

Business Tendency Surveys – All Sectors

Composite indicators for France: business climate and turning point

The INSEE Short-Term Analysis Department carries out surveys among business leaders from the main sectors of the economy: industry (monthly, quarterly, and yearly survey), services (monthly), trade – retail trade and motor vehicle trade and repair (monthly), and wholesale trade (bimonthly) – construction.– construction industry (monthly), building craft sector (quarterly), real-estate development (quarterly) and public works (quarterly in conjunction with the National Federation of Public Works). These surveys are qualitative and the questions relate to the past and future activities of the business, demand for the business' products, workforce, etc.

The business climate and turning point indicators are intended to summarize the information provided by these surveys and thereby provide an “all sectors” overview of the surveys. These indicators are monthly, although some variables are not observed every month.

Business climate indicator France: presentation and construction

The business climate indicator describes the common component of the selected balances of opinion in a single variable. It is constructed using dynamic factor analysis techniques. This makes it possible to summarize the concomitant trends of several variables whose movements are highly correlated. As for the other business tendency surveys, the indicator is standardized to have a mean of 100 and a standard deviation of 10.

Changes in the business climate composite indicator therefore summarize the cyclical phase affecting the different balances of opinion from the tendency surveys: the higher its value, the more business managers consider the outlook to be favorable.

The business climate indicator is compiled on the basis of 26 balances of opinion from five of the surveys mentioned above:

Industry:

- General production expectations;
- Past activity;
- Personal production expectations;
- Finished-goods inventory;
- Export order books;
- Global order books.

Services:

- Past activity;
- Expected activity;
- General outlook;
- Expected demand;
- Past operating balance result;
- Expected operating balance result.

Construction:

- Past activity;
- Expected activity;
- Opinion on order books;
- Past employment;
- Production capacity utilisation rate.

Retail trade:

- Ordering intentions;
- General business outlook;
- Recent sales;
- Workforce size: future trend.

Wholesale trade:

- Sales;
- Export sales;
- Ordering intentions;
- General outlook;
- Received merchandise from abroad.

Turning point indicator France: presentation and construction

The turning point indicator aims to detect as early as possible when the economic outlook trend changes direction. This is a qualitative variable that is not directly observed. The indicator is presented in the form of a curve, retracing for each date the difference between the probability that the cyclical phase is favorable and the probability that is unfavorable. It therefore changes between +1 and -1: a point very close to +1 (or -1 respectively) indicates that economic activity is in a period of sharp acceleration (or sharp deceleration respectively).

The moments when the indicator is close to 0 are considered to be stabilization phases, meaning a return from the growth rate in activity towards its long-term average. During these phases, the signals given out by businesses vary widely and do not therefore indicate any pronounced movement, either upwards or downwards. The indicator value for the last month may be revised the following month (input of responses received late) so it is necessary to wait for at least two consecutive months to be able to conclude that a large variation actually is a signal of significant cyclical change. The methodology used to compute this indicator was modified in April 2015. Further information is provided in "[New advances in the use of INSEE's business tendency surveys to analyze the short-term economic outlook](#)". Special analysis in *Conjoncture in France*, Insee, March 2015

This indicator is based on 14 monthly balances of opinion covering the current situation in the industrial, service and construction sectors:

Industry

- General production expectations;
- Past activity;
- Personal production expectations;
- Global order books;
- Export order books;
- Finished-goods inventory.

Services

- Past activity;
- Expected activity;
- Expected demand.

Construction:

- Past activity;
- Expected activity;
- Past employment;
- Opinion on order books;
- Production capacity utilisation rate.