ECONOMIC PULSE

FRANCE: HEALTHY UNEMPLOYMENT FIGURES

The economic indicators on our radar screen portray a French economy that is still looking rather strong and upbeat. In the recent period, most indicators are higher than their long-term and short-term averages, i.e. the momentum is slightly positive. Specifically, the signals from survey data (available through January) are more positive than hard data concerning activity (which are not as up to date, with November and December being the most recent months). A priori this augurs well for growth in early 2020.

The year 2019 was characterised not only by the downward resilience of French growth –except for Q4, which was particularly affected by strikes– but also by the upward resilience of inflation. Core inflation certainly increased in the last months of the year, reaching 1% in December. But this is still uncomfortably low, and according to our scenario, it is unlikely getting much higher in 2020-2021.

The unemployment rate stands out as the most upbeat indicator. (In our radar, the Eurostat monthly series have an inverted sign, which means that an increase is positive for the economy). In December 2019, the unemployment rate slipped to 8.4% of the labour force, the lowest rate since the previous downward phase in late 2006 and early 2007. The unemployment rate has fallen by half a point in a year, and is down by 2 points from its peak in mid-2015. Unemployment continues to decline slowly but surely. Although being a lagging indicator, it is still good news. It mirrors the sharp drop in the number of applicants for unemployment benefits in 2019 - down 121,000 in a year for category A unemployed, or 157,000 for all jobless categories combined, which is about three times bigger than the decline reported in late 2018.
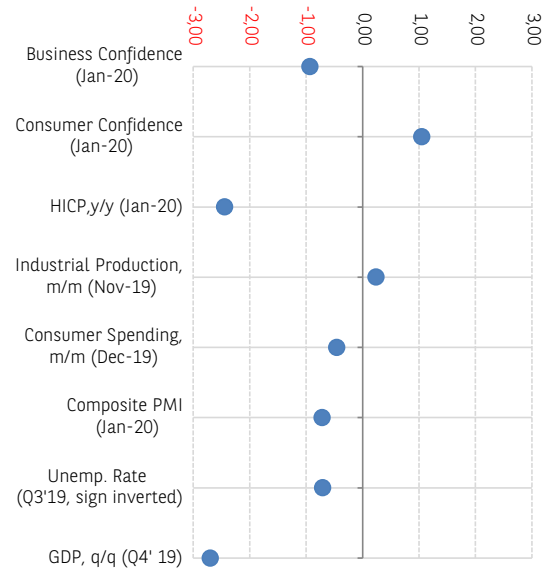
Hélène Baudchon

QUATERLY CHANGES	SURPRISE (Z-SCORE)

■ M3M (actual)
--- M3M (4 months ago)
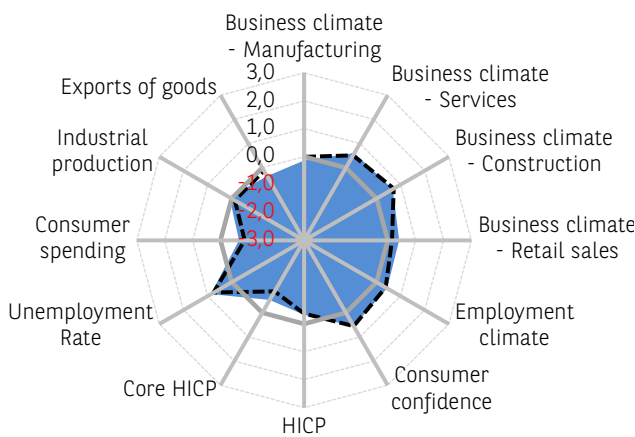
SOURCE: THOMSON REUTERS, BNP PARIBAS

SOURCE: BLOOMBERG, BNP PARIBAS

Note : the indicators in the radar and surprise charts are all transformed into z-scores. By construction, the z-scores have mean zero and their values, which indicate how far the indicator is removed from its long-term average, are in the interval between -3 and 3 in almost all cases. 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 signals an improvement. In the right pane, the surprise is an actual outcome that differs from the market forecast (Bloomberg).