BANQUE DE FRANCE
EUROSYSTÈME

MONTHLY BUSINESS SURVEY

According to the business leaders surveyed (approximately 8,500 companies and establishments surveyed between 27 August and 3 September), while industrial activity picked up in August, growth was generally weaker than forecast last month in a number of sectors. Similarly, in the services and construction sectors, activity continued to grow but was hampered by adverse weather events in the accommodation-food services sector and in construction, which, nonetheless, continued to be buoyed by the finishing works sector.

Industrial production continued to be underpinned by capital goods and transport equipment, which were supported by the defence industry and the construction of data centres.

Cash positions remained negative in both industry and services, with significant sectoral disparities in each.

Based on a textual analysis of business leaders' comments, following a downward trend in recent months, the uncertainty indicator edged up in market services and construction: business leaders are concerned about the political climate, which is encouraging a wait-and-see approach, and fear potential operational risks linked to the implementation of the electronic invoicing reform.

For September, business leaders anticipate a higher rate of growth in industrial activity (partly due to a catch-up effect in sectors affected by the heatwave) and services, and stable growth in construction (where order books remain thin). However, the expected upturn in industry should be viewed with caution, as business leaders are finding it harder than usual to forecast their business activity, even in the short term.

Raw material prices remained under pressure, while selling prices in manufacturing and construction continued to fall due to intense competition, without having returned to pre-Middle East conflict levels. In the services sector, prices rose by a slightly higher rate than last month, particularly in transport and storage, reflecting the rise in fuel prices.

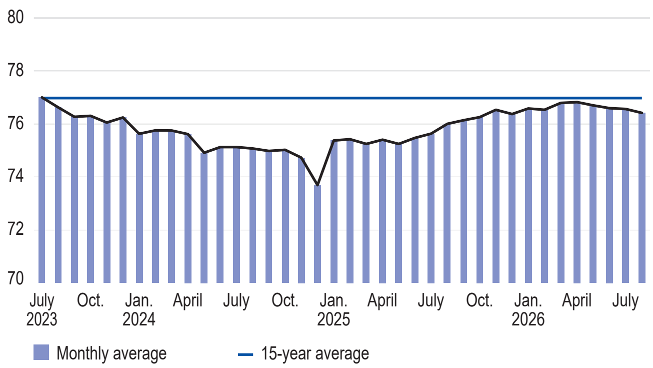
Based on the survey results, supplemented by other indicators, we estimate that GDP should grow by 0.1% in the third quarter.

1. In August, activity picked up in industry and continued to grow in services and construction

After slowing in July, **industrial production** grew in August by more than its long-term trend, but by less than business leaders had forecast last month.

The increase was driven by capital goods and transport equipment. More specifically, IT, electronic and optical products and electrical equipment surged ahead, still buoyed by the aeronautics and defence sectors as well as by the construction of data centres. The automotive and aeronautics sectors rebounded, mainly due to a catch-up effect from July, although the aeronautics sector was still contending with

THE CAPACITY UTILISATION RATE
(%)

