International developments

Financial markets

Low visibility, high risk

Concerns surrounding sovereign debt in the Eurozone since summer have heightened tensions on the financial markets. These tensions have spread to the interbank money markets and have led to a global rise in risk premia.

Against this backdrop, the monetary policies of the advanced economies have remained clearly expansionary and new, unconventional measures have been put in place this autumn. The main central banks are attempting to cope with weakening growth prospects, an expected drop in inflation, and the increasing risk of a credit crunch.

Within this forecasting period, the conventional assumptions retained for exchange rates are 1.37 dollars, 105 yen and 0.88 pound to the euro.

Bond yield spreads have widened in the Eurozone

Concerns surrounding the sovereign debt situation in the Eurozone have led to tensions on the financial markets. The interest rates for the lowest-rated sovereign debts (Greece, Portugal, Italy and Spain) have risen sharply since the summer *(see Graph 1)*. The spread between the Italian and German rates climbed to over 450 base points in November 2011. The gap between the French and German ten-year yields has also widened, standing at 146 basis points on average in November. At the same time, a «flight to quality» effect has brought down the rates of the sovereign bonds considered to be the safest (Germany, United States, United-Kingdom).

The uncertainty surrounding the future of the Eurozone bond markets is very high at this year-end. In this context, our forecasting scenario conventionally assumes that the rates will be maintained at their last observed level.

Renewed tensions on the money market

Exposure to foreign debt in the Eurozone has made the financing conditions of banks more difficult. Tensions have therefore been running high since August on the European money markets, at levels comparable to those observed at the start of 2008 *(see Graph 2)*. Although less affected, the American interbank market has also been hit by tensions, mainly through the effect of risk contagion from the Eurozone. Two-thirds of banks consulted in the credit survey conducted by the Federal Reserve (Fed) say they have tightened the lending terms granted to European banks in Q3.

1 - Spreads have widened between sovereign yields in the Eurozone

in basis points*

**Spread between the 10 year interest rate on national bonds and the 10 year interest rate on German bonds*
Source: DataInsight

Monetary policies remain clearly expansionary

Faced with these financial tensions, monetary policies have remained clearly expansionary in nature. Since november, the European Central Bank (ECB) cut its reference rate by 50 basis points to 1.0%. In the United States, the Fed announced it was to maintain its own rate at 0.25% until 2013. Additionally, other unconventional measures were put in place at the start of Q3. The Fed launched Operation Twist (the sale of treasury bonds with short maturities and the purchase of bonds with longer maturities) and the ECB instigated long-term refinancing operations and the purchase of sovereign bonds.

Given the weak growth prospects in the United Kingdom, the Bank of England (BoE) launched a quantitative easing plan in October, the third since 2009. The Japanese central bank (BoJ) has intervened on the foreign exchange markets in an attempt to curb the appreciation of the Yen.

Lastly, faced with a worldwide slowdown in activity and the easing of inflationary pressures, the emerging countries are likely to implement more accommodative monetary policies in the coming months.

Lending conditions tightening in the Eurozone

This context is likely to take its toll on the distribution of credit within the Eurozone by mid-2012. Deteriorating financial and economic prospects are likely to encourage banks to tighten their lending conditions, as indicated by the ECB surveys in October *(see Graph 3)*.

In the United States, the opinion surveys carried out by the Fed do not signal any real credit contraction, but do show a reduction in demand for industrial and commercial credit in Q3, most notably among small enterprises.

The European stock markets down on the beginning of the year

In Q4 2011, the European stock markets have not wiped out the losses of August 2011, and the gap with the American market has widened *(see Graph 4)*. At end November the French and German indices (CAC 40 and DAX 30) are respectively set to be roughly 20% and 15% down on January 2011, while the Dow-Jones loses less than 5% over the same period. As well as plummeting prices, the stock market indices are also still highly volatile - the most they have been since early 2009, a sign that economic prospects remain very uncertain.

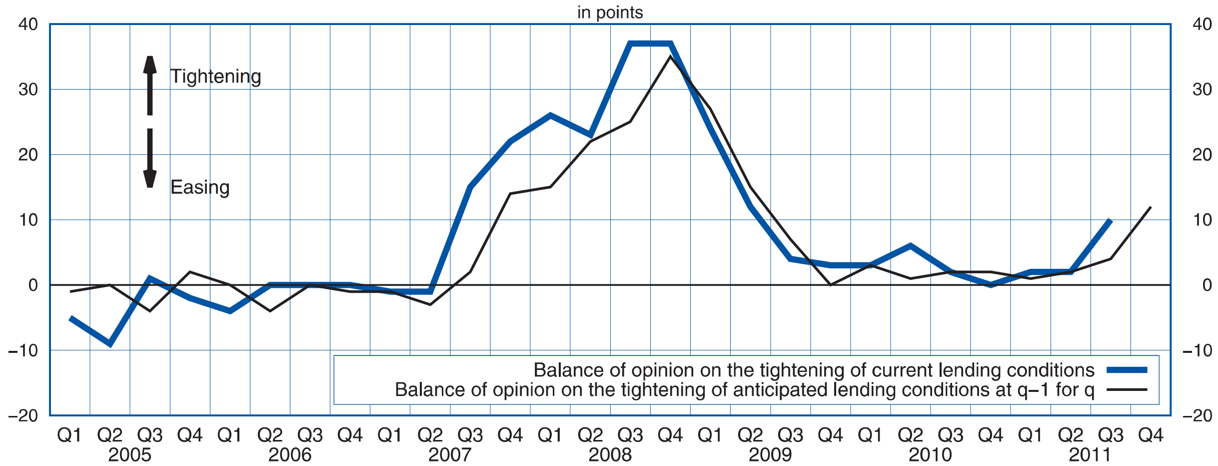
The euro resisting pressure to fall against the dollar

Despite the heightened tensions surrounding European sovereign debt, the euro has fallen only moderately, with the figure standing at around 1.34 dollars at end November after 1.45 dollars at end August *(see Graph 5)*. The euro-dollar exchange rate should however continue to show great volatility over the coming quarters. The yuan is likely to continue appreciating slowly and the yen is set to stabilise at a high level against the dollar and the euro. Demand for the Japanese currency is still very high, despite the interventions of the Bank of Japan. ■

2 - Tensions on interbank money markets

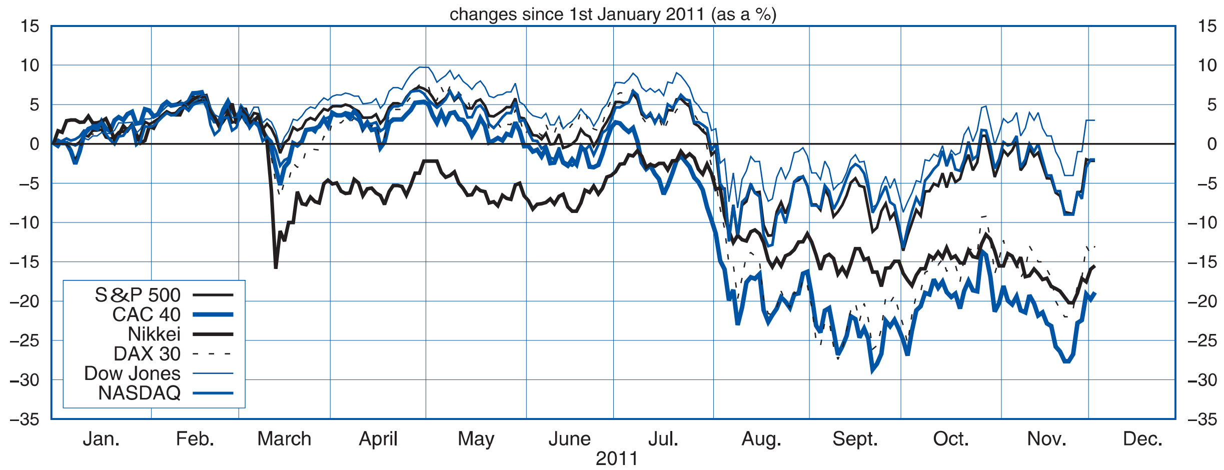
*Spread between the Libor or Euribor three-month rate and the OIS swap rate
Source: DataInsight

3 - Tightening of lending conditions in the Eurozone



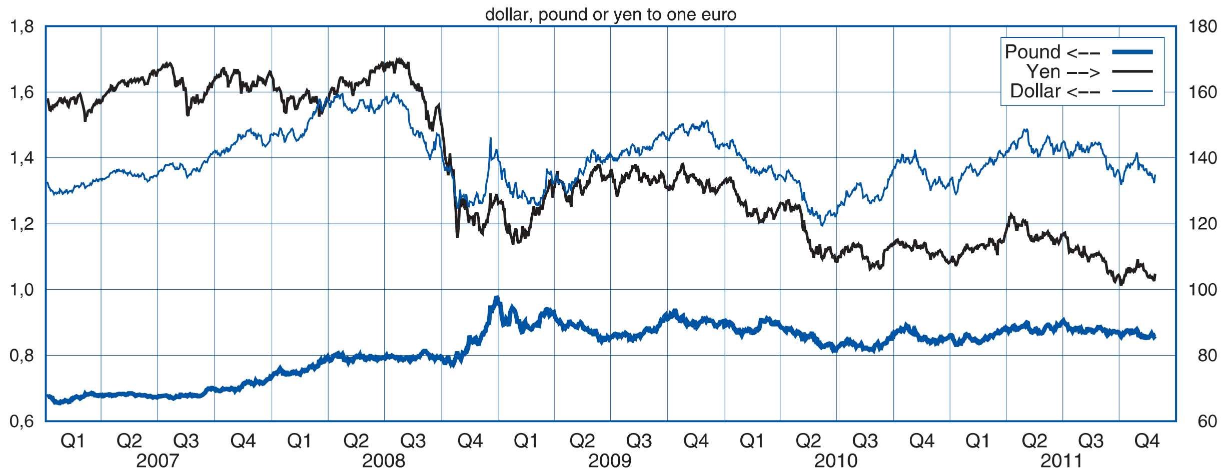
Source: ECB (quarterly bank lending survey)

4 - European stock markets still down



Source: DataInsight

5 - Changes to the euro exchange rate



Source: DataInsight

Focus: What is the impact of movements in sovereign rates on activity in the Eurozone?

