

French business confidence highest for a decade

It's taken ten years for French entrepreneurs to recover their optimism. The INSEE confidence indicator for December reached 112, a level last seen at the end of 2007



Confidence is high among French businesses in all sectors

This high level of confidence is broadly supported across sectors. In manufacturing, the December figures give signs of a stabilisation in confidence at a high level. While the personal production outlook of companies deteriorated slightly again (they peaked in September) and order books also softened slightly, they remain at their highest levels of the last ten years; it's too soon to see a risk of a turning point in the positive trend of recent months.

Most companies in the manufacturing sector have remained upbeat about the general economic outlook since October.

Prospects are just as bright in the building sector where confidence reached a high point as expected activity is on the rise. Low interest rates and a recovering housing market are essential

for this sector which has been in recovery mode for the last three years. The December survey shows that hiring intentions remain high in building activities. Together with hiring intentions in services, which recovered in December their high mark of last April, this is great news for the job market. In the service sector, the rise in confidence looks more sustainable than earlier this year as it is supported by the highest confidence level in the general outlook in years. Even the retail sector gave signs of a revival of its hiring intentions, this component of the survey was positive for the first time since 2012.

112

French business confidence, December 2017

A figure last seen in 2007

Better than expected

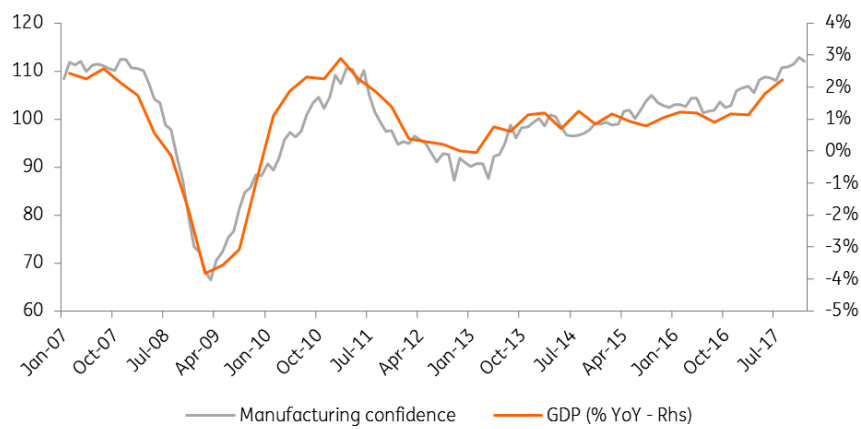
A confirmation that recent GDP acceleration is broadly supported

These figures confirm that French industrial production should post another rebound in 4Q17 and bring yearly production growth above 4% after 2.8% YoY in 3Q17. Together with higher activity in the service sector, this should give strong support to GDP growth, which has been accelerating in 2017.

The December confidence survey confirms the recovery is broad-based.

A stronger than expected end of the year should bring GDP up to 1.8% in 2017. And let's not forget the positive reform atmosphere the Philippe government has managed to install. Even if most measures won't have taken effect by 2018, expectations are high. We expect those reforms to continue next year. This should help GDP reach 2.0% next year. Current levels of hiring intentions also point to a decline in the unemployment rate, which we believe could end 2018 below 9%.

Current levels of confidence remains consistent with further GDP acceleration



Source: Thomson Reuters Datastream