

Economic activity

In Q4 2023, French GDP remained virtually stable for the second consecutive quarter (+0.1%, according to the detailed results from the quarterly accounts, after 0.0%, ► **Figure 1**). Domestic demand contracted slightly (contributing -0.1 points to GDP growth): household consumption stabilised while both household and corporate investment fell back sharply (► **Figure 2**). Foreign trade supported activity financially (+0.9 points) but this support was to a large extent due to a destocking phenomenon (-0.7 points): companies met demand for goods by drawing down from their inventories and imports declined significantly. Exports stagnated, reflecting sluggish demand on the part of our European partners.

On the supply side, activity rebounded slightly in the manufacturing industry (value added increased by 0.2%), in the wake of the manufacture of transport equipment, and increased a little in market services (value added increased by 0.1%). However, activity continued its decline in construction for the fourth consecutive quarter (value added down 0.8%).

According to the business tendency surveys, the short-term situation remains hesitant. The business climate indicator dropped slightly below its long-term average in October 2023, and has remained there since. The employment climate has returned to a level more in line with that of activity, whereas it was much more favourable from the start of 2022 to the end of 2023. Household confidence in the economic situation is still degraded, but has picked up gradually in recent months, despite falling back in February (► **Figure 3a**).

In industry, the various branches of activity are still evolving differently: overall, the business climate is at approximately its long-term average, however, short-term discrepancies between different sub-sectors have reached historically high levels (► **Figure 3b** et ► **Focus** “The relaunch of aeronautics and the depressed energy-intensive industries account for the exceptional divergence in short-term situations within industry”). The business climate is still especially favourable in the manufacture of “other transport equipment” (mainly aeronautics), while at the same time, the situation still appears to be depressed in agrifood and the energy-intensive branches. In Q1 2024, it seems likely that the manufacturing industry as a whole will suffer from a particularly poor January in terms of production: manufacturing value added is therefore expected to fall back in early 2024 (-0.5% in Q1, ► **Figure 4**), penalised mainly by the automobile and refining industries, but should subsequently bounce back (+0.5% in Q2). On average, it is expected to remain stable over the half-year at a pace consistent with the short-term diagnosis coming out of the surveys. Energy production is expected to follow the same profile as manufacturing production.

► 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			
Gross domestic product	-0.1	0.3	0.6	0.0	0.0	0.6	0.0	0.1	0.0	0.3	2.5	0.9	0.5
Imports	1.5	0.4	4.7	-0.5	-3.1	2.5	-0.4	-2.3	1.4	0.7	8.8	-0.1	0.6
Total resources	0.5	0.5	1.3	-0.1	-0.2	1.1	0.0	-0.3	0.2	0.5	4.3	1.2	0.6
Household consumption expenditure	-1.3	0.7	0.5	-0.4	0.2	0.0	0.5	0.0	0.3	0.4	2.1	0.6	0.9
General government consumption expenditure*	0.4	-0.4	0.3	0.6	-0.3	0.2	0.3	0.3	0.2	0.1	2.9	0.6	0.7
of which individual general government expenditure	0.4	-1.1	0.4	0.6	-0.5	0.0	0.3	0.2	0.2	0.0	2.9	0.1	0.5
of which collective general government expenditure	0.5	0.8	0.1	0.6	0.0	0.5	0.2	0.5	0.3	0.2	1.8	1.3	1.1
Gross fixed capital formation (GFCF)	0.3	0.4	2.2	0.4	-0.5	0.3	0.2	-0.9	-0.2	0.0	2.3	1.1	-0.6
of which Non-financial enterprises (NFE)	0.8	0.4	3.9	0.8	-0.5	0.8	0.3	-0.9	-0.1	0.0	3.8	2.7	-0.4
Households	-1.9	1.2	-1.4	-1.0	-2.0	-1.5	-1.1	-1.4	-1.0	-0.5	-1.3	-5.1	-3.2
General government	1.5	-0.7	2.0	0.7	1.7	0.9	1.6	0.0	0.7	0.6	1.5	4.5	2.2
Exports	1.7	-1.1	3.3	0.3	-1.8	2.7	-0.7	0.0	0.3	1.4	7.4	1.5	1.7
Contributions (in points)													
Domestic demand excluding inventory**	-0.5	0.3	0.9	0.1	-0.1	0.1	0.4	-0.1	0.2	0.2	2.4	0.7	0.5
Changes in inventories**	0.3	0.5	0.2	-0.3	-0.4	0.5	-0.3	-0.7	0.3	-0.2	0.7	-0.4	-0.4
Foreign trade	0.0	-0.5	-0.5	0.2	0.6	0.0	-0.1	0.9	-0.4	0.3	-0.6	0.5	0.4

