

EcoBrief

France: running out of steam

The INSEE business climate indicator saw a moderate downturn in April. This suggests that the upturn seen at the beginning of the year will not last: the impact of the interest rate shock may be more critical over time, increasing demand constraints for companies as a result. At the same time, in food retail, the still significant but declining proportion of retailers planning to increase their prices indicates that disinflation remains relative and is also affecting demand.

The INSEE business climate indicator saw a moderate downturn in France in April, to 102, compared to 103 in March (and 104 in February). This slight downturn is due to manufacturing (index down 3 points, to 101 in April) and services (103 in April, after 105 in March).

Concerns about changes in demand are taking hold, with more and more companies in industry reporting in April that they are facing difficulties linked to demand (17.7% of companies compared to 15.2% in January and 12.9% in October). While supply-related difficulties remain central, they fell quite sharply to 41% (compared to 52.9% seen 6 months previously). This drop is reflected in the slight recovery in the capacity utilization rate in the manufacturing industry (81.5% in April, compared to 81.2% in January and 80.9% in October).

The contraction in demand seems to come primarily from households, and not from external demand, which is reflected by the two sectors that depend most directly on it:

- construction, with a downward trend over the last 4 months (index at 111 in April compared to 115 in December), starting from a very high level, the sector being driven downwards by new housing;
- and retail trade (excluding automotive trade), in which the index fell back to 94 in April (after 95 in March) and is below its long-term average (100) for the 14th consecutive month. In food retail, 62% of retailers expect to increase prices in the next three months, a lower proportion in relative terms (72% in March).

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