



LATEST DEVELOPMENTS IN BUSINESS AND CONSUMER SENTIMENT IN FRANCE

SUERF-ECB-BAFFI-BOCCONI WORKSHOP

“EUROPE’S BLUES: AN INTERDISCIPLINARY APPROACH
TO (WEAK) ECONOMIC SENTIMENT”

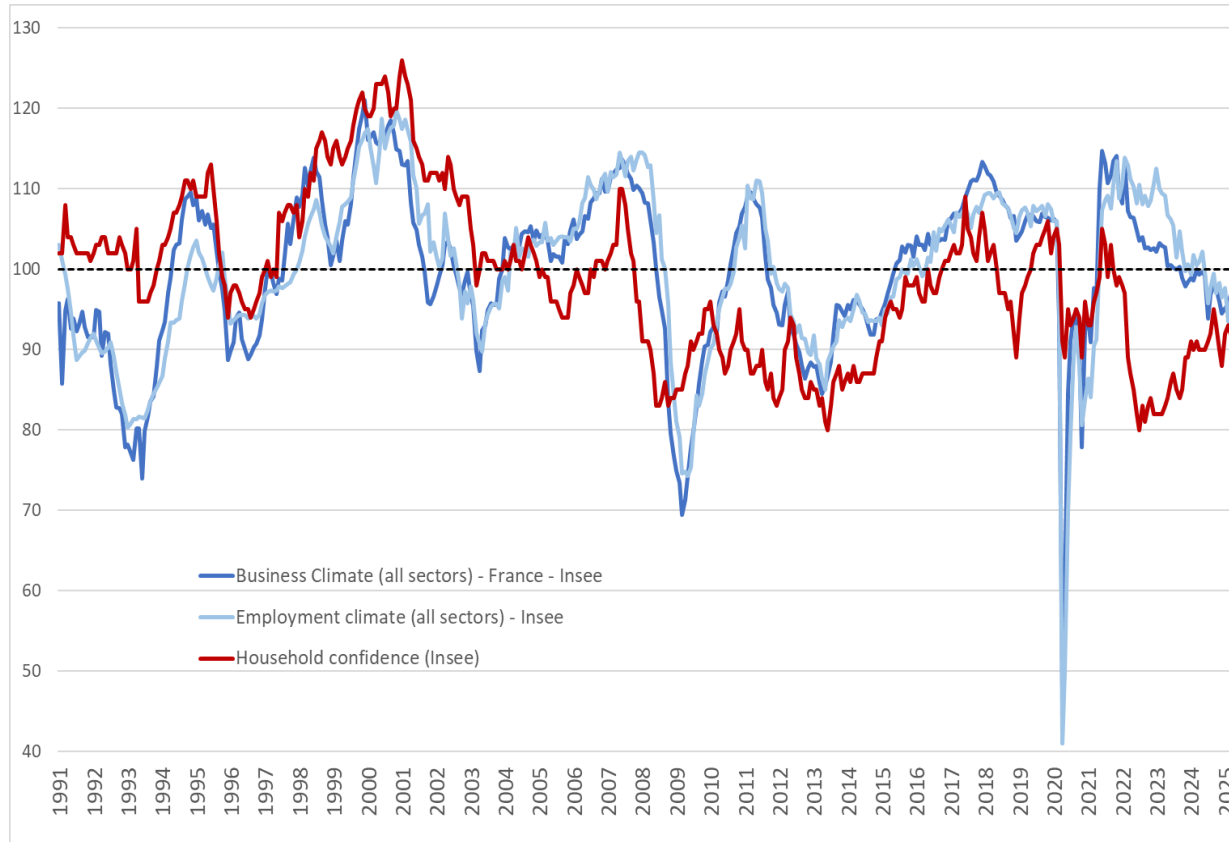
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FRENCH CONSUMER AND BUSINESS SENTIMENT – WAIT AND SEE ATTITUDES?

Economic sentiment – firms and households (Insee)

