Household consumption and investment

Household consumption expenditure stalled in Q4 2018 (0.0% after +0.4%). Indeed, although consumption of services was relatively buoyant (+0.5% after +0.3%), consumption of goods fell back sharply (−0.6% after +0.3%), in particular consumer durables. On average over 2018, household consumption increased a little less quickly than in 2017 (+0.8% after +1.1%).

In Q1 2019, consumption should perk up (+0.5%) in a context that remains favourable to purchasing power. Consumption of goods is expected to bounce back sharply (+0.4% after −0.6%), driven by energy consumption, whilst consumption of services is likely to maintain a similar pace (+0.5%). In Q2 2019, consumption is expected to slow slightly (+0.4% after +0.5%), especially for goods. In particular, energy consumption is expected to fall back, after a strong upswing in Q1.

The savings ratio is expected to slip back to 15.2% by mid-2019, after seeing a strong increase at the end of 2018.

Household investment slowed markedly in 2018 (+1.9%), after exceptional growth in 2017 (+5.6%). In Q1 2019, it is expected to fall back, given the past fall in building permits granted. The annual carry-over effect for household investment is expected to be −0.6% by mid-2019.

Consumption remained stable in Q4 2018

In Q4 2018, household consumption was stable (0.0% after +0.4% in Q3; *Graph 1*), in spite of a sharper increase in purchasing power. Affected at the end of the year by the Yellow Vests protest movement, consumption of goods fell sharply (−0.6% after +0.3%, *Focus*), whereas consumption of services gathered pace (+0.5% after +0.3%). Consumption of manufactured goods fell back sharply: in particular, consumption of consumer durables plummeted (−2.1% after +1.2%) due to a steep decline in car purchases and in spite of the acceleration in the consumption of household durables (+1.5% after +0.6%). Consumption of other consumer durables slowed (+0.4% after +0.8%). Consumption of textiles, for its part, declined for the second consecutive quarter (−0.4% after −0.6%). Spending on other manufactured goods fell back slightly (−0.1% after +0.2%), as did spending on food (−0.1% after +0.1%). Energy consumption fell slightly (−0.3% after 0.0%).

Consumption of services regained some momentum, bolstered by the buoyancy of accommodation and food services (+1.0% after −0.2%). However, consumption of transport services slowed (+0.9% after +3.6%).

1 - Contributions of the various items to quaterly household consumption

Forecasts to right of dotted line
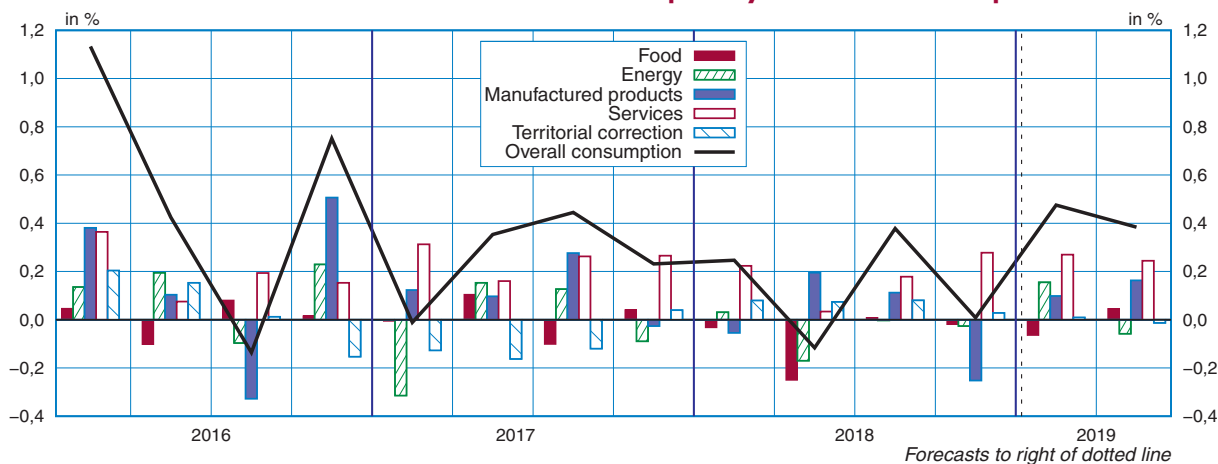
Source: INSEE

Consumption is expected to pick up markedly in H1 2019

At the beginning of 2019, household confidence bounced back after slumping at the end of 2018. Purchasing power is expected to maintain its vigour, as a result of the emergency economic and social measures taken. Against this background, household consumption is expected to rise by 0.5% in Q1 2019 (*Table*). Consumption of goods should pick up again (+0.4% after –0.6%), while consumption of services is expected to remain vigorous (+0.5% after +0.6%).