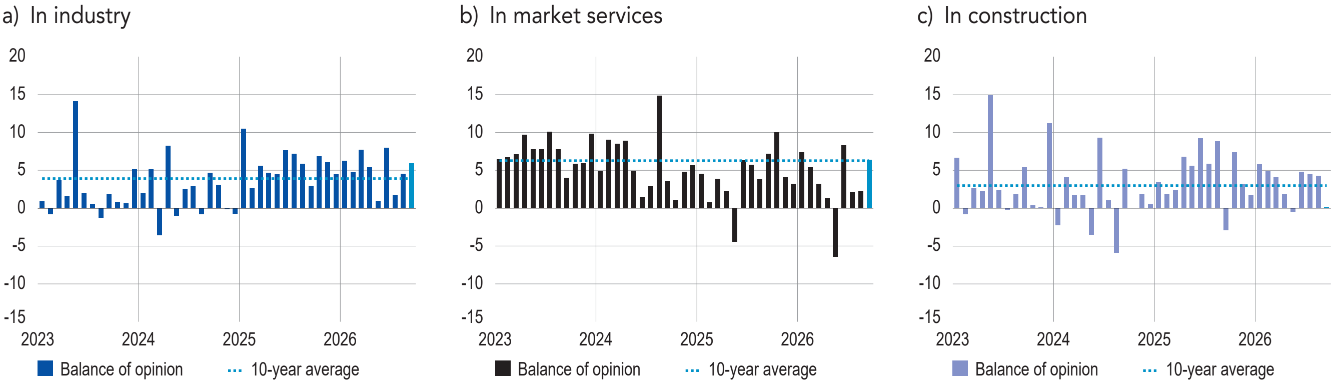


For further information, see the *methodology*, the *calendar of statistical publications*, the *contacts* and all the series published by the Banque de France are available at *WEBSTAT Banque de France*

Monthly business survey Banque de France: industry, services and construction – video

BALANCE OF OPINION ON THE OUTLOOK FOR ACTIVITY

(balance of opinion, adjusted for seasonal and working-day variations; forecast for September)



Key: The balance of opinion on the change in activity (which measures the difference between the proportion of businesses reporting an increase in activity and the proportion reporting a fall over the past month) stood at 5 percentage points for August in industry. For September (light blue bar), business leaders in industry expect activity to increase by 6 percentage points.

supply issues. Non-metallic mineral products (rubber, plastic and glass) also recovered as inventories were replenished. Despite pressure on input prices linked to the heatwaves, overall activity in the agri-food sector increased thanks to summer products – ready-to-eat or pre-cooked meals – which are very popular with customers during periods of intense heat. Conversely, activity in chemicals, other manufacturing industries and the wood, paper and printing sectors contracted. In particular, business leaders reported more difficult production conditions due to successive heatwaves and storms, as well as to measures taken to interrupt the water supply.

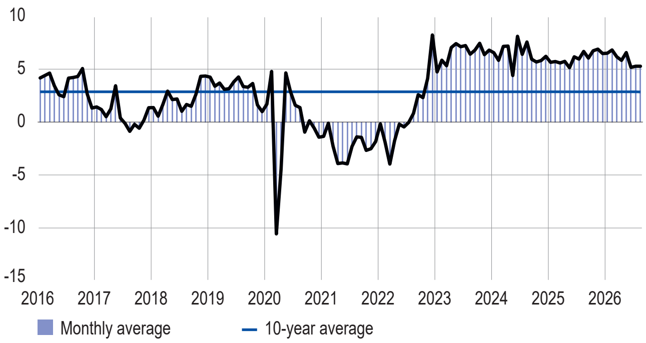
The capacity utilisation rate was 76.4% (compared with 76.6% in July), dragged down in particular by the wood, paper and printing sector and other manufacturing industries. Inventories remained stable at a level deemed to be above normal. They declined especially in the non-metallic mineral products, aeronautics and metal and metal products sectors. By contrast, they increased in IT, electronic and optical products and were being replenished in the electrical equipment sector following significant destocking in July.

In **market services**, activity grew at a moderate pace overall, more or less in line with the expectations of business leaders last month, albeit at a very uneven rate across the different sub-sectors. For example, growth continued to be very strong in publishing, particularly software publishing, and it picked up in management consultancy as well as in legal and accounting activities, thanks to the deployment of electronic invoicing. It rebounded in motor vehicle rental, business cleaning services and event management operations, buoyed by the summer holidays. In the accommodation and food services sector, activity grew by less than expected due to the adverse impact of heatwaves (a drop in the number of foreign guests). Temporary work remained stable, while vehicle repairs and personal services declined.

