Consumer prices

Headline inflation should remain below 1.0% until the end of 2013: it is likely to stand at +0.8% in December 2013, the same level as in May.

Core inflation should be very moderate: it should stand at 0.5% in December 2013, the same level as in May. Non-seasonal food prices should pick up, due to the effect of the spread of price rises in imported food commodities in 2012. Nevertheless, high unemployment will likely continue to influence prices. Thus the year-on-year change in the price of manufactured goods is likely to remain negative until 2013 and the year-on-year change in prices of services should remain stable.

Energy inflation, which was negative in May, should pick up over the forecasting period. The year-on-year change in the price of seasonal products, which was high in May, should come down by December 2013.

Stability of core inflation

Core inflation is estimated by taking out all prices of energy and seasonal products and public tariffs, and correcting for any fiscal measures. Over the forecasting period, the year-on-year change in the core inflation figure should remain stable at 0.5%. The changes in the various items of core inflation should contrast, however: inflation in manufactured goods is likely to decline slightly; prices of non-seasonal foodstuffs should pick up.

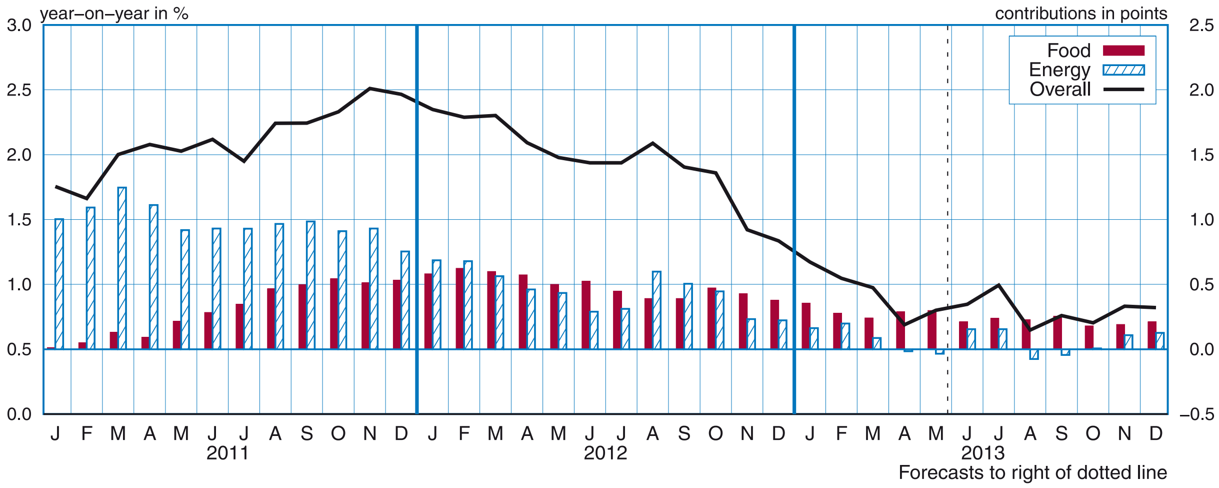
Inflation in manufactured goods falling slightly

In May 2013, the year-on-year change in the price of manufactured goods was negative, at -0.3%. This price has decreased sharply over the last year, due to the end of the spread of industrial commodity price rises which continued through to mid-2010. It should fall again slightly to -0.6% in December 2013 *(see Table)*. The low production capacity utilisation rates and the high unemployment rate should continue to moderate inflationary pressure in the manufacturing sector. The year-on-year change in the prices of clothing and footwear especially should fall to -0.1%, after +1.4% in May, under the effect of the fall in cotton prices since the end of 2011. With the measures taken to control the price of drugs, the year-on-year change in the price of health products is likely to remain very negative until December (-3.4%, after -3.5% in May).

Inflation in services likely to remain stable

The year-on-year change in the prices of services should remain stable over the forecasting period, at 1.1% in December 2013 *(see Table)*. As in the manufacturing sector, the high level of unemployment is likely to continue to take its toll on wages, thus contributing to a moderation of the prices of services. However, the price cuts in telecommunications should be lower than last year,

1 - Inflation in France: contributions of the most volatile items



Source: INSEE

and the year-on-year change in transport and communication prices should therefore pick up slightly, although remaining distinctly negative (-4.5%, after -5.3% in May).

Inflation in foodstuffs down slightly, «non-seasonal» products on the rise

The rise in food commodity prices in 2012 is likely to filter through to non-seasonal food prices over the forecasting period, and the year-on-year change in prices should rise to 1.4% by December 2013, after 0.9% in May. Conversely, the year-on-year rise in the prices of seasonal products, which increased sharply in May due to adverse weather conditions and the increase in food commodity prices in summer 2012, should come down to 0.3 % over the forecasting period. Overall, the year-on-year change in foodstuff prices should decrease slightly to 1.3% in December 2013, after 1.8% in May *(see table)*.

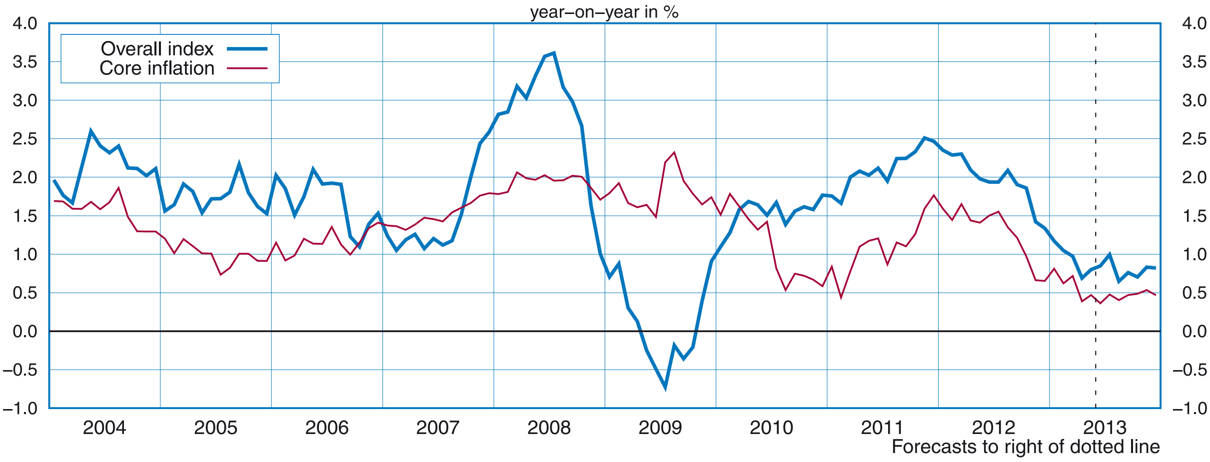
Energy inflation remains weak

Assuming a stable Brent price at around $104 by December 2013, energy prices should stabilise from September. Their year-on-year price change, which stood at -0.4% in May 2013, will nevertheless have a well-defined profile. It should fall to -0.9% in August, with the exit from the year-on-year figures including the sharp rise observed in August 2012. It is then set to rise to 1.5% in December, under the effect of the exit from the year-on-year figures including the drop at the end of 2012. The contribution of this item to headline inflation should decrease in H2 2013 *(see Graph 1)*.

Headline inflation stable

Headline inflation stood at 0.8% in May. It should increase to 1.0% in July, under the effect of the rise in tobacco prices. It should then fall to 0.6% in August and pick up again to reach 0.8% in December, in line with the energy inflation profile *(See Graph 2)*. ■

2 - Consumer prices in France



Source: INSEE

Consumer prices

changes as %

CPI* groups* (2012 weightings)	April 2012		May 2013		June 2013		December 2013		Annual means	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2012	2013
Food (16.6%)	**1.7**	**0.3**	**1.8**	**0.3**	**1.3**	**0.2**	**1.3**	**0.2**	**3.0**	**1.5**
including: seasonal food products (2.1%)	6.3	0.1	7.7	0.2	3.0	0.1	0.3	0.0	5.2	3.5
excluding seasonal food products (14.5%)	1.1	0.2	0.9	0.1	1.0	0.1	1.4	0.2	2.7	1.2
Tobacco (2.1%)	**7.0**	**0.1**	**7.0**	**0.1**	**7.0**	**0.1**	**6.7**	**0.1**	**6.2**	**7.8**
Non energy industrial goods (27.4%)	**-0.2**	**-0.1**	**-0.3**	**-0.1**	**-0.4**	**-0.1**	**-0.6**	**-0.2**	**0.7**	**-0.4**
Energy (8.2%)	**-0.2**	**0.0**	**-0.4**	**0.0**	**1.9**	**0.2**	**1.5**	**0.1**	**5.2**	**0.8**
including: oil products (5.0%)	*-3.8*	*-0.2*	*-4.5*	*-0.2*	*-0.6*	*0.0*	*0.3*	*0.0*	*5.8*	*-1.8*
Services (45.8%)	**0.8**	**0.4**	**1.1**	**0.5**	**1.0**	**0.4**	**1.1**	**0.5**	**1.6**	**1.1**
including: rent-water (7.5%)	*1.8*	*0.1*	*1.7*	*0.1*	*1.8*	*0.1*	*1.9*	*0.1*	*2.0*	*1.9*
health services (5.4%)	*1.3*	*0.1*	*1.2*	*0.1*	*1.1*	*0.1*	*0.4*	*0.0*	*0.9*	*0.8*
transport-communications (5.1%)	*-7.6*	*-0.4*	*-5.3*	*-0.3*	*-5.7*	*-0.3*	*-4.5*	*-0.2*	*-3.7*	*-5.5*
other services (27.8%)	*2.1*	*0.6*	*2.1*	*0.6*	*2.0*	*0.5*	*2.0*	*0.6*	*2.7*	*2.1*
All (100%)	**0.7**	**0.7**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**	**2.0**	**0.9**
All excluding energy (91.8%)	0.8	0.7	1.4	1.3	1.2	1.1	1.3	1.2	1.6	1.2
All excluding tobacco (97.9%)	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	1.9	0.7
"Core" inflation (60.8%)[1]	**0.4**	**0.2**	**0.5**	**0.3**	**0.4**	**0.2**	**0.5**	**0.3**	**1.3**	**0.5**
All HCPI*	**0.8**	**0.8**	**0.9**	**0.9**	**1.0**	**1.0**	**0.9**	**0.9**	**2.2**	**1.0**

Forecast

yoy : year-on-year

cyoy : contribution to the year-on-year value of the overall index

*Consumer price index (CPI) and harmonised consumer price index (HICP)

(1) Index excludes public tariffs and products with volatile prices, corrected for tax measures

Source: INSEE

Wages

In the non-agricultural market sector, nominal wages should slow in 2013. The basic monthly wage is set to increase by 1.7% after +2.1% in 2012 and the average wage per head by 1.4%, after +1.9% in 2012.

