

Household consumption and investment

In Q3 2019, household consumption expenditure gathered pace (+0.4%, after +0.2%). New car purchases were particularly dynamic. Consumption of services increased at the same rate as during the previous quarter (+0.4%).

In Q4 2019, consumption is expected to slacken slightly (+0.3% after +0.4%), largely due to the slowdown in spending on goods (+0.2% after +0.4%). Consumption of foodstuffs is likely to bounce back but energy consumption should edge down and consumption of consumer durables looks set to slow. Consumption of services is expected to increase again at the same rate as in the previous quarter (+0.4%), despite a decline in consumption of transport services due to strikes in this sector. In H1 2020, household consumption should therefore keep growing at this trend rate (+0.3% per quarter).

On average in 2019, household consumption is likely to increase at a slightly faster rate than in 2018 (+1.2% after +0.9%). Purchasing power should accelerate sharply (+2.1% after +1.2%), most notably due to the effect of the emergency economic and social measures implemented in Q1 2019. The savings ratio is therefore likely to reach its highest level since 2012 (14.9% against 14.2% in 2018; 15.2% at the end of 2019). However, it should gradually decrease during H1 2020 to stand at 14.7% in spring 2020.

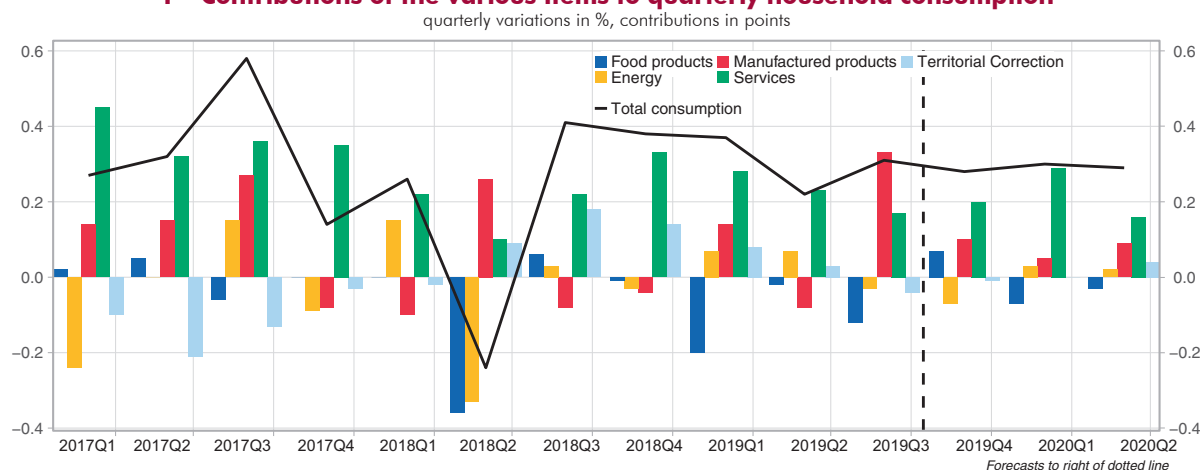
Household investment is set to slow in Q4 (+0.3% after +0.7%), driven by the slowdown in the number of building permits for one-family dwellings in late 2019 and early 2020. Nevertheless, throughout 2019, household investment is expected to increase at the same rate as in 2018 (+2.0%).

Consumption picked up marginally in Q3 2019

Household consumption accelerated again in Q3 2019 (+0.4% after +0.2% in Q2; Graph 1). Indeed, consumption of services increased at the same rate as in the previous quarter (+0.4%) and consumption of goods recovered (+0.4% after 0.0%). In particular, consumption of consumer durables rebounded sharply (+2.7% after -0.9%), driven by the buoyancy of new car sales in July and August, in anticipation of the second wave of stricter new car approval testing requirements in Europe on 1st September 2019. Consumption of household durables slowed, but that of other consumer durables ramped up sharply (+1.5% after +0.6%). Consumption of textiles edged down somewhat (-0.2% after +0.4%), while that of other manufactured goods rebounded (+0.7% after -0.1%) and food consumption slipped back for the fourth consecutive quarter (-0.6% after -0.1%). Energy consumption remained stable (0.0% after +1.0%), with the rebound in fuel spending being offset by lower gas and electricity consumption.

Consumption of services increased again, as the acceleration in consumption of leisure services and, to a lesser extent, of transport services offset the sharp slowdown in consumption of accommodation and food services.

