

Economic activity

In Q1 2023, French GDP accelerated slightly (+0.2%, according to the detailed results from the quarterly accounts, after stability in Q4 2022, ► [Figure 1](#)). Although domestic demand was still flagging, supply chain difficulties had lessened their effect on economic activity. Industrial action disrupted some sectors, especially transport services, but its impact was weak at the macroeconomic level. The relative resilience of the manufacturing industry is partly due to the strong rebound in activity in the manufacture of coke and refined petroleum products, as a backlash to the strikes in October 2022. In addition, energy production continued to pick up, with the reopening of some nuclear plants (► [Figure 2](#)).

According to the business tendency surveys, supply chain difficulties in industry and construction eased significantly in H1 2023 (► [Figure 3a](#)). However, business leaders' opinions on activity have recently deteriorated, as suggested by the decline in business climate indicators which in May reached their lowest level since the end of the health crisis, both in industry and services (► [Figure 3b](#)). Given the relaxation of supply constraints, the gloom expressed in business leaders' expectations is probably due more to concerns over the future of demand. Balances of opinion regarding levels of orders on their books have declined both in industry and building construction, while in services, the balance of opinion relating to expected demand dropped below its long-term average in April.

In this uncertain context, GDP growth is expected to remain modest in Q2 2023 (+0.1% forecast). Despite the continuing recovery in the manufacture of transport equipment, activity in the manufacturing industry is likely to weaken slightly, hampered mainly by the most energy-intensive branches and the coke and petroleum sector, which was again affected by strikes in April (► [Figure 4](#)). Energy production, and especially electricity production, is expected to slow but should continue to catch up. At the same time, market services are expected to grow only moderately. In particular, activity is likely to decline in trade, and will probably rebound only partially in transport, adversely affected by the strikes in Q1. Lastly, activity in construction looks set to continue its decline, against a backdrop of rising interest rates.

Among the main demand items, household consumption is expected to decline slightly, driven down by the further downturn expected in food consumption, linked to the sharp rise in the prices of these products. Despite a less favourable context due to rising interest rates, corporate investment is expected to rebound sporadically, with the renewal of fleets of professional vehicles, as suggested by the latest vehicle registration data. Household investment, however, is likely to continue its sharp decline. Finally, foreign trade is expected to make a positive contribution to growth in Q2: exports are likely to be boosted by naval and aeronautical deliveries, while imports remain sluggish, in the wake of domestic demand.

► 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)

	2021				2022				2023				2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross domestic product	0.0	1.0	3.1	0.5	-0.1	0.5	0.2	0.0	0.2	0.1	0.1	0.2	6.4	2.5	0.6
Imports	2.1	2.2	0.6	5.5	1.6	0.2	4.0	-0.8	-2.8	0.1	0.2	0.3	9.2	8.7	-1.2
Total resources	0.5	1.5	2.6	1.4	0.5	0.8	0.9	-0.2	-0.2	0.1	0.1	0.1	7.7	4.3	0.5
Household consumption expenditure	0.5	1.3	5.0	0.3	-1.1	-0.3	1.3	-1.0	0.1	-0.3	0.2	0.2	5.1	2.1	-0.2
General government consumption expenditure*	-0.4	0.5	3.3	0.9	0.3	-0.3	0.4	0.7	-0.3	0.0	0.2	0.2	6.5	2.9	0.5
of which individual general government expenditure	0.1	0.7	4.6	0.9	0.3	-1.1	0.4	0.6	-0.7	-0.1	0.1	0.2	8.4	2.9	-0.3
of which collective general government expenditure	-1.6	0.0	0.0	0.6	0.3	0.9	0.3	0.9	0.3	0.2	0.2	0.2	3.0	1.8	1.6
Gross fixed capital formation (GFCF)	0.3	1.7	0.1	-0.3	0.4	0.5	2.3	0.2	-0.8	-0.5	-0.5	-0.4	10.2	2.3	-0.1
of which Non-financial enterprises (NFE)	1.0	1.2	0.6	-0.3	0.7	0.6	4.1	0.6	-0.4	0.3	-0.1	-0.1	9.8	3.8	2.5
Households	-2.2	2.9	0.5	-0.6	-1.7	1.0	-1.0	-1.2	-2.3	-2.7	-2.0	-1.5	15.4	-1.3	-6.7
General government	-1.5	1.1	-1.9	-0.6	2.6	-0.6	0.9	0.4	0.0	-0.3	-0.1	0.0	2.3	1.5	0.4
Exports	0.0	2.9	3.2	3.5	1.2	1.7	-0.7	0.2	-0.2	1.2	0.3	0.6	10.9	7.2	1.3
Contributions (in points)															
Domestic demand excluding inventory**	0.2	1.2	3.4	0.3	-0.4	-0.1	1.3	-0.3	-0.2	-0.3	0.0	0.1	6.7	2.4	0.0
Changes in inventories**	0.4	-0.3	-1.1	0.8	0.4	0.2	0.4	-0.1	-0.6	0.0	0.1	0.0	-0.6	0.8	-0.3
Foreign trade	-0.6	0.1	0.7	-0.6	-0.2	0.5	-1.5	0.3	1.0	0.4	0.0	0.1	0.2	-0.6	0.9

