

International synthesis

In the face of multiple constraints, the global economy has been experiencing a slowdown for the last several quarters (► **Figure 1** for western economies). In Q3, economic activity lost momentum in the main European economies, except, unexpectedly, in Germany, and it even contracted in the United Kingdom against a backdrop of strikes and a sharp rise in inflation. In China and the United States, on the other hand, activity rebounded, as a result of the reopening of the Chinese economy after the spring lockdowns and major fluctuations in US foreign trade. However, this rebound masks a more general dynamic of economic slowdown. As a result, world trade, and in particular world demand for French products, was at a standstill compared to the beginning of the year, penalised mainly by the slowdown in imports by the advanced economies (► **Figure 2**).

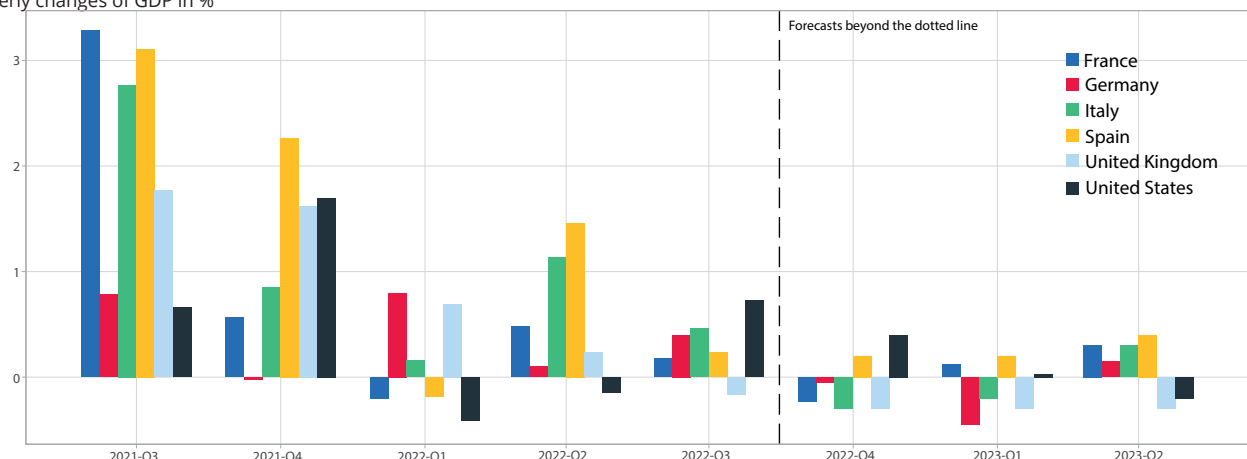
Since the summer, the price of energy and other commodities has fallen back a little, and the euro-dollar exchange rate is no longer spiralling downwards (► **Figure 2**). Western economies are still facing high levels of inflation, however, although with contrasting dynamics between countries in recent months (► **Figure 3**). Europe in particular appears to be especially exposed to the consequences of the war in Ukraine, notably with regards to gas and electricity prices. In the United States and Spain, headline inflation has been falling back year-on-year since the summer, because of the decline in energy inflation. Across the Atlantic, headline inflation and core inflation are now relatively close, the latter being driven mainly by the dynamism of wages. In contrast, in France, Germany, Italy and the United Kingdom, headline inflation continues to rise, still driven partly by increased energy price rises, but also by increased food prices.

Despite significant fiscal support, high inflation levels are expected to limit household purchasing power. As a result, private consumption is likely to remain sluggish over the next few months. In addition, the rising cost of credit, affected by the increase in the base interest rates of the central banks, is likely to hamper both household and corporate investment over the next few quarters. Consequently, the real estate market appears to be particularly vulnerable to rising rates in several countries (Canada, Australia, Netherlands), and is showing the first signs of a turnaround in the United States, whereas in China, the real estate sector is still going through major difficulties. In Europe, the energy price rises, to which could be added potential problems with energy supply chains in the event of a cold winter, are likely to affect industrial production during the winter.

Production difficulties and the lack of momentum in domestic demand in the main economies are thus likely to limit world economic activity around the turn of the year (► **Figure 4**): it is expected to stagnate in Q4, then fall back in early 2023 in many of the western economies, with the notable exception of Spain, which has the advantage of being less exposed to energy constraints than the other main European countries and probably has a greater post-Covid catch-up potential. ●

► 1. Western economies slowed significantly in 2022

quarterly changes of GDP in %



How to read it: in Q3 2022, US GDP grew by 0.7%.