■ 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 Q4 2023, imports fell by 2.3%.

Source: INSEE.

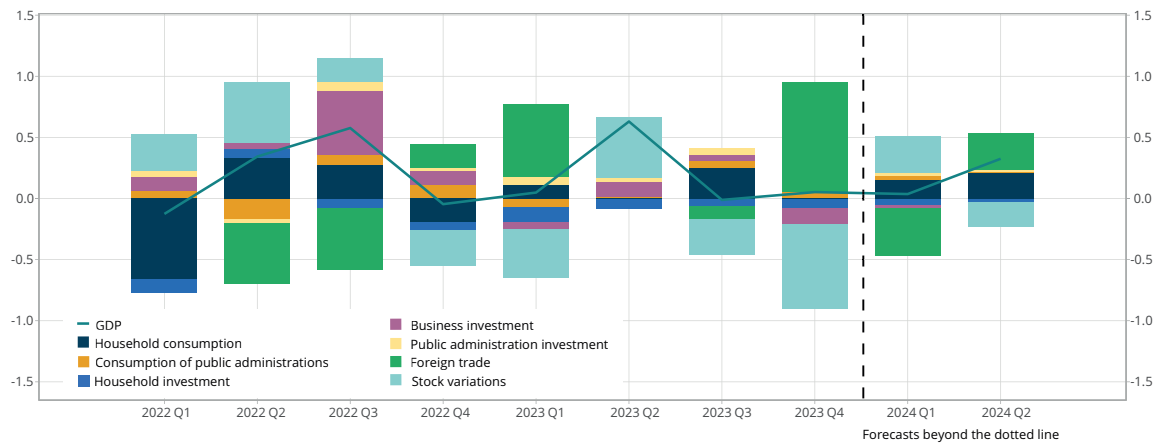
On the market services side, value added is expected to accelerate somewhat throughout H1 (+0.2% then +0.4% in Q1 and Q2), mainly due to the rebound in activity in the information-communication sector and in accommodation-catering.

Activity in construction is likely to continue to suffer because financing conditions are hampering households' and companies' ability to invest. The value added of the sector is expected to continue to decline, although at a slightly more moderate pace than at the end of 2023 (-0.6% then -0.4% in Q1 and Q2 2024).

Among the main demand items, household consumption, bolstered by a relatively dynamic purchasing power, should increase by around 0.3% per quarter, while household investment is expected to continue its decline (-1.0% then -0.5%), although this should gradually affect growth less and less. Regarding companies, past monetary tightening is expected to hamper their investment (-0.1% then 0.0% in the first two quarters of 2024); however, the decline in investment in goods and construction should be offset by movement in services, which is expected to regain a degree of dynamism after the turbulence at the end of 2023. Finally, the contribution of foreign trade to activity is likely to have an irregular profile: it is expected to affect growth in Q1 2024 as inventories are replenished after the substantial destocking operations at the end of 2023, and then boost growth in Q2, as a result of major aeronautical and naval deliveries.

