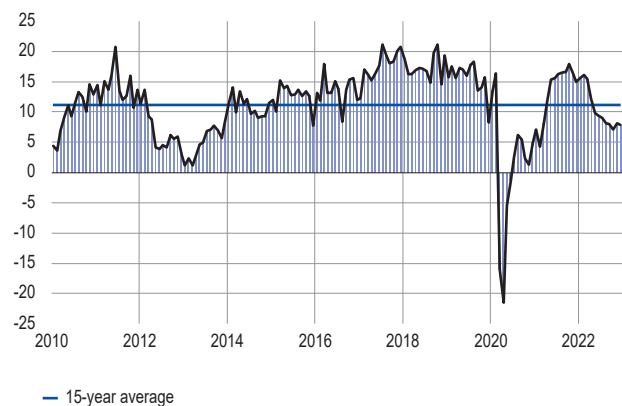
Cash position

(balance of opinion, adjusted for seasonal and working-day variations)

a) In industry



b) In market services



2. In January, business leaders expect activity to rise slightly in industry and services, and to stabilise in construction

For January, surveyed business leaders anticipate a slight overall expansion in activity in **industry**, although with **significant disparities across sectors**. Some are expected to see a drop in activity, for example rubber and plastic products, wearing apparel, textiles and footwear. Conversely, activity is projected to rise in pharmaceutical products, electrical equipment, the automotive industry, and aeronautics and other transport.

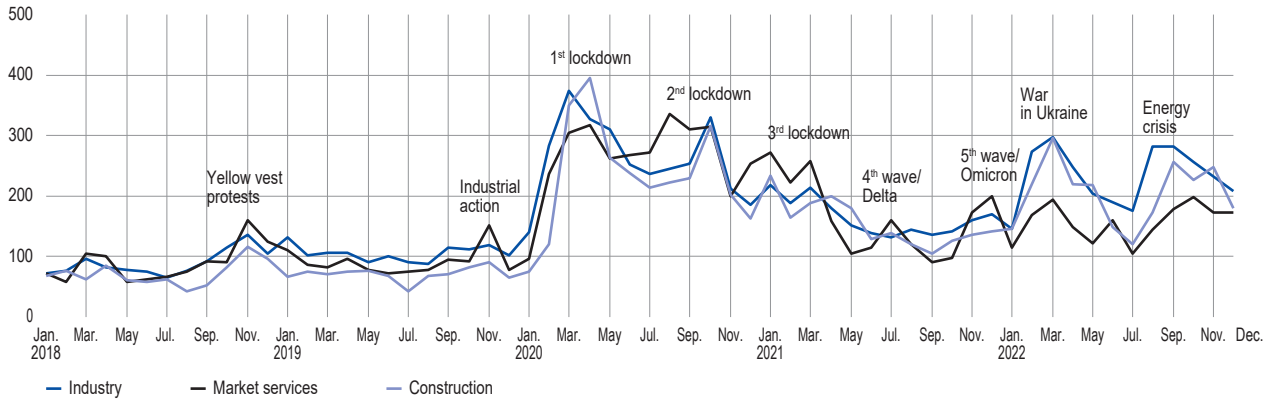
In **services**, business leaders anticipate slight growth in activity; accommodation, programming and consultancy are all projected to see a rise. Staffing levels are expected to continue growing strongly in January.

In **construction**, activity is predicted to remain stable overall, although the outlook for structural works is weaker.

Our monthly **uncertainty** indicator, which is constructed from a textual analysis of comments by respondent companies, eased slightly in industry and construction in December, while still remaining well above normal. In market services, it was stable.

Indicator of uncertainty in the comments section of the Monthly Business Survey (MBS)

(unadjusted data)



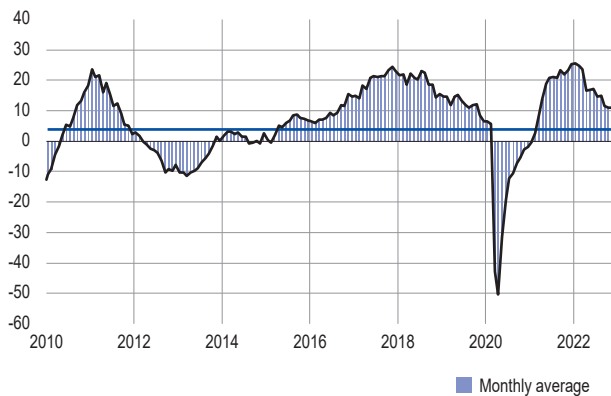
Note: The reference value is set at 100 and corresponds to the value around which the indicator fluctuates in normal periods.

