

# Economic activity

In Q3 2023, French GDP weakened slightly (-0.1%, according to the detailed results in the quarterly accounts), after a significant increase in Q2 (+0.6%, ► [Figure 1](#)). While household consumption bounced back, corporate investment, in contrast, decelerated and foreign trade declined, hampering any improvement in GDP (► [Figure 2](#)). At the same time, activity in the manufacturing industry fell back a little, in the wake of the decline in agrifood and the manufacture of transport equipment, as did activity in services, notably transport services. Meanwhile, activity in the construction sector continued to decline, for the fourth consecutive quarter.

According to the business tendency surveys, the economic outlook remains sluggish. The business climate indicator dropped below its long-term average in October, reaching its lowest level since the end of the health crisis, and it continued to weaken in November. After remaining very high for a long time, the employment climate is also in decline, while household confidence in the economic situation is picking up, but only slowly (► [Figure 3a](#)). The decline in the

## ► 1. Goods and services: resources-uses balance at chain-linked prices for the previous year, in quarterly and annual change

(quarterly and annual changes, in %; seasonally and working-day adjusted data)

	2022				2023				2024		2022	2023	2024 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
<b>Gross domestic product</b>	-0.1	0.4	0.5	0.0	0.1	0.6	-0.1	0.0	0.2	0.2	2.5	0.8	0.5
Imports	1.6	0.3	4.8	-0.8	-3.1	2.4	0.1	0.2	0.6	0.5	8.8	0.5	1.8
Total resources	0.5	0.6	1.3	-0.1	-0.2	1.1	0.0	0.0	0.3	0.3	4.3	1.3	0.8
Household consumption expenditure	-1.3	0.8	0.4	-0.5	0.3	-0.1	0.6	0.0	0.6	0.4	2.1	0.6	1.2
General government consumption expenditure*	0.4	-0.4	0.3	0.6	-0.3	0.2	0.5	0.3	0.2	0.2	2.9	0.6	0.8
of which individual general government expenditure	0.4	-1.1	0.4	0.7	-0.5	0.0	0.4	0.1	0.2	0.2	2.9	0.2	0.6
of which collective general government expenditure	0.5	0.8	0.1	0.6	-0.1	0.4	0.6	0.5	0.2	0.2	1.8	1.3	1.2
Gross fixed capital formation (GFCF)	0.4	0.6	2.4	0.1	-0.5	0.5	0.2	-0.4	-0.2	-0.2	2.3	1.3	-0.4
of which Non-financial enterprises (NFE)	0.9	0.6	4.0	0.5	-0.3	1.2	0.5	-0.4	0.0	-0.1	3.8	3.2	0.1
Households	-1.8	1.3	-1.2	-1.3	-1.8	-1.3	-1.1	-1.0	-1.0	-0.8	-1.2	-4.8	-3.2
General government	1.4	-0.6	2.3	0.5	0.8	0.9	0.8	0.3	0.2	0.1	1.5	3.4	1.1
Exports	1.8	-1.3	3.1	0.6	-1.7	2.5	-1.0	1.6	0.3	1.4	7.4	1.7	2.7
Contributions (in points)													
Domestic demand excluding inventory**	-0.5	0.4	0.9	-0.1	-0.1	0.1	0.5	0.0	0.3	0.2	2.4	0.8	0.7
Changes in inventories**	0.3	0.5	0.3	-0.4	-0.5	0.5	-0.2	-0.5	0.1	-0.3	0.7	-0.4	-0.5
Foreign trade	0.0	-0.5	-0.6	0.5	0.6	0.0	-0.4	0.5	-0.2	0.3	-0.6	0.4	0.2

■ Forecast.

\* Consumption expenditure of general government and non-profit institutions serving households (NPISH).

