# International developments

# Financial markets

## Tensions ease but risks remain

*After renewed tensions in H2 2011, the financial environment has calmed down somewhat since the start of 2012.*

*Starting in the summer of 2011, the escalation of the sovereign debt crisis in the Eurozone caused renewed uncertainty and financial tensions in the industrialised countries. The risk premiums and financing costs of the more fragile European states increased sharply, while the interbank markets showed signs of seizing up. The shock spread to the real economy and business prospects rapidly worsened, particularly in the Eurozone. In Italy and Spain the tensions also spread to the conditions for financing the economy.*

*Faced with this situation, the European Central Bank (ECB) once again eased its monetary policy in December 2011 by injecting huge amounts of cash into the banking system. In parallel, the Eurozone countries strengthened their commitments to bring down their deficits. As a result the tensions on the stock, bond and interbank markets have eased since the start of the year. This easing of financial tensions should gradually spread to the financing conditions of private agents over the coming months, even though for the moment the latest bank surveys do not indicate an improvement in credit terms in the Eurozone.*

*Over the forecasting period the conventional assumptions for the exchange rate are 1.32 dollars, 104 yen and 0.84 pounds sterling to the euro.*

### Thanks to the intervention of the central banks at the end of 2011, tensions have eased on the interbank market

Faced with an escalating sovereign debt crisis in the Eurozone and tensions on the interbank markets (see *Graph 1*), in July 2011 the ECB stepped up its recourse to unconventional measures. In late December the ECB also proceeded to an exceptional unlimited 3-year refinancing operation at a rate of 1%. This operation provided almost 500 billion euros to the Eurozone interbank market. It was repeated in February. In the USA the Fed announced last August that it was maintaining its base rate at the historically low figure of 0.25% until 2013.

The tensions on the Eurozone interbank markets therefore eased substantially at the start of 2012 (see *Graph 1*). The American interbank market also started to ease and tensions levelled off in the UK.

### Renewed stock market confidence

With improved business prospects, notably in the USA, and the easing of financial tensions in the Eurozone, the stock markets recovered some of the

**1 - Drop in tensions on the interbank markets**


** As the spread between the Libor or Euribor three-month yield and the swap yield*

*Source: DataInsight*

confidence lost in H2 2011 (*see Graph 2*): the implied volatility of American and German stock market indices returned to its level of early 2011. However, unlike the American indices, the stock market indices in the Eurozone in February had not returned to their level of H1 2011. The stock market recovery in Europe thus remains fragile.

## The easing observed on the sovereign bond market in the Eurozone...

Faced with an escalating sovereign debt crisis and deteriorating business prospects, the European states looked to strengthen the sustainability of their public finances. Additional plans to bring down deficits were implemented in Italy, Spain and France at the end of 2011. Furthermore, the European summit of 9 December 2011 confirmed the commitment of the Eurozone countries to budgetary discipline.

In this context sovereign yields began to fall at the start of 2012 in Italy, Spain, Ireland and France, even though they remained high in certain countries within a longer-term perspective. The yield spreads between these countries and Germany have started to close (*see Graph 3*). On the financial markets, fears of a systemic debt crisis, starting in Italy and Spain and threatening the financial stability of the Eurozone as a whole, seem to be fading. Yet the difficulties of certain countries remain. In Portugal for example, tensions have not eased in early 2012. Lastly, major doubts still hang over the financial stability of Greece, despite the agreement of 24 February 2012 for at least a 100-billion euro bailout after Parliament voted in a new set of fiscal consolidation measures.

## ... has not yet been transferred to credit conditions

According to the ECB surveys published in January, the tightening of credit conditions in France as in the rest of the Eurozone continued in Q4 2011. The surveys do not announce any improvement in these conditions for the start of 2012 (*see Graph 4*). In parallel, the interest rates on loans awarded to companies [1] remained stable in Germany and France in Q4 2011, but actually rose in Italy and Spain (*see "Eurozone" note*), despite the cut in the ECB's base rate in autumn 2011. The easing observed on the financial markets and the still-accommodating policy of the ECB should eventually lead to an improvement in the conditions of access to credit in the Eurozone, particularly in Italy and Spain.

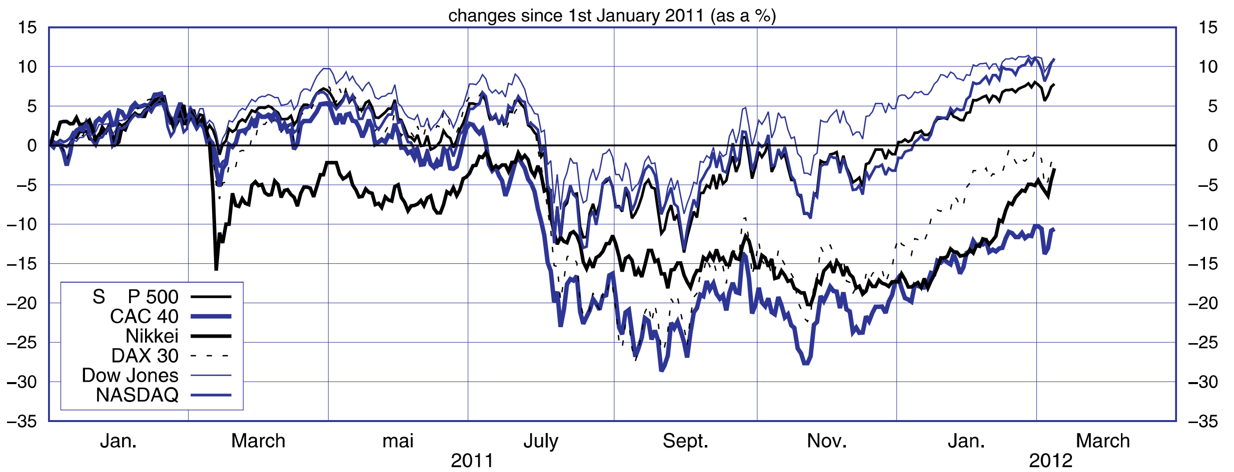
In early 2012 in the Eurozone, outstanding loans to non-financial enterprises are decreasing: annualised quarterly growth of -3.7% in January after -3.0% in December 2011. This drop reflects the tightening of credit conditions and the decline in private demand. In France, growth in outstanding loans to non-financial companies has remained positive, but has moderated sharply since summer (annualised quarterly growth of +0.3% in January 2012, against +1.5% in December and +3.4% in November 2011). The loans granted to households accelerated in January 2012 (annualised quarterly growth of +5.6% after +3.8% in December) after slowing sharply at the end of 2011.

## The euro halts its slide against the dollar

After falling almost continually since August 2011 (*see Graph 5*), the euro appreciated against the dollar at the start of 2012, in parallel with the easing of financial tensions in the Eurozone. Over

(1) These are the rates for high outstanding debt (i.e. over 1 million euros) on loans granted to non-financial companies

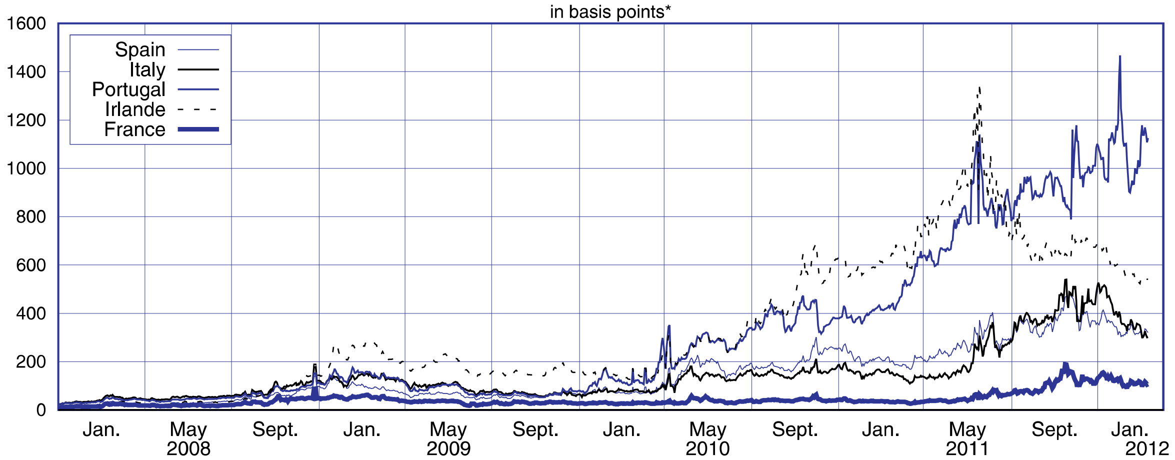
**2 - The stock markets showing a strong recovery**




