

MONTHLY BUSINESS SURVEY

According to the business leaders surveyed (approximately 8,500 companies and establishments questioned between 27 March and 4 April), activity rose in March in market services, particularly those to households and remained stable in industry and construction. Based on forecasts for April, activity is expected to expand in services, and to a lesser extent in industry, and to contract in the structural works sector of the construction industry. Order books are still considered weak in virtually all sectors of industry, with the notable exception of the aeronautical sector; in the structural works sector of construction, they remain well below pre-Covid levels.

Selling prices continued to moderate. According to business leaders in industry, raw material posted further declines. In industry and construction, the share of companies reporting an increase in their selling price rises this month (8% and

5% respectively) was slightly below their pre-Covid March levels, while the share of companies reporting a reduction in their selling prices (6% and 11% respectively) was higher than in the pre-Covid months. In market services, the share of companies reporting a rise in prices (13%) has not yet completely normalised.

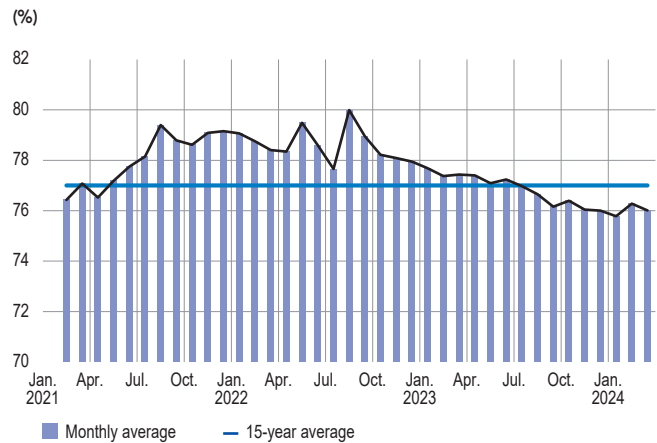
Recruitment difficulties are easing somewhat, but remain significant: (39% of companies reported such difficulties in March (after 41% in February).

Based on the survey results as well as other indicators, we estimate that GDP growth should be around 0.2% in the first quarter of 2024, after 0.1% in the fourth quarter of 2023. This rise in GDP is expected to be driven by services, with value added in industry and construction expected to fall this quarter.

1. In March, activity rose in market services, and changed little in industry – despite some differences across sectors – and in construction

In March, activity in **industry was broadly stable, in line with last month's expectations**. However, this stability masks divergences between sectors. Activity in the agri-food sector picked up. There was little change in capital goods: computer, electronic and optical products were up, while machinery and equipment was down. Activity in the transport equipment sector rose slightly, with the sharp decline in the automotive sector offset by growth in the aeronautical sector. Other industrial sectors recorded declines, particularly the rubber and plastic products sector and, to a lesser extent, the metal and metal products and wearing apparel, textiles and footwear sectors.

CAPACITY UTILISATION RATE

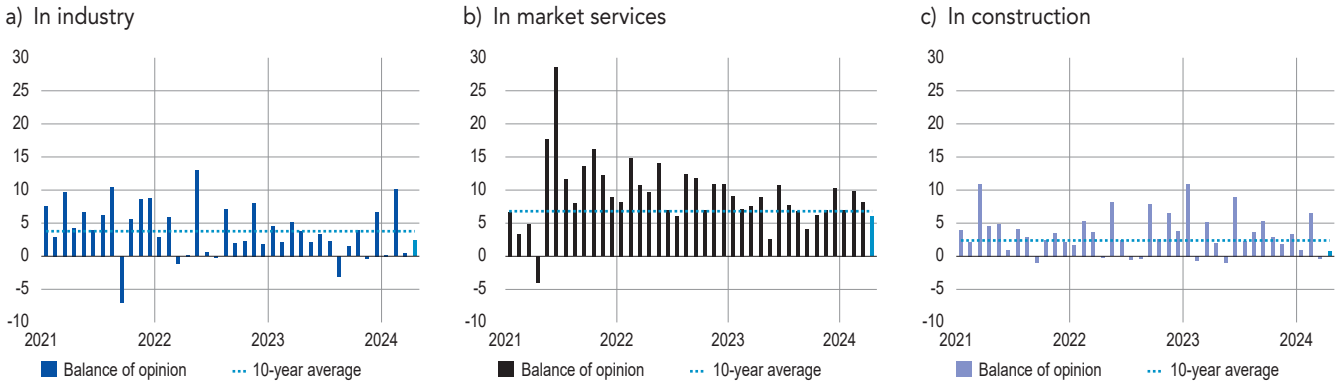


For further information, see the [methodologies](#), the [calendar of statistical publications](#), the [contacts](#) and all the series published by the Banque de France are available at [WEBSTAT Banque de France](#)

