

Economic activity

In Q4 2021, French GDP was 0.9% above its level before the health crisis, continuing its catch-up in several service sectors (trade, transport, services to households, etc.). The first three months of 2022 appear to be more contrasted. January saw a deterioration in the health situation (Omicron wave) and its consequences (use of teleworking, introduction of the vaccine pass, numbers limited for some events, etc.). In February, most restrictions were gradually lifted, and the business tendency surveys suggested that there could be a reacceleration in activity. March was affected by the first consequences of the outbreak of war in Ukraine, adding to difficulties around supply (problems with supply chain and hiring) and price tensions that were already being felt. In this context, the change in French GDP in Q1 2022 is for the most part likely to reflect this contrasting situation and it should therefore slow, with an increase of +0.3% forecast (after +0.7% in Q4). After an annual increase in GDP of +7.0% in 2021 compared to 2020, the carry-over effect for 2022 at the end of Q1 –i.e. the annual growth that would be seen if quarterly GDP remained stable for the rest of the year– would then be +2.7%.

More specifically (► **Figures 1** and **3a, 3b**), household consumption is likely to decline in Q1, in a context affected by the deterioration in the health situation in January, and also by the continuing rise in inflation. Government consumption is expected to remain buoyant, driven by the vaccination campaign and the provision of screening tests during the Omicron wave. Corporate investment should remain vigorous, but is likely to slow a little, and investment by households should pick up, driven by construction. Foreign trade was very dynamic at the end of 2021: it is likely to slow at the beginning of 2022, but nevertheless is still likely to be driven by the recovery in the trade of manufactured products (in particular with regard to exports, with naval deliveries). However, it is still likely to be affected at the end of the quarter by the repercussions of the war in Ukraine on energy and agricultural trade and on international tourism.

► 1. 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 Q1	2020	2021	2022 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Gross domestic product	-5.7	-13.5	18.6	-1.1	0.2	1.3	3.1	0.7	0.3	-8.0	7.0	2.7
Imports	-5.0	-18.5	17.0	0.8	1.5	2.1	1.0	3.9	1.6	-12.2	7.8	5.6
Total resources	-5.4	-14.6	18.0	-0.4	0.5	1.7	2.6	1.3	0.5	-8.9	7.5	3.2
Household consumption expenditure	-5.7	-11.7	18.5	-5.5	-0.1	1.2	5.5	0.5	-0.5	-7.2	4.7	2.9
General government consumption expenditure**	-3.0	-11.4	17.5	-0.7	-0.3	0.7	2.9	0.4	0.6	-3.5	6.3	2.5
of which individual general government expenditure	-4.3	-12.8	20.5	-1.4	-0.1	0.8	4.2	0.5	0.9	-4.9	7.7	3.6
of which collective general government expenditure	-0.7	-8.3	13.1	1.1	-0.8	0.1	-0.4	-0.2	0.1	-0.1	3.7	-0.3
Gross fixed capital formation (GFCF)	-9.6	-15.8	26.5	2.4	0.3	2.3	0.0	0.6	0.6	-8.9	11.5	1.7
of which Non-financial enterprises (NFE)	-9.5	-15.6	28.1	1.4	1.3	1.6	0.1	1.1	0.8	-8.1	12.1	2.0
Households	-12.5	-18.1	30.0	6.9	-1.9	5.0	0.7	0.0	0.3	-12.2	15.6	1.8
General government	-4.9	-12.3	18.2	0.6	-0.6	0.9	-1.1	-0.4	0.3	-4.4	4.8	-0.3
Exports	-5.2	-25.1	21.3	4.1	0.8	2.0	1.7	3.1	1.9	-16.1	9.2	5.6
Contributions (in points)												
Domestic demand excluding inventory**	-6.0	-12.6	20.3	-2.5	-0.1	1.4	3.5	0.5	0.0	-6.7	6.8	2.5
Changes in inventories**	0.3	0.9	-2.2	0.5	0.4	0.0	-0.6	0.5	0.2	-0.2	0.0	0.3
Foreign trade	0.0	-1.8	0.5	0.9	-0.2	-0.1	0.2	-0.3	0.1	-1.1	0.2	-0.1

■ Forecast

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

** Changes in inventories include acquisitions net of valuable items

Note: the overhang for 2022 corresponds to the overhang in Q1.

