

Economic activity

The beginning of 2022 was affected by restrictions linked to the Omicron wave, then by the first repercussions of the war in Ukraine. As a result, French GDP shrank by 0.2%, according to the detailed results of the quarterly accounts published in May (► **Figure 1**). The health situation is no longer as restrictive at this stage in France, but Q2 remains affected by the economic consequences of the conflict. In particular, supply chain problems persist and are accompanied by the fastest rise in prices in several decades. In this context, French GDP is expected to increase slightly in Q2 2022, by about +0.2%, thus returning to the same level as in Q4 2021, i.e. a little above the level before the health crisis (+0.5%, ► **Figure 2**). Subsequently, GDP is expected to maintain a moderate rate of growth until the end of the year, of around +0.3% per quarter. Across the whole of 2022, GDP growth looks set to be +2.3%, although year-on-year, activity at the end of the year will probably be just above its level at the end of 2021 (+0.6%).

Regarding the main demand items, household consumption is expected to pick up slightly in Q2 2022, after Q1 was penalised by the upsurge in the epidemic and the rise in inflation. It is then expected to slow in H2, in a context of high inflation – notably with stagnation in the consumption of goods – despite aid measures to support household purchasing power (► **Figure 3b**). Nevertheless, it is likely to be the largest contributor to GDP growth (► **Figure 3a**). Investment is expected to grow moderately, driven by growth in investment by non-financial enterprises in services, and by households in construction. Investment by non-financial enterprises in manufactured products is expected to continue to decline, penalised by sluggish activity and the continuing disruption to value chains due to supply chain problems (especially for transport equipment). Finally, in line with sluggish domestic and foreign demand, foreign trade will probably be at a standstill in Q2, before rebounding slightly in H2 with the upturn in trade in goods. As imports are a little more dynamic than exports, the total contribution of foreign trade is expected to be slightly negative (-0.1 points) in Q2 and Q3. Across 2022 as a whole (► **Figure 4**), household consumption and general government consumption are likely to contribute most to GDP growth, around 1.8 points taken together, with investment and foreign trade contributing less strongly but still positively, by 0.4 and 0.1 points respectively.

► 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				2020	2021	2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross domestic product	-5.7	-13.7	19.4	-1.4	0.2	1.0	3.2	0.4	-0.2	0.2	0.3	0.3	-7.9	6.8	2.3
Imports	-5.2	-19.1	18.3	0.3	1.6	2.1	0.7	3.9	0.5	0.0	0.7	0.8	-13.0	7.8	4.9
Total resources	-5.4	-14.8	18.9	-0.6	0.6	1.4	2.6	1.0	0.2	0.1	0.4	0.4	-8.8	7.4	3.0
Household consumption expenditure	-5.5	-11.5	19.0	-5.6	0.2	1.2	5.8	0.3	-1.5	0.4	0.2	0.2	-6.8	5.2	2.3
General government consumption expenditure**	-3.4	-11.8	18.0	-0.7	-0.1	0.0	3.5	0.6	0.2	-0.1	0.2	0.2	-4.2	6.4	2.4
of which individual general government expenditure	-4.8	-12.7	20.1	-1.0	0.6	0.0	5.1	0.6	0.3	-0.4	0.1	0.2	-5.8	8.3	3.0
of which collective general government expenditure	-1.1	-9.9	15.6	0.1	-1.7	-0.1	-0.2	0.1	0.0	0.3	0.3	0.2	-0.8	2.8	0.3
Gross fixed capital formation (GFCF)	-9.3	-14.4	24.0	2.4	1.1	2.0	0.3	-0.3	0.6	0.5	0.4	0.3	-8.4	11.4	1.7
of which Non-financial enterprises (NFE)	-8.6	-13.3	24.4	1.8	0.9	2.0	0.5	-0.4	0.4	0.6	0.5	0.5	-6.9	11.4	1.7
Households	-13.5	-16.9	29.2	5.8	0.9	3.4	1.4	-0.7	0.0	0.4	0.2	0.0	-11.9	17.0	1.3
General government	-4.9	-12.6	17.2	0.4	-1.3	0.5	-1.8	-0.4	1.8	0.2	0.2	0.1	-5.4	2.7	0.9
Exports	-6.8	-25.6	24.3	2.4	-0.6	2.6	3.2	2.6	1.2	-0.4	0.4	0.8	-17.0	8.6	5.6
Contributions (in points)															
Domestic demand excluding inventory**	-5.9	-12.3	20.2	-2.6	0.3	1.1	3.9	0.2	-0.6	0.3	0.3	0.2	-6.6	7.0	2.2
Changes in inventories**	0.7	0.3	-1.8	0.6	0.6	-0.2	-1.4	0.6	0.2	0.1	0.1	0.1	-0.2	-0.3	0.1
Foreign trade	-0.5	-1.7	0.9	0.6	-0.7	0.1	0.7	-0.4	0.2	-0.1	-0.1	0.0	-1.1	0.1	0.1