Since summer 2011, sovereign bond yields have fluctuated widely in most Eurozone countries *(see Graph 1)*. Benefiting from a flight to quality which started in summer, German 10-year bond rates have fallen dramatically, from 3.2% in H1 2011 to 1.9% in mid-November. Only the Netherlands have experienced a similar drop, with their rates falling from 3.4% to 2.6% over the same period. Conversely, in certain Eurozone countries (Spain, Italy and Belgium, notably) sovereign bond rates have risen sharply. In France, the 10-year sovereign yield grew in November after a fall in the summer. In mid-November it was 13 basis points higher than it was at the start of the year.

Expected effects of movements in sovereign rates

A rise in State bond yields generally spreads to private-sector financing conditions, thereby affecting real activity. The situation is however unusual at present: the movements in sovereign yields do seem to be closely linked to the market's assessment of national government finances, and so it is not certain that they will be transmitted in full to private agents. Substitution effects could occur in certain cases between State bonds and other bonds seen as less risky, most notably corporate bonds. We have made the conventional assumption that only 50% of the sovereign shock would be passed on to the reference rates in the private sector, mainly the average bank lending rate and the average corporate bond rate.

With a rise in rates, the main mechanism that comes into play is a rise in the cost of capital. This adversely affects corporate investment and also, although to a lesser extent, household property investment. A rise in the cost of capital also hikes up oil prices, which damages price-competitiveness and thus adversely affects exports whilst sustaining imports. This rise in production prices also increases consumer prices, thereby bringing down household consumption. Lastly, the rise in rates leads to a drop in the value of assets, which may also cause a drop in household consumption. This wealth effect is however empirically very weak in the Eurozone.

Lastly, it is via another channel, that of trade, that the activity of a country is also affected by the movements in sovereign rates of its main trading partners. A drop in investment and consumption in one of the Eurozone countries has major effects on the activity of the big exporting countries. Due to the strong interdependence between its countries, the Eurozone is particularly sensitive to these trade channels.

Simulation of a sovereign shock in the Eurozone: working hypotheses

The evaluation covers Eurozone's six largest economies: Germany, France, Italy, Spain, the Netherlands and Belgium. We examine the effect of an instantaneous shock on sovereign rates, the extent of which is calibrated as the difference between the levels observed in mid-November and the levels of H1 2011 *(see Table)*.

We used the global model NiGEM1 in which all the countries are modelled individually and linked to each other by trading and financial flows. This model allows us to take into account the transmission mechanisms whereby the increase in national sovereign rates affects the domestic economy (direct domestic effect), but also the impact of sovereign shocks on the main trading partners (indirect foreign effect). This evaluation is confined to the effects induced by rises in rates and does not include the effects of the confidence shock in the Eurozone which started in summer 2011, or the impact of budget consolidation efforts.

Results

The results are presented in Graph 2. For the countries undergoing a notable shock, the effects on activity are relatively large. Italy and Spain would therefore suffer a drop in GDP in the order of -0.3% after one year. In the other direction, a fall in the German sovereign yield, assuming that it is 50% transmitted to the financing of private agents, stimulates activity in Germany in the order of 0.3% over the same period. The simulation also highlights an indirect foreign effect due to the shock caused by the debt yields of the other countries: for example, it comes to 0.03% for Italy and -0.04% for Germany. In the case of Germany, the contraction of activity in most other Eurozone countries leads to a drop in exports, thus depressing its own growth. Conversely, countries that export extensively to Germany, such as Italy, Spain and Belgium, benefit from a positive «Germany effect».

In the case of France, the effects are globally weak: on the one hand, the shock is small in scale; and on the other hand the trade effects are globally balanced out between Germany on one side and Italy and Spain on the other. ■

(1) National Institute Global Econometric Model

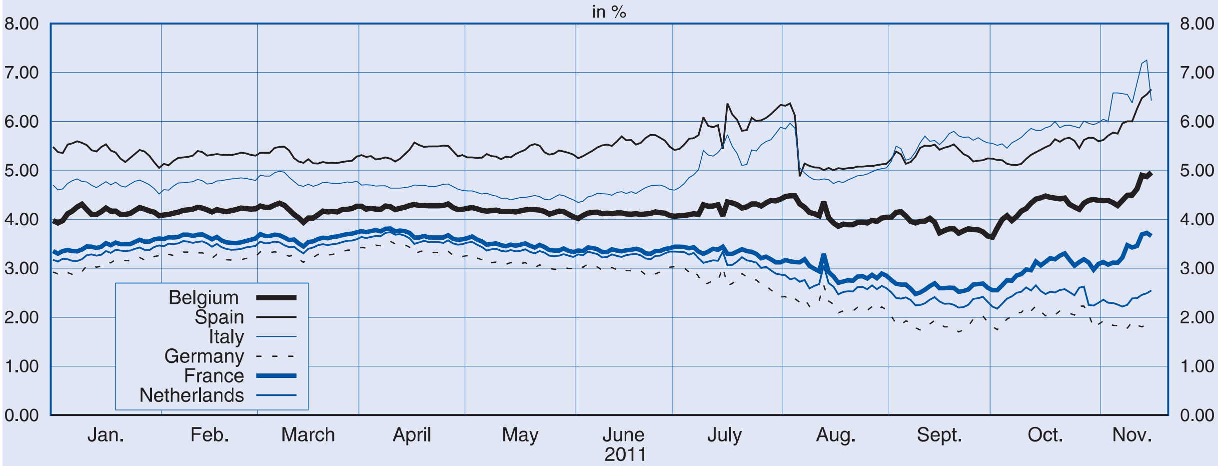
Table

Changes in the 10-year bond interest rates of the main Eurozone countries and values retained for the scenarios

10-year bond yields	Belgium	Spain	Italy	Germany	France	Nether-lands
Average H1 2011	4.2	5.4	4.7	3.2	3.5	3.4
Value at November, 17th	5.0	6.7	6,4	1,9	3.7	2.6
Changes to sovereign yields in the scenario under study (in basis points)	+79	+129	+177	-125	+13	-84

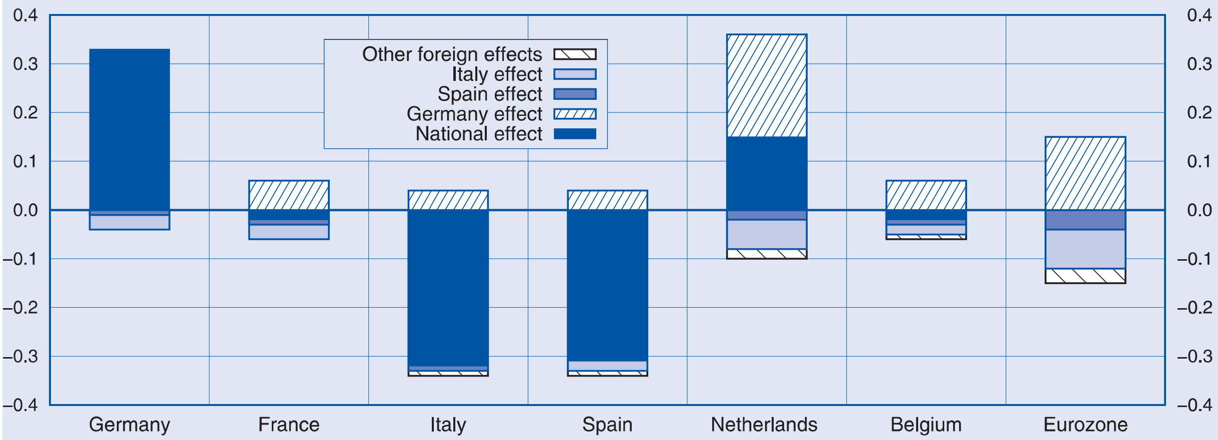
Source: DataInsight

1 - Changes in the sovereign yields of the main Eurozone countries



Source: DataInsight

2 - Impact of the changes in sovereign yields on GDP after four quarters



Source: INSEE calculations

Eurozone

The Eurozone marking time

In Q3 2011, activity in the Eurozone progressed at the same pace as in Q2 (+0.2%) thanks to strong growth in France and in Germany. However, GDP stagnated in Spain and appears to have declined in Italy. Domestic demand, carried mainly by the rebound in consumption in France and in Germany, globally sustained activity in the Eurozone. Exports also accelerated.

However, the growing tensions surrounding sovereign debt have caused a confidence shock, and the financing conditions for private agents have started to tighten in certain countries. Since September, the economic climate has deteriorated sharply in the Eurozone, a sign that the shock is now affecting the real economy. Activity is thus set to contract sharply in the Eurozone in Q4 (-0.3%), as falling domestic demand combines with lower demand for exports. In 2012, GDP should decline less sharply in Q1 (-0.1%) then stagnate in Q2 (+0.0%). Exports outside the Eurozone should pick up, thereby encouraging a slight rebound in activity.

The Eurozone is likely to remain marked by a divergence between France and Germany on one side, where activity should start to recover in mid-2012, and Spain and Italy on the other, where it is set to continue weakening. All in all, growth in the Eurozone should stand at 1.6% in 2011, and the overhang for 2012 at -0.1%.

Tensions surrounding sovereign debts

In Q3 2011, the conditions for financing the sovereign debt of certain Eurozone countries worsened, most notably in Spain, in Italy and to a lesser extent in France *(see Financial Markets note)*. The uncertainty on the financial markets is taking its toll on consumer and investor confidence, as well as on the cost of access to credit.

