

Household consumption and investment

In Q1 2017 household consumption came to a standstill (+0.1% after +0.6%). Expenditure on goods fell back substantially, especially on energy and automobiles, while consumption of services accelerated slightly.

In Q2 2017 household consumption is expected to be more buoyant (+0.4%) due to a rebound in expenditure on goods. Purchases of consumer durables should recover some momentum, with in particular an upswing in expenditure on automobiles. Energy consumption is likely to almost stabilise. Consumption of services looks set to slow slightly: while spending on accommodation and food services and on transport is expected to be sustained thanks to the return of tourists, consumption of leisure services is likely to slow after two dynamic quarters. In H2 2017, household consumption is expected to increase at a pace consistent with the moderate rise in household purchasing power (+0.3% per quarter).

On average over the year, consumption by resident households is expected to slow down sharply in 2017 (+1.2% after +2.1%), in line with their purchasing power (+1.1% after +1.8% in 2016) and adversely affected by the upturn in inflation. However, exports of tourism services are likely to pick up, sustaining this sector which should thus withstand the slowdown in purchasing power.

In Q4 2016 the savings ratio returned to its Q1 level (13.9%), after a temporary rise over the summer (14.3%). It is expected to remain virtually unchanged throughout 2017 and

should stand at around 13.9% as an annual average, very slightly down on 2016 (14.0%).

Over 2016 as a whole, household investment in housing bounced back (+2.4%), after four years of decline. It increased sharply once again in Q1 2017 (+1.0%) and is expected to grow almost as much through to the end of the year. On average over the year, household investment is therefore set to accelerate very substantially in 2017 (+3.7%).

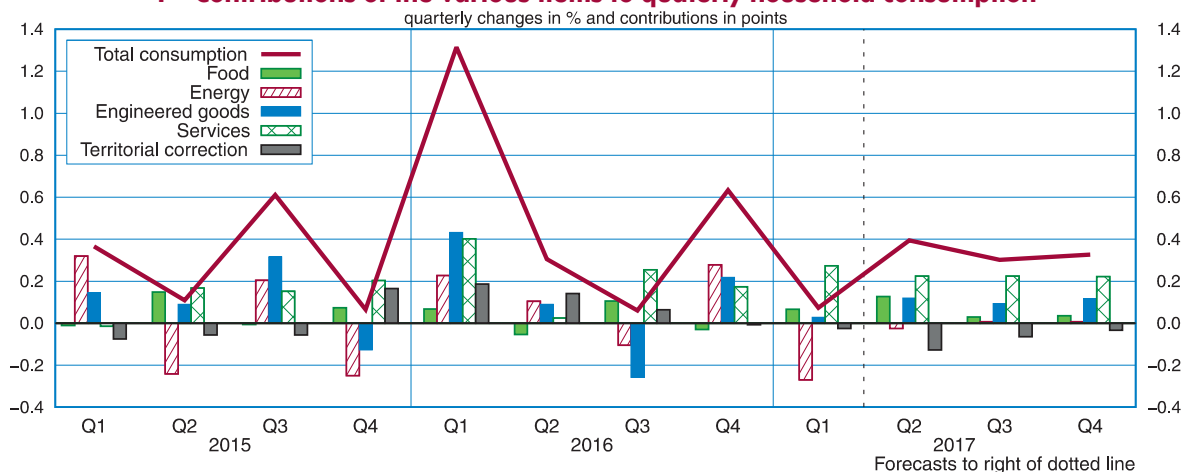
Consumption came to a standstill in Q1 2017

In Q1 2017, household consumption came to a standstill (+0.1%) after a dynamic Q4 (+0.6%, Graph 1).

Consumption of goods slipped back (-0.4% after +1.0%). Energy consumption in particular declined sharply (-3.3% after +3.4%): expenditure on heating fell significantly due to the mild end to winter after a fairly cold autumn. Automobile purchases also declined (-1.1% after +2.2%) and expenditure on clothing slowed (+0.6% after +1.1%). However, spending on household durables other than cars picked up sharply (+2.1% after 0.0%) and food consumption rebounded (+0.4% after -0.2%).

Consumption of services accelerated slightly (+0.5% after +0.3%), mainly because expenditure on accommodation and food services recovered briskly after a sluggish Q4, consumption of transport services remained buoyant and consumption of leisure was again vigorous.

1 - Contributions of the various items to quarterly household consumption



Source: INSEE

In Q2 2017, consumption is expected to speed up slightly

In Q2 2017, total household consumption is expected to accelerate slightly (+0.4%, *Table*) due to a rebound in expenditure on goods (+0.5% after -0.4%).

