Corporate investment

Investment by non-financial enterprises (NFEs) declined further in Q1 2024 (-0.5% after -1.1% in Q4 2023, ►**Figure 1**). Companies have continued to significantly reduce their investment in manufactured products (-1.4% after -1.6% in Q4 2023), especially in capital goods (-2.8% after -2.3%). Investment in construction also continued to decline, at the same pace as at the end of 2023 (-1.2% after -1.3%). At the same time, spending on services rebounded (+1.0% after -0.6%), driven mainly by spending on information and communication, which rose again after a significant decline in the previous quarter (+2.3% after -0.7%).

Corporate investment is expected to remain constrained by the prevailing financial conditions until the end of the year: the improvement in the economic outlook in Europe has boosted demand for French goods and hence investment but this accelerator effect will probably continue to be hampered by the cost of credit. In Q1, the issuing of loans to NFCs for investment in equipment was very low (►**Figure 2**) and French banks questioned in April 2024 for the Bank Lending Survey were still predicting a drop in the demand for credit by businesses. Business tendency surveys point towards a hesitant situation. In services, slightly more business leaders than in the previous quarter are predicting investment (►**Figure 3**). However, wholesalers dealing in industrial capital goods remain fairly pessimistic overall.

►1. Investment by non-financial enterprise (NFEs)
(quarterly and annual changes, in %, seasonally and working day adjusted)

	Quaterly changes												Annual changes		
	2022				**2023**				**2024**				**2022**	**2023**	**2024**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**			
Manufactured product (32%)	0.0	-0.8	4.4	1.0	0.4	0.3	1.3	-1.6	-1.4	-0.4	-0.2	-0.2	-0.4	3.6	-2.4
Construction (20 %)	1.3	-0.9	-0.7	1.1	0.4	-0.6	-0.7	-1.3	-1.2	-0.5	-0.8	-0.3	0.1	-0.5	-3.5
Services excl. construction (47 %)	2.2	2.1	4.5	0.5	0.6	1.6	0.8	-0.6	1.0	1.4	0.4	0.4	8.8	5.3	2.8
All products (100 %)	**1.1**	**0.3**	**3.0**	**0.8**	**0.5**	**0.5**	**0.6**	**-1.1**	**-0.5**	**0.3**	**-0.1**	**0.0**	**3.0**	**3.1**	**-0.8**

■ Forecast

Source: INSEE.

►2. New investment loans
(SA monthly flow, moving average over 3 months)
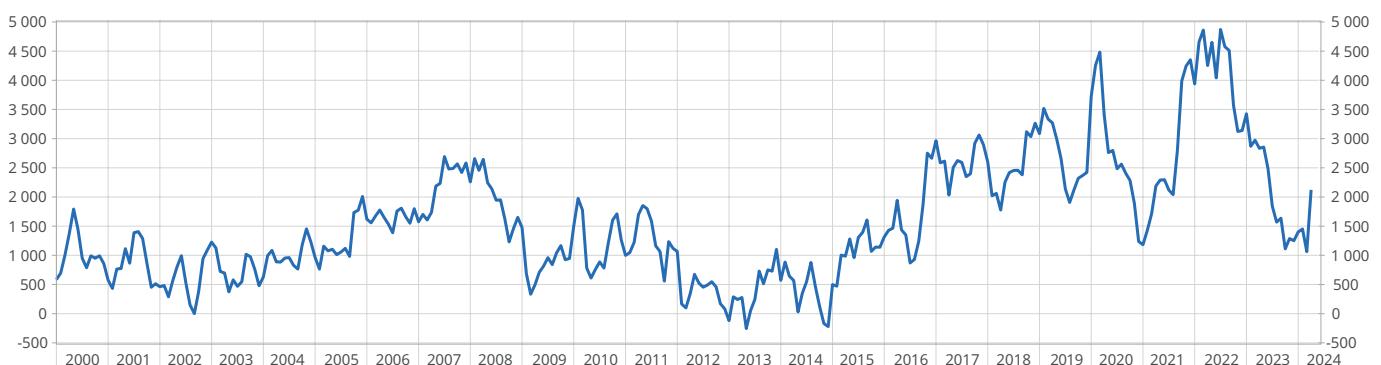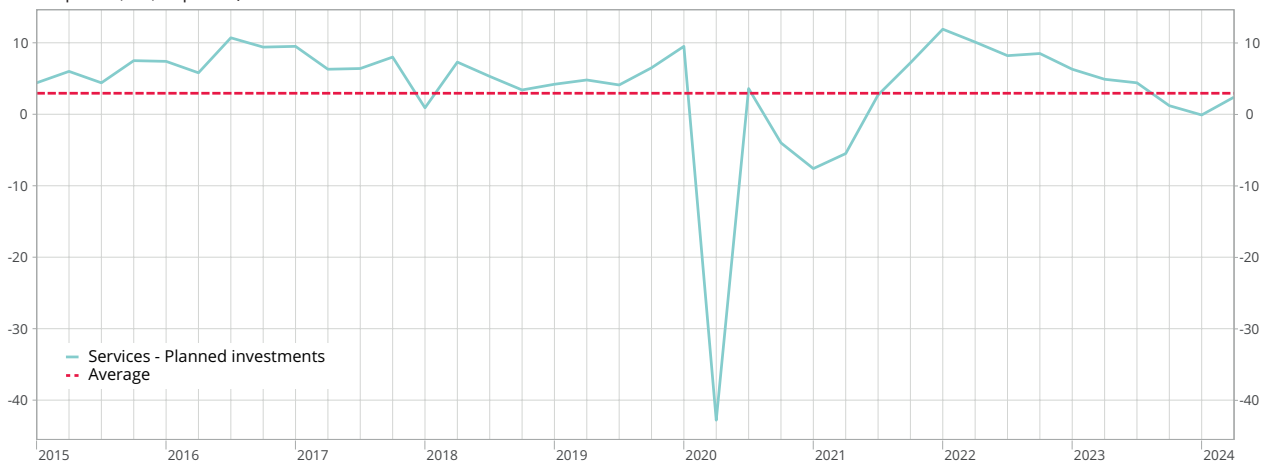