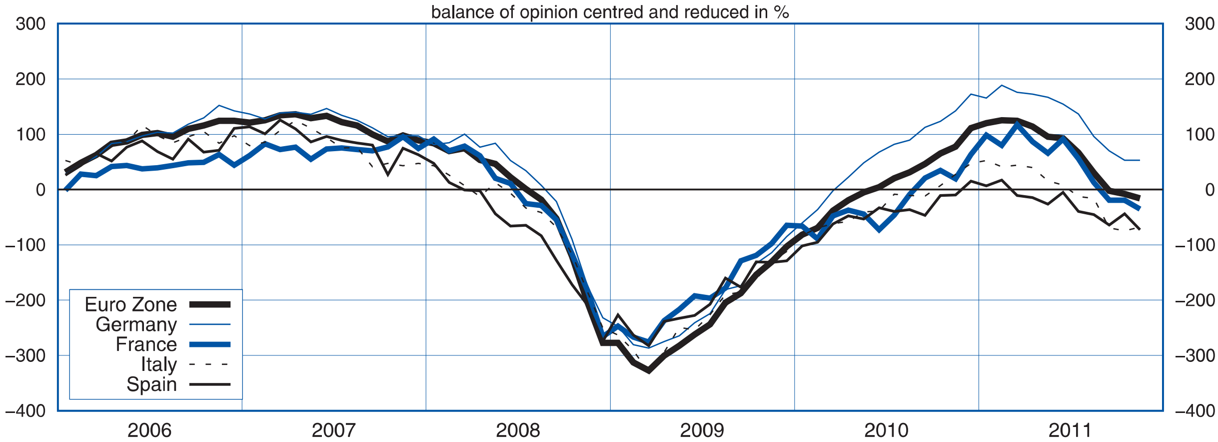
The economic climate deteriorating sharply

Activity held up in Q3 (+0.2%), carried by a rebound in France (+0.4%) and in Germany (+0.5%). However, the business tendency surveys have shown a continual deterioration since May *(see Graph 1)* and this low level has led to expectations of a contraction of activity in the main Eurozone countries in Q4 2011. In H1 2012, domestic demand should continue to decline but activity in the Eurozone should gradually be supported by an improvement in world trade.

Declining domestic demand

Purchasing power is likely to decline through to mid-2012. The labour market situation in the Eurozone is set to deteriorate further. Due to the low level of activity, employment should stagnate in Q4 (+0.0%) then slip back in H1 2012 (-0.1% per quarter). The high level of unemployment is likely to adversely affect growth in wages and despite the fall in inflation, real wages are unlikely to progress within the forecasting period.

1 - Business tendency surveys: confidence in the industry sector



Source: DG ECFIN

Additionally, in 2011 and 2012 the Eurozone countries are implementing budget consolidation strategies and, faced with worsening growth prospects, some of them have recently announced further measures to enable them to meet their public finance objectives. Some of these measures should directly affect household purchasing power: civil service wage freezes in Italy, in Spain and in France, social benefit cuts in Italy, tax rises in France and in Italy. In this context, consumption is set to fall back by 0.1% in Q4 2011 and then stagnate in H1 2012 (+0.0% per quarter).

The macroeconomic environment is likely to be unfavourable to investment. On the one hand, the production capacity utilisation rate fell once again in Q4. On the other hand, lending conditions tightened in Q3, particularly in Italy and France *(see Graph 2)*. Given the fall in activity prospects, investment in equipment should therefore drop within the forecasting period.

Trade outside the Eurozone should sustain activity in 2012

In Q4 2011, exports are set to fall (-0.5%), affected by the weak demand of Eurozone countries. Exports should gradually pick up in H1 2012 (+0.1% then +0.4%) thanks to a rebound in demand from countries outside the Eurozone *(see Graph 3)*.

All in all, activity in the Eurozone should contract in Q4 (-0.3%). It is likely to decline again slightly in Q1 2012 (-0.1%) then stagnate in Q2 (+0.0%). However, situations are likely to contrast greatly between countries. Germany, and to a lesser extent France, should benefit from the upturn in world trade in 2012 and from the relative resistance of their domestic demand: in both these countries activity should start to pick up in spring. Conversely, in Italy and Spain where domestic demand is likely to be very low, the slight rebound in world trade will not be sufficient to drag these countries out of recession.

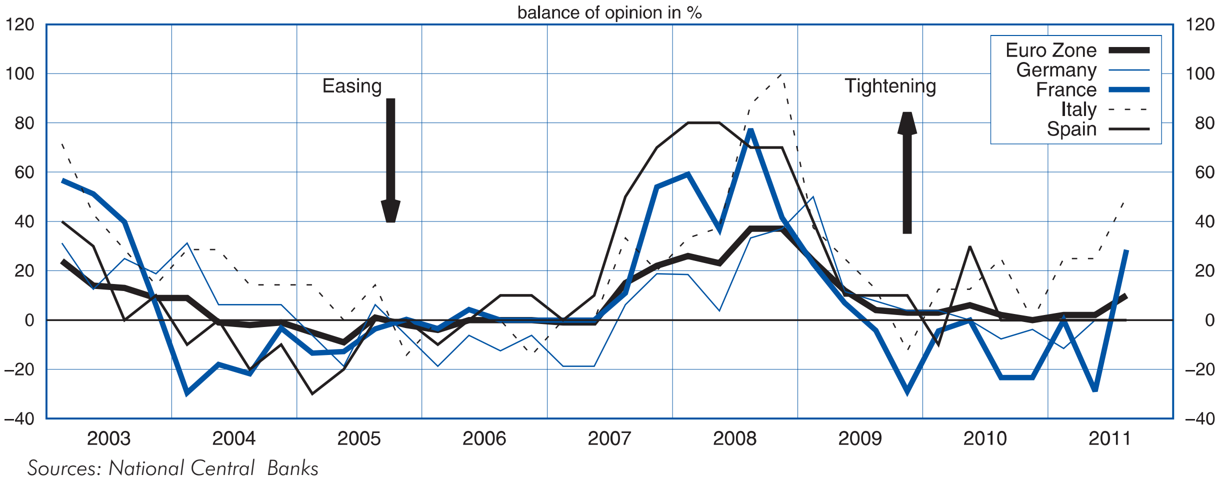
Inflation set to slow sharply in 2012

The unemployment rate increased in Q3 (to 10.2%) and should continue to rise until Q2 2012, due to the low levels of activity. Inflationary pressure should therefore be moderate and core inflation(1) should fall back very slightly, standing at 1.5% in June 2012 *(see Graph 4)*.

Headline inflation in the Eurozone rose to 3.0% in October, but should rapidly fall back to 1.8% in June 2012. Indeed, assuming that the Brent barrel price falls to €73 in June 2012 and food commodity prices remain stable, year-on-year energy and food prices should fall sharply in 2012. ■

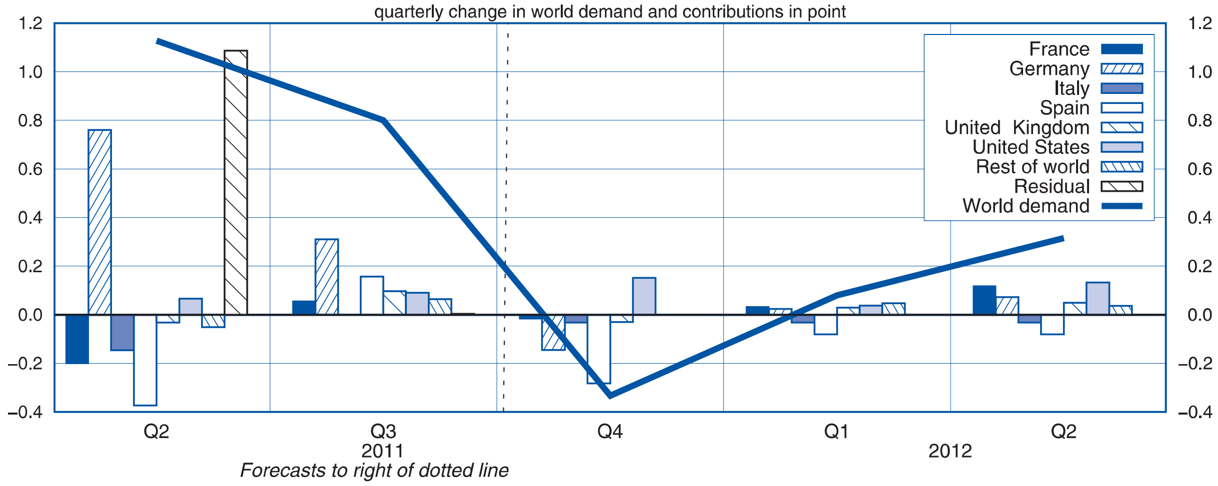
(1) Excludes energy and food. Unlike in France, core inflation in the Eurozone, calculated by Eurostat, is not corrected for the mechanical impact of tax measures. Part of its recent rise reflects the VAT increase in

2 - Lending conditions for companies



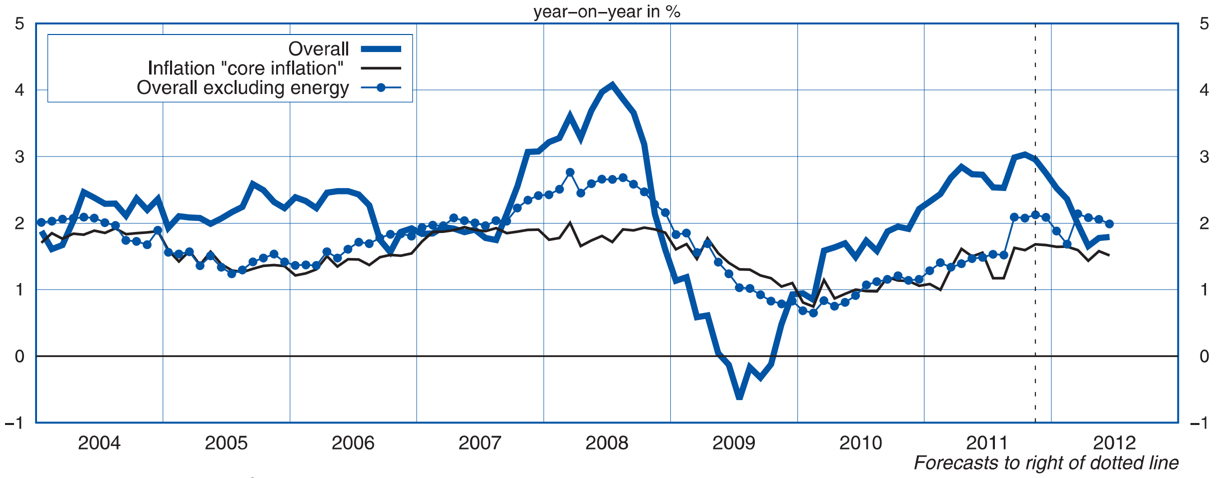
Sources: National Central Banks

3 - World demand for Eurozone products and contribution of imports by partners



Sources: Centraal PlanBureau, INSEE forecasts

4 - Consumer prices in the Eurozone



Sources: Eurostat, INSEE forecasts

Focus: An economic turning point indicator for the Eurozone

Based on the results of business tendency surveys, a turning point indicator is designed to provide qualitative information on the state of the economy (favourable or unfavourable situation). For example, INSEE publishes such indicators based on the business tendency surveys in industry, services and construction. By applying this methodology to the surveys in industry in various Eurozone countries, here we propose an update of the monthly turning point indicator for the Eurozone presented by C.Doz, F. Lenglart and P. Rivière in 2000.* This update became necessary due to the change of classification in 2010 (switch from NACE Rev 1 to NACE Rev 2) which in some ways changed the outline of the industry survey and the values of the corresponding balances. This indicator allows us to detect the turning points in the economic situation at an early stage. The signals it provides are readable, aligned with the economic cycles observed in the past, and little-revised from one month to the next. Over the recent period, it indicates that the Eurozone has been in a negative zone since July 2011.

