

Review of the previous forecast

In Q4 2018, gross domestic product (GDP) increased by 0.3%, a little more than forecast in the December 2018 issue of *Conjoncture in France* (+0.2%). Output in all sectors accelerated more than expected (+0.3% against +0.2%). Domestic demand excluding inventory sustained GDP growth, as forecast (+0.2 points). Foreign trade drove growth a little more than anticipated (+0.3 points against +0.2 points) while the contribution of changes in inventories was in line with forecasts (-0.2 points). The growth forecast for Q1 2019 is exactly the same as that given in the December *Conjoncture in France* (+0.4%); for Q2, the forecast is also +0.4%, a rise of 0.1%.

In Q4 2018, market employment grew by 46,000 (against the +24,000 expected). At the same time, the unemployment rate fell by 0.3 points, to 8.8% of the French labour force (against the forecast for stability at 9.1%). In December 2018, headline inflation stood at +1.6% as expected and the forecast for June is maintained at +1.0%.

In Q4, activity increased a little more quickly than forecast

In Q4 2018, GDP growth reached +0.3%, a slightly faster pace than forecast in the December 2018 issue of *Conjoncture in France* (+0.2%, [Table 1](#)). Output in all branches accelerated more than expected (+0.3% against +0.2%, [Table 2](#)), mainly due to the sustained growth in activity in

[Table 1](#)

Gross domestic product and its main components in the expenditure approach

Percentage changes from previous period in %

| | Conjoncture in France December 2018 | | Conjoncture in France March 2019 | |
|--|--|---------|-------------------------------------|---------|
| | Q4 2018 | Q1 2019 | Q4 2018 | Q1 2019 |
| Gross domestic product | 0.2 | 0.4 | 0.3 | 0.4 |
| Imports | 1.4 | 0.8 | 1.4 | 0.9 |
| Household consumption expenditure | 0.2 | 0.7 | 0.0 | 0.5 |
| General government consumption expenditure* | 0.3 | 0.4 | 0.4 | 0.5 |
| Gross fixed capital formation | 0.0 | 0.3 | 0.2 | 0.5 |
| of which: Non financial enterprises | 0.1 | 0.6 | 0.2 | 0.7 |
| Households | -0.5 | -0.4 | -0.3 | -0.3 |
| General government | 0.1 | 0.0 | 0.9 | 0.7 |
| Exports | 2.1 | -0.3 | 2.3 | 0.6 |
| Contributions (in percentage points) | | | | |
| Domestic demand excluding changes in inventories** | 0.2 | 0.5 | 0.2 | 0.5 |
| Changes in inventories** | -0.2 | 0.2 | -0.2 | 0.1 |
| Net foreign trade | 0.2 | -0.3 | 0.3 | -0.1 |

Forecast

* General government and non-profit institutions serving households

** Changes in inventories include acquisitions net of sales of valuable

Source: INSEE

French developments

against +3.1%). Finally, the contribution of changes in inventories was negative (−0.2 points, as anticipated).

The growth forecast for Q1 2019 is maintained at +0.4%

The growth forecast for Q1 2019 is maintained at +0.4%, as forecast in *Conjoncture in France* in December 2018. Total output in Q1 is expected to increase more than was forecast (+0.5% against +0.3% expected in December), mainly due to increased growth forecast for manufacturing output (+0.4% against −0.2% originally forecast).

Domestic demand is likely to drive growth in Q1 (+0.5 points as forecast in December). While the forecast for household consumption is revised downwards slightly (+0.5% against +0.7%), the forecast for corporate investment is revised upwards (+0.7% against +0.6%).

Foreign trade should make a slightly less negative contribution than originally expected in Q1 2019 (−0.1 points against −0.3 points). Exports are likely to slow instead of falling back (+0.6% against −0.3%) and imports should be a little more buoyant

(+0.9% against +0.8%). Forecasts for changes in inventories have been revised downwards slightly (0.1 points against 0.2 points).

Market employment increased more than forecast

In Q4 2018, market employment increased more than anticipated (+46,000 job creations against +24,000 expected). In addition, the unemployment rate (including Overseas Departments) dropped to 8.8%, against a forecast of 9.1%.

At the end of 2018, inflation stood at +1.6%, as forecast in the December *Conjoncture in France*

In December 2018, headline inflation stood at +1.6% overall, as forecast in the December issue of *Conjoncture in France*, while core inflation increased as expected (+0.7%). At the end of the Q1 2019, headline inflation is likely to rise to 1.2% less than forecast in the December 2018 *Conjoncture in France*, with core inflation expected to be +1.0%, against +1.1% expected previously, due to a slowdown in the price of services (+0.9% in June against +1.2% forecast in the December *Conjoncture in France*). ■

Table 2

| | Conjoncture in France December 2018 | | Conjoncture in France March 2019 | |
|--|--|------------|-------------------------------------|------------|
| | Q4 2018 | Q1 2019 | Q4 2018 | Q1 2019 |
| Output by sector | | | | |
| Agriculture | 0.1 | 0.1 | 0.0 | 0.0 |
| Manufacturing | 0.0 | −0.2 | 0.0 | 0.4 |
| Energy, water and waste | −0.9 | 0.7 | 0.1 | 0.8 |
| Construction | −0.1 | −0.2 | 0.1 | 0.2 |
| Trade | 0.2 | 0.6 | 0.1 | 0.4 |
| Market services excluding trade | 0.4 | 0.6 | 0.6 | 0.6 |
| Non market services | 0.2 | 0.4 | 0.4 | 0.4 |
| Total | 0.2 | 0.3 | 0.3 | 0.5 |
| Employment, unemployment, prices | | | | |
| Non-agricultural market sector employment | 24 | 33 | 46 | 35 |
| ILO* unemployment rate - Metropolitan France | 9.1 | 9.1 | 8.8 | 8.8 |
| Consumer price index ¹ | 1.6 | 1.3 | 1.6 | 1.2 |
| Core inflation ¹ | 0.8 | 1.1 | 0.7 | 1.0 |

Forecast

* ILO unemployment: unemployment as defined by the International Labour Organisation

1. Year-on-year on the last month of the quarter

Source: INSEE