

ECONOMIC PULSE

FRANCE: SOLID FIGURES FOR THE THIRD QUARTER

The initial estimate of French growth in Q3 2021 surprised on the upside, with a rebound in GDP of 3% q/q, well ahead of our forecast (2.2%) as well as those of Banque de France (2.3%) and INSEE (2.7%). Furthermore, Q2 growth has been revised upwards by 0.2 points to 1.3%. One quarter ahead of schedule, France's GDP is therefore almost back to its pre-crisis level of Q4 2019. Besides, the growth carry-over reaches 6.6%. Hence, on average over 2021, growth will be much stronger than expected (government forecast of 6.25% and our forecast of 6.3%)¹.

This strong Q3 print is based on the marked upturn in household (+5% q/q) and public consumptions (3%), as well as on the very positive contribution of net exports (0.6 percentage points), boosted by the sharp rise in exports (2.3%) combined with near stagnation in imports (0.1%). This latter factor mirrors the very negative contribution of changes in inventories (-0.9 points), both probably bearing the mark of current supply difficulties. Near stagnation in investment (-0.1%) is the unwelcome surprise of Q3. This is due to business (-0.1%) and public investments (-1%), while household investment continued to rise (0.8%). The positive side is the resilience of investment in market services (1.6%). However, this is offset by the decline in investment in manufactured goods (-2%) and construction (-0.3%). This poor performance can be regarded as a technical payback after a very strong Q2. The determinants of investment remain favourable. It is worth keeping an eye on this, however, as signs of supply and hiring difficulties and inflationary pressure may also be seen.

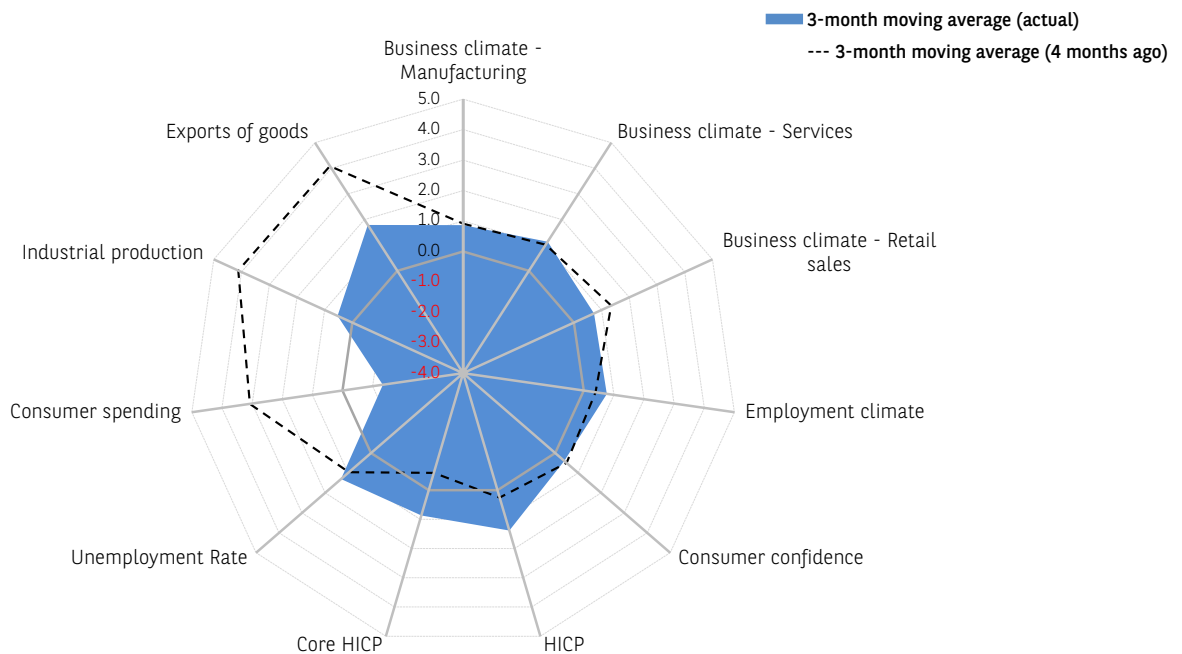
According to initial INSEE estimate, private payroll employment increased in Q3 at a more normal rate of 0.5% q/q (96,000 jobs created), well below the pace of Q2 (1.4%) and GDP growth, which almost comes as a disappointment following a series of positive surprises in this indicator. However, on the basis of pre-crisis criteria, a figure of this kind would have been considered very good and corresponds to a very brisk rate of job creations. It is also possible to welcome the underlying upturn in labour productivity per head. These favourable employment figures come in addition to the number of category A jobseeker figures, which saw a sharp fall in Q3 (-5.5% q/q), resulting in a fall in the number of jobseekers across all categories (-0.8%).

What is Q4 looking like? Even before the accentuation in supply constraints and inflationary pressures over the last few months, prospects for growth looked less favourable, with the automatic rebound effect seen in Q3 wearing off. From now on, growth can be expected to peter out slightly more. However, even though the downward risks have increased, there are also cushioning factors, such as dedicated measures to support household purchasing power (energy cheques, gas and electricity tariff shield, inflation compensation). True, Q3 ended on a negative note in terms of consumer spending on goods (-0.2% m/m in September) and industrial production (-1.3% m/m). This can be seen in our barometer: the blue area is clearly down relative to the area marked out by the dotted outline. But business climate surveys for October suggest that the signs remain positive for the first month of Q4.

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1. Quarterly contraction in GDP of around 1% would be needed in Q4 to bring the yearly average back down to 6.3%, which is unlikely.

FRANCE: 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 +5. 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.

