

International synthesis

The dynamism of the Chinese and USA economies in Q3 is in sharp contrast to the contraction in the Euro-zone, against a general backdrop of falling inflation. Commodity prices and especially gas prices continue to hold back European economies, with the price of gas in Europe still much higher than on the North American market. The tightening of monetary policies, which began in 2022, would seem to have plateaued at the end of 2023, in line with the decline in inflation. Despite the rise in interest rates, household consumption has proved to be relatively resistant in most countries, apart from Germany. However, investment is slowing, or even falling back in most countries.

Both the Chinese and USA economies accelerated in Q3 2023 (with +1.3% growth), after slowing in Q2 (+0.5% in both countries). However, the rebound in China is against a backdrop of a slowdown in growth compared to its pre-pandemic trend, as the real estate crisis continues and household confidence remains very damaged. In the United States, the rebound was driven by household consumption, which was particularly dynamic. In contrast, the Eurozone contracted in Q3 2023 (-0.1%). The French and German economies faltered in Q3 (-0.1%); activity saw modest growth in Italy (+0.1%) and continued its post-pandemic catch-up in Spain (+0.3%). In the United Kingdom, it remained stable. In addition to the greater impact felt in the European economies because of the war in Ukraine, the difference between the Eurozone and the United States could also be due to differences in budgetary policy: public consumption and investment have been particularly buoyant in the United States, especially in the context of the Inflation Reduction Act.

Investment slowed or fell back in most of the major western economies: total investment fell from Q2 2023 onwards in Italy and in Q3 in Spain. Recovery plans in Italy and Spain are struggling to reverse the trend, with delays building up. Corporate investment saw modest growth this summer in the United States, but contracted in the United Kingdom. In France, it slowed compared to Q2 in a context of high interest rates, which increased the cost of credit (**► Focus Lending conditions for businesses are tightening in all the Eurozone countries**). In Q3 in Germany, total investment bounced back, in contrast to the contraction experienced in Q2.

World trade remained sluggish in 2023 (**► Figure 1**): the rebound in Q2 and Q3 2023 was due to the rise in imports by the emerging economies and, this summer, to the modest upturn in imports by the advanced economies, which had been in decline globally since late 2022. Q3 benefited notably from the buoyancy of Chinese and US imports.

In most western economies, inflation has been falling since the start of 2023, while China stands out with its ongoing deflationary pressures. Global inflation remains strongly linked to variations in energy inflation, although its contribution has declined significantly in the majority of countries. Food inflation and core inflation are also in decline (**► Focus International inflation**). At the end of 2023 and the beginning of 2024, inflation is expected to continue its slowing trend in all the major western economies. Food prices should continue to decelerate, or even slip back. Core inflation is expected to be in slight decline in all countries. This pace is slower than for food inflation, probably due to the dynamism of wages, which are mainly expected to stimulate prices in services (**► Focus International inflation**).

Across 2023 as a whole, private consumption is expected to draw GDP growth upwards in all the world's main economies, except for Germany, despite high inflation as an annual average. GDP in the USA should grow by 2.5% year-on-year, driven by private consumption, which looks set to contribute +1.7 points (**► Figure 2**). Activity is expected to improve more modestly in France, Italy and the United Kingdom (+0.8%, +0.7% and +0.6% respectively). The Spanish economy should once again benefit from catch-up effects, with growth of +2.4% forecast, also driven by private consumption (contribution of +1.3 points). In Germany, however, private consumption is expected to continue to hamper activity: growth is expected to be -0.1%.

In Q4 2023 then H1 2024, the USA is expected to improve at an average pace, mainly as a result of budgetary support and despite a slowdown forecast in consumption (**► Figure 3**). Against the backdrop of the real estate crisis, China is unlikely to recover its pre-Covid pace of growth. Meanwhile, activity in the United Kingdom is expected to increase modestly, driven by domestic demand. Within the Eurozone, activity looks set to remain sluggish at the end of 2023 and listless in early 2024 in Germany after shrinking in Q3. In Italy, growth should remain at a modest level due to weak domestic demand. It is expected to slow in Spain compared to H1 2023, as the potential for post-pandemic catch-up dwindles. ●

International economic outlook

► 1. World trade is expected to remain sluggish at the end of 2023 and the start of 2024

