According to the early results of the March 2022 business tendency surveys, taken just after the outbreak of war in Ukraine, prospects for activity in industry have declined sharply

Exceptionally, in this Economic Outlook, INSEE is publishing early results from the March 2022 business tendency surveys. These data are still provisional, but were collected from 25 February onwards, just after the start of the war in Ukraine, and from them we can therefore assess the first effects on the morale of business leaders. At this stage, it is above all in industry that the general prospects for activity have declined sharply, although elsewhere, other market sectors also seem to be affected (such as some services and trade). Expectations concerning tensions over prices also appear to be exacerbated by the conflict, whereas the impact on employment looks set to remain limited, in the short term at least. The full results, reflecting all the data collected, will be published by INSEE in the collection Informations Rapides *on 24 March, as planned.*

In the context of great uncertainty caused by the outbreak of war in Ukraine, an early analysis was carried out, on an exceptional basis, of the March 2022 business tendency surveys, in order to assess in advance the feelings of business leaders about the repercussions of the conflict. Although data collection is still going on, with publication planned for 24 March, the preliminary results are usable at this stage, with response rates close to three-quarters of the normal returns. The data collection period was opened on 25 February, just after the war began, and early analysis started on 14 March. During this period, the military, political and financial situation was highly volatile, which could of course affect business leaders' responses.

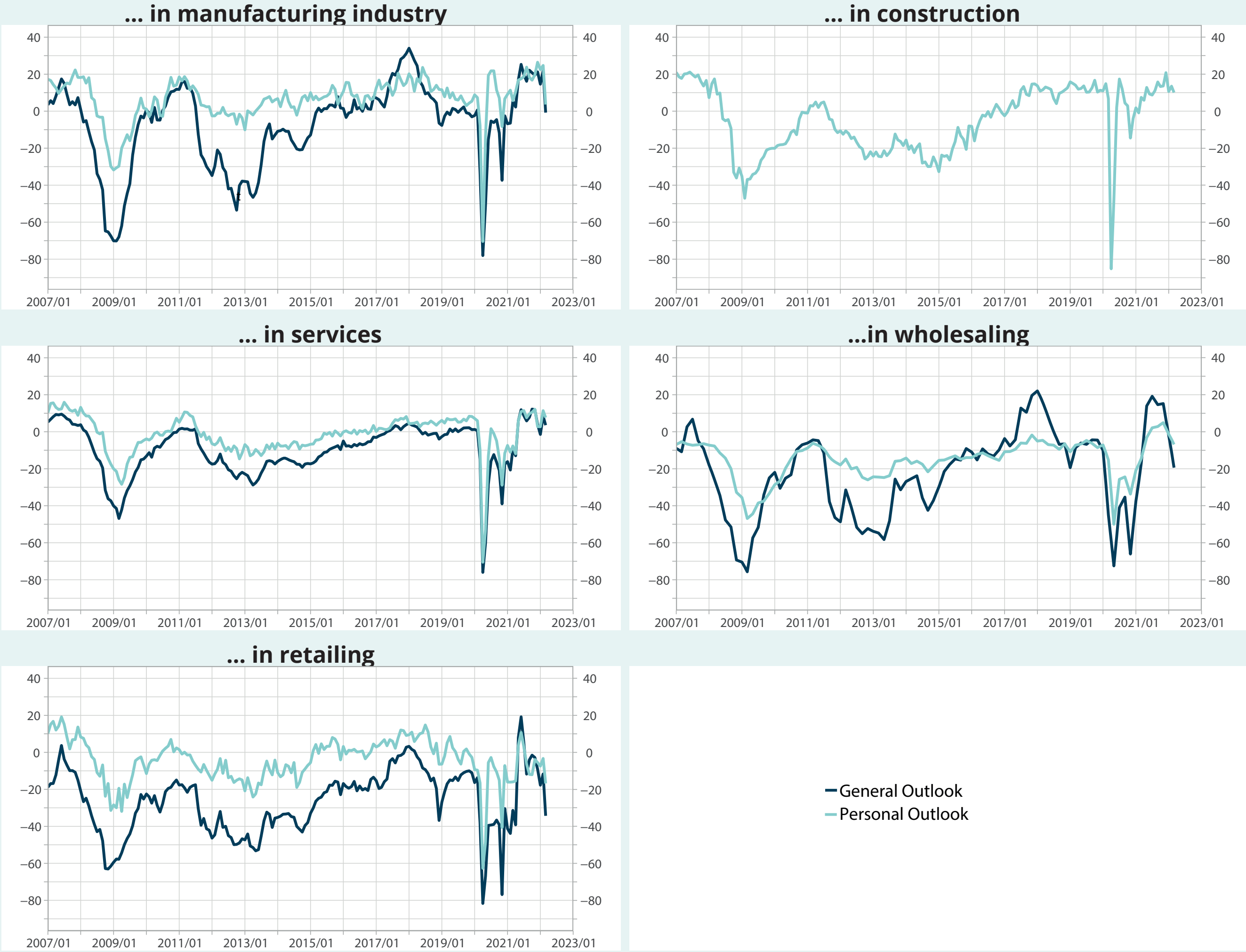
Overall, business leaders in all major sectors of activity appeared to be concerned by the repercussions of the conflict. The balances of opinion on general activity prospects are down sharply (► **Figure 1**). This deterioration is particularly striking in industry and retail and wholesale trade. All the manufacturing sub-sectors report a deterioration in their prospects, particularly transport equipment. Business leaders in market services are also concerned, although to a lesser extent, but with some more contrasted situations. For example, there is a marked deterioration in prospects for road freight transport and administrative and support services, whereas in accommodation-catering prospects are improving –no doubt linked to the return to normal of the health situation. Meanwhile, construction entrepreneurs appear to be the least pessimistic at this stage.

