

# Foreign trade

In Q1 2019, world demand for French goods and services gathered pace (+1.1% after +0.3%) in the wake of world trade (+1.2% after +0.0%). Yet French exports slowed (+0.4% after +2.0%), mainly due to the downturn in sales of refined petroleum products. In Q2, exports are likely to slip back (-0.7%), mainly in reaction to the naval delivery in the previous quarter, before bouncing back in Q3 (+0.7%) then picking up again strongly in Q4 (+1.4%), driven both by sustained world demand and by deliveries of major aeronautical and naval contracts. Imports picked up slightly in Q1 2019 (+1.4% after +1.1%), spurred on by the rise in the purchase of energy products. In Q2, they are likely to stall (-0.3%) due to the downturn in imports of manufactured goods. In H2 2019, imports should increase once again in line with domestic demand (+0.9% in Q3 and +1.1% in Q4). As an annual average, foreign trade is likely to hamper GDP growth in 2019 (-0.1 points after +0.7 points in 2018), echoing the many uncertainties and a certain wait-and-see attitude affecting world trade.

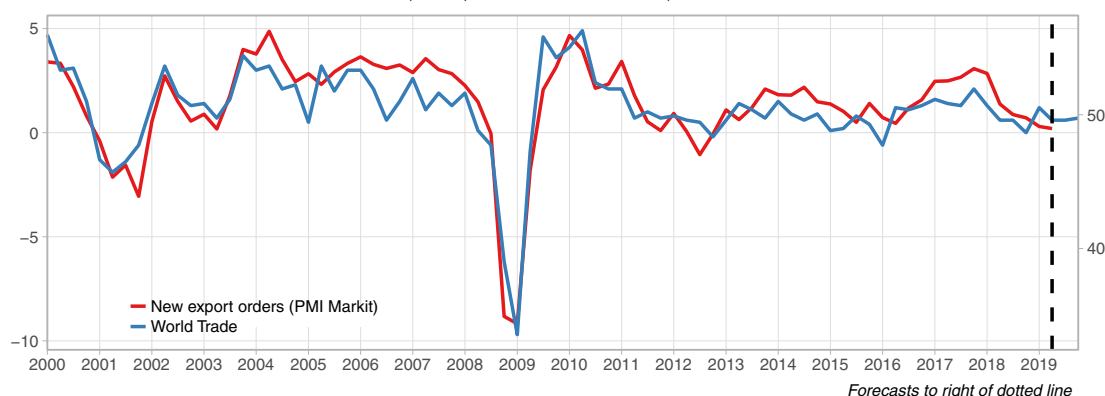
## 2019, a year of slowdown in world trade in a context of protectionist tensions

In Q1 2019, world trade gathered pace (+1.2% after +0.0%, *Table 1*), due to the recovery of imports by the emerging countries (+2.0% after -1.6%), bolstered by renewed vigour in domestic demand. Excluding the emerging countries, world trade picked up (+0.9% after +0.8%), mainly due to British imports (+10.8% after +2.1%) and despite a downturn in US imports (-0.6% after +0.5%) and a slowdown in the Eurozone (+0.4% after +1.2%).

World trade should continue to expand through to the end of 2019 (+0.6% in Q2 and Q3, +0.7% in Q4), but less briskly than during previous years, as suggested by the decline in balances of opinion related to export orders in world business tendency surveys (*Graph 1*). In a context of strong commercial and protectionist tensions, world trade is expected to slow considerably in 2019 (+2.6% after +4.6% in 2018 and +5.8% in 2017) after two consecutive years of strong growth.

1 - World trade and new export orders

quarterly variations in %, levels in points



Source: INSEE

1 - World trade and world demand for French products

	2018				2019				2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>World trade</b>	1.3	0.6	0.6	0.0	1.2	0.6	0.6	0.7	5.8	4.6	2.6
Imports of advanced economies	0.5	0.5	0.7	0.8	0.9	0.3	0.9	0.5	5.2	3.5	2.7
Imports of emerging economies	3.0	0.7	0.4	-1.6	2.0	1.1	0.1	1.0	7.0	7.0	2.2
<b>World demand for French products</b>	0.6	0.7	0.7	0.3	1.1	0.4	0.7	0.6	5.5	3.9	2.7

Forecast

Source: INSEE, DG Trésor

World demand for French goods and services also gathered pace in Q1 2019 (+1.1% after +0.3%, *Graph 2*), due mainly to the buoyancy of German and British imports, which together represent almost 25% of French exports. By the end of the year, world demand should grow at virtually the same pace as world trade (+0.4% in Q2 then +0.7% per quarter on average in H2). As an annual average for 2019, world demand for French goods is likely to slow significantly (+2.7% after +3.9%).

