

MONTHLY BUSINESS SURVEY

According to the business leaders surveyed (around 8,500 companies or establishments questioned between 26 September and 3 October), activity increased in September in industry, albeit unevenly across the sub-sectors; it picked up in construction despite unfavourable weather conditions, thanks to a catch-up from August when there were more days of holiday than in previous years; and it slowed significantly in market services after the positive impact of the Olympic Games in August. According to business expectations for October, activity is set to continue its moderate rise in industry, remain sluggish in services and show little change in the construction sector, in line with the low level of order books in the structural works sector. Order books remained weak in almost all sectors of industry, with the notable exception of aeronautics.

Selling prices continued to normalise. However, our uncertainty indicator based on comments from the companies surveyed rose sharply this month across all sectors, with responses stressing the domestic political situation and the international environment.

Recruitment difficulties remained significant for 35% of companies. They rose in the construction sector (40%).

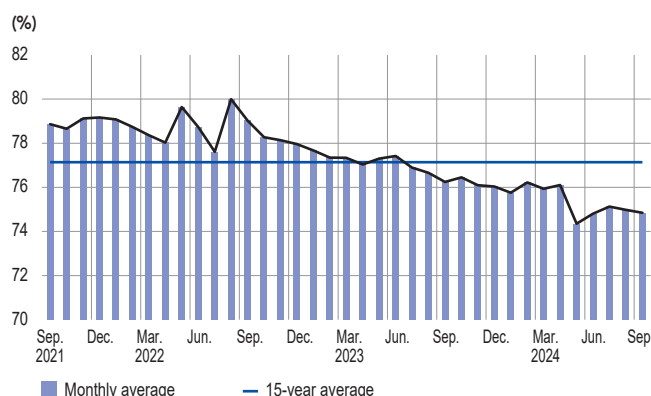
On the basis of the survey results, supplemented by other indicators, we expect GDP to rise significantly in the third quarter of 2024. This would reflect underlying growth of 0.2%, plus the temporary impact of the Olympic and Paralympic Games in Paris of around a quarter of a point. This forecast, revised slightly upwards on the previous month, is subject to both upside risks due to the possible spillover effects of the Olympic Games, and downside risks due to uncertainty.

1. In September, activity improved in industry, slowed down in market services, and picked up again in construction, thanks to a catch-up effect compared with August

In September, activity continued to grow in **industry**, at a rate close to that projected by business leaders last month, but unevenly across sub-sectors. Transport equipment, agri-food and capital goods were up, after a weak August due to longer-than-usual site closures this year. More specifically, growth was driven by aeronautics, wearing apparel, textiles and footwear (a demand for winter products boosted by autumn weather), computer products and electrical equipment. In the automotive sector, manufacturers experienced lower-than-expected sales of electric passenger vehicles. Conversely, rubber and plastic products were down for the second month in a row, penalised by a combination of lower demand from abroad and lower demand from the automotive and construction industries in France.

The capacity utilisation rate (CUR) for industry as a whole fell by 0.2 percentage points to 74.8% (after 75%), moving away

CAPACITY UTILISATION RATE



from its 15-year average of 77%. The indicator improved notably in aeronautics (up 6 percentage points, following a temporary drop of the same magnitude the previous month) and textiles-wearing apparel- footwear, but this increase was offset by a fall in the majority of sectors, including the agri-food industry (down 2 percentage points) and pharmaceuticals (also down 2 percentage points).



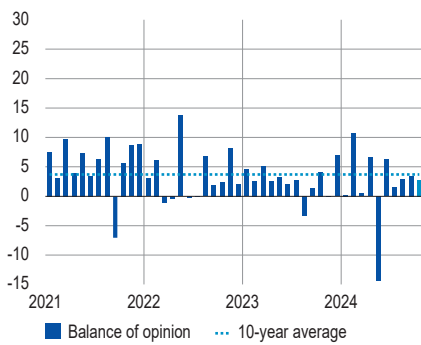
For further information, see the [methodology](#), the [calendar of statistical publications](#), the [contacts](#) and all the series published by the Banque de France are available at [WEBSTAT Banque de France](#)

[Monthly business survey Banque de France: industry, services and construction – video](#)