How to read it: in Q1 2022, exports are expected to increase by 1.9% compared to Q4 2021; the contribution of foreign trade to quarterly GDP growth is expected to be 0.1 points.

Source: INSEE

French economic outlook

► 2. Goods and services: resources-uses balance at chain-linked prices for the previous year, difference to Q4 2019

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

	2020				2021				2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Gross domestic product	-5.7	-18.4	-3.2	-4.3	-4.1	-2.9	0.2	0.9	1.2
Imports	-5.0	-22.6	-9.4	-8.7	-7.3	-5.4	-4.4	-0.7	0.9
Total resources	-5.4	-19.2	-4.7	-5.0	-4.5	-2.9	-0.4	0.9	1.4
Household consumption expenditure	-5.7	-16.8	-1.4	-6.8	-6.9	-5.7	-0.5	0.0	-0.5
General government consumption expenditure**	-3.0	-14.0	1.0	0.3	0.0	0.7	3.6	4.0	4.6
of which individual general government expenditure	-4.3	-16.5	0.6	-0.8	-0.9	0.0	4.2	4.7	5.6
of which collective general government expenditure	-0.7	-8.9	3.0	4.1	3.2	3.4	3.0	2.7	2.8
Gross fixed capital formation (GFCF)	-9.6	-23.9	-3.7	-1.4	-1.1	1.2	1.2	1.9	2.5
of which Non-financial enterprises (NFE)	-9.5	-23.6	-2.1	-0.7	0.5	2.2	2.2	3.4	4.2
Households	-12.5	-28.3	-6.8	-0.4	-2.3	2.5	3.3	3.3	3.5
General government	-4.9	-16.6	-1.5	-0.9	-1.5	-0.6	-1.6	-2.0	-1.7
Exports	-5.2	-28.9	-13.8	-10.3	-9.5	-7.7	-6.1	-3.2	-1.4

■ Forecast

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

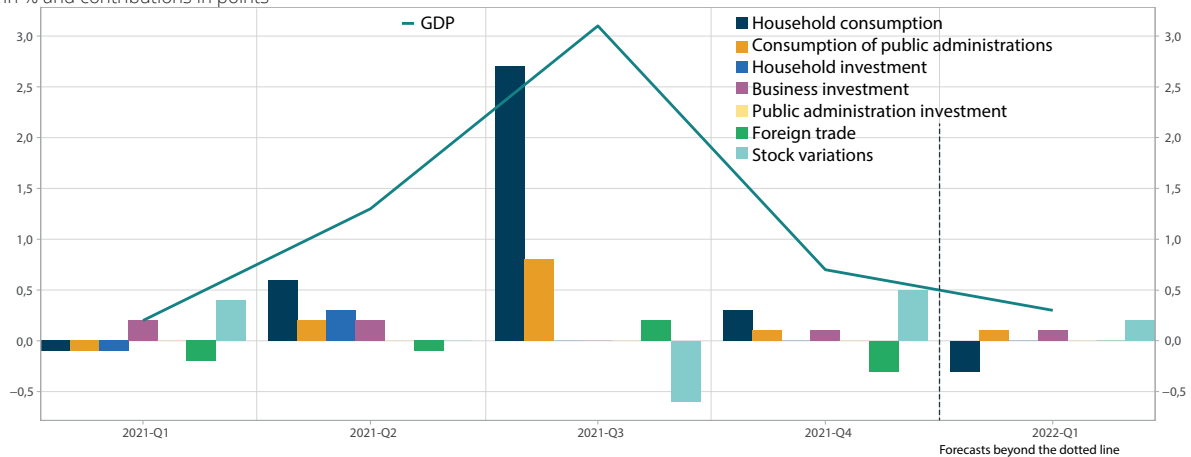
** Changes in inventories include acquisitions net of valuable items

How to read it: in Q1 2022, exports are expected to be around -1.4% below their Q4 2019 level.