■ 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 Q1 2023, exports declined by 0.2%. They are expected to increase by 1.2% in Q2 2023 with foreign trade contributing +0.4 points to GDP change.

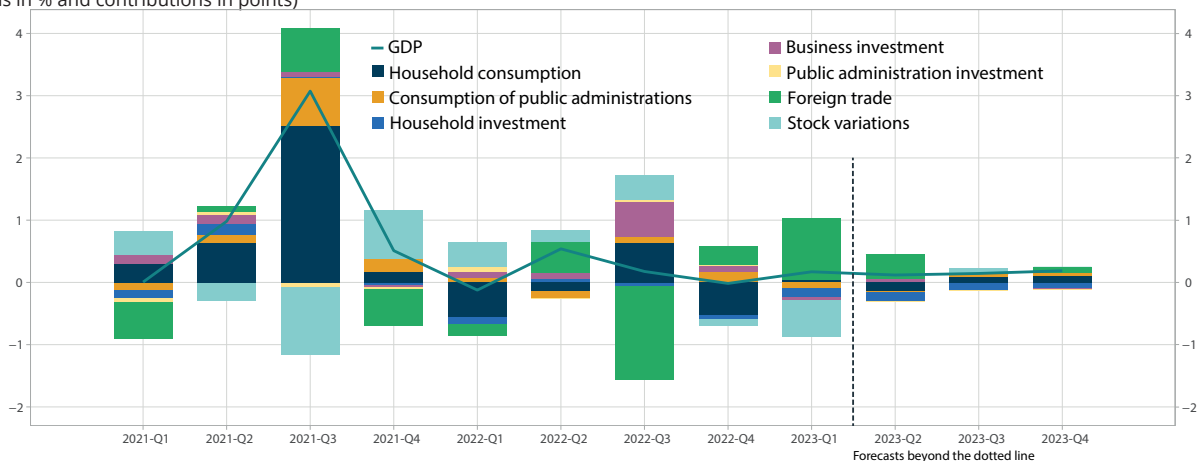
Source: INSEE.

In H2 2023, GDP growth is expected to remain modest (+0.1% forecast in Q3 then +0.2% in Q4). It will probably remain sluggish in the manufacturing industry, but should be buoyant in the energy sector, with electricity production continuing its catch-up. On the demand side, household consumption is expected to pick up only slightly, in a context where prices are slowing and wages are only relatively buoyant. Corporate investment is likely to be at a standstill, hit by past increases in interest rates, while household investment continues to fall. All in all, domestic demand is likely to be sluggish overall in H2. In this context, foreign trade is expected to provide some support, mainly through naval deliveries due at the end of the year and growth in global demand.