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

► 2. The slowdown in the advanced economies hampers world trade

levels, quarterly variations in % (annual variations in % for the last three columns)

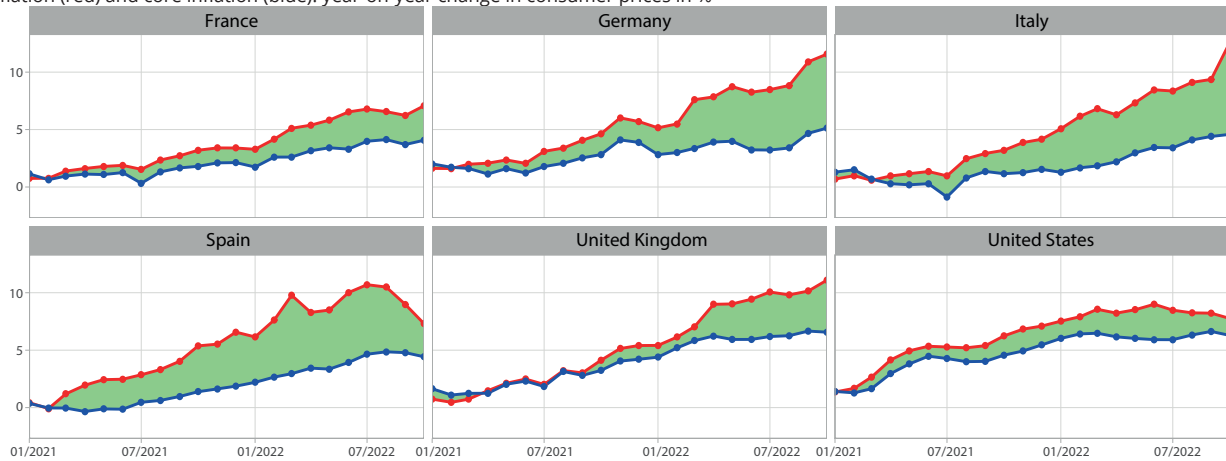
	2021				2022				2023		2021	2022	2023 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Euro-dollar exchange rate	1.20	1.21	1.18	1.14	1.12	1.06	1.01	1.02	1.05	1.05	1.18	1.05	
Barrel of Brent (in dollars)	61.0	68.9	73.5	79.5	100.8	113.6	100.6	91.6	90.0	90.0	70.9	101.6	
Barrel of Brent (in euros)	50.7	57.1	62.3	69.6	89.8	106.7	99.9	89.9	85.7	85.7	59.9	97.0	
World trade (variations)	1.7	2.1	1.5	3.0	1.9	0.5	0.9	0.2	-0.1	0.1	10.3	6.3	0.7
Imports by advanced economies	0.0	2.4	1.8	2.9	2.8	1.1	1.0	0.2	-0.2	0.1	9.3	8.1	0.7
Imports by emerging economies	6.3	1.2	0.7	3.1	-0.8	-1.4	0.6	0.4	0.2	0.2	12.9	1.4	0.6
World demand for French products (variations)	0.5	2.5	2.0	2.7	2.2	0.6	0.8	0.4	-0.1	0.3	9.9	6.9	1.0

■ Forecast

Source : Statistiques équilibrées du commerce (OCDE), CHELEM – Commerce international (CEPII), INSEE calculations

► 3. In the United States and Spain, headline inflation has been falling for several months

total inflation (red) and core inflation (blue): year-on-year change in consumer prices in %



Las point: October 2022.

How to read it: in October 2022 in the United States, inflation stood at 7.7% year-on-year, while inflation excluding energy and food was 6.3%.

Note: here, core inflation represents inflation excluding energy and food. For the Eurozone countries, inflation is calculated as the year-on-year variation in the Harmonised Index of Consumer Prices (HICP). This is the case too for the United Kingdom, with the HICP reconstructed from the CPI published by the UK ONS. For the United States, inflation is calculated as the year-on-year variation in the CPI provided by the BLS.

Source : Eurostat, ONS, BLS, INSEE Calculations

► 4. Past and forecast GDP growth in the main western economies

in %

	2021				2022				2023		2020	2021	2022	mid-2023 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
France	0.1	1.1	3.3	0.6	-0.2	0.5	0.2	-0.2	0.1	0.3	-7.9	6.8	2.5	0.4
Germany	-1.5	1.9	0.8	0.0	0.8	0.1	0.4	-0.1	-0.4	0.2	-4.1	2.6	1.9	-0.2
Italy	0.3	2.5	2.8	0.9	0.1	1.1	0.5	-0.3	-0.2	0.3	-9.1	6.7	3.8	0.3
Spain	-0.2	1.4	3.1	2.3	-0.2	1.5	0.2	0.2	0.2	0.4	-11.3	5.5	4.7	1.1
United Kingdom	-1.2	6.5	1.8	1.6	0.7	0.2	-0.2	-0.3	-0.3	-0.3	-11.0	7.5	4.4	-0.8
United States	1.5	1.7	0.7	1.7	-0.4	-0.1	0.6	0.4	0.0	-0.2	-2.8	5.9	2.0	0.5

■ Forecast

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