

## Economic activity

In Q1 2024, activity retained a moderate pace of growth (+0.2% after +0.3%, ► **Figure 1**). Domestic demand was still sluggish (contribution to GDP growth was +0.1 points after 0.0), with the slight improvement in household consumption (+0.1% after +0.2%) offset by the continuing downturn in both corporate and household investment (-0.4% after -1.0%, ► **Figure 2**). As was the case at the end of 2023, the contribution of foreign trade to activity was positive (+0.2 points after +1.0), offset by a reduction in inventories. Exports in particular continue to grow vigorously (+1.2% after +1.0%).

On the supply side, activity faltered in the manufacturing industry, but with strong sectoral disparities: value added in the agrifood sector was very dynamic, while occasional production stoppages and supply problems affected automobile production. At the same time, activity continued to decline in construction, for the third consecutive quarter. Meanwhile, activity in market services decelerated (+0.2% after +0.5%), especially in accommodation-catering.

### ► 1. Goods and services: resources-uses balance at chain-linked prices for the previous year, in quarterly and annual change

(quarterly and annual changes, in %; seasonally adjusted data - YTD)

	2022				2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Gross domestic product</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>0.0</b>	<b>0.1</b>	<b>0.7</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.1</b>	<b>2.6</b>	<b>1.1</b>	<b>1.1</b>
Imports	2.0	0.6	4.6	-0.2	-1.9	1.6	-0.7	-1.7	0.4	1.7	0.5	0.4	9.1	0.7	0.8
Total resources	0.5	0.7	1.4	0.1	-0.3	1.0	0.0	0.0	-0.1	0.5	0.5	0.0	4.7	1.4	0.9
Household consumption expenditure	-1.0	1.3	0.5	-0.2	0.2	0.0	0.5	0.2	0.1	0.5	0.7	0.1	3.0	0.9	1.3
General government consumption expenditure*	0.3	-0.3	0.4	0.6	-0.2	0.2	0.4	0.4	0.6	0.1	0.1	0.1	2.9	0.8	1.3
of which individual general government expenditure	0.3	-0.8	0.4	0.8	-0.3	0.0	0.3	0.2	0.5	0.1	0.3	0.3	3.0	0.5	1.1
of which collective general government expenditure	0.2	0.5	0.2	0.5	-0.2	0.5	0.5	0.7	1.0	-0.1	-0.2	-0.2	1.8	1.2	1.6
Gross fixed capital formation (GFCF)	0.3	-0.5	1.3	0.4	-0.1	0.3	0.0	-1.0	-0.4	0.1	-0.1	0.1	0.1	0.7	-1.0
of which Non-financial enterprises (NFE)	1.1	0.3	3.0	0.8	0.5	0.5	0.6	-1.1	-0.5	0.3	-0.1	0.0	3.0	3.1	-0.8
Households	-0.1	-1.3	-2.5	-1.3	-2.7	-2.2	-2.1	-2.0	-1.4	-0.6	-0.4	0.0	-3.3	-8.2	-5.2
General government	0.1	-0.7	2.1	2.0	1.9	2.9	0.8	0.2	0.6	0.6	0.2	0.3	0.1	7.1	2.5
Exports	2.0	-0.7	3.0	0.8	-1.4	3.0	-1.1	1.0	1.2	1.4	0.8	-0.5	8.3	2.5	3.5
Contributions (in points)															
Domestic demand excluding inventory**	-0.4	0.5	0.7	0.2	0.0	0.1	0.4	0.0	0.1	0.3	0.4	0.1	2.4	0.9	0.8
Changes in inventories**	0.2	0.3	0.4	-0.5	-0.1	0.1	-0.2	-0.7	-0.2	0.1	0.1	0.1	0.6	-0.4	-0.6
Foreign trade	0.0	-0.4	-0.6	0.3	0.2	0.5	-0.1	1.0	0.2	-0.1	0.1	-0.3	-0.3	0.6	0.9

■ Forecast.