All in all, annual growth for 2023 is expected to be +0.6%, after +2.5% in 2022 (► **Figure 5**; ► **Figure 6** shows past and forecast change in the GDP deflator and its components). This forecast is still surrounded by uncertainty, especially regarding the speed at which monetary tightening is transmitted to the real economy and the possible exacerbation of fragility in the financial world which could result. Conversely, the return of supply chains to normal, the slowdown in prices and a drop in the household savings ratio, which currently remains high, could be factors to support growth in the coming quarters. ●

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

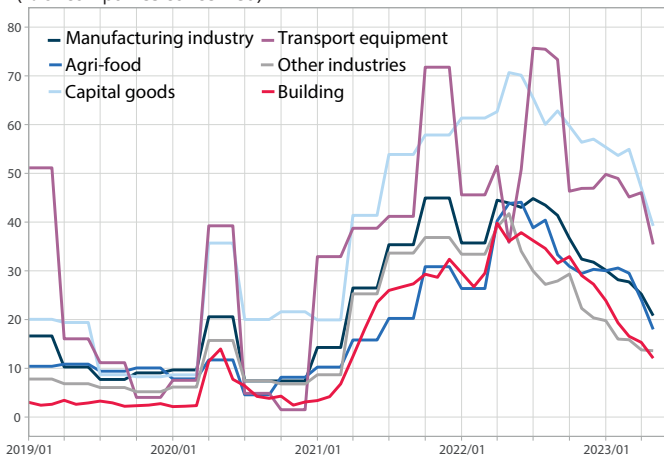
(variations in % and contributions in points)



How to read it: in Q2 2023, GDP is expected to increase by 0.1% compared to Q1 2023; the contribution of household consumption is likely to be about -0.1 points. Source: INSEE.

► 3a. Share of manufacturing industry and building companies experiencing supply chain difficulties, by branch

(% of companies concerned)



Last point: May 2023.

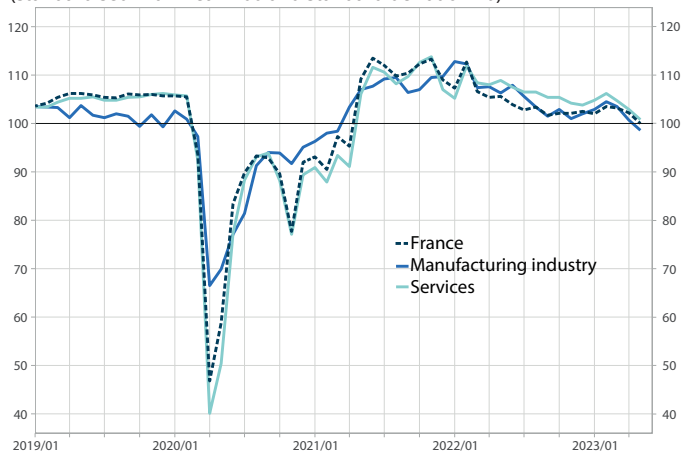
Note: results are weighted by turnover.

How to read it: in May 2023, 21% of manufacturing industry companies reported supply chain difficulties.

Source: business surveys, INSEE.

► 3b. Business climate in France and sector climate in industry and services

(standardised with mean 100 and standard deviation 10)



Last point: May 2023.

How to read it: the business climate composite indicator in the manufacturing industry stood at 99 points in May 2023, below its long-term average (100).

Source: business surveys, INSEE.

French economic outlook

► 5. Quarterly changes in economic activity by industry

(quarterly changes in %)

