

# Foreign trade

At the end of 2018, world trade slipped back (-0.5% after +1.1%) and world demand for French goods slowed significantly (+0.1% after +0.8%), mainly due to the sharp drop in Chinese imports. In this lacklustre international context, French exports nonetheless took off (+2.3% after +0.2%), particularly in the manufacturing sector (+3.6% after +0.5%), due to the catch-up effect of aeronautical deliveries, the delivery of an ocean liner and ongoing deliveries of military hardware.

In H1 2019, despite the slight appreciation of the euro and the rise in world demand, exports are expected to slow (+0.6% followed by +0.2%), following a quarterly profile marked by the calendar of major aeronautical and shipbuilding contracts.

In Q4, imports bounced back (+1.4% after -0.3%), in particular those of manufactured goods and agricultural products. In H1 2019, they are likely to rise again (+0.9% then +0.6% per quarter).

Through to mid-2019, foreign trade is not

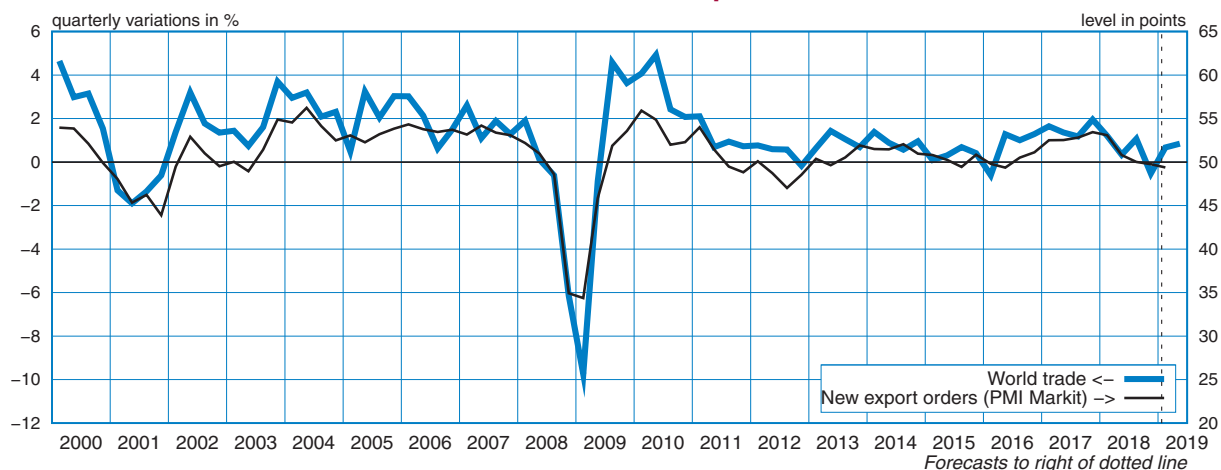
expected to hold back French growth (+0.0 points carry-over effect at mid-year), after making a positive contribution in 2018 and 2017.

**World trade is expected to regain a little momentum by mid-2019.**

In Q4 2018, world trade shrank (-0.5% after +1.1%, *Graph 1*), notably as a result of the deceleration of American imports and, even more so, Chinese imports. In the United States, the effects of the fiscal stimulus waned. Chinese imports fell back sharply (-8.7% after +2.3%) after a period when it rose in anticipation of increases in American customs tariffs. After a record year in 2017, world trade – although slackening – remained vigorous in 2018 (+4.3% after +5.7%, *Table 1*).

By mid-2019, the improvement in world trade is expected to regain a little momentum (+0.6% followed by +0.9% per quarter), driven by the buoyancy of imports of the advanced countries and

**1 – World trade and new export orders**



Sources: Markit, DG Trésor, INSEE forecast

**Table 1**

**World trade and world demand for French products**

	2018				2019		2017	2018	2019 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
<b>World trade</b>	<b>1.2</b>	<b>0.3</b>	<b>1.1</b>	<b>-0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>5.7</b>	<b>4.3</b>	<b>1.5</b>
Imports of advanced economies	0.4	0.5	0.5	0.8	0.6	0.7	5.2	3.3	2.1
Imports of emerging economies	2.8	0.1	1.6	-3.4	0.7	1.2	6.6	6.0	-0.1
<b>World demand for French products</b>	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>	<b>0.1</b>	<b>0.7</b>	<b>0.9</b>	<b>5.4</b>	<b>3.7</b>	<b>2.1</b>

Forecast

Sources: INSEE, DG Trésor

## French developments

a rebound in imports of the emerging countries, especially China. Due to the downturn in Q4 2018, the annual carry-over effect of world trade at mid-year is likely to stand at just +1.5% in 2019, reflecting the numerous uncertainties overshadowing world trade.

World demand for French exports slowed significantly at the end of the year (+0.1% after +0.8%, *Graph 2*), due to the downturn in Chinese imports and a slowdown in Italian and German imports. Through to mid-2019, the demand for French goods is expected to increase a little faster than world trade (+0.7% then +0.9% per quarter), thanks to the strong imports of its partners in the Eurozone.

### Exports are set to decelerate in the spring of 2019

In Q4 2018, French exports rose sharply (+2.3% after +0.2%, *Table 2*), most notably due to the strength of exports of manufactured goods (+3.6% after +0.5%).

