

# News Release

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## S&P Global France Business Outlook

### French businesses the least optimistic in Europe

#### Key findings

France sits at the bottom of the European business confidence rankings in June

Muted capex and hiring intentions amid political uncertainty

Inflation expectations cool further

The S&P Global France Business Outlook survey revealed a subdued level of confidence across France's private sector in June. In fact, of all the European countries with composite Business Outlook data available, France ranked the lowest for output growth expectations.

A net balance of +13% of surveyed French businesses expect to see activity levels increase over the coming 12 months, June data indicated. This was little-changed from the previous survey in February (net balance of +14%), but subdued when compared against the series historical average (+25% since October 2009).

According to anecdotal reports, political uncertainty – both domestically and abroad – was cited as a reason that dampened sentiment.

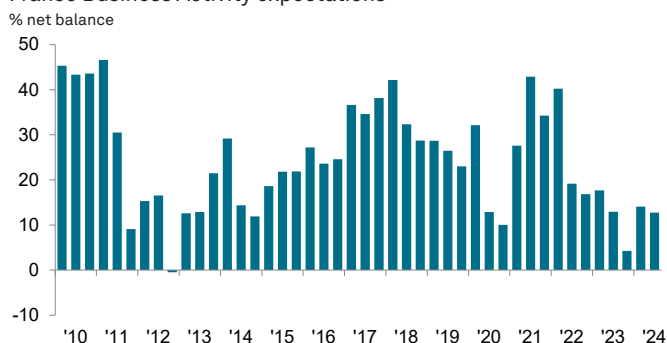
That said, where companies predicted higher activity levels, respondents were buoyed by the prospect of further interest rate cuts, as well as lower costs for raw materials and energy. Some companies expressed optimism towards the election\* outcome, with hopes it could generate stability.

Split by sector, Business Outlook data signalled a divergence in trends as a weaker level of optimism across the service sector (net balance fell to +15%) contrasted with a move from negative to positive sentiment in manufacturing (net balance at +3%). However, growth expectations were stronger at the former.

#### Firms show restraint towards recruitment and investment plans

June Business Outlook data once again showed subdued recruitment intentions across France's

France Business Activity expectations



Source: S&P Global PMI.  
Data were collected 12-25 June 2024.

#### Comment

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

*"The mood amongst businesses in France remained sombre, with sentiment failing to improve after showing some recovery in the previous Business Outlook survey in February. Political uncertainty was a common theme throughout the anecdotes in June, with the data collected prior to the first round of French elections, although it wasn't just the local political situation which affected growth expectations as companies also cited uncertainty abroad as a threat to the outlook. Nevertheless, there were some companies looking forward to some clarity, regardless of the outcome of elections, with hopes that this environment would be more conducive of activity growth."*

*"That said, it was clear from other areas of the Business Outlook survey that French companies were struggling to get into expansion mode as investment and hiring intentions were both muted. In addition, when compared with Europe as a whole, France ranked at the bottom for activity growth forecasts in the coming 12 months."*

*"One positive takeaway would be the cooling of input cost inflation expectations, with firms anticipating lower prices for raw materials and energy."*

private sector, with the net balance of companies predicting employment growth unchanged at +6%, matching that seen in the two prior survey periods. Subsequently, this meant hiring plans were their joint-weakest since October 2020. Sector data revealed that it was only in the service sector where jobs were expected to be created, as manufacturers predicted a contraction in workforce numbers.

As for capital expenditure plans, the net balance of companies anticipating higher spending was only fractionally positive at +1%. This was weaker than both the Europe and global averages (+5% and +10%, respectively).

Meanwhile, research & development is an area French companies are expecting to scale back over the coming 12 months, as more companies predicted cuts to spending here than growth (net balance at -2%). This marked a deterioration in R&D plans, as firms were fractionally optimistic in February.

### Output price inflation expectations at their weakest since February 2021

Inflation expectations cooled across France's private sector in June. Regarding operating expenses, surveyed companies foresee softer increases in both staff and non-staff costs when compared with February. The net balance of firms predicting greater wage bills fell to +32%, its lowest in three years. Predictions of cost increases from other sources also cooled, with the respective net balance at its weakest since February 2021. Some panel members anticipate reductions in the cost of raw materials and energy, anecdotal reports showed.