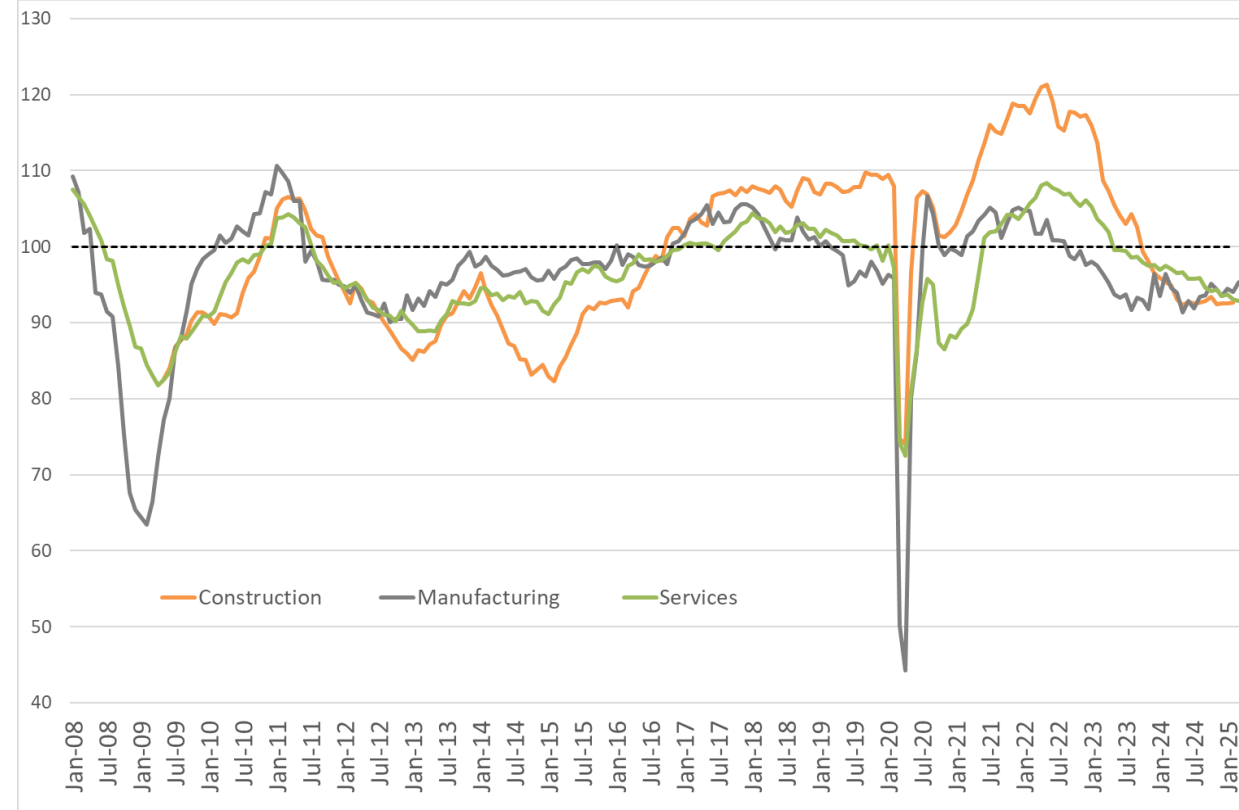


Sources: Insee consumer and business surveys

- Business and consumer sentiments have been historically correlated
- 2022-2023 Decoupling ?
 - Inflation weights more on consumer confidence
 - Even if better employment perspectives + resilience of activity

Economic sentiment – firms – by sector ([Banque de France](#))

(Latest data collected before 02 April 2025)



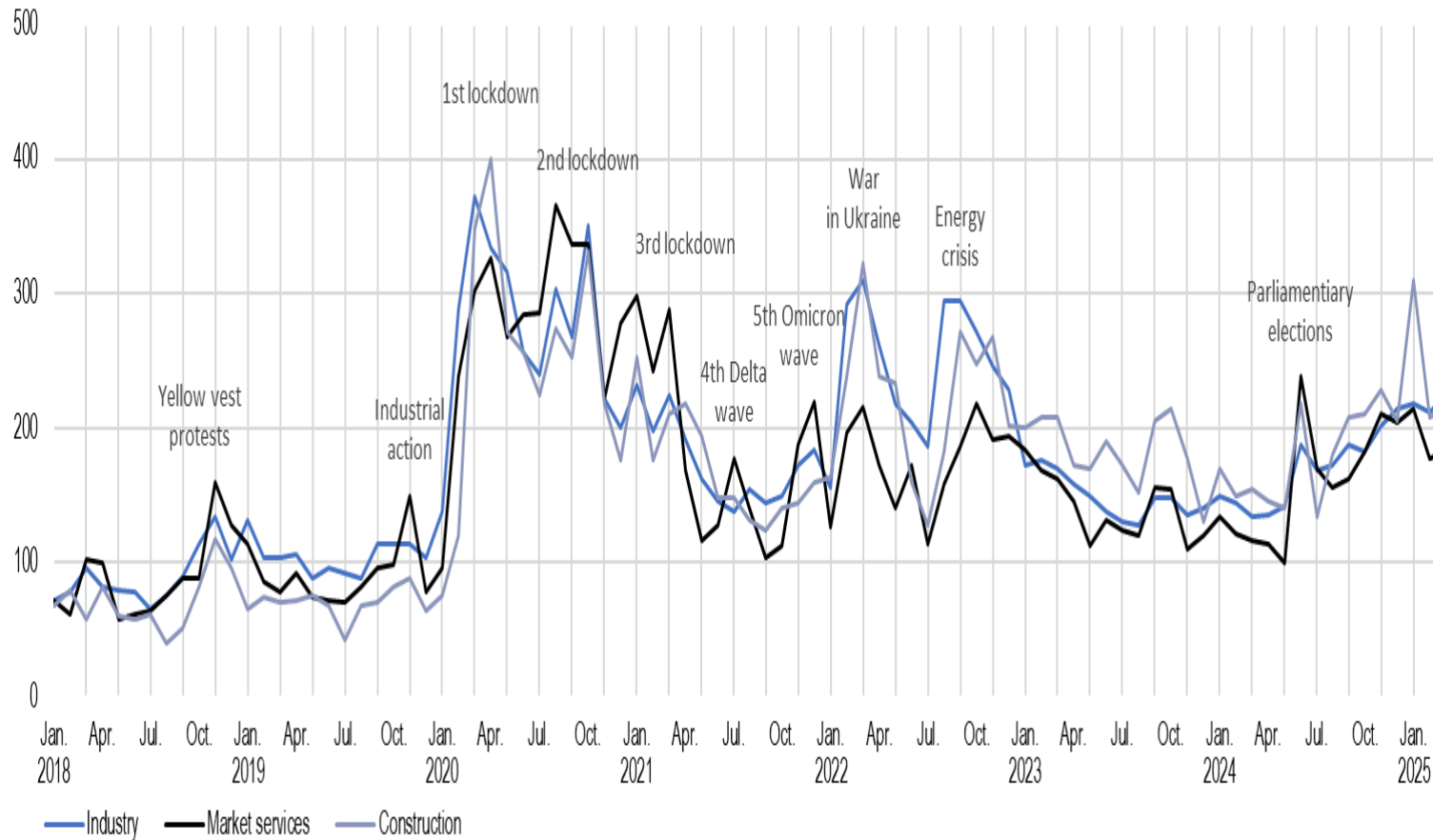
Source: Business survey Banque de France (8,500 firms). Latest data: start of April 2025

- Since 2022-2023, slow deterioration in business sentiment but no signal of recession
- Exceptions include aeronautics (still buoyed by the space industry and military equipment sectors) + car industry

MORE UNCERTAINTY ...