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

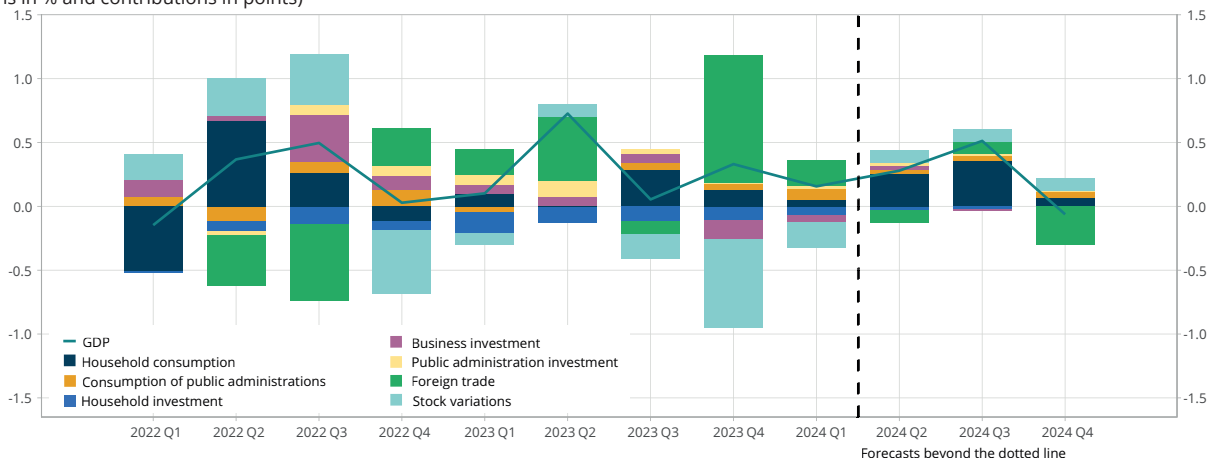
\*\* Changes in inventories include acquisitions net of valuable items.

**How to read it:** in Q1 2024, the imports increased by 0.4%.

**Source:** INSEE.

### ► 2. Quarterly variations in GDP and contributions of main demand items

(variations in % and contributions in points)



**How to read it:** in Q2 2024, GDP is expected to increase on the first quarter (+0.3%); the contribution of household consumption to this trend would be around +0.3 point.

**Source:** INSEE.

The economic situation, as described in household and business surveys, is generally stable, at a level that is just on the average: the business climate indicator has remained close to its long-term average for several months. The employment climate remained significantly higher than its long-term average until May but fell back in June, reflecting a normalisation of job creations after a dynamic Q1. Household confidence in the economic situation has also stabilised, but at a weaker level (► [Figure 3](#)).

Under these circumstances, activity should continue to grow moderately in Q2 (+0.3% GDP growth forecast). Manufacturing activity is expected to continue to decline (-0.2%), due mainly to the month of May being affected by reduced activity associated with the timing of public holidays during that period. In services, activity should regain some momentum, particularly in services to businesses (► [Figure 4](#)). In construction, it is expected to deteriorate less sharply as housing starts have in fact stabilised, albeit at a low level, in the last few months.

Among the main areas of demand, household consumption, supported by relatively dynamic purchasing power, is finally expected to accelerate (+0.5% after +0.1%): energy consumption in particular is likely to be very buoyant due to a cooler month of May. Regarding household investment, the effect of the previous rise in interest rates is expected to start to fade and should fall back more moderately (-0.6% after -1.4%). On the business side, investment looks set to rebound slightly after two quarters of sharp decline (+0.3% after -1.1% and -0.5%): the effect of financing conditions remains very negative but investment in services should be very dynamic. Finally, the contribution of foreign trade to activity is expected to be negative in Q2 (-0.1 point): imports look set to accelerate (+1.7%) after three quarters of decline or sluggishness and should therefore grow faster than exports (+1.4%), despite their being boosted by major aeronautical and naval deliveries. After several quarters of solid growth (around +0.5% per quarter), general government consumption is expected to come to a standstill (+0.1%): it is likely that measures announced at the beginning of the year to cancel loans will begin to hamper activity.