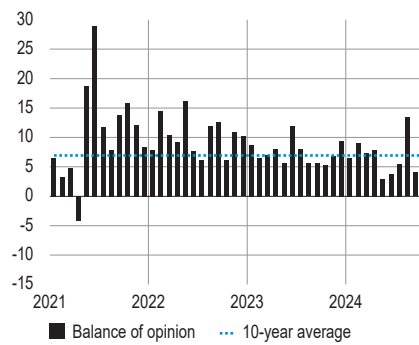
BALANCE OF OPINION ON THE OUTLOOK FOR ACTIVITY

(balance of opinion, adjusted for seasonal and working-day variations; forecast for October)

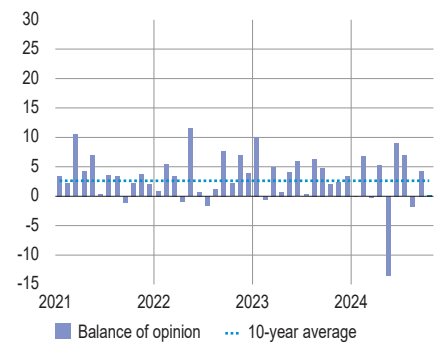
a) In industry



b) In services in market



c) In construction



Note: The balance of opinion on the change in activity (which measures the difference between the proportion of businesses reporting an increase in activity and the proportion reporting a fall over the past month) stood at 3 percentage points for September in industry. For October (light blue bar), business leaders in industry expect activity to increase by 3 percentage points.

Inventories of finished goods fell slightly compared with August, particularly in the automotive, pharmaceuticals and other industrial goods sectors. Meanwhile, they rose in electrical equipment, wood-paper-printing and wearing apparel-textiles-footwear. They remained at levels deemed high and above their long-term average in all sectors, particularly in aeronautics (as an indirect consequence of difficulties in supply chains) and electrical equipment.

In **market services**, as business leaders anticipated last month, activity grew in September at a much slower pace than in August, which had been buoyed by the impact of the Olympic Games. It increased mainly in transport and storage (thanks to lower

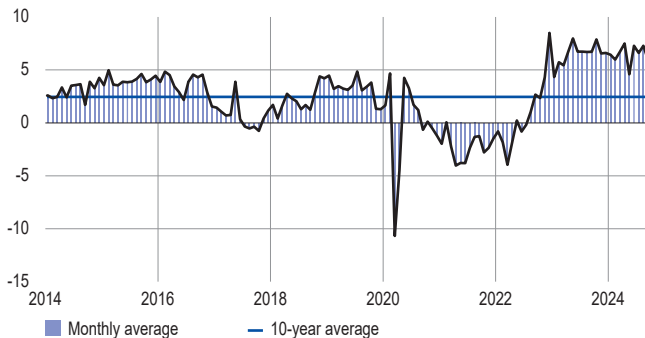
freight and oil costs). Business services registered contrasting trends, with stronger growth in management consulting and engineering, on the one hand and a decline in information services and programming, on the other. Motor vehicle rental and leisure and personal services were also down

Lastly, the balance of opinion on temporary work sector activity returned to negative territory, continuing the trend already observed between May and July, due to a fall in demand from the automotive and construction sectors.

In the **construction** industry, activity picked up slightly in both structural and finishing works, despite the rainy weather that hampered progress on building sites. Business leaders reported a very low catch-up rate for August, with more holidays imposed than in previous years.

INVENTORIES OF FINISHED GOODS IN INDUSTRY

(balance of opinion, adjusted for seasonal and working-day variations)



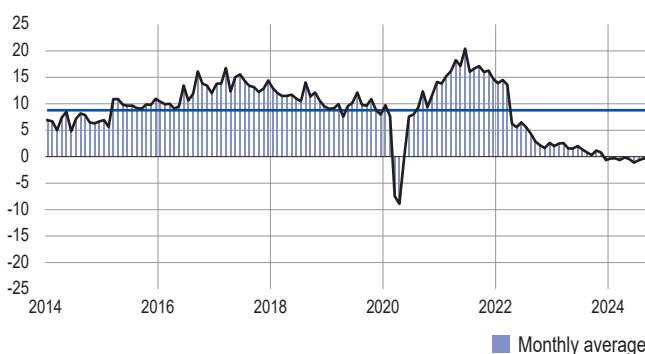
The balance of opinion on the **cash position** remained negative in **industry**, driven down in particular by electrical equipment, metal and metal products manufacturing and rubber-plastic products. In contrast, it was very positive in pharmaceuticals and aeronautics.