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

(unadjusted data)



- Uncertainty persistently higher since mid-2024

Political uncertainty (elections + budget vote - end of 2024)

US tariffs since the beginning of 2025 [in particular metalworking, agri-food, transport and machinery equipment sectors]

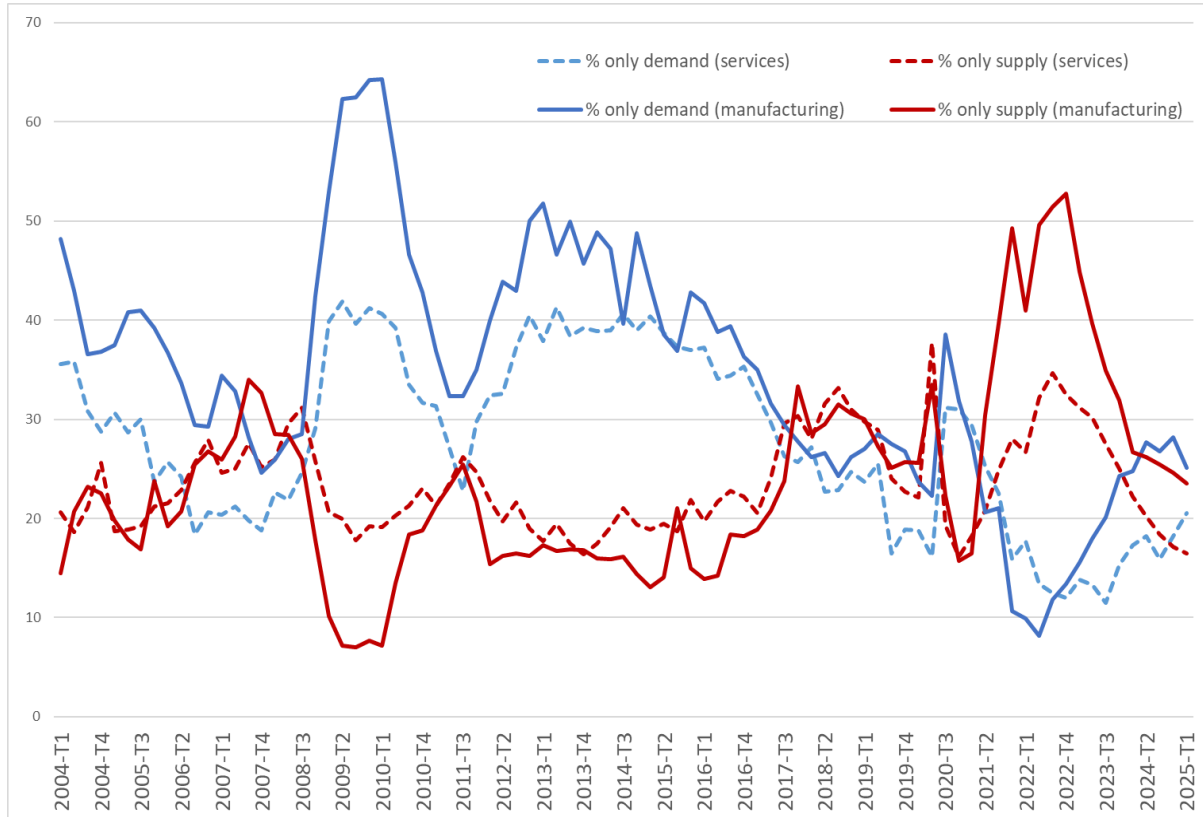
Note: The reference value is set at 100 and corresponds to the value around which the indicator fluctuates in normal periods.

Source: Business survey Banque de France (text analysis based on comments) ([Gerardin – Ranvier 2021](#))