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

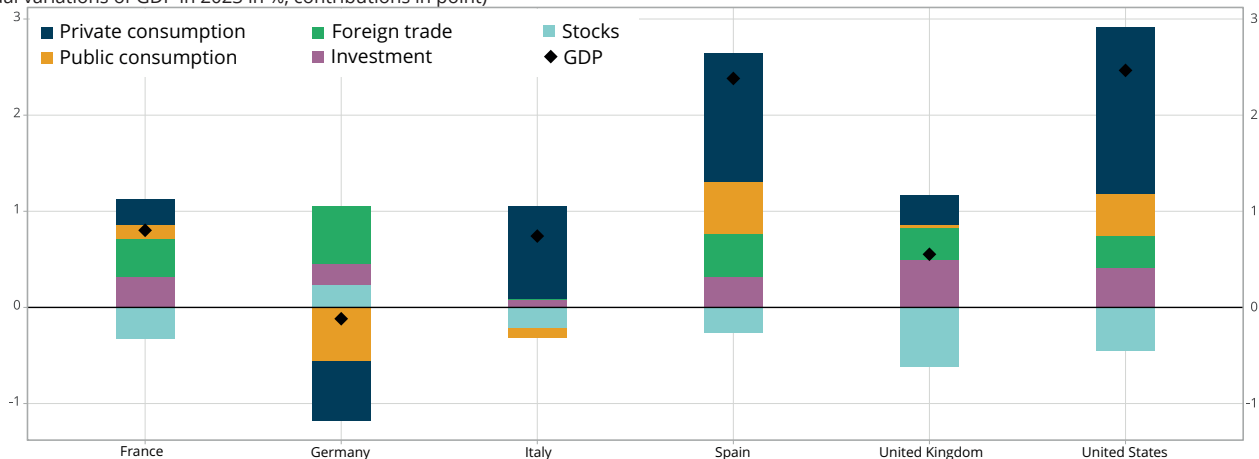
	2022				2023				2024		2022	2023	2024 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Euro-dollar exchange rate	1.12	1.06	1.01	1.02	1.07	1.09	1.09	1.08	1.09	1.09	1.05	1.08	1.09
Barrel of Brent (in dollars)	100.8	113.6	100.6	88.6	81.2	78.1	86.6	85.2	82.0	82.0	100.9	82.8	82.0
Barrel of Brent (in euros)	89.9	106.8	100.0	86.8	75.6	71.7	79.5	79.3	75.2	75.2	95.7	76.6	75.2
World trade (variations)	1.2	1.1	1.5	-0.8	-0.1	0.8	0.3	0.5	0.5	0.5	6.3	1.2	1.6
Imports by advanced economies	2.4	1.4	0.9	-1.0	-0.3	-0.8	0.1	0.2	0.2	0.2	7.8	-0.7	0.3
Imports by emerging economies	-2.0	0.5	2.9	-0.2	0.4	5.0	1.0	1.4	1.2	1.2	2.5	6.5	4.9
World demand for French products (variations)	1.6	1.1	1.1	-0.8	0.0	0.2	-0.4	0.3	0.4	0.4	6.7	0.2	0.7

■ Forecast.

Source : Commodity Research Bureau, IHS Markit, Statistiques équilibrées du commerce (OCDE), CHELEM – Commerce international (CEPII), INSEE calculations.

► 2. Private consumption looks set to make a positive contribution to growth in the majority of western economies in 2023, apart from Germany

(annual variations of GDP in 2023 in %, contributions in point)



Note: growth for 2023 includes INSEE's forecast for Q4 2023 for all countries

How to read it: in the United States, in 2023, GDP is expected to improve by 2.5% and private consumption is expected to contribute 1.7 points to this growth.

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

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

(quarterly and annual –for the last three columns– variations in %)

	2022				2023				2024		2022	2023	2024 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
France	-0.1	0.4	0.5	0.0	0.1	0.6	-0.1	0.0	0.2	0.2	2.5	0.8	0.5
Germany	1.0	-0.1	0.4	-0.4	0.0	0.1	-0.1	0.0	0.2	0.2	1.9	-0.1	0.3
Italy	0.1	1.4	0.3	-0.2	0.6	-0.4	0.1	0.1	0.2	0.2	3.9	0.7	0.3
Spain	0.3	2.5	0.5	0.5	0.6	0.4	0.3	0.3	0.3	0.3	5.8	2.4	1.0
United Kingdom	0.5	0.1	-0.1	0.1	0.3	0.2	0.0	0.1	0.2	0.2	4.3	0.6	0.5
United States	-0.5	-0.1	0.7	0.6	0.6	0.5	1.3	0.4	0.4	0.4	1.9	2.5	1.8
China	0.8	-2.3	3.7	0.8	2.3	0.5	1.3	0.4	1.1	1.1	3.0	5.4	3.0

■ Forecast.

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