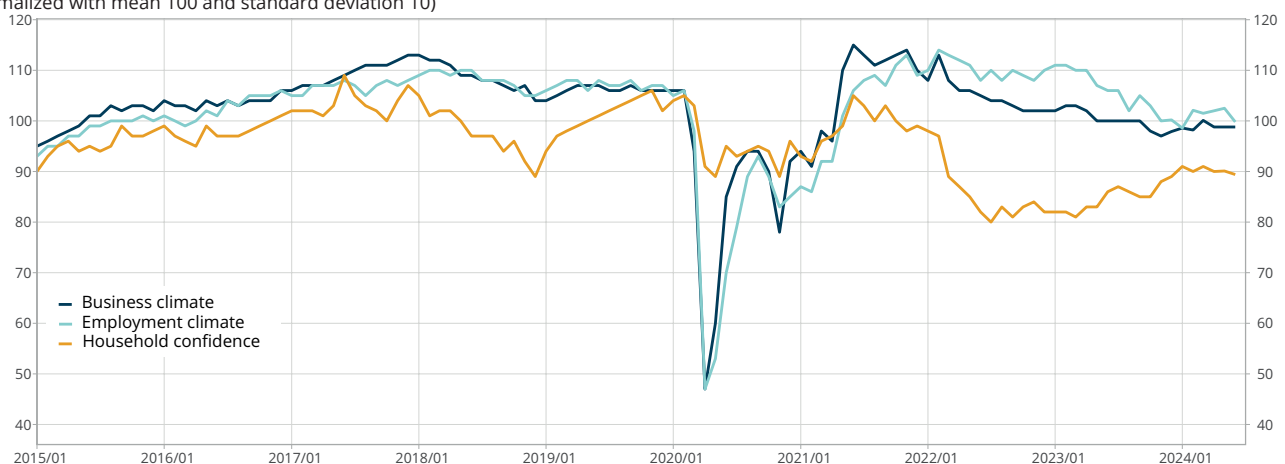
In H2, the profile of activity is likely to be affected by the hosting of the Olympic and Paralympic Games in Paris (► [Focus A](#) “Paris Olympics effect” on growth of around 0.3 GDP points in Q3), with activity accelerating in the summer (+0.5%) before coming to a standstill with the after-effects at the end of the year (-0.1%). Apart from the one-off effect of the Paris Olympics, activity is expected to maintain an underlying pace of around +0.2% per quarter: private consumption should follow its trend growth, but in contrast, government demand and investment are likely to remain sluggish.

Manufacturing added value is expected to rebound, driven mainly by the manufacture of transport equipment: automobile production looks set to improve with the opening of new electric vehicle assembly lines, while aeronautical production is likely to be boosted by Airbus’ delivery targets, even though these have been revised downwards.

On the demand side, corporate investment is expected to be sluggish, whereas household investment should gradually stabilise with the effect of the reduction in interest rates, after two years of sharp decline. Household consumption is expected to increase throughout the year in line with purchasing power, but the profile is likely to be impacted by the Olympic and Paralympic Games, as it is expected that around two thirds of the spectators will be French residents. This consumption will probably surge in the summer (+0.7%), particularly in services, with ticket sales for the events being recorded in the national accounts, and the expected increased use of the Ile-de-France transport network. However,

### ► 3. Business climate, employment climate and household confidence in France

(normalized with mean 100 and standard deviation 10)



**Last point:** June 2024.

**How to read it:** in June 2024, business climate in France stands at 99, below its long-term average of 100.

**Source:** business and consumer surveys, INSEE.

# French economic outlook

consumption is then likely to flatten out at the end of the year (+0.1%). Exports of services are expected to show a similar profile, with a third of spectators coming from abroad to see the Games, and because the TV rights for broadcasting the events have been sold to foreign channels. Meanwhile, manufacturing exports are expected to continue to be boosted by deliveries of major aeronautical and naval contracts.

All in all, growth should reach +1.1% as an annual average in 2024, as in 2023 (► **Figure 5**). This apparent stability in fact masks a movement of acceleration, with the reopening of nuclear power plants having contributed half a point in accounting terms to growth in 2023 (► **Box**). ●

## ► 4. Quarterly changes in economic activity by industry

(quarterly changes in %)