In the **construction** sector, activity continued to grow at a pace similar to that witnessed in July, but well below expectations,

INVENTORIES OF FINISHED GOODS IN INDUSTRY

(balance of opinion, adjusted for seasonal and working-day variations)



particularly in structural works. The finishing works sector remained buoyant, thanks to air conditioning and thermal protection work, mainly in public buildings.

In **industry**, cash positions deteriorated. They continued to decline in the automotive sector (mismatch between supplier and customer payments) and the agri-food sector (rising input prices), despite more favourable business conditions in both sectors. They were deemed to be weak in several other sectors, namely chemicals, metal and metal products, non-metallic mineral products, and wood, paper and printing. They declined in the IT, electronic and optical products sector, as well as in the aeronautics sector, where cash positions nevertheless remained very comfortable.

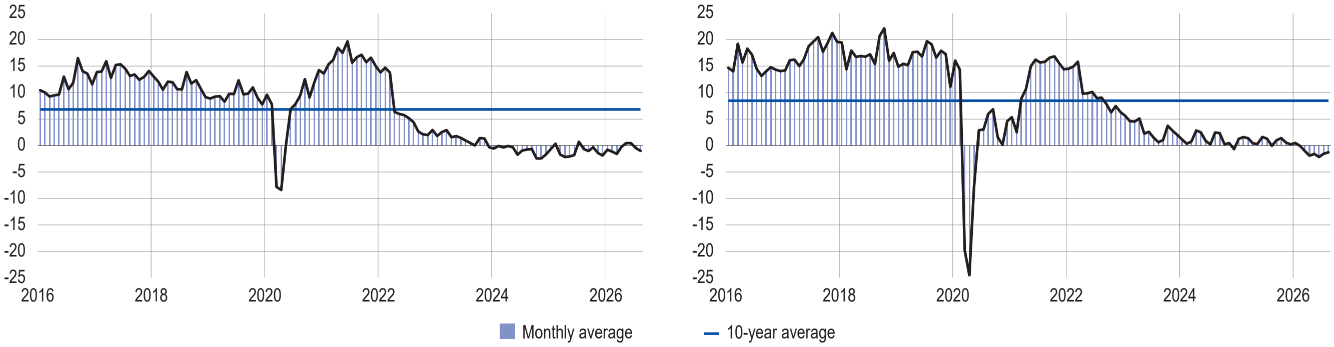
In **market services**, cash positions continued to move back towards a level deemed to be normal although the picture varied across the different sectors. For example, they returned to positive territory in transport and storage, where selling prices adjust immediately to changes in fuel prices. They improved in advertising and vehicle rental. Conversely, they deteriorated in personal services, temporary work, and in accommodation and food services.

CASH POSITION

(balance of opinion, adjusted for seasonal and working-day variations)

a) In industry

b) In market services



2. In September, activity is expected to strengthen in industry and services and remain stable in construction

For September, business leaders expect **industrial production** to accelerate significantly. Activity should pick up again in clothing, textiles and footwear, wood, paper and printing, other manufacturing industries and the chemicals sector, driven by a catch-up effect from the summer (heatwaves, technical incidents, supply chain difficulties). It is expected to strengthen in the aeronautics sector. Conversely, the electrical equipment sector is forecast to contract slightly, following the robust growth recorded in August. This acceleration of production in September needs to be viewed with caution, as business leaders are finding it increasingly difficult to forecast their activity, even in the short term.

Order books are expected to grow slightly above normal levels but remain well below their long-term average. They should strengthen in IT, electronic and optical products, electrical equipment and the aeronautics sector (domestic and international orders linked to defence and data centres). Order books should improve in other manufacturing industries and in the clothing, textiles and footwear sector (thanks to foreign orders from the luxury and leather goods sectors). However, they are expected to deteriorate further in the metal and metal products sector and remain very weak in non-metallic mineral products, agri-food and the wood, paper and printing sectors[NO1.1].