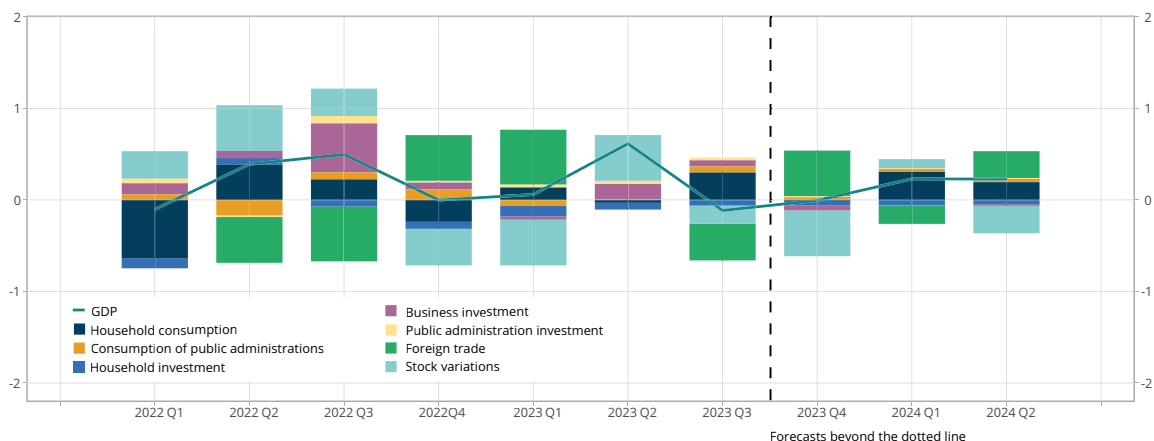
\*\* Changes in inventories include acquisitions net of valuable items.

**How to read it:** in Q3 2023, exports declined by 1.0%. They are expected to increase by 1.6% in Q4 2023 with foreign trade contributing +0.5 points to GDP change.

**Source:** INSEE.

## ► 2. Quarterly variations in GDP and contributions of main demand items

(quarterly variations in % and contributions in points)



**How to read it:** in Q3 2023, declined by 0.1% compared to Q2 2023; foreign trade contributed -0.4 points.

**Source:** INSEE.

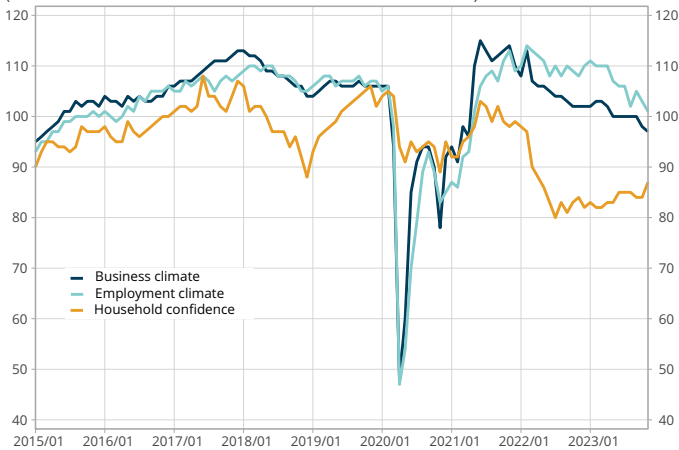
# French economic outlook

business climate reflects the deterioration in the economic outlook in all sectors of activity. In industry, business leaders are particularly pessimistic in agrifood and “other industries”, which mainly include the most energy-intensive branches (► **Figure 3b**). In the building construction sector, expectations for activity continue to deteriorate, especially in new housing (► **Figure 3c**). Although supply chain problems have for the most part been resolved, there are still significant problems with hiring. At the same time, difficulties on the demand side are on the increase, especially in industry (► **Figure 3d**).

Given this fairly unpromising situation, GDP is expected to remain stable (0.0% forecast) in Q4 2023. After a decline in Q3, activity in the manufacturing industry should pick up very slightly, sustained by a technical rebound in the manufacture of transport equipment (► **Figure 4**). After being at a standstill, energy production, and especially electricity production, is expected to fall back, mainly as a result of the mild weather this autumn. Meanwhile, market services look set to grow only modestly, mainly due to the relative buoyancy of the information-communication sector. Finally, activity in construction is expected to decline further, especially the building of new housing.

