

Synthesis France

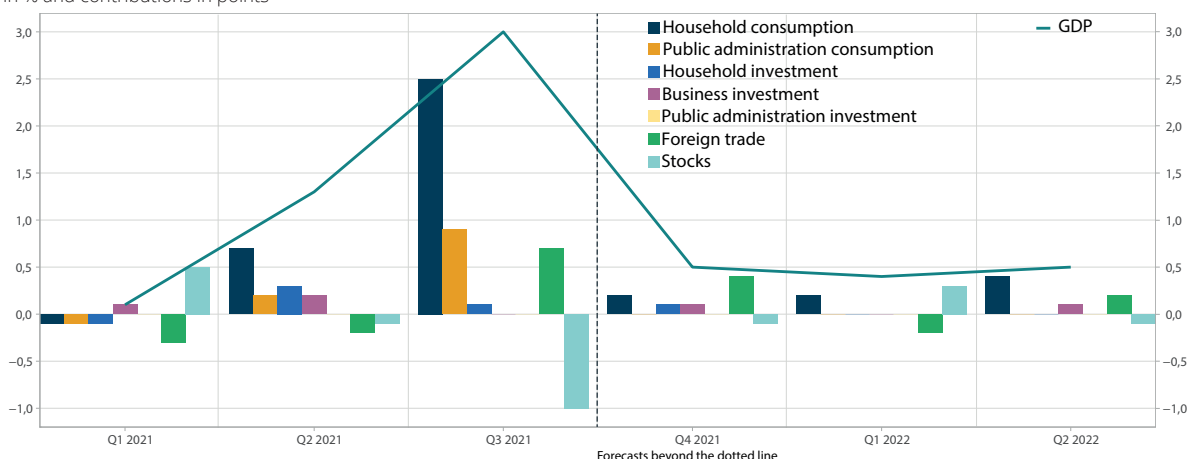
In Q3 2021, strong growth in activity (+3.0%) was mainly driven by the increase in consumption (+4.9%), after Q2 had been affected to some extent by health restrictions. Government consumption was also dynamic, with education services returning to normal and the ongoing vaccination and testing campaigns. Foreign trade too had a positive impact on growth: the return of international tourism, although only partially, helped build momentum in exports, while imports increased only slightly, especially with regard to domestic demand. Both domestic and foreign demand have therefore increased more sharply than resources (domestic production and imports), suggesting a strong destocking trend.

In Q4 2021, household consumption is expected to slow after its vigorous catch-up in the previous quarter. Once again, it will probably be driven by sectors previously affected by the restrictions (accommodation-catering, transport services, services to households, etc.). In other sectors any increase is likely to be nearer the trend rate, or may even decline (limited increase in electronic equipment, drop in vehicle purchases). Government consumption is expected to be virtually stable. Meanwhile, investment is likely to increase moderately, with supply chain problems hampering investment mainly by non-financial enterprises in manufactured products and that of general government in construction. The contribution of foreign trade should remain slightly positive, with exports more dynamic than imports, mainly due to naval deliveries. All in all, GDP looks set to increase by 0.5% in Q4, putting it 0.4% above its pre-crisis level (level in Q4 2019); this would represent annual growth of 6.7% compared to 2020 (after -8.0%).

In H1 2022, all components of domestic demand are expected to accelerate slightly. Household consumption should continue to catch up in those sectors that are still below their pre-crisis level. Government consumption is likely to rise slightly in Q1, driven by testing and vaccinations, and investment is expected to increase moderately, in a context where supply chain difficulties are slow to dissipate. The contribution of foreign trade looks set to be zero overall, with exports boosted in Q2 by another major delivery of naval equipment, while imports evolve in line with domestic demand. All in all, GDP is likely to rise by 0.4% in Q1 – a slight slowdown in a situation made even more uncertain by the resurgence of the epidemic in Europe, which is likely to affect the behaviour of economic agents, even if no new restrictions are put in place – then by 0.5% in Q2. The carry-over effect for 2022 – i.e. the annual growth that would be observed if GDP were stable in Q3 and Q4 – is expected to be 3.0%. ●