In **market services**, business leaders also expect stronger growth in activity than in August, with positive trends across nearly all sectors. Activity is expected to pick up in the accommodation sector (catch-up from the summer period), as well as in temporary employment, with increasing demand from companies that do not wish to commit to permanent employment contracts. Activity is forecast to grow in business services and remain buoyant in publishing (particularly software), vehicle rental and cleaning. Only leisure and personal services and advertising are expected to record little change.

In **construction**, activity should remain virtually stable in both structural and finishing works since order books are still thin and, in the case of structural works, very weak.

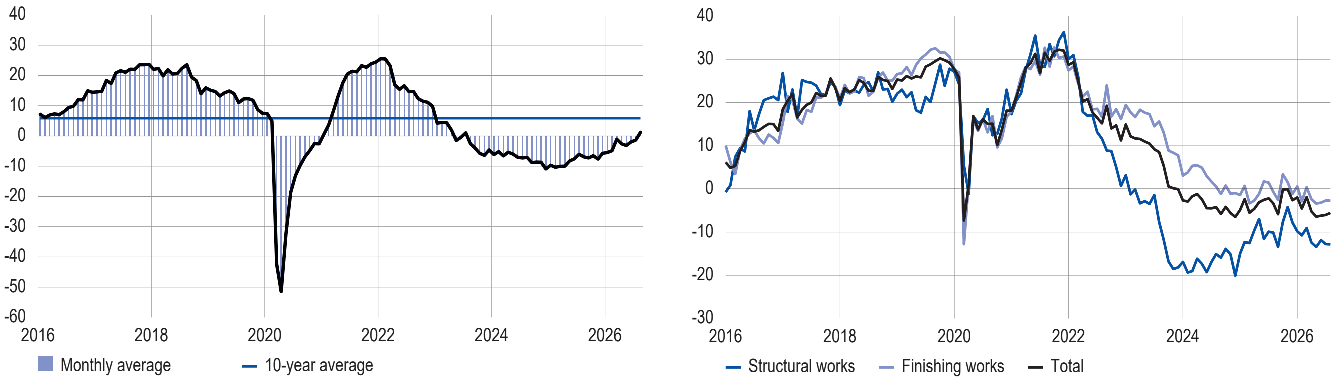
The uncertainty indicator – based on a textual analysis of business leaders' comments – has been trending downwards since its peak in March, albeit with a slight uptick in August in market services and construction. In both sectors, which are more sensitive to domestic developments, there are concerns about the political environment, which is encouraging a

LEVEL OF ORDER BOOKS

(balance of opinion, adjusted for seasonal and working-day variations)

