

ECONOMIC PULSE

FRANCE : MUCH BRIGHTER SKIES IN JUNE

While the economic horizon cleared up a bit in May, the improvement was much bigger in June. Given its construction, our Pulse does not yet show any traces of this rebound, which is just as remarkable as the preceding plunge. Markit's composite PMI index rose above the 50 threshold, which means it is back in the expansion zone. At 51.3 (preliminary estimate), the index has nearly returned to its pre-crisis level (52 at year-end 2019). It has almost completely recovered the ground lost in March-April. In manufacturing, the business climate rebounded even higher, to 55.5, the highest level since February 2018. In the services sector, there is only a 2-point gap to be closed.

The message from the INSEE surveys is a little less optimistic. The composite index rebounded significantly (18 points). There was a big upturn in services and retailing (26 and 21 points, respectively), but industry gained only 7 points*. At 78, the composite index is only less low and it remains far below 100, the benchmark average. Between May and June, the index has barely regained half of the ground lost in March-April. The improvement is due to a sharp turnaround in the balance of opinions concerning future trends, while those concerning past trends remain deteriorated.

Based on this point, one cannot take for granted that industrial output hit bottom in April and begun to recover in May.

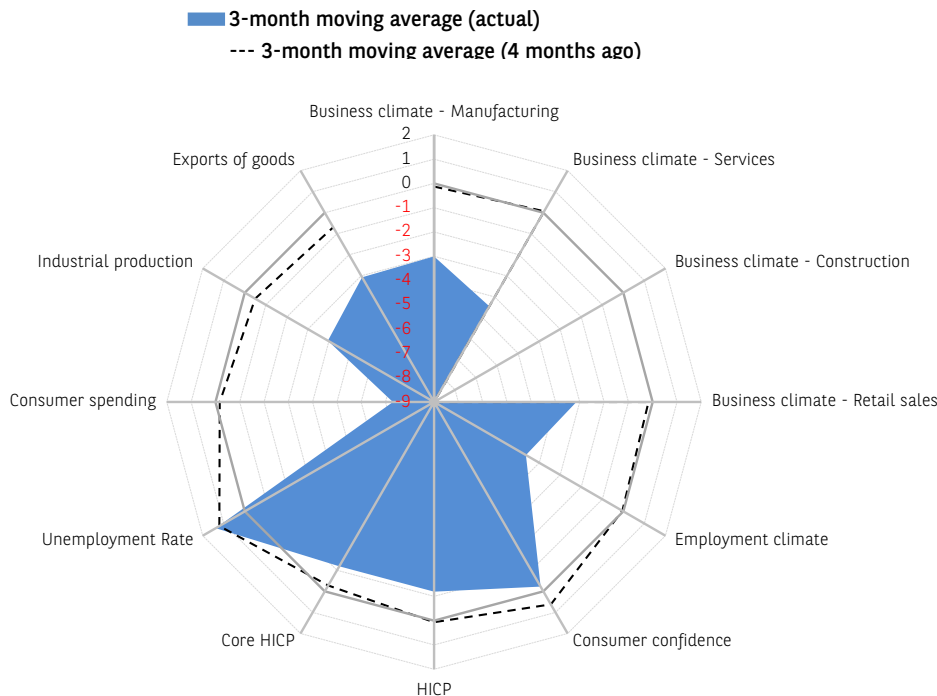
Prospects are looking better for household consumption of goods, based on the sharp rise in May and June in the proportion of households who think it is a good time to purchase big ticket items. The huge rebound in May in the Bank of France's retail survey bodes well too. In its past two economic notes dated 27 May and 17 June, the INSEE noted a more rapid recovery in consumption (which in June was 5% below its level in a "normal" situation) than in production (-12%).

The news from the job market is also encouraging. The number of category A jobseekers registered with Pôle Emploi, the national employment agency, fell back by 3.3% m/m in May, while declarations of new hiring of more than a month (excluding temporary jobs) rebounded 76% m/m that same month. However, French households continue to have a negative perception of the situation: their fears about unemployment trend have increased again in June, even though only slightly.

* Since April, the INSEE no longer provides the composite business climate indicator for the construction sector, but only releases the related balances of opinions.

Hélène Baudchon

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar 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 compared to the dotted area signals an improvement.