Nevertheless, given that inflation should be lower in 2013 than in 2012, real wages should accelerate sharply. In real terms, the basic monthly wage should increase by 0.9% in 2013 after +0.3% in 2012, and the average wage per head by 0.5%, after stagnating in 2012 (0.0%).

In general government, however, the nominal average wage per head is likely to slow in 2013 (+1.3% after +2.0%), while real wages should grow slightly: +0.5% after +0.1% in 2012.

Nominal wages set to slow in 2013...

In 2013, the basic monthly wage is likely to slow: +1.7% after +2.1% in 2012 *(see Table)*. The rise in the unemployment rate will continue to hamper employees' bargaining power and this is likely to limit any global increase in wages. In addition, nominal wages are likely to be held back due to the small increase in the minimal wage at the beginning of 2013 (+0.3%), which was less than in 2012 (+2.1% on 1st December 2011, then +0.3% on 1st January 2012 and +2.0% on 1st July 2012). Finally, inflation in 2013 is likely to be considerably lower than in 2012 (+0.8% after +1.9%). Similarly, the average wage per head is also likely to slow in 2013 (+1.4% after +1.9%).

The deterioration in the labour market and the fall in inflation slowed the nominal basic monthly wage, and they are also likely to slow down the nominal average wage per head.

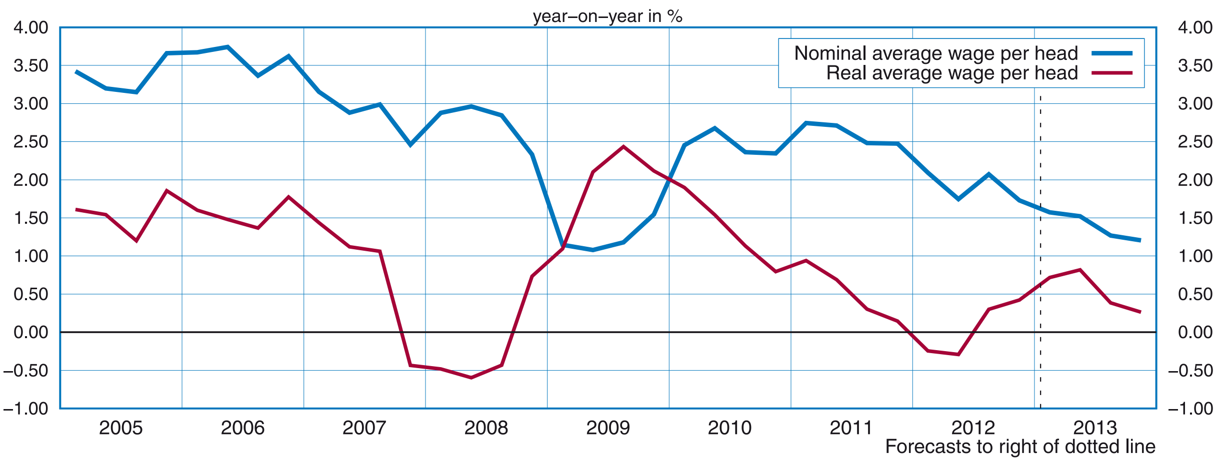
...but real wages should pick up

Nevertheless, in the short term, there is a time lag before nominal wages adjust to price changes. As a result, despite the slowdown in nominal wages, real wages should accelerate in 2013. Thus in real terms the basic monthly wage should be more dynamic in 2013 than in 2012 (+0.9% after +0.3%), as should the real average wage per head (+0.5% after 0.0%). Year-on-year, it is likely that the increase in the real average wage per head will nevertheless remain small at the end of 2013 *(see Graph)*.

Nominal wages slowing in general government

In the civil service, it is to be supposed that, as in previous years, the index point will be frozen. Also, the civil service minimum index was increased by only 0.3% in January 2013, in line with the evolution of the minimum wage, compared with

Change in the nominal and real average wage per head



Scope: non-agricultural market sector

Sources: DARES, INSEE

2.4% in January 2012 then 2.0% in July 2012. Finally, the individual purchasing power guarantee bonus scheme (GIPA)[1] is likely to be renewed in 2013 under the same conditions as in 2012.

(1) The individual purchasing power guarantee bonus scheme 2012 is a benefit that concerns civil servants and State agents who lost purchasing power between 2007 and 2011.

All in all, the nominal average wage per head in general government should increase by 1.3% in 2013 after +2.0%. In real terms, the average wage per head is likely to accelerate slightly, taking into account the fall in inflation (+0.5% in 2013 after +0.1% in 2012). ■

Growth of the basic monthly wage and the average wage per head in the non-agricultural market sector and in general government

Seasonally-corrected data	Quarterly growth rates								Annual averages		
	2012				2013				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Basic monthly wage	0.6	0.4	0.6	0.4	0.4	0.4	0.4	0.4	2.2	2.1	1.7
Average wage per head in the non-agricultural market sector (NAMS)	0.5	0.4	0.5	0.4	0.3	0.3	0.3	0.3	2.6	1.9	1.4
Average wage per head in general government (GG)									1.1	2.0	1.3
Household consumer price index (quarterly national accounts)	0.8	0.2	0.1	0.2	0.3	0.1	0.3	0.2	2.1	1.9	0.8
Real basic monthly wage	-0.1	0.2	0.5	0.2	0.1	0.3	0.1	0.2	0.1	0.3	0.9
Real average wage per head (NAMS)	-0.3	0.1	0.4	0.2	0.0	0.2	0.0	0.1	0.5	0.0	0.5
Real average wage per head (GG)									-0.9	0.1	0.5

Forecast

Source: INSEE

Household income

After a decline in 2012 (-0.9%), the purchasing power of household income should be virtually stable in 2013 (+0.2%), owing to the slowdown in consumer prices (+0.8% after +1.9% in 2012). In nominal terms, households' gross earned income should increase at the same pace as in 2012 (+1.0%). There will be a slowdown in disposable income (+0.9% after +1.8%) and social benefits (+3.5% after +4.0%) but also in the total tax burden (+4.6% after +7.4%).

Disposable income set to slow in 2013

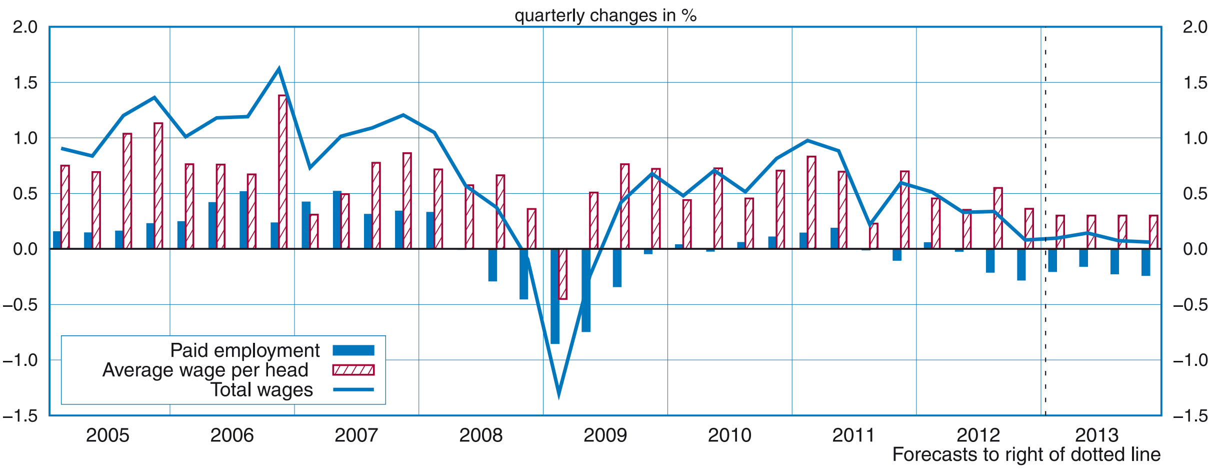
In 2013, the disposable income received by households is likely to be less dynamic than in 2012 (+0.9% after +1.8%, see *Table 1*). Wages should continue to decelerate (+0.9% after +1.9%, see *Table 2*) due to the deterioration in the labour market. Indeed, in the non-agricultural market sectors, employment is likely to fall back once again in 2013 (-0.7% after -0.2%, see *Graph1*) and the average wage per head will slow down (+1.4% after +1.9%). The income of sole proprietors should also decelerate (+0.9% after +1.7%). However, growth in property income (+1.4% after +0.6%) and the gross operating surplus of pure households[1] (+2.1% after +1.4%), which slowed in 2012 when interest rates fell, should increase in 2013.

