

ECONOMIC PULSE

FRANCE: BUSINESS SENTIMENT AT THE HIGHEST LEVEL SINCE SUMMER 2007

Our Pulse continues to show a significant improvement in France's economic situation in recent months compared to the previous three months. For activity indicators, the blue area largely surpasses the area marked by the dotted line, whereas for the confidence surveys, it exceeds or is very close to the grey hendecagon that delineates the long-term average.

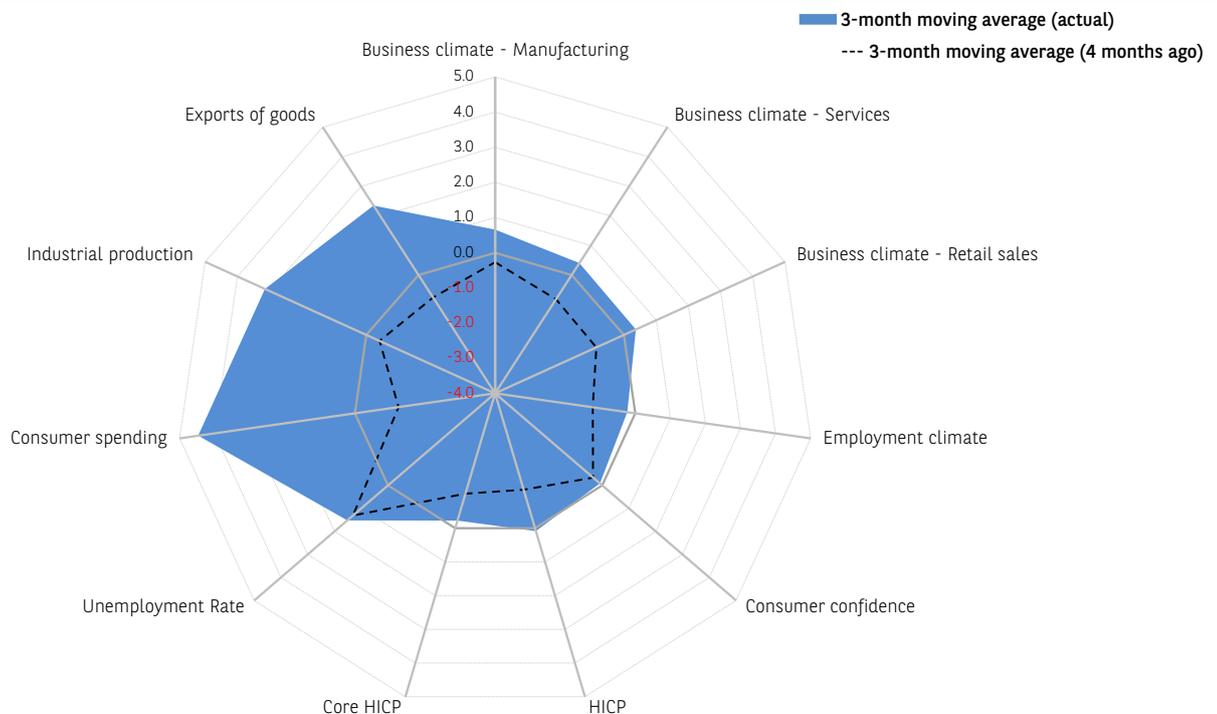
Like a month ago, the improvement in economic data hinges on a very favourable base effect. In April 2021, household spending on goods was undermined by the third lockdown and declined 8.3% m/m. Yet this was much smaller than the 18.9% m/m decline reported during the first lockdown in April 2020. Consequently, on a year-on-year (y/y) basis, spending jumped 32%. Similarly, industrial production declined slightly on a monthly basis (-0.1% m/m) but surged 43.9% y/y. Exports rose 1.6% m/m but were up 70.4% y/y.

After an impressive rebound in May, the INSEE business sentiment surveys continued to improve in June, lifted by another easing of health restrictions. The composite index gained 5 points (after +12 in May), the services index, 6 points (after +15) and the retail trade index, 8 points (after +17). In industry, the business sentiment index held steady after rising continuously since December 2020, as the INSEE pointed out. Buoyed by all economic sectors, the INSEE composite index reached 113, the highest level since summer 2007. This is well above the pre-crisis level of 105, which was already higher than the benchmark of 100.

The recovery is fuelled by a powerful mechanistic catching-up movement, which is bound to wind down in the months ahead as the various economic sectors return to pre-crisis levels. The surveys have reached such high levels recently that the upside potential is beginning to diminish. We must prepare to see these surveys level off or even decline, although that would not necessarily be a bad sign: it would only mean that growth rates return to more normal levels, although they will remain high thanks to support from the fiscal stimulus. By the end of the year, the economy as a whole should return to pre-crisis levels, although this general recovery will probably continue to mask sector disparities. Some sectors will surpass their pre-crisis levels (for instance real estate, finance, information and communications services and non-market services), while others will still fall short (such as transport equipments, hotel and restaurant services, and recreational activities).

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FRANCE: QUARTERLY CHANGES



SOURCE: REFINITIV, 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 -4 and +5. 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.