*Source: DataInsight*

the forecasting period, the European currency should stabilise at around 1.32 euro to the dollar.
■

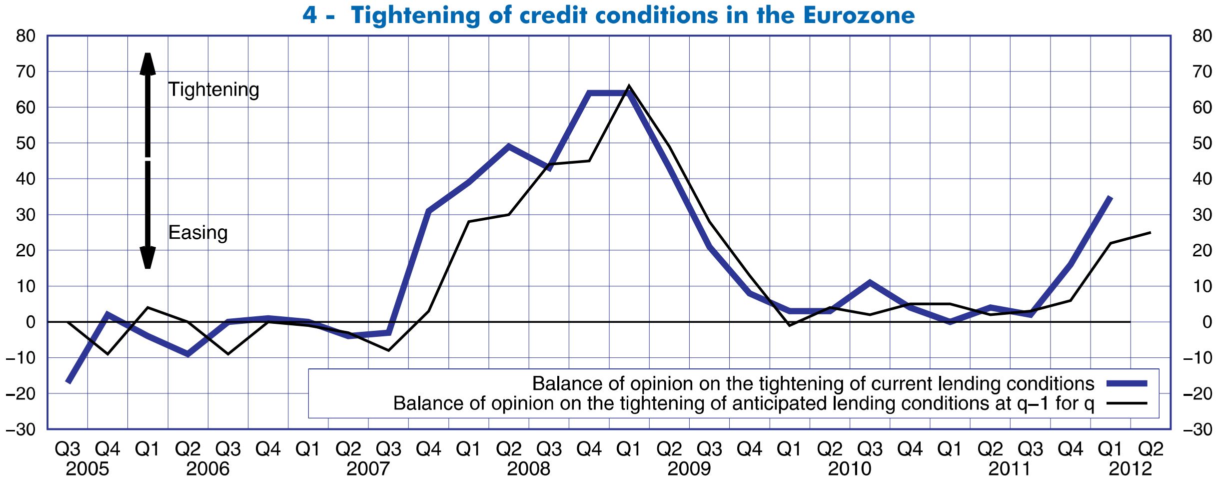
## 3 - The spreads between sovereign yields in the Eurozone are closing




* as the 10-year yield spread to German bonds

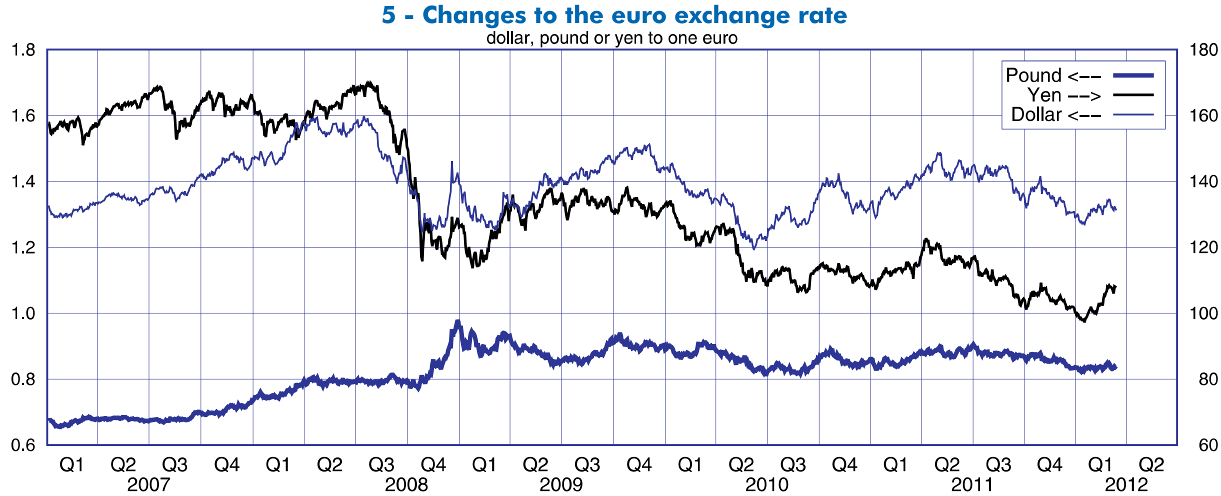
*Source: DataInsight*

## 4 - Tightening of credit conditions in the Eurozone




*Source: ECB (quarterly bank lending survey)*

## 5 - Changes to the euro exchange rate




*Source: DataInsight*

# Eurozone

## *A laboured recovery*

*In line with our forecast in December's Conjoncture in France, activity in the Eurozone declined in Q4 2011 (-0.3%). Renewed tensions surrounding European sovereign debts since summer 2011 and the accompanying uncertainty shock spread to the real economy. Adversely affected by the tightening of credit conditions in certain countries, investment contracted. In the absence of purchasing power gains, household consumption fell back. The decline in domestic demand then weighed heavily on trade in the Eurozone and exports slowed.*

*The two exceptional refinancing operations conducted by the European Central Bank (ECB) helped ease financial tensions at the start of 2012. But this easing is likely to lead to only a gradual improvement in the financing conditions of the economy.*

*After falling to a low point in Q4 2011, the short-term outlook is gradually improving in the Eurozone. Globally stable in H1 2012, activity should slowly improve: -0.1% in Q1 then +0.1% in Q2. It should be sustained by exports, but domestic demand is likely to remain weak, in particular household consumption.*

*Strong divergences are likely to remain across Eurozone countries. In Italy and Spain, domestic demand is set to remain very weak due to financial tensions and the consolidation plans for public finances. Activity should continue to drop in both these countries through to mid-2012. Conversely, Germany and France should enjoy renewed growth by mid-2012.*

### In Q4 2011, activity slipped back in the Eurozone

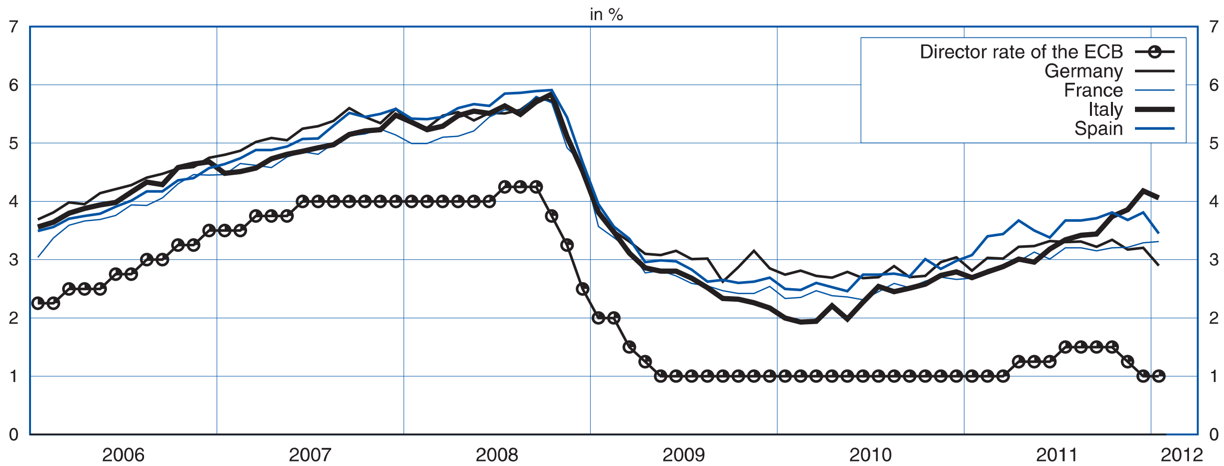
Tensions on the sovereign debt markets were still high in Q4 2011 (see "*Financial markets*" note). These tensions spread to the real economy via the tightening of credit conditions in certain countries. For example, the rates for bank loans to companies increased sharply in Italy and Spain (see *Graph 1*), despite the cut in base interest rates by the ECB in autumn 2011.

In Q4 2011, investment declined in the Eurozone, penalised by tighter credit terms and deteriorating business prospects. Because of losses in purchasing power, household consumption decreased. Lastly, the slowdown in trade, which was particularly marked in the Eurozone, led to a drop in exports. Ultimately, activity contracted in the Eurozone (-0.3% in Q4 2011).

### A lull on the financial markets in early 2012

In December 2011 and February 2012, the ECB proceeded to two exceptional long-term refinancing operations, to which the European banks subscribed massively (more than €1000 bn).

**1 - Interest rates for loans to non-financial companies**




*Source: European Central bank (ECB)*

This intervention contributed to easing financial tensions, most notably those surrounding the sovereign debt of certain Eurozone states.