Social benefits still dynamic at the beginning of 2013

In 2013, the social benefits in cash that households receive should increase a little less rapidly than in 2012 (+3.5% after +4.0%, see *Table 3*). In particular, social security benefits will be slightly less dynamic (+3.8% after +4.2%), especially at the beginning of the year. Increases on April 1st in pensions dependent on the general regime (+1.3%) and family allowances (+1.2%) were in fact less than in 2012, because of the forecast decline in inflation. Similarly, supplementary pensions were awarded a slight increase in April (+0.5% for Agirc and +0.8% for Arrco). On the other hand, unemployment benefits should continue to increase rapidly, in line with the deterioration in labour market conditions. In addition, social assistance benefits have slowed in 2013 due to the end of the five-year revaluation plan for the adult disability allowance. For the first time since 2008, this disability benefit was not increased on April 1st. Overall, after slowing during Q1 (+0.8% in Q1, then +0.7% in Q2), social benefits in cash should return to growth rates that are closer to the trends for Q3 and Q4 (+1.0% per quarter).

(1) The GOS of pure households corresponds to the production of housing services minus the intermediate consumptions required for this production (most notably financial services linked to loans) and taxes (land tax). It corresponds to the rents that homeowners receive from their tenants or could receive if they put their dwelling up for rent ("imputed" rents).

1 - Breakdown of the total wages paid out to households in the competitive non-agricultural sector



Source: INSEE

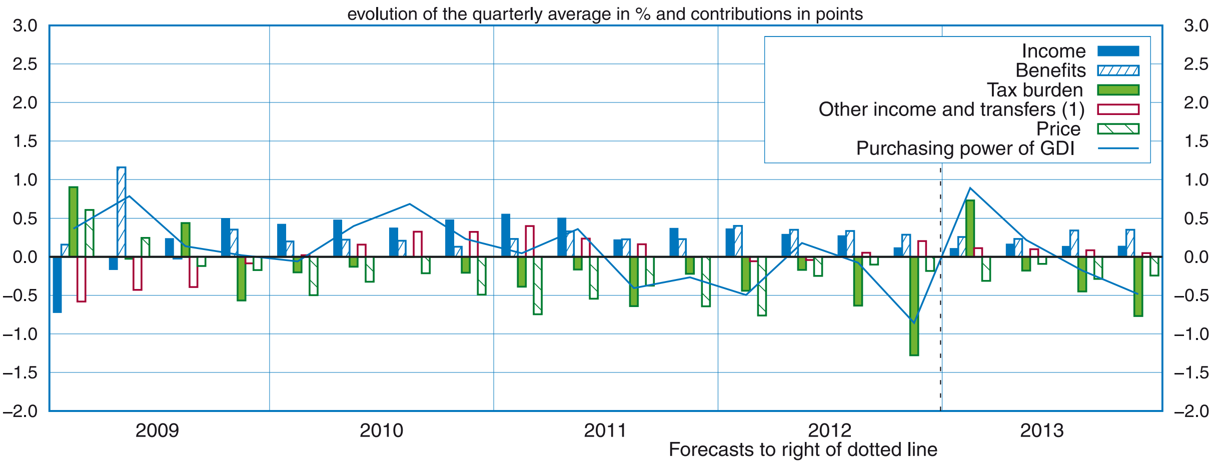
New measures to increase the tax burden

In 2013, there is still likely to be a sharp increase in total taxes paid by households, but it will be less sustained than in 2012 (+4.6% after +7.4%). Over 2013 as a whole, the new measures to increase the total tax burden should introduce similar amounts to those in 2012, but with the deterioration in disposable income in 2012, the spontaneous dynamism of the tax burden is likely to be weaker in 2013. In particular, income tax revenues are likely to slow through the year overall (+6.0% after +10.2%). As in 2012, the new tax measures included in the Finance Law 2013 (especially de-indexation of the income tax thresholds, creation of a 45% bracket, lowering of the family quotient ceiling), will come into play mainly in H2 2013. At the beginning of 2013 income tax should therefore fall back as a result of a backlash from the end of 2012 then accelerate strongly once again in H2. Employee contributions should also decelerate in 2013 (+2.6% after +3.4%) in line with the slowdown in disposable income. Contributions by the self-employed should remain dynamic (+2.9% in 2013 after +5.9%) mainly due to the removal of the cap on sickness contributions and the abolition of the special allowance for professional costs, both measures included in the Social Security Financing Act for 2013.

Purchasing power stabilising in 2013 due to fall in inflation

Over 2013 as a whole, the gross disposable income of households should increase at virtually the same rhythm as in 2012 (+1.0%), with the easing of the tax burden compensating for the decline in disposable income and benefits. At the same time, consumer prices should decelerate considerably (+0.8% after +1.9% in 2012), which will allow purchasing power to stabilise (+0.2%) after falling in 2012 (-0.9%). Reduced to an individual level to take demographic changes into account, purchasing power per consumption unit is likely to decline once again (-0.4% after -1.5%, *see Box*). The profile for the year is marked mainly by that of taxes *(see Graph 2)*: purchasing power should increase in H1 2013 as a backlash after the sharp rise in taxes at the end of 2012. In H2, it should decrease when the supplementary tax rises planned for 2013 come into force. ■

2 - Purchasing power of disposable income and contributions



(1) GOS of pure households, property income and current transfers

Source: INSEE

Table 1

Household gross disposable income

	2012				2013				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross disposable income (100%)	**0.3**	**0.4**	**0.0**	**-0.7**	**1.2**	**0.3**	**0.1**	**-0.2**	**2.7**	**0.9**	**1.0**
including :											
Income (69%)	0.5	0.4	0.4	0.2	0.2	0.2	0.2	0.2	2.7	1.8	0.9
Gross wages (60%)	*0.5*	*0.4*	*0.4*	*0.2*	*0.1*	*0.2*	*0.2*	*0.2*	*2.6*	*1.9*	*0.9*
GOS of sole proprietors [1] (9%)	*0.4*	*0.6*	*0.3*	*0.0*	*0.2*	*0.3*	*0.3*	*0.4*	*2.7*	*1.7*	*0.9*
Social benefits in cash (33%)	1.2	1.1	1.0	0.9	0.8	0.7	1.0	1.0	2.8	4.0	3.5
GOS of "pure" households (12%)	0.3	0.3	0.2	0.6	0.5	0.6	0.7	0.5	3.6	1.4	2.1
Property income (10%)	-0.6	-0.4	0.5	1.3	0.3	0.1	-0.1	-0.3	6.6	0.6	1.4
Social contribution and tax burden (-25%)	1.8	0.7	2.6	5.1	-2.8	0.7	1.8	3.0	4.8	7.4	4.6
Contributions by paid employees (-8%)	*1.0*	*0.5*	*0.8*	*2.0*	*0.3*	*0.2*	*0.2*	*0.2*	*3.6*	*3.4*	*2.6*
Contributions of self-employed persons (-2%)	*5.1*	*1.4*	*1.0*	*1.7*	*-0.3*	*0.7*	*0.7*	*0.8*	*0.1*	*5.9*	*2.9*
Income and wealth tax (including CSG and CRDS) (-14%)	*1.8*	*0.7*	*3.9*	*7.5*	*-4.8*	*1.0*	*2.8*	*4.9*	*6.3*	*10.2*	*6.0*
Income before taxes	**0.5**	**0.5**	**0.5**	**0.3**	**0.4**	**0.4**	**0.5**	**0.4**	**3.1**	**2.0**	**1.7**
Household consumer prices (quarterly national accounts)	**0.8**	**0.2**	**0.1**	**0.2**	**0.3**	**0.1**	**0.3**	**0.2**	**2.1**	**1.9**	**0.8**
Purchasing power of gross disposable income	**-0.5**	**0.2**	**-0.1**	**-0.9**	**0.9**	**0.2**	**-0.2**	**-0.5**	**0.7**	**-0.9**	**0.2**
Household purchassing power by consumption	**-0.6**	**0.0**	**-0.2**	**-1.0**	**0.7**	**0.1**	**-0.3**	**-0.7**	**0.1**	**-1.5**	**-0.4**

Forecast

How to read it: The figures in parentheses give the structure of the year 2012.

(1) The gross operating surplus (GOS) of sole proprietors is the balance of the operating accounts of sole proprietorships. It is mixed income, because it remunerates the work performed by the sole proprietor, and possibly the members of his family, but also contains the profit achieved as an entrepreneur.

Source: INSEE

Table 2

From the payroll of non-financial enterprises to that received by households

	2012				2013				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Non-financial enterprises (67%)	0.5	0.3	0.4	0.2	0.1	0.1	0.1	0.1	3.2	1.8	0.7
including : Average wage per head	0.4	0.4	0.6	0.5	0.3	0.3	0.3	0.3	2.7	2.0	1.4
Financial corporations (5%)	1.2	0.4	0.6	-0.8	0.1	0.3	0.2	0.2	1.4	1.2	0.2
General government (22%)	0.5	0.5	0.2	0.2	0.4	0.4	0.4	0.4	0.8	1.4	1.4
Households excluding sole proprietors (2%)	-0.3	0.0	2.0	0.5	-0.8	0.4	0.4	0.4	1.1	1.6	1.1
Total gross wages received by households (100%)	0.5	0.4	0.4	0.2	0.1	0.2	0.2	0.2	2.6	1.9	0.9
including : Non-agricultural market sectors	0.5	0.3	0.3	0.1	0.1	0.1	0.1	0.1	3.0	1.7	0.6

Forecast

How to read it: The figures in parentheses give the structure of the year 2012.