■ 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 Q2 2022, exports would decrease by -0.4% compared to the first quarter of 2022; the contribution of foreign trade to quarterly GDP growth would be slightly negative at -0.1 point.

Source: INSEE

French economic outlook

The business climates from the business tendency surveys remain favourable in June, above their average level for both the overall climate and the sectoral climates, except in retail trade. They point to an overall increase in activity for the coming months, even if the composite indicator levels may eventually be adjusted: they partly reflect the automatic rebound after the Omicron wave (especially in certain services) and some particularly high balances of opinion regarding expected prices, especially in building construction (as an increase in prices is usually favourable from the point of view of business leaders).

At sector level activity is therefore likely to be driven by relatively sustained growth in market services in Q2 2022, in contrast to Q1, whereas manufacturing industry looks set to see a downturn after a dynamic Q1 (Figure 5). In services, several sub-sectors are still well below their pre-health crisis level and thus have the potential for catch-up (Figures 6 and 7): this is particularly the case for accommodation and catering, which are expected to rebound strongly, after a notable decline in Q1 due to the Omicron wave. The transport sector should also remain dynamic. In trade, however, the situation is expected to deteriorate further in Q2, in line with a drop in household consumption of goods, and consistent with signals from the latest business tendency surveys (Figure 8). Similarly, in industry, production is expected to fall back: this is because the majority of manufacturing branches appear to be penalised by problems with supply (Focus on responses from business leaders on the consequences of the war in Ukraine). This is the case in agrifood, for example, and capital goods. Finally, activity in construction is expected to be a little more buoyant than in Q1.

In H2, some of these sectoral contrasts are expected to persist, with growth in activity driven mainly by market services, albeit with a slight slowdown after the catch-up in the previous quarter. Industry and construction are expected to rebound only modestly, given the continuing difficulties with supply.

These forecasts remain strongly dependent on possible changes in the various difficulties in terms of supply chains, prices and also hiring. In particular, a gradual easing of these difficulties would be a positive factor for industrial activity. However, if the war in Ukraine continues, or if economic sanctions and reprisals by Russia were to worsen, then this could continue to exacerbate these difficulties, firstly over commodity prices (energy, agricultural products, etc.). In addition, the health situation in China remains an area for vigilance, given their “zero-Covid” strategy which could have a significant impact on global value chains. On the domestic front, uncertainty persists regarding the behaviour of households in the face of new economic conditions, with high inflation but also measures in place to support purchasing power. ●