Branch	weight in %	2022				2023				2024				2022	2023	2024
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Agriculture, forestry and fishing</b>	<b>1.6</b>	<b>2.5</b>	<b>2.0</b>	<b>2.3</b>	<b>2.1</b>	<b>0.9</b>	<b>1.1</b>	<b>0.0</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-0.3</b>	<b>0.3</b>	<b>7.3</b>	<b>4.9</b>	<b>-1.4</b>
<b>Industry</b>	<b>13.4</b>	<b>-3</b>	<b>-2.4</b>	<b>-0.7</b>	<b>0.4</b>	<b>4.3</b>	<b>2.4</b>	<b>0.1</b>	<b>1.1</b>	<b>1.0</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>-5.4</b>	<b>5.8</b>	<b>2.7</b>
Manufacturing industry	<b>11.2</b>	<b>-0.8</b>	<b>-0.8</b>	<b>0.5</b>	<b>-0.3</b>	<b>1.2</b>	<b>2.0</b>	<b>-0.3</b>	<b>0.4</b>	<b>-0.6</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>-1.2</b>	<b>2.5</b>	<b>0.1</b>
Manufacture of food products, beverages and tobacco-based products	1.9	-2.8	-3.5	-1.6	-1.6	-2.1	1.6	-2.0	-0.1	4.1	-1.0	-	-	-4.7	-4.7	-
Coke and refined petroleum	0.1	37.3	37.2	21.4	4.4	-1.1	6.8	10.0	0.7	-0.1	0.0	-	-	64.7	31.7	-
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1.5	-0.1	0.0	2.8	-0.1	3.0	1.6	-1.2	-0.6	-1.5	1.0	-	-	1.7	4.8	-
Manufacture of transport equipment	1.7	-4.0	2.2	4.1	0.7	6.3	5.4	-0.6	1.2	-6.1	-1.7	-	-	0.1	14	-
Manufacture of other industrial products	6.1	0.3	-1.0	-0.4	-0.3	0.1	1.1	0.1	0.6	-0.3	-0.2	-	-	-1.4	0.4	-
Extractive industries, energy, water, waste treatment and decontamination	2.2	-12.9	-11.0	-8.2	5.4	21.6	4.2	1.7	4.3	3.5	1.2	0.1	0.1	-25.1	23.5	9.8
<b>Construction</b>	<b>5.7</b>	<b>-0.4</b>	<b>-1.9</b>	<b>-0.4</b>	<b>1.5</b>	<b>1.4</b>	<b>1.1</b>	<b>-0.2</b>	<b>-1.2</b>	<b>-2.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-3.0</b>	<b>2.2</b>	<b>-3.4</b>
<b>Mainly market services</b>	<b>57.5</b>	<b>0.3</b>	<b>1.4</b>	<b>1.1</b>	<b>0.1</b>	<b>-0.5</b>	<b>0.9</b>	<b>0.2</b>	<b>0.5</b>	<b>0.2</b>	<b>0.4</b>	<b>0.9</b>	<b>-0.2</b>	<b>5.6</b>	<b>1.4</b>	<b>1.6</b>
Trade; repair of automobiles and motorcycles	10.2	-0.3	0.0	0.6	-0.8	-1.2	0.5	-0.2	0.0	0.4	0.1	-	-	0.7	-1.1	-
Transport and storage	4.4	1.4	3.3	1.0	-1.9	-3.5	0.7	-1.4	-0.3	0.5	0.6	-	-	10.9	-3.9	-
Financial and insurance activities	3.6	0.0	1.0	1.5	-0.3	-1.3	-0.9	-1.5	-0.5	-2.4	0.4	-	-	2.4	-2.1	-
Real estate activities	14.0	0.3	0.6	0.3	0.0	0.0	0.3	0.1	0.2	0.2	0.3	-	-	1.7	0.7	-
Accommodation and catering	2.4	0.9	13.6	3.2	2.6	1.9	4.1	0.9	1.0	0.0	0.3	-	-	44.2	12.8	-
Information and communication	5.5	0.6	1.3	3.5	1.0	1.1	1.9	1.3	1.0	1.1	1.2	-	-	6.2	6.3	-
Scientific and technical activities; administrative and support services	14.5	-0.1	0.7	0.8	0.8	0.0	1.6	1.1	1.2	-0.2	0.5	-	-	4.6	3.3	-
Other service activities	3.0	2.2	2.8	1.4	0.7	1.1	-0.2	0.6	0.5	0.4	0.1	-	-	22.4	3.3	-
<b>Mainly non-market services</b>	<b>21.7</b>	<b>0.7</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.3</b>	<b>0.4</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>1.7</b>	<b>-0.7</b>	<b>0.8</b>
<b>Total VA</b>	<b>100</b>	<b>0.0</b>	<b>0.4</b>	<b>0.6</b>	<b>0.2</b>	<b>0.3</b>	<b>0.9</b>	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.1</b>	<b>2.9</b>	<b>1.6</b>	<b>1.2</b>