1 - Contributions of the various items to quarterly household consumption



Source: INSEE

Consumption should slow only marginally in Q4 2019

In Q4 2019, total household consumption is expected to slow down a little (+0.3%, Table), marked by the slowdown in household spending on goods (+0.2%, after +0.4%). Indeed, household spending on energy is likely to decrease, on both gas and electricity but also on fuels, and consumption of manufactured goods is set to slow down significantly, particularly the consumption of automotive-related goods. Consumption of household durables should pick up somewhat, but that of other consumer durables is expected to slow. Spending on clothing and textiles is likely to drop again slightly, and consumption of other manufactured goods is set to slow down. However, food consumption should increase (+0.4%) after four consecutive quarters of decline. All in all, consumption of manufactured goods is expected to be sluggish in Q4 (+0.2% after +0.9%).

Consumption of services is expected to increase at the same rate as the previous quarter (+0.4%), driven by the acceleration in consumption of accommodation and food services, despite a sharp decline in spending on transport services (-1.1% after +1.0%), linked to the strikes in October and December 2019.

In H1 2020, consumption is likely to maintain steady growth

Household consumption is set to increase again in H1 2020 (+0.3% per quarter). Indeed, despite household consumption of goods stabilising in Q1 2020 (0.0%), notably due to the decline in consumption of foodstuffs and the slowdown in consumption of manufactured goods, household consumption of services is expected to accelerate slightly (to +0.5%), driven by the rebound in consumption of transport services. In Q2 2020, consumption of goods is expected to pick up a little (+0.2% after 0.0%), whereas consumption of services should slow down slightly (+0.3% after +0.5%).

The savings ratio is set to rise in Q4 before falling in H1 2020

At the end of 2019, the household savings ratio is expected to increase again (from 14.8% in Q3 to 15.2% in Q4; Graph 2), due to the combined effects of accelerating purchasing power and relatively sluggish household consumption. Over 2019 as a whole, the savings ratio is likely to be higher than in the previous year (14.9% after 14.2% in 2018), and at its highest level since 2012. In H1 2020, it should gradually decline (from 15.2% at the end of 2019 to 14.7% in Q2 2020), while household purchasing power is expected to slow significantly (0.0% per quarter after +0.8% at the end of 2019).

1 - Household consumption and investment expenditure

in %

	Quarterly changes										Annual changes			
	2018				2019				2020		2018	2019	2020	ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Total household consumption expenditure (1)+(2)+(3)	0.2	-0.2	0.4	0.4	0.3	0.2	0.4	0.3	0.3	0.3	0.9	1.2	1.0	1.0
Services (1)	0.4	0.2	0.4	0.6	0.5	0.4	0.4	0.4	0.5	0.3	1.9	1.8	1.4	1.4
Goods (2)	0.1	-0.9	0.0	-0.1	0.0	0.0	0.4	0.2	0.0	0.2	-0.4	-0.1	0.5	0.5
including														
Food	0.1	-2.0	0.4	-0.2	-1.1	-0.1	-0.6	0.4	-0.5	-0.2	-1.4	-1.8	-0.6	-0.6
Agriculture goods (AZ)	0.2	-2.3	-0.9	-1.1	-0.9	1.9	-3.8	2.6	-1.2	-0.6	-3.0	-2.6	-1.2	-1.2
Agri-food products (C1)	0.0	-1.9	0.7	0.0	-1.1	-0.5	0.0	0.0	-0.3	-0.1	-1.1	-1.6	-0.5	-0.5
Energy	1.7	-4.1	0.3	0.2	0.5	1.0	0.0	-0.9	0.4	0.3	-1.0	0.2	0.2	0.2
Energy, water and waste (DE)	2.8	-7.3	1.9	-0.2	0.2	2.3	-0.9	-0.9	0.6	0.4	-0.8	0.1	0.4	0.4
Coke and refined petroleum (C2)	0.3	0.0	-1.6	0.6	0.8	-0.5	0.9	-0.8	0.2	0.2	-1.2	0.4	0.1	0.1
Engineered goods (C3 à C5)	-0.4	1.2	-0.4	-0.2	0.7	-0.4	1.5	0.5	0.2	0.4	0.7	1.2	1.6	1.6
Manufactured goods (C1 à C5)	-0.2	-0.1	-0.1	-0.1	0.0	-0.5	0.9	0.2	0.0	0.2	-0.1	0.1	0.6	0.6
Territorial correction (3) = (4) - (5)	1.4	-5.5	-11.7	-10.4	-6.8	-2.9	3.7	1.3	0.0	-3.7	-1.5	-21.0	-0.7	-0.7
Imports of touristic services (4)	0.4	2.1	2.2	3.5	3.5	1.7	1.1	0.5	0.0	0.5	5.2	10.0	1.7	1.7
Exports of touristic services (5)	0.8	-0.5	-2.3	-0.5	0.8	0.6	1.7	0.7	0.0	-0.5	3.0	0.6	1.1	1.1
Investment expenditure	0.1	0.7	0.3	-0.2	0.2	1.7	0.7	0.3	0.3	0.4	6.6	2.0	2.0	1.6

