

## French business confidence stable despite new Covid restrictions

New measures to fight Covid-19 should have a lasting impact on confidence, slowing 4Q20 growth. Today's business confidence indicators, albeit improving, also show that the recovery remains fragile



Source: Shutterstock

In France, measures have been put in place again to fight the Covid-19 epidemic.

Bars and restaurants will have to close at 10:00 pm, sports facilities will be shut down in major cities where gatherings of more than 10 people are now prohibited. For now, schools remain open and workers are back at work with all the social distancing artillery. We expect these new measures to have a limited direct impact on some sectors, those where the rebound in activity has been the weakest (events, tourism, performing arts, restaurants). As long as schools remain open and people can either go to work safely or work from home, the rebound in activity is not in jeopardy. However, we expect these measures to have a large impact on confidence with consumers getting saving even more in October.

From that perspective, September business confidence indicators published earlier today reflect

the fact that these measures, for the time being, are mainly impacting services.

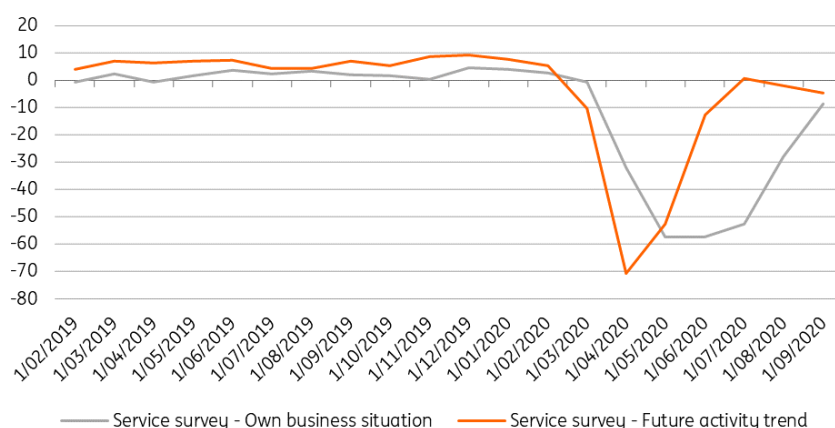
Confidence in the manufacturing industry indeed continued to recover, in line with the uptick shown yesterday in PMI's (which increased from 49.8 to 50.9). The survey shows that improving order books and lower inventories allow manufacturers to keep planning production, while recent production levels were increasing faster. They still remain cautious when it comes to their own financial situation but overall, confidence is not far from its pre-crisis levels.

In the service sector, where the rebound in activity was steeper at first, pessimism is back and the recent measures taken to fight the epidemic will not change its course.

Although the survey shows that recent activity has been better and that the business situation has been improving without interruption since May, it also suggests that the wind is turning for the outlook (Figure 1). Likewise, investment intentions remain on the rise, though hiring intentions have deteriorated in September (only temporary work seem to progress).

Overall, service confidence increased in September, but with its most forward-looking components deteriorating (which partly explains yesterday's bad PMI survey where the service sector component tanked to 47.5). This underlines how cautious companies remain in face of the Covid-19 uncertainties, which the last Government measures are certainly increasing.

## Service survey shows mixed feelings about the near future



Source: Refinitiv Datastream

We do not think that all of this should hamper the strong GDP rebound expected for 3Q20 (+55% QoQ annualized). However, it clearly flags the risk of a much slower dynamic in 4Q20, confirming that the French economy will continue to evolve below 95% of pre-Covid activity levels until at least mid-2021.

## 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 <http://www.ing.com>.