Source: INSEE

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

variations in % and contributions in points

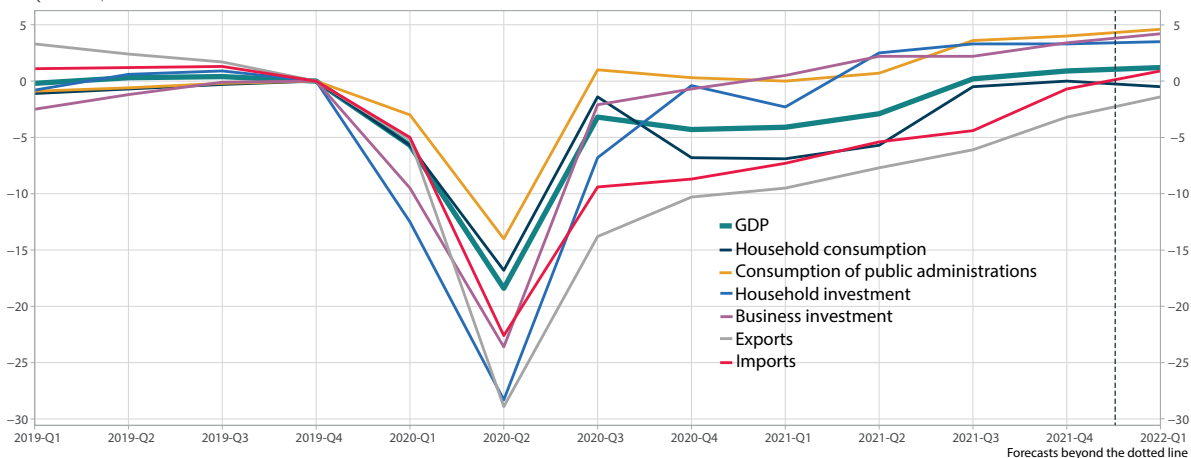


How to read it: in Q1 2022, GDP is expected to increase by 0.3% compared to Q4 2021; the contribution of investment by non-financial enterprises (NFE) is expected to be about 0.1 points.

Source: INSEE

► 3b. Quarterly changes in GDP, imports and main demand items difference to Q4 2019

difference to Q4 2019, in %



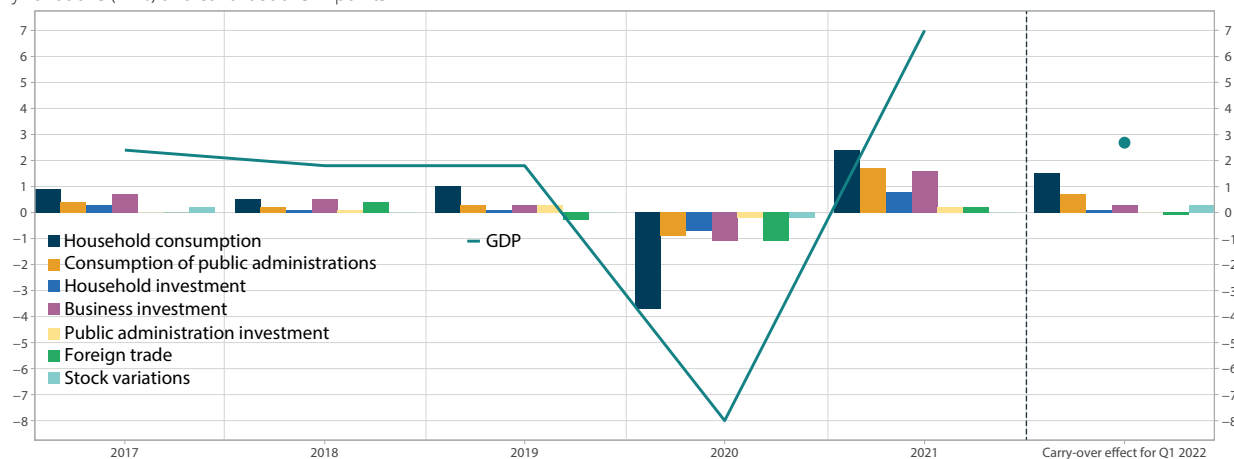
How to read it: in Q1 2022, imports are expected to exceed their Q4 2019 level.