Latest data: start of April 2025

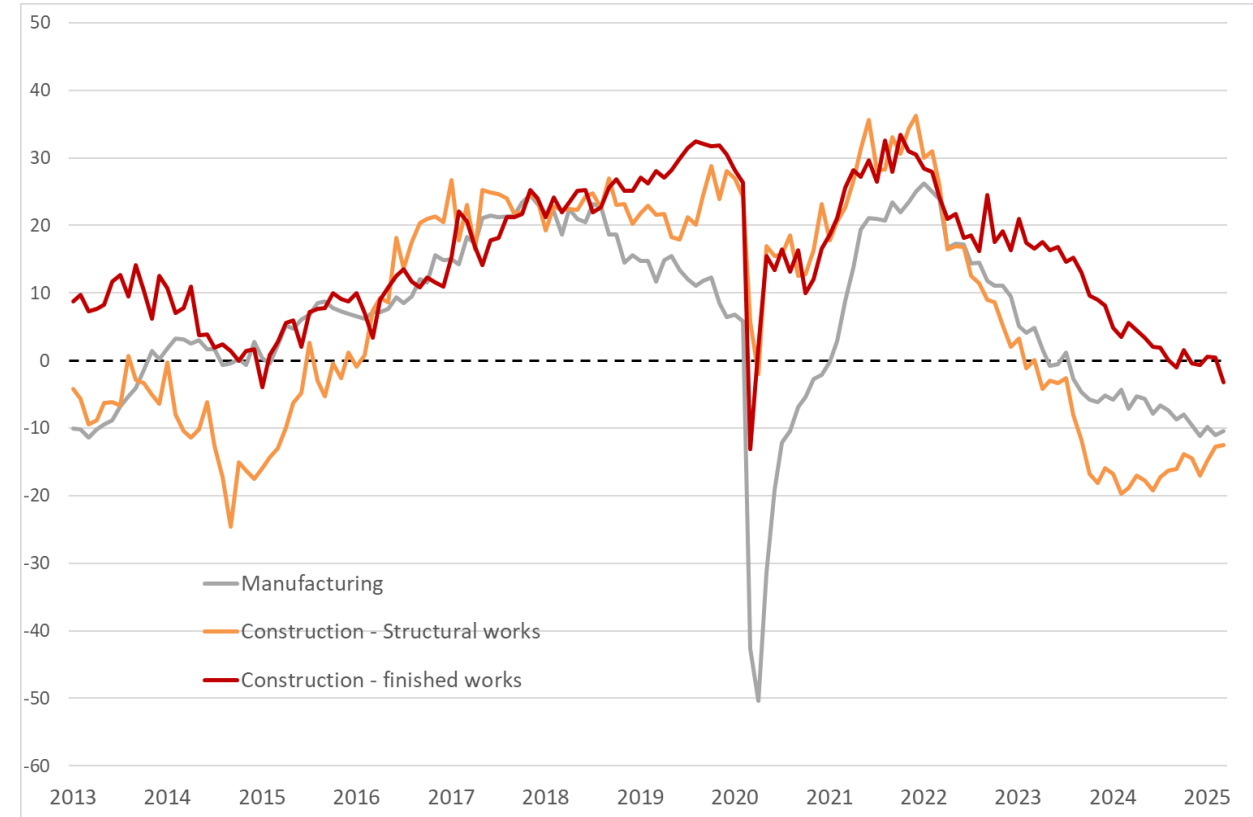
...WEIGHS ON AGGREGATE DEMAND

% of firms reporting constraints on their activity (Insee)



Sources: Insee quarterly business surveys

Perceived level of order books (balance of opinion - Banque de France)



Source: Business survey Banque de France (8,500 firms) Latest data: start of [April 2025](#)

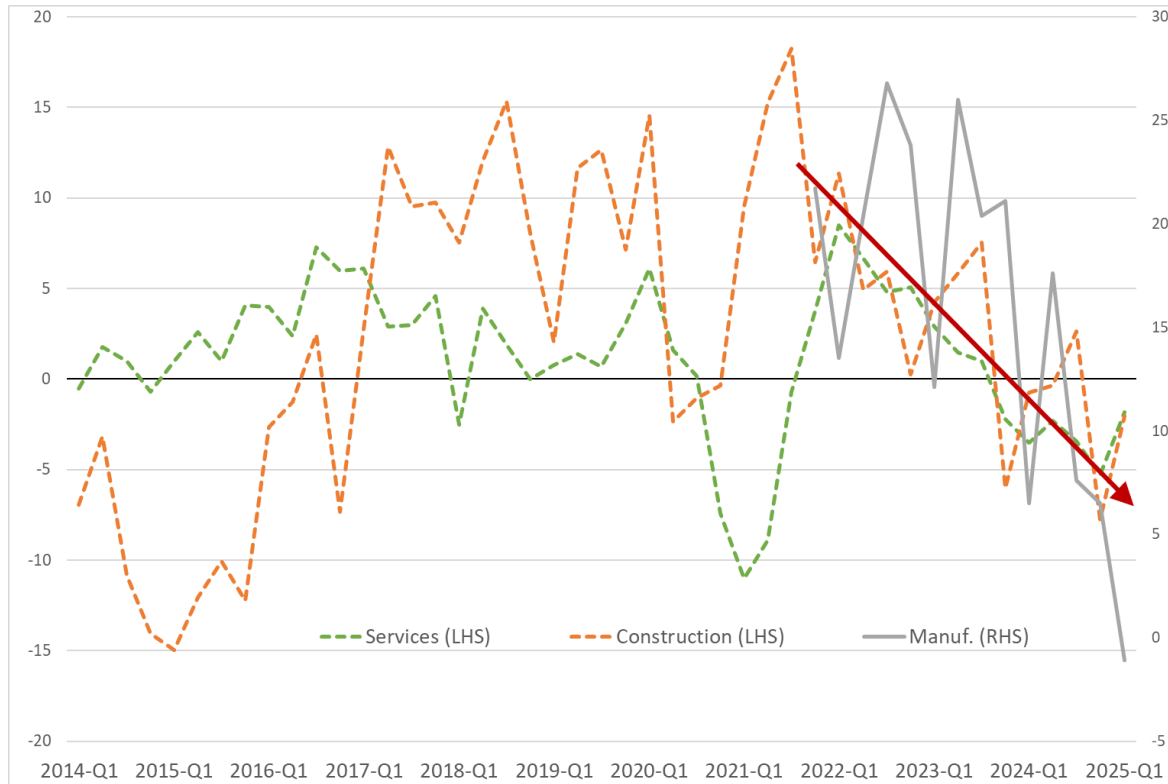
- The share of firms reporting constraints is lower but more firms report demand constraints
- Low levels of order books

Industry: chemistry, plastic and rubber sector, metalworking sectors

Construction: new buildings and structural works

LESS INVESTMENT & MORE SAVING?

