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## EcoBrief

### France: Ne'er cast a clout till May be out...

**The publication of INSEE's business climate survey on Thursday 25 April confirms the prospect of an improvement in demand, which has remained depressed in recent months. Ahead of the publication of important data from 30 April, we anticipate that growth, having remained weak in Q1, should accelerate in Q2, benefiting from the disinflation observed. However, the improvement may not be sufficient to rule out the risk of business insolvencies remaining high.**

INSEE's business climate survey, published on Thursday 25 April, remains relatively weak and even fell below its long-term average (100) in April (at 99 compared to 100 in March). Consumption of goods has remained depressed, with no rebound in January-February, despite significant disinflation. As a result, households should have therefore maintained a high savings rate (17.5% according to our forecasts in Q1, after 17.9% in Q4) and GDP growth will have been affected by this (we expect it to be 0.1% q/q in Q1).

This prolonged slowdown of the economy also has an impact on business insolvencies, which, for the first time since 2015, reached or exceeded the 15,000 unit per quarter threshold in Q4 2023 and Q1 2024. The quarterly survey in the building sector also shows, for the fourth consecutive quarter, an increase in the proportion of companies suffering late payments (33.7% of them), an environment that suggests that insolvencies could remain high in Q2 2024.

However, the quarterly survey in the manufacturing sector reports an expected upturn in demand, particularly foreign demand (balance of opinion at +12, compared to -8 in January). In addition, the likely continuation of disinflation in April (forecast to be 2.1% y/y in April, after 2.3% in March and 3% in February), should also enable a rebound in consumption from Q2, with the stabilisation of food and manufactured goods prices in particular. These two more encouraging factors should allow the French economy to recover more significant growth in Q2 (we expect it to be 0.2% q/q).

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