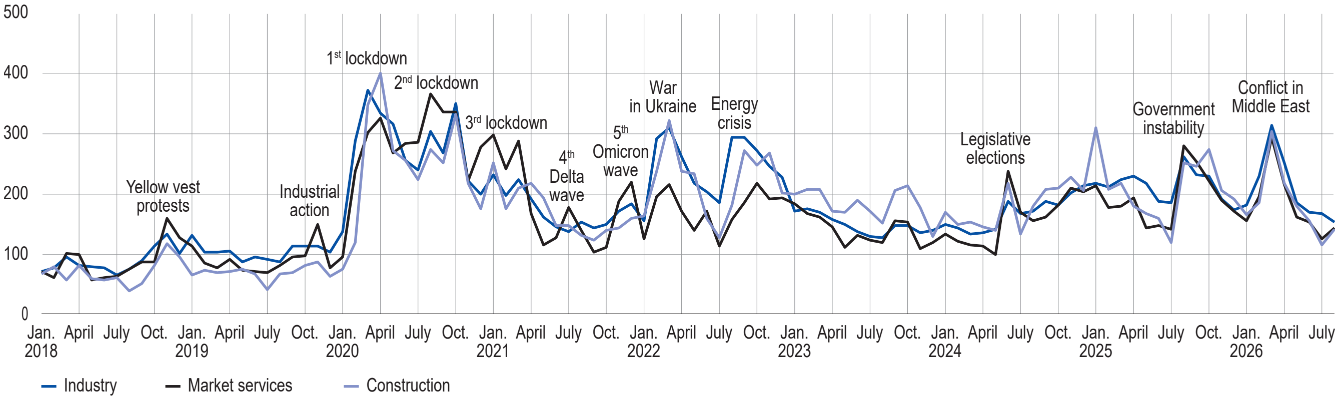
a) In industry

b) In construction



INDICATOR OF UNCERTAINTY IN THE COMMENTS SECTION OF THE MONTHLY BUSINESS SURVEY

(unadjusted data)



Note: The reference value is set at 100 and corresponds to the value around which the indicator fluctuates in normal periods.

wait-and-see approach, and fears over potential operational incidents linked to the introduction of electronic invoicing.

3. Supply difficulties and price rises remained limited in August

In August, supply difficulties remained limited and only 11% of **manufacturing firms** reported any, the same figure as in July. However, these difficulties were still significant in the aeronautics sector, where close to a third of the firms surveyed reported constraints on certain critical components and materials, as well as on capacity within the supply chain. In the **construction** sector, reports of supply difficulties declined from 9% to 6% (persistent pressure on insulation materials).

In industry, the balance of opinion on raw material prices rose in August but remained well below the levels reached in the spring when the conflict in the Middle East broke out. Pressure on inputs impacted most sectors and intensified for electrical equipment, IT, electronic and optical products, pharmaceuticals and the agri-food sector (particularly meat and grains, due to livestock losses and poor yields caused by the heatwave and drought).

The balance of opinion on industrial selling prices continued to decline. Increases in selling prices were more pronounced in the aeronautics and agri-food sectors. They slowed down slightly, but remained sustained in electrical equipment and IT, electronic and optical products (where strong demand makes it easier to pass on input costs), as well as in non-metallic mineral products and chemicals, probably due to delayed pass-through of increases in input costs last spring. In several industries, notably the automotive, agri-food, pharmaceuticals, machinery and equipment, and other manufacturing industries, selling prices rose less frequently than raw material prices, due to persistent competitive pressure or contractual clauses.

Overall, 11% of industrial firms reported having raised their selling prices in August, compared with a long-term average of 6%. For September, 11% planned to raise their prices, which is very close to the historical average for the month (9%). They did not therefore, expect a new wave of price

CHANGE IN SELLING PRICES BY MAJOR SECTOR

(balance of opinion, adjusted for seasonal and working-day variations)

increases to offset higher input costs due to the conflict in the Middle East.

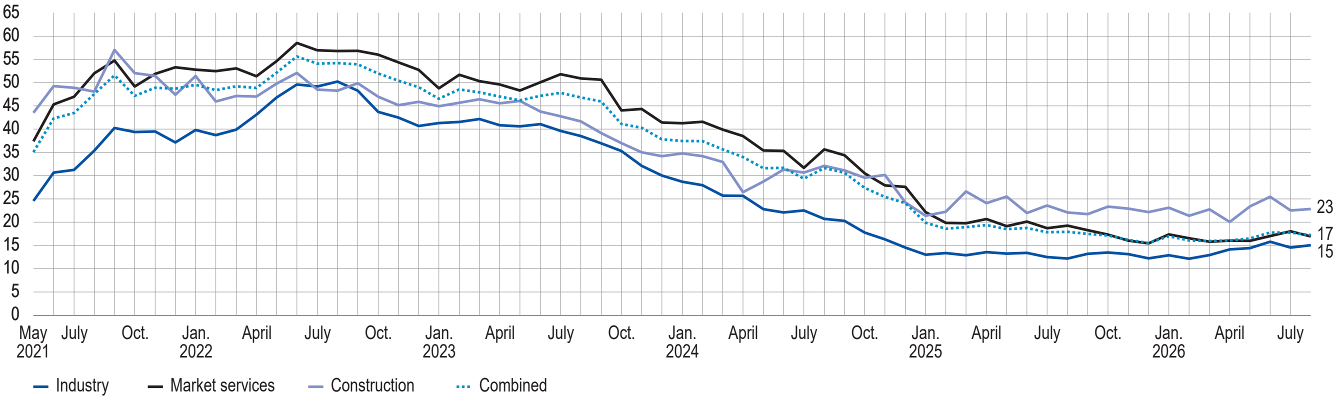
In **construction**, the balance of opinion on quote prices also continued to fall: firms only passed on part of the increase in material costs, in the face of persistently weak demand and fierce competition. The share of firms having raised their quote prices was 4%, in line with the proportion usually observed in August. For September, 7% expected an increase, which is slightly below the historical average for this month (9%).