However, this easing of European financial tensions has not yet had a notable knock-on effect on the financing conditions of private agents. In the coming months credit conditions should however gradually ease in the Eurozone, but this improvement is likely to be slow, especially as the European banks are currently bracing themselves for the entry into force of the new regulatory standards ("Basel III").

## Stabilisation of activity in H1 2012

Against this backdrop, the business tendency survey indicators seem to have reached a low point in Q4 2011 and have gradually picked up since the start of 2012 (*see Graph* 2). This suggests a stabilisation of activity in the Eurozone: activity should contract in Q1 2012 (-0.1%), then recover slightly in Q2 (+0.1%). Divergences are however likely to remain very strong across the main countries of the Eurozone: Germany, and to a lesser extent France, should show positive growth while activity should continue to fall sharply in Italy and Spain.

## Sustained by exports

Exports should pick up in H1 (+0.6% then +0.8%) thanks to the rebound in world demand for Eurozone products (*see Graph* 3), which includes intra-Eurozone trade. Indeed, imports in certain Eurozone countries, in particular Spain and Italy and to a lesser extent France, seem to have overreacted to the decline in Q4 2011 following the downturn in activity; at the start of 2012 they should return to a profile more in line with the growth in demand. Additionally, demand from non-Eurozone countries should continue to sustain exports.

## Investment in decline

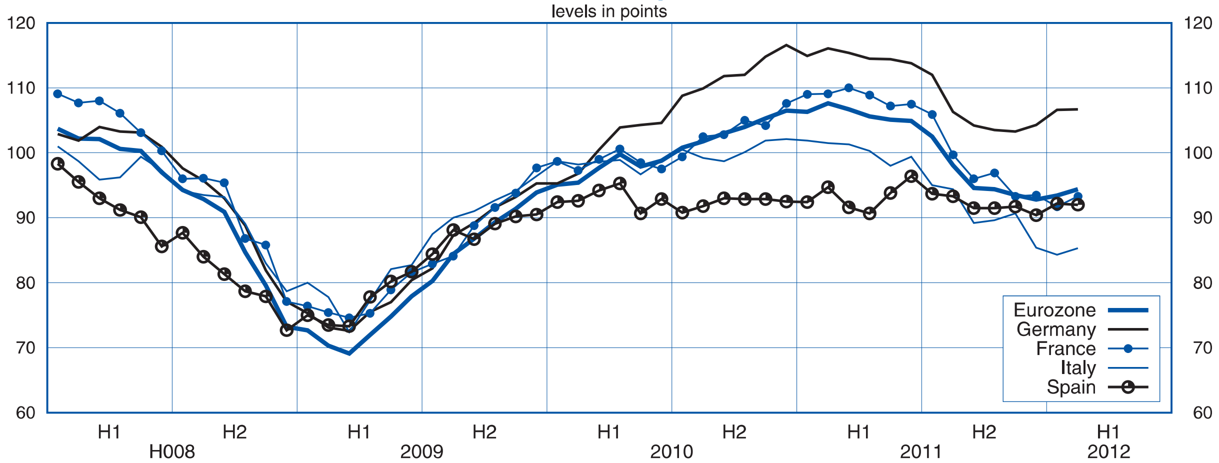
In the Eurozone as a whole, investment in capital goods should continue to decline in early 2012, given the gloomy business prospects and the still-tense financial conditions. In the construction sector, investment is set to decline sharply in Q1 2012, adversely affected by the very cold temperatures in early February. It should then react by picking up in Q2.

## Consumption struggling

Purchasing power is likely to fall once again through to mid-2012, linked to the worsening situation on the labour market: employment is likely to be sluggish over the forecasting period (+0.0% per quarter) and the high level of unemployment (10.7% in January 2012) should take its toll on real wages, which are unlikely to rise. Also, the fiscal consolidation measures in most countries (France, Spain, Italy ...) are likely to limit household disposable income. These measures are likely to weaken the effects of the automatic stabilisers ("mechanical" rise in social benefits and tax cuts during phases of slower growth).

Household consumption should therefore continue to fall in H1 2012 (-0.2% per quarter), although the drop in the savings ratio should soften the fall slightly.

**2 - Business climate composite indicators**



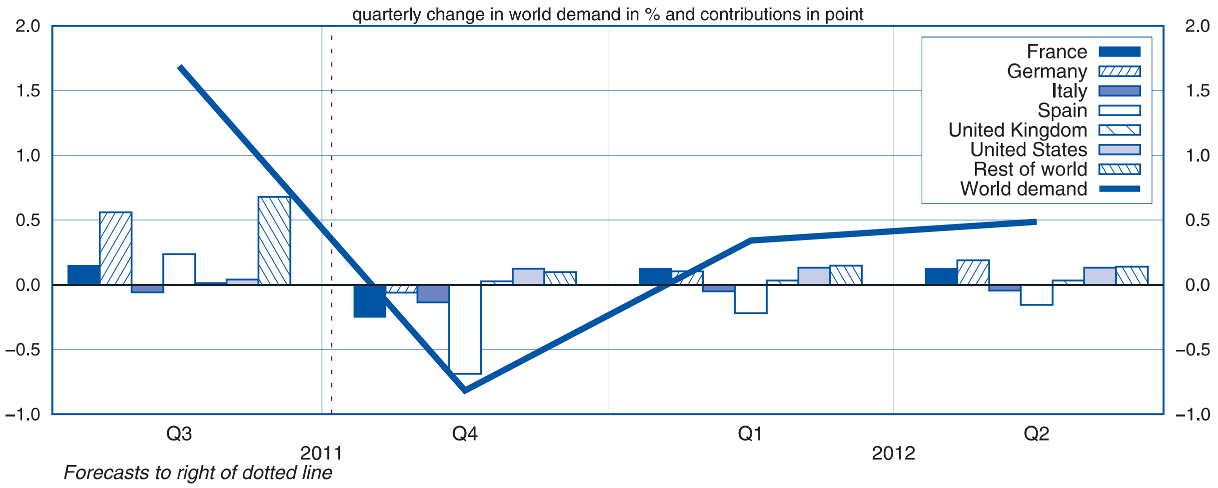

*Source: European Commission*

## Inflation likely to fall slightly by June 2012

The unemployment rate is likely to keep rising through to June 2012 in the Eurozone. If so, inflationary pressure should be moderate and core inflation should stabilise at 1.6% over the forecasting period (*see Graph 4*).

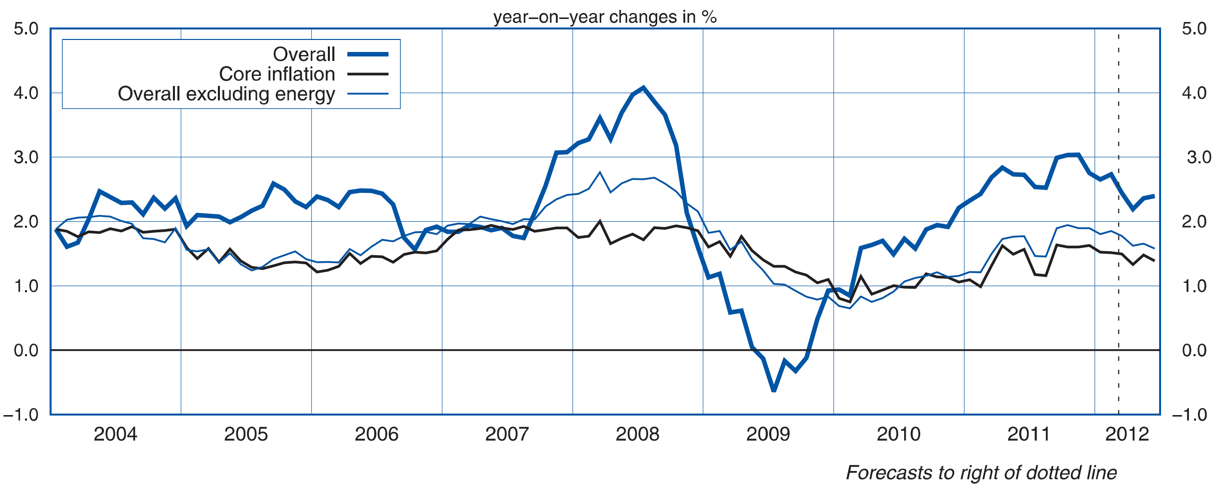
After reaching a peak at 3.0% in November 2011, headline inflation in the Eurozone fell back to 2.7% in February 2012. Despite the rise in oil prices in Q1 2012, this fall should continue. The rises in energy prices at the start of the year should actually remain lower than those observed at the start of 2011, causing the year-on-year price change to fall in Q1. All in all, year-on-year change should gradually diminish to 2.2% in April, then stabilise at 2.4% in June. ■

**3 - World demand for Eurozone products and contribution of trading partners' imports**




*Sources: Centraal PlanBureau, INSEE forecasts*

**4 - Consumer prices in the Eurozone**




*Sources: Eurostat, INSEE forecasts*

# Germany

## *A gradual recovery*

*Penalised by the decline in export outlets, particularly in the Eurozone, activity in Germany suffered a downturn in Q4 2011 (-0.2% after +0.6%), and investment in capital goods stagnated. Thanks to the acceleration in world trade the Germany economy should enjoy renewed growth in early 2012 (+0.2% in Q1 then +0.4% in Q2). Following on from exports, investment in capital goods should also return to growth. Lastly, thanks to the steady level of earned income, German households should benefit from purchasing power gains while their consumption expenditure is likely to grow moderately.*

### German exports get back on track

After slipping back at the end of 2011, German exports should once again sustain activity at the start of 2012. They are set to pick up in H1 2012 thanks to strong demand from countries outside the Eurozone. However, German exports are likely to be slowed by the weak demand within the Eurozone and so should only grow modestly, at a lower rate than that of 2010 and early 2011. In the wake of exports, corporate investment in capital goods should grow moderately since financing terms for companies have remained favourable in Germany.

