

EcoBrief

France: pessimism is gaining ground

Continuing the downturn observed in April, INSEE's business climate indicator fell again in May to 100, the lowest since April 2021. The downturn is widespread and particularly noteworthy regarding the manufacturing sector, where the confidence index even fell to 99, below its long-term average (100) for the first time since March 2021. At the same time, inflationary pressures are continuing to ease.

The INSEE business climate indicator in France continued its downward trend in May to reach 100, compared with 102 in April (and 103 in March). In the manufacturing sector, this is the lowest level seen in the last 26 months, at 99. In services, the index stood at 101, its lowest point for 25 months, while in construction, the drop was 3 points, from 111 in April to 108 in May.

The deterioration of the business climate in the manufacturing sector is noteworthy in the 'expectations' component but comes with a paradox. Companies seem to be more concerned about a general downturn than about their own situation: the balance of opinion relating to the general production expectations fell to -10 in May, compared to -4 in April, while the balance of opinion relating to the personal production expectations was more resilient at +4 in May, compared to +5 in April.

This deterioration in expectations can be seen in parallel with the deterioration of the IFO survey summary index, published yesterday in Germany, which fell from 93.4 to 91.7 between April and May. This deterioration can mainly be explained by the 'expectations' component, which went from -7.7 to -14.2 overall, and from -2.3 to -13.6 in the manufacturing sector.

In France, the INSEE survey also suggests that inflationary pressures should continue to ease, with a balance of opinion on the expected selling prices at 3 in May in industry (compared to 13 in April and 47 in December 2022), and 40 in food trade (compared to 68 the previous month).

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