In the **market services** sector, while remaining at a moderate level, the balance of opinion on selling prices edged up slightly, due mainly to the transport and storage sector, which passes on fuel price increases immediately. For September, 8% of firms planned to raise their prices, which is higher than the historical average for the month (6%). Future increases are expected to impact mainly accommodation, transport and storage, and certain business services (programming and consulting).

Across all three main sectors of the economy, 36% of firms raised their selling prices at least once between March and August, compared with the usual 20% over the same period; these figures are unchanged when compared to the March to July period.

SHARE OF BUSINESSES REPORTING RECRUITMENT DIFFICULTIES

(%, unadjusted data)



Finally, recruitment difficulties affected 17% of businesses in August, a slight drop on the July figure. Difficulties eased in the services sector (17%) and remained stable in construction (23%) and industry (15%).

4. Our estimates suggest that GDP should grow by 0.1% in the third quarter

The detailed results of the quarterly accounts published by INSEE at the end of August revised GDP growth down to 0.0% in the second quarter of 2026 (compared to 0.2% in the preliminary estimate). Activity declined significantly in agriculture and construction. It remained stable in the energy sector and market services and grew in non-market services and industry. The downward revision of growth following the release of the detailed results was primarily due to the inclusion of price data for market services, which were more buoyant than expected, thereby reducing the real value added for these services; and to a lesser extent, to the revision of agricultural value added following this summer's heatwaves.[1]

Based on the results of our monthly business survey and other available data (INSEE industry production indices and surveys and high-frequency data), GDP should grow by approximately 0.1% in the third quarter. This forecast factors in the negative impact of the heatwave on third-quarter GDP at around half a tenth of one percentage point excluding agriculture, and at –0.1 percentage point for 2026 as a whole, mainly due to the decline in agricultural value added.

Economic activity should be underpinned by market services, particularly information and communication, trade and business services. Value added is expected to grow in the energy sector, driven by an increase in electricity consumption during heatwaves. Conversely, economic activity is expected to decline in construction, due to a contraction in public works, and in industry, continuing the significant decline in production recorded in June and July, although this should be mitigated by the rebound indicated in the survey from August onwards.

QUARTERLY CHANGES IN GDP AND VALUE ADDED IN FRANCE

(%)

Activity sector	VA share	Q2 2026 (QoQ)	Q3 2026 (QoQ)
Agriculture	2	-3.1	-1.6
Manufacturing industry	10	0.3	-0.3
Energy, water, waste	2	0.0	0.5
Construction	5	-0.6	-1.0
Market services	59	0.1	0.2
Non-market services	22	0.3	0.1
Total VA	**100**	**0.1**	**0.1**
GDP		**0.0**	**0.1**

Sources: INSEE data for the first and second quarters of 2026, Banque de France forecast for the third quarter of 2026.
Note: QoQ = quarterly change.

1 "In the second quarter of 2026, GDP remained stable (+0.0%, after –0.2%) and household purchasing power declined significantly (by 0.6% per unit of consumption)." (INSEE, Informations Rapides, No. 212, August 2026).