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

(quarterly variations in %; contributions in points)

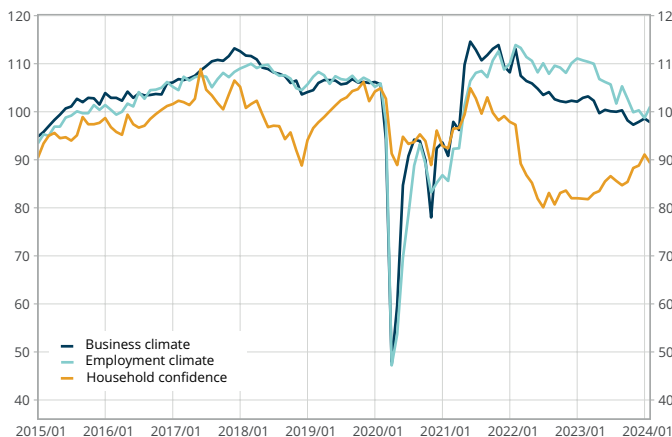


How to read it: in Q1 2024, GDP would be stable compared with Q4 2023 (0.0%); the contribution of household consumption to this growth would be around +0.2 points.

Source: INSEE.

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

(standardised with mean 100 and standard deviation 10)



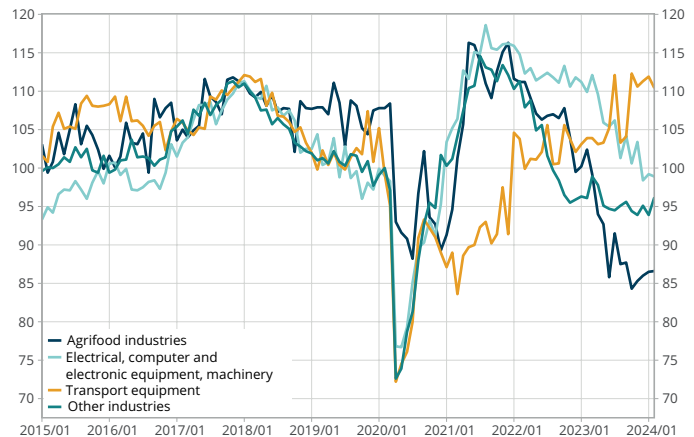
Last point: February 2024.

How to read it: in February 2024, the business climate in France stood at 98, 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: February 2024.

How to read it: in February 2024, the business climate in agrifood industries stood at 87 points, below its long-term average.

Source: monthly business survey for industry, INSEE.

French economic outlook

Finally, growth in activity is expected to be limited to H1. In Q1, it is likely to remain at a standstill: it is certainly expected to derive benefit from the reboot of consumption in services, but manufacturing production looks set to decline as a result of one-off phenomena (refinery shutdowns, supply chain problems in the automobile industry). In addition, activity in construction is expected to continue to weaken. In Q2, activity should rebound (+0.3%), with the brakes coming off a little. All in all, the mid-year growth overhang for 2024 is likely to be modest, at around +0.5% (► **Figure 5**). ●

