SMES' BUSINESS CLIMATE SURVEY FOR THE FIRST HALF OF 2024

THE REBOUND IS A LONG TIME COMING

JULY 2024

METHODOLOGY

For the 79th half-yearly business climate survey, nearly 40,000 companies in non-agricultural commercial sectors, with from 1 to 249 employees and a turnover of less than €50 M, were questioned in the spring of 2024.

5,136 replies, received between 13th May and 11th June 2023, and judged complete and reliable, were used on a national level and were broken down to cover all the regions except for Corsica and the Overseas Territories, for which the numbers of responses were insufficient.

Specific questions on the ecological and environmental transition and the greening of vehicle fleets were introduced for the entire sample. 5,006 complete responses to these questions were analysed.

The responses to these specific questions were adjusted for two factors, to replicate the demography of French SMEs(1):

- The number of employees, in order to correct for an under-representation of SMEs(2) with less than 10 employees among the respondents
- The business sector, to correct for an over-representation of Industry and an under-representation of the Tourism sector

The adjustment was made based on the numbers of companies in the various categories.

(1) Small and medium-sized companies, with fewer than 250 employees and whose annual turnover is less than €50 M or whose annual balance sheet is less than €43 M

(2) Very small companies, with fewer than 10 employees and whose annual turnover or total balance sheet is less than €2 M

DEFINITIONS

Indicators or balance of opinion figures are classic tools used in business climate surveys to monitor changes in assessment of the main socio-economic factors (business activity, employment, exports, investments...) and financial parameters (cash flow, access to credit, etc.) over time.

They correspond to balance of opposing opinion percentages:

- **Changing indicator** = [(x% "on the rise") – (y% "in decline")] X 100
- **Indicator level** = [(x% "good/easy") – (y% "bad/difficult")] X 100

Percentages of neutral opinion ("stable" or "normal"), which make up any shortfall to arrive at 100% of responses, are therefore not taken into account in the calculation of this type of indicator.

A company is described as "innovative" if it has implemented at least 1 of the following 5 actions in the last 3 years:

- financed research and development (internal or external) or recruited R&D staff;
- acquired an operating licence for a process or technology;
- registered a patent, brand, design or model;
- developed a new or significantly improved product or process (service) for a third party;
- marketed a new product, good or service (excluding simple resale of new products bought from other companies and excluding modifications in the appearance or packaging of already existing products) or used a new production, marketing or organisational process (or method). In addition, no analogous product or process is already marketed or used by any competitors.

A "high-exporting" company generates more than a quarter of its business outside France, **an "average exporting" company** between 6% et 25% et **and a "non-exporting" company** less than 6% (including 0%).

SUMMARY OF RESULTS

The business activity of French SMEs is once again expected to slow in 2024, against a backdrop of weak demand. The balance of opinion on turnover was down 10 points year-on-year to +2, well below its historical average, while order books remain lean. The climate is particularly difficult for Construction, Commerce and Transport, and sluggish in Industry, while services are faring better. Employment is expected to hold up better than business activity again this year, particularly in Industry.

Cash flow is stabilising. The indicator for recent changes in cash flow, steadily deteriorating since reaching its high point in 2021, has stopped falling and is now above its long-term average. A quarter of SMEs consider their cash position to be difficult, a proportion that has remained stable over the past year. **Fears of non-repayment of State Guaranteed Loans (SGL) remained stable**, at 4% of SMEs that have obtained an SGL. Repayments are also accelerating, with 19% stating they have already repaid their loan in full (up 3 points in 6 months) and 10% planning to repay their loan in full by the end of 2024.

Credit conditions remain favourable. Weak demand is once again the main obstacle to investment, ahead of the cost of credit. Access to credit, which had tightened since the end of 2021, stabilised at the beginning of 2024 and even eased slightly on the investment credit side. The cost of credit, which at the end of 2023 had become the top obstacle to investment due to the surge in interest rates offered to SMEs (from 1.4% in April 2022 to 5.2% in December 2023), remains a major obstacle. However, it is less potent than in the previous half-year (cited as an obstacle by 49% of managers in May 2024, compared with 56% in November 2023), while interest rates offered to SMEs have begun to fall (to 4.9% in April 2024). Weak demand is once again the main brake on investment (52%).

Investment is expected to continue its slowdown this year. 43% of SMEs have already invested or plan to invest in 2024, a proportion down 2 points over 1 year. The capital expenditure indicator lost 6 points year-on-year, to -9, and is now below its long-term average (-4). Industry is performing well, with 57% of managers planning to invest, a proportion not only higher than in the other sectors, but also close to its long-term average, unlike the other sectors.

Green investments are also slowing. 28% of SMEs made such investments in 2023, a proportion down 7 points year-on-year and 14 points over 2 years. The balance of opinion on the change in amounts invested this year fell 3 points year-on-year to +2. When asked about their intentions beyond 2024, only 26% plan to invest. Despite this weaker enthusiasm for green investments, **the greening of the car fleet is making progress.** Currently, 4% of company vehicles are electric. Few SMEs have already started to electrify their vehicle fleets (1/10). Those that have done so have relatively more vehicles and have electrified around 1/5 of their fleet. Over the next 12 months, 16% of vehicles purchased (or leased) will be electric. More than three-quarters of the SMEs planning to buy an electric vehicle within the year currently have no electric vehicles in their fleet. Range and purchase price are the main deterrents to the acquisition of electric company vehicles.

Business activity is expected to remain sluggish in 2025. The business outlook indicator has stabilised at +16, masking sectoral disparities. The outlook has deteriorated in Tourism and Transport in particular and remains gloomy in Construction and Commerce. On the other hand, it has improved in Industry and remains relatively healthy in Services. Employment is expected to remain more buoyant than business activity, with the forecast indicator close to its historical average, while the business activity indicator is well below it.

KEY FIGURES

+2

Balance of opinion on the change in business activity in 2024
Down by 10 points year-on-year

43%

Share of SMEs expecting to invest in 2024
Down by 2 points year-on-year

28%

Share of SMEs having made green investments in 2023
Down by 7 points year-on-year

+16

Balance of opinion on the change in business activity in 2025
Stable year-on-year, up 3 points in Industry at +25

4%

Share of SMEs fearing they will not be able to repay their SGL
29% would have repaid it by year-end

4%

Share of electric vehicles in SMEs' vehicle fleets
16% intending to buy within 12 months

CONTENTS

1

ACTIVITY AND EMPLOYMENT

THE SLOWDOWN IN BUSINESS ACTIVITY CONTINUED IN EARLY 2024, BUT EMPLOYMENT REMAINED RESILIENT

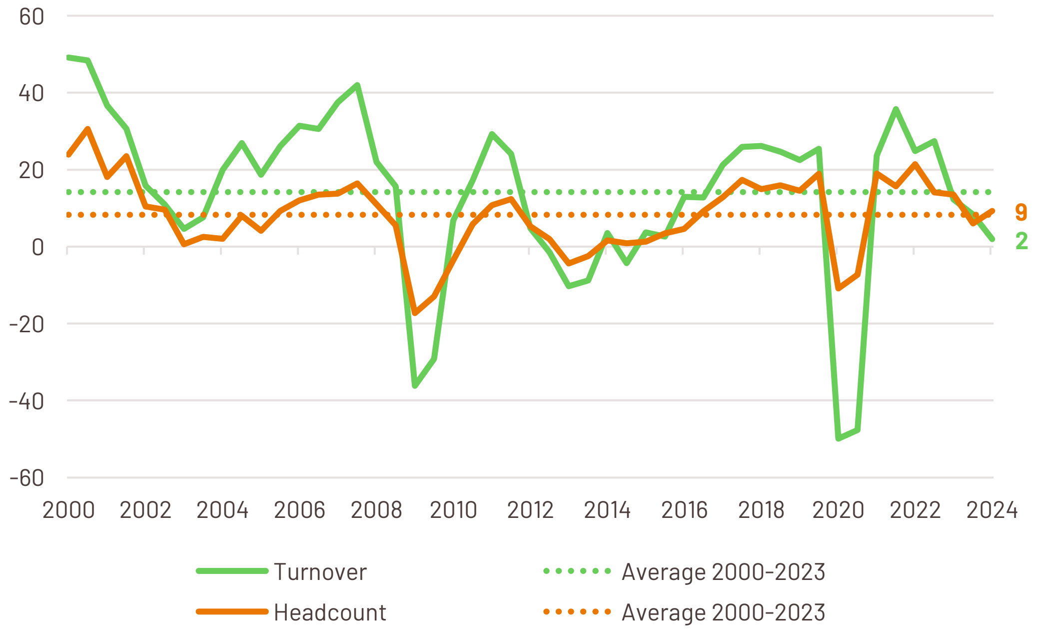
On average, turnover for SMEs is expected to fall slightly in 2024, with exporting and innovative SMEs more resilient at the start of the year.

- **The balance of opinion on turnover growth fell again at the start of 2024** to +2. It lost 6 points in 6 months, and 10 points year-on-year, sinking further below its long-term average (+14). The drop in the balance of opinion this half-year is mainly due to the lower proportion of managing directors expecting an increase in their business activity (28% compared to 36% last November). Conversely, 26% expect their turnover to fall (27% 6 months ago), while 46% expect it to stabilise.
- **Average turnover growth is expected to be slightly negative in 2024, at -0.5% after +0.6% estimated in 2023.** Order books remain lean overall, with the indicator stabilising at a low level over the half-year (-11, 4 points below its long-term average). On the other hand, procurement problems have eased further and are now significantly constraining business activity for 29% of SMEs, compared to 36% in November 2023.
- **Turnover growth is expected to be weaker than in 2023 and than the recent years' average, regardless of company size.** SMEs with fewer than 10 employees, usually less buoyant, are expected to see their turnover fall by 2.5%. On the other hand, SMEs with at least 20 employees should see their turnover increase on average in 2024, with growth increasing according to size (+0.6% for those with 20 to 49 employees, +1.2% for those with 50 to 99 employees and +2.0% for those with 100 or more employees).
- **Exporting companies, like innovative companies**, which posted a slightly sharper slowdown in business activity in 2023 than their non-exporting and non-innovative counterparts, **were more resilient at the start of 2024**. The balance of opinion for these categories of company fell by just 2 and 3 points respectively (compared with -8 for non-exporting and/or non-innovative companies). They should therefore continue to post positive turnover growth this year (+1% and +2% respectively), unlike non-exporting and non-innovative companies (-2%).