Source: INSEE

Table 3

Social transfers received and paid by households

	2012				2013				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Social cash benefits received by households (100%)	**1.2**	**1.1**	**1.0**	**0.9**	**0.8**	**0.7**	**1.0**	**1.0**	**2.8**	**4.0**	**3.5**
Social Security benefits in cash (72%)	1.2	1.2	1.1	0.9	0.7	0.8	1.1	1.1	3.0	4.2	3.8
Private funded social benefits (7%)	1.4	0.2	0.3	0.1	0.5	0.2	0.1	0.3	3.3	2.2	1.1
Unfunded employee social benefits (13%)	1.0	0.9	0.8	0.6	0.6	0.8	0.8	0.8	3.7	3.7	3.0
Social assistance benefits in cash (8%)	1.6	1.4	1.4	1.1	1.4	-0.1	1.1	1.1	-0.7	4.2	4.0
Total social contribution burden	**0.8**	**0.6**	**0.6**	**1.2**	**0.3**	**0.4**	**0.3**	**0.3**	**4.0**	**3.1**	**2.2**
Actual social contributions paid by households (100%)	0.7	0.6	0.6	1.3	0.3	0.3	0.3	0.3	4.1	3.0	2.2
including : Employers contributions[1] (63%)	*0.1*	*0.5*	*0.4*	*0.9*	*0.4*	*0.3*	*0.3*	*0.3*	*4.8*	*2.5*	*1.9*
Employees contributions (29%)	*1.0*	*0.5*	*0.8*	*2.0*	*0.3*	*0.2*	*0.2*	*0.2*	*3.6*	*3.4*	*2.6*
Self-employed contributions (8%)	*5.1*	*1.4*	*1.0*	*1.7*	*-0.3*	*0.7*	*0.7*	*0.8*	*0.1*	*5.9*	*2.9*

Forecast

How to read it: The figures in parentheses give the structure of the year 2012.

(1) Employer contributions are both received and paid by households in the national accounts: they therefore have no effect on gross disposable income.

Source: INSEE

Different ways of measuring purchasing power

The household income that is presented and analysed in Conjoncture in France includes all the income received by all households. This is the relevant reference in macro-economic terms, for example when constructing the balance between resources (GDP and imports) and uses (consumption, investment, exports...) or forecasting GDP. The purchasing power of all households, which represents the quantity of goods and services that households can purchase with their income, is calculated as income corrected for the growth in consumer prices. In order to measure the average purchasing power of the French population, this value has to be corrected in order to account for both the growth in the number of households and their composition. The most relevant correction in this respect consists in dividing income by the number of consumption units in France, thereby taking account of demographic growth and also of the fact that some consumption may be shared within the household (for example, household appliances). A large household therefore makes certain "economies of scale" in relation to a smaller household. In 2012, growth in the number of consumption units was 0.6% (as a comparison, growth in the population was 0.5% and growth in the number of households 1.0%).

Therefore, purchasing power per consumption unit is set to fall in 2013 (-0.4% after -1.5% in 2013). Per inhabitant, the fall should be 0.3% and per household it should be 0.8%. ■

Household consumption and investment

In QI 2013, household consumption fell slightly (-0.1%). Expenditure on manufactured goods dropped (-0.9% after -0.1%) and consumption of services was at a standstill (-0.1% after +0.2%). Only energy expenditure increased, due to the unseasonably cold temperatures.

Household consumption should increase slightly in Q2 2013 (+0.1%). Expenditure on goods should recover (+0.2% after -0.2%): expenditure on energy products is set to continue to increase and automobile purchases should pick up slightly. Consumption of services, on the other hand, is likely to decrease slightly (-0.1% after -0.1%). In H2 2013, household consumption will probably not increase a great deal (+0.0% and +0.1% in Q3 and Q4). Overall throughout 2013, household consumption is likely to be more or less stable (-0.1% after -0.4% in 2012).

In 2012, the sharp drop in purchasing power (-0.9%) was partly offset by households reducing their savings ratio by 0.5 points. In 2013 however, the gradual adjustment of expenditure to the drop in purchasing power and the prolonged rise in unemployment are likely to result in a slight increase in the savings ratio, by 0.3 points.

Household investment once again fell back in Q1 2013 (-1.3% after -0.8%) in line with the decline in new housing starts observed in 2012. This decrease is likely to continue in Q2 and Q3, and over the year household investment should decline on average by 3.9% (after -0.4% in 2012).

In Q1 2013, sharp fall in expenditure on automobiles

In Q1 2013, household consumption fell slightly (-0.1% after 0.0%, see Table). At the same time, their purchasing power appears to have increased, due to the temporary decline at the beginning of 2013 in taxes, which had risen strongly towards the end of 2012. The household savings ratio should then rise substantially, to 16.0%, after 15.2% in Q4 2012 (see Graph 1).

However, because of a particularly harsh winter, energy expenditure accelerated in Q1 2013 (+5.0% after -0.4%). Expenditure on foodstuffs rallied, after a decline at the end of the year. However, as a result of the increase in the «malus» imposed on the most polluting cars, the consumption of automobiles was noticeably affected in Q1 2013 (-5.5% after -0.1%), especially for the most powerful cars. Textile-clothing-leather expenditure continue to fall (-1.9 after -0.7%). Lastly, consumption of services decreased (-0.1% after +0.2%), with a notable decline in accomodation and food services and transport services.

Household consumption and investment expenditure

	Quarterly changes in %												Annual changes in %		
	2011				2012				2013				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Total household consumption expenditure	**0.3**	**-0.9**	**0.2**	**-0.3**	**0.2**	**-0.4**	**0.0**	**0.0**	**-0.1**	**0.1**	**0.0**	**0.1**	**0.5**	**-0.4**	**-0.1**
including:															
Agriculture goods	*0.2*	*-0.2*	*-0.7*	*0.9*	*1.3*	*-0.8*	*0.2*	*-0.5*	*1.2*	*-1.4*	*0.4*	*-0.2*	*-0.6*	*0.9*	*-0.1*
Energy	*-8.5*	*-4.0*	*3.5*	*-2.8*	*6.4*	*2.5*	*-2.9*	*-0.4*	*5.0*	*1.7*	*-4.0*	*0.0*	*-8.9*	*5.2*	*3.1*
Manufactured goods	*0.9*	*-1.8*	*0.4*	*-0.2*	*-0.3*	*-0.8*	*0.4*	*-0.1*	*-0.9*	*0.1*	*0.2*	*0.0*	*1.0*	*-1.2*	*-0.8*
Services	*0.7*	*0.2*	*0.3*	*0.0*	*0.2*	*-0.2*	*0.2*	*0.2*	*-0.1*	*-0.1*	*0.2*	*0.1*	*1.2*	*0.4*	*0.2*
Goods	*0.0*	*-1.9*	*0.6*	*-0.3*	*0.3*	*-0.5*	*0.0*	*-0.2*	*-0.2*	*0.2*	*-0.2*	*0.0*	*0.0*	*-0.5*	*-0.4*
Household consumption	**0.3**	**-0.6**	**0.3**	**-0.2**	**0.3**	**-0.2**	**0.1**	**0.1**	**0.0**	**0.1**	**0.1**	**0.1**	**0.7**	**0.0**	**0.2**
Household investment	**-0.2**	**1.0**	**0.7**	**0.3**	**-0.7**	**-0.2**	**-0.3**	**-0.8**	**-1.3**	**-1.6**	**-1.1**	**-0.2**	**2.3**	**-0.4**	**-3.9**

Forecast
Source: INSEE

Slight increase in savings ratio in 2013

The drop in purchasing power in 2012 (-0.9%) was offset by households, who reduced their consumption expenditure by only 0.4% by bringing down their savings ratio by 0.5 points. This behaviour was expected *(see Focus)* because in the short term households tend to smooth any shocks that cause an upward or a downward shift in their income, especially when such shocks concern taxes. However, this smoothing is only temporary and eventually households gradually adjust their level of expenditure to their level of purchasing power. The sharp fall in purchasing power in 2012 would therefore tend to depress household expenditure in 2013. In addition, the deterioration in the labour market would tend to favour precautionary savings. Consequently, consumption expenditure (-0.1%) is not likely to follow purchasing power (+0.2%) in 2013 and the savings ratio should pick up slightly (+0.3 points).

In Q2 2013, consumption again slightly higher

Household consumption expenditure should increase in Q2 2013 (+0.1%). According to new vehicle registration data until May, purchases across Q2 as a whole are likely to rebound slightly *(see Graph 2)*, with the malus effect on fluctuations in purchases of the most polluting cars tending to fade. Spending on refined petroleum products (oil, fuel) is also likely to be dynamic. However, after a strong rise in March 2013, which can be explained in part by the fact that the Easter weekend was early, the consumption of foodstuffs suffered a backlash in April and should contract on average in Q2. Finally, the drop in clothing expenditure is likely to come to an end (+0.1% after -1.9%). Overall, purchases of manufactured goods should remain more or less stable in Q2 (+0.1%).

In addition, with temperatures well below seasonal norms in April and May 2013, energy consumption should continue to increase in Q2 (+1.7% after +5.0%). All in all, the consumption of goods is likely to rebound slightly in Q2 2013 (+0.2% after -0.2%).

Finally, consumption of services is set to continue to fall back in Q2 (-0.1% after -0.1%).