► 1. Quarterly variations in GDP and contributions of main demand items

variations in % and contributions in points



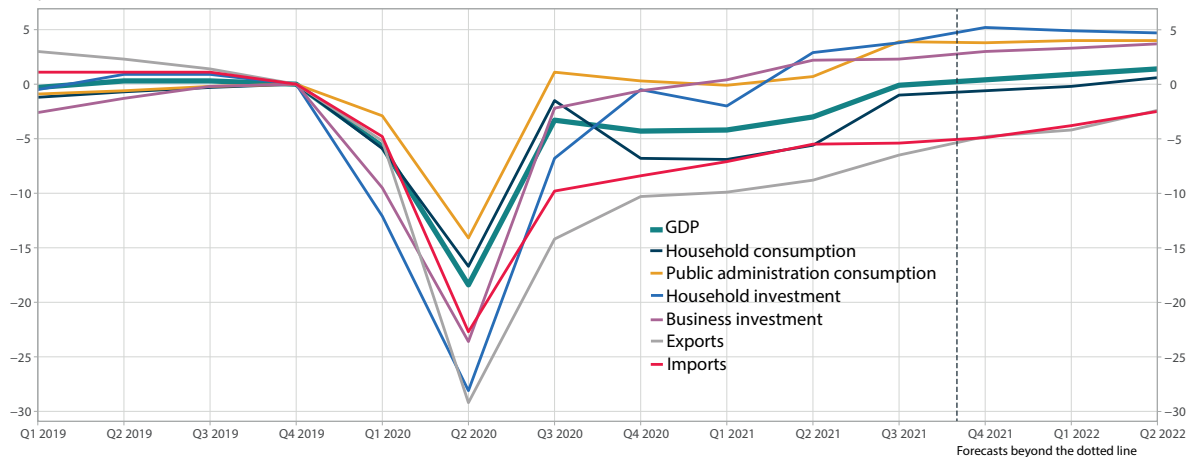
How to read it: in Q4 2021, GDP is expected to increase by 0.5% compared to T3 2021; the contribution of household consumption is expected to be 0.2 points.

Source: INSEE calculations from various sources

French economic outlook

► 2. Changes in GDP, imports and main demand items compared to pre-crisis

difference to Q4 2019, in %

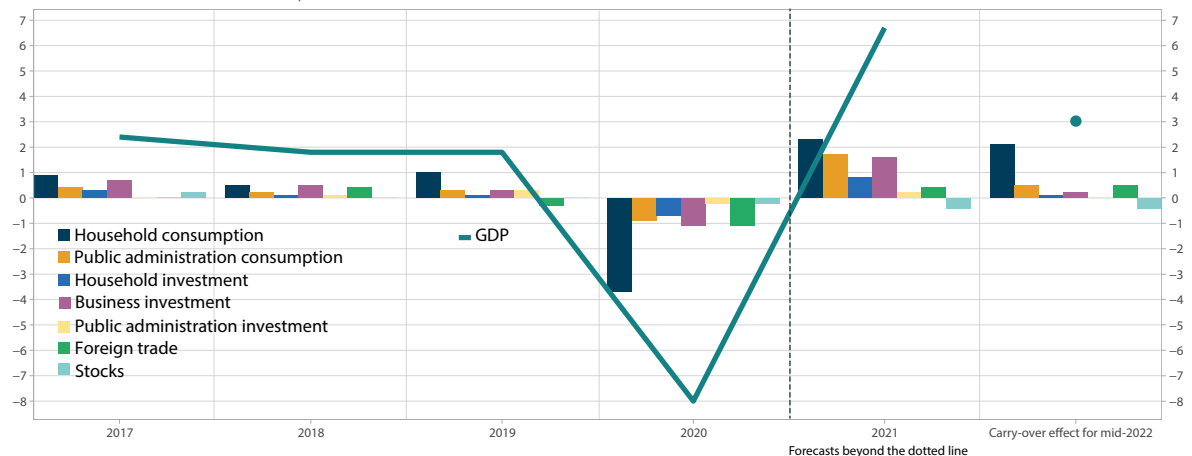


How to read it: in Q4 2021, household consumption would be 0.6% below its level in Q4 2019.

Source: INSEE calculations from various sources

► 3. Annual variations in GDP and contributions of main demand items

quarterly variations in % and contributions in points



How to read it: in 2021, GDP is expected to increase by 6.7% compared to 2020; the contribution of household consumption is expected to be 2.3 points.