The balance of opinion on **order books** declined again in industry and fell more markedly in construction, where it is now below the long-term average. Again, there were significant disparities across sectors, with order books reported to be very well-stocked in aeronautics, machinery and equipment, computer, electronic and optical products, and electrical equipment, and weak in chemicals, and rubber and plastic products.

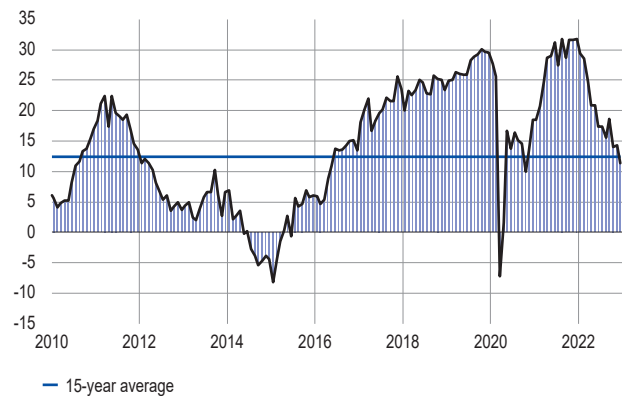
Level of order books

(balance of opinion, adjusted for seasonal and working-day variations)

a) In industry



b) In construction

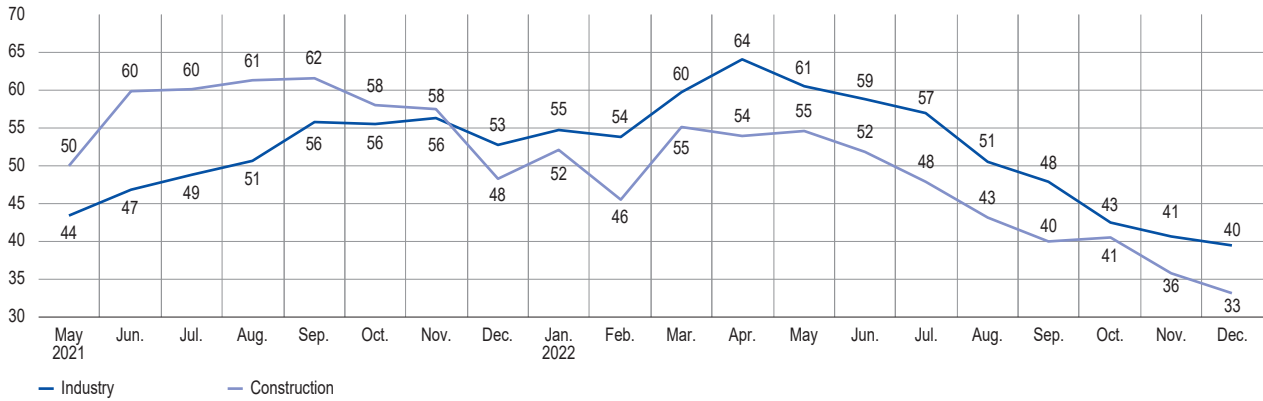


3. A further easing of supply difficulties; a slight moderation in the rise in finished goods prices in industry but no change in services and construction

Supply difficulties continued to subside in December in industry (affecting 40% of businesses after 41% in November) and construction (33% after 36%).

Share of businesses reporting supply difficulties

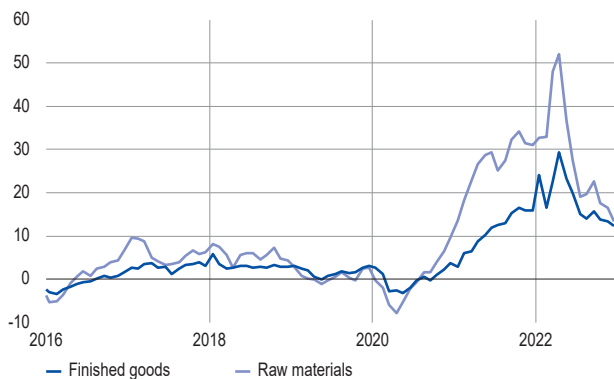
(%, unadjusted data)



According to business leaders, growth in raw material and finished goods prices slowed in December in industry, but remained relatively strong. In contrast, in construction and market services, prices continued to rise at the same pace. Business leaders also said they expect prices to increase sharply in January, outstripping the seasonal rise normally observed at the start of the year.