In H2 2013, consumption likely to be sluggish

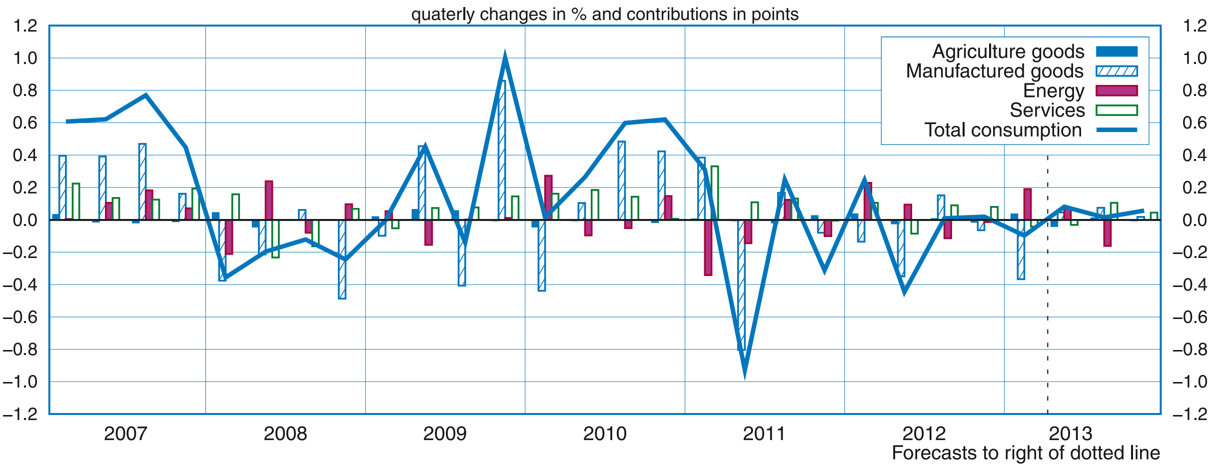
In H2 2013, household consumption should remain stable (0.0% and +0.1% in Q3 and Q4). It should nevertheless be buoyed up to some extent by the exceptional release of profit-sharing schemes on 1st July 2013. The consumption of goods should fall (-0.2% then 0.0%) as energy consumption returns to its normal seasonal level. Expenditure on services and manufactured goods is likely to rise only a little.

Overall throughout the year, household consumption should fall back slightly in 2013 (-0.1% after -0.4% in 2012).

Household investment set to slump in 2013

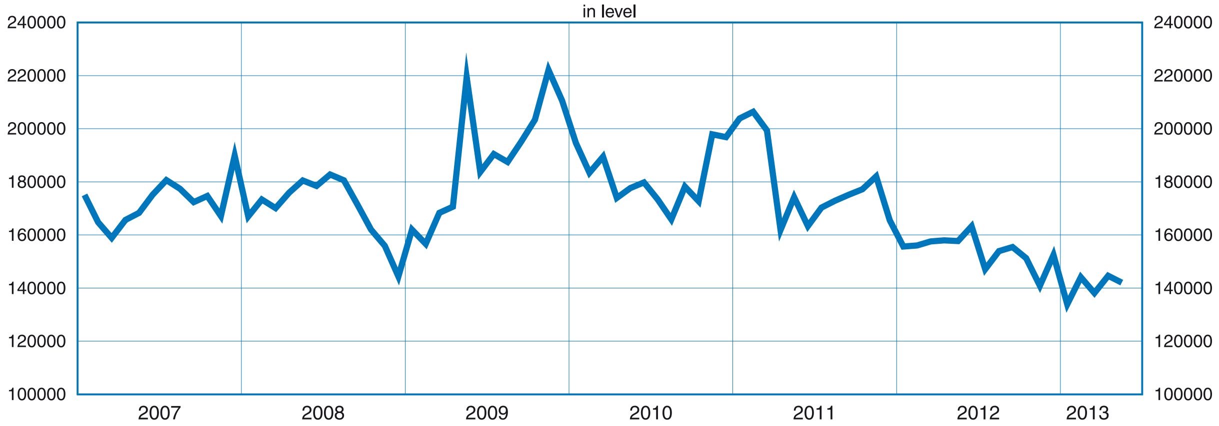
Household investment declined in Q1 2013 (-1.3% after -0.8%) due to the drop in housing starts up to the end of 2012 *(see Graph 3)*. Given the delays in completing projects, it is likely to fall back further in Q2 and Q3 2013. However, the pick-up in housing starts at the beginning of 2013 could lead to a stabilisation in household investment by the end of the year. Overall in 2013, household investment looks set to drop by 3.9% (after -0.4%). ■

1 - Contributions of the various items to quarterly household consumption



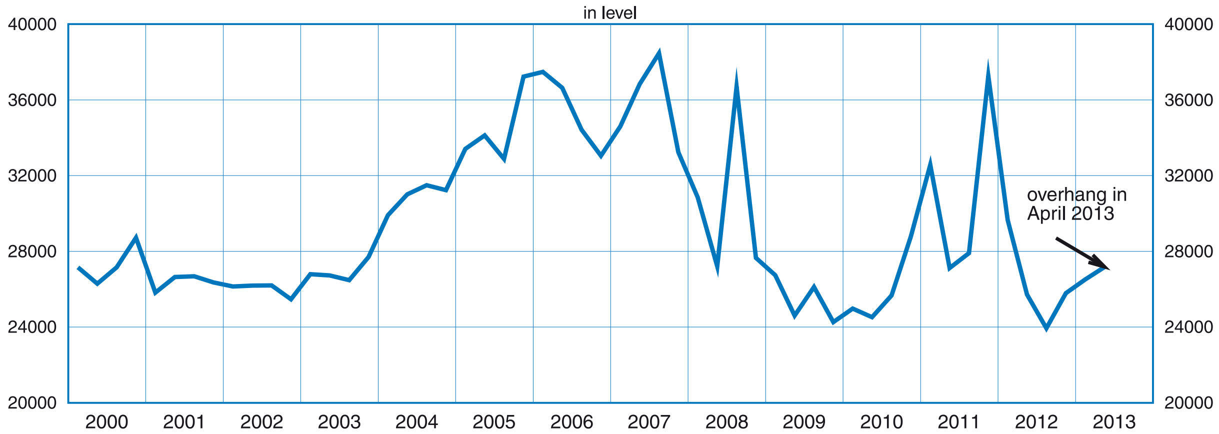
Source: INSEE

2 - Monthly registrations (corrected for seasonal variations and working days) of new private vehicles



Source: SOeS

3 - Housing starts for all dwellings per quarter



Source: SOeS

Understanding the upturn in the savings ratio in 2013

The savings ratio has risen once again in 2013 after falling in 2012

The household savings ratio declined in 2012, falling from 16.1% to 15.6%: given the drop in their purchasing power (-0.9%), households preferred to reduce their savings commitment in order to limit the reduction in their consumption expenditure (-0.4%). However, according to the forecast in this *Conjoncture in France*, the savings ratio is likely to pick up again in 2013, by 0.3 points. How are we to understand these jolts in the savings ratio when the macroeconomic context has barely changed? To do this, it is useful to look at the fluctuation in household consumption (and hence in the savings ratio) in terms of its determinants, a framework for analysis that has been used elsewhere (see *Faure ME., Kerdrain C. and Soual H.*, "Household consumption in the crisis", *Conjoncture* in France, June 2012).

Of all the mechanisms that contribute to short-term variations in the savings ratio, purchasing power shocks usually predominate

Macroeconometric modelling of household consumption highlights several mechanisms that contribute to producing variations in the savings ratio.

First, a drop in purchasing power does not always result immediately in an equivalent drop in consumption expenditure. Households tend to smooth their expenditure in the short term, which has an impact on their savings ratio: it tends to decrease after a drop in income. Households reduce their consumption fairly quickly after a reduction in income, but the adjustment is slower after a rise in taxes. In this case, the adjustment is more spread out over time, *via* a temporary and bigger reduction in the savings ratio.

There are other mechanisms that also come into play, although generally on a smaller scale. A rise in unemployment, for example, or more uncertainty generally about future income (measured in this model by the household confidence index), tends to make households more willing to increase their savings effort. They make what are called "precautionary savings". Interest rates and inflation can also influence the way households decide between consumption and savings, although the theoretical net effect is ambiguous. According to the equation used here, a reduction in interest rates and inflation leads to an increase in the savings ratio. Lastly, one-off events (climatic events; political and economic measures, such as a scrappage bonus, or a release of profit-sharing schemes) can modify the savings ratio in the short term.

Increase in precautionary savings likely to have an influence in 2013 as in 2012

The reasons behind precautionary savings, linked with the rise in unemployment and global macroeconomic uncertainties, have an influence on consumption *(see Graph 1)* and have contributed to the rise in the savings ratio since 2012 *(see Graph 2)*. However, their effect has only been modest as their contribution, all things being equal, would represent an increase of 0.1 points in the savings ratio in 2012 and another 0.2 points in 2013. It should be noted, however, that in 2012 the drop in the savings ratio was 0.2 points lower than expected; this could be interpreted as an extra increase in precautionary savings which was not captured by the model.

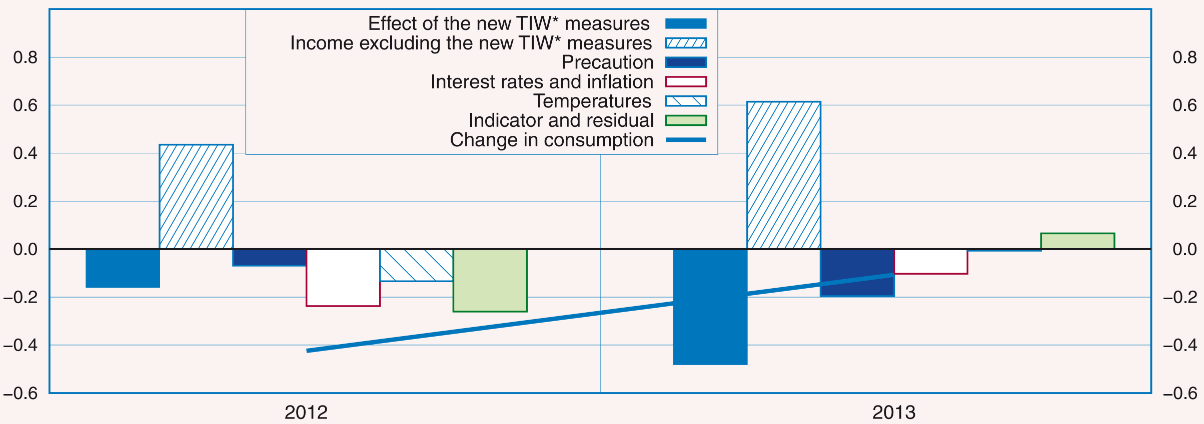
Drop in inflation likely to sustain the savings ratio slightly in 2013 as in 2012

Effects linked with interest rates and inflation have been fairly limited since 2011. Overall, reasons linked with inflation have tended to predominate, as it has fallen markedly since the end of 2011. In the model, this has sustained the savings ratio slightly.