Source: INSEE

Some sectoral contrasts are likely to persist in Q1: activity looks set to slow sharply in services, to pick up slightly in industry and accelerate a little in building construction (► [Figures 5, 6 and 7](#)). The deterioration in the health situation at the beginning of the year is expected to lead to a distinct slowdown in transport services and services to households, and even a decline in accommodation-catering. After a downturn in Q4 2021, industry is expected to pick up again, driven by the capital goods and transport equipment branches, among others.

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

quarterly variations (in %) and contributions in points



How to read it: in 2022, the annual GDP growth overhang in Q1 is expected to be 2.7%; the contribution of household consumption is expected to be 1.5 points.

Source: INSEE

► 5. Quarterly changes in economic activity by industry

quarterly changes in %, forecast from Q1 2022

Branch	weight	2020				2021				2022
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry and fishing	2	0.1	0.0	0.2	-0.3	-0.3	-0.1	0.3	0.5	0.5
Industry	14	-5.2	-16.9	19.7	2.4	0.8	0.0	0.5	-0.2	0.3
Manufacture of food products, beverages and tobacco-based products	2	-0.9	-8.2	8.7	-1.9	3.4	1.2	-0.5	2.2	0.0
Coke and refined petroleum	0	6.7	20.5	-4.8	6.4	74.1	-12.5	-39.6	14.1	0.0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-7.2	-17.8	20.6	4.5	1.6	-0.7	2.4	-2.1	0.5
Manufacture of transport equipment	2	-12.0	-42.9	56.3	4.0	-5.2	-4.0	-2.2	0.7	0.5
Manufacture of other industrial products	6	-6.0	-17.7	21.8	2.7	1.7	-0.6	-0.3	-0.6	0.2
Extractive industries, energy, water, waste treatment and decontamination	3	-2.3	-9.5	13.2	3.1	-1.0	2.3	3.0	-0.5	0.5
Construction	6	-12.8	-25.6	44.1	-0.3	0.1	2.9	-0.2	0.4	0.7
Mainly market services	-5	-5.3	-13.1	16.1	-2.0	-0.1	2.1	4.8	1.4	0.2
Trade; repair of automobiles and motorcycles	10	-6.0	-11.9	20.8	-2.2	-0.4	-0.8	1.7	0.9	0.0
Transport and storage	5	-10.9	-25.5	23.1	-4.1	3.8	4.9	8.9	5.0	0.3
Accommodation and catering	3	-20.5	-49.0	79.2	-29.8	-13.9	30.0	44.0	1.1	-3.0
Information and communication	5	-1.6	-5.2	7.3	2.0	1.9	1.0	2.6	2.0	1.5
Financial and insurance activities	4	-4.7	-11.1	14.9	0.9	1.5	1.8	2.2	0.6	0.5
Real estate activities	13	-1.3	-2.5	3.1	0.3	0.2	0.8	1.0	0.4	0.2
Scientific and technical activities; administrative and support services	14	-4.3	-13.9	18.1	0.7	-0.3	2.1	3.2	0.5	0.3
Other service activities	3	-9.5	-35.2	47.9	-14.7	-2.4	6.5	22.6	5.7	0.3
Mainly non-market services	22	-4.6	-10.9	18.9	-1.2	0.4	-0.4	1.5	0.1	0.6
Total VA	100	-5.5	-13.6	18.1	-1.1	0.2	1.3	3.1	0.8	0.4
Taxes and subsidies		-7.5	-12.6	22.1	-1.1	0.3	1.8	3.4	0.0	0.0
GDP		-5.7	-13.5	18.6	-1.1	0.2	1.3	3.1	0.7	0.3

■ Forecast

How to read it: in Q4 2021, the value added of the manufacture of transport equipment branch increased by 0.7%. It is expected to increase by 0.5% in Q1 2022.