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

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

	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross domestic product	-5.7	-18.6	-2.8	-4.2	-4.0	-3.0	0.1	0.5	0.3	0.5	0.8	1.2
Imports	-5.2	-23.3	-9.2	-9.0	-7.5	-5.5	-4.9	-1.1	-0.6	-0.6	0.1	0.9
Total resources	-5.4	-19.4	-4.2	-4.7	-4.2	-2.9	-0.4	0.7	0.9	1.0	1.4	1.7
Household consumption expenditure	-5.5	-16.4	-0.6	-6.2	-6.0	-4.9	0.6	1.0	-0.6	-0.2	0.0	0.3
General government consumption expenditure**	-3.4	-14.8	0.5	-0.2	-0.3	-0.3	3.2	3.8	4.0	3.8	4.0	4.2
of which individual general government expenditure	-4.8	-16.9	-0.2	-1.2	-0.6	-0.6	4.4	5.0	5.3	4.8	5.0	5.1
of which collective general government expenditure	-1.1	-10.8	3.1	3.2	1.5	1.4	1.1	1.3	1.2	1.6	1.9	2.0
Gross fixed capital formation (GFCF)	-9.3	-22.4	-3.7	-1.4	-0.4	1.6	1.9	1.5	2.1	2.6	3.1	3.4
of which Non-financial enterprises (NFE)	-8.6	-20.7	-1.4	0.4	1.4	3.4	3.9	3.5	3.9	4.5	5.1	5.5
Households	-13.5	-28.1	-7.1	-1.8	-0.9	2.5	4.0	3.2	3.2	3.6	3.8	3.8
General government	-4.9	-16.9	-2.6	-2.3	-3.5	-3.1	-4.9	-5.2	-3.5	-3.4	-3.2	-3.1
Exports	-6.8	-30.7	-13.9	-11.8	-12.3	-10.0	-7.2	-4.7	-3.6	-4.0	-3.6	-2.8

■ Forecast

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

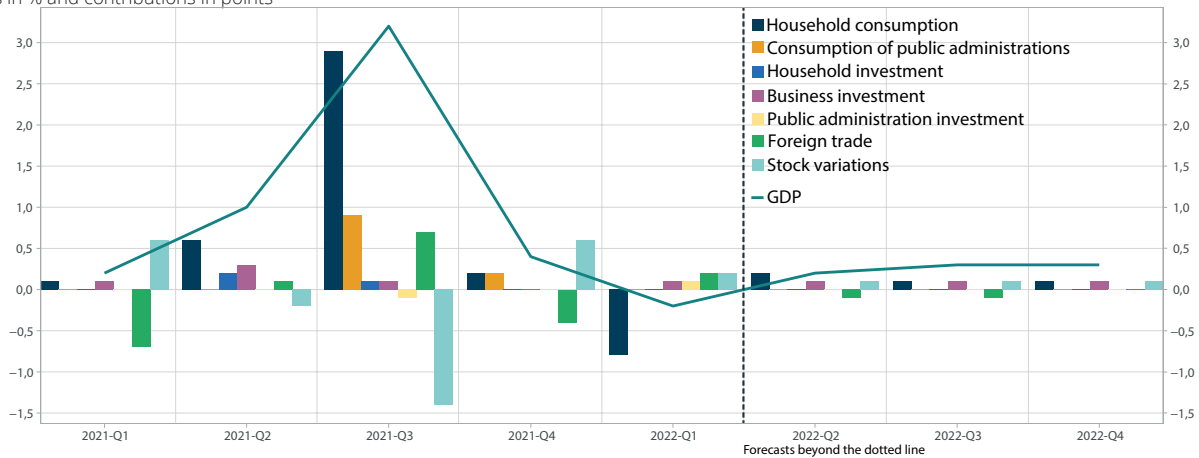
** Changes in inventories include acquisitions net of valuable items

How to read it: in Q2 2022, exports are expected to be around -4.0% below its Q4 2019 level.