Significant smoothing of the income shock in 2012...

However, factors contributing to the increase in the savings ratio in 2012 have been more than offset by the smoothing mechanisms at work in the fall in purchasing power. In particular, increases in taxes on income and wealth (IRP),

1 - Contributions to the annual change in household consumption



* TIW: Tax on Income and Wealth

Source: INSEE

voted into the Finance law under the present and the previous legislatures, have taken their toll on household purchasing power (-0.8 points, see Graph 3); households have not transferred these shocks to their expenditure entirely, however (-0.2 points): to smooth consumption, they have reduced their savings. The effect associated with the new measures for taxes on income and wealth is estimated at a 0.5 points fall in the household savings ratio. Even without tax rises, household incomes were at a standstill in 2012 (-0.1% after +0.9%) which contributed to a slowdown in consumption expenditure, but also resulted in smoothing behaviours, contributing a 0.5 points drop in the savings ratio in 2012.

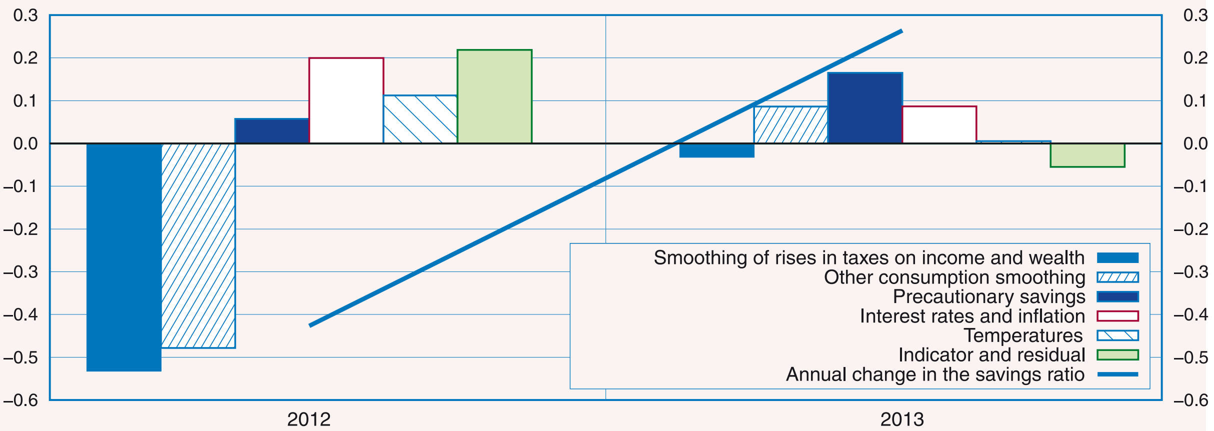
...which should fade out in 2013

However, consumption adjusts to income and the smoothing effects gradually die down. This is what should happen in 2013. All the new measures taxing income and wealth should take their toll on consumption, reducing it by around -0.5 points in 2013, compared with only -0.2 points in 2012. Smoothing the 2013 tax increases is likely to be offset by the effect on consumption in 2013 of the tax rises in 2012 and 2011, so that their net effect on the savings ratio should be negligible in 2013. In addition, purchasing power excluding the new measures should pick up considerably in 2013 (+0.7% after -0.1%), with the result that the effects of smoothing should fade.

So in contrast to 2012, the precautionary effects should predominate, explaining the increase in the savings ratio in 2013.

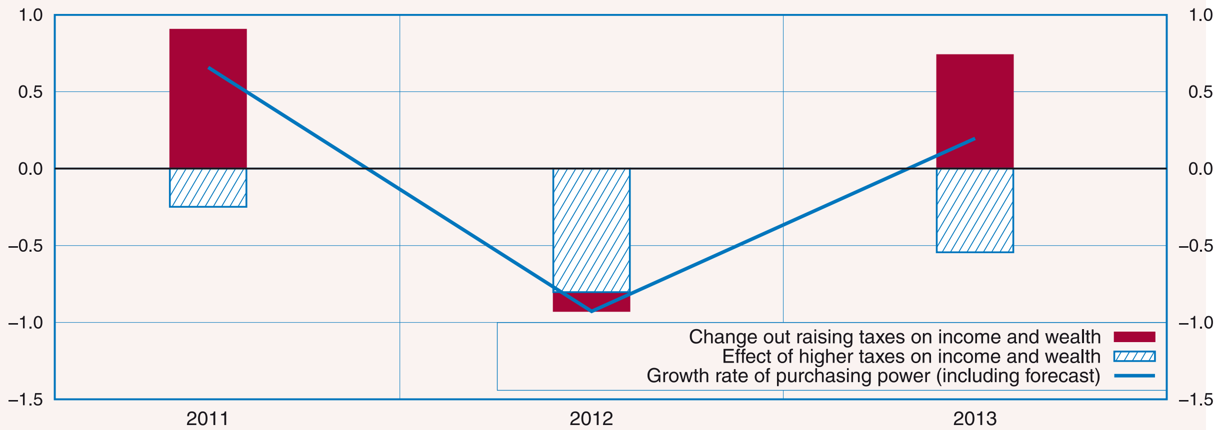
There are two uncertainties in this forecast, which seem to cancel each other out. Firstly, the model does not take into account the fact that increases in the tax burden target the most well-off households, which would seem to reduce their short-term effects on consumption. Secondly, only partial indicators were used for precautionary savings which in the past sometimes increased more than expected (e.g. in 2008). Current uncertainty about business prospects and purchasing power for the coming years could lead to a further increase in precautionary savings. ■

2 - Contributions to the variation in annual savings rate



Source: INSEE

3 - Estimated impact of new measures to increase taxes on income and wealth since 2011 on the annual growth rate of the purchasing power of gross disposable income



Source: INSEE

Enterprises' earnings

In 2012 the margin rate of non-financial companies fell back once again: measured at factor costs it stood at 29.5% for the year, after 30.2% in 2011. At the end of 2012 it had reached 29.1%.

In 2013 the margin rate should pick up slightly in Q2, then stabilise at 29.4% in H2. As an average over the year it should fall slightly, from 29.5% to 29.4%: despite more positive terms of trade, the slight progress in wages is likely to affect margins.

At end 2012, the margin rate declined once again

The margin rate of non-financial companies dropped almost continually between mid-2010 and end 2012: measured at factor costs it reached 29.1% in Q4 2012 against 31.1% in Q3 2010 *(see Graph 1)*. After stabilising until Q3 2012, the decline in activity and productivity caused the margin rate to slip back once again in Q4 2012, to 29.1%: this was its lowest level since Q4 1985. All in all, as an average over 2012 the margin rate of non-financial companies fell to 29.5%, after 30.2% in 2011. This drop is explained by the deterioration in the terms of trade in 2012. However, real wages were almost stable and productivity improved slightly.

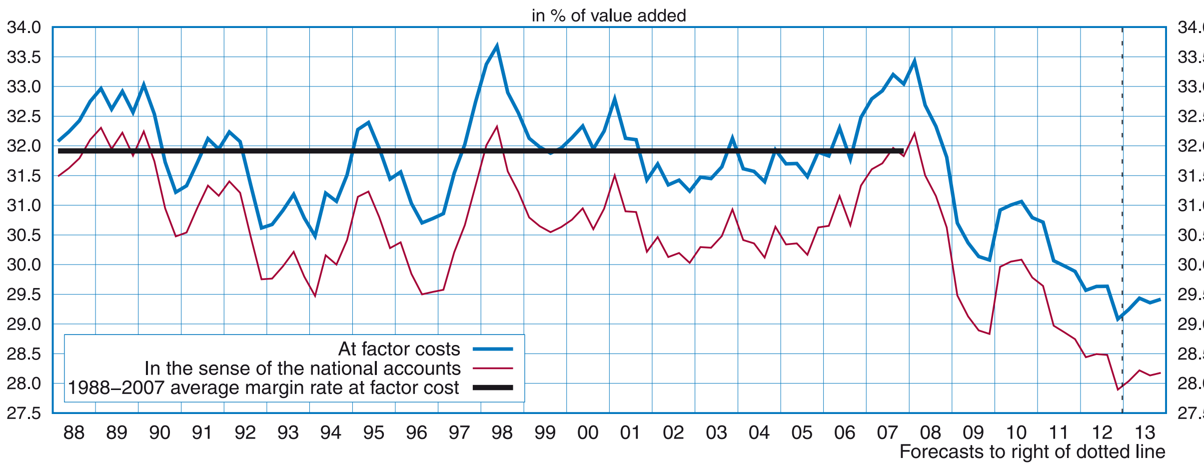
The margin rate should stabilise in 2013

In H1 2013 the margin rate is set to pick up (29.4% in Q2 2013). With the decline in import prices, particularly energy, the terms of trade *(see Graph 2)* contributed positively in Q1 2013 (+0.2 points) and should do so again in Q2 (+0.1 points). Conversely, the relative growth in productivity and wages should have no effect on margins. In Q1 2013 employment held up well considering the decline in activity. In Q2, with the sharp slowdown in consumer prices, real wages should accelerate.

In H2 2013 the margin rate is likely to remain stable (29.4% in Q4 2013). Indeed, productivity (contribution of +0.1 points) should pick up somewhat thanks to a slight upturn in activity, increasing more rapidly than wages (zero contribution). Oil prices should stabilise and the terms of trade should no longer contribute *(see Table)*.