Branch	Weight in %	2021				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture, forestry and fishing	1.7	-1.8	-0.8	1.0	2.1	3.0	2.1	1.5	0.6	-0.6	0.0	0.1	0.4
Industry	13.9	-1.4	-0.6	-0.3	-0.2	-0.6	-0.7	-0.4	1.2	1.8	0.3	0.2	0.2
Manufacturing industry	11.3	-1.2	-1.2	-0.9	0.1	1.2	0.5	0.5	-0.6	0.2	-0.2	0.0	0.0
Manufacture of food products, beverages and tobacco-based products	2.1	0.4	0.8	-0.8	1.8	0.5	-0.7	-0.3	-0.4	-0.6	-0.4	-	-
Coke and refined petroleum	0.1	-50.1	-36.7	-41.7	25.1	58.9	11.8	3.0	-9.7	9.4	-5.0	-	-
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1.5	0.0	-1.7	-0.7	-0.2	0.0	0.2	2.0	-0.3	1.8	0.6	-	-
Manufacture of transport equipment	1.6	-0.7	-3.4	-1.8	1.2	-3.3	6.7	3.3	-0.1	0.8	2.2	-	-
Manufacture of other industrial products	5.9	-1.3	-1.2	-0.7	-0.8	1.9	-0.4	-0.2	-0.4	-0.5	-0.3	-	-
Extractive industries, energy, water, waste treatment and decontamination	2.6	-2.3	1.7	2.3	-1.0	-7.2	-5.5	-4.3	9.2	8.2	2.3	1.2	1.2
Construction	5.7	-0.5	0.2	-1.0	0.3	0.0	0.1	-0.2	-0.1	-1.0	-0.8	-0.9	-0.9
Mainly market services	56.8	0.2	1.9	4.7	0.9	-0.1	1.2	0.3	-0.1	0.0	0.3	0.2	0.2
Trade; repair of automobiles and motorcycles	10.4	0.1	-0.3	1.6	-0.3	-1.4	-1.0	-0.3	-1.7	0.3	-0.2	-	-
Transportation and storage	4.6	4.6	2.1	6.2	1.4	-0.5	2.4	-2.0	0.3	-1.6	0.2	-	-
Accommodation and catering	2.9	-12.2	26.9	42.3	3.4	3.3	12.3	2.0	0.0	-0.7	0.5	-	-
Information and communication	5.4	2.2	1.5	2.9	0.9	0.9	1.9	2.4	0.8	0.6	0.6	-	-
Financial and insurance activities	3.8	4.0	3.1	2.9	-0.4	-1.8	-0.4	-0.6	-0.1	0.4	0.3	-	-
Real estate activities	12.8	-0.2	0.3	0.7	0.1	0.2	0.4	0.2	0.0	0.1	0.1	-	-
Scientific and technical activities; administrative and support services	14.1	-0.3	1.9	3.2	1.1	0.6	1.3	0.6	0.1	0.1	0.4	-	-
Other service activities	2.9	-2.0	5.1	26.6	7.0	0.0	2.5	0.8	1.1	1.0	0.9	-	-
Mainly non-market services	21.9	0.2	-0.2	1.7	0.1	0.4	-0.4	0.2	0.1	0.3	0.2	0.2	0.2
Total value added	100	0.0	0.9	3.0	0.6	0.0	0.6	0.2	0.1	0.2	0.2	0.1	0.2
Taxes and subsidies		0.5	1.6	4.0	-0.2	-1.4	0.2	0.0	-0.8	-0.5	-0.5	-0.1	0.0
GDP		0.0	1.0	3.1	0.5	-0.1	0.5	0.2	0.0	0.2	0.1	0.1	0.2