Energy spending is expected to rise sharply (+1.8% after –0.3%), after a Q4 that saw relatively mild temperatures. Fuel consumption is expected to accelerate (+1.4% after +0.5%). Food consumption is likely to decline again (–0.4% after –0.1%), while that of textiles and clothing should bounce back (+0.4% after –0.4%). Purchases of consumer durables are expected to increase slightly (+0.5% after –2.1%), due to the recovery in the consumption of automotive-related goods (+0.5% after –4.6%). The increase in purchases of consumer durables is expected to be attenuated, however, by a slight slowdown in the consumption of household durables and a drop in that of other durable goods. All in all, consumption of manufactured goods is expected to pick up again slightly in Q1 2019 (+0.3% after –0.6%).

Consumption of services should remain vigorous, in particular that of accommodation and food services (+0.9% after +1.0%) and transport services (+0.7% after +0.9%).

In Q2 2019, household consumption is set to decelerate a little (+0.4%, after +0.5%). Indeed, consumption of goods looks likely to slow slightly (+0.3% after +0.4%), due in particular to a downturn in energy consumption. Spending on services should continue at the same pace (+0.5%).

The savings ratio is expected to fall only slightly in H1 2019

At the end of 2018, the savings ratio increased sharply (from 14.4% in Q3 to 15.3% in Q4, Graph 2). Indeed, household consumption stagnated in spite of a strong increase in purchasing power. Over 2018 as a whole, the savings ratio is expected to stand at 14.5% on average, a slight increase on 2017 (14.2%). In Q1 2019, the savings ratio is expected to increase slightly again (15.5% after 15.3%), in spite of the expected recovery in consumption. It is then expected to fall in Q2 to settle at 15.2% by mid-2019.

Household consumption and investment expenditure

at chain-link previous year prices. SA-WDA

	Quarterly changes in %										Annual changes in %			
	2017				**2018**				**2019**		2016	2017	2018	**2019 ovhg**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**				
Total household consumption expenditures (1)+(2)+(3)	0.0	0.4	0.4	0.2	0.2	–0.1	0.4	0.0	0.5	0.4	2.0	.1.	0.8	0.9
Services (1)	0.6	0.3	0.5	0.5	0.4	0.1	0.3	0.5	0.5	0.5	1.5	1.6	1.5	1.4
Goods (2)	–0.4	0.7	0.6	–0.2	–0.1	–0.5	0.3	–0.6	0.4	0.3	1.6	0.3	–0.1	0.2
including:														
Food	0.0	0.6	–0.6	0.2	–0.2	–1.4	0.1	–0.1	–0.4	0.3	0.5	0.3	–1.2	–0.6
Agriculture goods (AZ)	–2.1	2.9	–1.0	–1.4	–0.1	–1.4	–2.3	–0.7	–0.6	1.1	1.0	–1.2	–3.2	–1.8
Agri-food products (C1)	0.4	0.1	–0.5	0.5	–0.2	–1.4	0.5	0.0	–0.3	0.1	0.4	0.6	–0.8	–0.3
Energy	–3.8	1.9	1.6	–1.1	0.4	–2.0	0.0	–0.3	1.8	–0.7	2.1	0.1	–0.8	0.6
Energy, water and waste (DE)	–5.7	2.5	1.5	0.1	0.4	–3.7	1.4	–1.0	2.2	–0.8	2.4	–0.6	–0.5	0.6
Coke and refined petroleum (C2)	–1.2	1.1	1.7	–2.7	0.4	0.1	–1.7	0.5	1.4	–0.5	1.8	1.2	–1.3	0.5
Engineered goods (C3 to C5)	0.6	0.4	1.3	–0.1	–0.2	0.9	0.5	–1.2	0.5	0.8	2.4	2.6	1.1	0.6
Manufactured goods (C1 to C5)	0.3	0.4	0.7	–0.1	–0.2	0.0	0.3	–0.6	0.3	0.4	1.6	1.8	0.2	0.3
Territorial correction (3) = (4)–(5)	11.1	12.8	8.4	–2.6	–5.3	–5.2	–6.0	–2.3	–0.8	1.1	–25.2	34.4	–7.9	–6.1
Imports of touristic services (4)	–1.1	–0.1	0.8	3.1	2.8	1.8	1.2	–0.4	–0.4	–0.4	3.3	–0.8	7.6	0.1
Exports of touristic services (5)	2.2	3.7	3.2	1.2	0.2	–0.3	–0.9	–0.9	–0.5	0.0	–5.9	8.2	2.7	–1.7
Investment expenditure	1.9	1.3	1.0	0.9	0.4	0.1	0.0	–0.3	–0.3	–0.2	2.8	5.6	1.9	–0.6

