

## France: Surveys confirm economic standstill

In France, preliminary PMI indicators for January show sentiment in manufacturing has stabilised, which confirms INSEE's survey data published this week. However, sentiment in services continues to deteriorate, going deeper into contraction territory



Paris, France. Demonstrators during a protest against rising cost of fuel and oil prices by people wearing yellow vests.

Source: Shutterstock

In the manufacturing sector, sentiment rebounded very slightly in January as today's PMI confirmed, rising to 51.2 from 49.7 in December. A number under the 50.0 threshold signals a contraction in industrial activity. The details of another survey by INSEE this week showed that sentiment in industry stabilised in January, suggesting there was no further deterioration in order books and that recent output has been larger than anticipated. Inventories even went down in January. However, confidence in the economic outlook remains at its lowest in four years, showing that the “yellow vest” crisis is still affecting sentiment.

This seems to be even more the case in the service sector for which PMI indicators today showed a further deterioration. At 47.5, it is the lowest level since 2014. The indicator was still above 55.0 in November. This reflects the current high level of anxiety shown by consumers in recent surveys, linked to the “yellow vest” protests. We believe that the details of the PMI survey, which will be

released in early February, will show an impact on investment intentions in the sector. It could also impact employment growth in coming months. At this stage, we still think that the French economy will have come to a standstill at the end of 2018. Given the slowdown in eurozone growth, we also think that the rebound will be limited, which lowers growth prospects for 2019 to 1.3%. In this context, the current round of national consultations by the Government is the only chance we see for reforms to gather support: economic growth momentum is not on President Macron's side anymore.