### French exports are expected to slow down in 2019 along with world trade

In Q1 2019, despite the buoyancy of world trade, French exports slowed (+0.4% after +2.0%, *Table 2*). In particular, exports of manufactured goods were at a standstill after a very dynamic Q4 2018 (+0.5% after +2.7%). All manufacturing sectors are concerned, apart from agri-industry and capital goods. More precisely, the fall in sales of refined petroleum products (-10.9% after +9.0%) contributed 0.3 points to the deceleration of exports of manufactured goods. Exports of transport equipment also affected trade, but to a lesser extent, as the delivery of the ocean liner *Bellissima* offset the backlash effect from aeronautical deliveries and the delivery of the ocean liner *Celebrity Edge* in the previous quarter.

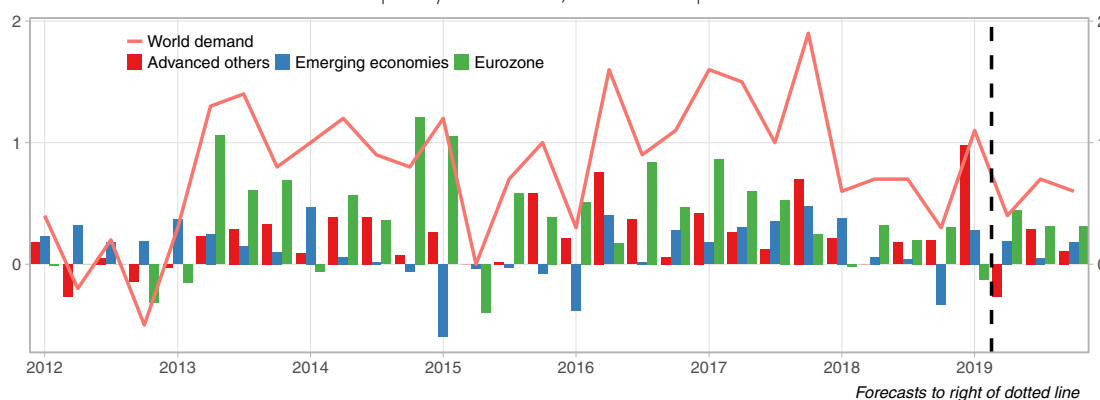
Sales of other industrial goods slowed (+0.8% after +2.3%), as did those of agricultural products (+2.5% after +3.0%), while service exports fell back (-0.8% after +0.9%). Only energy exports soared (+12.3% after -0.8%), especially hydrocarbons.

In Q2 2019, exports of goods and services seem to be declining (-0.7%), mainly because of the downturn in sales of manufactured goods (-0.9%, *Graph 3*). Despite the ongoing deliveries of military hardware and the upswing in aeronautical deliveries, any development in aeronautical and naval exports is likely to be marred by the backlash effect from the delivery of the ocean liner in Q1. In addition, exports excluding aeronautical and naval exports are expected to fall back (-0.8% after +1.1%) in line with the main indicators from business tendency surveys in industry, most of which fell in May. Agricultural exports look set to slow (+2.0%) while exports of services are expected to shrink (-0.7%), likewise for energy exports (-2.0%).

In H2 2019, French exports should get back on track, benefitting from a more favourable schedule of deliveries of major aeronautical and naval contracts. Exports of manufactured goods (+1.1%), should be invigorated by the slight depreciation forecast for the euro, and should

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

quarterly variations in %, contributions in points



Source: INSEE, DG Trésor

### 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
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Exports</b>											
All goods and services	-0.4	0.7	0.5	2.0	0.4	-0.7	0.7	1.4	4.0	3.5	2.5
Manufactured products (69%*)	-1.2	0.5	1.1	2.7	0.5	-0.9	1.1	1.8	4.9	3.6	3.5
<b>Imports</b>											
All goods and services	-0.7	0.8	-0.2	1.1	1.4	-0.3	0.9	1.1	4.1	1.2	2.8
Manufactured products (69%)	-0.6	2.2	-1.1	1.9	1.2	-0.7	0.8	1.1	5.4	2.5	2.7
<b>Contribution of foreign trade to GDP</b>	0.1	0.0	0.2	0.3	-0.3	-0.1	0.0	0.1	-0.1	0.7	-0.1

■ Forecast

\* Part of exports (resp. imports) of non-energy industrial goods in exports (resp. imports) in a whole in 2018.