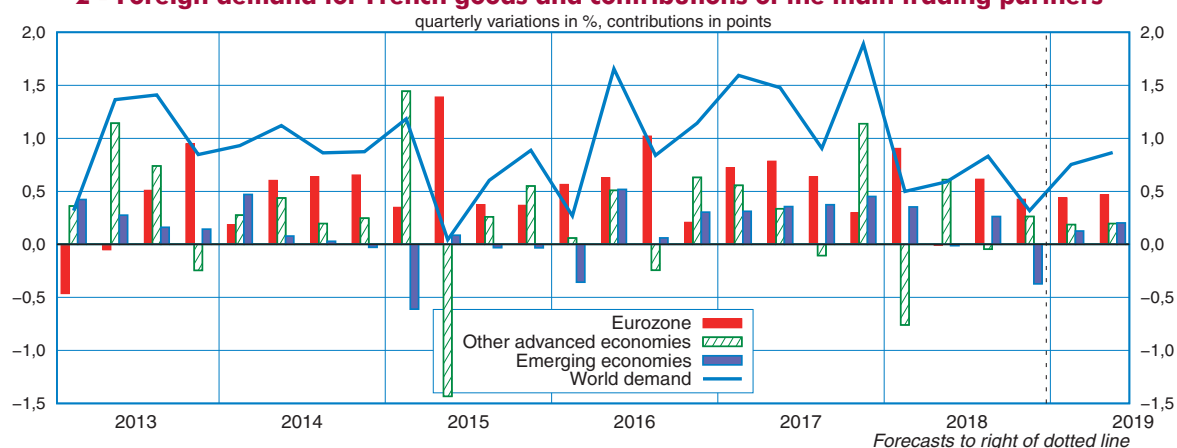
In particular, sales of transport equipment soared (+7.9% after +0.9%) as a result of record aeronautical deliveries at the end of the year, deliveries of military hardware and the delivery of

the ocean liner *Celebrity Edge* for approximately €750 million in November. At the same time, sales of other industrial goods (+2.6% after +1.1%) and refined petroleum products (+10.5% after +10.9%) continued to rise. Exports of energy products slipped back (-15.3% after +6.2%), whereas exports of agricultural products rebounded (+2.1% after -5.4%). Finally, service exports rallied (+1.0% after -0.3%).

In Q1 2019, coinciding with the depreciation of the euro, exports are expected to remain vigorous (+0.6%), boosted by exports of manufactured goods (+0.8%, *Graph 3*). Indeed, despite the combined reactions to aeronautical deliveries and the delivery of *Celebrity Edge*, the delivery of another ocean liner, *Bellissima*, at the end of February, along with the continued sales of military hardware and aeronautical equipment, should sustain exports of manufactured goods in Q1.

Energy sales are expected to pick up (+2.0%), and sales of agricultural products should maintain their momentum (+0.5%). Exports of services are likely to weaken (+0.1%), after a dynamic end to 2018.

**2 - Foreign demand for French goods and contributions of the main trading partners**



Sources: DG Trésor, INSEE

**Table 2**

### Foreign trade growth forecast

variations in % at chain-linked previous year prices, contributions in points

	Quarterly changes						Annual changes		
	2018				2019		2017	2018	2019 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
<b>Exports</b>									
All goods and services	-0.5	0.0	0.2	2.3	0.6	0.2	4.7	3.0	2.5
Manufactured products (69%)*	-1.1	-0.2	0.5	3.6	0.8	0.1	5.0	3.5	3.8
<b>Imports</b>									
All goods and services	-0.8	0.6	-0.3	1.4	0.9	0.6	4.1	1.2	2.4
Manufactured products (69%)*	-0.7	2.1	-1.2	2.1	1.0	0.6	5.5	2.6	2.9
<b>Contribution of foreign trade to GDP</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.6</b>	<b>0.0</b>

Forecast

\*Part of exports (resp. imports) of non-energy industrial goods in exports (resp. imports) in a whole in 2017.

Source: INSEE

In Q2 2019, exports should slow down, most notably due to the lack of any new ocean liner deliveries in the spring. Exports of manufactured goods are likely to stagnate (0.1%, *Graph 3*).

At the end of H1 2019, the annual carry-over effect for exports is expected to be +2.5%.

### Imports should return to growth at a rate exceeding that of domestic demand in 2019

In Q4 2018, French imports bounced back (+1.4% after -0.3%). This momentum was driven in particular by the rebound in agricultural imports (+3.9% after -1.7%) and imports of manufactured goods (+2.1% after -1.2%), especially capital goods (+3.8% after +0.1%) and other industrial goods (+1.8% after -0.7%). Energy purchases fell back (-4.1% after +9.6%), partly as a result of mild temperatures in December. Purchases of services accelerated slightly (+0.4% after +0.1%).

In Q1 2019, imports are likely to decelerate (+0.9%), due to the slowdown in imports of manufactured and agricultural goods (+1.0% and +1.0%, respectively). However, imports of services are expected to start rising again (+0.7%).

In Q2 2019, imports should slacken off again (+0.6%), while rising marginally faster than domestic demand (+0.4%) due to imports in the aeronautical sector.

By mid-2019, the annual carry-over effect for imports is expected to be +2.4%, after an average annual increase of +1.2% in 2018.

### The contribution of foreign trade to growth should be negative in H1 2019

Throughout 2018 as a whole, foreign trade added 0.6 points to the growth of gross domestic product (GDP) (after +0.1 points in 2017, *Special Analysis* p.53). Exports benefited from steady world demand, despite the appreciation of the euro, and imports were weakened by the slowdown in domestic demand in 2018.

In H1 2019, foreign trade is expected to make a slightly negative contribution (-0.1 points per quarter). By mid-2019, the annual carry-over effect of the contribution to GDP of French foreign trade is likely to be neutral (0.0 point). ■

### 3 - Manufacturing exports and main components contributions

