

Smoothing the impact of a shock also means delaying some of its effects

The hierarchy has changed: French inflation, which was well below inflation in the eurozone, is now higher (5.7% in September compared to 4.3% y/y, according to the harmonised index). On average, French inflation even exceeded its June-July level by nearly 0.5 points in August-September (compared to a drop of 0.6 points in the euro zone). This was due to the rebound in energy prices, which was stronger in France, particularly with the increase in the regulated electricity tariff in August 2023 (+10%). Conversely, the drop in underlying inflation continued (3.6% y/y in September compared to 4.3% in July). This is mainly due to stabilisation of the (seasonally adjusted) index for manufactured goods prices between April and September.

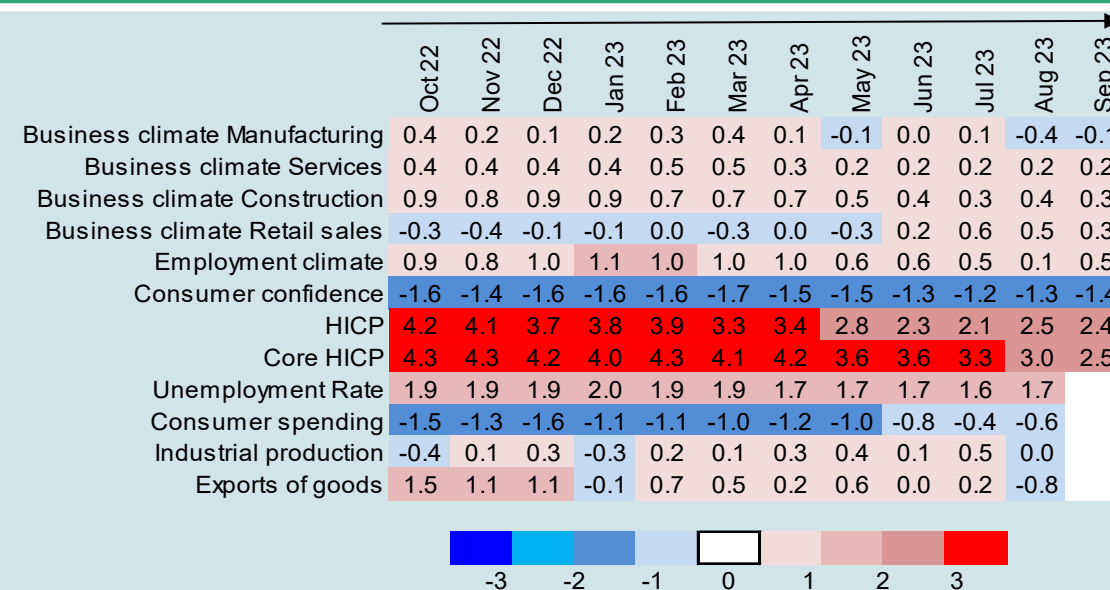
Consumer confidence fell in September to 83, after standing at 85 for three months. The rise in inflation affected consumers' perception of their personal financial situation and standard of living. The opportunity to save returned to its highest levels (excluding the Covid period) seen in February 2023 - standing at 37 in September - indicating that the household savings rate (18.8% of gross disposable income in Q2, almost 4 points above the average observed in 2019) should remain high.

The continuation of more moderate consumer demand for several quarters now, is starting to affect order books in industry: for example, according to the European Commission, order books in the automotive sector fell to 3.5 months in July, their average level in 2019 (compared to an average of 4.3 months in H1 2023). This lower demand has also impacted production: September's past production figure in the INSEE survey in industry (which refers to the previous three months, i.e., Q3) is negative, at -6 (compared to +3 in June and +5 as the historic average). This can be explained by the figures for the automotive, other transport equipment and cyclical sectors (chemicals, plastics, metals).

The more positive elements (recovery in production and exports of transport equipment, investment by companies) allowed positive growth to be maintained until Q2. We had expected negative elements to drive negative growth in Q3 (growth forecast at -0.2% q/q). However, our nowcast suggests that growth may have remained in positive territory (0.1% q/q), in line with a more moderate INSEE employment climate than before, but still above its long-term average in Q3 (at 104 on average). If this were the case, it could simply mean a delayed slowdown, which might happen, for example, in Q4.

Stéphane Colliac (completed on 19 October 2023)

France: economic indicators monthly changes



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)		
Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q4 2022	Q3 2023	Q3 2023	Q4 2023	2022 (observed)	2023	2024
0.3	0.1	0.0	0.5	0.3	0.1	-0.2	0.0	2.5	0.7	0.5

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



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