Employment is proving resilient in the light of business expectations.

- **The indicator for the change in SME headcount, which had fallen sharply in the autumn, has partially recovered** (+3 points in 6 months to +9) and is thus back just above its long-term average (+8). Year-on-year, it is down by 5 points, while the business activity indicator fell by 10 points.
- **The indicator relating to the number of employees developed slightly less favourably among the largest SMEs** (-1 point, for example, among SMEs with 100 or more employees). However, it remains close to its historical average, as is the case for SMEs with fewer than 10 employees.

Change in business activity and headcount for the current year
(Balance of opinion in %)



Scope: Total (N = 5136); Source: Bpifrance Le Lab

A GENERAL SLOWDOWN ACROSS ALL SECTORS, EXCEPT FOR SERVICES, WHICH ARE HOLDING UP WELL

The business activity outlook for 2024 is less buoyant across all sectors, except for Services (business and retail) **:**

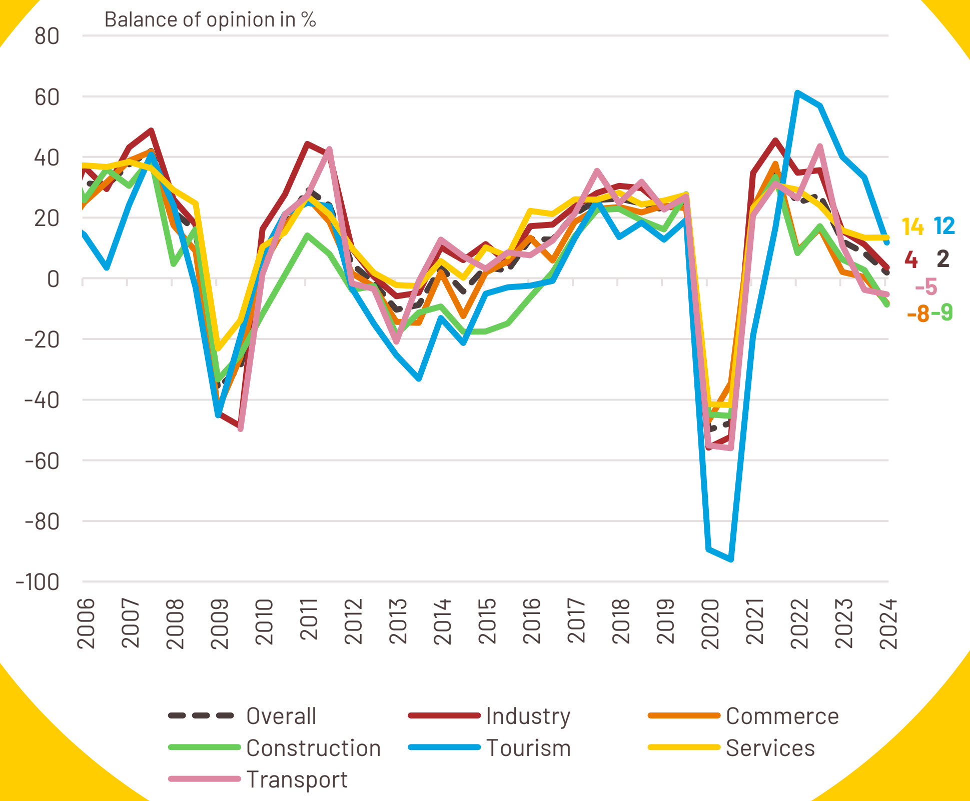
- **The services sector is doing well:** at +14, the balance of opinion on business activity has stabilised this half-year and is at the highest level among the various sectors, "only" 5 points below its long-term average (compared with 12 points below for all sectors combined). This is the only sector in which managers are forecasting positive turnover growth on average this year, albeit sluggish (+1% forecast, after an estimated +1% in 2023).
- **The Transport, Commerce and Construction sectors are the most impacted**. In these three sectors, a higher proportion of managers expect their turnover to drop this year than to grow (balance of opinion figures of -5, -8 and -9 respectively, well below their long-term averages of +11, +13 and +8). On average, they expect their turnover to decline by -1% in Transport, -2% in Commerce and -3% in Construction.
- **Between the two, Industry seems to have halted without actually contracting**. The balance of opinion on business activity fell by 7 points in 6 months and by 12 points year-on-year, and at +4 is well below its long-term average (+17). On average, industrial managers expect stable turnover this year (after an estimated +1% in 2023).
- **The Tourism sector is continuing to correct.** Business activity, which had been very buoyant in 2022 and 2023 in reaction to the more severe impact of the health crisis, is expected to slow fairly sharply this year. The balance of opinion on business activity recorded the sharpest fall over the half-year (-21 points), but remains, at +12, above its long-term average (+6). On average, managers in this sector expect zero turnover growth this year (after an estimated +5% in 2023).

→ *See the detailed sectorial analysis*

By region, the Nord-Ouest saw more positive changes than the rest of France. Brittany is the only region in which the expected turnover growth of SMEs is positive, and Normandy showed an improvement in the balance of opinion on business activity to a level above its long-term average. Conversely, managers of SMEs in Bourgogne-Franche-Comté and Grand-Est are more pessimistic than average about their business prospects this year.

→ *See regional summary*

Change in business activity for the current year, by business sector



Scope: Total (N = 5136)
Source: Bpifrance Le Lab

HIRING PROSPECTS HAVE BEEN REVISED UPWARDS IN THIS FIRST-HALF, BUT THEY ARE EXPECTED TO SLOW YEAR-ON-YEAR.

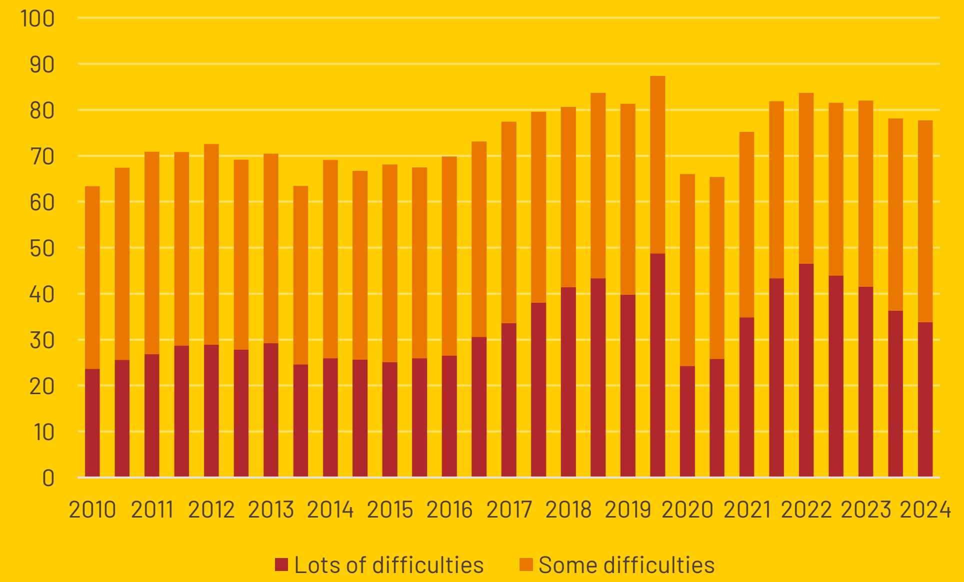
Job creation is generally trending better than business activity, particularly in Industry:

- **Hiring is expected to be the most buoyant in Industry:** the balance of opinion on headcount jumped 8 points over the half-year to +15 (-3 points year-on-year), a level well above its long-term average (+7). **Hiring is expected to be strong in Services**, where the balance of opinion stands at +14 (+4 points in 6 months, -4 points year-on-year), a level near to that seen on average between 2000 and 2023. In these two sectors, around a quarter of managers expect to increase their headcount this year (versus 12 to 18% in the other sectors).
- **Hiring is expected to slow in Tourism, consistent with the change in business activity.** The balance of opinion dropped 4 points in 6 months and 9 points year-on-year to stand at +4, a level nonetheless higher than the sector average (0).
- **Employment should be relatively less buoyant in Commerce and Construction, where business activity is expected to contract this year.** However, the balance of opinion on employment remains positive and close to its long-term average, unlike the balance of opinion on business activity.
- **Hiring has stopped in Transport.** The balance of opinion has continued to fall (-2 points in 6 months, -11 points year-on-year) and moved into negative territory. At -2, it sits well below its historic average (+7). More managers are now planning to reduce their headcount (14%) than increase it (12%).

→ *See detailed sectorial analysis*

As usual, hiring is expected to be more buoyant in large SMEs and those focused internationally. The balance of opinion is higher among SMEs with at least 10 employees (+13), and particularly among those with at least 100 employees (+21), than among SMEs with fewer than 10 employees (0). However, the balance of opinion shows similar trends year-on-year, and is close to its long-term average, whatever the size of the company. Similarly, the balance of opinion partially recovered this half-year to a level slightly above its historical average among both exporting and non-exporting SMEs, even though it remains two times higher among those internationally focused (+15) than those concentrating on the domestic market (+8).