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BALANCE OF OPINION ON THE OUTLOOK FOR ACTIVITY

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



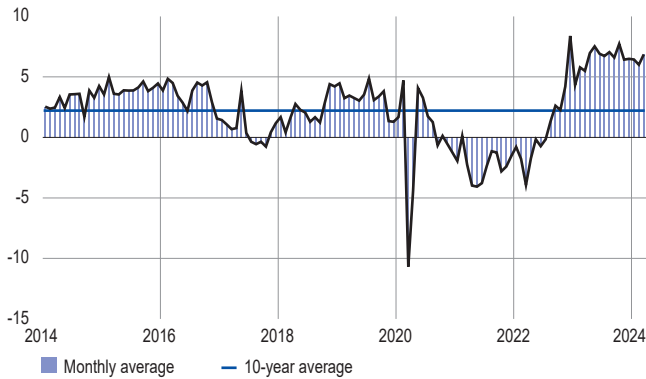
Note: The balance of opinion on the change in activity (which measures the difference between the share of companies reporting an increase in activity and the share reporting a fall over the past month) stood at 0 percentage point in March in industry. April (light blue bar), business leaders in industry are expecting an increase in activity by 2 percentage points.

The capacity utilisation rate (CUR) for industry as a whole fell slightly, to 76.0% (after 76.3%), close to its 15-year average (77%). This indicator declined in particular in transport equipment and other industrial sectors (by 1 percentage point).

Inventories of finished goods rose slightly in March. They grew notably in the aeronautical, rubber and plastic products, and other industrial products sectors. They were still considered to be high, and above their long-term average in most sectors, particularly electrical equipment and pharmaceuticals.

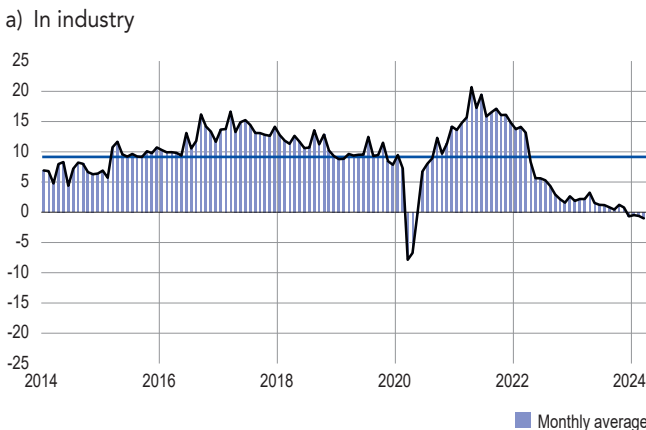
INVENTORIES OF FINISHED GOODS IN INDUSTRY

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



CASH POSITION

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

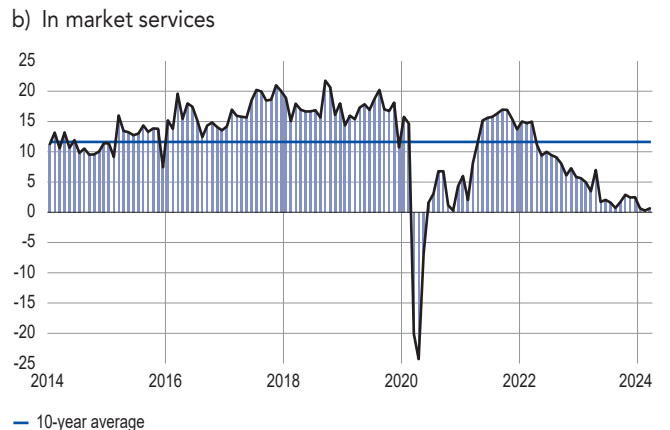


In **market services**, activity continued to expand at a faster pace than that expected last month by business leaders. All personal services (accommodation, food services, rental and leisure activities) were up, while business services showed a more mixed picture, with growth in transport and engineering activities and a decline in management consulting, programming and consultancy. Finally, activity in the temporary work sector grew.

In **construction**, activity changed little in March in both the structural and finishing works sectors.