Forecast

Source: INSEE

Household investment is expected to fall in H1 2019

In Q4 2018, household investment fell back (−0.3% after 0.0% in Q3). Investment should continue to contract at this rate in H1 2019 (−0.3% and −0.2% per quarter). Indeed, the fall in the number of individual housing building permits granted in Q2 2018 is expected to result in a delayed drop in the production of single dwellings in H1 2019 (*Graph 3*). In addition,

after reaching a record level in 2017, the number of real estate transactions in older properties barely increased in 2018 and is not expected to increase any more in 2019. This is expected to lead to a slight fall in household investment in services (agency and notary fees in particular). On average over the year, after slowing markedly in 2018 (+1.9% after +5,6%), household investment is expected to fall back in H1 2019: its annual carry-over effect should come out at −0.6% by mid-2019. ■

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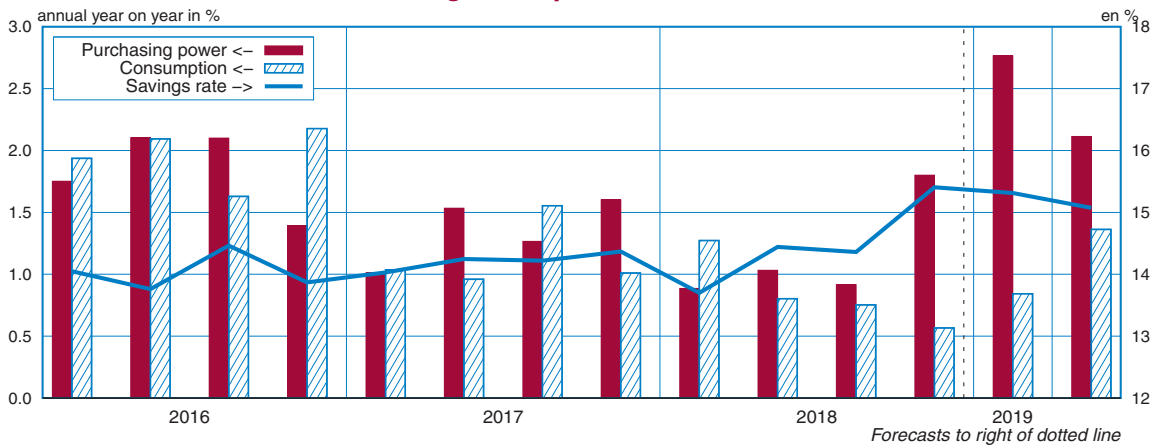
Source: INSEE

3 - Household investment on construction and housing starts
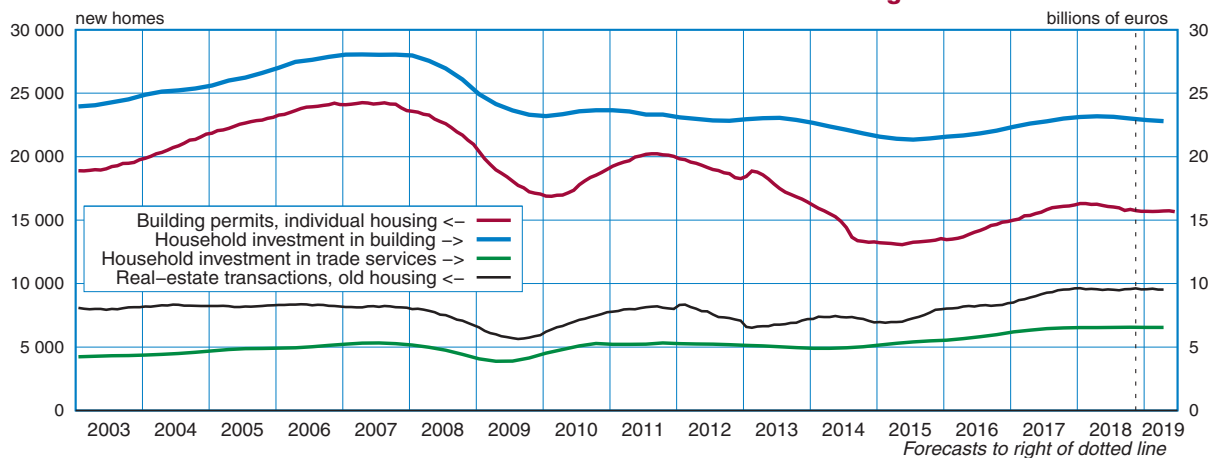
*GFCF: gross fixed capital formation
**EAD+: estimated actual dates

Sources: INSEE, SDES