■ forecast

Source: INSEE

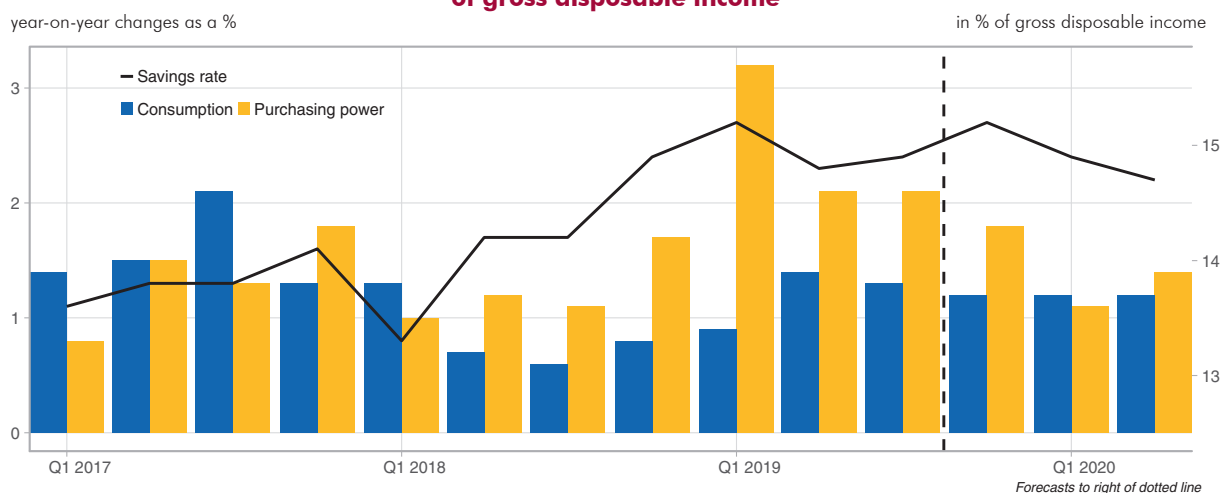
French developments

Household investment is likely to slacken in Q4 2019

In Q3 2019, household investment slowed (+0.7%, after +1.7%). It is expected to slacken again in Q4 (+0.3%) and then maintain this rate in H1 2020 (+0.3% in Q1, followed by +0.4% in Q2). Indeed, the number of building permits

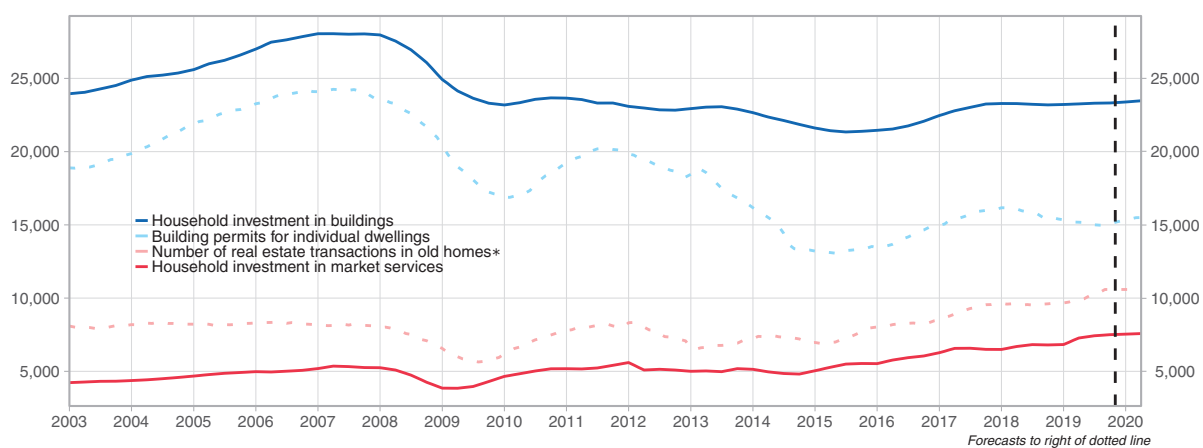
for one-family dwellings is set to slow down in Q4 2019 and again in H1 2020 (Graph 3). Real estate transactions should remain at a high level but are not expected to increase. On an annual average basis, household investment in 2019 is likely to rise at the same rate as in 2018 (+2.0%) before slowing down slightly in 2020: the annual growth overhang for household investment should stand at +1.6% by mid-2020. ■

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



* monthly average over 18 months

** cumulated over 12 months, in thousands

Source: INSEE