### ► 3a. Business climate, employment climate and household confidence in France

(standardised with mean 100 and standard deviation 10)



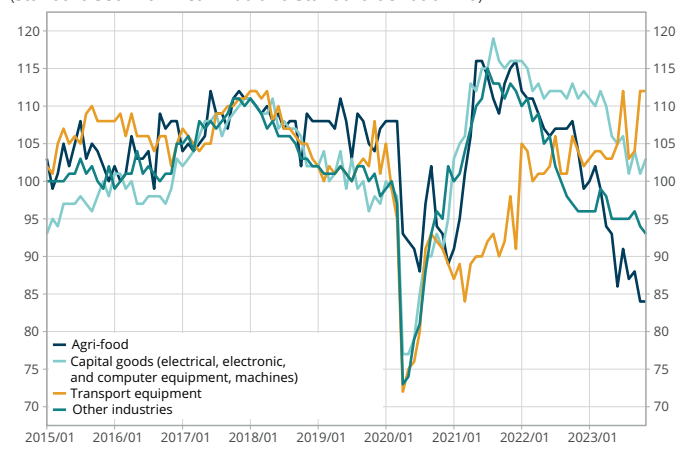
**Last point:** November 2023.

**How to read it:** in November 2023, the business climate in France stood at 97 points, below its long-term average (100).

**Source:** business and household surveys, INSEE.

### ► 3b. Business climate in the main manufacturing industry sub-sectors

(standardised with mean 100 and standard deviation 10)



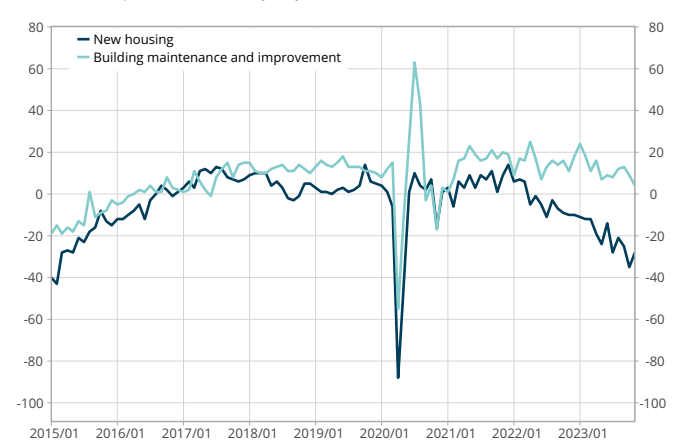
**Last point:** November 2023.

**How to read it:** in November 2023, the business climate in agrifood industries stood at 84 points, below its long-term average.

**Source:** monthly business survey for industry, INSEE.

### ► 3c. Balances of opinion on prospects for activity over the next three months in new housing and building maintenance and improvement

(balances of opinion, seasonally adjusted)



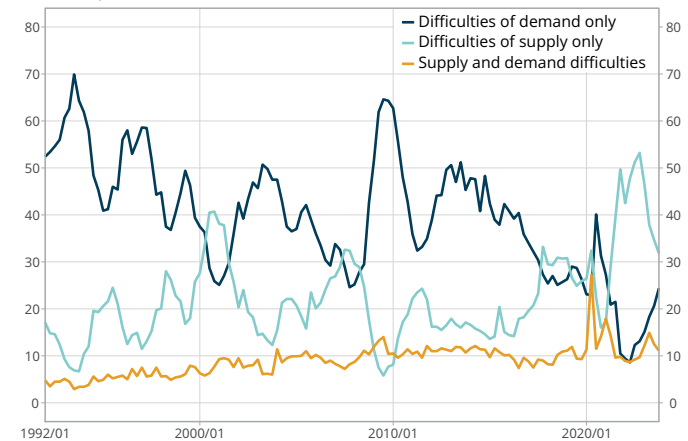
**Last point:** November 2023.