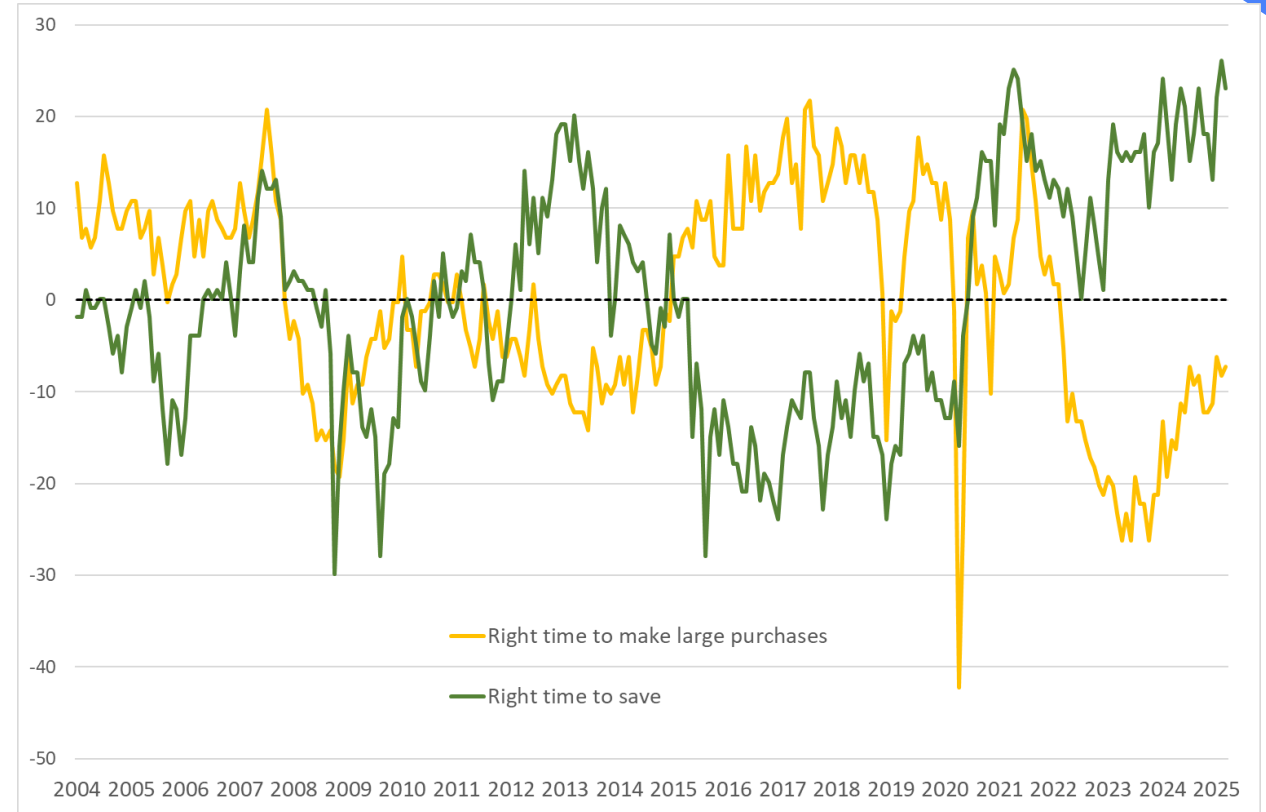
Balance of opinions on firms' expected investment (Insee)



Source: Insee quarterly business surveys (2020 Q1 is omitted – balances are centered for construction and services)

- Weaker investment perspectives in industry and services

Right time to save / consume (balance of opinions - centered at 0) (Insee)