Share of SMEs encountering recruitment difficulties
(in %)



Note to the reader: The data of November 2019 should be interpreted with caution following a slight modification in the question put to the companies.
Scope: Total (N = 5136); Source: Bpifrance Le Lab

Recruitment difficulties remain high, but less acute than last November. 78% of managers still reported recruitment difficulties, a proportion stable compared to the end of 2023, slightly below the levels seen just before the health crisis, but still higher than the average over the 2000-2019 period (74%). Behind this relative stability, however, the difficulties are less severe: fewer managers are experiencing major recruitment difficulties (34% compared to 36% last November and 42% a year ago).

Recruitment difficulties remain highest in the Construction sector, despite sluggish hiring, with 41% of SMEs experiencing major recruitment difficulties (42% last November). They are also higher than the average in Industry (37%).

2

FINANCIAL POSITION, ACCESS TO CREDIT AND INVESTMENT

THE CASH SITUATION SHOULD CHANGE LITTLE IN 2024, WHILE PROFITABILITY SHOULD BE LOWER.

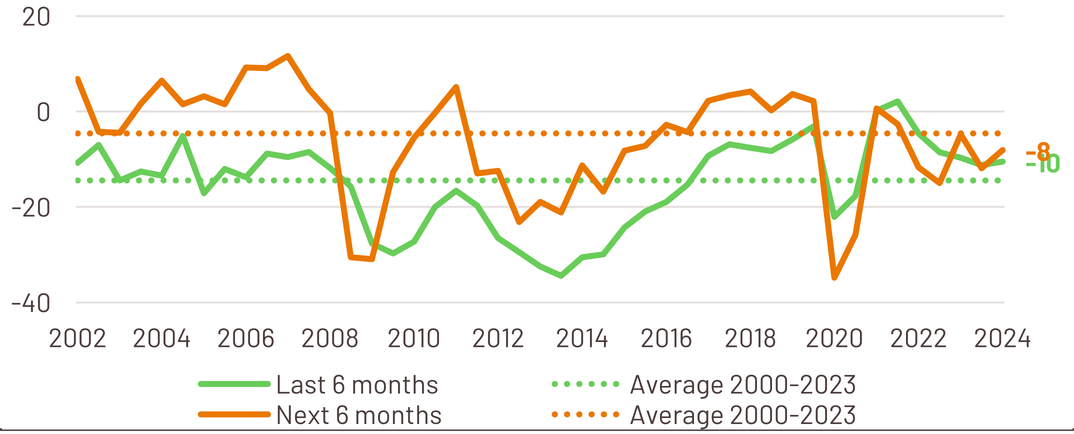
The deterioration in cash flow since the highs reached in 2021 post-health crisis, thanks to the various support measures, has ground to a halt.

- **The balance of opinion on cash flow trends over the last 6 months is virtually stable over both the 6 month and 1-year periods**. At -10, it remains above its long-term average (-14). As in the previous year, 25% of SMEs consider their cash position to be difficult, while 15% consider it to be satisfactory and 60% normal.
- This stability in the indicator over the half-year was seen in most sectors, with the exception of Services, where the cash flow has recently improved (+5 points in 6 months), and Construction, where it has deteriorated (-6 points, though still above the long-term average).

SMEs are less worried than they were last November about the future trend in their cash flow, but do not expect much improvement.

- **The balance of opinion on the trend in cash flow over the next 6 months has partially recovered** (+4 points in 6 months after -7 points in the previous half-year). At -8, it remains below its long-term average (-5).
- The balance of opinion by sector on future cash flow trends was stable overall year-on-year in Industry, Tourism and Services. However, it has deteriorated by between 6 and 10 points in the Commerce and Construction sectors, where, along with the Transport sector, it is well below its historic average.

Average view of the past and future cash flow situation
(Balance of opinion in %)



Scope: Total (N = 5136); Source: Bpifrance Le Lab

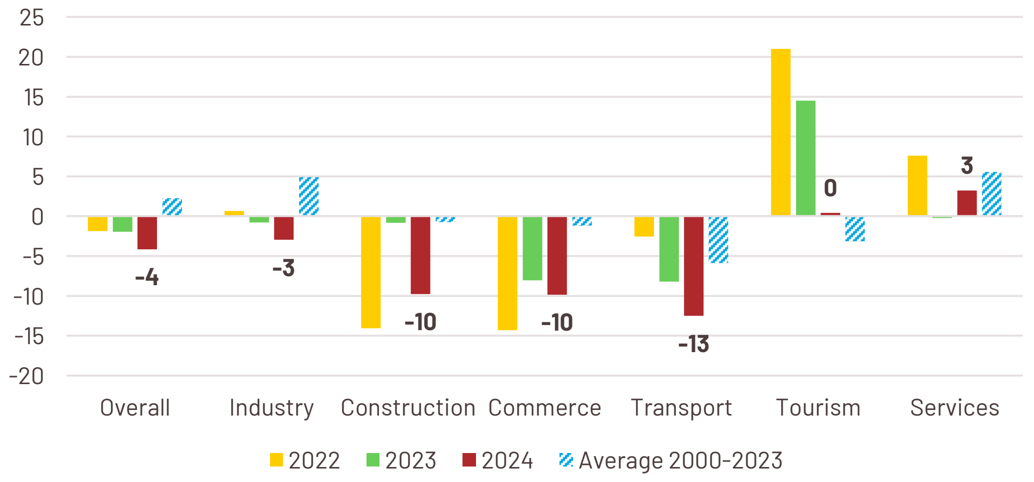
SME profitability decreased in 2023.

- **The balance of opinion on past profitability fell by 5 points year-on-year at +7, a level slightly above its long-term average.** While the share of managers judging their profitability to be poor has remained relatively stable over 2 years at around 22%, the share considering it to be good has fallen by 5 points to 28%.

Profitability should decline again this year.

- For 2024, **slightly more managers expect their profitability to decrease than to increase.** At -4, the balance of opinion dropped slightly year-on-year (-2 points) and differs from its long-term average (+3).
- Profitability is expected to fall slightly this year in Industry and Commerce (balance of opinion down 2 points year-on-year), and more sharply in Transport (-5 points), Construction (-9 points) and Tourism (-14 points), the latter being the only sector for which the balance of opinion remains above its long-term average. SMEs in the Services sector are more optimistic (+3 points).

Change in profitability for the current year
(Balance of opinion in %)



Scope: Total (N = 5136); Source: Bpifrance Le Lab

FOCUS
STATE-GUARANTEED LOANS

There has been little change in the use of state-guaranteed loans (SGLs), while repayment has accelerated. The fear of non-repayment of the SGL remained stable, still affecting 4% of SMEs that have obtained one.

Overall, the use of SGLs hardly changed during this half-year

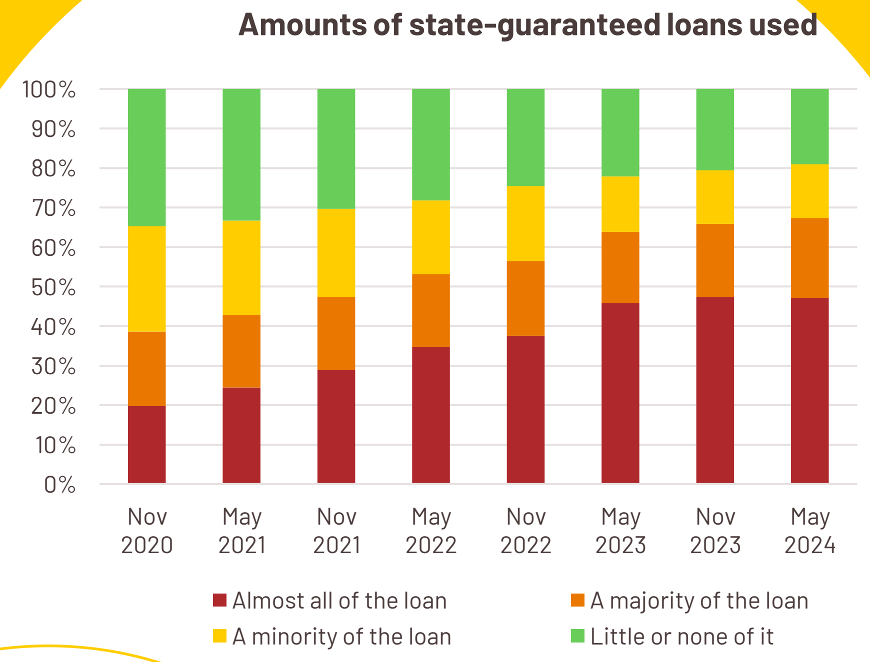
- **Of the half of SME managers who have obtained an SGL, 67% say they have consumed the majority of it – 47% almost all of it.** This proportion has increased slightly (+1 point in 6 months, +3 points year-on-year).
- Use increased more markedly in Industry, with 67% of managers also reporting that they had spent the majority of the loan granted, compared with 62% in the previous half-year.

Repayment of loans has accelerated.

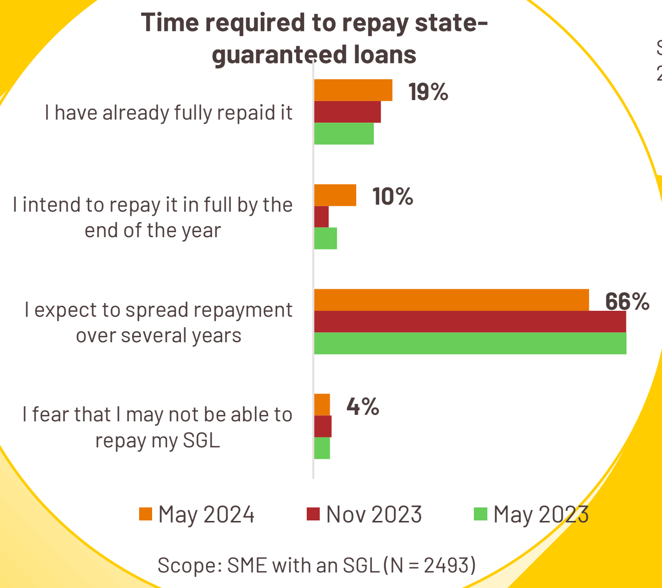
- **19% of the SMEs in question say they have already repaid their SGL in full (+3 points in 6 months)** and 10% plan to repay it in full by the end of 2024. In contrast, 66% expect to repay the loan over several years, a proportion that has fallen significantly over the last six months (75% last November).
- Many SMEs in Construction, which were the most worried about repaying their SGLs in the previous half-year, are now planning to repay them this year (16%, in addition to the 17% stating they have already repaid their SGLs in full).