**How to read it:** in November 2023, the balance of opinion on prospects for activity over the next three months in new housing stood at -28 points.

**Source:** monthly business survey in the building industry, INSEE.

### ► 3d. Supply and demand difficulties in French industry

(% of companies concerned)



**Last point:** October 2023.

**How to read it:** in October 2023, 11% of manufacturing industry businesses reported difficulties with both supply and demand.

**Source:** quarterly business survey in industry, INSEE.

Looking at the main demand categories, household consumption would appear to be stable in Q4 2023. While energy consumption is expected to decline substantially and consumption of food products to fall back a little, consumption of services looks set to increase. Against a less favourable backdrop of rising interest rates, corporate investment is expected to fall, especially investments in goods and construction. Household investment too is expected to decline, despite some buoyancy in investment in home renovation-improvement. Finally, despite sluggish demand from overseas, foreign trade should make a positive contribution to activity with deliveries in the aeronautical and naval sectors at the end of the year.

In H1 2024, activity should accelerate somewhat (+0.2% forecast per quarter), as a result of disinflation and despite high interest rates. In industry in particular it should bounce back, in the wake of energy production. Meanwhile, construction is expected to continue its decline, although at a more moderate pace. On the demand side, household consumption looks set to increase as prices begin to ease. While household investment continues to fall as a result of high interest rates, corporate investment is expected to just about maintain its levels. In addition, imports are expected to be buoyant, driven by growing domestic demand, whereas exports will depend more on foreign demand, as their profile from quarter to quarter continues to be affected by deliveries in the aeronautical and naval sectors.

All in all, annual growth for 2023 is expected to reach +0.8%, after +2.5% in 2022. The mid-year growth overhang for 2024 is therefore likely to be modest, at +0.5% (► [Figure 5](#)). This forecast remains very uncertain, especially regarding monetary policy decisions and the effects these have on the real economy, and also on the buoyancy of France's trading partners. New geopolitical tensions could again threaten growth, especially if oil prices were to rise. Conversely, positive effects from the slowdown in prices and a possible decline in the household savings ratio, which is still high, could be additional factors to boost growth. ●

## ► 4. Quarterly changes in economic activity by industry

(quarterly changes in %)

Branch	weight in %	2022				2023				2024	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture, forestry and fishing</b>	<b>1.7</b>	<b>2.7</b>	<b>2.1</b>	<b>1.9</b>	<b>1.4</b>	<b>0.6</b>	<b>0.8</b>	<b>0.4</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>
<b>Industry</b>	<b>13.9</b>	<b>-0.7</b>	<b>-0.9</b>	<b>0.0</b>	<b>0.5</b>	<b>0.8</b>	<b>1.3</b>	<b>-0.3</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.4</b>
Manufacturing industry	11.3	1.1	0.2	0.8	-0.5	0.8	1.1	-0.3	0.2	0.3	0.4
Manufacture of food products, beverages and tobacco-based products	2.1	0.2	-0.7	0.1	-0.6	0.1	1.2	-1.1	-0.2	-	-
Coke and refined petroleum	0.1	60.6	8.8	4.5	-8.2	9.6	1.7	7.5	1.3	-	-
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1.5	-0.1	-0.1	2.2	-0.5	2.4	1.0	-1.0	-0.2	-	-
Manufacture of transport equipment	1.6	-3.1	4.8	4.2	0.5	2.0	3.2	-2.4	2.1	-	-
Manufacture of other industrial products	5.9	1.8	-0.5	-0.1	-0.3	0.0	0.7	-0.2	-0.1	-	-
Extractive industries, energy, water, waste treatment and decontamination	2.6	-7.1	-5.3	-3.2	4.9	0.5	2.1	0.0	-1.6	0.7	0.5
<b>Construction</b>	<b>5.7</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.1</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-0.9</b>	<b>-0.7</b>	<b>-0.5</b>	<b>-0.4</b>
<b>Mainly market services</b>	<b>56.8</b>	<b>0.0</b>	<b>1.0</b>	<b>0.8</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.8</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>
Trade; repair of automobiles and motorcycles	10.4	-1.8	-0.9	0.6	-0.9	-0.4	1.0	0.0	0.0	-	-
Transport and storage	4.6	0.8	0.8	-1.1	0.6	-1.0	0.1	-3.5	-0.3	-	-
Financial and insurance activities	3.8	-1.9	-0.5	-0.4	0.2	1.0	0.8	-0.1	0.0	-	-
Real estate activities	12.8	0.2	0.4	0.3	0.1	0.2	0.3	0.1	0.2	-	-
Accommodation and catering	2.9	2.8	12.1	2.5	0.5	-0.8	1.0	-0.6	0.2	-	-
Information and communication	5.4	0.8	1.4	3.3	0.7	0.8	2.2	0.8	0.6	-	-
Scientific and technical activities; administrative and support services	14.1	1.0	1.2	0.9	-0.1	-0.1	1.0	0.2	0.2	-	-
Other service activities	2.9	0.3	2.4	0.8	0.8	0.7	0.1	0.5	0.5	-	-
<b>Mainly non-market services</b>	<b>21.9</b>	<b>0.5</b>	<b>-0.4</b>	<b>0.1</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>0.1</b>
<b>Total VA</b>	<b>100.0</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.7</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>
Taxes and subsidies		-1.4	0.1	0.3	-0.8	-0.3	0.0	-0.2	-0.5	0.4	0.2
<b>GDP</b>		<b>-0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>0.0</b>	<b>0.1</b>	<b>0.6</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>