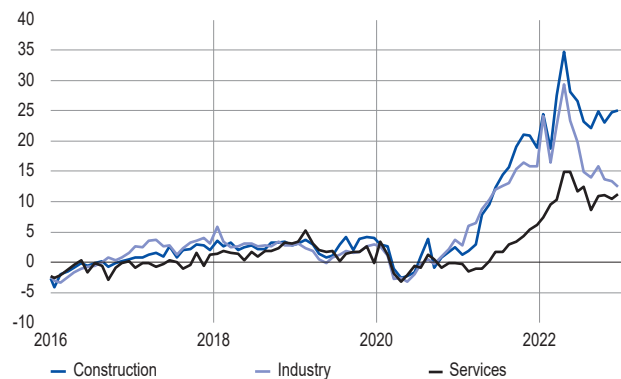
Balance of opinion on price developments compared with the previous month – Manufacturing industry

(balance of opinion, adjusted for seasonal and working-day variations)



Balance of opinion on price developments compared with the previous month

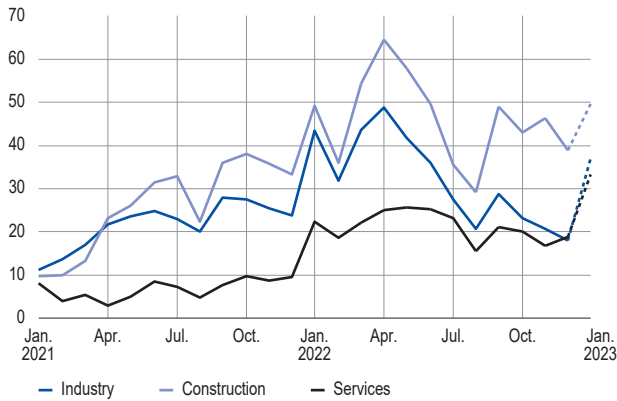
(balance of opinion, adjusted for seasonal and working-day variations)



At a more granular level (based on non-seasonally adjusted data), 18% of business leaders in the manufacturing industry said they had increased their selling prices in December. In construction, the share was 39% and in market services it was 19%. The outlook for January suggests that this share will rise sharply in industry (37%), construction (50%) and market services (33%); in services, the share should be higher than at the start of 2022, but slightly below it in industry.

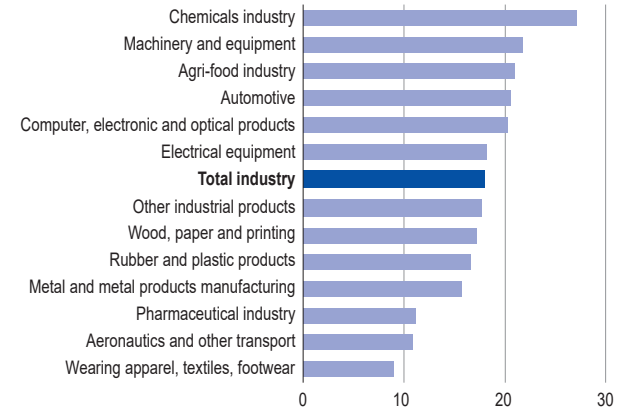
Share of business leaders that increased their selling prices, by major sector

(%, unadjusted data; forecast for January)



Share of business leaders in industry that increased their selling prices in December, by sector

(%, unadjusted data)