### A chill runs through the construction industry

In the building sector the cold snap in February is likely to lead to major delays in output in Q1 2012. Investment in construction should therefore fall back sharply (see *Focus*). The catch-up effect should then cause a sharp rebound in Q2.

### The labour market still sound

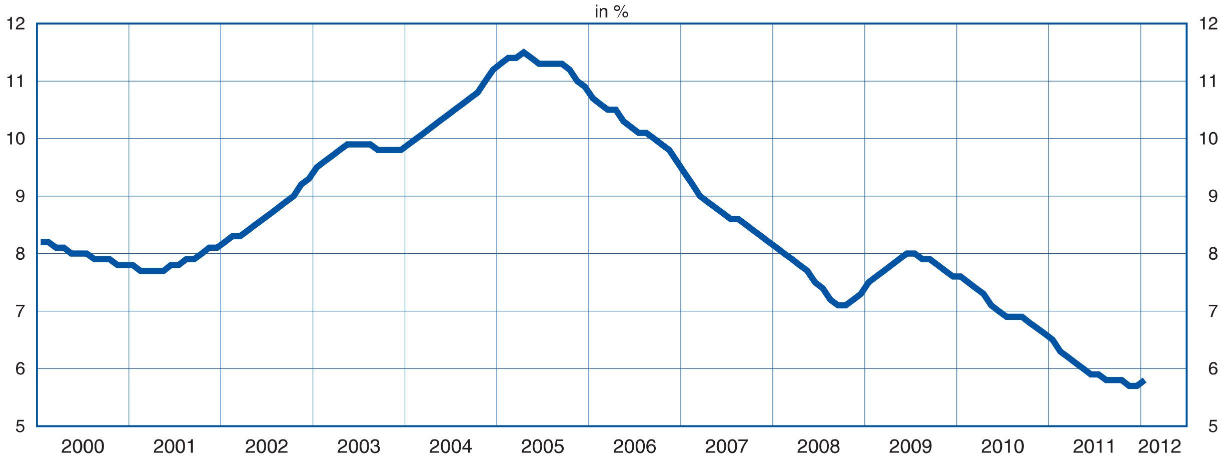
The decline in activity in Q4 2011 had little effect on the labour market. The unemployment rate continued to fall (see *Graph*), leading to fears of a labour shortage in certain sectors. With growth remaining solid, the rise in employment levels is likely to continue through to mid-2012 (+0.2% per quarter).

Wages were particularly dynamic in 2011. The wage negotiations concluded for 2012 suggest that German households are likely to continue to benefit from gains in terms of real wages. As has been the case since 2011, the share of value-added is likely to sway in favour of employees once again.

### Household consumption sustaining activity

After progressing strongly in Q3 2011 (+1.2%), household consumption slipped back in Q4 2011 (-0.2%): households then partially rebuilt their savings. However, over 2011 as a whole, household consumption was robust (+1.4% after +0.6% in 2010). In early 2012, the solid labour market should bring a rise in German household purchasing power and consumption expenditure (+0.2% per quarter). The savings ratio should be stable in H1 2012. ■

**Unemployment has reached a very low level in Germany**




*Source: Eurostat*

## Focus: The effects of the cold weather on the construction sector in Germany

After a particularly mild early winter in both Germany and France, temperatures dropped sharply in February. Over a period of several weeks temperatures fell to sub-zero levels. As in previous cold snaps, the harsh winter will probably have a big impact on the construction sector in Q1 2012.

### The previous two cold snaps in 2010 adversely affected activity in the construction sector

In January 2010, temperatures were very low: 4.9 degrees below the seasonal norm (*see Graph 1*). Output in construction dropped by 15.5%. In December 2010, the low temperatures (4.9 degrees below the seasonal norm) led to a decline of 21.8% in output in construction. All in all, production in this sector fell back 9.9% in Q1 2011 and 5.9% in Q4. Investment in construction fell 2.5% in both quarters.

At the start of 2012, February temperatures were very low in Germany, 4.1 degrees below the seasonal norm. The effects on the construction sector may therefore be similar to those of 2010.

### Modelling the effect of temperatures on activity in construction

The temperature effect on construction activity is not the same over the whole year. It is quite logically more marked during the winter months (December, January, February) and less so the rest of the year. To estimate this effect it is more suitable to build specific models for the different months of the year. For each month, the following model was estimated:

$$\Delta \text{ipicons}_{m} = \alpha\, \Delta \text{ipicons}_{m-1} + \beta \Delta\, \text{ipicons}_{m-2} + \lambda\, \text{ecart\_temp}_{m} + \text{constant}$$

Estimation period: 1991 - 2011

where:

- ipicons denotes monthly output in construction in month m, m-1 and m-2. The lagged output terms serve to take account of the usual dynamism of the sector.

- ecart_temp m is the deviation in temperature of month m from its seasonal norm.

The estimation of the various equations confirms for each of the winter months (December, January and February) that the deviations in temperature influence growth in output in the construction sector. For March this effect is not significant. It is in January that the effects of climatic variations are the greatest: a drop of 1C from the seasonal norm would cause a fall in production in construction of 1.8% in December, 2.7% in January, and 2.3% in February (*see Table*). The monthly variation observed in production in construction for January and February and its forecast using the above equations are presented below (*see Graphs 2 and 3*).

### Investment in construction is likely to fall in Q1 2012

January data and February forecast result in a two-month overhang for production; another econometric equation allows the calculation of a forecast for the variation in investment in construction for Q1 2012: this should slip back by 2.6% in Q1 2012, with the same amplitude as during the cold snaps of 2010. ■

**Impact of a 1C drop on winter production in construction**

| | Model for December | Model for January | Model for February |
|---|---|---|---|
| $\Delta \text{ipicons}_{m-1}$ | -0,8 * | -1,1 *** | -0,3 ** |
| $\Delta \text{ipicons}_{m-2}$ | -1,6 ** | -1,7 *** | -0,3 * |
| $\text{ecart\_temp}_{m}$ | 1,8 *** | 2,7 *** | 2,3 *** |
| $R^2$ | 0,5 | 0,8 | 0,6 |

Significance at 1% : *** Significance at 5% : ** Significance at 15% : *

How to read it: in December, a 1C drop in temperature from the seasonal norm, with all else being equal, causes a drop of 1.8% in production in the construction sector.