Principle of the turning point indicator

The turning point indicator is built using the method proposed by Hamilton (Hamilton, 1989), then transposed by various authors to French data (Grégoir and Lenglart, 2000, Baron and Baron, 2002, Ast, 2010).

We assume that the Eurozone may find itself in one of two situations: either in a positive economic phase or in a negative economic phase. The state of the economic situation is not observed directly but can be assessed through the responses given by business leaders in the business tendency surveys, with more of them stating that the business climate is improving during high phases in the economic cycle than during the low phases.

We use the business tendency surveys in industry in the main countries of the Eurozone: Germany, Netherlands, Italy, France, Belgium. Using five balances of opinion in industry (past output, output perspectives, order books, foreign order books, inventory), we built a composite indicator for each country, and for the Eurozone as a whole. These composite indicators allow us to estimate the likelihood of being in a positive phase («upper» state) or a negative phase («lower» state).

The turning point indicator then corresponds to the difference between the probability of the upper state (value +1) and the probability of the lower state (value -1). When it is in the region of zero, this signals a phase of cyclical uncertainty: an identical likelihood of being in the upper state or the lower state. When the indicator changes sign, we generally consider that this turning point signal has to be confirmed the following month: we have to wait for two consecutive identical signals to state that there is a genuine turning point in the situation.

Comparison of the indicator with economic cycles

A good turning point indicator should give signals each month that are aligned with the economic cycle. The economic growth cycle is defined according to the gap between GDP and its long-term trend. The high (low) phases are phases when growth is higher (lower) than the growth trend. To define and date the economic cycles, we start with the GDP of the 17-country Eurozone (source Eurostat). We extract the cyclical component of the series around its trend, by applying a filter (of the Hodrick-Prescott type) on one hand and by subtracting the irregular component of the series on the other.

The reference dating is then established using the peaks and troughs of this cyclical component. The signals supplied by the turning point indicator serve to pinpoint these low and high phases and thus provide readable signals aligned with past economic cycles.

The turning point indicator helps detect the different phases of the cycle

The turning point indicator and the dating of cycles as described above (upper phases white and lower phases grey) are superimposed (see Graph). The indicator is estimated over the period from January 1995 to January 2008. The subsequent points are estimated in real time, i.e. on the basis of information available in each period.

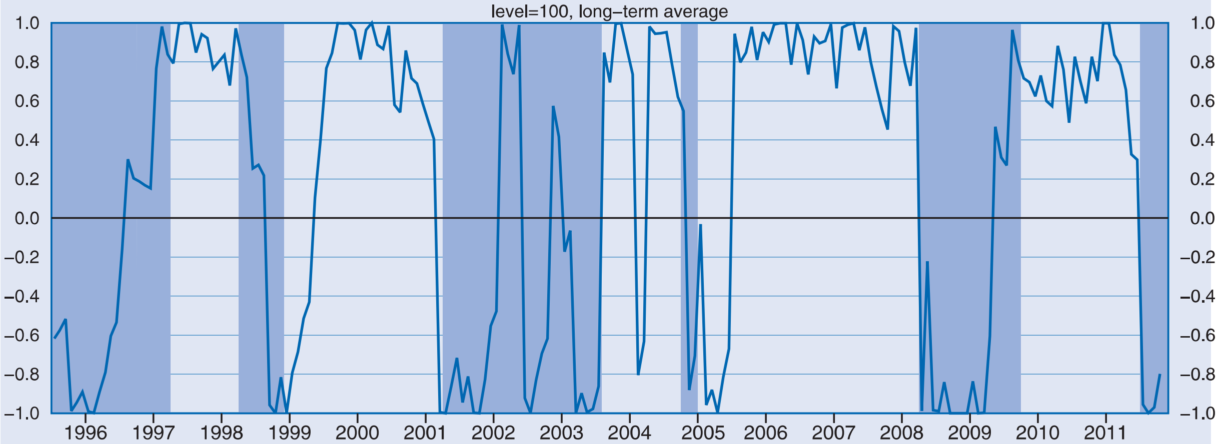
The turning point indicator delivers readable signals: its absolute value is often higher than 0.5. Additionally, it is often aligned with the reference dating, even on the latest points. For example, the turning point indicator captured the turning point in activity when the internet bubble burst in 2001 and in the Asian crisis in 1998. During the 2008 crisis, the turning point indicator also detected the entry into and exit from the lower phase.

To summarise, the indicator only provides qualitative information, but it is useful as it gives an early indication of turning points.

Over the most recent period, it indicated a turning point in the economic cycle in the Eurozone as early as July 2011. ■

* C. Doz, F. Lenglart, P. Rivière : « Deux indicateurs synthétiques de l’activité industrielle dans la zone euro », note de conjoncture de juin 2000.

Eurozone turning point indicator and reference dating



Source: DG ECFIN, INSEE calculations

Germany

Hit by the downturn

Activity picked up slightly in Germany in Q3 2011 (+0.5% after +0.3%) and all the components of demand supported growth. More particularly, household consumption rebounded after a marked drop in Q2. However, in Q4 this dynamic is likely to be interrupted: the weak demand from European countries should hit German exports hard. With dwindling foreign outlets, investment is likely to decline. As both domestic and foreign demand simultaneously slide, activity should drop in Q4 (-0.2%). It should then pick up very gradually (+0.0% then +0.2%) in H1 2012, buoyed up by demand from countries outside Europe.

Foreign trade and investment at a standstill

On the sovereign debt market, Germany has been a beneficiary of the pronounced "flight to quality" effect since last summer and has continued to finance itself at particularly low rates. However, the European crisis has begun to take its toll on the German economy through the demand channel: almost 40% of its exports are destined for the Eurozone. Exports should therefore decline in Q4 2011 with the fall in demand from Europe. They should then rise moderately in H1 2012, stimulated by the dynamism of demand from outside the Eurozone.

Following on from exports, corporate investment in equipment is likely to slip back in Q4. Orders for capital goods actually fell back sharply in Q3 *(see Graph)*. In 2012, investment in equipment should fall back further in Q1, then pick up somewhat in Q2 following the slight rebound in activity.

Wages moderate and employment stagnating

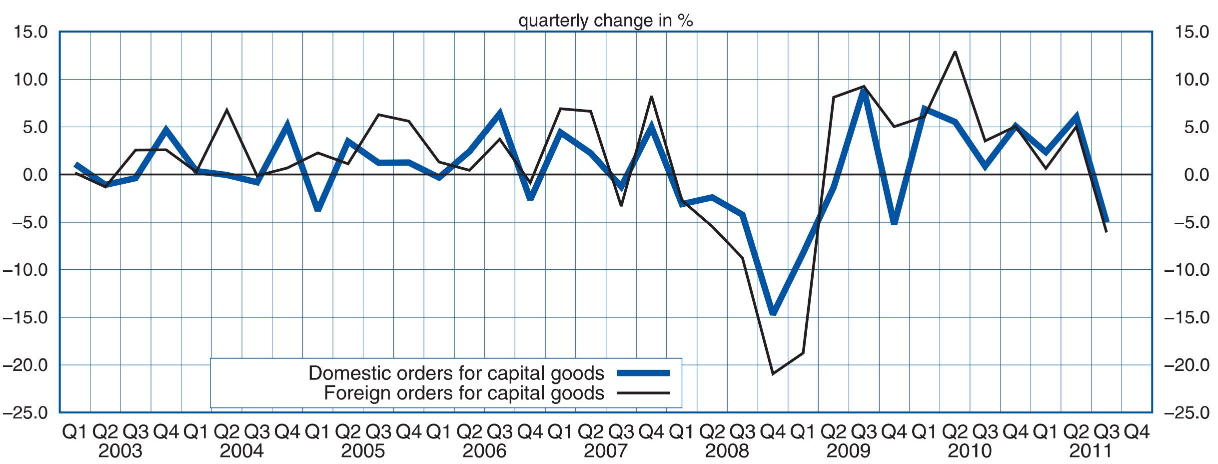
In Q3 2011 employment continued to increase, in line with growth levels. Labour market conditions tightened somewhat, leading to fears of labour shortages in certain sectors. This is why German businesses, faced with a downturn in activity, are likely to adopt the same strategy as in 2008, namely labour hoarding, and decide to retain their staff: employment should thus remain constant until mid-2012.

Wages were particularly dynamic in H1 2011, among other things thanks to the wage agreements concluded in many sectors. Despite the low level of activity and sluggish employment, real wages should progress slightly up to mid-2012 because of the continuing labour market tensions.

A bleak outlook for household consumption

Despite the labour market holding up well, purchasing power gains have been moderate since the start of 2011 due to the rise in inflation and the entry into force of the budget consolidation measures: a rise in social contributions and a cut in social benefits. Purchasing power gains are likely to remain low within this forecasting period, taking its toll on German household consumption, which is set to decline somewhat in Q4 (-0.1%) before picking up slightly in H1 2012 (+0.1% per quarter). ■

Orders for capital goods fell back sharply in Q3



Source: Destatis

Italy

Tense times

The pressure on Italian government finances has increased since summer: the interest rate on ten-year sovereign bonds has risen sharply over the last few weeks. Faced with this situation and in order to restore the credibility of its public finances, Italy has decided to implement further measures. But the country is continuing to finance itself at high rates, while the crisis is beginning to affect the credit award terms granted to private agents.

