

MONTHLY BUSINESS SURVEY

According to the business leaders surveyed (approximately 8,500 companies and establishments questioned between 26 June and 3 July – half prior to the first round of the French legislative elections and half before the second), activity rose slightly in June in market services and more markedly in industry and construction, helping businesses to catch up after a sluggish May. Weather conditions may have hampered activity somewhat in some sectors. According to business expectations for July, activity should pick up in industry, but remain sluggish in services and contract in construction. Importantly, our uncertainty indicator based on comments by surveyed companies jumped to its highest levels since the 2022 energy crisis. Order books were still deemed insufficient in almost all industrial sectors with the notable exception of aeronautics. In construction, order books continued to thin out in the finishing works sector, but were still considered significantly less impaired than in the structural works sector.

According to business leaders in industry, there was a slight upturn in raw material prices after an almost uninterrupted decline over the past year. Selling prices continued to moderate. In June, the proportion of businesses increasing

their prices in industry and construction (5% and 2%, respectively), was a little below pre-Covid June levels. At the same time, the proportion of businesses reporting a drop in their prices (5% and 7%, respectively, in industry and construction) exceeded pre-Covid levels. In market services, the proportion of businesses reporting a rise in their prices (10%) had almost normalised.

Supply difficulties increased slightly in industry (cited by 13% of business leaders) and were most severely felt in the automotive and aeronautics sectors (with one-third of businesses affected), linked to shipping problems in the Red Sea and problems associated with certain components (microprocessors). Recruitment difficulties continued to gradually trend downwards, but remained high, with 35% of businesses (all sectors combined) mentioning them in June compared with 36% in May.

Based on the survey results as well as other indicators, we estimate that GDP should rise slightly by 0.1% during the second quarter of 2024 after a 0.2% increase in the first quarter.

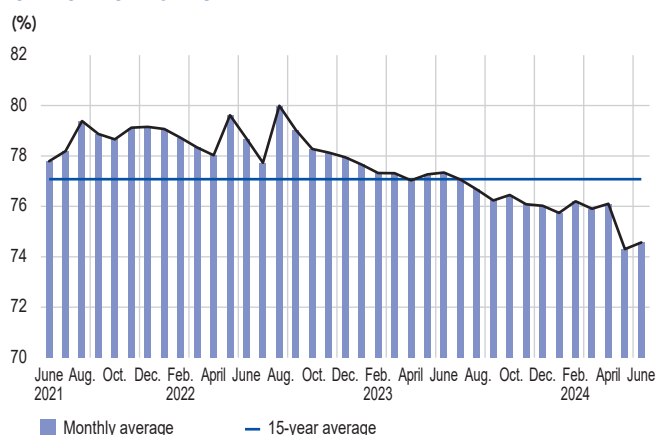
1. In June, activity bounced back in industry and construction after a downturn in May, but continued to slow in services

In June, activity improved in **industry** at the pace expected by business leaders in May. They cited (i) a catch-up effect following the month of May, which was marked by holidays and closures associated with the number and timing of public holidays, and (ii) inventory replenishment in preparation for the summer holidays. The increase in activity in June was mainly seen in agri-food and other industrial sectors. More specifically, strong growth was posted in aeronautics, pharmaceuticals, chemicals, and computer, electronic and optical products. However, activity in metal and metal products manufacturing, and to a lesser extent wearing apparel, textiles and footwear, was once again in decline.

The capacity utilisation rate (CUR) for industry as a whole rose slightly to 74.6%, but failed to offset the sharp fall recorded

in May. CUR increased in the aeronautics and automotive sectors, in particular (up 2 percentage points).