Fears of non-repayment remained stable.

- **4% of SMEs with an SGL fear they will be unable to repay**, a proportion that has remained stable over 6 months and year-on-year.
- Not surprisingly, those companies experiencing financial difficulties are the most worried: 11% of SMEs with an SGL who consider their cash flow to be difficult are afraid of not being able to repay it, whereas this proportion is nil amongst those who consider their cash flow to be normal or even easy.



Scope: SMEs with an SGL (N = 2493).



CREDIT CONDITIONS REMAIN FAVOURABLE

Access to cash flow credit, which had tightened since early 2022 due to the rise in rates (see box p.14**), stabilised in the first half of 2024.**

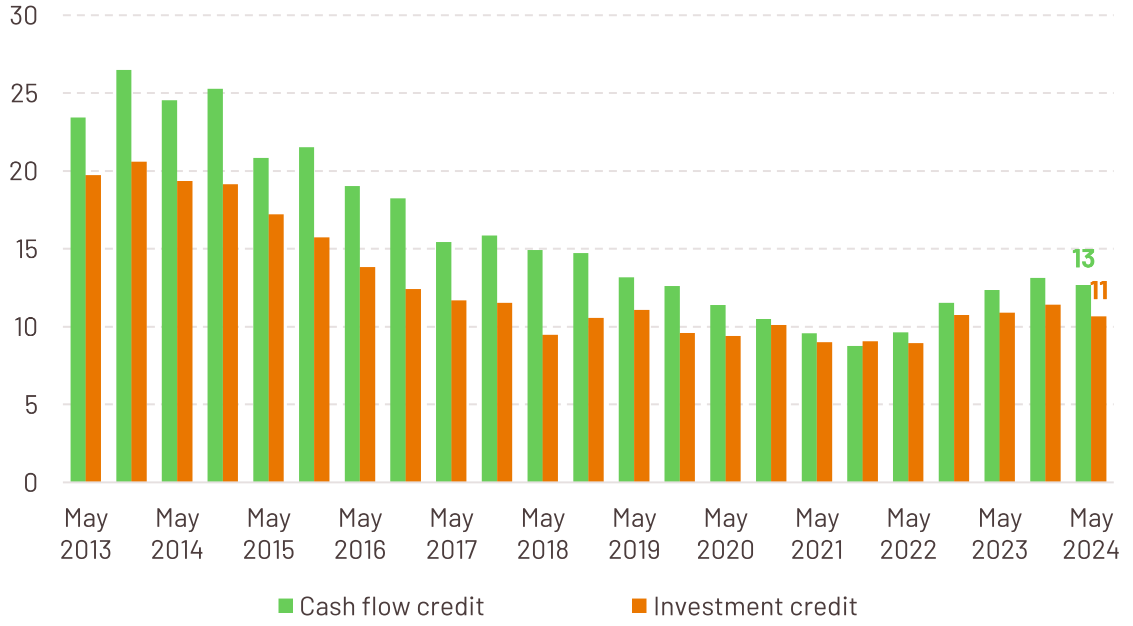
- **13% of managers state they are having difficulty financing their day-to-day operations, a proportion remaining over the half-year and close to the pre-health crisis level.**
- Difficulties in accessing cash flow credit fell sharply in Tourism. 17% of SMEs in the sector have encountered such difficulties, down by 5 points over the half-year and well below the pre-crisis level (23% at the end of 2019). On the other hand, there has been a sharp increase to 16% of SMEs in Transport experiencing short-term financing difficulties, a much higher proportion than before the health crisis (8% at the end of 2019). The share of SMEs experiencing difficulties accessing cash flow credit varied less in the other sectors during the 1st half of 2024 (from -2 points in Services to +1 point in Commerce), where it is between 11% and 13%.
- **More than half of SMEs (53%) cite insufficient business activity and/or an uncertain outlook as the reason for their difficulties in accessing cash flow credit**, a proportion that has risen this half-year (+3 points). This is particularly true of SMEs in Commerce (reason cited by 64% of them, +14 points over the half-year). Collateral guarantees deemed too substantial are the 2nd most common explanation for these financing difficulties (cited by 31% of managers), tied with the risk associated with the business sector (30%). The high level of collateral guarantees required, which was cited less frequently overall than in the previous half-year (-6 points), rose sharply in Construction (+14 points to +48, although close to 2019 levels for this sector).

Difficulties accessing investment credit are easing slightly.

- **11% of managers faced difficulties in financing their investments, down slightly over the half-year** (-1 point), close to the level seen before the crisis.
- A slightly higher proportion of SMEs in Tourism are experiencing difficulties in financing their investments: 16% compared with 9-12% in other sectors. This proportion, close to that observed one year earlier, is nevertheless fairly low for the sector (over 25% in 2019).
- **For 2/3 of the companies in question, the main explanatory reason for these long-term financing difficulties remains the company's financial weakness (69%, +5 points year-on-year).** The second most cited reason is the business sector risk (26%), down from one year ago (-4 points).

Difficulties accessing credit

(fairly or very difficult, in %)



Scope: Total (N = 5136); Source: Bpifrance Le Lab

WEAK DEMAND IS AGAIN BECOMING THE MAIN OBSTACLE TO INVESTMENT, AHEAD OF THE COST OF CREDIT

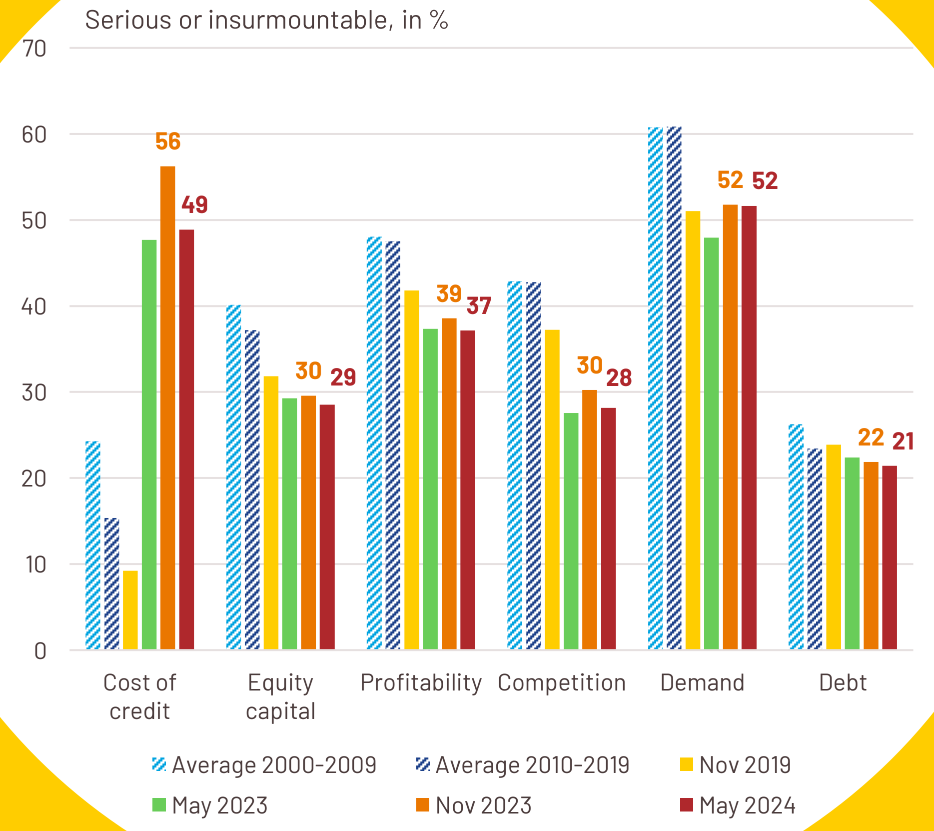
As in the previous half-year, 52% of SMEs see weak demand as a significant or even insurmountable obstacle to investment, making it the main barrier to investment. It is cited in the same proportions as 6 months ago regardless of the sector, but appears to be a more potent obstacle in Transport (59%) and Commerce (57%).

The cost of credit remains a major obstacle to investment, even if it is beginning to ease in a context of falling interest rates granted to companies (see box). 49% of managers consider it to be a major or even insurmountable constraint, a proportion that has fallen over the half-year after peaking at 56% in November 2023 and now close to the level observed one year ago, but still well above its pre-crisis level (9% in November 2019 - an all-time low). It is a more potent obstacle in Transport (61%), Construction (58%), and to a lesser extent, in Tourism (53%), where in these sectors it appears to be the primary obstacle, ahead of weak demand.

The following obstacles, whose ranking has not changed, are all slightly less keenly felt than in the previous half-year and, more broadly, than the average since 2000. Profitability is the 3rd most common obstacle, cited by 37% of managers, followed by a lack of equity capital and competition on almost par (29% and 28% respectively). Finally, 1 in 5 SMEs is constrained in its investment spending by its level of debt. It should be noted that insufficient equity capital is increasingly seen as an obstacle to investment in Transport (by 38% of SMEs in the sector, compared with 33% six months ago and 28% a year ago).

The 450-basis point hike in the European Central Bank's (ECB) main refinancing rate between July 2022 and September 2023 resulted in a surge in interest rates offered to SMEs, which rose from 1.4% in April 2022 to 5.2% at the end of 2023. Since then, they have fallen back slightly, standing at 4.9% in April 2024 according to [Banque de France] data. The ECB recently eased its monetary policy, cutting its key interest rates by 25 basis points in June 2024, after having kept them at the same level for 9 months.

