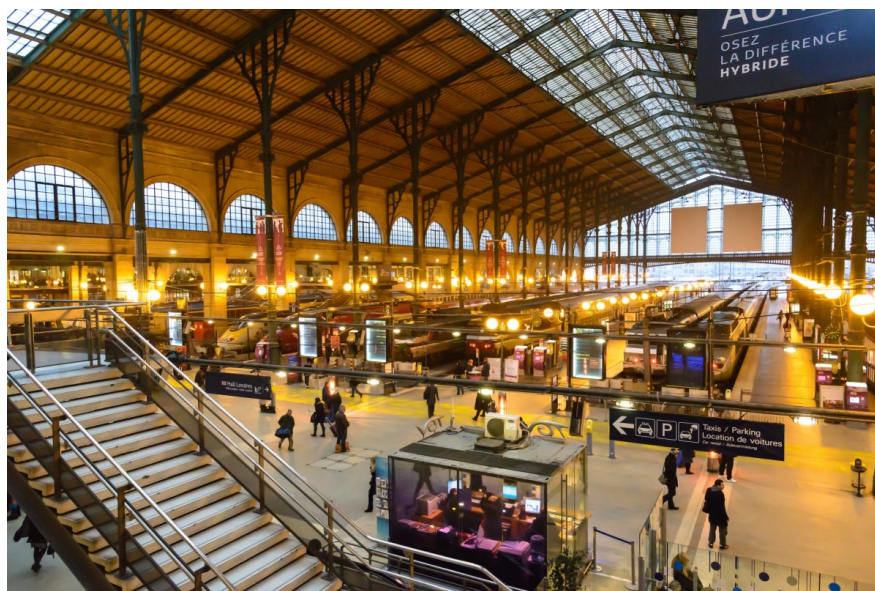


## France: Business climate deteriorates but industry resists

The business climate in France deteriorated slightly in April due to continued restrictions, but the decline of the index is mainly due to a deterioration in the outlook for the services and retail sectors, despite an improvement in industry



The Gare du Nord station in Paris

The French business sentiment index deteriorated in April to 95, down two points in comparison to March.

This moderate decline was mainly due to a deterioration in the outlook for the service and retail sectors connected with the tightening of mobility measures, partially offset by a further improvement in business sentiment in industry.

The trend observed in industry over recent months was confirmed in April: at 104 points, the business climate index returned to above its average. In this sector, the leading confidence composite indicators are green, notably order books and personal production prospects.

As a reminder, the third lockdown was decreed shortly after the publication of the March business climate index, which therefore did not take it into account.

## Business climate holds up

The April data is obviously linked to the national lockdown order issued on 31 March to combat the spread of the virus.

However, the measures for 2021 are not as strict as those for 2020. In addition, businesses have adapted to maintain production while the vaccination campaign has accelerated (target of 10 million more people vaccinated per month until mid-June), which may explain the resistance of the index compared to the previous month.

The April PMI indices, released at the end of the week, should confirm this trend.

### Towards lockdown exit announcements?

These developments come as the French government elaborates on its lockdown exit strategy planned for mid-May, despite the fragile health environment.

*We continue to expect a robust economic recovery in the third quarter of 2021 and a GDP growth forecast of around 5% for the year*

According to local conditions, one of the solutions considered would be a localised lockdown exit strategy to reconcile the low incidence rates in some regions and the high intensive care occupancy rates in others. If this is the option chosen, then economic recovery would logically be uneven.

In any case, the last four weeks of restrictions will weigh on GDP in 2021, particularly in the second quarter, starting on a weak footing. Nevertheless, the extension of public support measures, including the furlough scheme, should continue to mitigate the impact until the beginning of the summer.

We continue to expect a robust economic recovery in the third quarter of 2021 and a GDP growth forecast of around 5% for the year.