The effort with the budget is likely to take its toll on Italian household purchasing power, and consumption is unlikely to buoy up activity over the coming months. Given the low level of domestic demand on the one hand and the tightening of credit award conditions for businesses on the other, investments in capital goods should start to decline in Q4. Exports should also slip back, dragged down by lower demand from European partners, then gradually pick up again. Under these conditions, activity is likely to contract through to mid-2012.

Household purchasing power and consumption on the decline

The labour market situation is still poor in Italy. The unemployment rate rose once again in October (+8.5 %) after stabilising at around 8.0 % over the summer. With the contraction in activity, employment is set to stagnate throughout the forecasting period. Nominal wages should then slow down, due to the deteriorating labour market and the freeze on civil service wages. Real wages should therefore decline.

Additionally, new tax rises and social security cuts are set to come into force at the end of the year, weighing heavily on household purchasing power. Households therefore seem likely to reduce their consumption expenditure for the first time since Q2 2009: -0.1% in Q3 2011, then -0.2% in the following quarters *(see Graph)*.

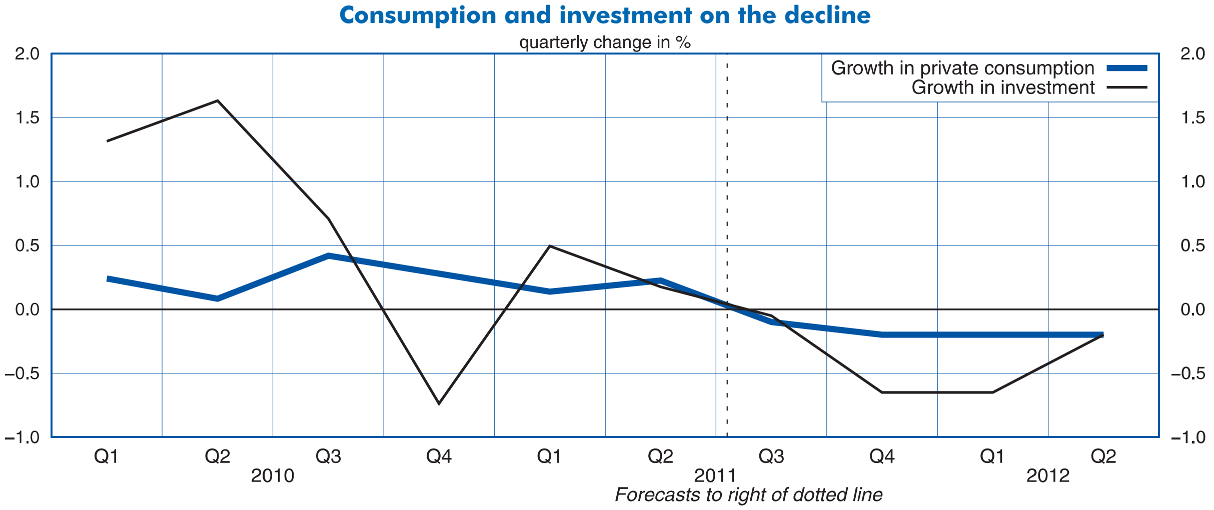
Investment flagging

The macroeconomic environment is unlikely to encourage investment: trade prospects are gloomy, the production capacity utilisation rate has shifted downwards and credit award terms are tightening. Investments in capital goods should therefore fall back, starting in Q4 2011. Investment in construction is unlikely to pick up before mid-2012, mainly because of the cuts in government investment.

The European context taking its toll on exports

As in the Eurozone as a whole, Italian exports are set to plummet in Q4, owing to declining demand from Italy's main European partners. In H1 2012 they should pick up very slightly, in line with foreign demand. The contribution of foreign trade to activity should diminish at the end of 2011 (+0.1 point in Q3 and +0.0 point in Q4), then increase again in H1 2012 (+0.2 point per quarter). ■

Consumption and investment on the decline



Sources: Istat et calculations INSEE

Spain

The Spanish economy getting bogged down

After stagnating in Q3 2011, the Spanish economy seems set to sink into a recession during this forecasting period: activity should fall back in Q4 2011 (-0.5%) and in H1 2012 (-0.2% per quarter). Foreign trade, which had sustained growth since mid-2009, is likely to be affected by the weak level of demand in the Eurozone. In H1 2012, the slight rebound in exports will not be sufficient to make up for the decline in every component of domestic demand. Private investment in capital goods should contract due to the low level of outlets. The crisis is likely to be prolonged in the construction industry. Lastly, with high unemployment and brittle purchasing power, household consumption should also decline.

Spanish exports on the slide

Since the end of the recession in early 2010, the Spanish economy has mainly been carried by the dynamism of its exports, while domestic demand has declined almost continuously. From Q4 2011, it is set to suffer the full force of the sharp downturn in activity in the Eurozone. Spanish exports should slip back in Q4 before picking up slightly in H1 2012. They are likely to provide only moderate support for activity: the contribution of foreign trade to growth should remain positive, but not enough to offset the decline in domestic demand.

In the absence of purchasing power gains, household consumption set to fall

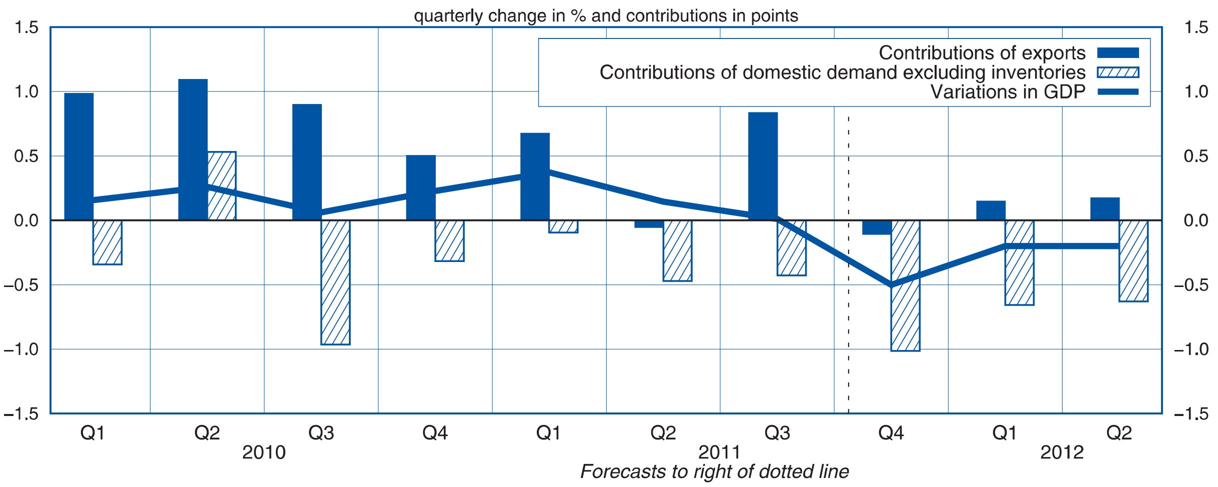
Within the timescale of this forecast, household purchasing power should continue to fall. With recession as the backdrop, employment should continue to decline over the coming months. The high level of unemployment and the freeze on civil service salaries should also slow progress in wages. Only the dynamism of social benefits within a context of rising unemployment is likely to sustain household income, and despite a drop in inflation in early 2012, household purchasing power should slip back further.

Confronted with the rise in unemployment and in the absence of purchasing power gains, Spanish households are unlikely to have the incentive to consume over the period to mid-2012. They are actually likely to make precautionary savings. Therefore, consumption should fall back quite sharply within the forecasting period (-0.8% in Q4 2011, then -0.5% per quarter in H1 2012).

Investment falling back further

Given the low level of domestic demand and the stagnation in foreign demand, production capacities should remain little-utilised. Investments in capital goods should decline until June 2012. Investment in the construction industry should continue to suffer the effects of the property crisis, made worse by the measures brought in to reduce government investment. ■

Exports no longer sustain Spanish growth



Sources : Ine, calculations INSEE

United States

Uncle Sam holding firm

In Q3 2011 the American economy rebounded (+0.5% after +0.3%), boosted by the dynamism of domestic demand. Household consumption rose sharply and the construction sector continued its recovery.

In Q4 activity should remain robust (+0.5%), again sustained by domestic demand. Companies are likely to increase their investments further, as credit award conditions have remained stable. Household income should progress, inflation should level off and households are likely to increase their consumption once again. In H1 2012, American activity should grow at a moderate pace, marked by ups and downs in domestic demand. With the expiry of certain measures to stimulate purchasing power, consumption should slow somewhat.

Overall, the current downturn in Europe should have a limited impact on the American economy. The growth rate should settle at +1.7% in 2011 and the overhang for 2012 at +1.3%.

The labour market should be fairly dynamic...

To meet the rising demand, companies should continue to increase their workforce at a rate close to that observed over the last year (130,000 jobs created per month on average). This increase in employment should sustain earned income. Wages should also remain dynamic through to mid-2012: the division of value-added should swing slightly in favour of employees whilst remaining very favourable to companies. With the rapid moderation of inflation due to the fall in oil prices, American households should benefit from gains in real wages.

