

# Foreign trade

In Q1 2019, world trade bounced back (+0.3% after -0.2%) in the wake of vigorous imports by the advanced countries, whose dynamism can probably be explained in part by the relative easing of prevailing uncertainty (prospect of a Brexit agreement, pause in the US-China trade war). World trade should maintain a fairly strong pace through to mid-2020, in line with a gradual upturn in the climate of confidence. At the same time, world demand for French goods bounced back, after a depressed Q2 (+0.5% after -0.7%). Despite benefitting from an international context that was promising once again, French exports continued their downturn in Q3 (-0.1% after -0.2%), especially in manufactured products. In Q4, exports should increase more strongly (+1.0%) as a result of sales in the aeronautical and naval sector. In H1 2020, they are likely to slow, despite the delivery of a major new naval contract, before recovering, driven mainly by world demand. Imports bounced back in Q3 (+0.7% after -0.3%), mainly due to a strong acceleration in manufacturing output. They should pick up slightly in Q4 2019 (+0.9%) then increase again more quickly than domestic demand in H1 2020 (around +0.7% per quarter). The contribution of foreign trade to GDP growth is expected to be neutral in Q4 (after -0.2 points), but will probably be negative again in H1 2020 (-0.1 points on average per quarter).

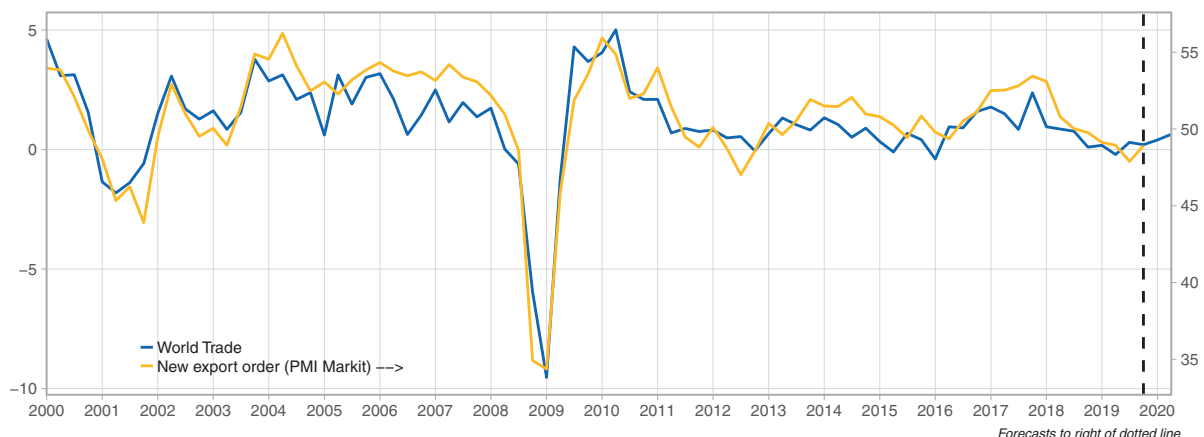
## World trade should gather pace until mid-2020

World trade bounced back in Q3 (+0.3% after -0.2%, *Graph 1*), after an H1 affected by jolts linked mainly with the anticipation of Brexit and US-China trade tensions. British imports increased slightly (+0.8% after -13.0%), contributing to the upturn in imports by the advanced countries (+0.5% after -0.7%). For the emerging economies, Chinese and Indian imports suffered from the slowdown in domestic demand, while for the other countries imports were more buoyant. In Q4 2019, world trade is likely to decelerate a little (+0.2%), before picking up slightly in spring 2020 (+0.4% then +0.6%).

On average in 2019, growth in world trade is likely to be much lower than in 2018 (+0.9% after +4.6%). However, by mid-2020, world trade should have regained some of its vigour, with an annual carry-over effect of +1.1% by mid-year.

World demand for French goods rose again in Q3 (+0.5% after -0.7%), sustained by imports by its main trading partners, especially Germany, Italy and Spain which together represent a little over one third of French exports. By mid-2020, demand for French goods should increase at virtually the same pace as world trade (+0.3% in Q4 2019 and +0.5% on average in H1

**1 - World trade and new export orders**  
quarterly variations in %, levels in points



Source: DG Trésor, INSEE calculates, PMI Markit, INSEE forecast

## French developments

2020, Table 2), propelled mainly by the strong performance of European demand.