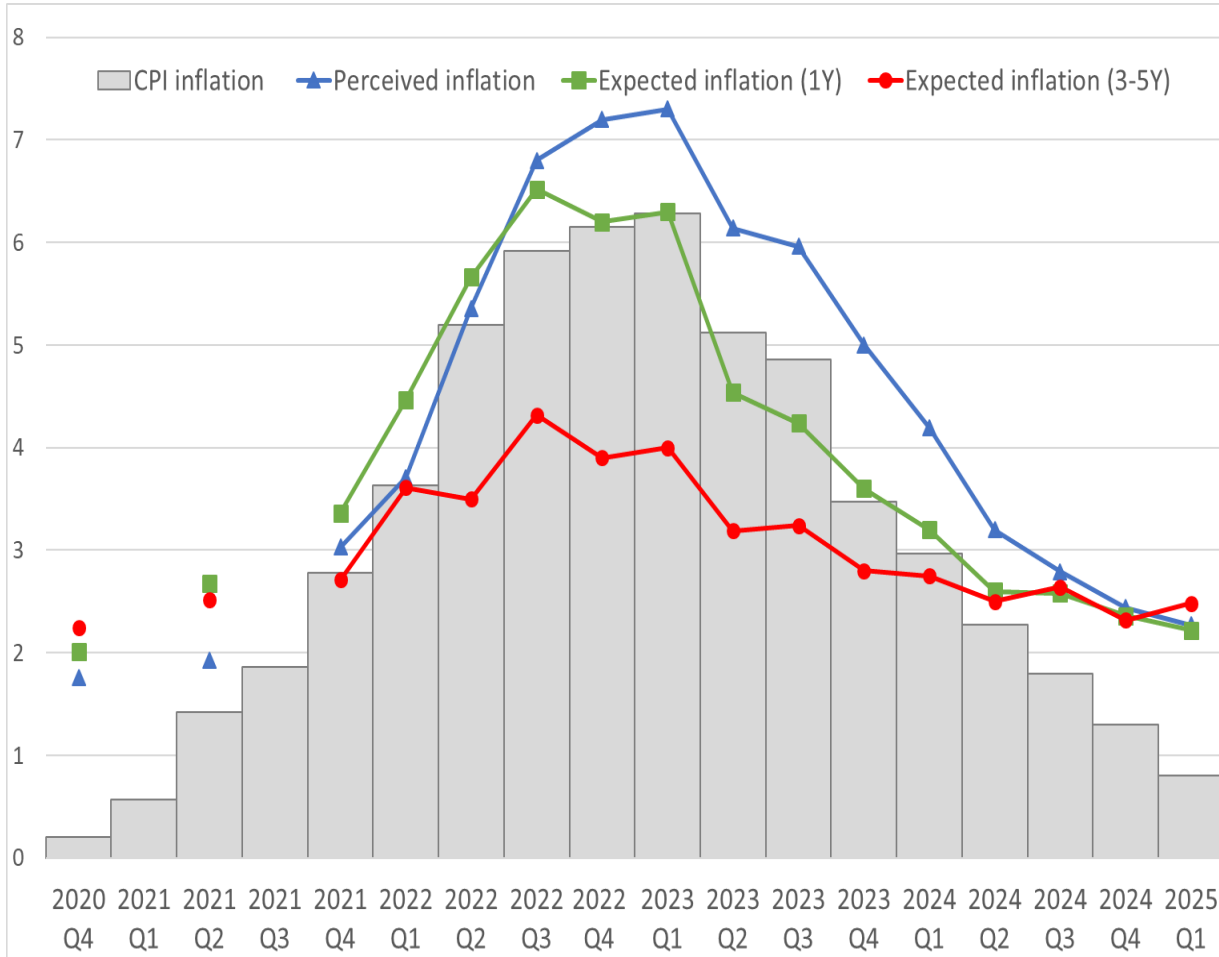


Source: Insee monthly household confidence survey

- More optimism about consumption (desinflation) but still below the LTA
- Persistent high share of households thinking this is the right time to save:
Interest rates & income composition? ([Carroy & Thubin 2025](#))
Uncertainty and precautionary saving? ([BDF 2024](#))

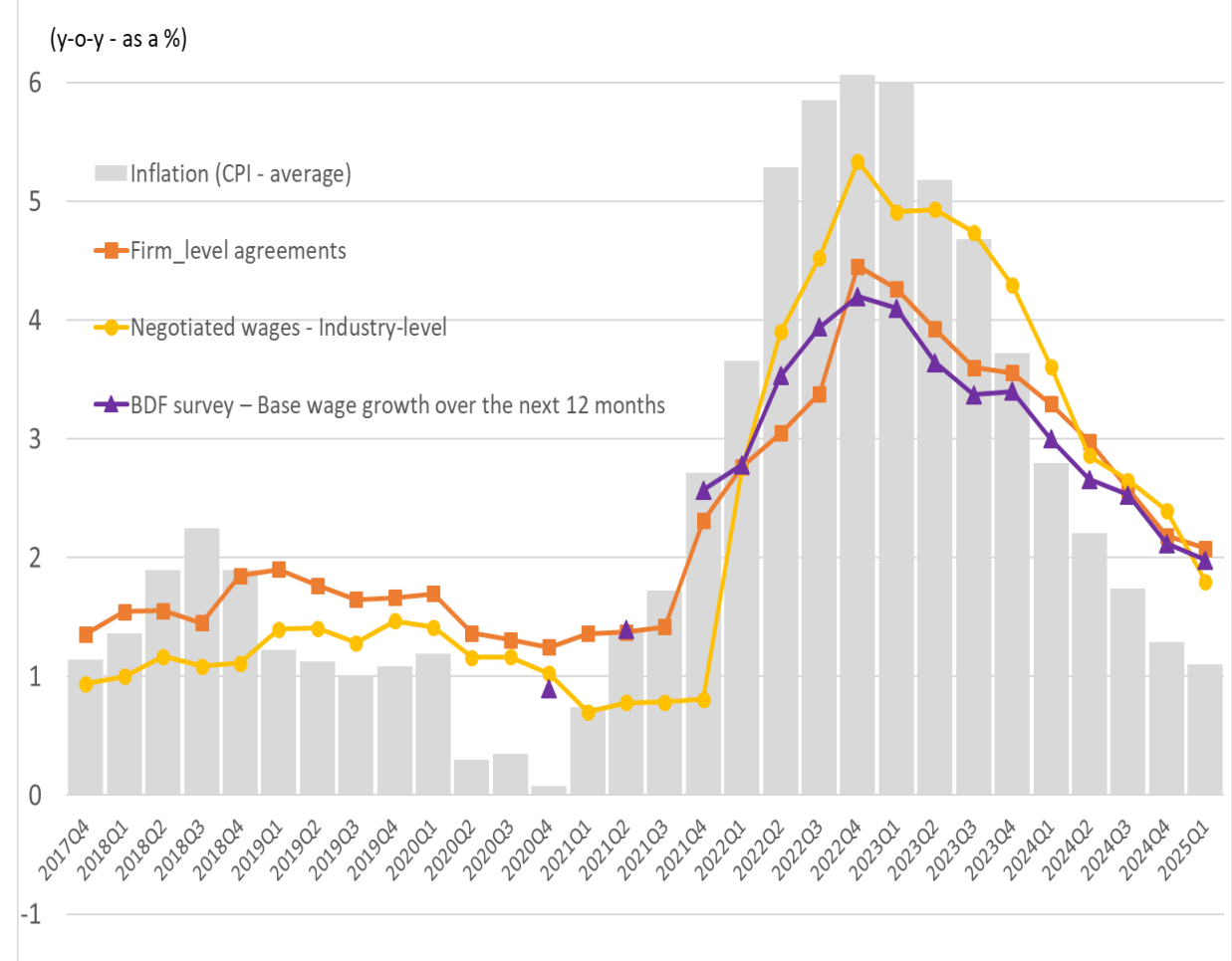
A QUICK DECLINE OF INFLATION, SUPPORTING PURCHASING POWER AND CONSUMPTION?