... but the tightening of budgetary measures likely to take its toll on consumption

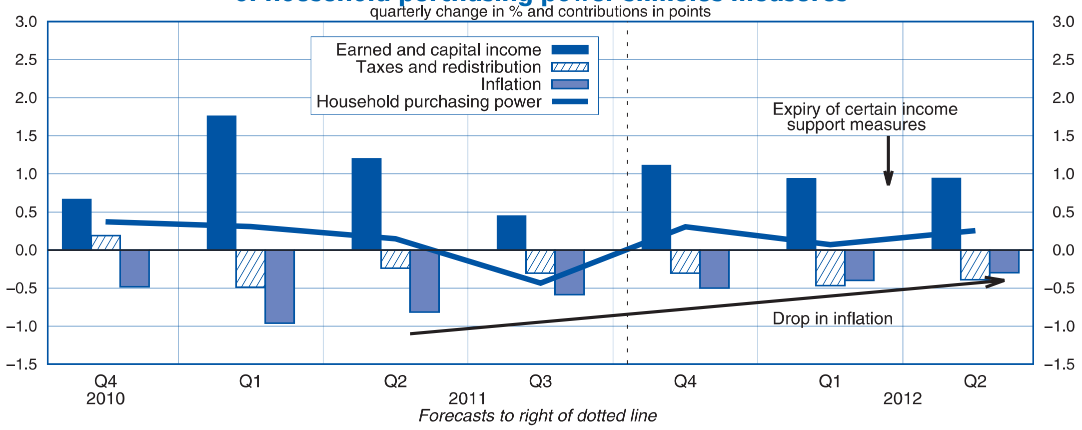
As often in the USA, the activity profile should follow that of household consumption.In Q4 2011, activity should remain dynamic thanks to the rise in purchasing power gains. However, in H1 2012, these gains are likely to be halted by tougher budgetary policy (see Graph). Several measures to support households are set to expire at the end of the year, such as the federal unemployment insurance system and the two-point cut in employee contribution rates. Our scenario does assume that Congress will decide to maintain some of them when it legislates before the end of the year. But globally, transfers should be moderate and taxes are likely to rise in 2012. Private consumption should then suffer a backlash in Q1 2012 (+0.1%) before picking up slightly in Q2 (+0.3%).

The European crisis having limited impact

The fall in demand from European countries should penalise American exports over the forecasting period. Indeed, 17% of the USA's trade is with the European Union. However, the interbank tensions in Europe should only be transmitted to the USA in a limited manner, and financing conditions are unlikely to tighten for private agents.

Investments in capital goods should therefore remain dynamic, and the construction industry should continue its slow recovery. Conversely, control over government expenditure, particularly local government, is likely to take its toll on public investment. ■

The slowdown in prices should partly offset the effect of the gradual withdrawal of household purchasing power stimulus measures



Source: Bureau of Economic Analysis, calculations INSEE

United Kingdom

Between budget consolidation and monetary easing

In Q4 2011, activity is set to slow sharply in the United Kingdom (+0.1% after +0.5% in Q3): the deteriorating economic situation in the Eurozone seems likely to hit export outlets hard. Additionally, the adjustment of government finances should continue to weigh down on domestic demand. However, from spring 2012, these budgetary efforts should lessen in intensity and monetary policy should still be accommodative. Stronger domestic demand combined with an upturn in world trade should help sustain growth through to mid-2012.

Tightening of the budget and monetary expansion

Up to Q1 2012, the budget consolidation measures planned for fiscal 2011-2012 (for an amount in the order of 2.2 GDP points) are likely to continue to weigh down on government consumption and household income. Their impact should soften in Q2 2012, at the start of fiscal 2012-2013: over the year, the additional savings scheduled should represent 1.3 GDP points. The Bank of England has implemented a highly accommodative policy despite the high level of inflation. The new monetary easing measures adopted in October should continue to sustain the financing of public and private agents.

Through to mid-2012, a prudent increase in household spending

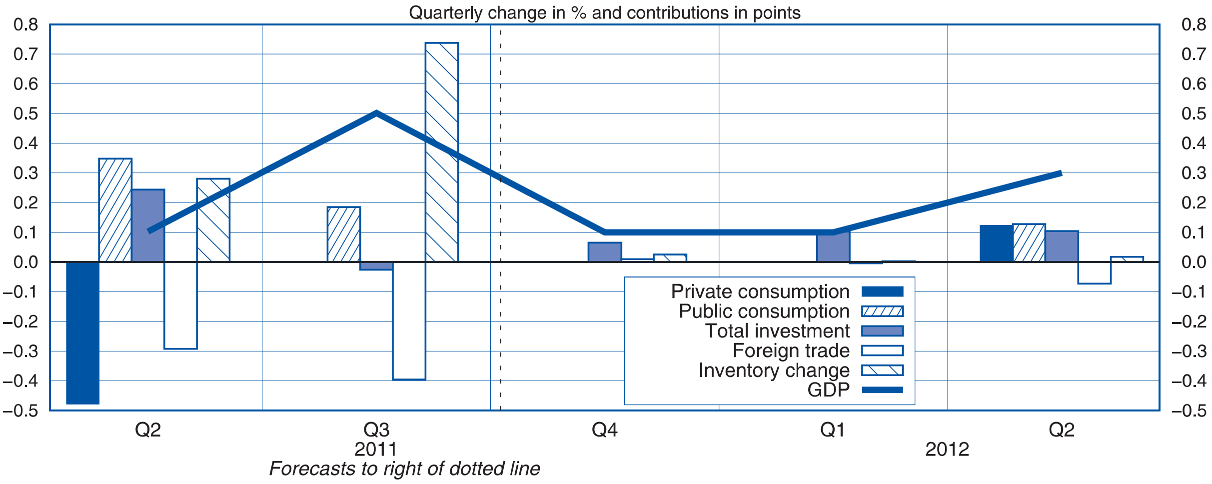
In H2 2011, British household purchasing power looks to have fallen back, penalised by the rise in social contributions and the drop in social benefits. Furthermore, the increase in gas and electricity tariffs in September should lead to a rise in energy prices. In Q1 2012, with the fall in oil prices and a stabilisation of food commodity prices, inflation should drop sharply and the slide in purchasing power should come to a halt. In Q2 2012, the budget consolidation efforts should have less of an impact on household purchasing power, which should grow once more. At the end of 2011 and start of 2012, British households are unlikely to raise their consumer expenditure, and only do so slightly in Q2 2012 (+0.2%).

The worsening economic outlook in the Eurozone taking its toll on exports

The slowdown in demand from the Eurozone, the United Kingdom's primary partner, is likely to take its toll on exports, which should continue to fall in Q4 2011 before picking up slightly in H1 2012. As exports decline and domestic demand remains sluggish, corporate investment expenditure should remain stable in Q4 2011, then increase slightly in H1 2012: credit award terms should remain favourable and prospects in terms of both foreign and domestic outlets should improve.

All in all, activity should be sluggish until Q1 2012 (+0.1% per quarter, *see Graph*). In Q2 it should pick up again (+0.3%) thanks to an upturn in domestic demand. ■

Activity slow to pick up



Sources: ONS and calculations ISEE

Japan

Reconstruction boosting activity

Activity in Japan rebounded sharply in Q3 (+1.5%), after three quarters of decline. The country's production apparatus returned to normal after the earthquake shock, leading to a sharp rebound in household consumption and exports. Industrial output in particular picked up in Q3 (+4.3% after -4.0% in Q2) in most sectors (see Graph).

In Q4, activity should slow (+0.4%) and then keep steady in H1 2012 (+0.4% per quarter). The worldwide economic slowdown and the appreciation of the yen are likely to take their toll on foreign trade. Activity should be sustained mainly by domestic demand, boosted by the three stimulus plans adopted since May. Overall growth should stand at -0.2% in 2011, and the growth overhang for 2012 should stand at +1.6% by the end of H1.

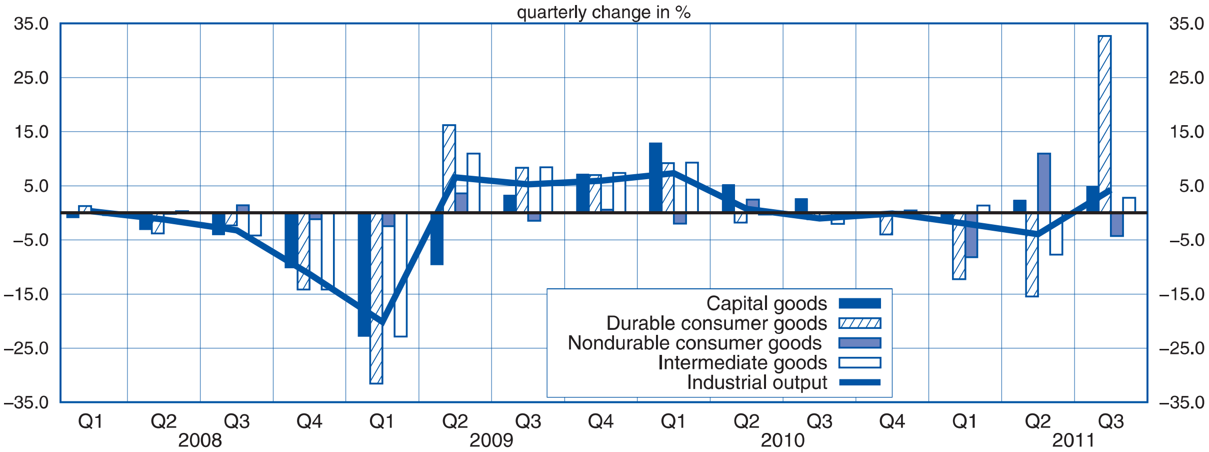
Activity sustained by the rebuilding effort

The three stimulus plans voted by Parliament after the earthquake of 11 March, for a total amount of 16 trillion yen (3.0 GDP points), should boost activity. Around half of this amount is to be injected into public investment, with the other half going to direct aid for households, businesses and local authorities. After falling in Q3 (-2.8%), government investment should progress at a sustained pace (+3.5%) from Q4 2011. The rebuilding effort should also lead to an increase in the number of housing starts: housing investment should grow in Q4 and remain dynamic in H1 2012. Last, the budgetary stimulus should support businesses affected by the earthquake, and investment in production should continue to progress up to mid-2012.