The balance of opinion on the **cash position** was stable in **industry**. It was deemed satisfactory in the aeronautical and pharmaceutical sectors, but particularly weak in wood-paper-printing and in rubber and plastic products, the metal and metal products and wearing apparel, textiles and footwear sectors.

In **market services**, the cash position changed little, close to the level considered normal by business leaders, but significantly lower than its pre-Covid levels. It fell in particular in advertising, programming and accommodation, but rose in legal and accounting activities, car repairs and transport.



2. In April, business leaders expect activity to increase in market services and more slightly in industry, while it is expected to fall in the structural works sector of the construction industry

Business leaders in **industry** expect activity to firm slightly in April, with some differences across sectors. The agri-food, transport equipment (automotive and aeronautical) and capital goods (particularly computer and electronic products) sectors are expected to grow. Little change is expected in the other sectors (growth in chemicals and pharmaceuticals, decline in wearing apparel, textiles, footwear and rubber and plastic products).

In **services**, activity is expected to continue to improve, but this month mainly in business services (publishing, engineering activities, transport) and food services.

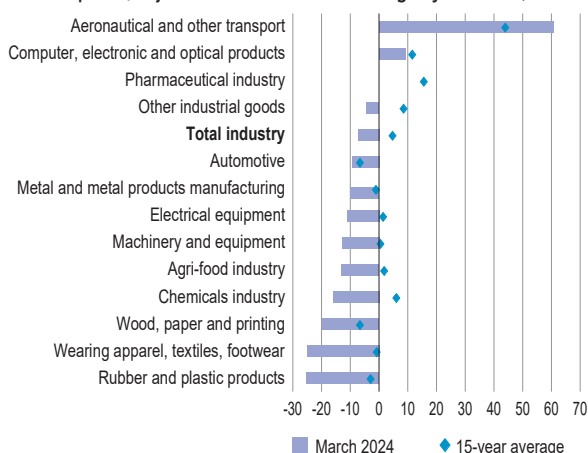
Lastly, **construction** activity is expected show little change in the finishing works sector and to contract more sharply in structural works.

The balance of opinion on **order books** in industry worsened slightly in March in most sectors, particularly those of wearing apparel, textiles, footwear and other industrial products. It was deemed below its long-term average in all sectors apart from in the aeronautical sector. In particular, compared with the highs recorded in January 2022 (just before the invasion of Ukraine), the aeronautical sector alone is considered to have stronger order books.

In the construction industry, the balance of opinion on order books improved slightly in the finishing works, but remained very weak in the structural works sector.

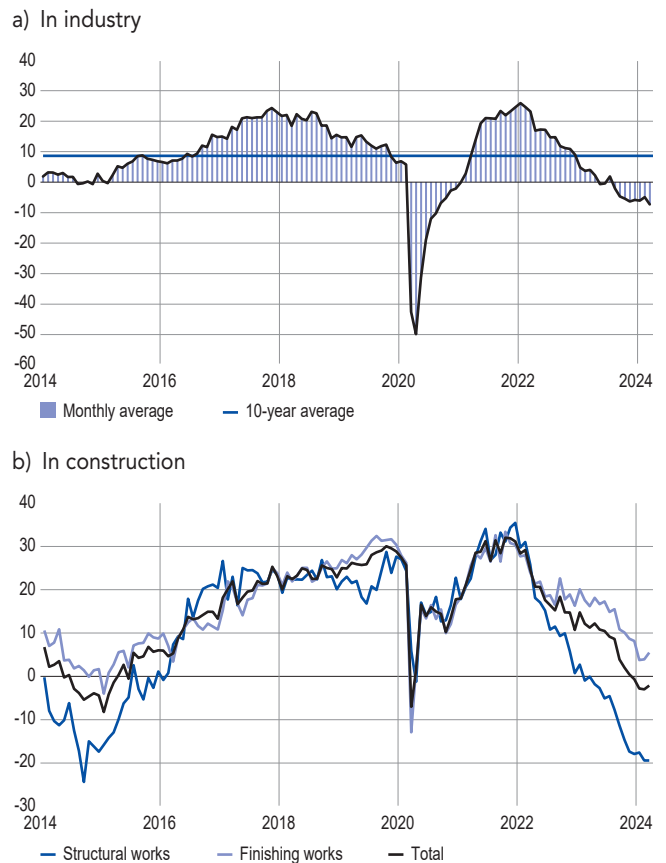
LEVEL OF ORDER BOOKS IN INDUSTRY, BY SECTOR

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



LEVEL OF ORDER BOOKS

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



Our monthly **uncertainty** indicator, which is constructed from a textual analysis of comments by the respondent companies, showed little change on February.