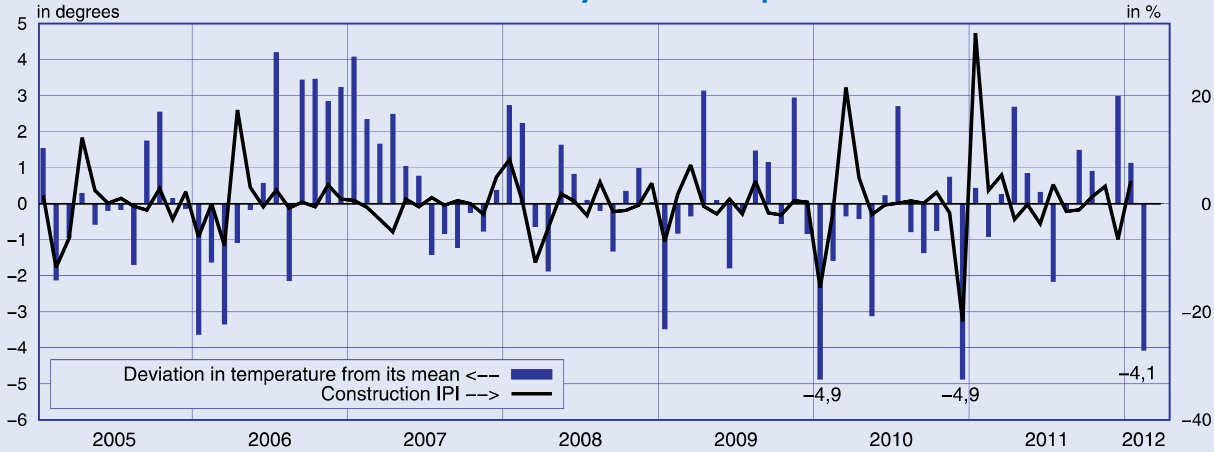
*Source: INSEE*

**BiblioGraphy**

**Apicella L.**, **Tallet F.**, **Hallegatte S.**, **Nadaud F.** ,2007, " Aléas climatiques, aléas économiques : les effets du climat sur l'activité économique en France , *Note de conjoncture*, juin, pp. 33-42, INSEE.

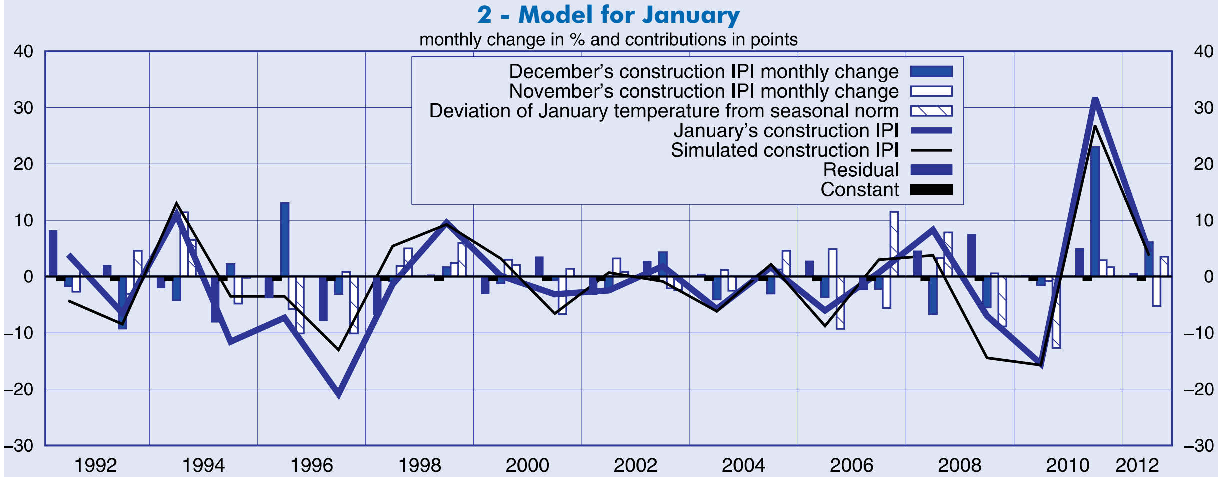
**(2010)**, « Vagues de froid : des effets faiblement positifs sur l'activité », *Note de Conjoncture*, mars, pp. 100-101, INSEE.

### 1 - Deviation in degrees of the temperature in each month from the seasonal norm and monthly variations in production in construction



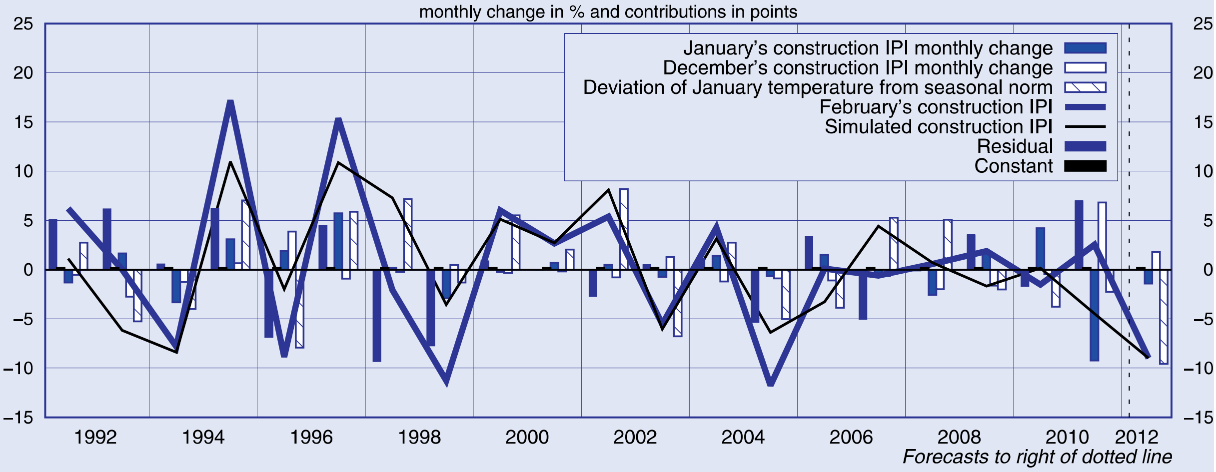

Sources: Deutscher Wetterdienst for the temperatures, Destatis and INSEE calculations

### 2 - Model for January




Sources: Deutscher Wetterdienst for the temperatures, Destatis and INSEE calculations

### 3 - Model for February




Sources: Deutscher Wetterdienst for the temperatures, Destatis and INSEE calculations

# Italy

## *On the sidelines*

*The Italian economy has been in recession since summer 2011, greatly affected by the sovereign debt crisis. Italian activity contracted in Q4 2011(-0.7 % after -0.2 %). To restore the credibility of Italian public finances, the Monti government adopted the "Salva Italia" plan in December, aiming for a return to balance in 2013.*

*Through to June 2012, only exports are likely to sustain growth, thanks to more robust world demand. Fiscal consolidation is likely to take its toll on government consumption and household income. With the decline in domestic demand and the increase in the cost of credit, companies are likely to hesitate to invest. All in all, Italian activity should continue to shrink in H1 2012 (-0.4 % in Q1 and -0.3 % in Q2).*

### With the tensions surrounding sovereign debt, fiscal consolidation gathers pace

At the end of 2011, the aggravation of the sovereign debt crisis led to a leap in the yield on Italian 10-year bonds: it exceeded 6% in Q4. To restore the credibility of Italian public finances, the Monti government adopted the "*Salva Italia*" plan on 22 December 2011, aiming for a return to balance in 2013.

The weight of fiscal consolidation on household income is likely to increase in 2012, with a fall in social benefits, particularly pensions, and a rise in taxes. Additionally, real wages are set to stagnate: the high level of unemployment is likely to take its toll on the bargaining power of employees, while in the public sector civil servants' nominal wages have been frozen. Through to mid-2012, household purchasing power should thus decline (-1.9 %). Italian households should however offset the fall in their consumption expenditure (-0.4 % per quarter) by reducing their savings slightly.

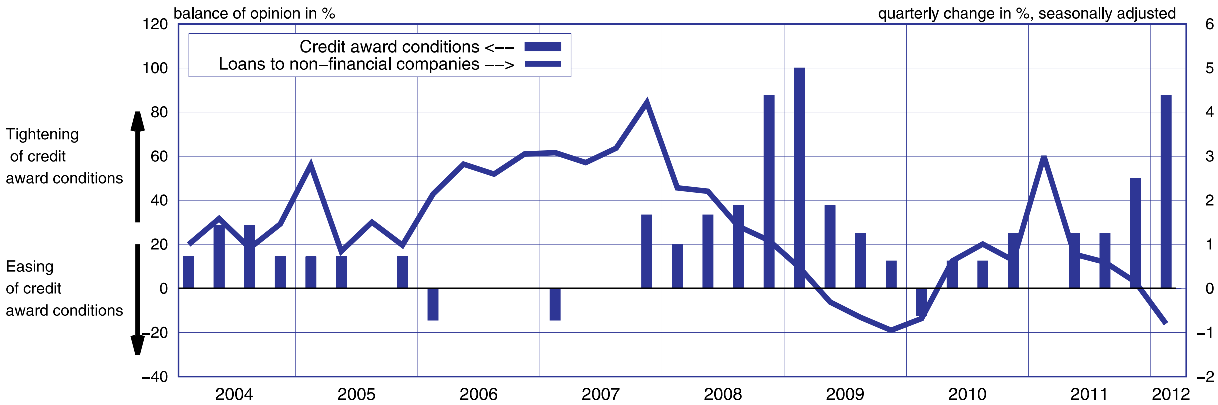
### Economic and financial conditions unfavourable to investment

Although the tensions surrounding sovereign debt have eased slightly in early 2012, this has not yet led to an improvement in the financing conditions of private agents (see *Graph*). Faced with underused production capacities and gloomy domestic prospects, Italian companies should continue to scale back their investments in capital goods in H1 2012.