Source: INSEE calculations from various sources

► 4. Goods and services: resources-uses balance at chain-linked prices for the previous year, in quarterly and annual change

changes Q/Q-1 (in %), seasonally adjusted data - YTD

	2020				2021				2022		2020	2021	2022 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Gross domestic product	-5.7	-13.5	18.5	-1.1	0.1	1.3	3.0	0.5	0.4	0.5	-8.0	6.7	3.0
Imports	-4.8	-18.8	16.6	1.5	1.5	1.6	0.1	0.6	1.2	1.3	-12.2	6.5	3.1
Total resources	-5.4	-14.7	17.9	-0.2	0.4	1.6	2.3	0.5	0.5	0.6	-8.9	7.0	3.0
Household consumption expenditure	-5.9	-11.5	18.3	-5.4	-0.2	1.4	4.9	0.3	0.4	0.8	-7.2	4.5	4.1
General government consumption expenditure**	-2.9	-11.5	17.7	-0.9	-0.3	0.8	3.2	-0.1	0.2	0.0	-3.5	6.2	1.9
of which individual general government expenditure	-4.1	-13.0	20.9	-1.7	-0.1	1.0	4.5	-0.2	0.2	-0.1	-4.9	7.6	2.4
of which collective general government expenditure	-0.7	-8.2	13.1	1.0	-0.9	0.0	-0.1	0.1	0.1	0.1	-0.1	3.8	0.2
Gross fixed capital formation (GFCF)	-9.5	-15.8	26.4	2.5	0.2	2.4	0.1	0.8	0.1	0.1	-8.9	11.7	1.4
of which Non-financial enterprises (NFE)	-9.5	-15.6	28.0	1.6	1.1	1.8	0.1	0.6	0.3	0.5	-8.1	12.1	1.6
Households	-12.1	-18.2	29.7	6.8	-1.6	5.1	0.9	1.3	-0.3	-0.2	-12.2	16.3	2.2
General government	-5.1	-12.2	18.3	0.6	-0.9	0.9	-1.1	0.5	-0.5	-0.8	-4.4	4.8	-1.0
Exports	-5.2	-25.3	21.2	4.6	0.4	1.2	2.5	1.8	0.7	1.9	-16.1	8.4	5.1
Contributions (in points)													
Domestic demand excluding inventory**	-6.0	-12.5	20.2	-2.5	-0.1	1.5	3.3	0.3	0.3	0.4	-6.7	6.7	2.9
Changes in inventories**	0.4	0.8	-2.3	0.6	0.5	-0.1	-1.0	-0.1	0.3	-0.1	-0.2	-0.4	-0.4
Foreign trade	-0.1	-1.8	0.6	0.8	-0.4	-0.2	0.7	0.3	-0.2	0.2	-1.1	0.4	0.5

■ Forecast

* Consumption expenditure of general government and non-profit institutions serving households (NPISH)

** Changes in inventories include acquisitions net of valuable items

How to read it: in Q4 2021, exports would increase by 1.8% compared to Q3 2021; the contribution of foreign trade to quarterly GDP growth would be 0.3 points

Source: INSEE calculations from various sources

► 5. Goods and services: resources-uses balance at chain-linked prices for the previous year, compared to pre-crisis

difference to Q4 2019, in %, seasonally adjusted data - YTD

	2020				2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross domestic product	-5.7	-18.4	-3.3	-4.3	-4.2	-3.0	-0.1	0.4	0.9	1.4
Imports	-4.8	-22.7	-9.8	-8.4	-7.1	-5.5	-5.4	-4.9	-3.8	-2.5
Total resources	-5.4	-19.3	-4.8	-5.0	-4.6	-3.2	-0.9	-0.4	0.2	0.8
Household consumption expenditure	-5.9	-16.7	-1.5	-6.8	-6.9	-5.6	-1.0	-0.6	-0.2	0.6
General government consumption expenditure**	-2.9	-14.1	1.1	0.3	-0.1	0.7	3.9	3.8	4.0	4.0
of which individual general government expenditure	-4.1	-16.6	0.8	-0.8	-1.0	0.0	4.6	4.4	4.6	4.5
of which collective general government expenditure	-0.7	-8.9	3.0	4.1	3.2	3.2	3.1	3.2	3.3	3.3
Gross fixed capital formation (GFCF)	-9.5	-23.9	-3.8	-1.3	-1.1	1.3	1.3	2.1	2.2	2.3
of which Non-financial enterprises (NFE)	-9.5	-23.6	-2.2	-0.6	0.4	2.2	2.3	3.0	3.3	3.7
Households	-12.1	-28.1	-6.8	-0.5	-2.0	2.9	3.8	5.2	4.9	4.7
General government	-5.1	-16.6	-1.4	-0.8	-1.7	-0.8	-1.9	-1.4	-1.9	-2.7
Exports	-5.2	-29.2	-14.2	-10.3	-9.9	-8.8	-6.5	-4.8	-4.2	-2.4

■ Forecast

* Consumption expenditure of general government and non-profit institutions serving households (NPISH)

How to read it: in Q4 2021, exports would be -4.8% below their level in the Q4 2019 .

Source: INSEE calculations from various sources