

## France: Business climate indicates a resilient economy

Business sentiment declined only slightly in March despite the social tensions surrounding the pension reform. This confirms that activity in France is resilient, even if the outlook for the coming quarters remains moderate



La Défense, a major business district in France

### Slight decrease in business climate

In France, the business climate decreased slightly in March, to 103 compared to 104 in February. The indicator is still above its long-term average and has been remarkably stable since June, fluctuating between 102 and 104. The decrease in March can be explained by the fact that in all sectors business leaders are slightly less optimistic about past activity and expected activity. Nevertheless, in industry, order books continue to grow, while in trade, retail order intentions are down sharply.

The business climate confirms that activity in France at the beginning of the year is proving to be more resilient than might have been anticipated a few months ago. Although they are slightly less optimistic for the future, companies remain fairly confident, despite the social tensions surrounding the pension reform and limiting activity in certain sectors. Previous experiences of social tensions in France show that the [economic impact is generally temporary](#) and fully

compensated by a rebound in activity in the following months. While the impact on growth in 2023 should be close to 0%, it cannot be ruled out that social tensions reduce growth in the first quarter by 0.1 to 0.2 percentage points compared to a scenario without tension, before an equivalent rebound in the second quarter.

The fact that economic sentiment is holding up is good news for economic growth at the beginning of the year, but it does not mean that economic activity is very dynamic in all sectors. Industrial production fell in January and could continue to be weak, even with a sustained improvement in supply chains. We expect slightly positive quarterly growth in the first quarter, of about 0.1%.

## What can we expect next?

The outlook for the French economy over the next few quarters remains subdued. The global economic slowdown is likely to weigh on exports and the industrial sector. The inflationary context will continue to weigh on household consumption. In addition, the full impact of monetary policy tightening is likely to start to be felt, weighing on household and business investment. In this respect, the impact of recent market turbulence on the French economy is still rather uncertain. But even if the problems remain contained, this could lead to a tightening of credit conditions, which would have a slightly negative impact on economic activity in the coming quarters. All in all, we expect growth of 0.7% in 2023 and 2024, following growth of 2.6% in 2022.

### Author

#### Charlotte de Montpellier

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).