CAPACITY UTILISATION RATE

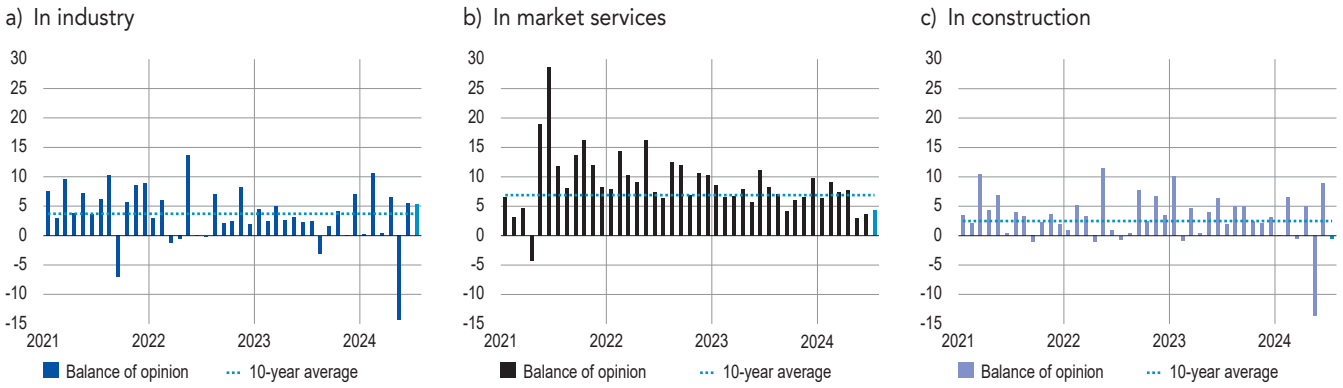


For further information, see the [methodologies](#), the [calendar of statistical publications](#), the [contacts](#) and all the series published by the Banque de France are available at [WEBSTAT Banque de France](#)

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BALANCE OF OPINION ON THE OUTLOOK FOR ACTIVITY

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



Note: The balance of opinion on the change in activity (which measures the difference between the proportion of businesses reporting an increase in activity and the proportion reporting a fall over the past month) stood at 6 percentage points for June in industry. For July (light blue bar), business leaders in industry expect activity to increase by 5 percentage points.

After falling back in May, **inventories** of finished goods returned to their April levels in June, rising sharply in chemicals, and at a more modest pace in the automotive, computer, electronic, and optical product, and aeronautics sectors. Levels continued to be deemed high and above their long-term average in most sectors, including the aeronautics, chemicals and agri-food industries.

In **market services**, activity continued to grow at a slower pace for the second consecutive month, and at a more subdued pace than business leaders had expected in May. Activity was up in most business services (publishing, management consultancy, engineering, advertising and market research, and cleaning

services). Activity fell back however in information services and programming, and consulting. A decline was also reported in leisure activities, personal services and accommodation after a strong May. Weather conditions in June were cited as one of the factors that may have had an adverse effect.

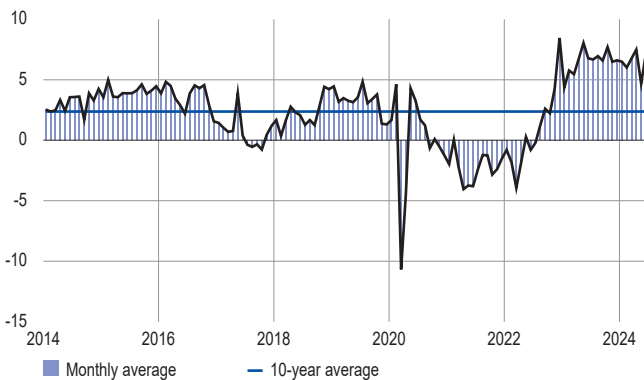
In **construction**, activity bounced back in June (and more than had been expected the previous month) in both structural and finishing works, after a particularly lean May.

The balance of opinion on **cash positions** deteriorated slightly in **industry**, particularly in electrical equipment and wearing apparel, textiles and footwear. Business leaders felt that cash positions were satisfactory in the aeronautics, pharmaceuticals and chemicals sectors but that they were particularly low in wearing apparel, textiles and footwear, rubber and plastic products, metal and metal products manufacturing and the automotive industry.

