

# ECONOMIC PULSE

## FRANCE : GOOD NEWS FROM THE JOB MARKET VS. BAD NEWS FROM INFLATION

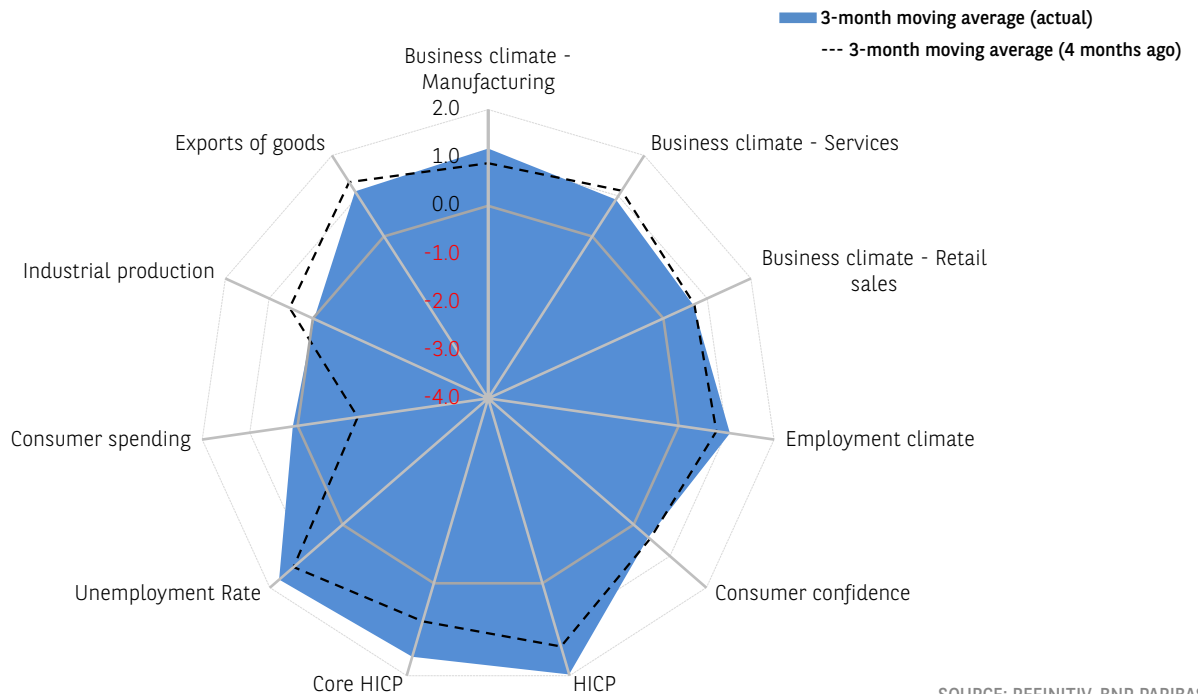
Health restrictions implemented in front of a new wave of the Covid 19 pandemic dominated by the Omicron variant seem to have had only a mild impact on growth in early 2022, and the gradual lifting of these restrictions bodes well for a rebound in growth. These disruptions occurred in the midst of a rather favourable environment, as illustrated by another increase in private sector payroll employment, which rose 0.5% in Q4. Compared to pre-Covid levels, net job creations were up by 300,000 jobs. The unemployment rate has reached a new low (7.4%) and the employment rate has increased to a new high (67.8%). This development supports household income and demand by offsetting the impact of higher inflation on household confidence. Recent months have also seen a relative stabilization of inflation after the upturn in energy prices in early fall.

This stabilization, which is rather good news for growth in early 2022, should only be temporary and an upsurge in inflation is to be expected as of February, with another increase in oil prices, a 4% increase in electricity tariffs and signs that higher costs will increasingly be carried over to the prices of manufactured goods, food and services. Consequently, inflation is expected to rise above the 3% threshold throughout the rest of 2022, with a full-year average of 3.5%, the highest inflation rate since 1989.

At the same time, exports are expected to rebound after a tough year-end period, which contributed to a very sharp deterioration in the trade deficit, which swelled to EUR 85 billion in 2021 (including a record high deficit of nearly EUR 50 billion for manufactured goods). Hit by more shocks (Omicron variant, inflation), GDP growth is expected to slow to 0.5% q/q in Q1 2022.

**Stéphane Colliac**

### 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 +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.