Slowdown in household consumption and in exports

In Q3, Japanese household consumption made strong progress through the catch-up effect after the earthquake. It is likely to suffer a backlash and stagnate in Q4, before accelerating slightly in H1 2012. After a rebound in Q3 (+6.2%) following the restart of production lines, exports are likely to slow over the next six months (+0.5% in Q4 2011 then +1.0% per quarter). The recent appreciation of the yen is likely to damage the competitiveness of Japanese products on the international markets. Furthermore, foreign demand is likely to be affected by the European downturn, but should be sustained by Chinese demand. ■

Sharp rebound in industrial output



Source: DataInsight

China and emerging Asia

Inflationary pressures easing

In Q3 2011, activity slowed once again in China and emerging Asia. This slowdown was expected, after a series of restrictive monetary policy measures, and led to an easing of inflationary pressures. To the forecasting horizon, China's annual growth rate should settle at around 9%, i.e. 2 points below the average figure for the years 2003-2008. In 2012, the country's budgetary and monetary room for manoeuvre should allow it to sustain domestic demand in order to offset the drop in foreign demand. The trend towards a decorrelation between imports and exports which began in Q2 is therefore likely to continue. The very open economies of South-East Asia could suffer from the European downturn in Q4 but should then benefit from a boost triggered by the Chinese stimulus measures.

Restrictive monetary policy keeping inflation under control

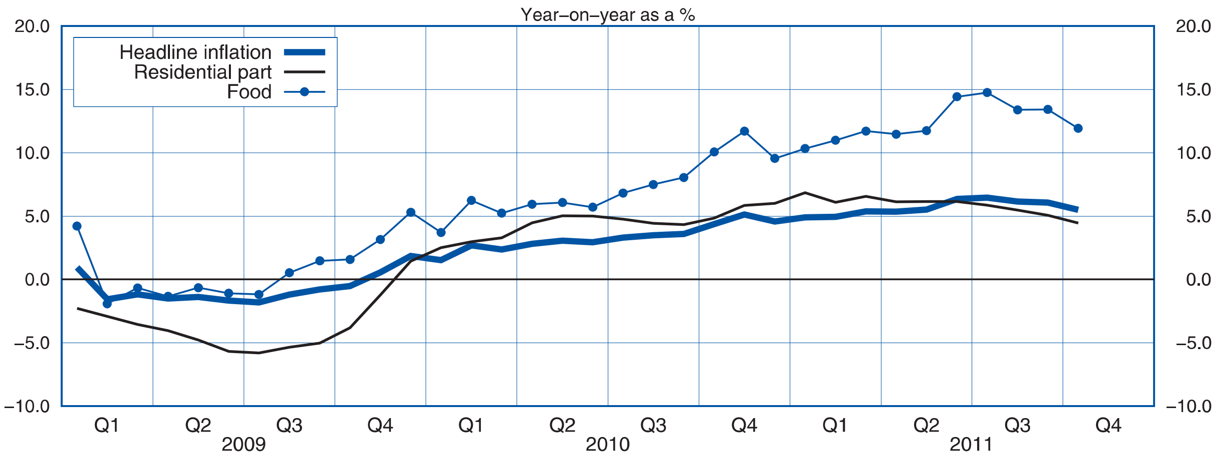
Inflation has risen sharply in China and emerging Asia since the start of 2011, in the wake of commodity prices. Additionally, production capacity is overburdened and tensions persist on the labour markets. In July 2011, inflation in China reached a peak at 6.5% year-on-year. Faced with a risk of inflationary overheating and runaway, the monetary authorities have been putting restrictive monetary policy measures in place since January. Headline inflation has thus declined sharply in China, falling from 6.5% in July to 5.5% in October. Thanks to the drop in oil prices, inflation should remain moderate over the forecasting period.

Chinese and Japanese budgetary stimuli set to sustain the zone as a whole during the forecasting period

In China, business tendency surveys suggest that with the tightening of monetary policy activity was sluggish in Q3 and is again growing at a slower pace in Q4. To the horizon of this forecast, the Chinese authorities are likely to use their budget to sustain domestic demand faced with a drop in European demand, which accounts for 21% of exports. The fall in inflation could also pave the way to a monetary easing. Stimulation of domestic demand and the weakness of foreign demand would thus allow China to contribute to resolving imbalances by reducing its trade surplus.

From Q1 2012, demand from China and Japan should sustain exports from the countries of South-East Asia, which supply one-third of Chinese imports and 15% of Japanese imports. After slowing in Q4, the economies of emerging Asia should subsequently return to more dynamic growth levels. ■

Inflation in China



Source: National Bureau of Statistics of China

Countries Accounts

Eurozone	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhg
Supply and use table (in real terms)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
GDP	**0.4**	**0.9**	**0.4**	**0.3**	**0.8**	**0.2**	**0.2**	**-0.3**	**-0.1**	**0.0**	**1.8**	**1.6**	**-0.1**
Private consumption (58%)	0.2	0.2	0.3	0.4	0.1	-0.5	0.3	-0.1	0.0	0.0	0.9	0.4	0.0
Investment (19%)	-0.6	2.1	0.1	-0.4	1.9	0.0	0.1	-0.6	-0.5	-0.2	-0.9	2.1	-1.1
Public consumption (22%)	-0.5	0.2	0.1	0.0	0.0	-0.1	0.0	0.0	-0.3	-0.1	0.4	0.1	-0.4
Exports (41%)	3.3	4.5	2.2	1.2	1.6	1.1	1.5	-0.5	0.1	0.4	10.9	6.3	1.0
Imports (39%)	3.5	3.9	1.8	1.0	1.1	0.3	1.1	-0.7	-0.3	0.1	9.1	4.4	-0.1
Contributions to GDP growth													
Domestic demand excluding inventories	*-0.1*	*0.5*	*0.2*	*0.1*	*0.4*	*-0.3*	*0.2*	*-0.2*	*-0.2*	*-0.1*	*0.4*	*0.6*	*-0.3*
Inventories	*0.5*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*-0.2*	*-0.1*	*0.0*	*0.0*	*0.6*	*0.1*	*-0.2*
Foreign trade	*0.0*	*0.2*	*0.1*	*0.1*	*0.2*	*0.3*	*0.2*	*0.1*	*0.2*	*0.1*	*0.8*	*0.8*	*0.5*

Consumer prices in Eurozone

changes in a % and contributions in points

	june 2011		october 2011		décember 2011		june 2012		Annual averages	
CPI groups (2009 weightings)	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2010	2011
All (100.0%)	**2.7**	**2.7**	**3.0**	**3.0**	**2.7**	**2.7**	**1.8**	**1.8**	**1.6**	**2.7**
Food (incl. Alc. and Tobacco) (19.3%) including:	**2.7**	**0.5**	**3.4**	**0.6**	**3.0**	**0.6**	**1.9**	**0.4**	**1.1**	**2.7**
food (15.6%)	*2.7*	*0.4*	*3.1*	*0.5*	*2.8*	*0.4*	*1.3*	*0.2*	*0.4*	*2.5*
alcoholic beverages and tobacco (3.7%)	*2.6*	*0.1*	*4.4*	*0.2*	*4.0*	*0.1*	*4.3*	*0.2*	*3.8*	*3.6*
Energy (9.6%)	**10.9**	**1.0**	**12.4**	**1.2**	**10.2**	**1.0**	**4.1**	**0.4**	**7.4**	**11.9**
"Core" inflation (71.1%) including:	**1.6**	**1.1**	**1.6**	**1.1**	**1.7**	**1.2**	**1.5**	**1.1**	**1.0**	**1.4**
manufactured goods (29.7%)	*0.9*	*0.3*	*1.3*	*0.4*	*1.0*	*0.3*	*1.0*	*0.3*	*0.5*	*0.8*
services (41.4%)	*2.0*	*0.8*	*1.8*	*0.8*	*2.1*	*0.9*	*1.9*	*0.8*	*1.4*	*1.9*

FRANCE (21%)(1)	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhg
Supply and use table (in real terms)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
GDP	**0.1**	**0.5**	**0.4**	**0.3**	**0.9**	**-0.1**	**0.4**	**-0.2**	**-0.1**	**0.1**	**1.4**	**1.6**	**0.0**
Private consumption (56%)	0.1	0.1	0.7	0.4	0.3	-0.8	0.3	0.1	0.1	0.1	1.3	0.6	0.3
Investment (19%)	-1.2	1.2	0.8	0.4	1.2	0.6	0.4	-0.3	-0.5	-0.2	-1.4	2.8	-0.5
Public consumption (27%)	0.0	0.2	0.3	0.1	0.4	0.1	0.2	0.1	0.1	0.1	1.2	0.8	0.5
Exports (25%)	4.6	3.1	2.2	0.2	1.3	0.5	0.7	-0.5	0.2	0.4	9.3	4.0	0.7
Imports (28%)	1.4	3.5	4.0	-0.3	3.1	-1.2	0.3	-0.1	0.2	0.5	8.3	5.0	0.4
Contributions to GDP growth													
Domestic demand excluding inventories	*-0.2*	*0.3*	*0.6*	*0.3*	*0.5*	*-0.3*	*0.3*	*0.1*	*0.0*	*0.1*	*0.8*	*1.1*	*0.2*
Inventories	*-0.4*	*0.3*	*0.3*	*-0.1*	*1.0*	*-0.2*	*0.0*	*-0.2*	*-0.1*	*0.0*	*0.5*	*0.9*	*-0.3*
Foreign trade	*0.7*	*-0.1*	*-0.5*	*0.1*	*-0.6*	*0.5*	*0.1*	*-0.1*	*0.0*	*0.0*	*0.1*	*-0.4*	*0.1*

Forecast

Note: % in brackets represent the weight in the nominal GDP in 2010.

