

ECONOMIC PULSE

FRANCE : THE ECONOMY CONTINUES TO YO-YO

Our Pulse chart shows an improvement in the French economy over the last few months, compared to the previous three ones: the blue-shaded area is larger than the dotted area. However, the picture that emerges from the monthly changes in the component indicators is made less clear by their yo-yo movements. The marked recovery in confidence survey data in March followed on from a deterioration in February, with both movements running contrary to the relative stability of Google's mobility indicators. Moreover, it is unlikely that this rebound will continue, as the surveys did not include the effects of the government's latest lockdown measures. We would therefore expect fresh falls in April before, perhaps, the beginnings of a longer-lasting recovery in May.

Consumer spending on goods has also continued to fluctuate wildly, as this area is hit hardest by lockdown measures and sees the biggest rebounds when these are lifted. Thus a 17.9% m/m fall in November was followed by 22.5% m/m growth in December and then a 4.9% m/m fall in January. This pattern of swings was, however, interrupted in February, when a stable figure disappointed our expectations and those of INSEE of a strong rise. The boost to purchases of goods from the winter sales period (+3.4% m/m) was likely limited by the

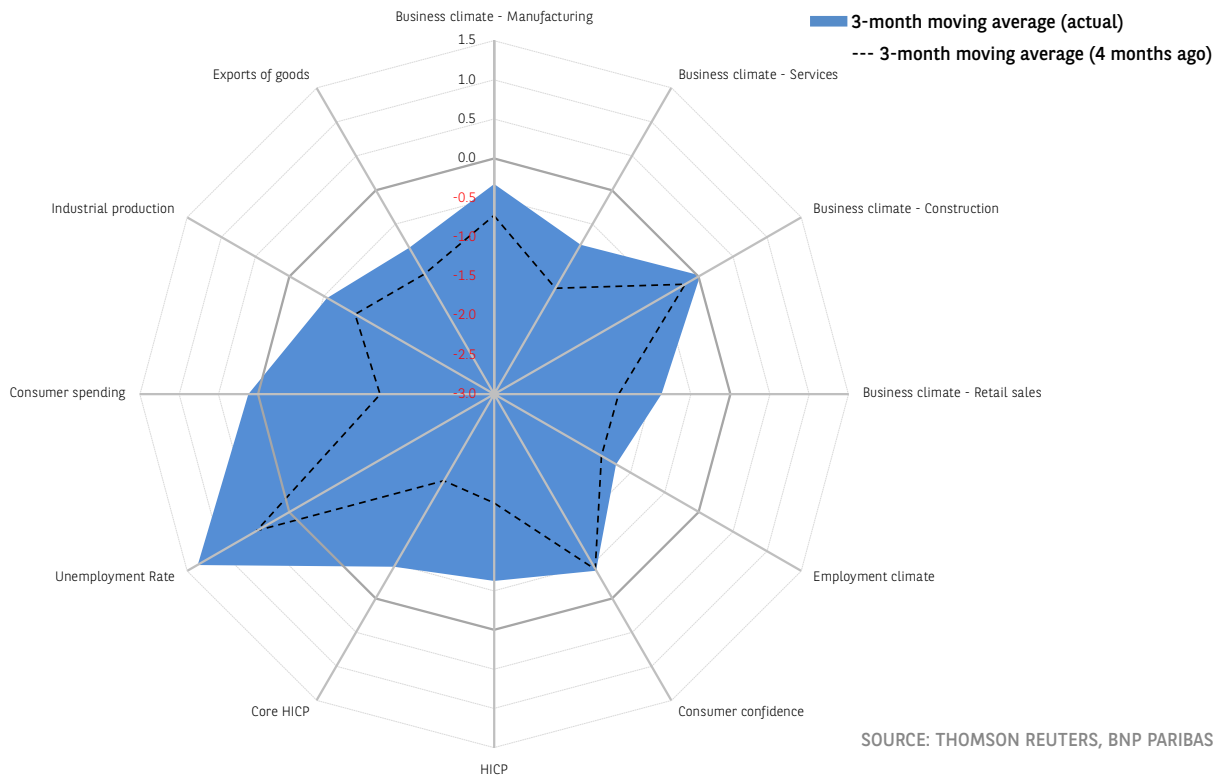
targeted tightening of lockdown measures and then offset by falls in consumption of energy (-3.1% m/m) and food (-2.2% m/m).

Unusually, industrial production has been doing a bit better than consumption as it is less affected by health restrictions and has been benefiting from the improvement in the global environment. Even so, it has not escaped the yo-yo trend. A rise of 3.2% m/m in January took it back to pre-crisis levels, but it then fell back sharply in February, by 4.7% m/m, a decline that is hard to reconcile with the more positive signals from survey data. As for exports, their recovery since the shock of the first lockdown has been significant, but less so than those in production and consumption and below what is suggested by the improvement in survey data and the CPB's World Trade Monitor. This shortfall can be blamed on difficulties in the aerospace sector, which is holding back a greater upturn in exports.

After the expected small rise in GDP in Q1 (boosted by the positive carry-over effect of the activity rebound in December), Q2 prospects are not particularly encouraging. Our baseline scenario puts growth close to zero, and a negative number cannot be ruled out.

Hélène Baudchon

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 +1.5. 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.