Last point: April 2024.
Source: Banque de France.

In Q2, investment by NFEs is unlikely to decline any further (+0.3% after -0.5%). Investment in services is expected to accelerate (+1.4% after +1.0%), still driven by dynamic investment in information and communication (►**Figure 4**), a sector in which the business climate remains significantly above its long-term average. The decline in investment in construction is likely to be more moderate (-0.5% after -1.2%) given the momentum in maintenance and improvement during this quarter, and also in manufactured products (-0.4% after -1.4%).

In H2, NFE investment looks set to be sluggish (-0.1% in Q3 then 0.0% in Q4): firstly, financing conditions are likely to keep deteriorating, and secondly, the increased uncertainty, reflected by increased financial volatility since mid-June, is likely to encourage a wait-and-see attitude amongst investors. Investment in manufactured products (-0.2% per quarter) and in construction (-0.8% in Q3, then -0.3% in Q4) is therefore expected to remain in decline, while investment in services looks set to slow (+0.4% per quarter). All in all, corporate investment is expected to fall by -0.8% in 2024, after +3.1% in 2023 but with very contrasting trends, depending on the product: spending on manufactured products (-2.4% after +3.6%) and construction (-3.5% after -0.5%) is closely linked to credit conditions, and is expected to fall back significantly; however, spending on services is expected to retain its momentum (+2.8% after +5.3%). ●

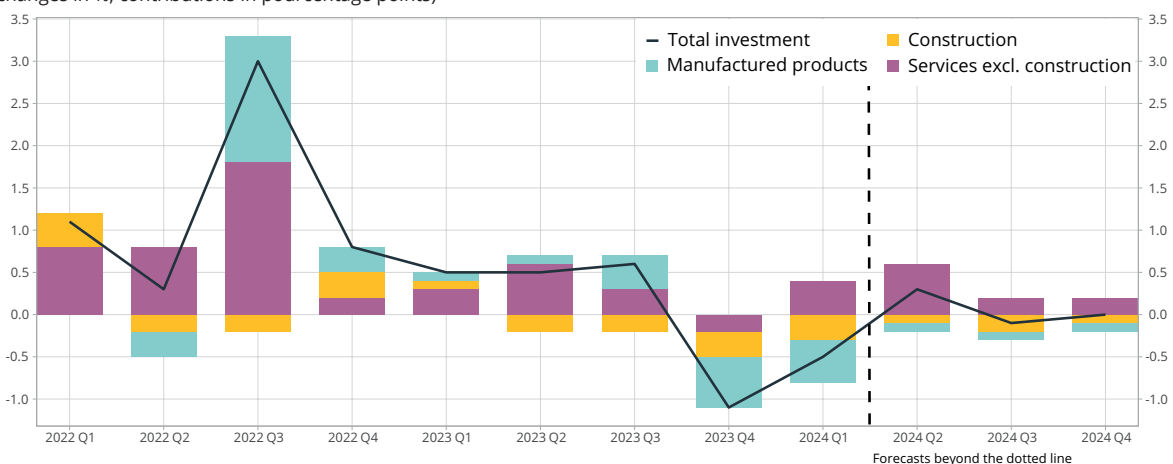## ►3. Planned investment in services
(balance of opinion, SA, in points)

Last point: April 2024.
Lecture: in April 2024, the balance of opinion on planned investment in services stood at 2.4 points.
Source: INSEE, business surveys.

►4. Investment of non-financial enterprises by product
(quarterly changes in %, contributions in pourcentage points)

Forecasts beyond the dotted line

Source: INSEE.