

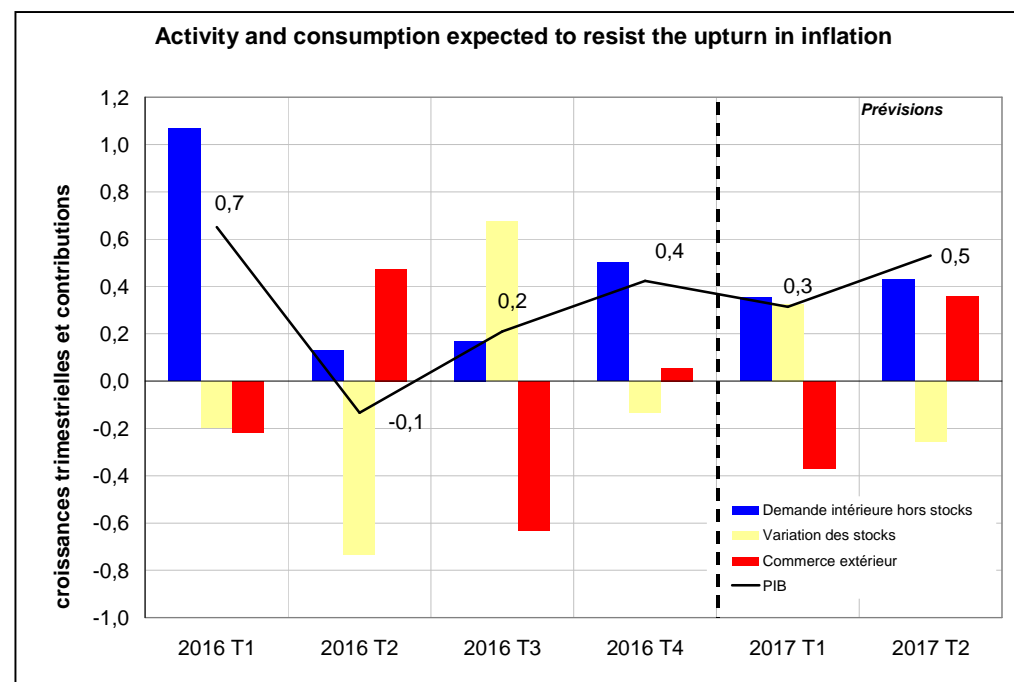
## Conjoncture in France – March 2017

### Purchasing power slows down while the outlook remains positive

This morning, INSEE presented *Conjoncture in France* for March 2017 to the press. **Economic analysts confirmed their December forecasts for French growth in Q1 2017 (+0.3%) and raised their Q2 forecast (to +0.5%).** Additionally, **two special analyses** drew attention as they focus on **the use of the business tendency surveys and the press to forecast changes in employment** in France.

#### Key figures for the scenario in France by mid-2017

- The **growth overhang** for 2017 is likely to be **+1.1%** mid-year, **similar to that forecast for the Eurozone.**
- **Inflation has risen** but should stabilise through to mid-2017 (**+1.1%** in June). It is holding back household **purchasing power** with a growth overhang that is expected to be **+0.7%** by mid-year (+1.6% a year earlier).
- **Consumption** is likely to slow a little (+0.2% then +0.4%) but households are expected to save less.
- **Foreign trade** should account for **-0.2 points** of annual GDP growth overhang at mid-year, i.e. well below the 2016 level (-0.8 points).
- **Total employment** should increase by **93,000** in H1 2017 (after +118,000 in H2 2016), bringing **unemployment** down again, to **9.8%** by mid-2017.
- **Private investment** should continue to grow solidly: **+0.9%** per quarter for **households** and **+0.9%** then **+0.5%** for **enterprises.**



#### Our experts say...

*"French households are likely to cut back a little on their propensity to save in order to smooth the effects of the slowdown in purchasing power on their consumption"*

**Dorian Roucher**, Head of the Short-Term Outlook Division

#### Focus on... The impact of the elections on household confidence

Periods of national elections are conducive to a temporary upturn in household confidence: **households are more confident** especially regarding the standard of living in France and change in unemployment. However, this improvement declines rapidly after the election.

## Main features of the international environment scenario

- In both the advanced economies and the emerging economies, the business climate continues to improve.
- World trade is moving once again, driven by the **emerging economies and the United States**. It should increase sharply once again in H1 2017.
- In the **United States**, activity should accelerate once again (**+0.6% per quarter**); the confidence felt by households and enterprises increased considerably after the presidential election, boosted by prospects of an expansionary fiscal policy.
- In the **United Kingdom**, inflation looks set to rise significantly, while activity and consumption are likely to slow considerably.
- Growth inside the **Eurozone is expected to remain at +0.4% in H1** then **rise to +0.5% in H2**. Short-term differences within the zone should continue to fade.



### Our experts say...

*"At the start of 2017, a wind of optimism blew over the world economy"*

**Jean-Cyprien Héam**, Head of the Eurozone section



### Our experts say...

*"After adversely affecting French growth in 2016, foreign trade should weigh much less heavily at the start of 2017"*

**Vladimir Passeron**, Head of the Short-term Economic Analysis Department

## Special analysis

### **Forecasting employment based on business tendency survey responses**

A new indicator, the "**employment climate**", brings together the responses of business leaders regarding changes in workforce numbers in the business tendency surveys. It satisfactorily tracks fluctuations in payroll employment and provides additional information for the "business climate" indicator. INSEE will publish this new indicator every month from April 2017, as a complement to the indicators on business climate and the economic turnaround in France.

### **The press as a complement to business tendency surveys for forecasting employment**

By combining big data, statistical models and textual analysis techniques, a "**media sentiment indicator**" can be constructed which can provide relevant details about short-term fluctuations in employment. In particular, it can significantly improve the properties of a short-term prediction model by providing information to complement the business tendency surveys, although it can in no way replace them.

In *Conjoncture in France* you will also find an analysis of **business cycles in the Eurozone** (page 45).