

Synthesis International

Despite the continuing epidemic, in Q3 the increased vaccination coverage and the absence of restrictions on movement or activity meant that Europe was able to continue its economic recovery, mainly as a result of brisk domestic demand, except in Spain. In the United States, in contrast, where the vaccination rate is lower, the epidemic wave at the end of the summer, combined with inflationary tensions and the end of public aid for households, had an effect on consumption, causing a slowdown in activity. In China, outbreaks of the epidemic, electricity shortages and severe flooding led to the closure of means of production: as a result, GDP fell back for the first time since Q1 2020.

With the exception of Spain, the main Eurozone economies, as well as the United Kingdom and even more so the United States and China, have returned to around their pre-crisis level, or have already surpassed it. However, they are still all below their pre-crisis trend,¹ including the Chinese and US economies. In fact, the difference between the present trend and the pre-crisis trend in China and the United States is around 3%, fairly similar to that France and Italy, while Germany is slightly behind (about 4%). Both the United Kingdom (5%), and especially Spain (10%) appear to be further from their pre-crisis trend.

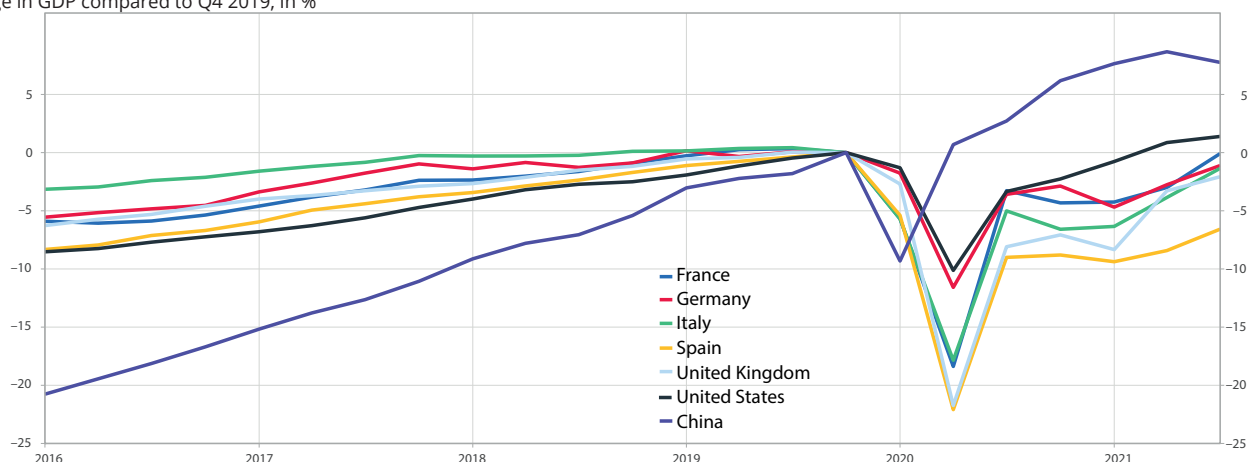
In Q4 2021, two factors, which are partly linked, affected world growth alongside the uncertainties of the health situation: input shortages disrupting production and inflationary tensions that can affect both business costs and household consumption. World industry is still affected by bottlenecks in world trade, in a context of energetic demand, especially in the United States where the consumption of goods has been very much buoyed up. For example, according to declarations by businesses, the delays they are facing in deliveries of inputs are still continuing at this summer's record levels (► [Figure 2](#)). The rise in inflation in all the western economies, and especially the United States (► [Figure 3](#)), is a result of the rise in the cost of commodities and partly because of these production difficulties (► [Focus](#)), and could affect household purchasing power. To combat this inflation, the central banks could gradually implement a tightening of monetary policy, and in particular an increase in interest rates seems possible in 2022 in the United States. Such monetary tightening could hamper recovery.

Added to these economic problems are fears linked to a deterioration in the health situation, caused both by the intensity of the fifth wave in Northern and Eastern Europe and concerns over the appearance of the Omicron variant: in addition to the possible introduction of new restrictions, these fears could result in more cautious consumption behaviour and a slower recovery for international tourism. The “high-frequency” indicator giving the number of *Google* searches for “restaurant”, for example, showed a particularly marked decline in Germany in November (► [Figure 4](#)).