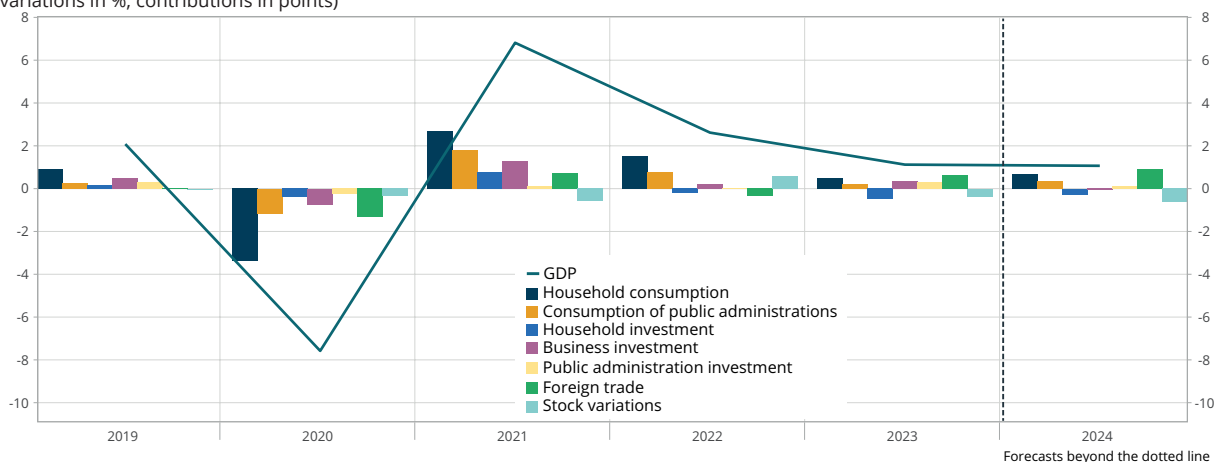
■ Forecast

**How to read it:** in Q1 2024, value added in the manufacturing industry fell by 0.6%. It is expected to decrease by 0.2% Q2 2024.

**Source:** INSEE.

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

(annual variations in %; contributions in points)



**Note:** general government consumption also includes consumption by non-profit institutions serving households (NPISH).

**How to read it:** in 2022, GDP would increase by 1.1%; the contribution of household consumption amounted to +0.5 points.

**Source:** INSEE.

## In 2023, the restarting of nuclear power plants contributed half a point to GDP growth

Fanch Morvan

A significant number of nuclear reactors were shut down in France in 2022 for maintenance or monitoring operations, made all the more necessary by stress corrosion phenomena. Production of nuclear energy declined by 23% according to RTE, and electricity production by 15%: France was thus a net importer of electricity for the first time in more than 40 years (► [Figure 1](#)). This decline contributed -0.4 to -0.5 points (depending on the approach used) to annual GDP growth in 2022 (which reached +2.6 %). In 2023, with the restarting of the power plants, two thirds of the production lost in 2022 was able to be recovered: the electricity foreign trade balance improved significantly. All in all, the rebound in electricity production contributed around +0.4 to +0.6 points to GDP growth (which reached +1.1%). The fact that this contribution was of the same magnitude even though production had not completely returned to its initial level is the result of some strong “chaining effects” and sectoral weighting linked to the high electricity prices in 2022.

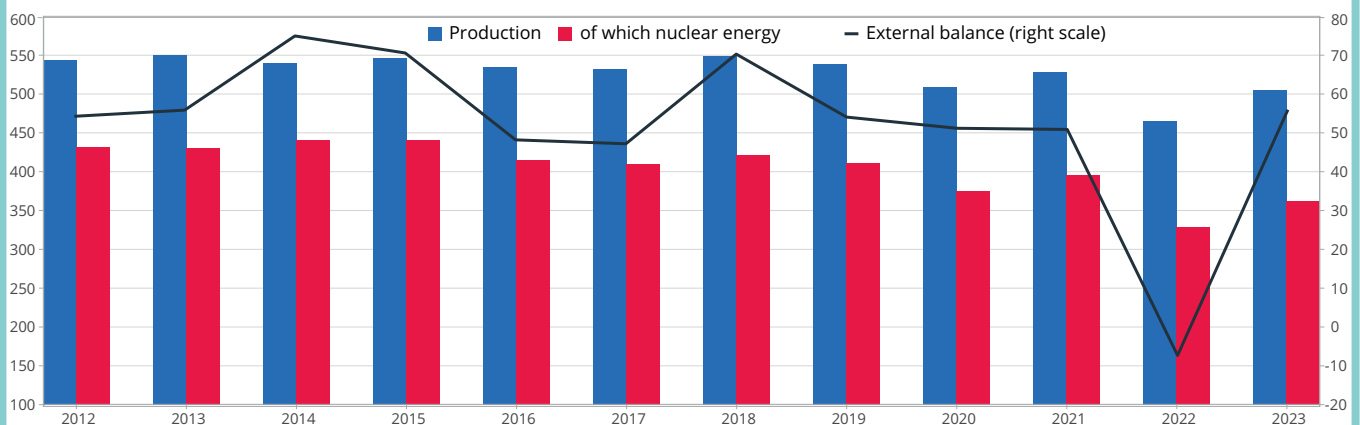
### A contribution of electricity production to growth of around -½ point in 2022 and about +½ point in 2023...