yoy: year-on-year

cyoy: contributions year-on-year

(1) Share in Eurozone GDP

Sources: Eurostat, INSEE forecasts

Germany (27%)[1]	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhgs
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Supply and use table (in real terms)													
GDP	**0.5**	**1.9**	**0.8**	**0.5**	**1.3**	**0.3**	**0.5**	**-0.2**	**0.0**	**0.2**	**3.6**	**3.0**	**0.3**
Private consumption (58%)	0.0	0.8	0.4	0.5	0.5	-0.6	0.8	-0.1	0.1	0.1	0.6	1.3	0.4
Investment (18%)	0.2	5.7	1.6	-0.2	4.1	0.4	0.9	-0.5	-0.2	0.3	5.2	6.8	0.2
Public consumption (20%)	0.9	-0.6	0.8	0.1	0.2	0.6	0.6	0.1	0.2	0.2	1.7	1.3	0.9
Exports (47%)	3.4	7.0	2.0	1.0	1.6	2.8	2.5	-0.5	0.2	0.6	13.4	8.5	2.2
Imports (41%)	5.8	6.2	0.9	1.3	1.0	2.9	2.6	-0.6	0.1	0.3	11.5	7.4	1.9
Contributions to GDP growth													
Domestic demand excluding inventories	*0.2*	*1.4*	*0.7*	*0.3*	*1.0*	*-0.2*	*0.7*	*-0.1*	*0.1*	*0.1*	*1.6*	*2.2*	*0.4*
Inventories	*1.1*	*-0.1*	*-0.5*	*0.2*	*0.0*	*0.3*	*-0.4*	*-0.1*	*-0.1*	*-0.1*	*0.6*	*-0.1*	*-0.3*
Foreign trade	*-0.7*	*0.7*	*0.6*	*-0.1*	*0.4*	*0.1*	*0.1*	*0.0*	*0.1*	*0.2*	*1.4*	*0.9*	*0.3*

Italy (17%)[1]	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Supply and use table (in real terms)													
GDP	**0.6**	**0.5**	**0.3**	**0.1**	**0.1**	**0.3**	**-0.2**	**-0.3**	**-0.2**	**-0.1**	**1.2**	**0.5**	**-0.4**
Private consumption (60%)	0.2	0.1	0.4	0.3	0.1	0.2	-0.1	-0.2	-0.2	-0.2	1.0	0.6	-0.5
Investment (19%)	1.3	1.6	0.7	-0.7	0.5	0.2	-0.1	-0.7	-0.7	-0.2	2.3	0.6	-1.3
Public consumption (22%)	-0.6	0.3	-0.4	-0.4	0.5	0.0	0.0	0.0	-0.6	-0.5	-0.6	0.1	-1.0
Exports (27%)	3.9	2.3	2.9	0.4	1.1	0.9	1.0	-0.5	0.2	0.3	8.9	4.5	0.8
Imports (28%)	4.6	0.5	4.3	2.6	-0.1	-2.3	0.5	-0.5	-0.5	-0.5	10.3	2.5	-1.6
Contributions to GDP growth													
Domestic demand excluding inventories	*0.3*	*0.4*	*0.3*	*-0.1*	*0.3*	*0.2*	*-0.1*	*-0.2*	*-0.4*	*-0.3*	*0.9*	*0.5*	*-0.8*
Inventories	*0.6*	*-0.4*	*0.4*	*0.7*	*-0.5*	*-0.8*	*-0.2*	*0.0*	*0.0*	*0.0*	*0.7*	*-0.5*	*-0.4*
Foreign trade	*-0.2*	*0.4*	*-0.4*	*-0.5*	*0.3*	*0.9*	*0.1*	*0.0*	*0.2*	*0.2*	*-0.4*	*0.5*	*0.7*

Spain (11%)[1]	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Supply and use table (in real terms)													
GDP	**0.2**	**0.3**	**0.1**	**0.2**	**0.4**	**0.1**	**0.0**	**-0.5**	**-0.2**	**-0.2**	**-0.1**	**0.6**	**-0.6**
Private consumption (58%)	-0.1	0.9	-0.7	0.7	-0.4	0.1	-0.1	-0.8	-0.5	-0.5	0.7	-0.1	-1.3
Investment (23%)	-0.9	-0.6	-1.9	-2.0	-0.4	-1.2	-0.6	-2.1	-1.4	-1.3	-6.3	-4.7	-4.2
Public consumption (21%)	-0.1	0.8	-0.4	-1.1	1.1	-1.3	-1.1	-0.5	-0.2	-0.2	0.2	-1.4	-1.6
Exports (27%)	3.7	4.6	3.8	2.1	2.8	-0.2	3.1	-0.4	0.6	0.7	13.5	8.9	2.1
Imports (29%)	2.1	5.4	0.1	0.3	1.2	-2.2	1.6	-2.8	-0.8	-0.8	8.9	1.2	-3.1
Contributions to GDP growth													
Domestic demand excluding inventories	*-0.3*	*0.5*	*-1.0*	*-0.3*	*-0.1*	*-0.5*	*-0.4*	*-1.0*	*-0.7*	*-0.6*	*-1.1*	*-1.5*	*-2.1*
Inventories	*0.2*	*0.0*	*0.1*	*0.1*	*0.1*	*0.0*	*0.1*	*-0.1*	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*
Foreign trade	*0.3*	*-0.3*	*0.9*	*0.4*	*0.4*	*0.6*	*0.4*	*0.7*	*0.4*	*0.4*	*0.9*	*2.1*	*1.4*

Forecast

Note: % in brackets represent the weight in the nominal GDP in 2010.

yoy: year-on-year

cyoy: contributions year-on-year

(1) Share in Eurozone area GDP

Sources: Eurostat, INSEE forecasts

United States of America	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhg
Supply and use table (in real terms)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
GDP	**1.0**	**0.9**	**0.6**	**0.6**	**0.1**	**0.3**	**0.5**	**0.5**	**0.3**	**0.4**	**3.0**	**1.7**	**1.3**
Private consumption (71%)	0.7	0.7	0.7	0.9	0.5	0.2	0.6	0.5	0.1	0.3	2.0	2.2	1.0
Private investment (12%)	0.3	4.6	0.6	1.8	0.3	2.2	2.9	1.5	1.4	1.4	2.6	6.7	5.7
Government expenditures and public investment (21%)	-0.3	0.9	0.2	-0.7	-1.5	-0.2	0.0	-0.2	-0.1	0.0	0.7	-1.9	-0.3
Exports (13%)	1.8	2.4	2.4	1.9	1.9	0.9	1.1	0.7	0.8	0.8	11.3	6.6	2.7
Imports (16%)	3.0	5.0	2.9	-0.6	2.0	0.3	0.1	0.8	0.2	0.7	12.5	4.8	1.5
Contributions to GDP growth													
Domestic demand excluding inventories	*0.4*	*1.3*	*0.6*	*0.7*	*0.1*	*0.3*	*0.7*	*0.5*	*0.2*	*0.4*	*1.9*	*2.0*	*1.3*
Inventories	*0.8*	*0.2*	*0.2*	*-0.4*	*0.1*	*-0.1*	*-0.4*	*0.0*	*0.0*	*0.0*	*1.6*	*-0.3*	*-0.2*
Foreign trade	*-0.2*	*-0.4*	*-0.1*	*0.3*	*-0.1*	*0.1*	*0.1*	*0.0*	*0.1*	*0.0*	*-0.5*	*0.0*	*0.1*

United Kingdom	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhg
Supply and use table (in real terms)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
GDP	**0.2**	**1.1**	**0.6**	**-0.5**	**0.4**	**0.1**	**0.5**	**0.1**	**0.1**	**0.3**	**1.8**	**0.9**	**0.7**
Private consumption (62%)	0.0	0.6	-0.2	-0.1	-0.6	-0.8	0.0	0.0	0.0	0.2	1.0	-1.3	0.0
Investment (15%)	4.3	-2.1	1.1	-0.5	-2.8	1.7	-0.2	0.4	0.7	0.7	2.6	-2.0	1.9
Public consumption (26%)	0.5	0.7	0.1	0.1	0.6	1.3	0.7	0.0	0.0	0.5	1.8	2.3	1.1
Exports (30%)	-0.3	3.7	0.2	3.9	1.5	-1.3	-1.0	-0.3	0.3	0.3	6.2	3.8	-0.5
Imports (33%)	2.3	2.8	2.6	1.6	-2.9	-0.3	0.3	-0.3	0.3	0.5	8.5	0.0	0.5
Contributions to GDP growth													
Domestic demand excluding inventories	*0.8*	*0.2*	*0.1*	*-0.1*	*-0.6*	*0.1*	*0.2*	*0.1*	*0.1*	*0.4*	*1.5*	*-0.5*	*0.5*
Inventories	*0.2*	*0.6*	*1.3*	*-1.0*	*-0.3*	*0.3*	*0.7*	*0.0*	*0.0*	*0.0*	*1.2*	*0.3*	*0.5*
Foreign trade	*-0.8*	*0.2*	*-0.7*	*0.6*	*1.4*	*-0.3*	*-0.4*	*0.0*	*0.0*	*-0.1*	*-0.9*	*1.1*	*-0.3*

Japan	Quarterly change in %										Annual change in %		
	2010				2011				2012		2010	2011	2012 ovhg
Supply and use table (in real terms)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
GDP	**2.5**	**0.0**	**0.7**	**-0.7**	**-0.7**	**-0.3**	**1.5**	**0.4**	**0.4**	**0.4**	**4.1**	**-0.2**	**1.6**
Private consumption (59%)	1.2	-0.2	0.7	-0.9	-0.5	0.2	1.0	0.0	0.2	0.2	2.0	0.0	0.9
Investment (21%)	1.3	0.6	0.3	-1.0	-0.8	0.2	0.8	1.7	2.0	2.0	0.0	-0.3	5.2
Public consumption (20%)	-0.3	1.0	0.4	0.4	0.9	0.7	0.4	0.4	0.4	0.4	2.3	2.5	1.3
Exports (15%)	6.6	6.6	0.1	-0.5	0.2	-5.0	6.2	0.5	1.0	1.0	24.3	1.2	4.7
Imports (14%)	2.9	5.3	1.5	-0.2	1.7	0.1	3.4	1.5	2.0	2.0	9.8	5.8	6.5
Contributions to GDP growth													
Domestic demand excluding inventories	*0.9*	*0.2*	*0.5*	*-0.6*	*-0.3*	*0.3*	*0.8*	*0.5*	*0.6*	*0.6*	*1.6*	*0.4*	*1.9*
Inventories	*1.0*	*-0.4*	*0.4*	*0.0*	*-0.2*	*0.2*	*0.2*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Foreign trade	*0.5*	*0.3*	*-0.2*	*0.0*	*-0.2*	*-0.8*	*0.4*	*-0.2*	*-0.2*	*-0.2*	*1.9*	*-0.6*	*-0.2*

Forecast

Note: % in brackets represent the weight in the nominal GDP in 2010

Sources: BEA (USA), ONS (UK), Japanese government (Japan), INSEE forecasts