¹ The pre-crisis trend is determined by extending GDP from its Q4 2019 level with a growth rate equal to the average of the GDP growth rate over the period 2016-2019.

► 1. In Q3 2021, growth in the European economies remained brisk, but in China it declined

change in GDP compared to Q4 2019, in %



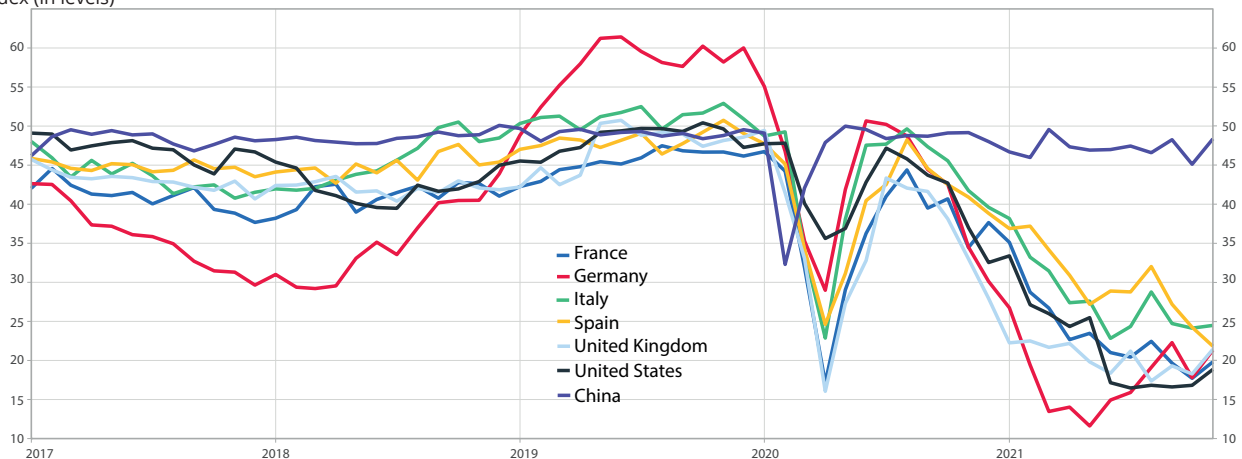
Source: INSEE, Destatis, Istat, INE, ONS, BEA, NBSC

International economic outlook

GDP is therefore set to slow in Q4 2021 in Europe. In 2022, assuming a slow easing of supply chain difficulties, the catch-up effect in the sectors most affected by the pandemic are expected to continue to drive part of the growth of the European economies, Spain and Germany in particular. After the turbulence in Q3, activity is set to rebound in the United States and China in Q4 and again in early 2022, but without returning to the particularly high variations seen in 2021 as a result of the catch-up in 2020. ●

► 2. PMIs on input delivery delays in the manufacturing industry reveal continuing supply chain problems

PMI index (in levels)