3. Selling prices continued to moderate

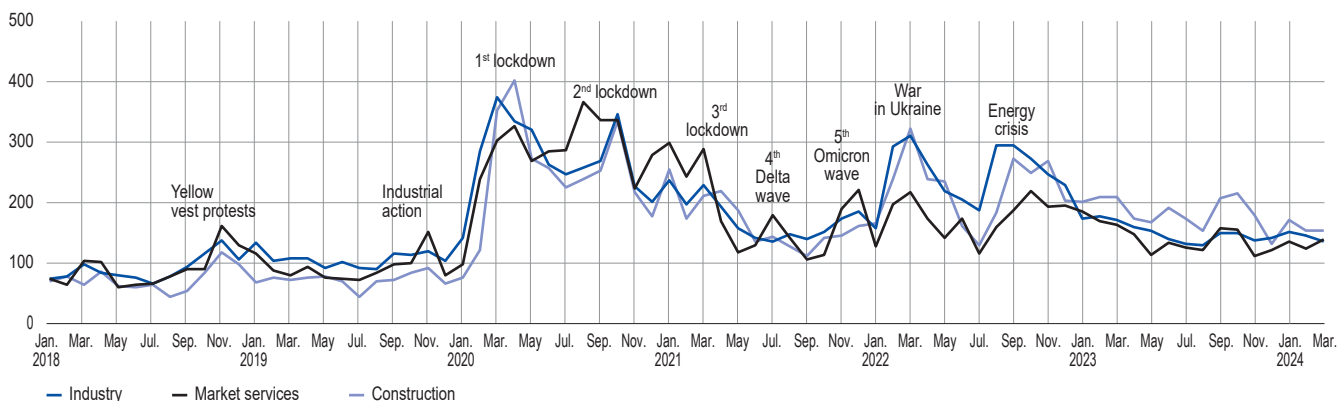
In March, **supply difficulties** remained contained in industry (12% of companies reported them, like in February); however, the automotive industry reported a resurgence in difficulties for certain components (e.g. microprocessors), related to the problems of maritime transport in the Red Sea, even though they were well below the 2022 highs: 38% in March, after 34% the previous month, compared with 89% in March 2022. Supply difficulties rose slightly in the construction sector (8%, after 6% in February).

In industry, business leaders continued to report a fall in raw materials prices, and the balance of opinion on finished goods prices¹ was negative in March for the first time since mid-2020. The balance of opinion was also negative in construction, while it was still slightly above its pre-Covid levels in services.

¹ The balance of opinion is the difference between the shares of increases and decreases, weighted by the degree of change (three possible values in the monthly business survey: low, normal, high). A business leader reporting a sharp rise in prices, all other things being equal, will make a greater contribution to the balance of opinion than a business leader reporting a small rise.

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.

More specifically, 8% of businesses leaders in industry reported that they had increased their selling prices this month, a slightly lower share than in March of the pre-Covid period, and well below the figure for the same month in 2022-23. Furthermore, 6% of business leaders reported that they had lowered their selling prices in March. Decreases in finished goods prices were most common in chemicals (13%), wood-paper-printing (11%); metal and metal product manufacturing (11%) in all these sectors, the share of businesses that lowered their prices was higher than those that raised them. In the agri-food sector, 17% of business leaders reported that they had raised their selling prices in March, and 10% said that they had lowered their prices.

In construction, the share of companies reporting an increase in the price of quotes was 5%, again slightly lower than in March of the pre-Covid period. Moreover, 11% of business leaders say they cut their prices this month, the highest percentage for more than five years.

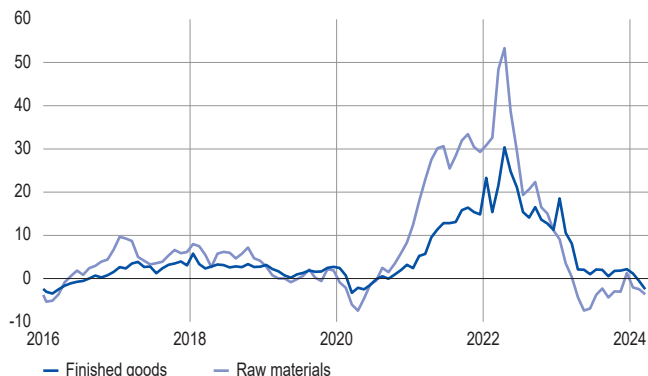
In services, price dynamics have not yet completely normalised. The share of companies reporting an increase in prices stood at 13% – compared to around 9% in March pre-Covid – while the share of companies reporting a fall remained low at 3%. The rise in prices in services was mainly seen in household services (accommodation, food services, leisure activities) and transport.