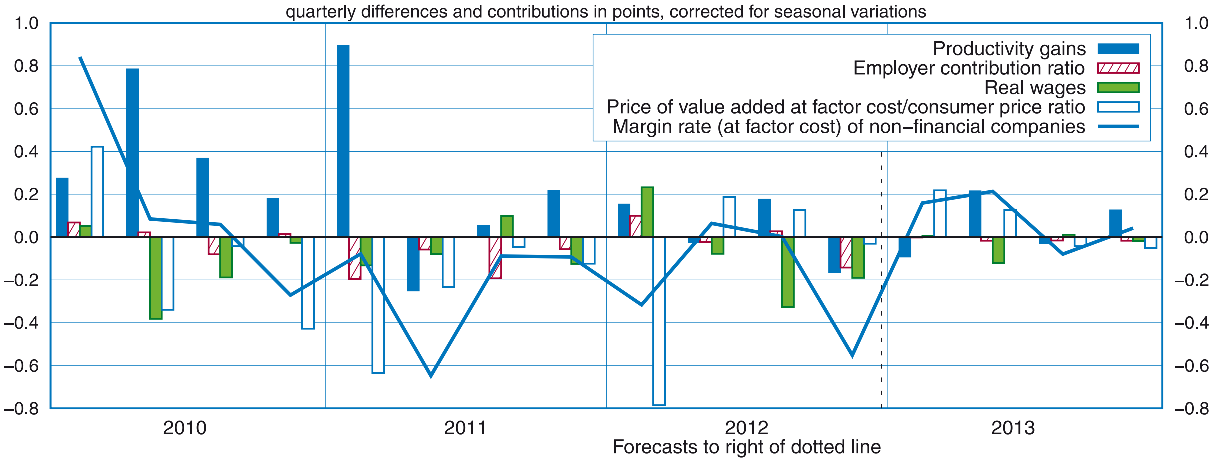
As an average over 2013, the margin rate should fall once again, down to 29.4% after 29.5% in 2012. This would be the lowest level since 1985 and 2.5 points below its average over the period 1988-2007. ■

Margin rate of non-financial enterprises (NFE)



Source: INSEE

2 - Contributions to the variation in the margin rate at factor cost of non-financial enterprises



Source: INSEE

Breakdown of the margin rate of non-financial enterprises (NFE)

	2011				2012				2013				2011	2012	2013
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**			
Margin rate (in level)[1]	29.6	29.0	28.9	28.7	28.4	28.5	28.5	27.9	28.0	28.2	28.2	28.2	29.1	28.3	28.2
Variation in margin rate	-0.1	-0.7	-0.1	-0.1	-0.3	0.1	0.0	-0.6	0.1	0.2	-0.1	0.0	-0.9	-0.7	-0.2
Margin rate at factor costs (in level) [2]	30.7	30.1	30.0	29.9	29.6	29.6	29.6	29.1	29.2	29.5	29.4	29.4	30.2	29.5	29.4
Variation in margin rate at factor cost	-0.1	-0.6	-0.1	-0.1	-0.3	0.1	0.0	-0.6	0.2	0.2	-0.1	0.0	-0.8	-0.7	-0.1
Contributions to the variation margin rate at factor costs of															
Productivity gains	*0.9*	*-0.3*	*0.1*	*0.2*	*0.2*	*0.0*	*0.2*	*-0.2*	*-0.1*	*0.2*	*0.0*	*0.1*	*1.3*	*0.3*	*0.0*
Real wage per head	*-0.1*	*-0.1*	*0.1*	*-0.1*	*0.2*	*-0.1*	*-0.3*	*-0.2*	*0.0*	*-0.1*	*0.0*	*0.0*	*-0.4*	*-0.1*	*-0.4*
Employer contribution ratio	*-0.2*	*-0.1*	*-0.2*	*-0.1*	*0.1*	*0.0*	*0.0*	*-0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.4*	*-0.1*	*-0.1*
Ratio of the value-added price to the consumer price	*-0.5*	*-0.1*	*0.0*	*-0.1*	*-0.8*	*0.2*	*0.2*	*0.1*	*0.2*	*0.1*	*0.0*	*0.0*	*-0.9*	*-0.6*	*0.5*
Others factors	*-0.2*	*-0.1*	*-0.1*	*-0.1*	*0.0*	*0.0*	*0.0*	*-0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.4*	*-0.2*	*-0.2*

Forecast

(1) The margin rate measures the share of value-added which remunerates capital. Its variation is broken down in accounting terms between:
- productivity changes (Y/L), with Y value-added and L employment, and the ratio of the value-added price to the consumer price, or terms of trade (Pva/Pc), which play a positive role;
- changes to the real average wage per head (SMPT/Pc) and the employer contribution ratio (W/SMPT, where W represents all compensation), which play a negative role.
- otehrs factors: it is a ratio of the value-added price at factor cost to the value-added price in the sense of the national accounts. This breakdown is summarised in the following equation (see *Report, Conjoncture in France, June 2003*):

$$TM=\frac{EBE}{VA}\approx 1-\frac{W.L}{Y.P_{va}}=1-\frac{L}{Y}\frac{W}{SMPT}\frac{SMPT}{P_c}\frac{P_c}{P_{va}}$$

(2) Value-added at factor cost is obtained from gross value-added minus taxes on production net of operating subsidies. The margin rate (share of GOS in value-added) at factor cost is around 1% higher than the margin rate in the sense of the national accounts. In the TM breakdown above, only the terms VA and Pva are affected by this distinction.

Source: INSEE

Corporate investment and inventory

Corporate investment contracted sharply in Q1 2013 (-0.8%). Expenditure on services held up but spending on manufactured goods (-1.5%) and construction (-0.7%) fell back sharply. The drop in investment is likely to continue over the forecasting period. Indeed, the current environment does not lend itself to investment: production capacities are underused, demand prospects are likely to remain unfavourable through to the end of the year and the corporate margin rate has fallen significantly over the last four years. Over 2013 as a whole, the drop in investment expenditure by enterprises should be slightly larger than in 2012 (-2.4% after -1.9% in 2012).

In Q1 2013 the contribution of inventory change to GDP growth was slightly positive (+0.1 point after -0.3 point in Q4 2012), and should be again in Q2 2013 (+0.1 point), before being cancelled out in H2 2013.

In Q1 2013, corporate investment declined sharply

Investment by non-financial enterprises (NFEs) fell 0.8% in Q1 2013 *(see Table 1)*, for the fifth consecutive quarter. NFEs brought their investment in manufactured goods down sharply (-1.5% after -2.0% in Q4 2012). Expenditure on capital goods barely declined (-0.3% after -0.2%) but purchases of transport equipment slumped (-3.6% after -4.1%) as did those of other industrial goods (-1.1% after -2.1%).

The uninterrupted fall in construction expenditure since the end of 2011 continued (-0.7% after -1.0%). Expenditure on civil engineering was penalised by the bad weather in Q1. Expenditure on services slowed (+0.1% after +1.5%). All in all, the investment rate declined slightly, to 17.7% in Q1 2013 *(see Graph 1)*.

The slide in investment set to ease over the forecasting period

Investment should continue to fall back over the forecasting period, as suggested by the business tendency surveys. The industrialists surveyed in April are expecting a 4% drop in their investments in 2013, while in services, the opinion of business leaders on their forthcoming investments deteriorated in May. Production capacity tensions remain low. In April the production capacity utilisation rate in the manufacturing industry stood at 81%, well below its long-term average *(see Graph 2)*. The situation is less clear-cut as regards financial variables. While the margin rate is likely to remain very low, this is also the case of real interest rates, and the sluggishness of credit seems to stem mainly from weak demand, according to the available data *(see Graph 3)*. The drop in investment by NFEs should be limited in Q2 2013 (-0.4%) as civil engineering makes up for the time lost due to the poor weather in Q1. The decline is likely to become more marked in Q3 (-0.6%) before stabilising in Q4 2013, most notably thanks to the improvement in building starts in early 2013. The investment rate, which has seen an almost uninterrupted decline since the start of 2011, should stand at 17.5% at the end of 2013.

Decline in expenditure on manufactured goods

Despite the slight upswing in activity, investment by NFEs in manufactured goods should continue to fall, albeit at a slower pace: it is set to drop in Q2

Table 1

Investment by non-financial enterprises (NFE)

Variations at previous year's chain-linked prices. as a %

	Quarterly variations												Annual variations		
	2011				2012				2013				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Non-energy industrial goods (43%)	3.1	-0.9	-1.2	3.6	-3.9	-0.9	-0.7	-2.0	-1.5	-0.5	-1.0	-0.5	7.0	-3.7	-4.5
Building and public works (28%))	1.0	0.1	0.1	-0.1	-1.4	-0.3	-0.6	-1.0	-0.7	0.1	-0.7	0.2	-0.2	-2.2	-2.0
Other (29%)	0.3	-2.0	-1.0	1.1	1.0	1.2	-1.6	1.5	0.1	-0.7	0.1	0.1	1.1	1.2	0.2
All non-financial enterprises (100%)	**1.7**	**-0.9**	**-0.7**	**1.8**	**-1.8**	**-0.2**	**-0.9**	**-0.7**	**-0.8**	**-0.4**	**-0.6**	**-0.1**	**3.1**	**-1.9**	**-2.4**

Forecast

Source: INSEE

(-0.5%) then again in H2 (-1.0% then -0.5%). Automobile purchases are likely to continue deteriorating in Q2, as the low level of company vehicle registrations in May suggests. The fall in expenditure on capital goods, which represent almost 40% of investments in manufactured goods, is likely to continue: in May the wholesalers surveyed in the business tendency surveys indicated that both sales and order intentions for capital goods were deteriorating. In H2 2013 weak activity is likely to cause a new drop in investment in manufactured goods.

