

Corporate investment

Investment by non-financial enterprises (NFEs) increased at a steady pace in Q4 2020 (+1.2%) and Q1 2021 (+1.0%), driven mainly by investment in services. In Q1 2021, it was only 1% below its Q4 2019 level, before the health crisis.

Available information, including that from the business tendency surveys, suggests that investment by NFEs would appear to have slowed in Q2 2021, held back by investment in manufactured goods, mainly as a result of sourcing difficulties. Then in H2, NFE investment is expected to return to a more sustained growth rate, although slower than that in activity. All in all, investment by NFEs is likely to increase by 9.5% in 2021 compared to 2020.

In Q1 2021, investment was close to its pre-crisis level

In Q1 2021, investment by NFEs increased by 1.0%, following on from Q4 (► [Figure 3](#)). It is therefore getting close to its pre-crisis level (-1% below this level in Q1 2021, after -2% in the previous quarter, ► [Figure 1](#)).

Investment in services, which was already above its pre-crisis level in late 2020, rose by 1.0% in Q1 2021, through investment in information and communication services.

Meanwhile, investment in construction increased by 0.9%, still well down on its pre-crisis level (8% below the Q4 2019 level). Problems with sourcing in some

companies in this sector could partly explain the relative weakness of investment in construction. The share of companies in the building sector who say they are unable to produce more due to insufficient sourcing increased from 1 to 10% between January and May 2021, the highest level since 2001.

Finally, investment in manufactured goods increased by 1.1% after a decline in Q4 2020 (-1.6%). Investment in automobile equipment fell sharply in Q4, probably as a result of the second lockdown; it barely recovered in Q1. The reason is most likely to be the shortage of electronic chips, which has penalised the sector since the end of 2020. 39% of French industrialists in the sector manufacturing transport equipment said in April 2021 that they were experiencing sourcing difficulties (► [Focus](#) in *Economic Outlook* of May 2021).

The opinions expressed by companies suggest that the rise in investment will continue

Business outlook surveys on services suggest an acceleration in Q2 in investments by companies in the sector. The balances of opinion on quarterly change in their investment, both past and expected, increased in May 2021 to their highest level since February 2020. In addition, according to the quarterly outlook survey on industry, production capacity appears to be more and more in demand.

► 1. Difference to Q4 2019 of investment by non-financial enterprise (NFEs)

in %, SA-WDA volume

	Weight in Q1 2021	2020			2021
		T2	T3	T4	T1
Manufactural products	33%	-29	-3	-4	-3
of which equipment goods	12%	-24	-3	-2	-1
of which transport material	10%	-45	-4	-8	-7
of which other industrial products	11%	-19	-2	-3	-1
Construction	22%	-35	-7	-9	-8
Services	45%	-7	-2	3	4
of which Information and communication	25%	-4	-2	4	6
of which corporate services	19%	-10	-2	2	3
All NFEs	100%	-21	-3	-2	-1

Source: INSEE, quarterly national accounts in 2014 base

French economic outlook

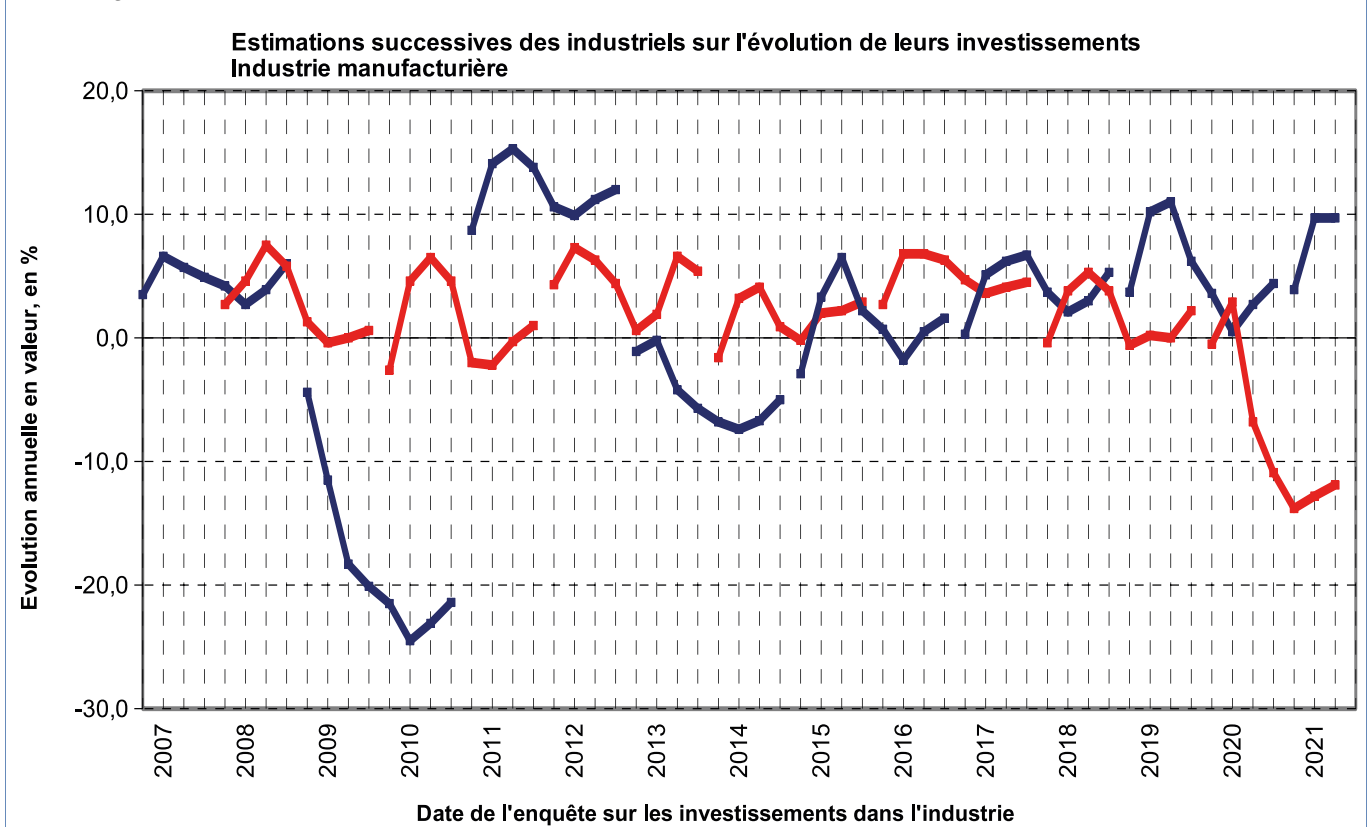
In the April 2021 business outlook survey on investment in industry, industrialists anticipated a 10% rise in value of their tangible investments and software in 2021 (► **Figure 2**). However, in this survey, the April estimates are often higher than the change ultimately observed a year later. In addition, the balance of opinion on the expected change in industrialists' investments for the next half-year exceeded its long-term average in April 2021.