### At the end of 2019, aeronautical and naval deliveries should drive growth in exports

In Q3 2019, French exports dropped back once again (-0.1% after -0.2%), when manufacturing exports shrank (-0.5% after +0.1%). Despite a rebound in sales excluding the aeronautical and naval sector (+0.2% after -0.4%), mainly due to sales of refined petroleum products (+4.8% after -8.2%) and other industrial products (+1.3% after +0.4%), aeronautical and naval deliveries (-4.6% after +2.6%) hampered manufacturing exports. However, sales of non-manufactured products rebounded, driven mainly by sales of energy products (+5.0% after +4.4%) and agricultural products (+3.2% after -1.3%). Exports of services (+0.2% after -1.7%) also contributed to the rebound of French exports excluding manufacturing, although to a lesser extent.

In Q4 2019, despite the announcement by the United States of new tariffs on imports of certain European products (see *Focus*, "The increase in customs duties on French exports to the United States is likely to have a limited effect in the short term"), manufacturing exports are expected to increase strongly (+1.2%). Aeronautical and naval exports should pick up at the end of the year (+11.0%), as a result of the combined effects of the increased pace of civil aeronautical deliveries, ongoing deliveries of military hardware and the sale of an ocean liner (see *Focus*, "The saga

of French exports to the United States depends strongly on the aeronautical and naval sector"). In addition, exports of agricultural products are expected to remain strong (+1.0% after +3.2%), as are exports of services (+1.0% after +0.2%). Only sales of energy products are likely to fall back (-3.0%), linked with the closing of refineries for maintenance. All in all, exports of goods and services should accelerate strongly (+1.0%).

In H1 2020, driven by buoyant demand for French goods and the slight depreciation forecast in the real effective exchange rate of the euro, exports should remain dynamic. They are expected to be at a standstill in Q1 but then benefit from the delivery of a large naval contract (+0.2%). They should then recover their vigour in Q2, in line with the increased pace of aeronautical deliveries and the good performance of other sales of manufactured products (+0.6%, Graph 3).

As an annual average, exports are likely to slow in 2019 (+2.1% after +3.5% in 2018), with their annual carry-over effect standing at +1.3% by mid-2020.

### Imports are expected to be driven by domestic demand until mid-2020

In Q3 2019, French imports increased significantly (+0.7% after -0.3%). This is because purchases of manufactured products accelerated sharply (+1.1% after +0.2%), especially transport equipment (+3.4% after +2.8%) and capital goods (+1.0% after -0.5%). In addition, imports of agricultural products rebounded (+1.3% after -1.3%), as did imports of services (+0.6% after -1.1%).

## 1 - Foreign trade growth forecast

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

	Quarterly changes						Annual changes		
	2019				2020		2018	2019	2020 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
<b>Exports</b>									
All goods and services	0,1	-0,2	-0,1	1,0	0,2	0,6	3,5	2,1	1,3
Manufactured products (67%*)	0,3	0,1	-0,5	1,2	-0,2	0,6	3,6	3,0	0,8
<b>Imports</b>									
All goods and services	1,1	-0,3	0,7	0,9	0,7	0,8	1,2	2,5	2,3
Manufactured products (69%)	1,0	0,2	1,1	1,0	0,5	0,6	2,5	3,3	2,3
<b>Contribution of foreign trade to GDP</b>	<b>-0,3</b>	<b>0,0</b>	<b>-0,2</b>	<b>0,0</b>	<b>-0,2</b>	<b>-0,1</b>	<b>0,7</b>	<b>-0,2</b>	<b>-0,3</b>

Forecast

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

Source: INSEE

## 2 - World trade and world demand for French products

	2019				2020		2018	2019	2020 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
<b>World trade</b>	<b>0,2</b>	<b>-0,2</b>	<b>0,3</b>	<b>0,2</b>	<b>0,4</b>	<b>0,6</b>	<b>4,6</b>	<b>0,9</b>	<b>1,1</b>
Imports of advanced economies	0,7	-0,7	0,5	0,3	0,4	0,6	3,7	1,7	1,2
Imports of emerging economies	-0,9	0,8	-0,2	0,0	0,3	0,7	6,7	-0,6	1,0
<b>World demand for French products</b>	<b>0,9</b>	<b>-0,7</b>	<b>0,5</b>	<b>0,3</b>	<b>0,4</b>	<b>0,7</b>	<b>3,9</b>	<b>1,5</b>	<b>1,2</b>