Purchases of consumer durables are likely to pick up (+1.4% after 0.0%): automobile purchases should bounce back (+1.6% after -1.1%) and spending on household durables other than cars should slow (+1.2% after +2.1%). Energy consumption is expected to virtually stabilise (-0.3% after -3.3%) especially that on heating, with temperatures at the start of spring very close to their average. Spending on food is set to accelerate (+0.7% after +0.4%). However, expenditure on clothing is expected to slip back sharply (-0.9% after +0.6%), an after-effect of two dynamic quarters and as a result of the change to the summer sales calendar. Lastly, consumption of services should remain robust (+0.4% after +0.5%): expenditure on accommodation and food services and on transport should continue to increase steadily with the gradual return of foreign tourists,¹ while leisure consumption is likely to slow after two quarters of sharp increases.

In H2 2017, household consumption should continue to rise at a pace in line with the moderate growth in household purchasing power (+0.3% per quarter). Expenditure on services is expected to be as dynamic as in Q2, especially tourism services.

On average over the year, household consumption is expected to slow down considerably in 2017 (+1.2% after +2.1% in 2016), in line with purchasing power which is likely to see its buoyancy stemmed by the upturn in inflation (+1.1% after +1.8%). Purchases of manufactured goods in particular are likely to grow less quickly (+1.2% after +1.7%). A downturn in energy consumption is expected as an annual average (-1.3% after +2.2%) due to the warm temperatures at the beginning of the year. However, thanks to the return of tourists, purchases of market services should withstand the slowdown in purchasing power (+1.8% after +1.7%).

1. For each product, the national accounts measure purchases throughout the territory, irrespective of whether households are resident or not. Resident households' consumption is obtained by adjusting the sum of these purchases across the territory, i.e. by adding spending by tourists residing abroad (which is recorded as tourism service imports) and deducting purchases by non-residents in the territory (which correspond to tourist service exports). This is an overall adjustment, not broken down by product.

Household consumption and investment expenditure

at chain-link previous year prices. SA-WDA

	Quarterly changes in %								Annual changes in %		
	2016				2017				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Total household consumption expenditures (1)+(2)+(3)	1.3	0.3	0.1	0.6	0.1	0.4	0.3	0.3	1.3	2.1	1.2
Services (1)	0.7	0.0	0.5	0.3	0.5	0.4	0.4	0.4	0.8	1.6	1.6
Goods (2)	1.5	0.3	-0.5	1.0	-0.4	0.5	0.3	0.3	1.9	1.8	0.8
including:											
Food	0.4	-0.3	0.6	-0.2	0.4	0.7	0.2	0.2	1.1	0.9	1.1
Agriculture goods (AZ)	2.7	-0.9	-0.4	-0.3	-1.8	2.0	0.2	0.2	-0.4	2.2	-0.9
Agri-food products (C1)	-0.1	-0.2	0.8	-0.1	0.8	0.5	0.2	0.2	1.4	0.6	1.6
Energy	2.7	1.3	-1.3	3.4	-3.3	-0.3	0.1	0.1	1.4	2.2	-1.3
Energy, water and waste (DE)	3.9	3.1	-3.1	5.0	-5.0	0.2	0.0	0.0	1.9	2.9	-2.2
Coke and refined petroleum (C2)	1.5	-1.0	1.2	1.5	-0.9	-1.0	0.2	0.2	0.9	1.3	0.0
Engineered goods (C3 to C5)	2.1	0.4	-1.2	1.1	0.1	0.6	0.5	0.6	2.6	2.4	1.2
Manufactured goods (C1 to C5)	1.2	0.1	-0.2	0.6	0.3	0.4	0.3	0.4	2.0	1.7	1.2
Territorial correction (3) = (4)-(5)	-42.9	-57.6	-61.3	18.6	53.7	71.6	42.7	30.6	-2.0	-78.6	40.2
Imports of touristic services (4)	3.2	2.1	0.8	0.0	-0.3	0.4	0.4	0.4	-5.2	5.2	1.2
Exports of touristic services (5)	-2.6	-2.3	-1.2	0.2	0.5	2.0	2.0	2.0	-4.7	-6.9	2.5
Investment expenditure	0.8	0.7	0.9	0.9	1.0	0.9	0.9	0.8	-2.1	2.4	3.7