Source: INSEE

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

variations in % and contributions in points

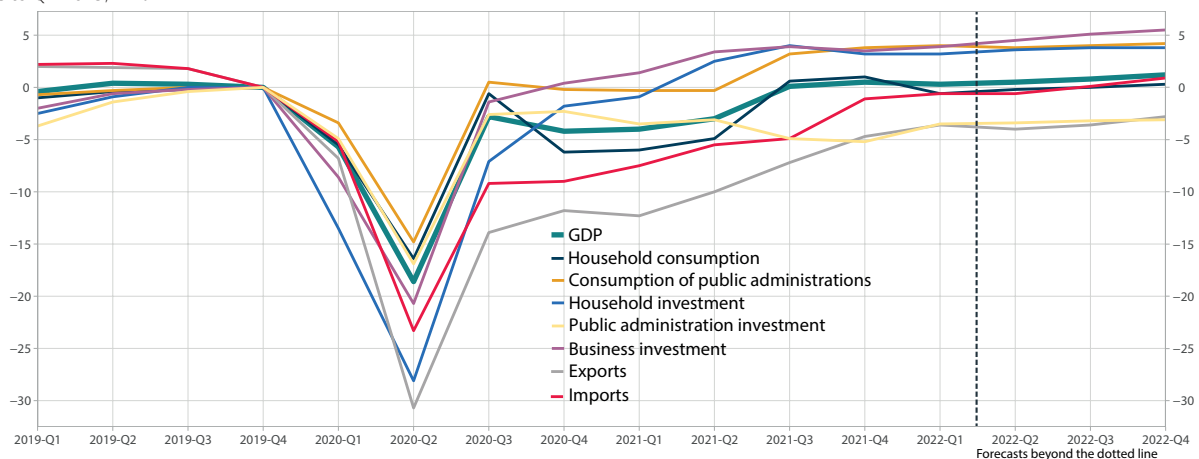


How to read it: in Q2 2022, GDP is expected to increase by 0.2% compared to Q1 2022; the contribution of investment by non-financial enterprises (NFE) is expected to be about 0.1 points.

Source: INSEE

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

difference to Q4 2019, in %

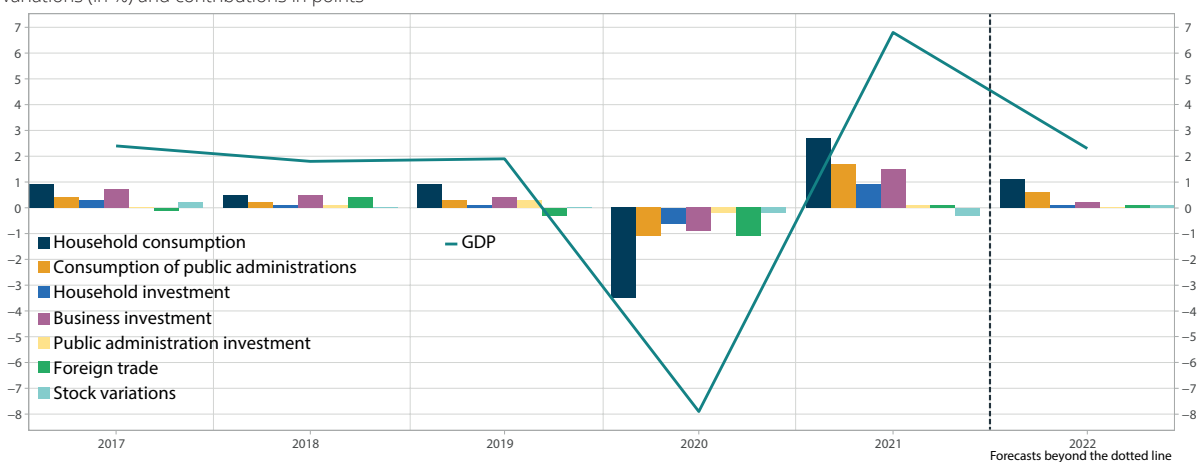


How to read it: in Q2 2022, exports are expected to be around -4,0% below their Q4 2019 level.

Source: INSEE

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

quarterly variations (in %) and contributions in points



How to read it: In 2022, GDP would increase by an annual average of 2.3%; the contribution of household consumption would be 1.1 points.