### Modest support from exports

Penalised by the low level of European outlets, Italian exports remained stable at the end of 2011. They should pick up somewhat by mid-2012, sustained by the acceleration in world trade and the recent depreciation of the euro. Weak domestic demand is likely to lead to a decline in imports. The contribution of foreign trade to growth should therefore remain clearly positive. ■

**Companies penalised by tighter credit conditions**




The quarterly series of loans awarded to non-financial companies is extended by the one-month overhang

*Sources: Bank of Italy, European Central Bank*

# Spain

## *Lean cows*

*In Spain the financial tensions spread to the real economy in Q4 2011: credit terms tightened for companies and private investment declined sharply. Adversely affected by the drop in demand in the Eurozone, Spanish activity suffered a downturn at the end of 2011 (-0.3%).*

*On 30 December 2011, the Rajoy government adopted a set of measures totalling 1.4 GDP points in 2012. These measures combined with the sharp deterioration on the labour market are likely to take their toll on household income: household consumption should fall. In H1 2012, companies are also set to reduce their investments, given their financing difficulties and the lack of domestic outlets. Profiting from the rebound in world trade, exports are likely to be the sole driver of growth. All in all, the Spanish economy should continue to decline in H1 2012 (-0.2% per quarter).*

### Rebound in exports

Since mid-2009 Spanish exports have been dynamic - more than in the other big Eurozone countries (see *Graph*). After slipping back in Q4 2011 due to the marked slowdown in demand in the Eurozone, exports should progress once again in H1 2012, in the wake of the rebound in demand from Germany, France and countries outside the Eurozone. This rise should be amplified slightly by the recent depreciation of the euro.

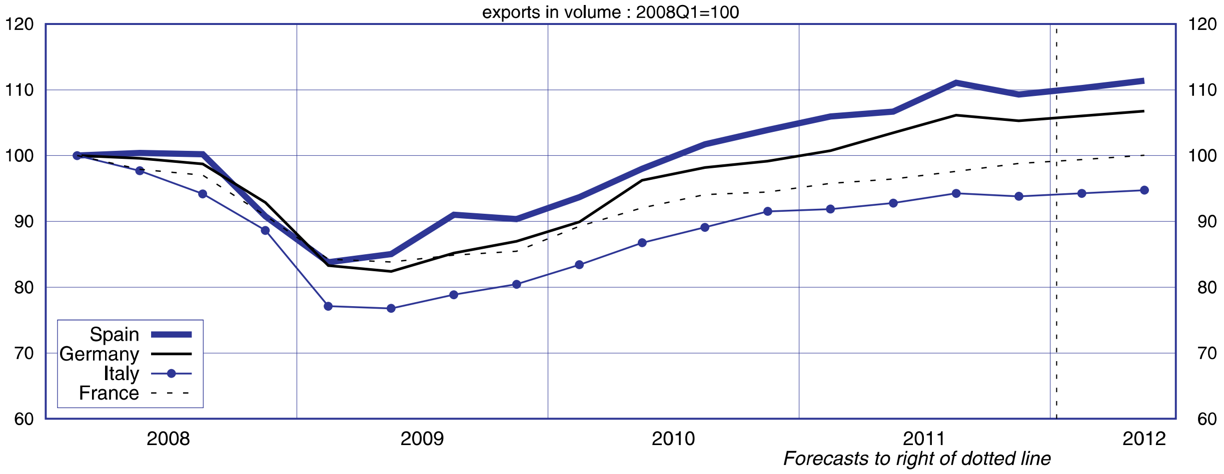
### Investment: a worsening economic and financial environment

Investment in capital goods should continue to decline through to mid-2012. Despite the implementation of exceptional refinancing conditions by the ECB and the decline in Spanish sovereign debt yields, access to credit is likely to remain difficult for Spanish entrepreneurs in H1 2012. In construction, the decline in investment which has been ongoing for three years is set to continue.

### Drop in consumption

In this recessional environment, employment should continue to fall through to mid-2012. With rising unemployment the usual mechanisms for indexing nominal wages to inflation are likely to weaken considerably. Household income should also be affected by the fiscal consolidation measures, in particular the freeze on social benefits and civil service wages. Faced with a drop in their purchasing power, Spanish households are set to drastically reduce their expenditure: despite a slight fall in the savings ratio, consumption is set to plummet to the time horizon of the forecast (-0.9% per quarter). ■

**Spanish exports are the most dynamic in the Eurozone**




*Source: Eurostat*

# United States

## *Green light*

*Driven by the dynamism of private consumption, the American economy picked up slightly in Q4 2011 (+0.7 % after +0.5 % in Q3). The short-term climate is again favourable in early 2012. Still sustained by domestic demand, activity should remain robust in H1 2012, growing by 0.6 % per quarter. The progress in employment should sustain earned income and the renewal of the measures to support households should prevent an excessively sudden fiscal shock. Thanks to the boost in income, American households should increase their expenditure whilst stabilising their savings ratio. To cater for this rise in demand, companies are likely to step up their productive investment expenditure.*

### A promising labour market

Job creations picked up sharply at the end of 2011: the American economy created around 200,000 jobs per month in December 2011 and January 2012, against a monthly average of around 150,000 over 2011 as a whole. This rhythm should be maintained throughout the forecasting period. Productivity per head, which at the end of the recession had largely exceeded its pre-crisis level, should move back towards its long-term trend. The rate of unemployment, which returned to a level of 8.3 % in January, should continue to fall (see *Graph*). This improvement in the labour market should allow employees to increase their bargaining power and the share of value-added should swing in their favour: the margin ratio of companies, which has progressed strongly since 2009, should level off.

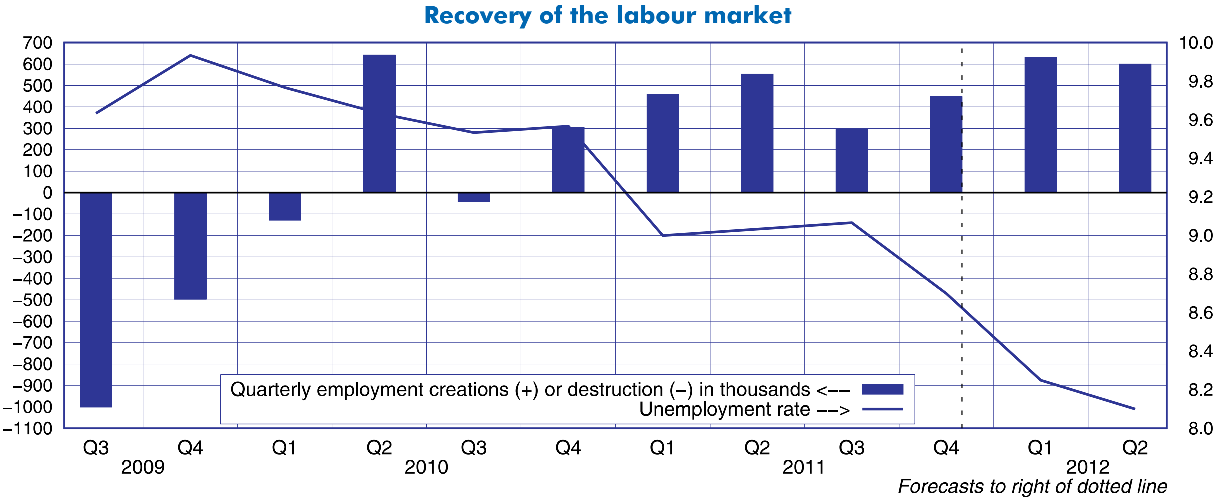
### Household consumption in line with the rise in income

For the last few quarters the automatic stabilisers have ceased to sustain household income: transfers in value to households have stagnated and taxes have increased faster than income. This trend should continue in H1 2012. But the extension of fiscal measures in favour of households, voted in late December and mid-February, should avoid an excessively sudden fiscal shock to household purchasing power. Through to mid-2012, growth in consumption should be driven by purchasing power gains despite a slight upswing in inflation. American households should therefore stabilise their savings ratio after a sharp drop in H2 2011.