The balance of opinion on cash positions in **market services** remained positive despite a significant deterioration. There was a sharp decline in cash positions in leisure activities and personal services, and in accommodation and food services, while the cash positions in household services (automotive repair, accommodation, food services) were felt to be particularly weak. They were deemed to be satisfactory in publishing, engineering, temporary employment, management consultancy and legal and accounting activities.

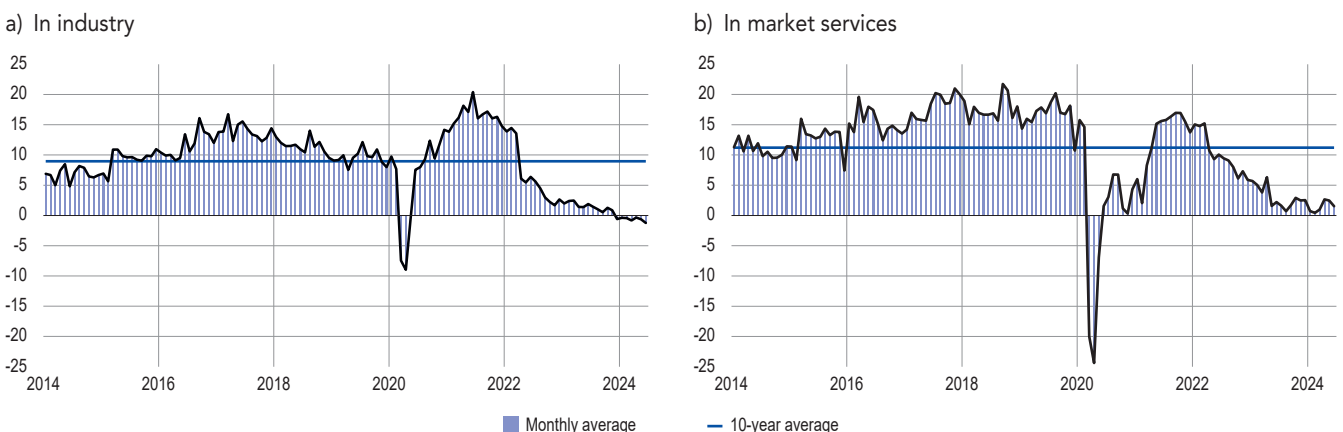
INVENTORIES OF FINISHED GOODS IN INDUSTRY

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



CASH POSITION

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



2. In July, against a backdrop that is widely felt to be more uncertain, business leaders expect activity to continue to grow in industry, remain sluggish in market services and contract in construction

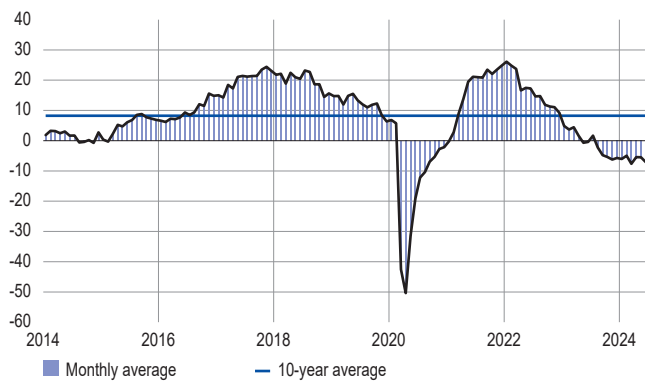
Business leaders in **industry** expect activity to continue to grow in July, but with significant variability across sub-sectors. The upward trend seen in June in aeronautics, agri-food, computer, electronic, and optical products, and pharmaceuticals is expected to continue in July, but should slow in the chemicals industry following the catch-up process to compensate for the month of May. Conversely, activity is expected to be very subdued in machinery and equipment manufacturing, metal and metal products manufacturing and other industrial goods, and should record a downturn for the third consecutive month in wearing apparel, textiles and footwear, due notably to aggressive price competition from abroad (Asia).