In Q2 2021, corporate investment is expected to slow

Despite these positive signals, several factors suggest that the rise in investment would appear to be limited to Q2 2021.

Firstly, investment in manufactured goods would appear to have fallen back slightly, affected by a further decline in investment in transport equipment. In fact, the shortage of electronic chips would appear to have severely affected automobile production in Q2 and thus limited investment. Investment in capital goods would appear to have increased slightly: despite the balances of opinion of capital goods wholesalers on their expected orders being on the increase, production in the capital goods sector was virtually stable in April. Finally, investment in "other industrial products" would appear to have slowed in Q2, with the balances of opinion on expected sales declining slightly since April in the sectors of metallurgy and the installation and repair of machinery and equipment.

► 2. Successive estimates by industrialists of change in their investments, manufacturing industry



Note: the quarterly survey of investment in industry estimates investments in a given year eight times, with enterprises revising their investment plans during the year. As can be seen from the regular shape of the curves for successive estimates of change in investments, for any given year, this revision follows a seasonal profile. For example, as a general rule, the second estimate is higher than the first. Estimates therefore cannot be compared unless they were produced in the same month.
 How to read it: growth in value of spending on tangible investments and software between 2019 and 2020 was estimated at -1% in October 2019, +3% in January 2020, -7% in April, -11% in July, -14% in October, -13% in January 2021 and -12% in April. Estimates from the April 2021 survey are shown by a red circle.
 Source: INSEE, quarterly survey on investment in manufacturing

Investment in construction should also be stable in Q2. Although the building production index declined in April, as it has done since January, construction entrepreneurs have a favourable opinion on future change in their activity. The balances of opinion on expected activity, as expressed in the outlook surveys of companies in building construction and civil engineering, have indeed improved since the beginning of 2021.

To conclude, investment in services would appear to have increased slightly. Investment in services has certainly increased according to trend, but investment in information and communication services and in research and development is already well above its pre-crisis level and should now grow more slowly.

In H2 2021, corporate investment should resume a more sustained level of growth

In H2, investment in manufactured goods is expected to rebound, in line with the gradual recovery of production in the automobile industry and hence with investment in transport equipment. Investment in construction looks set to pick up again, provided that difficulties with sourcing in the sector are dealt with, because industrialists in the building sector report that their order books are unusually full. Finally, investment in services should continue its long-term growth.

The growth forecast in NFE investment in Q3 and Q4 2021 is therefore likely to be less than that in activity. One factor to account for this may be found in the sectoral composition of the current recovery; the sectors that are expected to drive the upswing in activity in H2 2021 – accommodation and catering, services to households, etc. – are not those that structurally invest the most. This composition effect can already explain in part the relatively good performance of corporate investment in 2020, compared to the collapse in value added (► **Focus**). All in all, NFE investment is expected to increase by 9.5% in 2021. ●

► 3. Investment by non-financial enterprises (NFEs)

at previous year's prices, chain-linked, seasonally adjusted, in %

	Quarterly changes												Annual changes		
	2019				2020				2021				2019	2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			acquis
Manufactured product (33 %)	1.8	0.9	0.4	-0.6	-14.2	-17.6	37.7	-1.6	1.1	-0.3	1.0	0.9	2.2	-12.6	11.4
Construction (22 %)	-1.0	0.8	0.4	-0.8	-14.8	-23.5	43.1	-2.4	0.9	0.0	1.0	1.0	0.3	-16.5	10.6
Services (45 %)	-0.6	2.0	2.0	0.8	-2.3	-4.4	4.9	5.3	1.0	0.9	1.0	0.5	4.4	0.2	7.6
All NFEs (100 %)	0.1	1.4	1.1	-0.1	-9.2	-12.8	22.1	1.2	1.0	0.3	1.0	0.7	2.7	-8.1	9.5

■ Forecast

Source: INSEE, quarterly national accounts in 2014 base