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EcoBrief

France: a business climate survey in line with continued disinflation

INSEE has published its business climate survey for January along with its quarterly industry survey. These two surveys reflect a lack of momentum, without marking any further deterioration. Regarding sales prices, the changes observed are encouraging, although recent events in the Red Sea could reverse the trend.

In France, the INSEE business climate summary indicator (at 98 in January 2024) proved stable compared to December. However, it remains below its long-term average for the fourth consecutive month. This is therefore an indicator of a rather weak economy, which is not, however, expected to deteriorate any further.

The quarterly survey of the economic outlook in industry has revealed that companies have reduced their sales prices for the first time since July 2020 (-0.4%). A trend that may only be transient since the balance of opinion (apparent from the monthly survey) on changes expected in sales prices in the next three months rebounded to +4 in January, a possible consequence of events in the Red Sea. It was in negative territory in the previous two months.

In the food retail, on the other hand, the balance of opinion on expected price change fell to -12 in January 2024. It stood at +50.2 in January 2023, clearly showing the marked improvement in the inflationary environment between the two periods. And lastly, in services, the balance of opinion on expected price change is relatively stable (+6 in January 2024 after reaching +5 in December 2023).

Overall, these figures are in line with the continued disinflation expected at the beginning of the year: inflation (INSEE's national measurement) should fell from 3.7% y/y in December 2023 to 2.2% y/y in March, according to our forecasts, primarily due to the drop in food prices.

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