In **services**, activity is expected to remain sluggish but with trajectories varying across sectors. Certain business services (publishing, advertising and market research, legal and accounting activities, and cleaning services) are expected to expand, along with accommodation, food services and motor vehicle rental activities, thanks largely to the Paris Olympic Games. However, business leaders feel that activity in temporary employment, leisure activities and personal services, as well as transport and storage, is set to decline.

LEVEL OF ORDER BOOKS

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

a) In industry



Lastly, in **construction**, activity is expected to further contract in the structural works sector, after a catch-up effect in June following a very lean May. Continued growth is anticipated in the finishing works sector.

Industry **order books** were still deemed weak in June in most sectors, particularly the automotive, agri-food, chemicals and rubber and plastic products sectors. Order books were deemed to be well below their long-term average in all sectors except aeronautics.

In construction, the balance of opinion on order books declined for the fourth consecutive month in finishing works, despite remaining positive, and deteriorated once again in the structural works sector to particularly low levels.

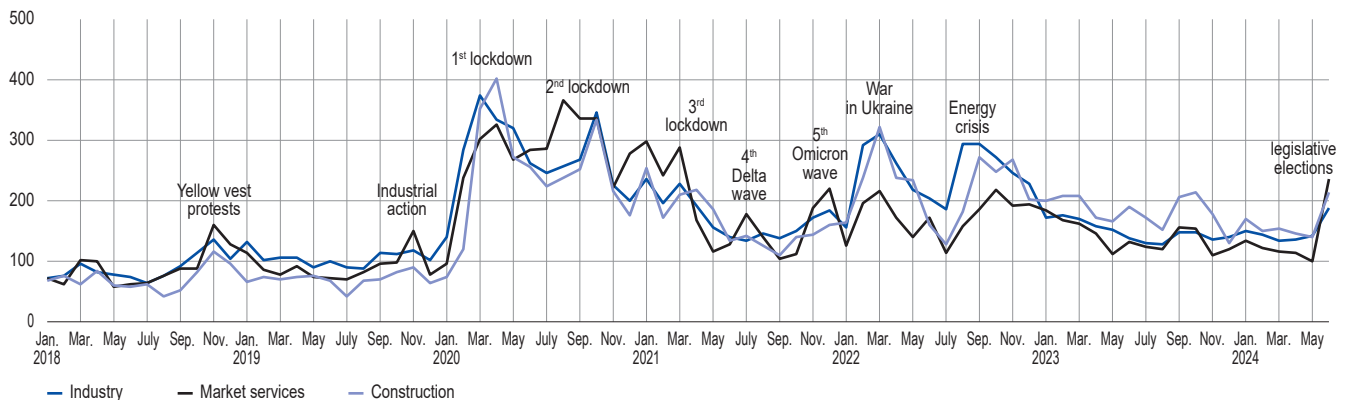
Our monthly **uncertainty** indicator, which is constructed from a textual analysis of comments by surveyed companies, leapt sharply with business leaders mainly citing the electoral situation. It rose across all sectors and particularly in services (mainly temporary employment, accommodation and food services, transport and advertising) where it was initially at its lowest. Business leaders voiced their concerns with regard to the political situation in France, pointing to a wait-and-see attitude from customers, delayed investments, including from abroad, and a freeze on recruitment due to a lack of visibility on possible changes in labour costs. Our uncertainty indicator jumped to its highest levels since the energy crisis of 2022 and even since 2021 in the case of services.

b) In construction



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.

3. Selling prices continued to moderate

In June, **supply difficulties** remained relatively modest but increased very slightly in industry, with 12% of businesses citing problems (up 1 percentage point on May). However, in the transport equipment sectors (the automotive and aeronautics industries), a third of business leaders reported difficulties with regard to certain components such as microprocessors, linked to shipping problems in the Red Sea. Nonetheless, these difficulties were far less severe than the record levels reported in 2022: 33% and 35%, respectively, in June, compared with 87% and 77% in April 2022. Supply difficulties were rarely encountered in construction (3%, unchanged from May).