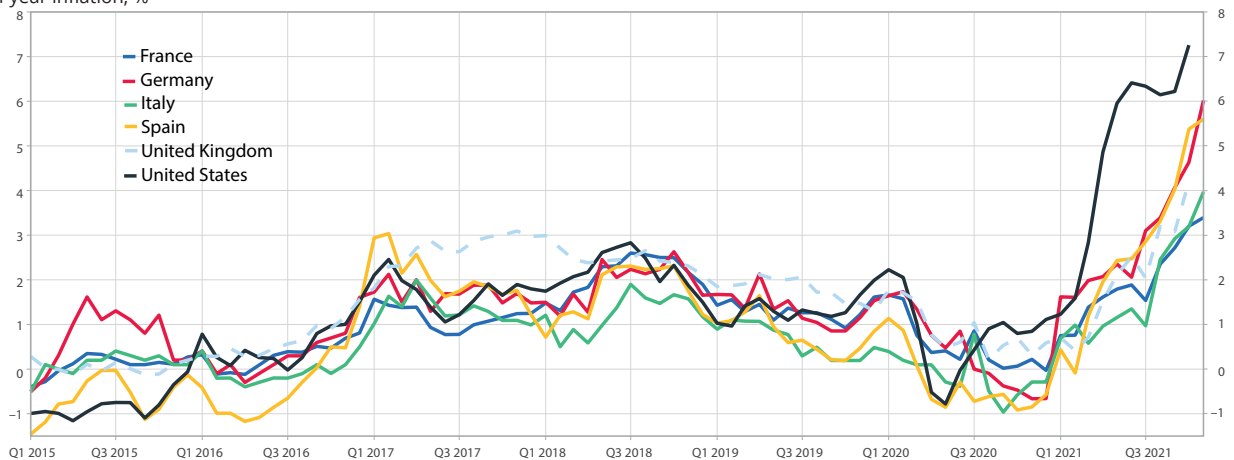


How to read it: in France in November, the PMI showing input delivery delays in the manufacturing industry stood at 20, well below the expansion threshold of 50, indicating longer input delivery delays.

Source: Purchasing Manager's Index, IHS Markit

► 3. Inflation is increasing strongly in western economies, especially the United States

year-on-year inflation, %



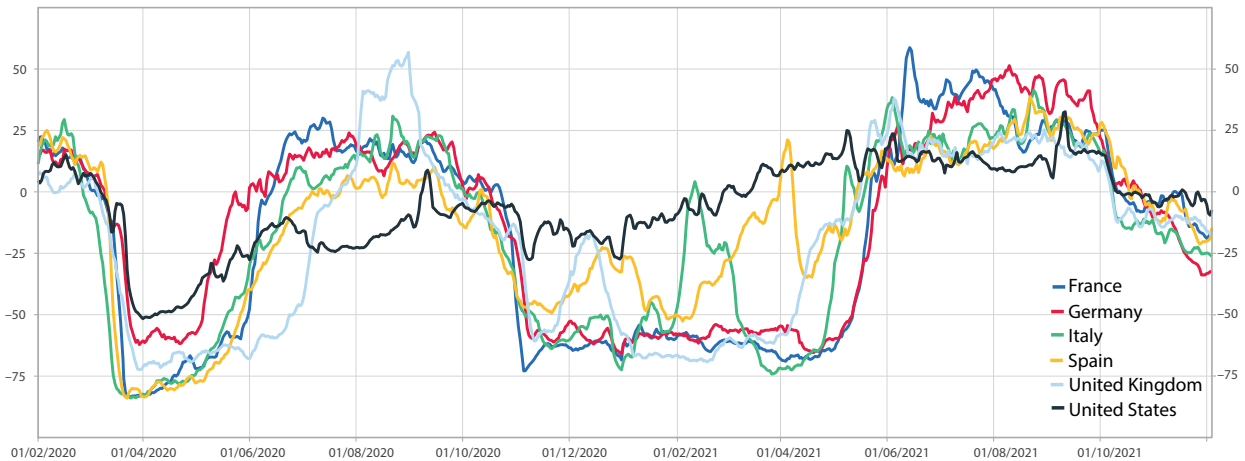
Note: Eurostat provides an indicator of consumer price indices harmonised between EU countries and the United States, but data for the United Kingdom stopped at the end of 2020 with *Brexit*. For the United Kingdom, therefore, the index is the non-harmonised CPI provided by the UK's ONS.

How to read it: in October 2021 in the United States, consumer prices were 7.3% higher per year than their level in October 2020.

Source: Eurostat, ONS

► 4. Google searches for “restaurant” fell back sharply with the effect of the new wave of the epidemic in Germany

in %



Note: the last point is 4 December 2021.

How to read it: on 4 December, the 7-day moving average for the number of Google searches for the word “restaurant” in Germany was 33% lower compared to the average of the 7-day moving averages for each 4 December between 2016 and 2019.

Source: Eurostat, ONS

► 5. Previous and forecast GDP growth in the main western economies and China

	2020	2021	Overhang mid-2022	Difference compared to Q4 2019 forecast for Q2 2022
France	-8.0	6.7	3.0	+1.4
Germany	-4.9	2.7	3.0	+0.8
Italy	-9.0	6.5	3.6	+0.8
Spain	-10.8	4.4	5.0	-2.4
United-Kingdom	-9.7	6.8	3.6	+0.1
United-States	-3.4	5.5	3.3	+4.6
China	1.9	8.0	2.7	+11.6

■ Forecast

Note: shaded columns correspond to forecasts.

Sources: INSEE, Destatis, Isatit, INE, ONS, BEA, forecast INSEE