Average inflation perception and expectations of firms' leaders
(% - Banque de France)



Source: Quarterly module of the BDF business surveys. Latest point: Q1 2025
(questions cover CPI aggregate inflation in France) [Inflation Expectations - 2025-Q1 | Banque de France](#)

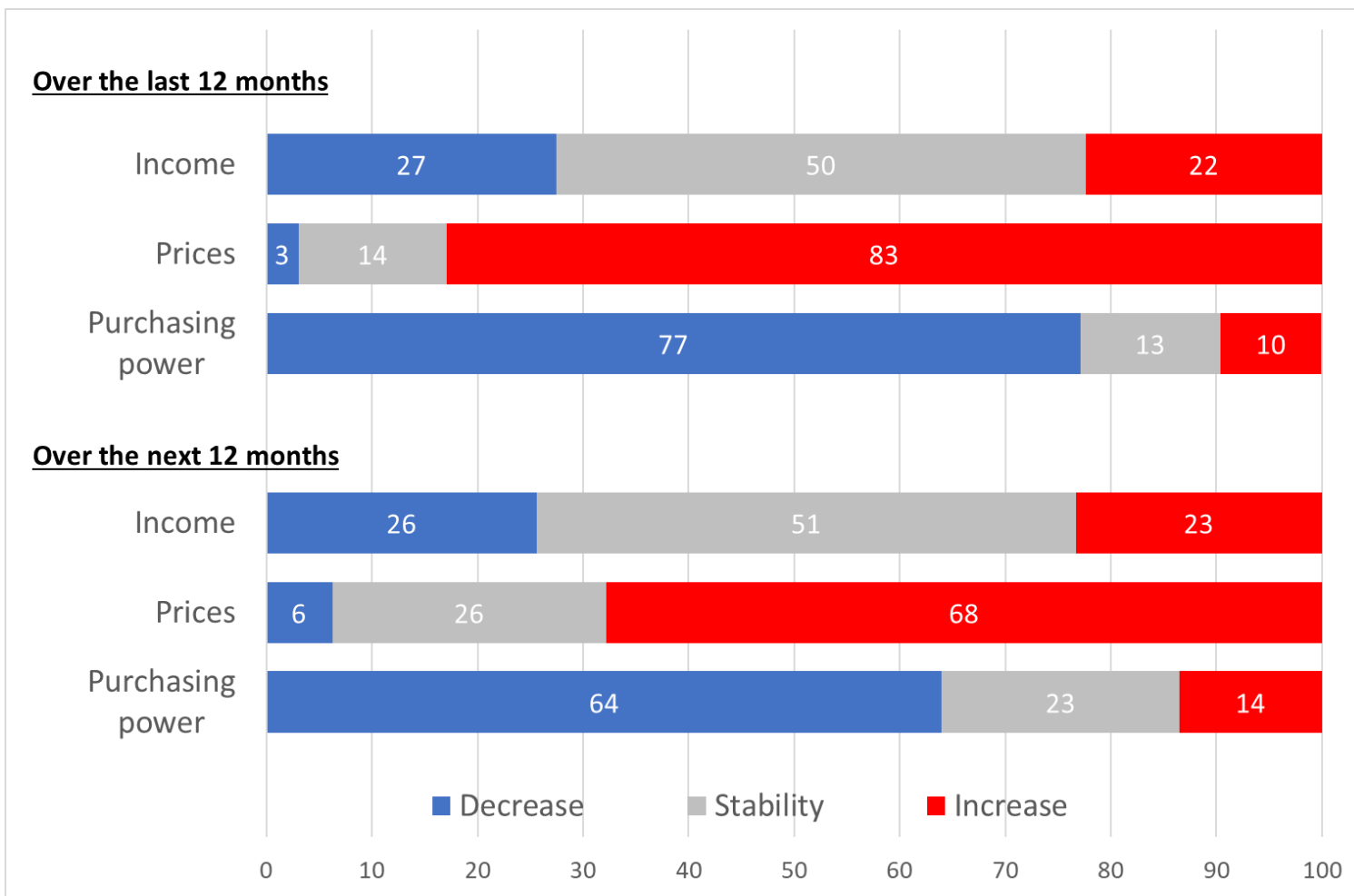
Firms' expectations of wage growth and negotiated wages
(Banque de France) [[Baudry et al. 2025](#)]



Sources: Légifrance – firm-level agreements (15,000 wage agreements between 2018 and 2025), industry-level agreements (approx. 300 industries covering 14.5 million employees); CPI inflation from INSEE (year-on-year average). Inflation expectations survey (Banque de France) “Changes in base wages in your company over the next 12 months”

« SCARRED » CONSUMERS: LARGE PERCEIVED LOSSES IN PURCHASING POWER

% of households reporting at the end of 2024...



