

Up against the wall

The signs of the French economy cooling down intensified in December, with a further fall in the flash composite PMI to 43.7 (44.6 in November). The manufacturing PMI has been below 50 for 11 months and hit a new low in December, as did the services PMI.

The deterioration in order books has intensified according to the balance of opinions in the INSEE surveys. It was already significant for property developers (housing starts expectations were at an all-time low of -40.5 in October) and for intermediate goods (balance of opinion on order books at -43.8 in November, calculated on average for chemicals, wood/paper, metals and plastics/rubber). Other sectors are reporting a more recent deterioration, such as machinery and equipment (-17.5 in November), suggesting that the momentum that has so far remained favourable for corporate investment may now be reversing, following initial negative signs for their construction investment (-4% y/y in real terms in Q3).

Household demand is offering little relief, despite the fall in inflation (3.9% y/y in November according to the harmonised index). The balance of opinion on order books in the consumer goods sectors stood at -12.6 in November (on average for agri-food, textiles and pharmaceuticals in particular), at a level close to its average over the last six months. And, according to the November 2023 household survey, the balance of opinion on the opportunity to save, at a record level of 36 excluding the Covid period, underlines weak spending intentions.

The visible economic slowdown is increasingly weighing on business insolvencies. According to preliminary data from the Banque de France, business insolvencies totalled almost 14,500 over the three months to the end of November, not that far from the high average for the 2009-2015 period (16,000 per quarter).

Although employment remained relatively resilient until Q3, with almost 37,000 net new jobs added, the employment climate has since deteriorated (from 105 in September to 101 in November according to the INSEE index). The rise in insolvencies could contribute to a further rebound in unemployment (7.4% in Q3, compared to 8% at the end of 2024 according to our forecasts). All these factors point to very low growth. In the short term, after -0.1% in Q3, we expect zero growth in Q4 (in line with our nowcast estimate), as does INSEE, while the Banque de France is expecting growth of +0.1% q/q.

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France: economic indicators monthly changes*

| | Dec 22 | Jan 23 | Feb 23 | Mar 23 | Apr 23 | May 23 | Jun 23 | Jul 23 | Aug 23 | Sep 23 | Oct 23 | Nov 23 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Business climate Manufacturing | 0,1 | 0,2 | 0,3 | 0,4 | 0,1 | -0,1 | 0,0 | 0,1 | -0,4 | -0,1 | -0,1 | -0,2 |
| Business climate Services | 0,4 | 0,4 | 0,5 | 0,5 | 0,3 | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 | 0,1 | 0,1 |
| Business climate Construction | 0,9 | 0,9 | 0,7 | 0,6 | 0,7 | 0,5 | 0,4 | 0,3 | 0,4 | 0,3 | 0,1 | 0,0 |
| Business climate Retail sales | -0,1 | -0,1 | 0,0 | -0,3 | 0,0 | -0,3 | 0,2 | 0,6 | 0,5 | 0,3 | -0,2 | -0,4 |
| Employment climate | 1,0 | 1,1 | 1,0 | 1,0 | 1,0 | 0,6 | 0,6 | 0,5 | 0,1 | 0,5 | 0,2 | 0,0 |
| Consumer confidence | -1,7 | -1,6 | -1,7 | -1,7 | -1,6 | -1,5 | -1,3 | -1,2 | -1,2 | -1,4 | -1,3 | -0,9 |
| HICP | 3,7 | 3,8 | 3,8 | 3,3 | 3,4 | 2,7 | 2,3 | 2,1 | 2,5 | 2,4 | 1,7 | 1,2 |
| Core HICP | 4,2 | 4,0 | 4,3 | 4,1 | 4,2 | 3,6 | 3,6 | 3,3 | 3,0 | 2,5 | 2,4 | 1,6 |
| Unemployment Rate | 1,9 | 2,0 | 1,9 | 1,9 | 1,8 | 1,7 | 1,7 | 1,6 | 1,5 | 1,6 | 1,6 | |
| Consumer spending | -1,2 | -0,7 | -0,7 | -0,6 | -1,0 | -0,7 | -0,5 | -0,2 | -0,5 | -0,9 | -0,5 | |
| Industrial production | 0,3 | -0,3 | 0,2 | 0,1 | 0,3 | 0,4 | 0,1 | 0,5 | 0,0 | 0,0 | 0,4 | |
| Exports of goods | 1,0 | -0,1 | 0,7 | 0,5 | 0,2 | 0,6 | 0,0 | 0,2 | -0,8 | -1,0 | -0,8 | |

* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero. Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

| | Actual | | | Carry-over | Nowcast | Forecast | | Annual forecasts (y/y) | | | |
|---------|---------|---------|---------|------------|---------|----------|---------|------------------------|------|------|------|
| Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2022 | Q4 2023 | Q4 2023 | Q1 2024 | 2022 (observed) | 2023 | 2024 | 2025 |
| 0,0 | 0,1 | 0,6 | -0,1 | 0,3 | -0,0 | 0,0 | 0,1 | 2,5 | 0,8 | 0,6 | 1,4 |

See the [Nowcast methodology](#). Contact: [Tarik Rharrab](#)
Source: Refinitiv, BNP Paribas