In industry, business leaders expect raw materials prices, deemed stable in May after falling almost continuously since the spring of 2023, to rise again. At the same time, the balance of opinion on finished goods prices¹ in June remained negative for the fifth consecutive month. In construction, the decline in quote prices that began in March continues to gather pace. In services, the balance of opinion fell slightly compared with May, and is now close to its pre-Covid levels for the first time.

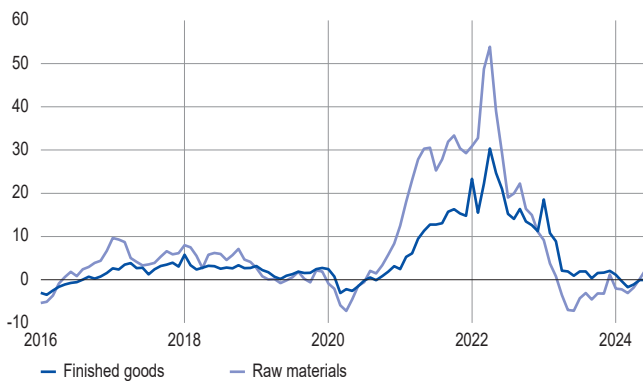
At a more detailed level, 5% of business leaders in industry reported that they had raised their selling prices in June. This proportion is less than pre-Covid June levels and well below the levels reported in June 2021, 2022 and 2023. Conversely, 5% of business leaders in industry reported lowering their selling prices in June. Cuts in finished goods prices were particularly reported in agri-foods (10%), and chemicals and metal and metal products manufacturing (9%).

In construction, only 2% of business leaders reported increasing their quote prices, which is significantly less than the level observed in June during the pre-Covid period. Moreover, 7% of business leaders said that they had reduced their prices in June, compared with 11% in March.

In services, price dynamics are tending towards normalisation. The proportion of businesses reporting price rises was 10% (compared with around 9% for pre-Covid June figures), while the proportion reporting a cut in their prices was 6%. Service price increases were most frequently reported in motor vehicle rental and cleaning services.