Fits and starts for investment in construction

In the building sector the entrepreneurs surveyed in May reported a deterioration in their recent activity and do not foresee any improvement in the coming months. However, the recovery of housing starts at the start of 2013 points to a stabilisation in investment in construction at the end of the year. In Q2 2013 the fall in construction investment should be offset by the catch-up of civil engineering works postponed by the poor weather in Q1. Investment in construction should thus stabilise in Q2, drop once again in Q3 (-0.7%) before picking up in Q4 (+0.2%).

Investments in services set to decline in Q2

Other investments, mainly in IT services and specialised, scientific and technical activities, should fall by 0.7% in Q2 2013. The business leaders in this sector surveyed in May report gloomy activity in past months and weak prospects. These investments, which are usually more dynamic than the average, should stabilise in H2 (+0.1% per quarter).

As an average over 2013, a drop equivalent to that in 2012

Over 2013, investment expenditure by NFEs should decline by 2.4% (after -1.9% in 2012). As well as the sharp drop in expenditure on manufactured goods (-4.5%), there is likely to be one in construction expenditure (-2.0%). Other investment expenditure should rise slightly (+0.2%).

Inventory change made a slight contribution to growth in Q1 2013

In Q1 2013 inventory change made a small contribution to GDP growth (+0.1 points, after -0.3 points the previous quarter, see Table 2). Less intensive destocking of manufactured goods (+0.4 points) was partly offset by the destocking in the energy, water and waste sector (-0.2 points).

The sharp rise in output in the coking and refining branch led to destocking of crude oil (counted in the energy, water and waste branch) and stocking of refined products (counted as manufactured goods). Furthermore, while the destocking rate for transport equipment picked up, this was not so much the case in capital goods and other industrial branches.

Destocking of manufactured goods set to ease in Q2 2013

In May 2013 the industrialists surveyed in the monthly business tendency survey considered that their inventory was lower than normal. The total contribution of inventory to growth should thus be positive in Q2 (+0.1 point).
The contribution of inventory to growth is likely to be zero again in Q3 and Q4 2013. ■

Table 2

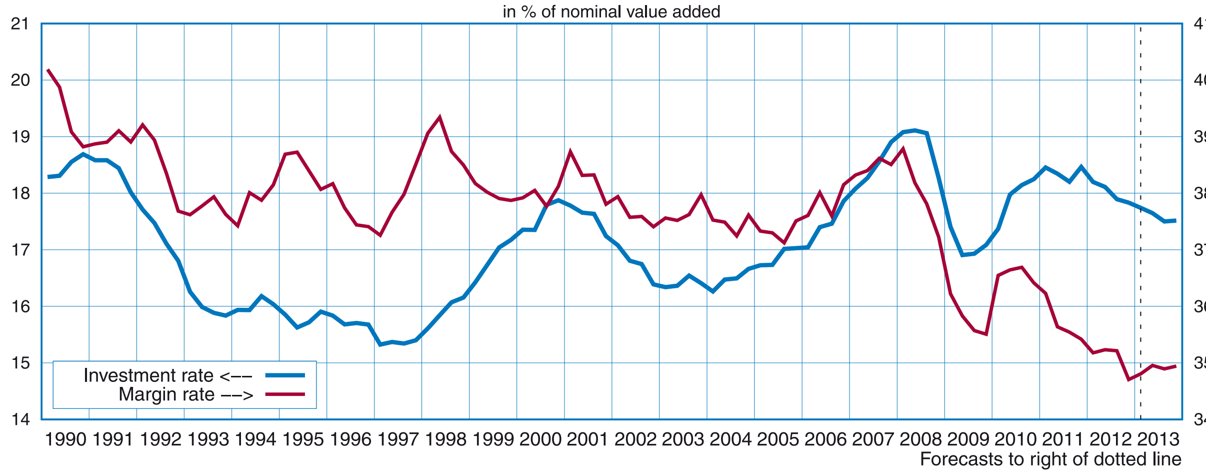
Contribution of inventory changes to growth

	Quaterly changes												Annual changes		
	2011				2012				2013				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Agricultural and agrifood products	0.0	0.0	0.1	0.0	0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Manufactured products	1.1	-0.1	-0.2	-0.8	-0.1	0.1	-0.2	-0.3	0.4	0.1	0.0	0.0	0.9	-1.0	0.1
including:															
Agricultural goods	*0.2*	*0.1*	*0.0*	*-0.1*	*-0.1*	*0.0*	*0.0*	*0.2*	*-0.1*						
Coke and petroleum products	*0.1*	*0.0*	*-0.1*	*0.1*	*0.0*	*0.1*	*0.1*	*-0.3*	*0.3*						
Machinery and equipment goods	*0.0*	*0.0*	*0.0*	*0.0*	*-0.1*	*-0.1*	*0.0*	*0.0*	*0.1*						
Transport equipment	*0.4*	*-0.1*	*0.1*	*-0.4*	*0.1*	*0.0*	*-0.3*	*-0.1*	*-0.1*						
Others industrial goods	*0.4*	*-0.1*	*-0.2*	*-0.4*	*0.0*	*0.0*	*0.1*	*-0.2*	*0.1*						
Energy. water and waste	0.3	-0.3	0.1	-0.1	0.2	-0.3	0.1	0.1	-0.2	0.0	0.0	0.0	0.1	0.0	-0.1
Other (construction. services)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL [1]	1.4	-0.3	0.0	-0.9	0.2	-0.2	0.0	-0.3	0.1	0.1	0.0	0.0	1.1	-0.8	0.0

Forecast
(1) Inventory changes include acquisitions net of sales of valuables.
Source: INSEE

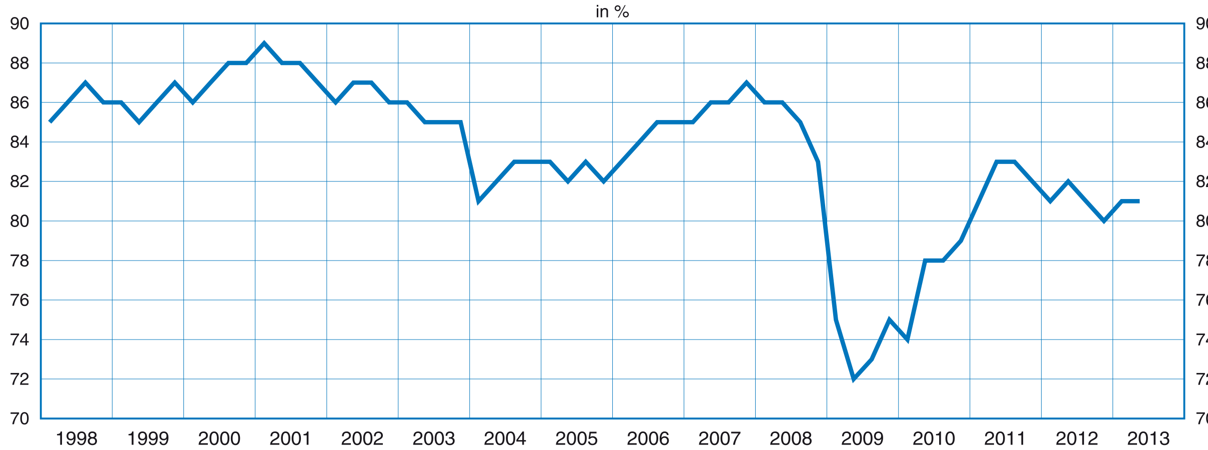
French developments

1 - Investment rate and margin rate



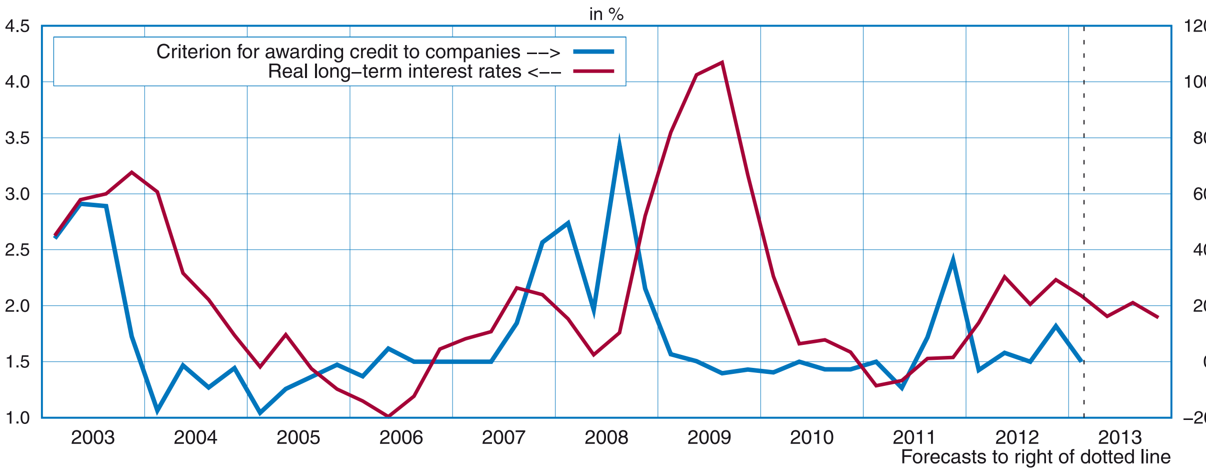
Source: INSEE quaterly accounts

2 - Productive capacity utilization rate in manufacturing industry



Source: INSEE, quaterly survey on activity in industry

3 – Criterion for granting credit to businesses[1] and long-term actual borrowing rates[2]



(1) Criteria for granting credit: net balance of weighted responses = tightening - easing.
(2) Here, the real rate denotes the interest rate on new loans to non-financial companies, the rate of which is revisable at a frequency of more than one year, i.e. at a fixed rate for an initial period of more than one year. This rate is deflated by the producer price index of all goods and services.

Sources: INSEE, quaterly accounts and Bank of France