In addition, business leaders anticipate an increase in tensions over their selling prices (► **Figure 2**), probably linked to energy and commodity prices. Only services stand out somewhat. However, while the overall business climate is tending to deteriorate, this would not appear to be the case at this stage for the employment climate: balances of opinion on changes in workforce forecast for the next three months are still at relatively high levels (► **Figure 3**). Lastly, balances of opinion on inventory levels are up in March in industry and trade, possibly linked to the slowdown in demand (► **Figure 4**). ●

Bruno Bjai, Pierre Poulon, Julien Valentino

► 1. General and personal activity prospects...

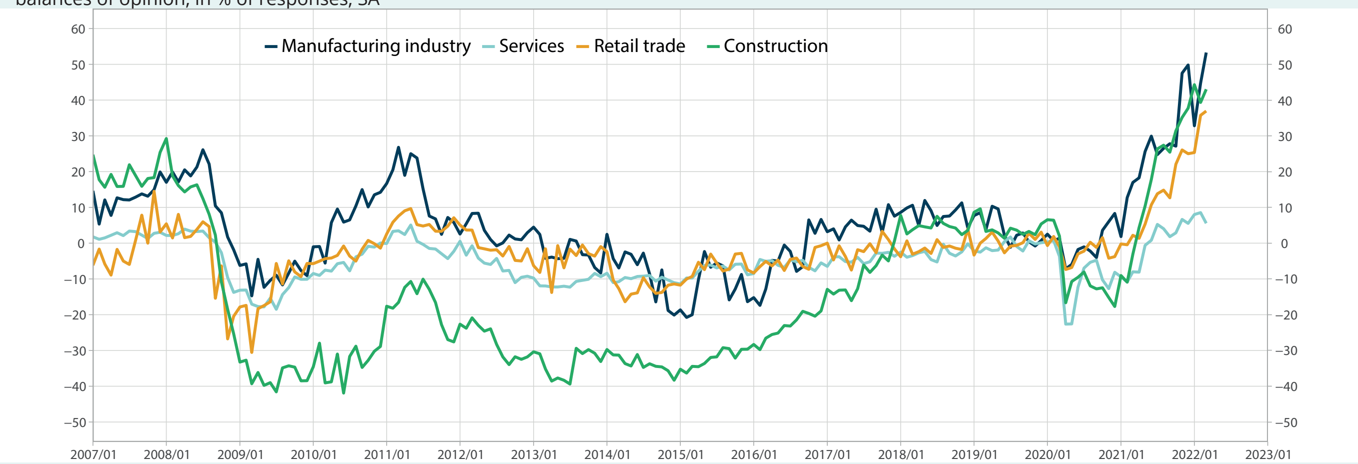
balances of opinion, in % of responses, SA