In **market services**, the balance of opinion on the cash position fell back after an increase in August. It was deemed satisfactory in the majority of business services (publishing, engineering, information services, legal and accounting

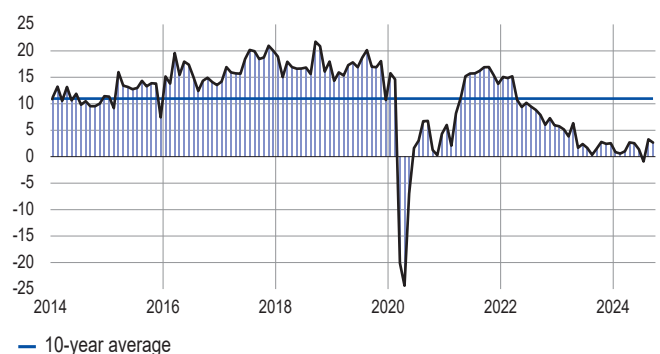
CASH POSITION

(balance of opinion, adjusted for seasonal and working-day variations)

a) In industry



b) In services in market



activities, management consultancy), while it was still considered low in food services, accommodation and vehicle repairs. In particular, companies reported lower margins and longer customer payment times.

2. In October, business leaders expect activity to pick up in industry, continue to slow down in market services, and remain stable in construction

For October, business leaders in **industry** expect activity to continue to grow at the same rate, albeit unevenly across the sub-sectors. The upward trend seen in September is expected to continue in the agri-food and wood-paper-printing industries, and to gather pace in the chemicals sector, while it is expected to slow in aeronautics, computer, electronic and optical products, and metal and metal products manufacturing sector. It is expected to pick up in the other industrial products sector. Conversely, growth should decline in wearing apparel-textiles-footwear, metal and metal products manufacturing and machinery and equipment sectors.

In **services**, growth is expected to continue at a slower pace, and here too with mixed trends across sectors. Motor vehicle rental and business services as a whole are set to grow, as is

the case for transport and warehousing, albeit at a slower pace. At the same time, temporary work is expected to see little change, and the downturn in leisure activities is set to continue.

Lastly, in **construction**, activity is expected remain stable, with the improvement in the finishing works sector being totally offset by the further contraction in the structural works sector.

Industrial **order books** continued to look weak in September in most sectors, especially rubber and plastic products, machinery and equipment, wood, paper and printing, chemicals, and wearing apparel-textiles-footwear. Order books were deemed to be well below their long-term average in all sectors except aeronautics.

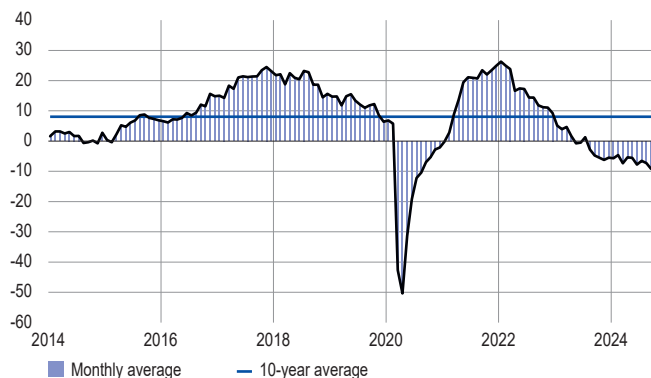
In construction, the balance of opinion on order books was still negative in September, driven down by the finishing works sector, while the structural works sector remained very weak.

Our monthly **uncertainty** indicator, constructed from a textual analysis of the comments made by the companies surveyed, rose significantly for all sectors, including market services, whereas it had fallen over the previous two months. Business leaders cited uncertainty about national economic and fiscal policy, and the instability of the geopolitical situation.

