

Corporate investment

Investment by non-financial enterprises (NFEs) declined further in summer 2024, for the fourth consecutive quarter (-1.2% after -0.2% in Q2 2024, ► [Figure 1](#)). Investment in manufactured products fell sharply (-4.6% after -1.7% in Q2 2024), weighed down by the collapse in investment in transport equipment (-9.2% after -1.0%) which was linked to the introduction of the new European GSR-2 standard (*General safety regulation*), for heavy vehicles in particular. Purchases of capital goods and “other industrial products” continued to decline, hampered by difficult financing conditions. Investment in construction almost stabilised (-0.1% after -0.6% in Q2), but nevertheless recorded its seventh consecutive quarter of decline. At the same time, spending on services continued to grow at a sustained pace (+1.0% after +1.4%), driven by spending on both information-communication (+1.0% after +1.5%) and services to businesses (+0.9% after +1.3%).

Despite the downward trend in base interest rates started by the ECB in June 2024, bank financing conditions remain unfavourable: in October 2024, only 7% of business leaders in manufacturing industry considered that financial conditions were likely to stimulate investments planned for 2025, a proportion that has been stable since October 2022 and at its lowest in over 20 years. The outlook for demand is also gloomy: only half of industrialists believe that demand will stimulate the investment they have planned for 2025, the lowest share in over 20 years (► [Figure 2](#)). In addition, only 16% of them are planning capacity investment in 2025, after 24% in 2024, a figure that is at its lowest since 2002; the vast majority of planned investment therefore concerns the replacement or modernisation of existing equipment. In this context where there is also general uncertainty, businesses are increasingly reluctant to consider increasing their investments, both in industry and services (► [Figure 3](#)). The business climates in sectors of activity delivering goods and investment services such as capital goods, wholesale trade or information-communication, are particularly vulnerable.

► 1. Investment by non-financial enterprise (NFEs)

(quarterly and annual changes, in %, seasonally and working day adjusted)

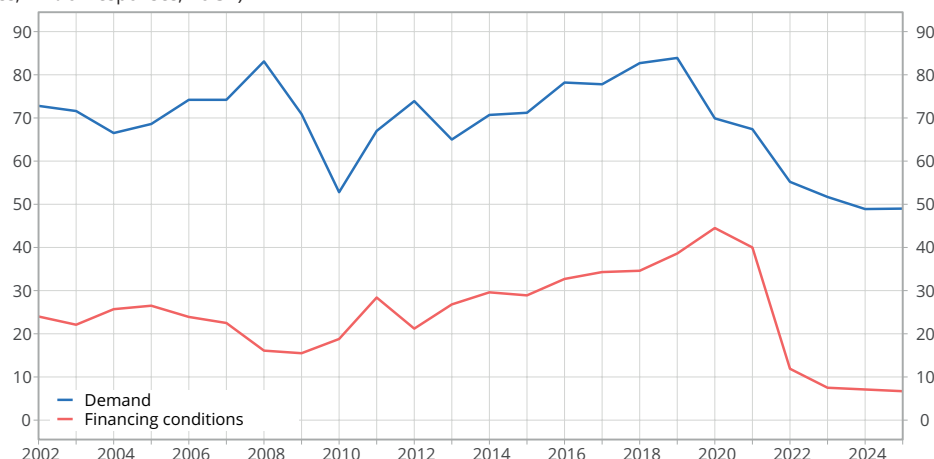
	Quarterly changes										Annual changes		
	2023				2024				2025		2023	2024	2025 ovgh
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Manufactured product (33%)	-0.2	1.0	1.2	-1.6	-2.1	-1.7	-4.6	-1.0	-0.8	-0.6	3.6	-6.1	-4.7
Construction (26 %)	-0.2	-0.2	-0.5	-1.0	-1.4	-0.6	-0.1	-0.7	-0.7	-0.7	-0.5	-3.2	-2.0
Services excl. construction (42 %)	0.5	1.5	0.7	0.0	0.7	1.4	1.0	0.5	0.5	0.5	5.4	3.1	2.1
All products (100 %)	0.1	0.8	0.5	-0.8	-0.9	-0.2	-1.2	-0.3	-0.3	-0.2	3.1	-1.9	-1.3

■ Forecast.

Source: INSEE.

► 2. Factors stimulating investment in industry

(proportion of companies, in % of responses, no SA)



Last point: 2025 (forecasts produced by companies in October 2024).

How to read it: in October 2024, 7% of industrial companies considered that financing conditions will stimulate their investments for 2025.