Forecast
Source: INSEE

French developments

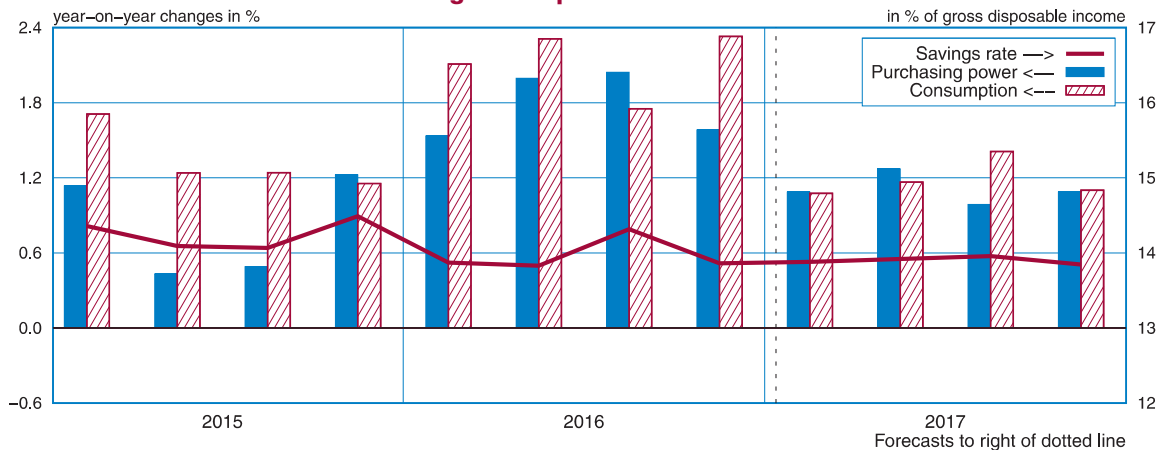
In 2017, the savings ratio is expected to fall back very slightly to 13.9%

Households' savings ratio increased in Q3 2016 to 14.3% of gross disposable income, as household consumption stalled despite purchasing power improving steadily (*Graph 2*). In Q4 2016, the savings ratio was almost back to its Q1 level (13.9%), with consumption rebounding while purchasing power was near stable. It is expected to remain virtually unchanged throughout 2017. Household consumption should increase at a pace similar to household purchasing power. On average over 2017, the savings ratio is likely to continue to fall back very slightly (13.9% after 14.0%), to its lowest since 1990.

Household investment should grow vigorously across 2017 as a whole

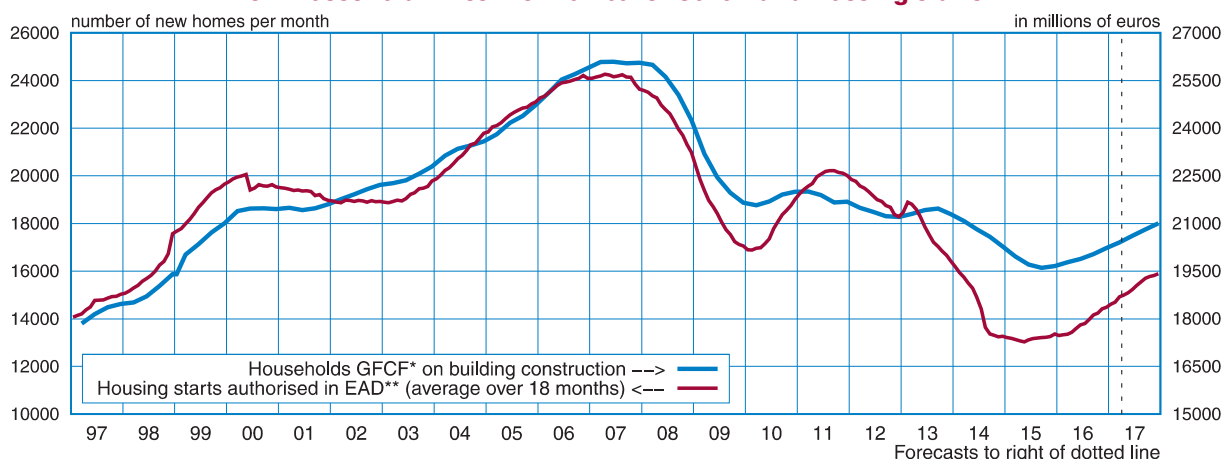
In Q1 2017, household investment continued to rise sharply (+1.0%), for the seventh consecutive quarter. The number of authorised housing starts has grown constantly since the beginning of 2016 (*Graph 3*). In view of the usual time lags between authorisations being granted and construction work actually starting, household investment is expected to remain almost as strong until the end of 2017 (+0.9% on average per quarter). As an annual average, household investment should accelerate strongly in 2017 (+3.7% after +2.4% in 2016). ■

2 - Savings ratio and variations in consumption and in purchasing power of gross disposable income



Source: INSEE

3 - Household investment on construction and housing starts



*GFCF: gross fixed capital formation
**EAD+: estimated actual dates

Sources: INSEE, SOeS