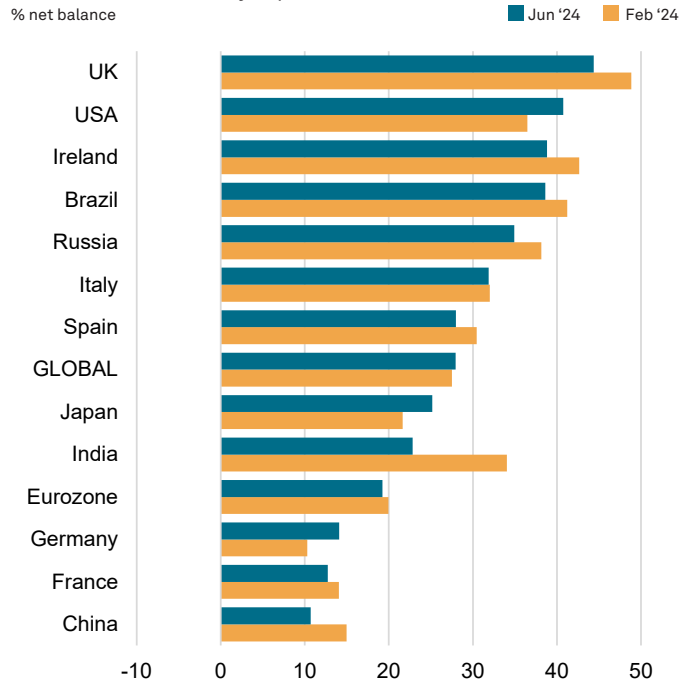
Expectations of easing cost pressures fed through to companies' strategies surrounding their own prices charged, as a net balance of just +10% noted plans to raise selling prices over the next 12 months. Not only was this the lowest for over three years, but it was also back down in line with its pre-pandemic average (+11%).

### Firms continue to predict smaller profits

As has been the case since June 2022, French private sector companies anticipated profit erosion over the next 12 months in June. This trend was particularly prevalent across the manufacturing sector (net balance of -18%), but service providers were also pessimistic towards the corporate earnings outlook (net balance of -8%). The subsequent total net balance of -10% was slightly worse than in February.

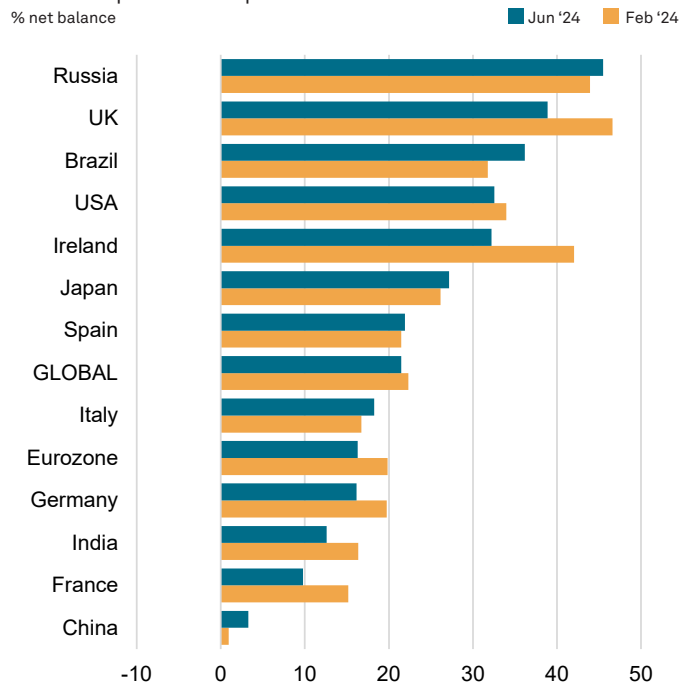
*\*Note the Business Outlook survey data were collected 12-25 June, prior to the French elections.*

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](mailto: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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