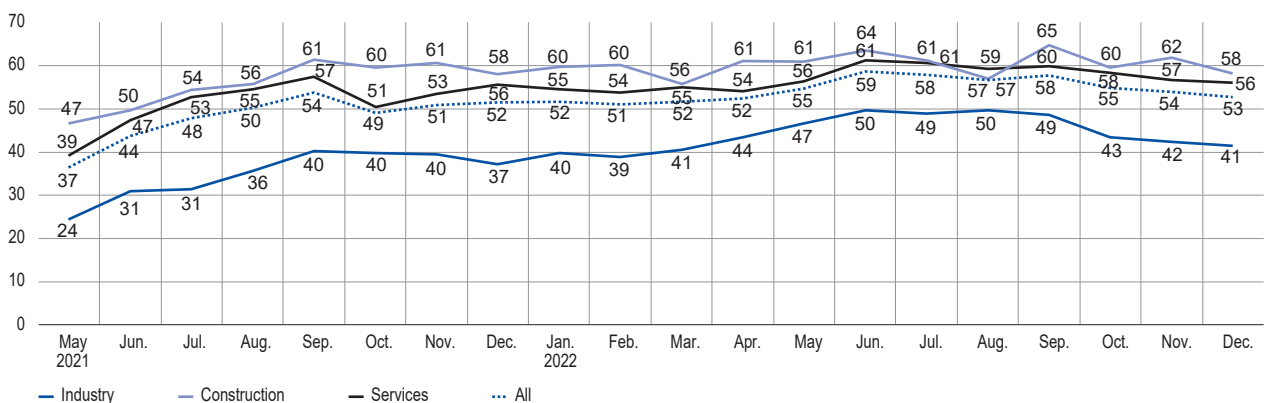


Overall, in industry and construction, nine out of ten businesses increased their prices at least once over 2022 (compared with 70% in 2021, and between 30% and 40% on average in the pre-Covid years). The share has also grown sharply in services, to three out of four businesses. Within the services sector, the main activities concerned are automotive repair, transportation, accommodation and food services.

Business leaders were also asked about their **recruitment difficulties**. These remain significant, affecting 53% of businesses across all sectors, but they nonetheless eased slightly in December for the third consecutive month.

Share of businesses reporting recruitment difficulties

(%, unadjusted data)



The impact of the energy situation on activity and margins

Since November, the survey has included three specific questions on the prices and availability of energy: the impact on business activity over the past month, the expected impact on business activity over the next three months, and the expected impact on business margins over the next three months (with, in each case, three possible answers: no impact, weak impact, strong impact). These questions will continue to be included in the survey for as long as these issues remain in the news.

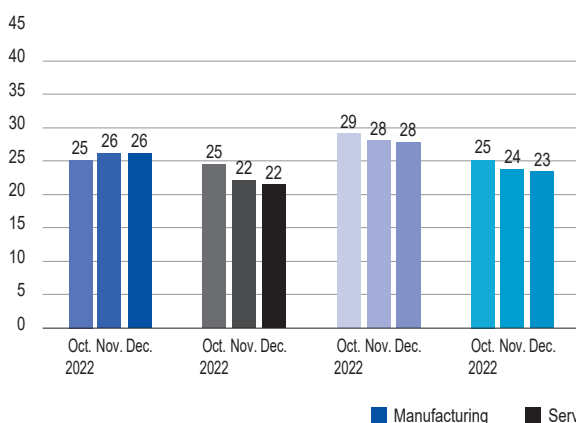
For each question, the proportions of answers were more or less unchanged this month – and even down slightly – compared with the two previous surveys.

Impact on activity

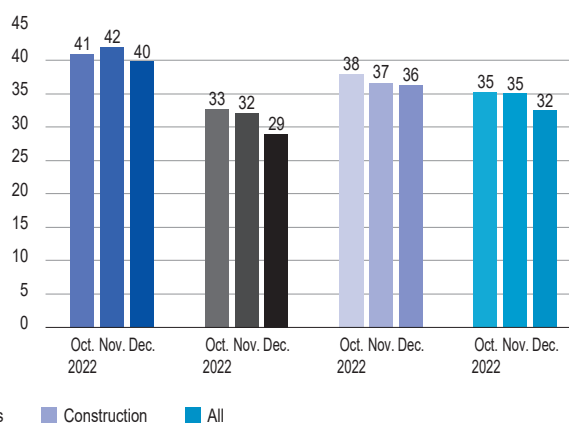
Share of businesses reporting a significant impact of the energy crisis on their activity

(% of surveyed businesses)

a) Past activity



b) Activity over the next three months



Note: In industry, 26% of businesses said the energy situation had had a significant impact on their activity in December. Over the next three months, 40% expect a significant impact on their activity.

8% of industrial firms said the energy crisis had had a strong impact on their activity in December. The proportion was lower in construction (4%) and in services (3%).

The proportion who thought the energy crisis had had a significant impact (weak or strong) was 23%, close to November's level of 24%. This sub-population of businesses also increased their prices to a greater extent in December, especially in industry (27% compared with an average of 18% in industry) and construction (47% compared with an average of 37%). The impact in services was estimated to be weaker.

Regarding the next three months, the proportions are higher, especially in industry: close to 16% of industrial businesses expect the energy crisis to have a strong impact on their activity, compared with 8% in construction and 6% in market services. Overall, the share of businesses who said they thought the crisis would have a significant impact (weak or strong) on their activity over the next three months was down slightly at 32%.