Source: INSEE

French economic outlook

► 5. Quarterly changes in economic activity by industry

quarterly changes in %, forecast from Q2 2022

Branch	weight	2020				2021				2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture, forestry and fishing	2	-2.4	-2.0	-0.6	-0.3	0.3	0.2	0.2	-0.3	-0.4	0.7	0.7	0.7
Industry	14	-5.8	-17.5	19.4	2.7	-0.9	-0.6	-0.1	-0.5	0.0	-0.4	0.2	0.2
Manufacture of food products, beverages and tobacco-based products	2	-1.5	-9.0	7.6	-0.7	1.3	0.1	0.6	0.1	0.3	-0.6	0.2	0.1
Coke and refined petroleum	0	0.6	11.5	13.1	8.9	-31.3	-1.5	-12.6	2.6	21.5	-0.6	0.0	0.0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-7.0	-18.5	22.1	3.9	1.5	-0.5	1.0	0.0	1.8	-0.6	0.0	0.1
Manufacture of transport equipment	2	-19.9	-49.6	70.0	3.9	-4.7	-4.2	-0.4	-1.1	-4.3	1.3	0.4	0.8
Manufacture of other industrial products	6	-5.4	-18.3	22.7	3.3	0.2	-0.9	-1.0	-0.6	2.2	-0.6	0.4	0.2
Extractive industries, energy, water, waste treatment and decontamination	3	-1.7	-9.1	9.5	2.9	-3.5	0.7	1.0	-0.8	-4.8	-0.3	-0.3	0.5
Construction	6	-12.0	-22.8	38.9	-0.6	2.9	1.8	0.1	-0.2	0.2	0.5	0.5	0.3
Mainly market services	-5	-4.9	-13.0	16.9	-2.5	0.1	2.0	4.7	1.0	-0.2	0.5	0.4	0.4
Trade; repair of automobiles and motorcycles	10	-6.3	-11.7	22.3	-2.3	0.0	-0.3	2.2	0.2	-1.4	-0.6	0.1	0.1
Transport and storage	5	-8.1	-27.5	40.0	-7.5	4.1	2.8	5.6	2.4	0.8	0.7	0.6	0.7
Accommodation and catering	3	-18.1	-47.5	87.4	-29.3	-12.7	32.4	41.2	-0.4	-3.5	6.5	0.5	0.5
Information and communication	5	-1.8	-5.8	7.7	1.8	2.2	1.5	2.7	1.4	0.7	0.5	0.6	0.6
Financial and insurance activities	4	-3.4	-8.7	13.2	0.1	1.7	1.6	3.1	1.4	1.0	0.3	0.3	0.4
Real estate activities	13	-1.2	-2.4	2.9	0.0	-0.1	0.4	0.8	0.3	0.3	0.1	0.2	0.2
Scientific and technical activities; administrative and support services	14	-3.8	-13.3	16.2	0.0	-0.2	1.5	2.6	0.5	-0.2	0.5	0.6	0.6
Other service activities	3	-11.5	-34.1	39.7	-11.1	-1.6	4.9	24.4	6.5	-0.5	1.5	1.0	0.4
Mainly non-market services	22	-5.2	-12.3	21.2	-1.2	0.7	-0.7	2.0	0.1	0.1	-0.3	0.0	0.2
Total VA	100	-5.4	-13.8	18.9	-1.4	0.3	1.0	3.1	0.5	-0.1	0.2	0.3	0.3
Taxes and subsidies		-7.5	-13.3	23.4	-1.5	0.0	1.1	4.1	-0.1	-1.0	0.0	0.2	0.2
GDP		-5.7	-13.7	19.4	-1.4	0.2	1.0	3.2	0.4	-0.2	0.2	0.3	0.3

■ Forecast

How to read it: in Q1 2022, the value added of the manufacture of transport equipment branch decreased by 4.3%. It is expected to increase by 1.3% in Q2 2022.