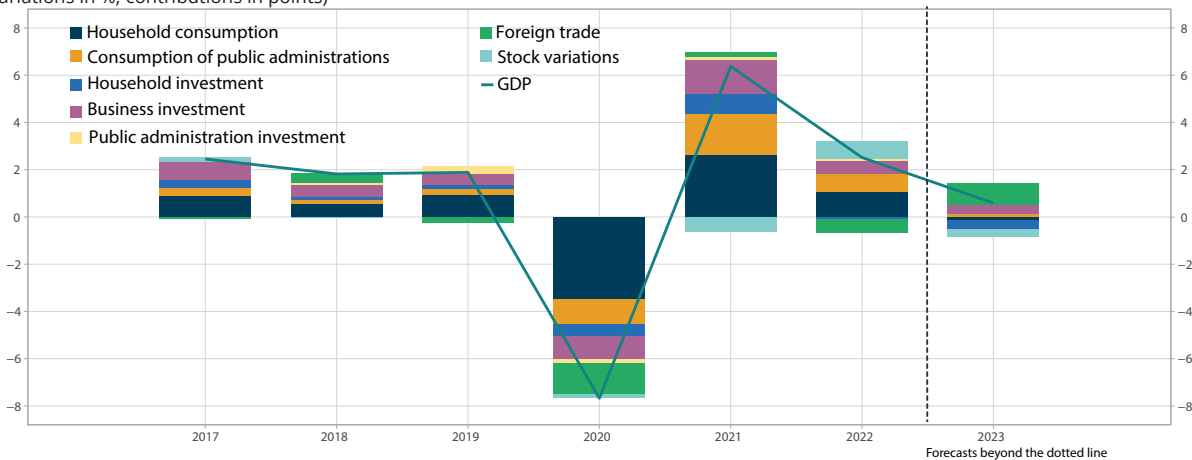
■ Forecast.

How to read it: in Q1 2023, value added of the manufacture of transport equipment branch increased by 0.8%. It is expected to rise by 2.2% in Q2 2023.

Source: INSEE.

► 3. 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%, with household consumption contributing 1.0 percentage point. In 2023, GDP is expected to increase by 0.6% with foreign trade contributing 0.9 points to this change, and household investment -0.4 points.

Source: INSEE.

► 6. Goods and services: resources-uses balance; change in chain-linked price indexes

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

	2021				2022				2023				2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross domestic product	0.9	0.4	0.0	0.2	0.9	1.0	1.3	1.3	1.8	0.9	1.0	0.9	1.4	2.9	5.2
Imports	2.3	2.1	3.1	5.0	5.8	5.3	2.9	-1.9	-1.4	0.2	0.5	0.2	6.9	17.4	0.2
Total resources	1.5	1.3	1.3	2.4	3.3	2.5	1.9	0.3	1.0	1.2	1.3	1.0	3.7	9.3	4.6
Household consumption expenditure	0.6	0.3	0.7	0.8	1.1	1.8	1.7	1.9	2.0	1.2	1.0	0.8	1.5	4.8	6.5
General government consumption expenditure*	1.7	0.8	-2.3	-0.1	0.9	0.4	1.7	0.7	0.5	0.2	1.1	0.4	-0.4	1.2	2.8
Gross fixed capital formation (GFCF)	0.8	0.8	1.2	1.5	2.0	2.0	1.2	0.9	0.9	0.6	0.7	0.5	2.9	6.3	3.7
<i>of which Non-financial enterprises (NFE)</i>	<i>0.5</i>	<i>0.5</i>	<i>0.9</i>	<i>1.3</i>	<i>1.7</i>	<i>1.6</i>	<i>0.9</i>	<i>0.9</i>	<i>0.8</i>	<i>0.6</i>	<i>0.8</i>	<i>0.6</i>	<i>2.1</i>	<i>5.3</i>	<i>3.3</i>
<i>Households</i>	<i>1.2</i>	<i>1.5</i>	<i>1.4</i>	<i>1.6</i>	<i>2.7</i>	<i>2.5</i>	<i>2.3</i>	<i>1.3</i>	<i>1.7</i>	<i>1.0</i>	<i>0.7</i>	<i>0.4</i>	<i>4.4</i>	<i>8.5</i>	<i>5.7</i>
Exports	2.3	1.9	3.2	3.4	4.2	5.0	2.6	-2.6	-0.4	0.3	0.5	0.6	6.9	13.7	0.7
Domestic demand excluding inventories**	0.9	0.6	0.0	0.7	1.3	1.5	1.6	1.4	1.4	0.8	1.0	0.6	1.2	4.3	4.9

■ Forecast.

* General government.

** Changes in inventories include net acquisitions of valuables.

How to read it: in Q2 2023, the GDP deflator is expected to increase by 0.9%, after +1.8%. As an annual average, this chain-linked price index is expected to increase by 5.2% in 2023.

Source: INSEE.