■ Forecast

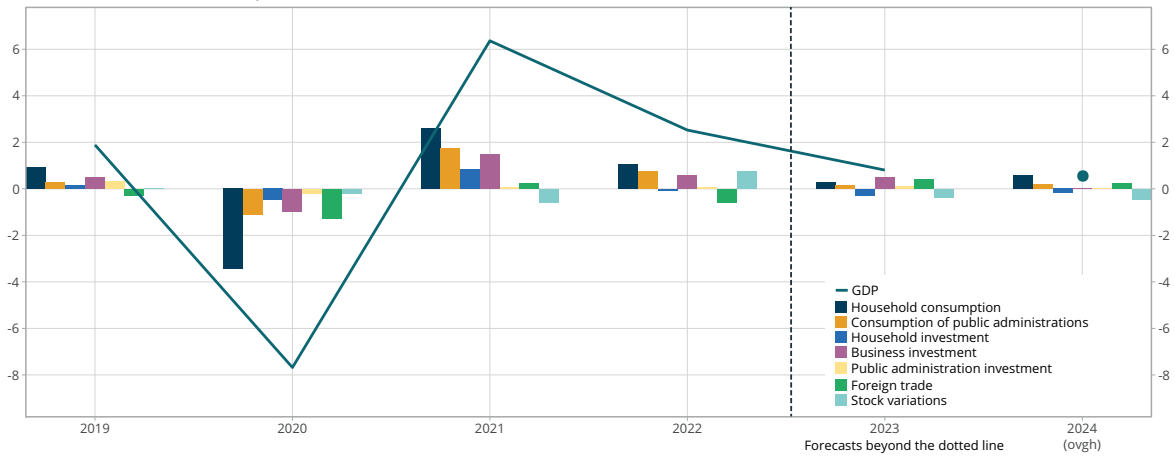
**How to read it:** in Q3 2023, value added of the manufacture of transport equipment branch decreased by 2.4%. It is expected to rise by 2.1% in Q4 2023.

**Source:** INSEE.

# French economic outlook

## ► 5. Annual variations in GDP and contributions of main demand items

(annual variations in %; contributions in points)



**Note:** general government consumption also includes consumption by non-profit institutions serving households (NPISH).

**How to read it:** in 2022, GDP increased by 2.5%; the contribution of household consumption amounted to +1.1 points. In 2023, GDP is expected to increase by 0.8% with foreign trade contributing +0.4 points to this change, and household investment -0.3 points.

**Source:** INSEE.