### Dynamic exports and investment

In H1 2012 exports should remain dynamic. They are likely to be sustained by the rebound in demand for American products, mainly from Asia, and by gains in competitiveness thanks to the recent depreciation of the dollar. The buoyancy of domestic demand and foreign outlets should encourage companies to increase their investment in capital goods, especially as their financing capacity is likely to be supported by the all-time high reached by their margin ratio. In parallel, the adjustment of the real-estate market is nearly complete and the construction sector is starting to recover. Housing starts and building permits have registered moderate growth and vacant housing stocks are gradually falling. ■

**Recovery of the labour market**




*Source: US Bureau of Economic Analysis, INSEE forecasts*

# United Kingdom

## A sluggish recovery

*Activity in the UK is likely to grow only slightly in H1 2012 (+0.2% per quarter after -0.2% in Q4 2011). The United Kingdom should therefore not go into recession (see Graph), but the mid-2012 growth overhang should only be +0.5%. The rebound in world trade, monetary easing and government measures to support SMEs should favour investment. Private consumption should grow only moderately: household purchasing power is likely to be affected by fiscal consolidation measures and by the recent rise in oil prices.*

### Exports set to buoy up activity somewhat

In Q4 2011, surprisingly given the sluggish developments in world trade, British exports were particularly dynamic (+2.3%): the decline in European export outlets was offset by an acceleration in exports to the USA and emerging countries. This exceptional rhythm is unlikely to be maintained in H1 2012 and British exports should slow to a level more in line with world trade. They are also likely to be held back by the recent appreciation of the pound.

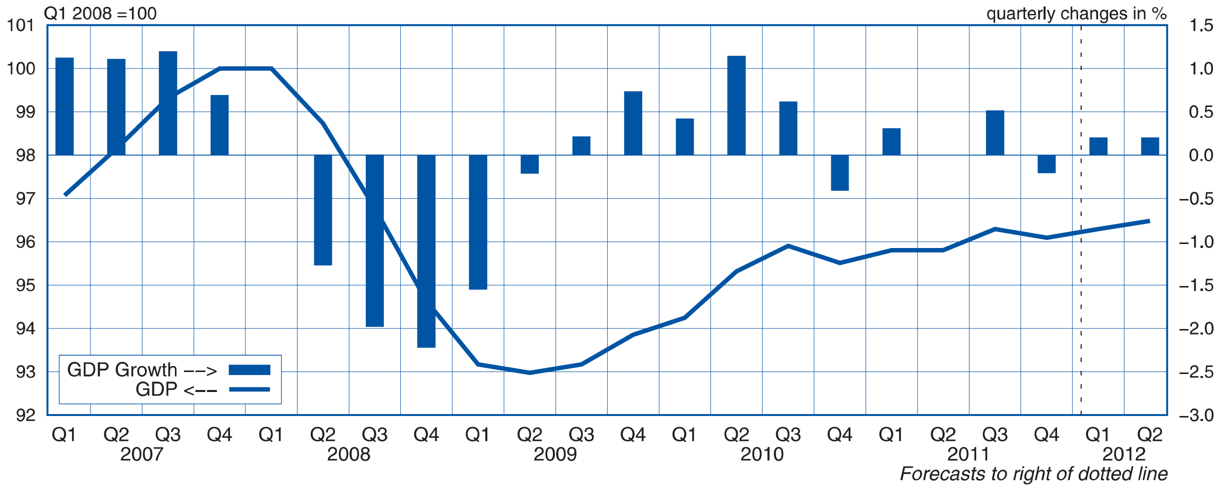
### Households set for a moderate increase in their expenditure

After falling back for four consecutive quarters, household consumption rebounded sharply in Q4 2011 (+0.5%). In early 2012, purchasing power gains should moderate and British households should increase their expenditure at a slower pace (+0.2% per quarter). Employment is set to remain stable despite the slight rebound in activity: companies are likely to continue restoring their productivity, which is still well below its pre-crisis level. Additionally, the high level of unemployment is likely to hamper the bargaining power of employees and real wages should progress barely faster than inflation, which should be sustained by the recent rise in oil prices. Non-wage income should pick up.

### Government support for investment

Investment is set to rebound in H1 2012, in the wake of increased export outlets and consumption. This rebound should also be boosted by the stimulus measures implemented by the British government, which announced at the end of November 2011 that it would act as guarantor for loans to SMEs for a total of £20 billion and that it would directly finance loans up to £1 billion. Similarly the accommodating monetary policy of the Bank of England should facilitate access to credit for companies. Lastly, the government is implementing a plan to renew infrastructures, in particular roads and in education, leading to a rise in public investment of around £700 million from Q2 2012, which is the start of fiscal year 2012-2013. In this more favourable context, investment should increase in H1 2012. ■

**A sluggish recovery in the United Kingdom**




*Sources: ONS and calculations INSEE*

# Japan

## *With support for the rebuilding process*

*In Q4 2011, the contraction in activity in Japan came as a surprise (-0.2 % after +1.7 % in Q3). The Thailand floods had a greater than expected effect on the industrial fabric and on Japanese exports. Exports also suffered from the slowdown in world demand and the strong appreciation of the yen. In parallel, the release of funds for reconstruction is still slow in coming, and public investment fell back further at the end of 2011. Private domestic demand nonetheless remained dynamic.*

*In H1 2012, under the combined effect of the dissipation of the Thailand shock, an acceleration in the rebuilding programme and the robustness of private domestic demand, the Japanese economy should rebound. Exports should also pick up, but the Japanese trade deficit is set to continue to worsen due to the large-scale energy imports to make up for the stoppage of the nuclear power stations.*

### The Thailand shock is dissipating but output potential is still restricted by electricity capacities

At the end of 2011, the floods that occurred in Thailand caused a break in the Japanese supply chains and a decline in industrial output and exports. Japan has numerous assembly and manufacturing plants in this country. In early 2012, the return to normal of production conditions in the industry should allow Japanese activity to rebound, as suggested by the January output index (see *Graph*) and the business tendency surveys. However, the rebound potential of Japanese output is still limited by capacity constraints, since the production of electricity is far from its pre-earthquake level: 52 nuclear reactors out of 54 are at a standstill while the authorities inspect them for safety. All in all, activity in Japan is likely to grow by 0.6% in Q1 and 0.5% in Q2.

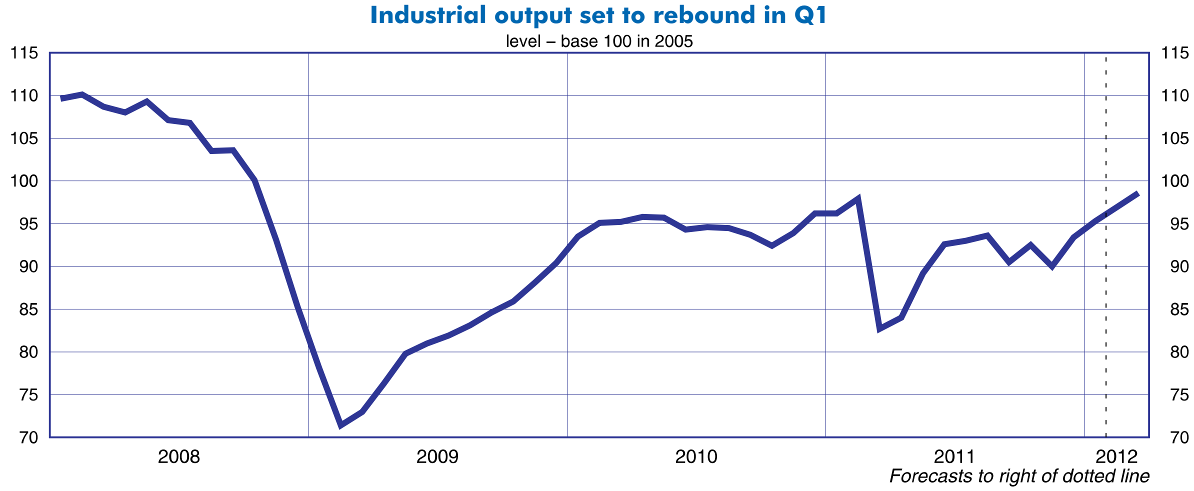
### Aid for rebuilding likely to be forthcoming

Since the disaster of 11 March 2011, four plans in support of reconstruction have been voted by Parliament for a total value of 18.5 trillion yen (3.8 GDP points). The decline in public investment at the end of 2011 is, however, a sign that the release of funds has been slow in coming. But it should accelerate sharply in H1 2012, resulting in a rebound in public investment. In parallel, boosted by government aid such as the grant scheme for the purchase of clean vehicles, private domestic demand should remain sound.

