

Green shoots from export orders?

Companies benefited from a slight upturn in the business climate during the 1st quarter of 2023, by one point on average, comparing February and March to the average of the previous five months. Signs of recovery were also visible in business data: the upturn in transport equipment manufacturing was accompanied by an improvement in export order books in industry (balance of opinion of -8.7 in March compared to -15.4 in December). Service production also increased, particularly business services (45% of total services), which suffered from a drop in activity in Q4 2022 (-0.2% QoQ, after six consecutive quarters of growth of more than 1%), before a sharp upturn in January (+1.8% MoM).

On the other hand, household confidence shows no renewed optimism, with an index down one point in March to 81. However, rather than a further drop in consumption, which fell sharply in Q4 2022 (-1.2% QoQ), this suggests a stagnation: a likely moderate upturn in car consumption (rise in new registrations of 1.1% QoQ in Q1), should offset a probable new low in food consumption.

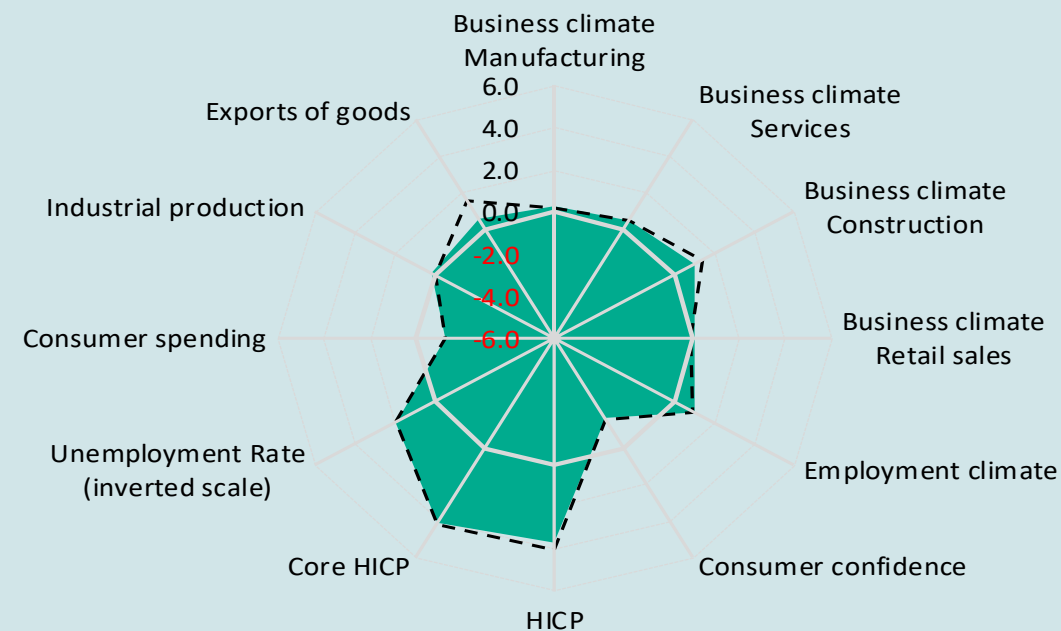
The drop in inflation last March (6.7% YoY compared to 7.3% YoY in February, according to Eurostat's harmonised index) can be explained by the drop in fuel prices compared to their March 2022 level. Food inflation, on the other hand, reached a new high (15.9% YoY) and core inflation only fell moderately (4.5% YoY according to the harmonised index, after 4.6% in February).

On the labour market side, the work climate index remains high (stable between December and March at 110). While job creation slowed in Q4 2022 (+44k compared to around 100k on average per quarter from Q1 to Q3), the increase in activity observed at the beginning of 2023 should support it in industry, business services and temporary employment.

We expect growth of 0.1% QoQ in Q1 2023 (a forecast in line with our nowcast estimate), i.e. the same pace as in Q4 2022. Exports would be the main driver, while domestic demand excluding inventories is expected to fall for the 2nd quarter in a row (-0.1% QoQ in Q1, after -0.4% in Q4).

Stéphane Colliac (article completed on 19/04/2023)

France: economic indicators quarterly changes



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 -6 and +6. In the radar chart, the green 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.

France: GDP growth

Actual			Carry-over	Nowcast	Forecast			Annual growth forecasts (y/y)		
Q2 2022	Q3 2022	Q4 2022	Q4 2022	Q1 2023	Q1 2023	Q2 2023	Q3 2023	2022 (observed)	2023	2024
0.5	0.2	0.1	0.3	0.1	0.1	0.2	0.0	2.6	0.5	0.6

[See the Nowcast methodology](#)
Source: Refinitiv, BNP Paribas



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