Forecast

Source: INSEE, DG Trésor

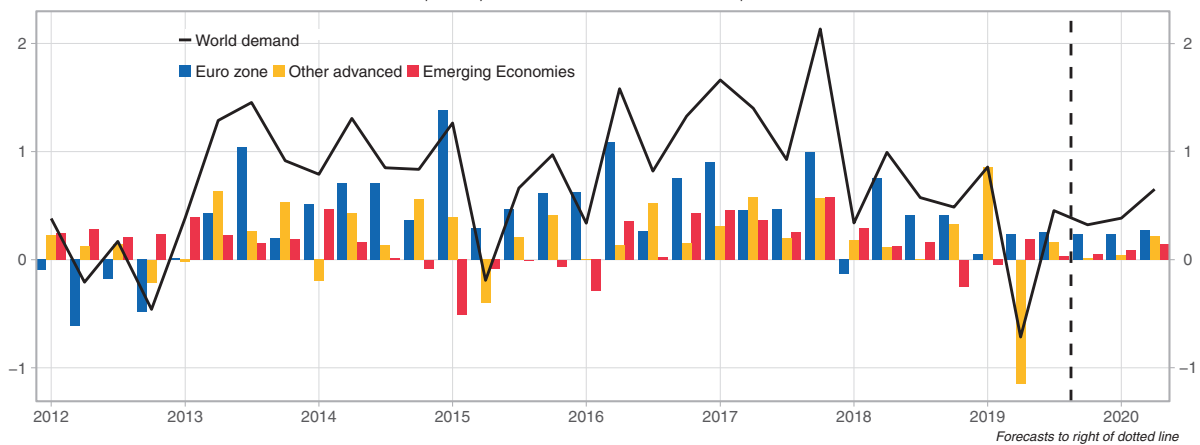
Energy sourcing continued its downturn in Q3 (-4.3% after -5.9%), linked with the closure of refineries for maintenance in September.

In Q4 2019, imports are expected to maintain a steady pace (+0.9%); they should increase at the beginning of 2020 at a pace consistent with the relative buoyancy of domestic demand (around +0.7% per quarter).

As an annual average, imports are likely to gather pace in 2019 (+2.5% after +1.2% in 2018). As a result, the contribution of foreign trade to GDP growth is once again expected to be negative in 2019 (-0.2 points after +0.7 points). By mid-2020, the contribution of foreign trade to the carry-over effect of activity is likely to be negative (-0.3 points), because of manufactured products and energy. ■

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

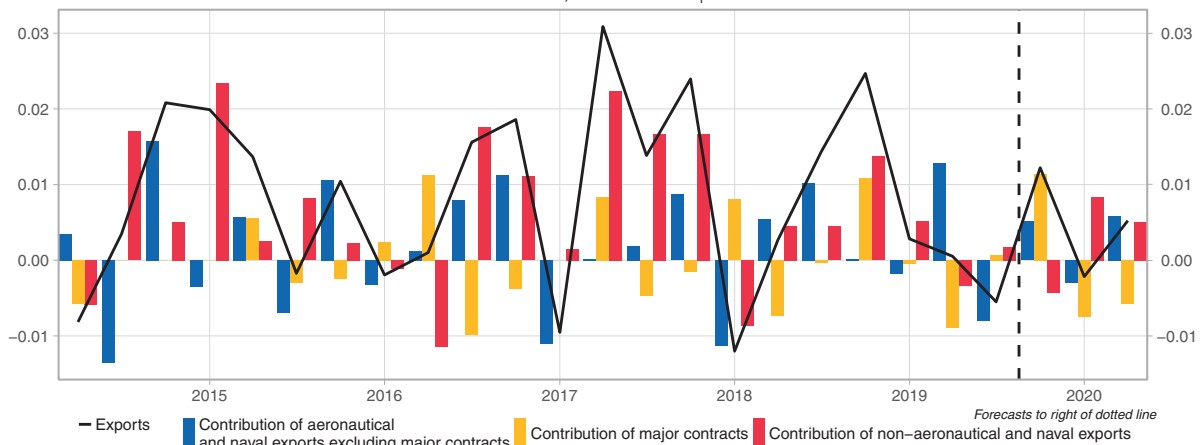
quarterly variations in %, contributions in points



Source: INSEE forecast, DG Trésor

### 3 - Manufacturing exports and main components contributions

variation in %, contributions in points



Source: INSEE