Source: INSEE

## French developments

improve a little more than world demand in Q3. They are expected to accelerate more strongly in Q4 (+1.8%) with the delivery of a cruise ship and ongoing aeronautical deliveries, as Airbus has once again revised its 2019 target upwards. Service exports are expected to gradually return to their trend pace (-0.2% then +0.8%), and the same goes for sales of agricultural products (+0.5% per quarter). Energy exports should stabilise by the end of the year (+0.5% per quarter).

All in all, exports are expected to slip back in Q2 (-0.7%) then rally in H2 2019 (+0.7% in Q3 then +1.4% in Q4). Across 2019 as a whole, they are likely to be much less buoyant than in 2018 (+2.5% after +3.5% in 2018).

### Imports are expected to grow more than exports in 2019

Imports gathered pace in Q1 2019 (+1.4% after +1.1%), mainly thanks to the dynamism of purchases in the energy sector (+9.7% after -3.9%). In addition, imports in the manufacturing sector slowed slightly (+1.2% after +1.9%) due mainly to the downturn in purchases of transport equipment (-0.8% after +0.1%) and the slowdown in imports of other industrial goods (+1.5% after +1.9%). However, the upswing in sourcing in the agri-food industry (+2.5% after -0.2%), and the continuing purchases of refined petroleum

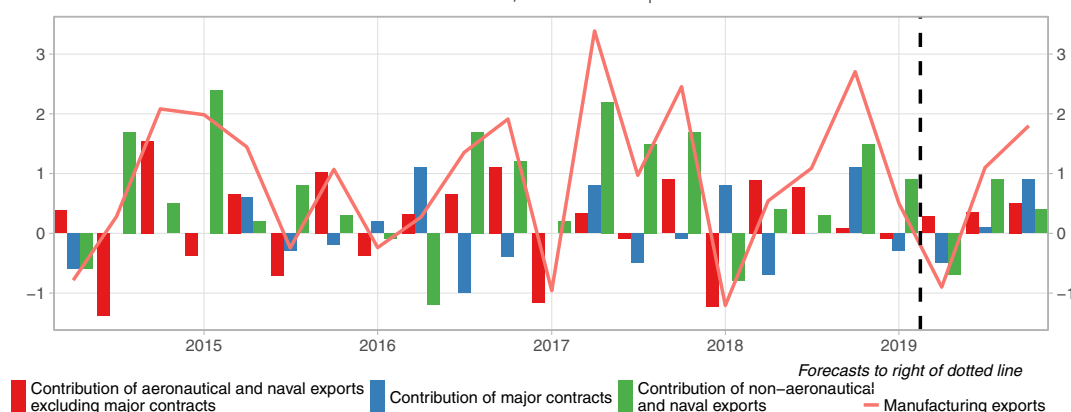
products (+8.2% after +5.0%) maintained the relative buoyancy of imports of manufactured goods in Q1. Imports of agricultural products slowed (+2.0% after +3.7%) and service imports were at a standstill (-0.4% after -0.3%).

In Q2, imports of manufactured goods are expected to fall back (-0.7%) and are likely to come to a standstill, especially in manufacturing excluding aeronautical and naval imports (-0.9%). In H2 2019, imports of manufactured goods should increase again (+0.9% on average per quarter), driven both by dynamic purchasing in the aeronautical and naval sector and by the recovery of purchasing in the other manufacturing sectors, linked with the boost in domestic demand. Agricultural imports look set to stall (+0.0%) before recovering (+0.5% in Q3 then +1.0% in Q4), and the same goes for energy imports. Finally, imports of services are expected to pick up slightly (+0.6%) before returning to their trend growth (+1.3% on average per quarter).

All in all, imports are likely to feel these effects in Q2 (-0.3%) then recover their vigour in H2 2019 (+0.9% then +1.1%). Throughout 2019 they should increase more strongly than in 2018 (+2.8% after +1.2% in 2018). 2018 was an exceptional year for the positive contribution to growth, but in 2019 foreign trade is likely to once again hold back growth (-0.1 points in 2019 after +0.7 points in 2018). ■

### 3 - Manufacturing exports and main components contributions

variation in %, contributions in points



Source: INSEE