Business leaders' expectations for March reveal that 7% of them plan to increase their prices in industry, 9% in market services and 4% in construction.

Business leaders were also questioned about their **recruitment difficulties**, which declined in March: 39% of companies surveyed reported such difficulties, after 41% the previous month. This drop was observed in all three main sectors.

CHANGES IN THE PRICES OF FINISHED GOODS AND RAW MATERIALS

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



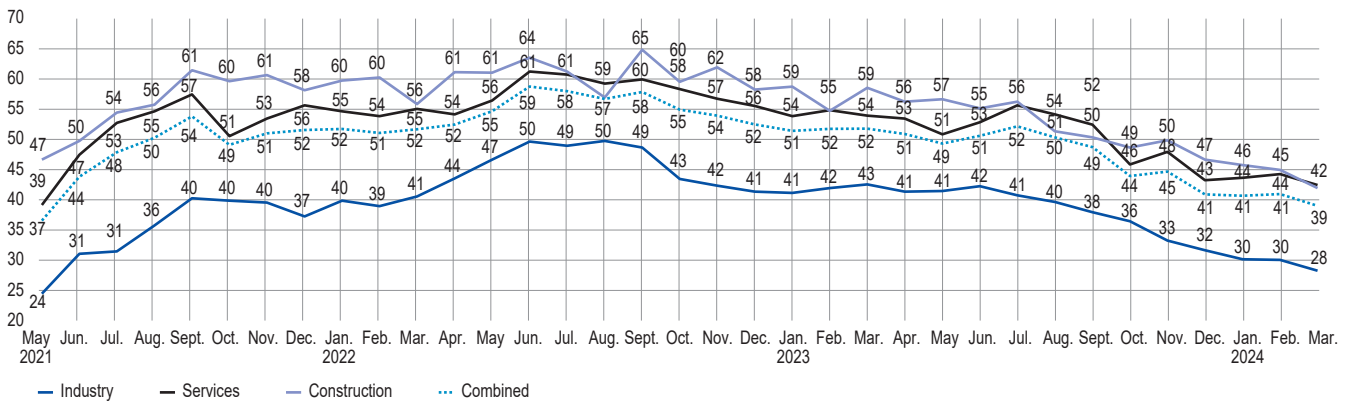
CHANGES IN PRICES OF FINISHED GOODS, BY MAIN SECTOR

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



SHARE OF BUSINESSES REPORTING RECRUITMENT DIFFICULTIES

(%, unadjusted data)



4. According to our estimates, GDP should rise by 0.2% in the first quarter, driven by market services

Based on the results of the Banque de France monthly business survey (MBS), as well as other available data (INSEE production indices and surveys and high-frequency data), we estimate that real GDP will rise in the first quarter of 2024 by around 0.2%.

GDP is expected to be driven this quarter by market services, thanks in particular to household services, information and

communication, transport services and business services, while trade activity is expected to be stable. We estimate that value added in manufacturing will fall over the quarter, mainly due to the manufacturing production index, whose 0.9% rise in February was not enough to offset the 1.6% fall in January, while the Banque de France survey suggests that activity was stable in March. Activity in the energy sector is also expected to decline this quarter.

Lastly, activity in the construction sector is likely to continue to decline, as suggested by the deterioration in order books in this sector.

QUARTERLY CHANGES IN GDP AND VALUE ADDED IN FRANCE

(%)

Activity sector	VA share	Q4 2023 (QoQ)	Q1 2024 (QoQ)
Agriculture	2	0.3	0.3
Manufacturing industry	11	0.2	-0.1
Energy, water, waste	2	-0.6	-0.1
Construction	5	-0.8	-0.3
Market services	59	0.1	0.4
Non-market services	22	0.3	0.1
Total VA	100	0.1	0.2
GDP		0.1	0.2

Note: QoQ = quarterly change

Sources: INSEE data for the fourth quarter of 2023, Banque de France forecast for the first quarter of 2024.