

ECONOMIC PULSE

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FRANCE: MORE TEMPERED OPTIMISM

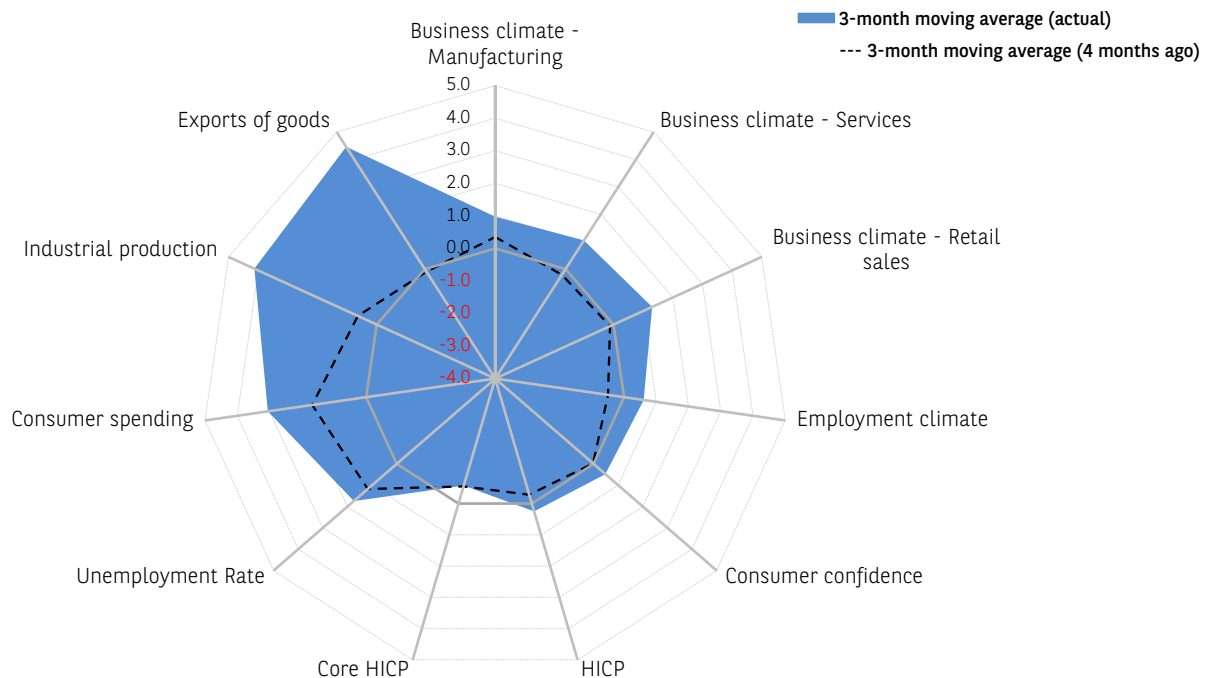
According to INSEE's preliminary estimate, French GDP grew 0.9% q/q in Q2 2021. This outcome was slightly better than expected, as we had forecast a 0.8% rise and INSEE a 0.7% increase. Although growth in France was significantly weaker than across the euro zone at large (2% q/q) or the United States (1.6% q/q), it was still a decent figure given the circumstances. Indeed, despite the third lockdown in April, it lay well inside positive territory. The lockdown's negative impact on economic activity was even more modest than that of the second lockdown. According to the Banque de France's latest estimates, the GDP shortfall compared with the pre-pandemic level widened by only a small margin between March (slightly less than 4%) and April (slightly over 4%), whereas it had worsened from -3% to -6% between October and November 2020. In May, the GDP shortfall diminished again – to slightly less than 4% – ahead of a larger improvement in June to around -2%. In June, France's economy was thus operating at 98% of its pre-pandemic level. The gentle-paced recovery conveyed by these figures contrasts with the excessive optimism reflected in the far stronger rebound of the May and June business confidence surveys.

The growth carryover in Q2 2021 stands at close to 5%, with the upward revision in the previous three quarters also playing a role in this. The government forecast, which matches our own, of growth of 6% over the year as a whole has solid chances of being reached, even though the growth outlook for Q3 and Q4 is not quite as rosy as it was three months ago, heading into the summer. Supply chain issues, hiring difficulties and higher input prices are holding back the recovery a bit more significantly than expected. The ongoing pandemic situation continues to hamper too the return to normal activity in the tourism, hotel & restaurant, culture, entertainment, trade and transports sector.

The decline in the July and August business climate surveys reflects these various factors, as well as natural statistical pullback from the heights reached in June. The scale of their decline was modest, however, and they remain at a very high level. Our Pulse continues to point to an improvement in the economic situation in recent months compared with the previous three months. It shows up more clearly in the economic indicators (consumer spending, production, exports) than in the confidence surveys (the blue area largely surpasses the area marked by the dotted line) because the hard data continue to be underpinned by a highly supportive base effect and because the more recent soft data we have (up to August rather than up to June) are somewhat lower.

Hélène Baudchon

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.



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