Note: responses to the question on personal prospects are weighted by turnover, those on general prospects are not weighted. In building construction, the question on general prospects is asked quarterly and was not available for March. The balance of opinion on ordering intentions is used to assess personal prospects in wholesale trade.
Last point: March 2022 (advance calculation before the full analysis of the March surveys).
Source: INSEE, business surveys

► 2. Change forecast in selling prices

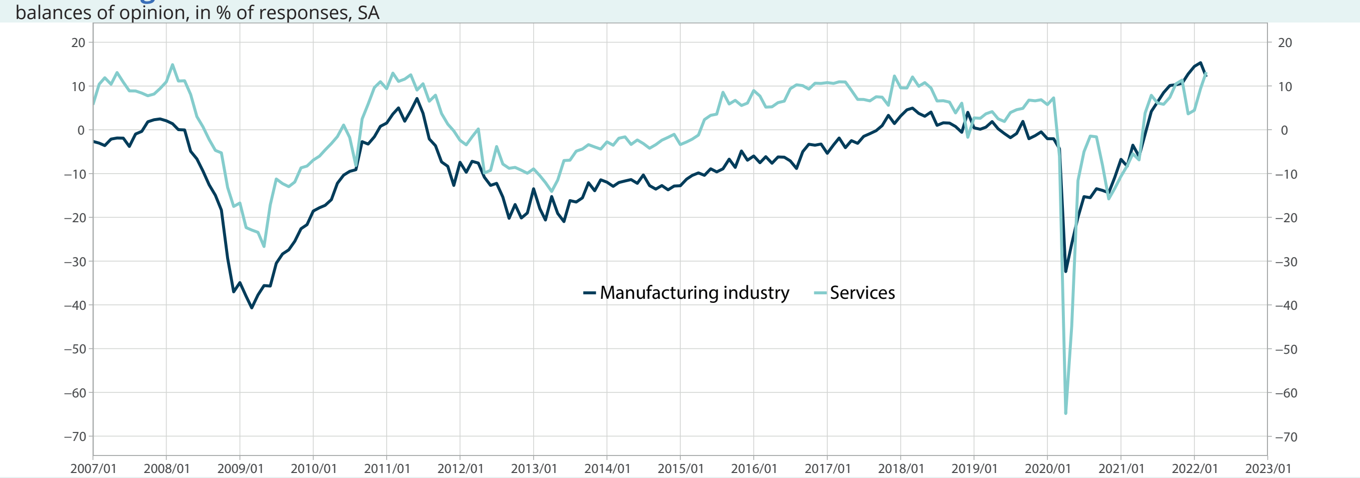
balances of opinion, in % of responses, SA



Note: responses to the question are weighted by turnover.
Last point: March 2022 (advance calculation before the full analysis of the March surveys).
Source: INSEE, business surveys