Assessment of obstacles to investment



Scope: Total (N = 5136)
Source: Bpifrance Le Lab

INVESTMENT IS STRUGGLING

In 2024, fewer managers are expected to invest: 43% (following 45% one year previously and 50% on average since 2002*). Industry is doing well.

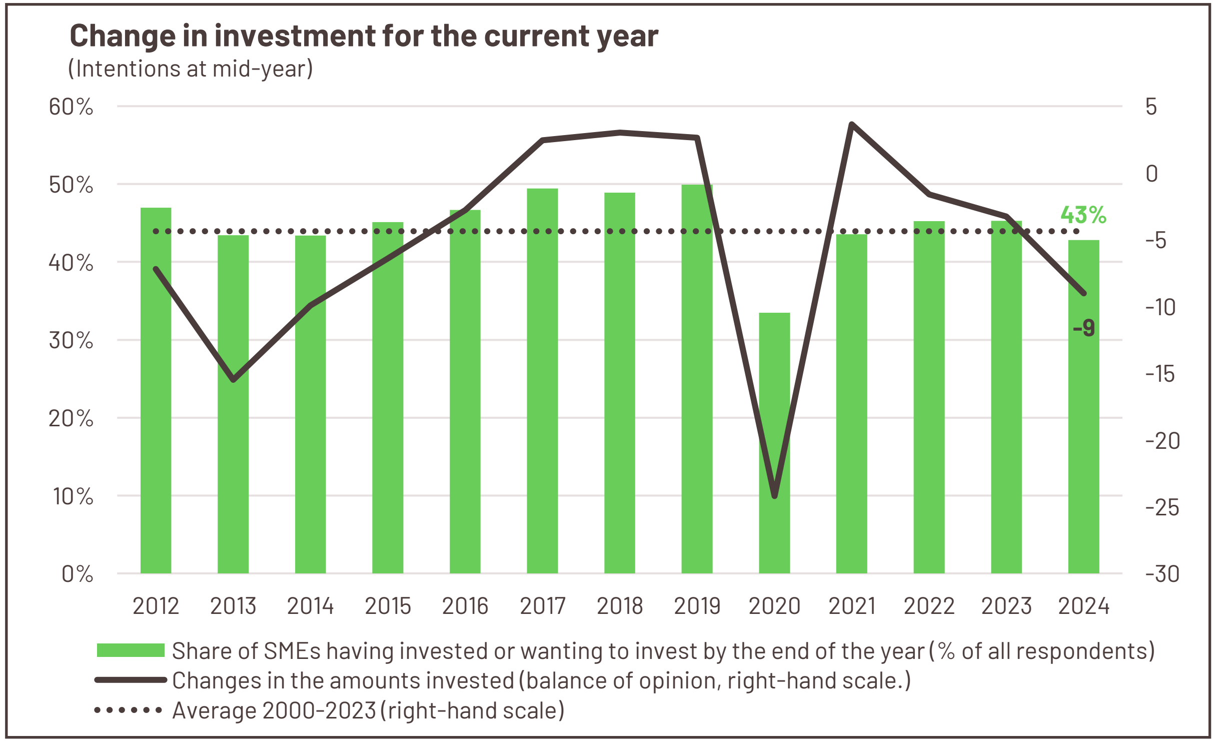
- **Industry stands out from the other sectors, with 57% of SMEs planning to invest in 2024.** This proportion, which has remained virtually unchanged year-on-year (-1 point), is much higher than that seen in other sectors (between 33% and 45%) and close to its long-term average (58%). This proportion planning to invest is also much lower than the long-term average in all other sectors.
- The share of SMEs having invested or wanting to invest by the end of the year held steady in Tourism (+1 point to 42%) and Trade (stable at 33%), but remains far from the average levels seen since 2002. On the other hand, far fewer SMEs are planning to invest than last year in Transport (45% after 52%), Services (34% after 39%) and Construction (44% after 49%).

The indicator for changes in amounts invested fell by 6 points to stand at -9, which is now below its long-term average (-4).

- **The decline in the indicator is common to all sectors**, but is most marked in Transport (-9 points to -20, i.e. 13 points below its long-term average). In Industry, where a relatively large number of managing directors continue to invest, investment spending is also expected to slow (-5 points to -4, i.e. 4 points below its long-term average).

By type of investment, managers forecast a year-on-year decrease in the share of expenditure allocated to property investments (37% after 42%) **in favour of fixed assets** (57% after 50%). As these proportions are closer to those observed before the crisis, this confirms the trend seen at the end of last year. Property, plant and equipment accounted for 6% of total investment expenditure, slightly less than a year ago (8%).

Investments are increasingly self-financed. Whereas pre-crisis, investments were mainly financed by medium-term bank credit (37% in May 2019 compared with 30% self-financing), this trend has gradually reversed, with self-financing now the main source of investment financing, increasing again this year (40%, i.e. +3 points). 29% of investments continue to be financed by medium-term bank credit and 16% by equipment leasing (stable year-on-year).



Scope: Total (N = 5136); Source: Bpifrance Le Lab

*Investment intentions at mid-year for the current year

FEWER SMES ARE MAKING GREEN INVESTMENTS*

Only 28% of SMEs said they had made green investments in 2023, compared with 35% in 2022 and 42% in 2021. The share of SMEs with green investments representing more than 10% of their total investment expenditure fell slightly to 12% (down 2 points year-on-year, but up 1 point over 2 years).

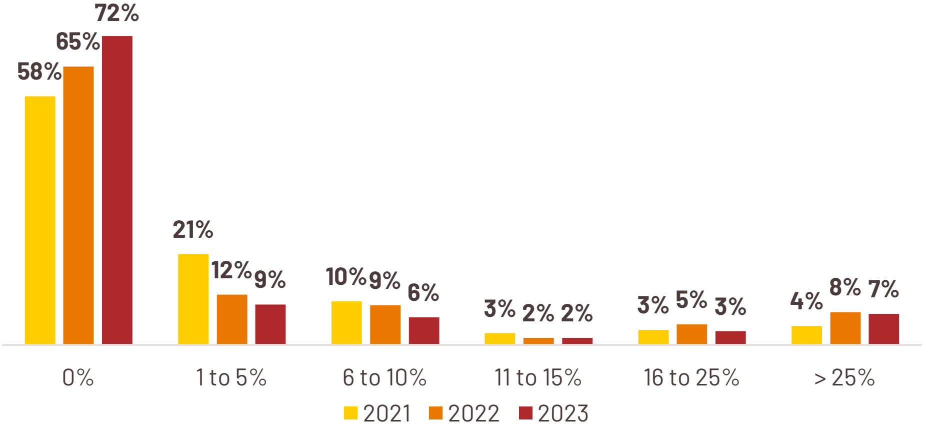
Green investment expenditure is expected to slow in 2024. The balance of opinion on the change in amounts invested fell 3 points year-on-year to +2. More managers expect an increase in green capital expenditure (15%) than a decrease (13%), the opposite of total capital expenditure (where 18% expect an increase versus 27% a decrease).

The expected slowdown in green investment can be seen across all business sectors. More SMEs in Tourism and Industry are making such investments (44% and 35% respectively in 2023).

SMEs that have already made or intend to make green investments in 2024 expect 61% of them to be self-financed (compared with 40% for all investment expenditure) and **33% to be bank-financed.** The remaining 6% should be financed either by a capital increase (2%) or by other means (public subsidies or grants, crowdfunding, etc.: 4%).

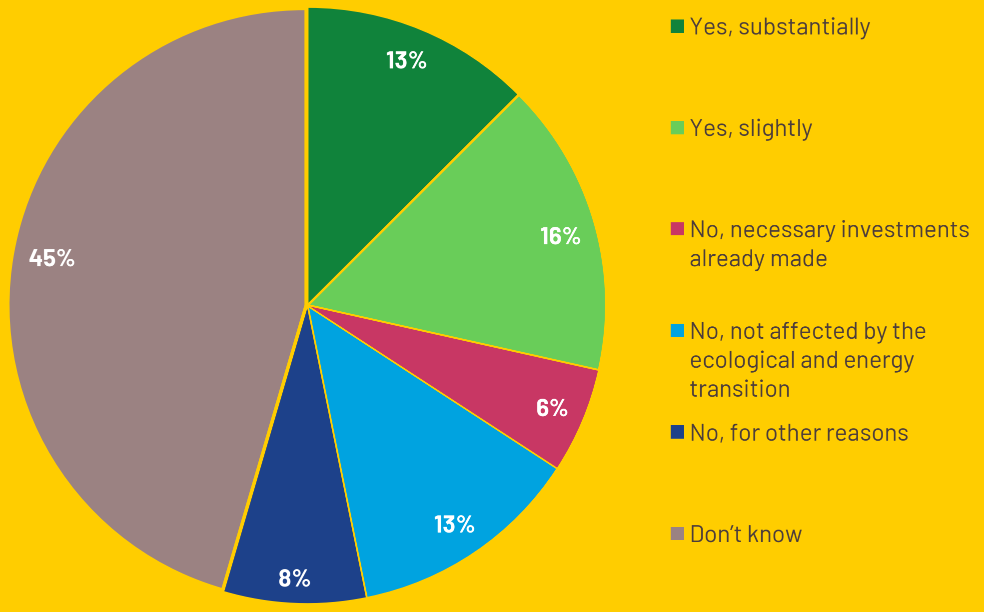
Green investments as a share of total investments

(as % of total respondents)



Scope: Total (N = 5136); Source: Bpifrance Le Lab

Green investment intentions beyond 2024



Scope: Total (N = 5069); Source: Bpifrance Le Lab

29% of SMEs plan to continue their green investments (or to make such investments if they have not already done so) **beyond 2024**, including 13% significantly. 6% believe they no longer have the flexibility to invest further (the necessary investments have already been made) and 20% would not make any investments for other reasons (in particular because they are not affected). The majority of SMEs (45%) are uncertain at this stage how their green investment expenditure will develop over this timeframe.