- Overestimation of past inflation but also
- Underestimation of nominal income growth

About 75% of households reporting stable or lower income over the past 12 months despite:

- Indexation of NMW, social transfers, pensions
- Average wage growth was larger than inflation in 2024

More than 75% of households report some purchasing power losses in 2024

... whereas national accounts report purchasing power gains (+1.9% vs -6% in the survey)

« Scarred » consumers may show persistent pessimism, spend less, build up their savings

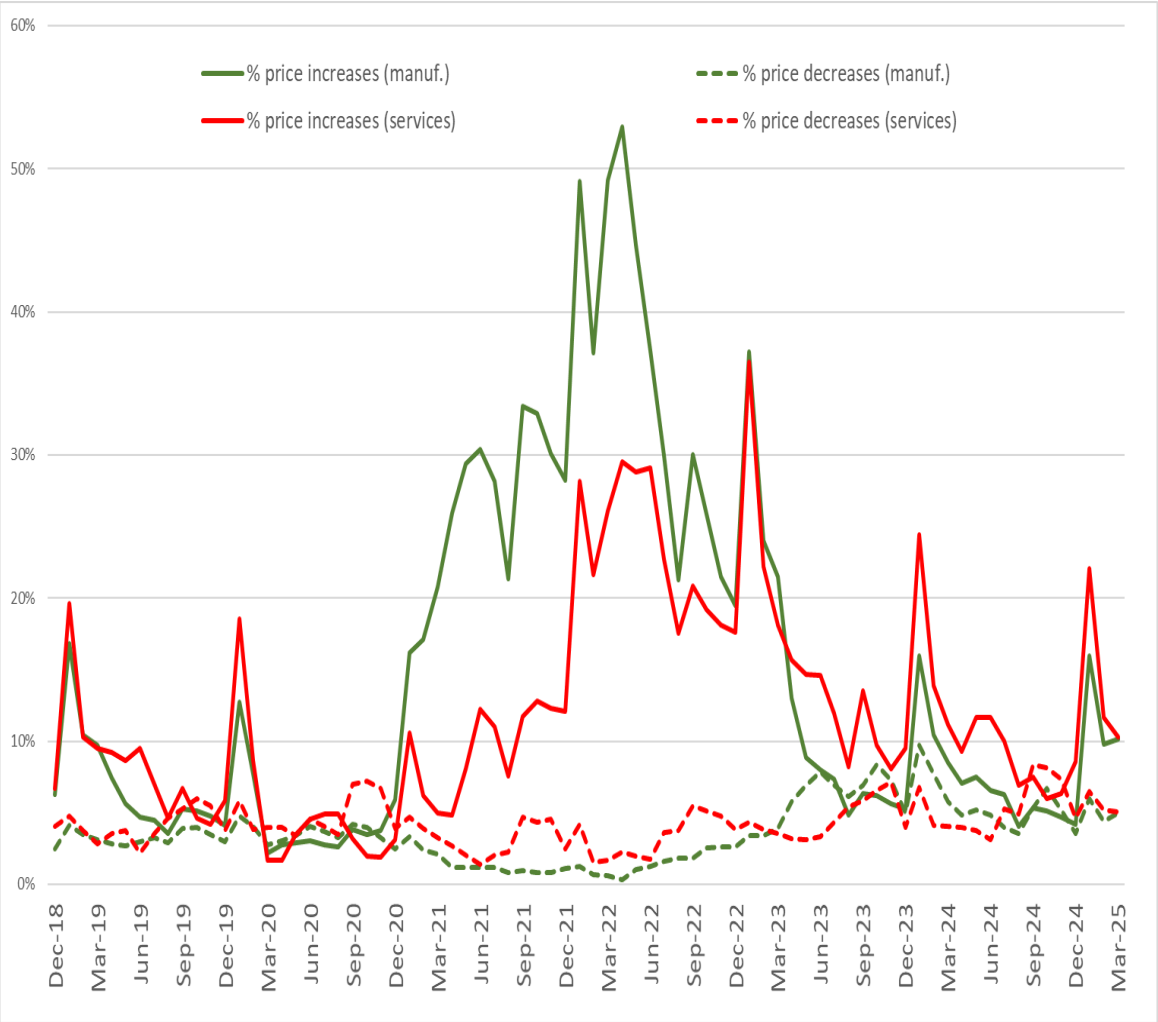
Source: [Gautier and Bignon](#) « French households and inflation between 2022 and 2024: how did they perceive the inflation surge and the desinflation? » (BDF annual survey among 4,000 households)

Note: the question on income growth asks about income in general including all sources of income and « over the past 12 months, your income (in euros) has increased/remained stable/decreased? » the evolution of the purchasing power is calculated as the difference between quantitative perceived inflation and perceived income growth and a qualitative variable is constructed from this difference.

APPENDIX

LESS PRICE INCREASES, LESS HIRING DIFFICULTIES

% of firms adjusting their prices (Banque de France)



Source: BDF monthly business surveys (qualitative answer on firms' own prices) [April 2025](#)

SHARE OF BUSINESSES REPORTING RECRUITMENT DIFFICULTIES