► 3. Change forecast in workforce

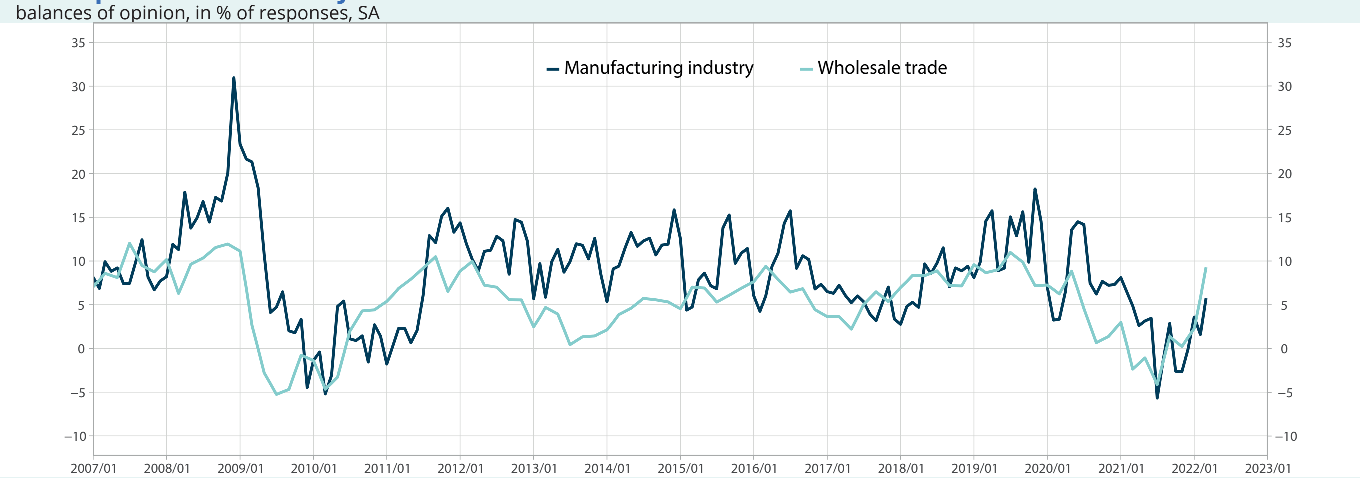
balances of opinion, in % of responses, SA



Note: responses to the question are weighted by workforce business
Last point: March 2022 (advance calculation before the full analysis of the March surveys).
Source: INSEE, business surveys

► 4. Opinion on inventory level

balances of opinion, in % of responses, SA



Note: to the question are weighted by turnover.
Last point: March 2022 (advance calculation before the full analysis of the March surveys).
Source: INSEE, business surveys

Early results of the monthly consumer confidence survey of households

Every month, INSEE surveys a huge sample of companies about the economic outlook, but they also survey a sample of households.

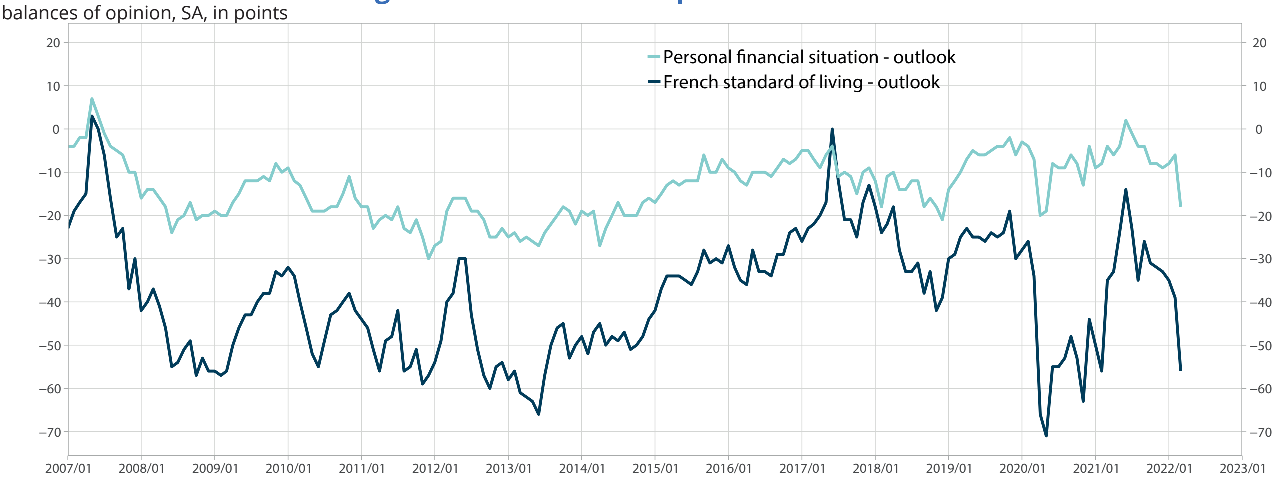
Early analysis of the data collected for the household survey was also carried out. It covers about two-thirds of the sample. The survey investigators were in the field from 24 February and the early analysis took place on 9 March. The definitive results will be published on 29 March.