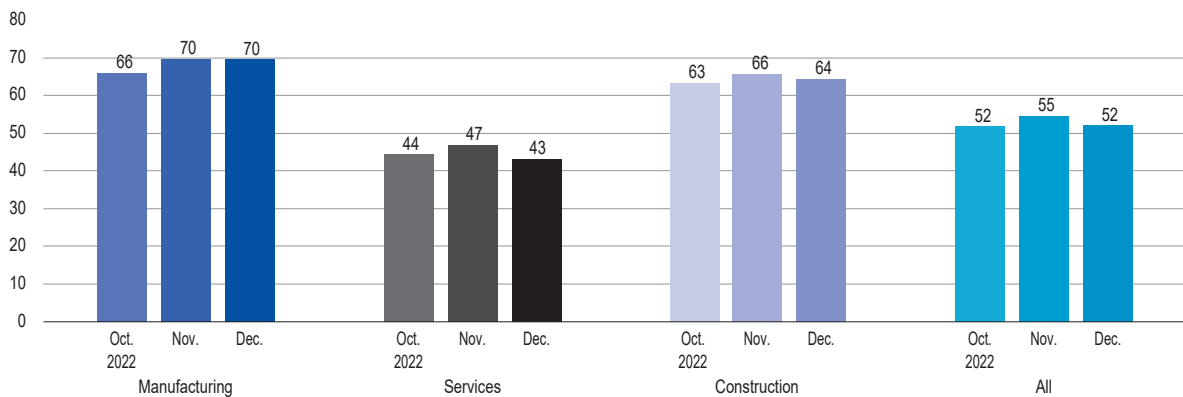
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Impact on margins

In industry, 29% of businesses said they thought the energy crisis would have a strong impact on their margins over the next three months, as in November. More broadly, the share of businesses who said it would have a significant impact (weak or strong) on margins over the next three months was down slightly (52% compared with 55% in November), notably due to services.

Share of businesses in industry expecting the energy crisis to have a significant impact on margins over the next 3 months

(% of surveyed businesses)



Over the next three months, a higher share of businesses expect the energy situation to affect their margins rather than their activity. This is particularly visible in industry and construction.

4. Estimates primarily derived from the survey and supplemented by other indicators suggest that GDP rose in December compared with November and should remain stable in January

For the month of December, using granular survey data and other available data, we estimate that GDP increased compared with November.

Based on the survey data, value added is estimated to have risen slightly in the food and manufacturing industries. The energy component should show no growth in value added for December, as the positive effect of the resumption of activity at refineries is expected to have been offset by declines in other components of the sector (not covered by the survey and notably including nuclear power plants). Value added is projected to have expanded in those services covered by the survey, especially in accommodation, food services and other market services. Value added in construction is forecast to have risen in December.

The high frequency data that we monitor in parallel for those services sectors excluded from or only partially covered by the survey suggest that value added stagnated in wholesale and retail trade, and rose slightly in transportation.

Monthly change in GDP in France

(%)

Activity sector	VA share	October	November	December
Agriculture and industry	15	-2.5	2.1	0.2
Agriculture and agri-food	4	-0.2	0.2	0.1
Energy, water, waste, coking and refining	3	-8.8	3.6	0.0
Manufacturing industry excluding food, coking and refining	9	-1.9	2.6	0.3
Construction	6	1.1	-1.2	0.3
Market services	57	-0.5	0.4	0.3
Wholesale and retail trade, transportation, accommodation and food services	18	-0.5	0.6	0.5
Financial and real-estate services	17	0.0	0.0	0.0
Other market services	22	-0.9	0.6	0.5
Non-market services	22	-0.1	-0.1	-0.1
Total GDP	100	-0.6	0.4	0.2

For the last quarter of 2022, GDP growth is expected to increase by around 0.1% compared with the previous quarter, which is unchanged versus our previous estimate published last month. Despite the favourable developments in November and December, quarterly GDP growth is expected to have been modest over the quarter due to the drop in GDP recorded in October. Owing to the refinery strikes and maintenance work at certain nuclear reactors, activity fell sharply in industry in October, as well as in market services, some components of which (retail trade, food services) – especially in rural areas – were also hit by fuel shortages.

At this stage, the expectations of surveyed businesses suggest GDP will remain stable in January compared with December, although with contrasting outlooks depending on the sector (relative stability in construction and slight rise in industry and services).