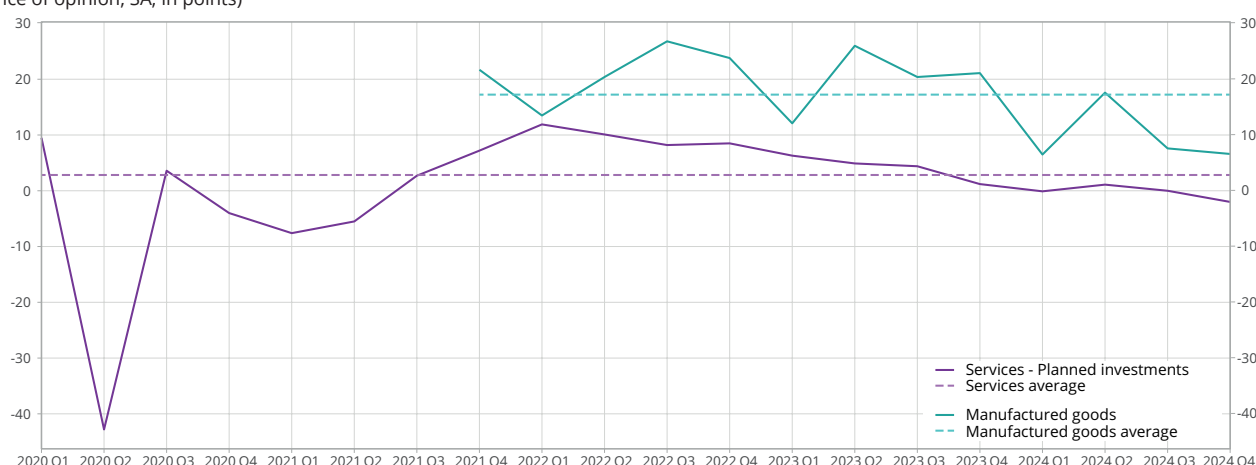
Source: INSEE, business survey in industry.

In Q4 2024, corporate investment is therefore expected to continue its decline (-0.3% after -1.2%). Although investment in services, mainly information-communication, is expected to increase (+0.5%), this growth will probably be between two and three times lower than the average pace over the last three years, at around 1.5% per quarter (► **Figure 4**). Purchases of manufactured goods look set to continue their decline (-1.0% after -4.6%): although purchases of vehicles are unlikely to fall further, after crashing in the summer, companies will probably limit their purchases of capital goods. Finally, corporate investment in construction is expected to decline (-0.7% after -0.1%), in a context where interest rates continue to be high and structural changes are being introduced: more particularly, business leaders in construction report a sharp decline in activity for the construction of non-residential buildings. Only demand for housing by social landlords looks set to hold up.

In H1 2025, NFE investment is likely to fall further (-0.3% in Q1 and -0.2% in Q2). Investment in manufactured products is expected to remain in decline (-0.8% in Q1 and -0.6% in Q2): monetary easing and the acceleration of foreign demand are likely to be supporting factors, but, conversely, the current climate of uncertainty looks set to lead to a freeze in investments (► **Figure 5**). Investment in services is expected to continue to grow more slowly than its trend pace in recent years (+0.5% per quarter), and investment in construction is likely to fall back (-0.7% in Q1 and Q2), hampered by the decline in demand for non-residential premises. All in all, the mid-year growth overhang in corporate investment is expected to be well into negative figures (-1.3%). ●

► 3. Planned investment in services and industry

(balance of opinion, SA, in points)



Last point: October 2024.

Note: the question has only been asked in this form since October 2021 in the quarterly section of the monthly business survey in industry, and previously concerned half-yearly rather than annual investment.

How to read it: in October 2024, the balance of opinion on investment forecast by companies in the industry sector stands at 6.6 points. This is the difference between the proportion of companies forecasting an increase in investment in 2025 and the proportion forecasting a decrease.

Source: INSEE, business surveys.

► 4. Investment of non-financial enterprises by product

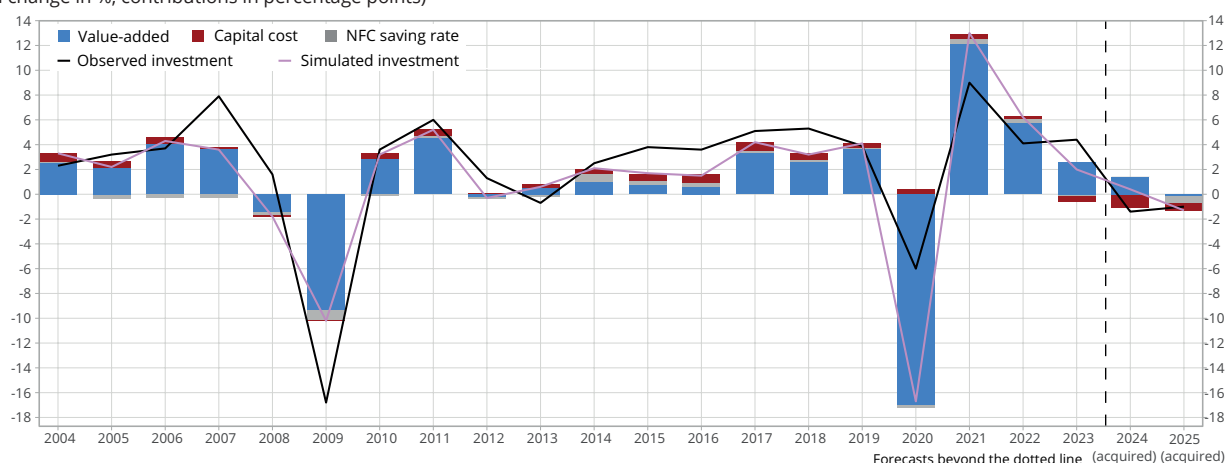
(quarterly changes in %, contributions in percentage points)



Source: INSEE.

► 5. Modeling NFC investment excluding construction

(annual change in %, contributions in percentage points)



Note : the modelling is that presented in the June 2015, *Economic outlook*: ► [Hauseux and al.](#) "Real estate prices appear to have no direct effect on investment in productive assets".

How to read it: in 2019, NFC investment excluding construction increased by 3.9%. The model simulated an increase of 4.1%, including a 3.6 points contribution from value added, 0.4 points from the cost of capital and 0.1 points from the savings rate.

Source: INSEE.