

ECONOMIC PULSE

FRANCE: APRIL'S LOCKDOWN HAD A MILDLY NEGATIVE IMPACT ON OVERALL ECONOMIC ACTIVITY

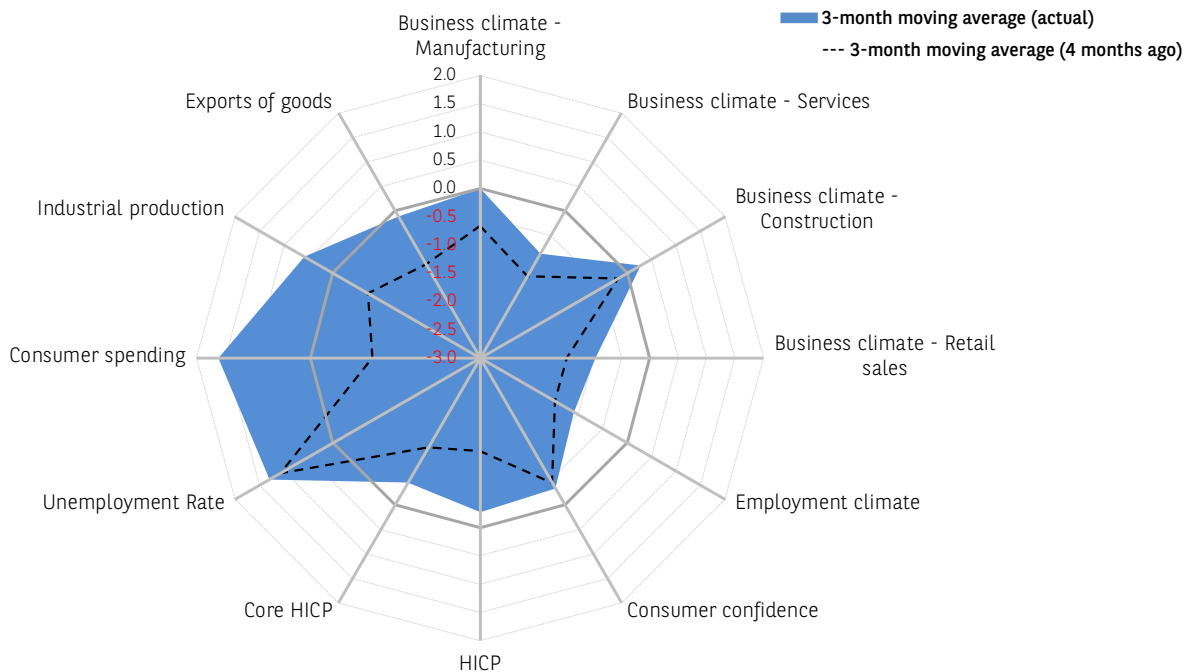
Our barometer shows a marked improvement in France's economic situation in recent months compared to the three previous months. Indeed, the blue area largely surpasses the dotted area in terms of hard data. Yet the improvement is helped by a very favourable base effect. In March 2021, household spending on goods declined 1.1% m/m. Yet the year-on-year figure jumped 18.7% because in March 2020, spending was down 16.7% m/m due to the first lockdown. Similarly, the small monthly increase in production (0.8% m/m) was transformed into a 13.7% surge on a year-on-year basis. Exports were up 2.6% m/m and 12.7% y/y.

In April 2021, the base effect should be favourable again, despite another lockdown. This lockdown was not as stringent as the first one in April 2020, and was comparable to the second lockdown in November. Above all, there was not the suddenness of the shock that hit the economy last spring. Since then, the economy has shown great capacity to adapt and emergency measures buffered the shock. Today, only the activity in sectors more directly affected by health restrictions is halted or continues at a reduced pace, unlike the widespread shutdown of spring 2020. Industry and construction are not hindered as much whereas industry is benefiting from the global recovery. Lastly, with the vaccination rollout, we are beginning to see the light at the end of the tunnel.

As a consequence, the negative impact of April's lockdown was milder than expected. According to the latest estimates of the Banque de France, the shortfall in GDP was only 6% below pre-crisis levels in April (compared to initial estimates of -7%, the same impact as in November) and the gap should narrow to -4% in May. Similarly, business sentiment in the April surveys did not drop off as feared. The INSEE surveys only saw a very mild decline. In addition to these encouraging results, payroll employment was surprisingly strong in Q1, up 0.3% q/q. Last month our barometer delivered a mixed message, with economic growth following a yoyo-type profile, but this has now given way to a more positive feeling, bolstered by signs of greater economic resilience. This supports our Q2 forecast of slightly positive growth, in line with the INSEE's outlook, and the risk of a negative print seems to be fading.

Hélène Baudchon

FRANCE: QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +2. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