LEVEL OF ORDER BOOKS

(balance of opinion, adjusted for seasonal and working-day variations)

a) In industry

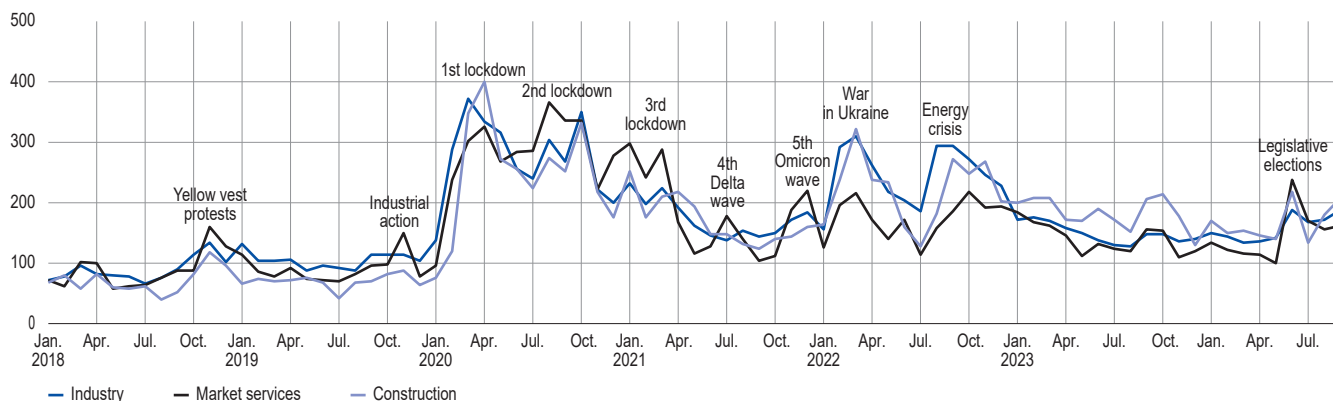


b) In construction



INDICATOR OF UNCERTAINTY IN THE COMMENTS SECTION OF THE MONTHLY BUSINESS SURVEY (MBS)

(unadjusted data)



Note: The reference value is set at 100 and corresponds to the value around which the indicator fluctuates in normal periods.

3. Selling prices have now returned to normal, including in market services

In September, **supply difficulties** were stable compared to the previous month (10% of companies reported them). However, they are still relatively high in the aeronautics and automotive sectors (28% and 17% respectively). Supply difficulties in the construction sector remained rare (3%, unchanged from August).

In industry, after four months of slight rises, business leaders once again reported a fall in raw material prices, particularly in the wood-paper-printing, chemicals and pharmaceuticals sectors; the balance of opinion on finished goods prices in September remained slightly positive.

More specifically, the share of industrial business leaders reporting that they had raised their prices this month stood

at 6%, close to the levels seen in September during the pre-Covid period and well below those for the same month in 2021-22. This share, slightly higher than in previous months, partly reflects the seasonal effect of price adjustments in September. Price rises were mainly recorded in aeronautics (18%) and, to a lesser extent, in the agri-food industry (10%) and the wood-paper-printing (9%) sector. Conversely, 5% of business leaders in industry reported cutting their selling prices, a higher percentage than in the months of September in the pre-Covid period. Falls in finished goods prices mainly concerned the metal and metal products manufacturing and agri-food industries (9%).

In construction, the share of companies reporting an increase in the price of quotes was 3%, while 9% reported a decrease, a higher proportion than in previous Septembers.

In services, selling prices have normalised: the balance of opinion on prices in services for September remained very slightly positive, but at its lowest level since April 2021. The share of companies reporting an increase in prices was 5% - the same as in the months of September in the pre-Covid period - while the share of companies reporting a fall in prices was 6%. The main sectors where prices were cut were motor vehicle rental, accommodation and, to a lesser extent, advertising.

For October, 5% of business leaders expect to increase their prices in industry, 7% in market services and 3% in construction.

Business leaders were also asked about their **recruitment difficulties**, which fell slightly in September after rising the previous month: 35% of companies surveyed reported difficulties, after 36% last month. These figures remained higher in construction and services (40% and 39% respectively).