Source: INSEE calculations from various sources

► 6. Economic activity gaps by industry, compared to the pre-health crisis level

quarterly changes in %, forecast from Q2 2022

Branch	weight	2020				2021				2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture, forestry and fishing	2	-2.4	-4.3	-4.9	-5.2	-4.9	-4.8	-4.6	-4.9	-5.3	-4.7	-4.0	-3.4
Industry	14	-5.8	-22.3	-7.2	-4.6	-5.5	-6.0	-6.1	-6.5	-6.6	-7.0	-6.8	-6.6
Manufacture of food products, beverages and tobacco-based products	2	-1.5	-10.3	-3.5	-4.2	-2.9	-2.8	-2.2	-2.1	-1.8	-2.3	-2.2	-2.1
Coke and refined petroleum	0	0.6	12.2	26.9	38.2	-5.0	-6.4	-18.2	-16.1	2.0	1.4	1.4	1.4
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-7.0	-24.2	-7.4	-3.8	-2.4	-2.9	-1.9	-1.9	-0.2	-0.8	-0.8	-0.7
Manufacture of transport equipment	2	-19.9	-59.6	-31.4	-28.7	-32.1	-34.9	-35.2	-35.9	-38.7	-37.9	-37.6	-37.1
Manufacture of other industrial products	6	-5.4	-22.7	-5.2	-2.1	-1.9	-2.8	-3.8	-4.3	-2.2	-2.8	-2.4	-2.3
Extractive industries, energy, water, waste treatment and decontamination	3	-1.7	-10.6	-2.2	0.7	-2.8	-2.1	-1.2	-1.9	-6.7	-6.9	-7.2	-6.7
Construction	6	-12.0	-32.1	-5.7	-6.2	-3.5	-1.8	-1.7	-1.9	-1.7	-1.2	-0.6	-0.3
Mainly market services	-5	-4.9	-17.2	-3.2	-5.7	-5.6	-3.7	0.8	1.8	1.6	2.1	2.5	3.0
Trade; repair of automobiles and motorcycles	10	-6.3	-17.2	1.2	-1.1	-1.1	-1.4	0.8	1.0	-0.4	-0.9	-0.9	-0.7
Transport and storage	5	-8.1	-33.4	-6.8	-13.8	-10.2	-7.7	-2.6	-0.2	0.5	1.2	1.8	2.5
Accommodation and catering	3	-18.1	-57.0	-19.5	-43.1	-50.3	-34.2	-7.1	-7.5	-10.7	-4.9	-4.5	-4.0
Information and communication	5	-1.8	-7.5	-0.4	1.4	3.6	5.2	8.0	9.5	10.3	10.9	11.5	12.2
Financial and insurance activities	4	-3.4	-11.8	-0.2	0.0	1.7	3.3	6.5	8.0	9.1	9.4	9.7	10.2
Real estate activities	13	-1.2	-3.6	-0.8	-0.8	-0.9	-0.6	0.2	0.5	0.8	1.0	1.2	1.4
Scientific and technical activities; administrative and support services	14	-3.8	-16.7	-3.1	-3.1	-3.3	-1.9	0.7	1.2	1.0	1.5	2.1	2.7
Other service activities	3	-11.5	-41.7	-18.5	-27.6	-28.8	-25.3	-7.1	-1.0	-1.5	0.0	1.0	1.4
Mainly non-market services	22	-5.2	-16.8	0.8	-0.5	0.2	-0.4	1.5	1.6	1.7	1.4	1.5	1.7
Total VA	100	-5.4	-18.5	-3.1	-4.4	-4.2	-3.2	-0.2	0.3	0.2	0.4	0.7	1.1
Taxes and subsidies		-7.5	-19.8	-1.0	-2.4	-2.4	-1.3	2.7	2.7	1.7	1.7	1.9	2.2
GDP		-5.7	-18.6	-2.8	-4.2	-4.0	-3.0	0.1	0.5	0.3	0.5	0.8	1.2