Source: INSEE calculations from various sources

French economic outlook

Change in activity in Q2 is surrounded by great uncertainty, and mainly depends on developments in the war in Ukraine and its economic consequences. Early results from the March business tendency surveys, published exceptionally in this *Economic Outlook* (► **Focus** on the early results of business tendency surveys), notably suggest decidedly gloomy prospects for production –both personal and general– in industry.

In fact, the economic consequences of the war are likely to pass via several channels, both direct and indirect. First, the sharp rise in the cost of commodities and energy amplifies the momentum that began in 2021. These price increases look set to affect not only companies' production costs, but also household spending, despite the tariff shield, which is expected to hold down energy inflation significantly.

In addition, the closure of the Russian market, difficulties with supply chains involving Ukraine and the disorganisation of global value chains are expected to exacerbate supply constraints, which are already affecting industry and construction very severely, and likely to disrupt trade in goods and services. For international tourism, already very much affected by the epidemic, its recovery could be hampered.

More broadly, the climate of tension and uncertainty could lead to a deterioration in the confidence felt by economic agents, both businesses and households, thus penalising investment or even consumption.

All in all, it is difficult at this stage to quantify exactly the overall impact of the war in Ukraine on French activity. Nevertheless, by way of illustration, if the particularly high energy prices seen at the beginning of March were to hold up until the end of the year, the associated loss of activity would be almost one point of annual GDP for the French economy in 2022 (► **Focus** on the contribution of macroeconomic models). However, these illustrative figures do not take into account economic policy responses to this situation (e.g. "tariff shield"), which may mitigate the impact of the energy price shock. Nor do they take into account supply chain difficulties and the increase in the prices of certain commodities (excluding energy, notably including cereals), which, conversely, may impact more heavily on the economy. ●