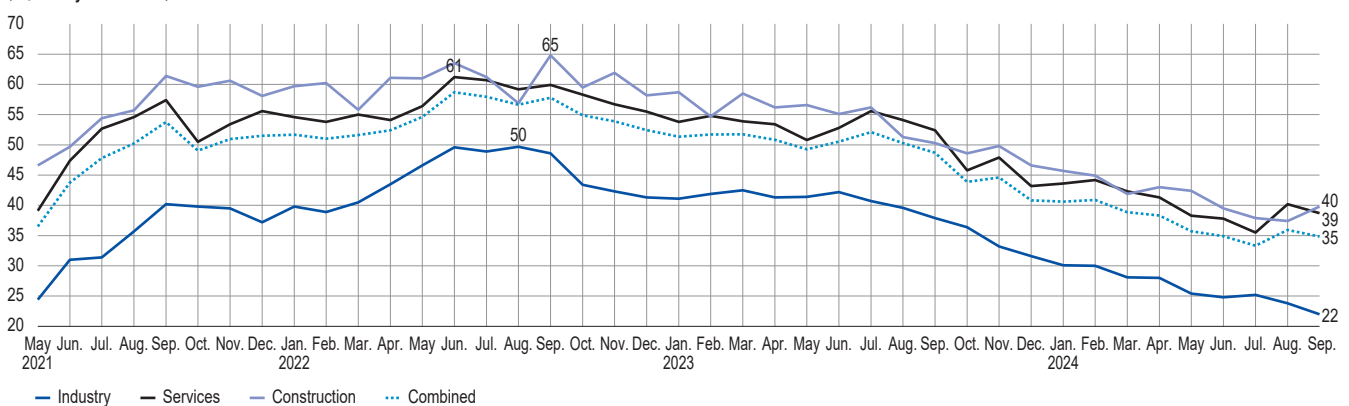
CHANGE IN PRICES OF FINISHED GOODS BY MAJOR SECTOR

(balance of opinion, adjusted for seasonal and working-day variations)



SHARE OF BUSINESSES REPORTING RECRUITMENT DIFFICULTIES

(%, unadjusted data)



1 The balance of opinion is the difference between the proportion of business leaders reporting increases or decreases, weighted by the intensity of the variation (with three possible grades in the monthly business survey: low, normal and high). A business leader indicating a "high" increase in prices will, all other things being equal, influence the balance of opinion more than a business leader indicating a "low" increase.

4. Our estimates point to a significant rise in GDP in the third quarter, reflecting the temporary impact of the Olympic Games

Based on the results of the Banque de France monthly business survey (MBS), as well as other available data (INSEE service and industry production indices and surveys and high-frequency data), and coupled with the effects of the Olympic Games not reflected in these indicators, we expect a significant rise in real GDP in the third quarter. This forecast, revised slightly upwards compared with the previous month, points to underlying growth of around 0.2%, plus the temporary impact of the Olympic Games of approximately a quarter of a percentage point. It should be noted however, that this forecast is subject to both upside and downside risks attributable to the dual uncertainty concerning the impact of the Olympic Games on the one hand and the impact of the political environment on firms' behaviour, on the other.

The timing of the monthly business survey means that it is possible to incorporate the uncertainty linked to the political situation in France, as well as part of the impact of the Paris Olympic Games, particularly

the increase in business for companies in the Paris region in the accommodation and food services sector, or for companies involved in the organisation of the Olympic Games (i.e. suppliers, events, security, etc.).

However, as we pointed out in our previous publications, most of the impact of the Olympic Games is not covered by the survey (i.e. ticket sales, broadcasting revenues, passenger transport, bonuses paid to public servants). We estimate that the total impact of the Olympic Games will make a temporary contribution of around a quarter of a percentage point to the GDP growth forecast for the third quarter. It should be noted that this estimate only concerns this quarter and does not reflect earlier effects on GDP linked to the preparation of the Games (particularly in the construction sector) or possible subsequent windfalls.

The market services sector is expected to be the main driver of GDP growth this quarter, buoyed by the impact of the Olympic Games. Value added in the manufacturing sector is expected to rebound after two quarters of decline, as suggested by the industrial production index, which quarterly carry-over effect stood at 0.6% at the end of August. The energy sector is expected to remain buoyant this quarter, while the construction sector is likely to experience a further downturn, still weighed down by the weakness of new builds.

QUARTERLY CHANGES IN GDP AND VALUE ADDED IN FRANCE

(%)

Activity sector	Weight in VA	Q2 2024 (QoQ)	Q3 2024 (QoQ)	+ OG Effects Q3 2024
Agriculture	2	-1.5	-0.6	
Manufacturing industry	10	-0.8	0.7	
Energy, water, waste	2	2.9	1.4	
Construction	5	-1.4	-0.6	
Market services	59	0.2	0.2	+0.4
Non-market services	22	0.4	0.1	
Total VA	100	0.1	0.2	+0.25
GDP		0.2	0.2	+0.25

Sources: INSEE data for the second quarter of 2024, Banque de France forecast for the third quarter of 2024.

Note: QoQ = quarterly change; OG = Olympic Games.