To calculate the contribution to French growth of shutdowns and restarts of nuclear reactors, we first look at the contribution to growth of the value added of the electricity branch alone: this was -0.4 points in 2022 and +0.4 points in 2023. These figures may reduce the full effects of the availability of the nuclear reactor fleet slightly as they do not take knock-on effects into account, such as the increase in intermediate consumption of services by power plants. An alternative measurement, also imperfect, is the contribution to the growth in overall final domestic demand and in the foreign electricity balance: this was -0.5 points in 2022 and +0.6 points in 2023. This second measurement can be seen as an increase because part of the rebound in the foreign electricity balance is due to the drop in domestic consumption by businesses, especially energy-intensive industries, and not to the restart of production.

On the demand side, almost all of the effects on growth of the restarting of production have found their counterpart in the foreign balance (-0.4 points in 2022 and +0.7 points in 2023). Domestic demand adjusted somewhat to the unavailability of the nuclear fleet: households’ energy-saving behaviour represented 0.1 points of GDP in 2022. In 2023, the drop in electricity consumption by businesses increased the foreign trade surplus partly through energy-saving behaviour but also by reducing production in the most energy-intensive branches (in paper-making, metallurgy, chemicals and rubber-plastic, production fell by -5.3% in 2023 after -4.0% in 2022).

### ► 1. Electricity production and trade balance

(in TWh)



Source : RTE.

# French economic outlook

## ... increased by strong “chaining effects” linked to the price of energy

The relative symmetry between the downward contribution in 2022 and the upward contribution in 2023 may seem surprising, given that production in 2023 had not recovered its 2021 level. This reflects the role of the price system used to aggregate production.

The national accounts are published in *volumes at the chained prices* of the previous year. GDP aggregates quantities of very diverse products. As these quantities cannot be summed directly, they are weighted according to price. Until 2007, INSEE used the prices of a fixed year for this (*volume at constant prices*), which has the disadvantage of freezing the relative price structure. With the chained approach, using the previous year’s price, the price structure is able to evolve with technological and behavioural changes, developments which are significant over a long period but are usually limited from one year to the next.

However, variations in electricity prices were particularly irregular in 2022 and 2023, with the rise in gas prices and the unavailability of French nuclear power plants contributing to the surge in spot prices (accounting for a major share of foreign trade) in 2022. Whereas the drop in production in 2022 was valued at the 2021 price, the recovery in 2023 was valued at the 2022 price: its weighting was therefore much greater. The effects of chaining were therefore more significant than usual.

To evaluate the contribution of electricity to this chaining differential, ► **Figure 2** compares the contributions to growth in the final electricity demand items by constant volume and by chain-linked volume. For the constant volume, the contribution of the final electricity demand was -0.2 points of GDP in 2022 and +0.1 points in 2023, reflecting the partial rebound in production. For the chained volume, their contribution was -0.5 points in 2022 and +0.6 points in 2023. Although the accumulation over two years is similar, this is a striking illustration of the dependence of annual changes in volume on the choice of price system. ●

## ► 2. Contribution to growth of jobs and resources in the electricity branch according to the volume-price sharing method

(% change and contribution in GDP points)

	2022		2023	
	Volume chained to previous year's price	Volume at 2020 constant prices	Volume chained to previous year's price	Volume at 2020 constant prices
Contribution of electricity exports to GDP growth	-0.4	-0.2	0.7	0.1
Contribution of electricity imports to GDP growth	-0.1	-0.1	-0.1	0.0
Total of contribution of final domestic electricity demand and foreign trade balance	-0.5	-0.2	0.6	0.1
Branch value added	-0.4	-	+0.4	-

**Note:** the breakdown by branch of value added by volume at 2020 constant prices is not available.

**Source:** INSEE.