*Investments intended to limit greenhouse gas emissions and the company's environmental footprint (including the impact of the company's business activity on biodiversity).

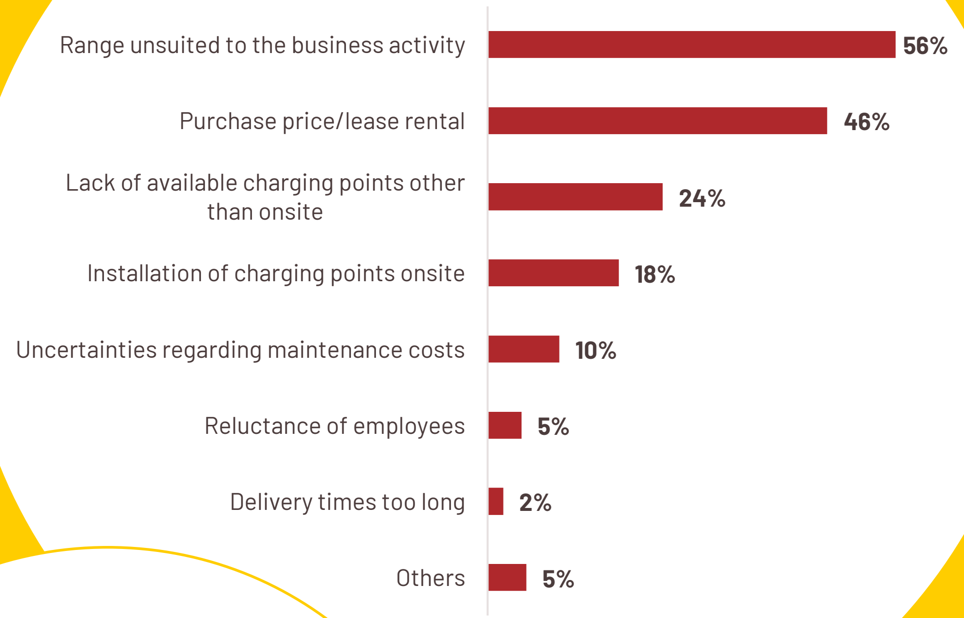
FOCUS
GREENING OF THE VEHICLE FLEET*

Fleet renewal is one of the main drivers of green investment among SMEs (a third of SMEs, see 77th survey). To what extent are these electric vehicles? At this stage, electric vehicles account for only 4% of SMEs' vehicle fleets. However, fleet electrification is set to continue: over the next 12 months, 16% of vehicles purchased (including leased) should be electric. Range and purchase price are the main deterrents to acquiring electric company vehicles.

- 77% of SMEs have a fleet containing at least one light vehicle (weighing less than 5t). Average fleet size is 6.4 vehicles, including 0.2 electric vehicles. **Electric vehicles therefore represent just under 4% of SMEs' vehicles.** 11% of vehicle fleets are at least partially electrified (with 1 electric vehicle minimum), but these fleets are larger overall (10 vehicles on average) with 21% electric vehicles. In other words, **few companies have yet begun electrifying their vehicle fleets (around 1/10). Those with relatively more vehicles have electrified around 1/5 of their fleet.**
- **Electrification of vehicle fleets should intensify this year.** Over the next 12 months, SMEs intend to buy slightly more vehicles than they intend to sell (0.9 compared with 0.7), and more importantly, 16% of purchase intentions are for electric vehicles. Of the SMEs that intend to buy at least one electric vehicle in the next 12 months, 76% do not currently own any in their company fleet.
- **The main drivers for buying an electric vehicle are the company's CSR policy** (for 46% of SMEs owning or planning to buy an electric vehicle) **and the perceived lower operating cost** (for 43% of them). Corporate image is the 3rd reason given, cited by a quarter of them.
- Conversely, **the main obstacles to purchasing an electric vehicle are the vehicle's range**, considered to be unsuitable (insufficient) for the company's business activity (for 56% of SMEs), **and the purchase price** (or lease rental if leased), considered to be too high. The 3rd obstacle raised concerned charging points (insufficient number of charging points off-site or difficulties in installing charging point(s) on site).

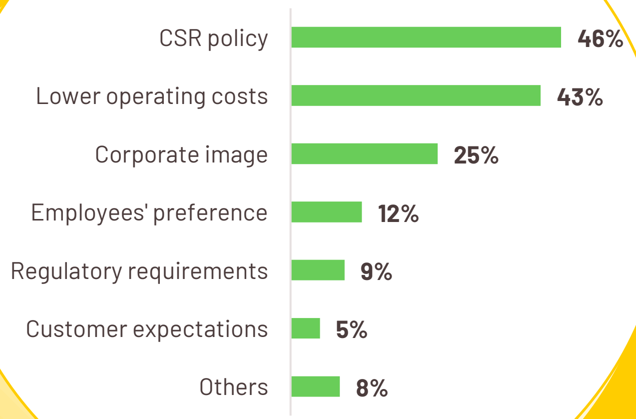
*The questionnaire on greening the vehicle fleet was conducted in partnership with the Conseil d'analyse économique (Economic Advisory Council) as part of a study intended to inform public policy choices associated with the French Climate and Resilience Act, particularly its automotive component.

Main obstacles to purchasing an electric vehicle



Scope: Total (N = 5006)

Main reasons for purchasing an electric vehicle



Scope: SMEs owning or intending to purchase an electric vehicle (N = 928)

3

OUTLOOK FOR 2025

THE OUTLOOK FOR 2025 SUGGESTS THAT BUSINESS ACTIVITY WILL REMAIN SLUGGISH; A SLIGHT REVIVAL OF MOMENTUM EXPECTED IN INDUSTRY

The outlook for business activity for 2025 is unchanged. At +16, the indicator remains well below its long-term average (+25 between 2000 and 2023). Sector trends are fairly mixed:

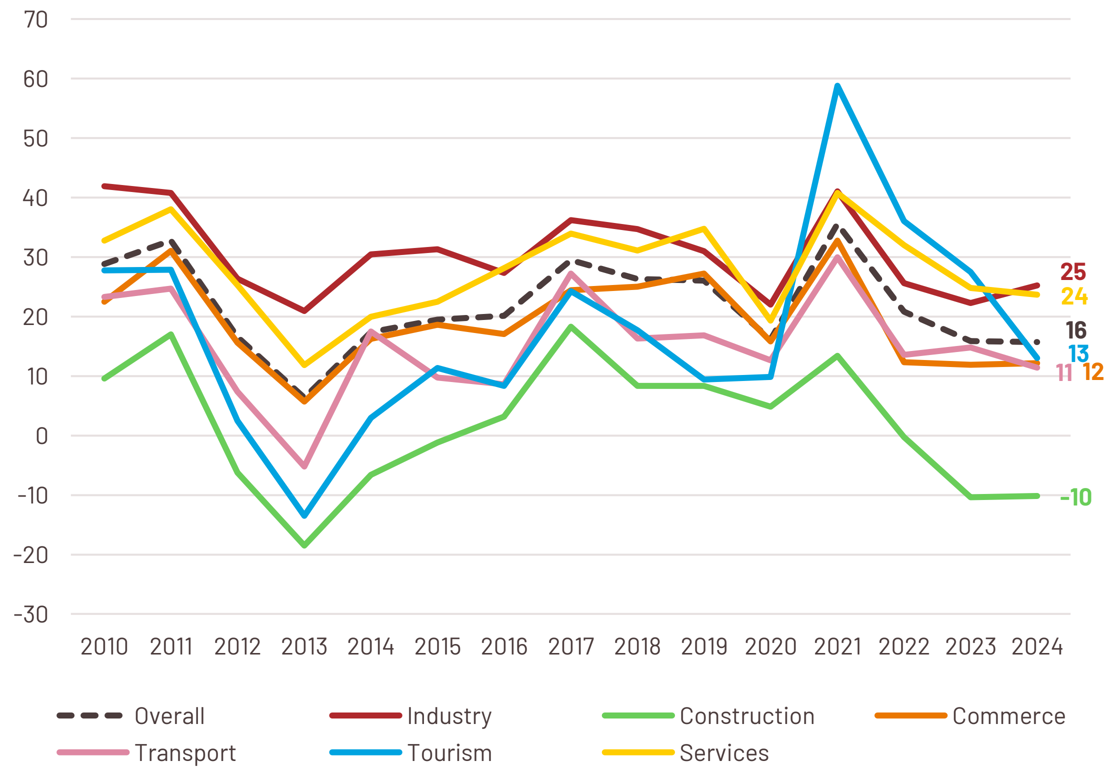
- **The indicator has corrected very sharply in Tourism (-14 points to +13)** and has thus fallen back below its long-term average (+18), to close to pre-crisis levels. **The outlook for business activity has also deteriorated in Transport** (-4 points to +11).
- **The business outlook indicator has stabilised at a low level in Construction and Commerce.** At -10 and +11, respectively, it is more than 10 points below its long-term average in these two sectors.
- **Only Industry has seen its outlook improve year-on-year** (+3 points, to +25). **Along with Services, the two most upbeat sectors** have 35% and 33% of managers, respectively, forecasting an increase in turnover in 2025, compared with "only" 10% expecting a fall. However, the business outlook indicator remains 7 to 8 points below its long-term average.

Managers of very large SMEs are more confident. While the business outlook has stabilised among both SMEs with 1 to 9 employees and those with 10 or more employees, SMEs with 100 to 249 employees are the only ones to see their outlook improve: the indicator has risen by 4 points to +35, a level, however, that is still significantly below its long-term average (+45).

High-exporting SMEs, i.e. those generating at least 25% of their turnover internationally, which had so far been relatively more resilient, are seeing their business outlook for 2025 worsen (whereas it is stabilising for relatively lower-exporting SMEs). The business outlook indicator has dropped 6 points to +31 and has moved away from its long-term average (+40). Business activity is expected to remain more buoyant among non-exporting SMEs, or that generate less than a quarter of their turnover abroad.