► 5. 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
Agriculture, forestry and fishing	1.7	2.7	2.1	1.9	1.4	0.6	0.8	0.4	0.3	0.4	0.3
Industry	13.9	-0.7	-0.9	0.3	0.1	0.9	1.4	-0.2	0.0	-0.4	0.5
Manufacturing industry	11.3	1.1	0.1	0.9	-0.6	0.8	1.1	-0.3	0.2	-0.5	0.5
Manufacture of food products, beverages and tobacco-based products	2.1	0.1	-0.9	0.1	-0.3	-0.3	1.0	-1.2	-1.2	1.2	-
Coke and refined petroleum	0.1	60.6	8.7	4.2	-7.7	9.5	1.7	7.2	-0.6	-12.0	-
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1.5	-0.2	-0.2	2.3	-0.4	2.2	1.0	-1.0	-0.3	-0.8	-
Manufacture of transport equipment	1.6	-2.9	4.6	5.0	-0.4	2.0	2.9	-1.7	1.5	-0.4	-
Manufacture of other industrial products	5.9	1.8	-0.5	0.0	-0.4	0.1	0.8	-0.2	0.6	-0.2	-
Extractive industries, energy, water, waste treatment and decontamination	2.6	-7.0	-5.0	-2.5	3.1	1.2	2.5	0.3	-0.6	-0.1	0.5
Construction	5.7	-0.1	-0.2	0.1	0.1	-0.4	-0.5	-0.4	-0.8	-0.6	-0.4
Mainly market services	56.8	0.0	1.0	0.9	0.0	-0.1	0.9	0.0	0.1	0.2	0.4
Trade; repair of automobiles and motorcycles	10.4	-1.8	-1.0	0.7	-0.8	-0.5	1.0	0.1	-0.3	-0.2	-
Transport and storage	4.6	0.6	0.9	-0.3	-0.4	-0.9	0.4	-2.3	-0.7	0.4	-
Financial and insurance activities	3.8	-2.0	-0.6	-0.1	0.6	1.5	1.2	0.2	0.3	0.1	-
Real estate activities	12.8	0.2	0.4	0.3	0.1	0.1	0.3	0.1	0.1	0.3	-
Accommodation and catering	2.9	2.7	12.1	2.5	1.0	-1.1	1.0	-0.5	0.0	0.4	-
Information and communication	5.4	0.7	1.3	3.1	0.7	0.9	2.0	0.5	-0.3	0.6	-
Scientific and technical activities; administrative and support services	14.1	0.9	1.2	1.0	0.0	-0.2	1.1	0.5	0.5	0.4	-
Other service activities	2.9	0.4	2.5	0.8	0.8	0.5	0.1	0.3	0.6	0.4	-
Mainly non-market services	21.9	0.5	-0.4	0.2	-0.1	0.3	0.1	0.1	0.3	0.0	0.1
Total VA	100.0	0.0	0.4	0.6	0.1	0.1	0.7	0.0	0.1	0.0	0.3
<i>Taxes and subsidies</i>		-1.5	0.1	0.2	-0.9	-0.6	0.0	-0.1	-0.1	-0.1	0.6
GDP		-0.1	0.3	0.6	0.0	0.0	0.6	0.0	0.1	0.0	0.3

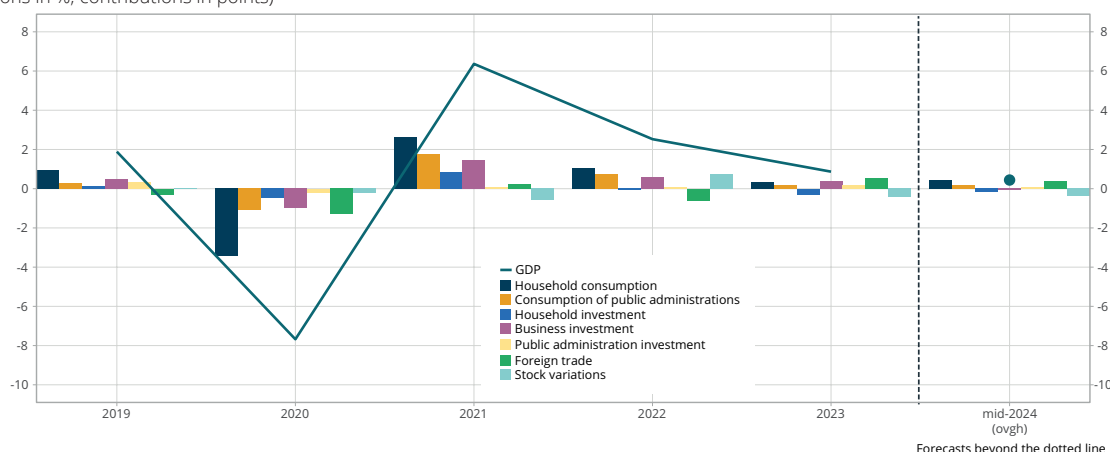
■ Forecast

How to read it: in Q4 2023, value added of the manufacture of transport equipment branch increased by 1.5%. It is expected to fall by 0.4% in Q1 2024.

Source: INSEE.

► 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 2023, GDP increased by 0.9%; the contribution of household consumption amounted to 0.3 points.

Source: INSEE.