According to these early results, households anticipate a sharp drop in the general standard of living in France. This decline is all the more notable because usually, periods immediately preceding presidential elections are accompanied by a clear one-off upturn in optimism on this balance of opinion. There is a sharp decline too, but on a lesser scale, in the future personal financial situation (► **Figure 5**). These downturns are accompanied by a brisk rise in expectations of future inflation.

According to these provisional results, balances of opinion on the opportunity to make major purchases and the opportunity to save are likely to decline in March (► **Figure 6**), although these downturns are expected to be much less pronounced than that in the standard of living. ●

► 5. Future standard of living in France and future personal financial situation

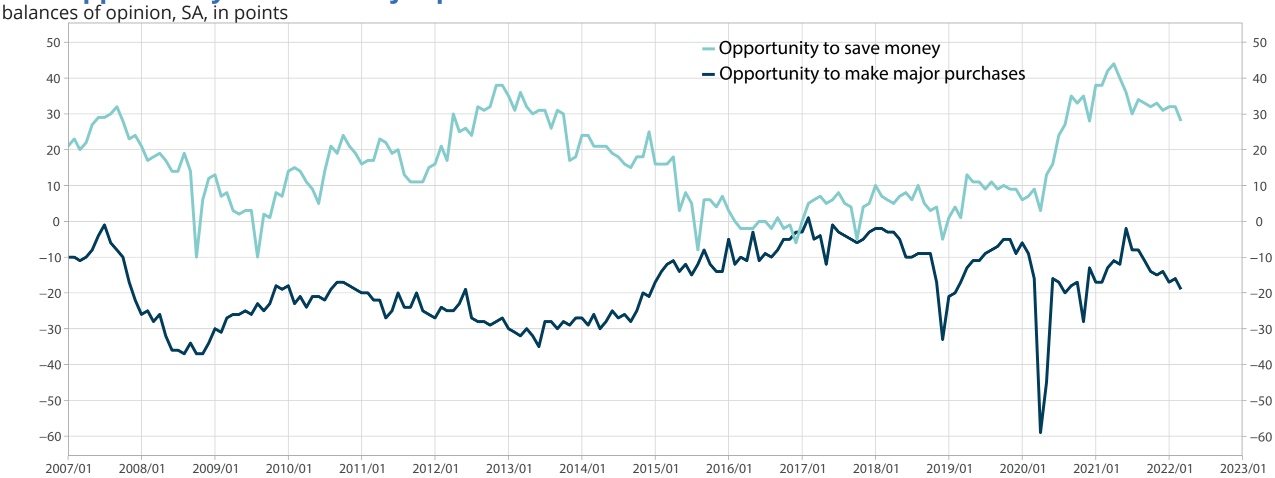
balances of opinion, SA, in points



Last point: March 2022 (advance calculation before the full analysis of the March surveys).
Source: INSEE, monthly household survey

► 6. Opportunity to make major purchases and to save

balances of opinion, SA, in points



Last point: March 2022 (advance calculation before the full analysis of the March surveys).
Source: INSEE, monthly household survey