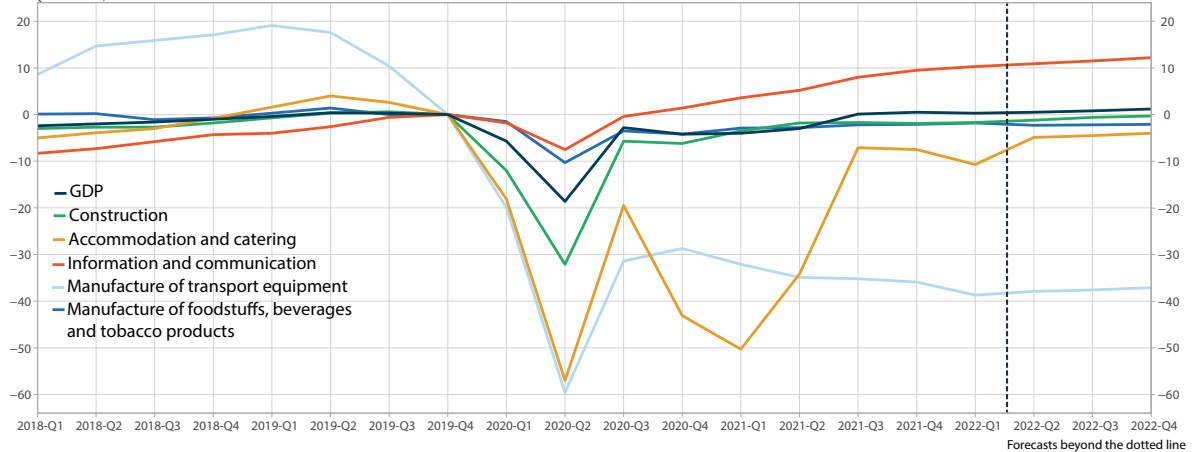
■ Forecast

How to read it: in Q1 2022, the value added of the manufacture of transport equipment branch stood at -38.7% below its Q4 2019 level. In Q2 2022, it is expected to move up to -37.9%

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 %

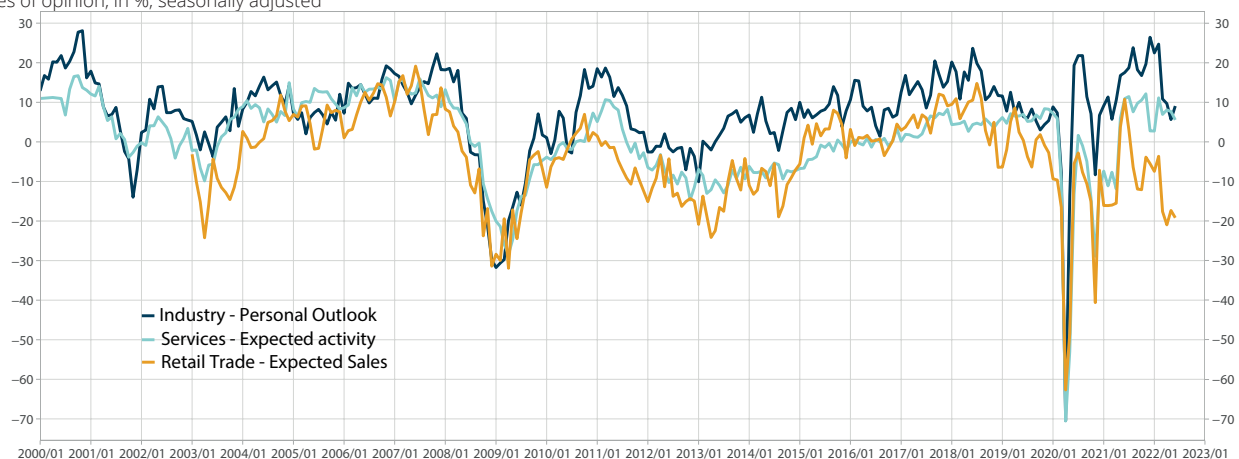


How to read it: in Q1 2022, value added of the construction branch stood at -1.7% below its Q4 2019 level. In Q2 2022, it is expected to move up to -1.2%.

Source: INSEE calculations from various sources

► 8. Personal expectations for activity by sector

balances of opinion, in %, seasonally adjusted



How to read it: in June 2022, the balance of opinion regarding personal expectations for industrial production was at +9%.

Note: results are weighted by turnover.

Last point: June 2022.

Source: INSEE, business surveys