

ECONOMIC PULSE

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FRANCE: SOME PLEASANT SURPRISES IN Q4 2020

2020 closed with a quarter-on-quarter (q/q) fall in GDP of 1.3%, according to the first estimate of the Q4 national accounts published on Friday 29 January. This was a much smaller fall than expected (we had estimated -4% q/q, in line with INSEE and Banque de France estimates). The full year contraction in GDP was 8.3%. This good surprise came mainly from business and households' investment and exports, which rose instead of falling as expected. Household consumption took the biggest hit from the lockdown in November-December (-5.4% q/q). But this negative figure was partly offset by the 23% m/m rebound in consumption of goods in December. This wiped out the drop in November (-18% m/m) and brought consumption of goods above its pre-crisis level (up 3.7% relative to December 2019).

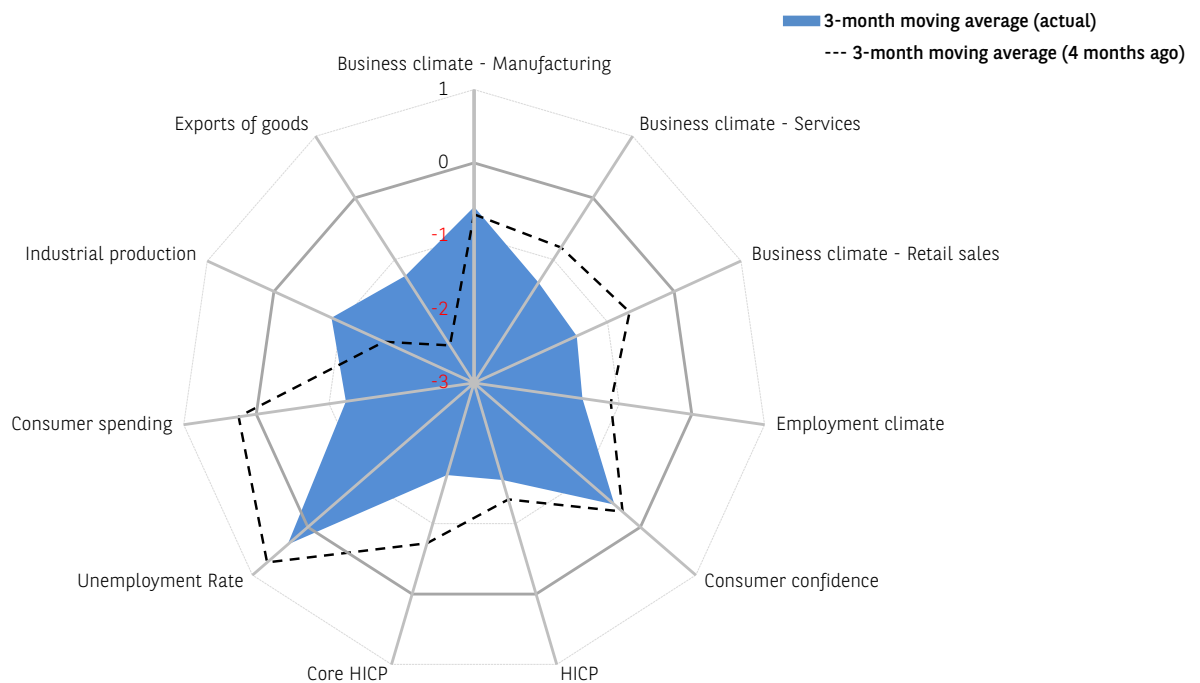
The number of jobseekers in Category A also bore the traces of the turbulence in economic activity during the phases of lockdown and relaxation, albeit in a less severe manner than in the spring. This figure was stable in December, having increased by nearly 1% m/m in November and fallen by nearly 2% m/m in October. Over the quarter as a whole, there was a fall (-3% q/q). This was a smaller decline than in Q3 (-11% q/q) and was remarkable given the simultaneous fall in GDP. On average over the year, the number of category A jobseekers

increased by 8.8%, another remarkable figure in that it was so much lower than the increase seen in 2009 (22%) despite a GDP contraction (-2.8%) that was significantly smaller than in 2020. These figures reflect the effectiveness of the significant ramp-up of the job-retention scheme.

2021 is getting off to a mixed start, as reflected in our barometer (blue area in partial contraction relative to the dotted area). INSEE's composite business climate index improved slightly in January, gaining 1 point to 92, whilst Markit's Composite PMI saw a marked 3-point drop, to 47. Consumer confidence also fell 3 points, to 92. The details of the business climate survey data highlight a feature of the current crisis: the reversal of "sheltered" and "exposed" sectors. Services (in the broad sense, including retail trade) have generally fallen into the first category and industry into the second; this has now reversed, with industry coping better with the crisis than services.

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QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, 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 -3 and +1. 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.



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