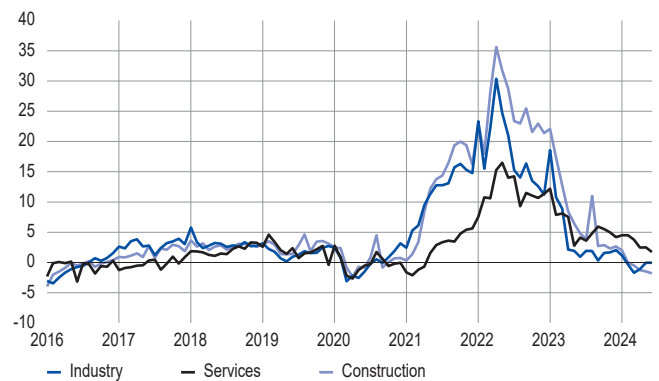
CHANGE IN PRICES OF FINISHED GOODS AND RAW MATERIALS IN INDUSTRY

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



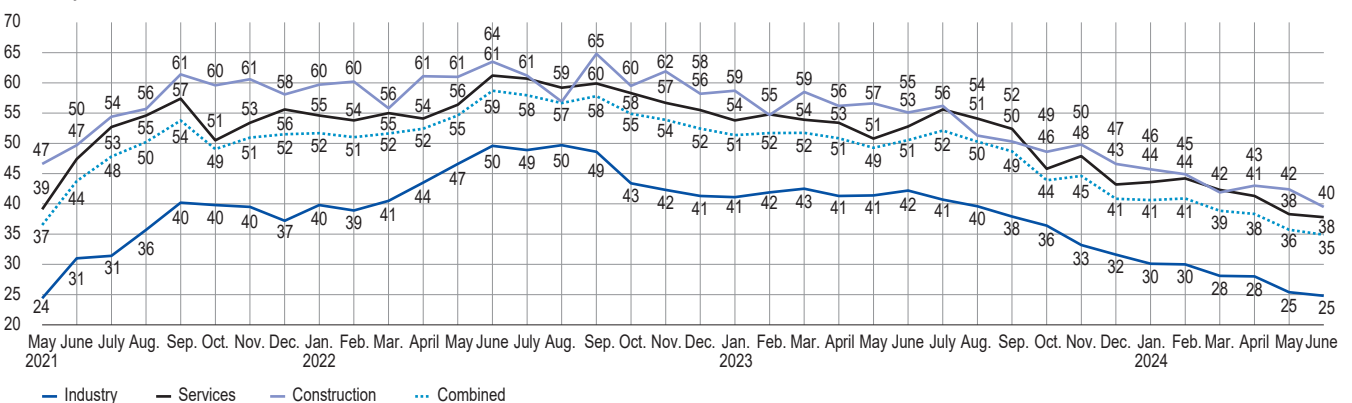
CHANGE IN PRICES OF FINISHED GOODS BY MAJOR SECTOR

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



SHARE OF BUSINESSES REPORTING RECRUITMENT DIFFICULTIES

(%, unadjusted data)



1 The balance of opinion is the difference between the proportion of business leaders reporting increases or decreases, weighted by the intensity of the variation (with three possible grades in the monthly business survey: low, normal and high). A business leader indicating a "high" increase in prices will, all other things being equal, influence the balance of opinion more than a business leader indicating a "low" increase

For July, 6% of business leaders expect to raise their prices in industry, and 9% and 2% of business leaders expect to do so in market services and construction, respectively.

Business leaders were also asked about their **recruitment difficulties**, which continued to ease in June: 35% of the businesses surveyed reported difficulties, down from 36% in May, which is close to the lowest level recorded since the question was first asked in May 2021. The proportion remains highest in construction, despite declining from 42% to 40%.

4. Our estimates suggest a slight increase in activity (up 0.1%) in the second quarter

Based on the results of the Banque de France monthly business survey (MBS), as well as other available data (INSEE service and industry production indexes and surveys and high-frequency data), we estimate that real GDP should rise slightly by 0.1% during the second quarter of 2024 after a 0.2% increase in the first quarter. This relatively moderate growth in activity may be explained by the unfavourable calendar effect in May and a modest rebound in activity in June.

Value added in manufacturing industries is expected to decline. The sharp contraction in manufacturing activity indicated in the monthly business survey for May was confirmed by the drop in INSEE's industrial production index. The effect of the number and timing of public holidays in May in 2024 most likely had a particularly adverse effect and the rebound in the monthly business survey balances of opinion observed in June is not expected to fully compensate. Activity in the construction sector is expected to decline again this quarter, as a result of a drop in the construction production index in April and then May.

These observed contractions are likely to be more than offset by the rise in value added in market services, with a very buoyant services production index in April, followed by two months of slower growth according to balances of opinion. The transport, information and communication, and trade sub-sectors are expected to be the main drivers of growth in market services during the quarter, while accommodation and food services are set to be adversely affected by the unfavourable weather conditions in the spring. The energy sector is also expected to be robust, with both supply (production index) and demand (electricity consumption) trending sharply upwards.

QUARTERLY CHANGES IN GDP AND VALUE ADDED IN FRANCE

(%)

Activity sector	VA share	Q1 2024 (vt)	Q2 2024 (QoQ)
Agriculture	2	-0.6	-0.4
Manufacturing industry	10	-0.6	-0.6
Energy, water, waste	2	3.5	1.3
Construction	5	-2.3	-0.5
Market services	59	0.2	0.3
Non-market services	22	0.4	0.0
Total VA	100	0.2	0.1
GDP		0.2	0.1

Note: QoQ = quarterly change.

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