Change in business activity for the coming year, by sector

(Balance of opinion, in %)



Scope: Total (N = 549); adjusted sample; Source: Bpifrance Le Lab

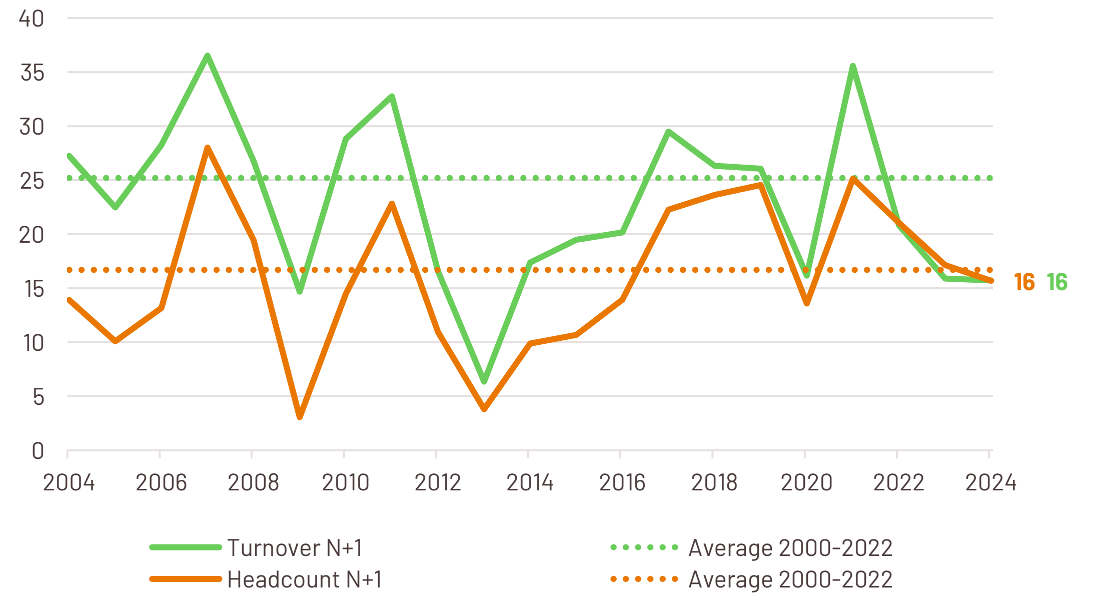
HIRING OUTLOOK IS STILL RESILIENT

The employment outlook indicator has fallen 1 point year-on-year and stands at +16, just below its long-term average (+17), whereas the business outlook indicator is well below it.

- **This resilience in employment can be seen above all in SMEs with more than 10 employees.** There, the indicator is virtually unchanged at +20, its long-term average. Hiring is expected to be particularly robust among large SMEs with more than 100 employees, with the indicator stabilising at +27, which is 5 points above its long-term average. Conversely, hiring prospects are poor with SMEs with fewer than 10 employees, with the outlook declining once again (-3 points year-on-year to +6, compared to +12 on average between 2000 and 2023).
- Hiring is expected to be slightly slower in 2025 among exporting SMEs, in line with an expected slightly slower pace of growth. The indicator, down 3 points to +25, nevertheless remains higher than its long-term average (+23).

Change in activity and employment for the coming year

(Balance of opinion, in %)



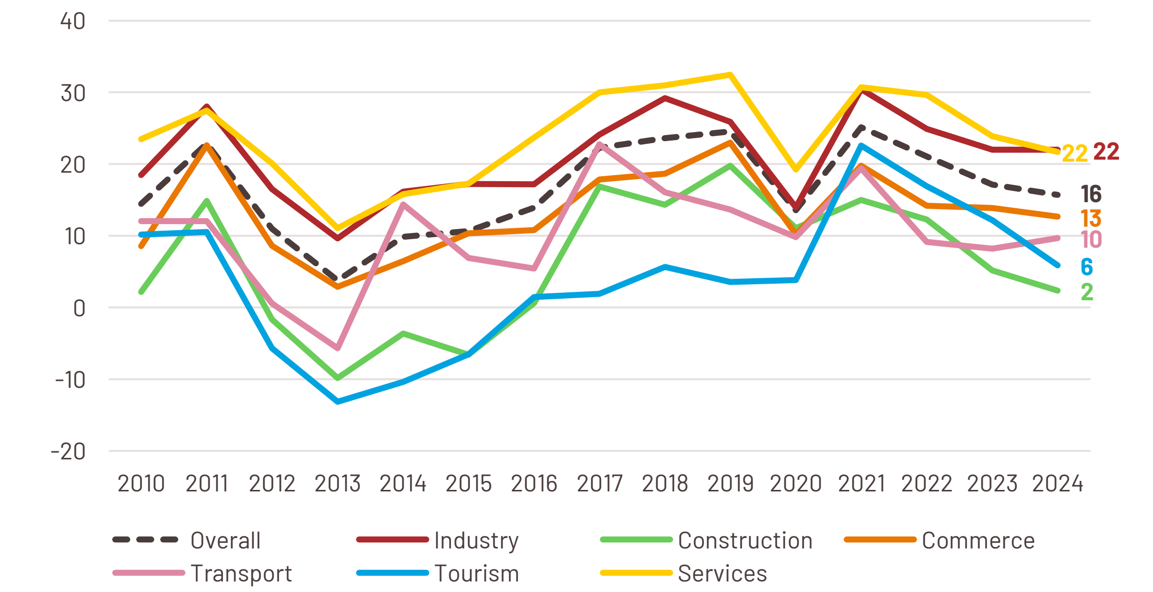
Scope: Total (N = 5136); Source: Bpifrance Le Lab

Here again, the situation varies depending on the business sector.

- **Hiring is expected to remain particularly buoyant in Industry**, consistent with a better business outlook in this sector. The employment outlook indicator stands at +22, which is 3 points above its long-term average.
- **By contrast, hiring is expected to slow sharply in Tourism, in line with its gloomier business outlook**. The indicator declined 6 points year-on-year, but remains close to its long-term average. **Hiring is expected to be subdued in Construction**, where the indicator declined 3 points to +2, well below its long-term average, a contrast with the other sectors.
- Hiring should slow to a lesser extent in Services and Commerce, and pick up slightly in Transport. The indicator is close to its long-term average in all these sectors.

Change in employment for the coming year, by sector

(Balance of opinion, in %)



Scope: Total (N = 5136); Source: Bpifrance Le Lab

REGIONAL ECONOMIC SITUATION: SUMMARY

The slowdown in business activity between 2023 and 2024 is broad-based across the whole country, except for Brittany. Weaker growth is expected in 2024 than estimated in 2023 in each of the French regions, with the notable exception of Brittany. Growth is expected to vary between -1.7% and +1.3%, depending on the region. SMEs in Bourgogne-Franche-Comté, Grand-Est and Nouvelle-Aquitaine are the least confident, with a higher proportion expecting a decline in turnover than an increase, and the decline averaging between 1.4% and 1.7% this year. Business activity is expected to be most buoyant in Brittany (+1.3%). Growth is also expected to be positive in Occitanie, Auvergne-Rhône-Alpes and Normandy, the latter being the only region to post a year-on-year increase in the balance of opinion, which is also higher than its long-term average.

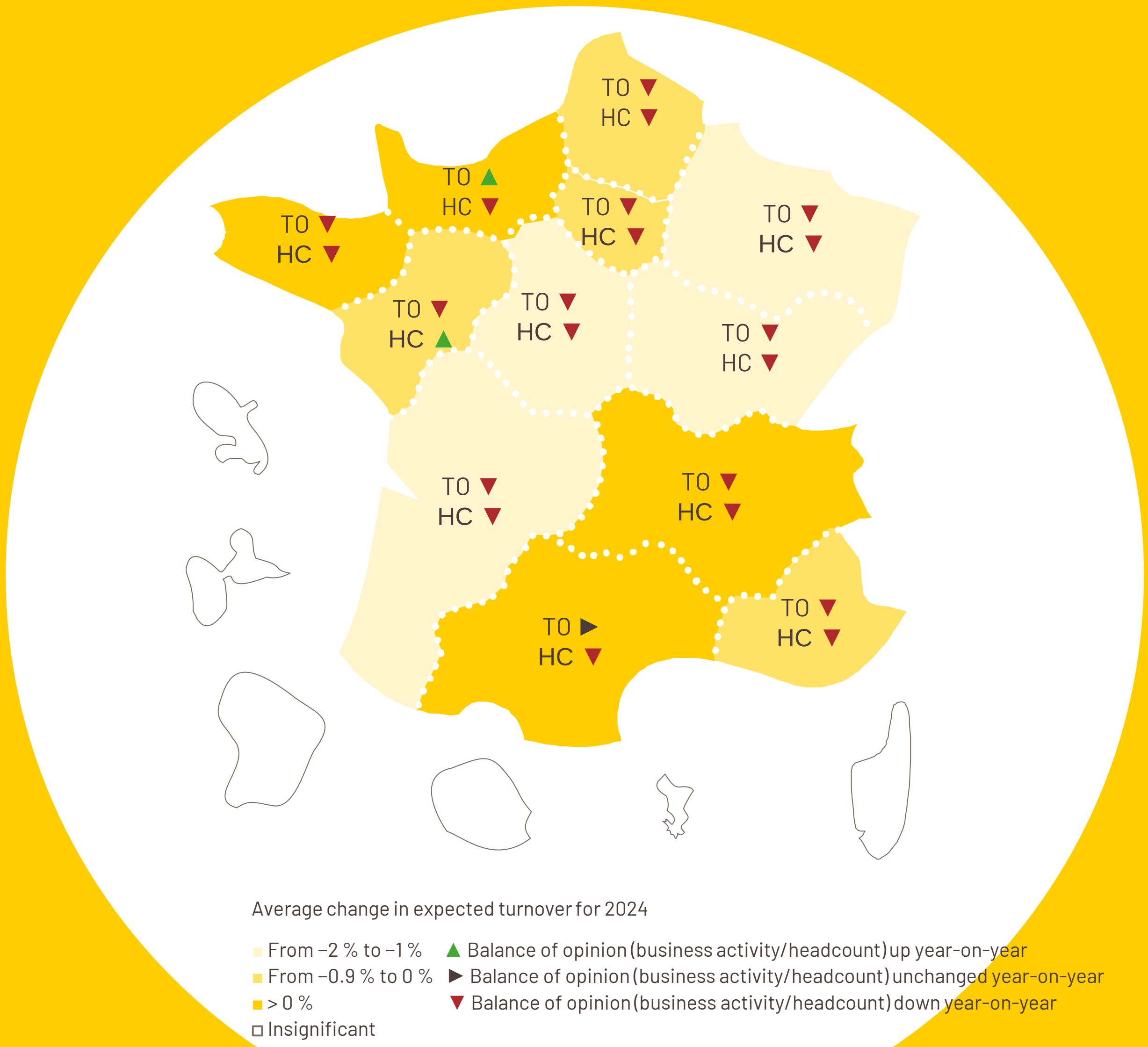
Employment is holding up better overall than business activity, with contrasting trends depending on the region. The balance of opinion on employment declined year-on-year in every region except Pays de la Loire, where job creation is expected to be particularly strong (+5 points year-on-year to +17, which is 5 points above its long-term average). Hiring is expected to slow markedly in Centre-Val de Loire, Auvergne-Rhône-Alpes and Nouvelle-Aquitaine (-9 to -11 points, below their historical average). Hiring remains relatively healthy in the Grand-Est, Hauts-de-France and Île-de-France regions, compared to past trends.