► 6. Economic activity gaps by industry, difference to Q4 2019

quarterly changes in %, forecast from Q1 2022

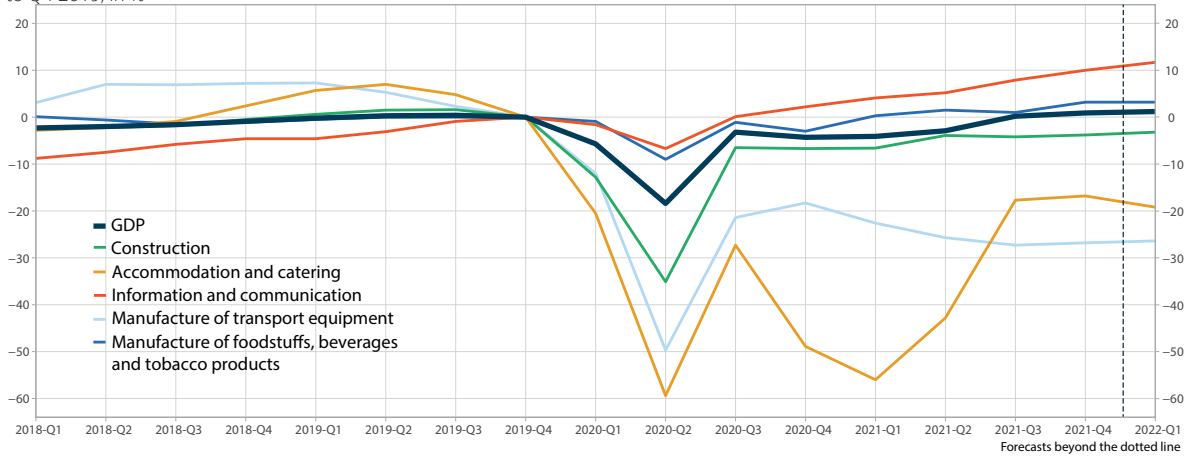
Branch	weight	2020				2021				2022
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry and fishing	2	0.1	0.1	0.3	0.0	-0.4	-0.5	-0.1	0.4	0.9
Industry	14	-5.2	-21.3	-5.8	-3.6	-2.8	-2.8	-2.4	-2.6	-2.3
Manufacture of food products, beverages and tobacco-based products	2	-0.9	-9.0	-1.1	-3.0	0.4	1.5	1.1	3.2	3.2
Coke and refined petroleum	0	6.7	28.5	22.4	30.2	126.7	98.3	19.6	36.5	36.5
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-7.2	-23.7	-8.0	-3.8	-2.3	-3.0	-0.7	-2.7	-2.2
Manufacture of transport equipment	2	-12.0	-49.7	-21.4	-18.3	-22.6	-25.7	-27.3	-26.8	-26.5
Manufacture of other industrial products	6	-6.0	-22.7	-5.8	-3.3	-1.7	-2.2	-2.6	-3.2	-2.9
Extractive industries, energy, water, waste treatment and decontamination	3	-2.3	-11.6	0.1	3.2	2.1	4.5	7.6	7.1	7.5
Construction	6	-12.8	-35.1	-6.5	-6.7	-6.6	-3.9	-4.2	-3.8	-3.2
Mainly market services	-5	-5.3	-17.7	-4.5	-6.3	-6.4	-4.4	0.2	1.6	1.8
Trade; repair of automobiles and motorcycles	10	-6.0	-17.2	0.0	-2.3	-2.6	-3.4	-1.7	-0.9	-0.9
Transport and storage	5	-10.9	-33.5	-18.2	-21.5	-18.5	-14.5	-6.9	-2.3	-2.0
Accommodation and catering	3	-20.5	-59.4	-27.3	-48.9	-56.0	-42.8	-17.7	-16.8	-19.2
Information and communication	5	-1.6	-6.7	0.1	2.2	4.1	5.2	7.9	10.0	11.7
Financial and insurance activities	4	-4.7	-15.2	-2.6	-1.8	-0.3	1.5	3.7	4.4	4.9
Real estate activities	13	-1.3	-3.8	-0.8	-0.5	-0.2	0.5	1.5	1.9	2.1
Scientific and technical activities; administrative and support services	14	-4.3	-17.6	-2.7	-2.0	-2.3	-0.3	2.9	3.4	3.7
Other service activities	3	-9.5	-41.3	-13.2	-25.9	-27.7	-23.0	-5.6	-0.2	0.1
Mainly non-market services	22	-4.6	-15.0	1.1	-0.2	0.3	-0.1	1.4	1.5	2.1
Total VA	100	-5.5	-18.3	-3.5	-4.5	-4.4	-3.2	-0.2	0.6	1.0
Taxes and subsidies		-7.5	-19.1	-1.3	-2.3	-2.1	-0.3	3.1	3.1	3.1
GDP		-5.7	-18.4	-3.2	-4.3	-4.1	-2.9	0.2	0.9	1.2

■ Forecast

How to read it: in Q4 2021, the value added of the manufacture of transport equipment branch stood at -26.8% below its Q4 2019 level. In Q1 2022, it is expected to move up to -26.4%

Source: INSEE calculations from various sources

► 7. Difference in economic activity compared to the pre-health crisis level, for different branches compared to Q4 2019, in %



How to read it: in Q4 2021, value added of the construction branch stood at -3.8% below its Q4 2019 level. In Q1 2022, it is expected to move up to -3.2%.
 Source: INSEE calculations from various sources