Investment is expected to slow in all regions except Normandy. Significantly more SMEs in Normandy than last year are expected to invest (48%, +7 points year-on-year), and are planning to ramp up their investment expenditure (balance of opinion up 7 points year-on-year to 0, which is 6 points above its long-term average). The balance of opinion on the change in amounts invested fell in all the other regions, most sharply in Bourgogne-Franche-Comté (-18 points).

The business outlook for 2025 is mixed, improving in Brittany, Normandy, the Grand-Est region, Bourgogne-Franche-Comté, Nouvelle-Aquitaine and Occitanie (outlook indicator up 3 to 6 points year-on-year), stabilising in Hauts-de-France, but worsening in the other regions, particularly Centre-Val de Loire (-10 points).

See the detailed regional analysis on https://lelab.bpifrance.fr

Change in turnover and headcount in 2024 by region



Scope: Total (N = 5136)
Source: Bpifrance Le Lab

DASHBOARD

		Turnover				Headcount				Investments			
		Average 2000-2023*	May 2023	May 2024	Change/ May 2023	Average 2000-2023*	May 2023	May 2024	Change/ May 2023	Average 2000-2023*	May 2023	May 2024	Change/ May 2023
YEAR 2024 (1)	**All SMEs**	**14**	**12**	**2**	↘	**8**	**14**	**9**	↘	**-4**	**-3**	**-9**	↘
	Size												
	10 – 250 employees	21	20	6	↘	14	19	13	↘	-2	-1	-6	↘
	Fewer than 10 employees	4	-2	-7	↘	0	4	0	↘	0	3	-5	↘
	Sectors												
	Commerce	13	2	-8	↘	7	8	4	↘	-6	-6	-11	↘
	Construction	8	6	-9	↘	6	8	4	↘	-9	-8	-14	↘
	Industry	17	16	4	↘	7	18	15	↘	0	1	-4	↘
	Services	19	16	14	↘	13	18	14	↘	-3	-1	-7	↘
	Tourism	6	40	12	↘	0	13	4	↘	-12	-6	-13	↘
	Transport	11	11	-5	↘	8	9	-2	↘	-7	-11	-20	↘
YEAR 2025 (1)	**All SMEs**	**25**	**16**	**16**	→	**17**	**17**	**16**	↘				
	Size												
	10 – 250 employees	31	22	21	↘	20	21	20	↘				
	Fewer than 10 employees	17	4	4	→	12	9	6	↘				
	Sectors												
	Commerce	25	12	12	→	14	14	13	↘				
	Construction	6	-10	-10	→	9	5	2	↘				
	Industry	33	22	25	↗	19	22	22	→				
	Services	30	25	24	↘	24	24	22	↘				
	Tourism	18	27	13	↘	5	12	6	↘				
	Transport	16	15	11	↘	10	8	10	↗				

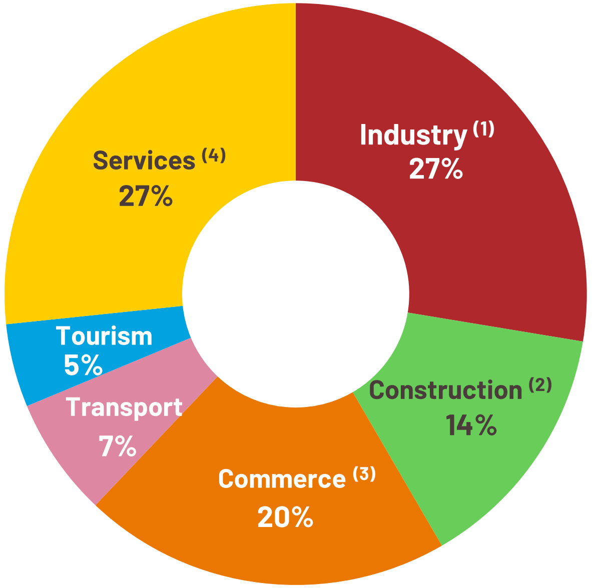
(1) Balance of opinion = (Share of companies expecting a rise – Share of companies expecting a fall)
* Average 2010 to 2023 in Transport, the series having been created in November 2009. Average responses from May only for investment and the year 2025.

4

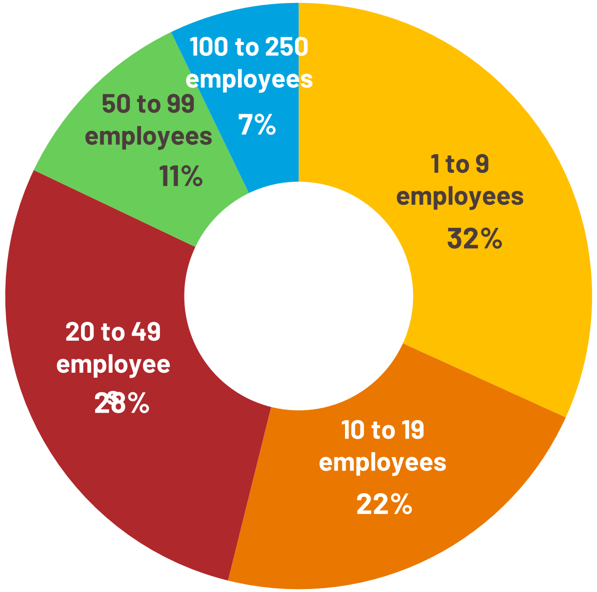
STRUCTURE OF THE SAMPLE

STRUCTURE OF THE SAMPLE

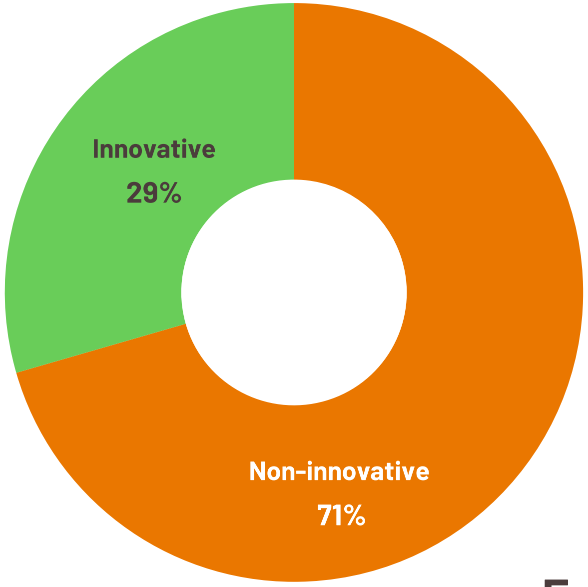
Business sector



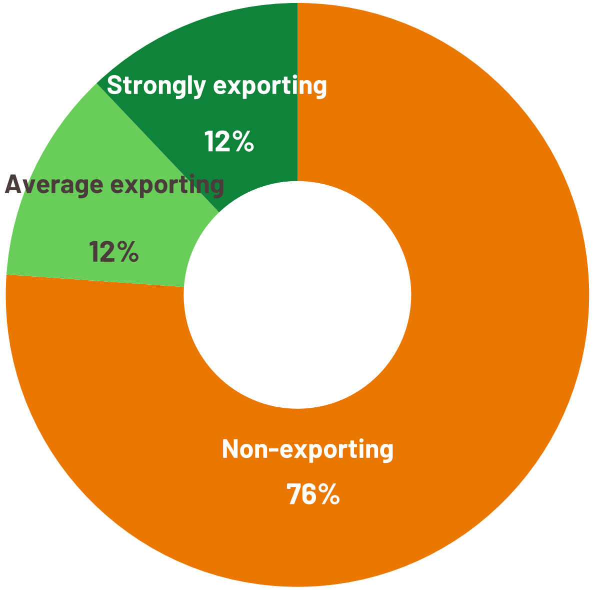
Headcount



Innovative nature



Exporting nature



(1) 3% food, 14% intermediate goods, 8% capital equipment, 3% consumer goods
(2) 12% construction and 2% public works
(3) 2% automobile trade and repairs, 13% wholesale, 6% retail
(4) 22% corporate services, 4% retail services

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