### The foreign deficit set to increase further

To make up for the stoppages of the nuclear power stations, disused thermal power plants have been reactivated and their operation has created an increase in energy imports. In H1 2012, imports should also be sustained by strong domestic demand. Imports should thus grow faster than exports, as the competitiveness of exports on the international markets has also been hit by the appreciation of the yen since summer 2011. The Japanese trade balance, which went into deficit in Q2 2011, is therefore likely to deteriorate further. ■

**Industrial output set to rebound in Q1**




*Source: Ministry of Economy, Trade and Industry*

# China and emerging Asia

## *Modest impetus*

*In H2 2011, activity slowed in emerging Asia under the effect of the restrictive monetary policies implemented to curb inflationary tensions. In Q4 2011, the floods in Thailand and declining demand from Europe accentuated this slowdown.*

*At the start of 2012, the impact of the floods in Thailand should fade and the monetary easing measures initiated in December after the fall in inflation are set to continue. European outlets are nonetheless likely to remain limited and the risk of inflationary overheating remains. All in all, activity should accelerate somewhat in the emerging Asian countries but at a slower pace than prior to the crisis.*

### A marked slowdown in H2 2011

Faced with high inflation, the countries of emerging Asia brought in restrictive monetary measures through to autumn 2011. Inflation fell: for example in China it slipped back from 6.5% year-on-year in July 2011 to 4.1% in December, but at the cost of a marked slowdown in activity in H2 2011. Additionally, in Q4 2011 the very open economies of emerging Asia were penalised by the decline in European demand; the consequences of the Thailand floods also caused a drop in output in the industries dependent on the electronics sector.

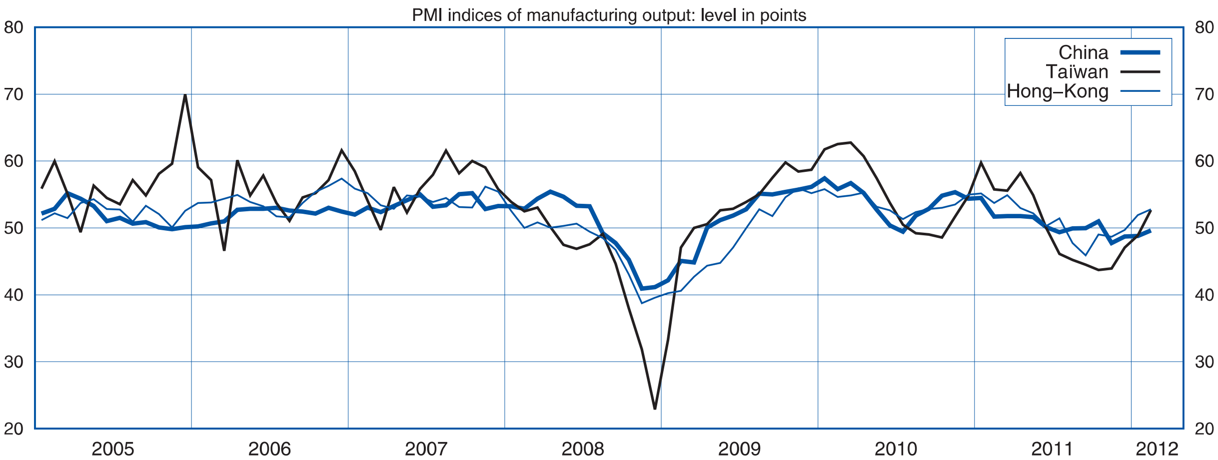
### Slight acceleration in activity in H1 2012...

In H1 2012, with the dissipation of the Thai shock and the acceleration of the Japanese rebuilding programme (see *"Japan" note*), activity should pick up in the economies of emerging Asia. Their monetary policies have also eased since December 2011. In China, the reserve requirement ratio was lowered in December 2011 and February 2012, and credit, which was up again in Q4 2011, should remain dynamic in H1 2012.

### ... but growth still below the pre-crisis rate

At the start of 2012, the prices of oil and food commodities have risen again, while the production capacities of emerging Asian countries remain overburdened and tensions on the labour market are causing wages to rise. In China, for example, the minimum wage is set to increase by 15% this year after +20% in 2011. Inflationary risk is therefore still present. To the time horizon of the forecast, this risk should limit the capacity of fiscal and monetary policies to sustain domestic demand. Last, European outlets are still looking subdued. All in all in H1 2012, the economies of emerging Asia should grow at a slower rhythm than prior to the crisis, confirming the results of the business tendency surveys (*see Graph*). Although they should contribute to growth in the advanced economies, they are likely to do so only modestly. ■

**Growth in activity is set to remain below its pre-crisis level**




*Source: Markit*

# 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** | **0.1** | **-0.3** | **-0.1** | **0.1** | **1.8** | **1.5** | **-0.2** |
| Private consumption (57%) | 0.2 | 0.1 | 0.4 | 0.3 | 0.1 | -0.4 | 0.3 | -0.4 | -0.2 | -0.2 | 0.8 | 0.3 | -0.6 |
| Investment (19%) | -0.4 | 1.9 | 0.2 | -0.4 | 1.7 | -0.1 | -0.3 | -0.7 | -1.4 | 0.8 | -0.8 | 1.6 | -1.5 |
| Public consumption (22%) | -0.4 | 0.2 | 0.1 | 0.0 | 0.1 | 0.1 | -0.2 | -0.2 | -0.4 | -0.4 | 0.6 | 0.1 | -0.9 |
| Exports (41%) | 3.3 | 4.7 | 2.1 | 1.5 | 1.3 | 1.2 | 1.4 | -0.4 | 0.6 | 0.8 | 11.3 | 6.2 | 1.9 |
| Imports (40%) | 3.6 | 4.2 | 1.7 | 1.3 | 0.7 | 0.4 | 0.7 | -1.2 | -0.2 | 0.4 | 9.5 | 3.9 | -0.4 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | 0.0 | 0.5 | 0.3 | 0.1 | 0.4 | -0.2 | 0.1 | -0.4 | -0.5 | -0.1 | 0.5 | 0.5 | -0.8 |
| Inventories | 0.5 | 0.2 | 0.0 | 0.1 | 0.1 | 0.1 | -0.2 | -0.2 | 0.0 | 0.0 | 0.5 | 0.0 | -0.2 |
| Foreign trade | -0.1 | 0.2 | 0.2 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.8 | 1.0 | 0.9 |

## Consumer prices in Eurozone

*changes in a % and contributions in points*

| | **January 2012** | | **February 2012** | | **March 2012** | | **June 2012** | | Annual averages | |
|---|---|---|---|---|---|---|---|---|---|---|
| CPI groups (2012 weightings) | **yoy** | **cyoy** | **yoy** | **cyoy** | **yoy** | **cyoy** | **yoy** | **cyoy** | **2010** | **2011** |
| **All (100.0%)** | **2.7** | **2.7** | **2.7** | **2.7** | **2.4** | **2.4** | **2.4** | **2.4** | **1.6** | **2.7** |
| **Food (incl. Alc. and Tobacco) (19.1%)** including: | **3.1** | **0.6** | **3.3** | **0.6** | **2.9** | **0.5** | **2.3** | **0.4** | **1.1** | **2.7** |
| *food (15.2%)* | 2.9 | 0.4 | 3.1 | 0.5 | 2.6 | 0.4 | 1.8 | 0.3 | 0.4 | 2.5 |
| *alcoholic beverages and tobacco (3.8%)* | 3.8 | 0.1 | 4.1 | 0.2 | 4.0 | 0.2 | 4.4 | 0.2 | 3.8 | 3.5 |
| **Energy (11.0%)** | **9.2** | **1.0** | **9.5** | **1.0** | **7.9** | **0.9** | **9.0** | **1.0** | **7.4** | **11.9** |
| **"Core" inflation (69.9%)** including: | **1.5** | **1.1** | **1.5** | **1.1** | **1.5** | **1.0** | **1.4** | **1.0** | **1.0** | **1.4** |
| *manufactured goods (28.5%)* | 0.9 | 0.3 | 1.1 | 0.3 | 1.2 | 0.3 | 1.1 | 0.3 | 0.5 | 0.8 |
| *services (41.5%)* | 1.9 | 0.8 | 1.8 | 0.8 | 1.7 | 0.7 | 1.6 | 0.7 | 1.3 | 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** | **0.3** | **0.2** | **0.0** | **0.2** | **1.4** | **1.7** | **0.5** |
| Private consumption (56%) | 0.1 | 0.0 | 0.7 | 0.4 | 0.2 | -1.0 | 0.3 | 0.2 | 0.2 | 0.0 | 1.3 | 0.3 | 0.2 |
| Investment (19%) | -1.2 | 1.2 | 0.9 | 0.3 | 1.1 | 0.6 | 0.2 | 0.9 | -0.4 | 0.7 | -1.4 | 2.9 | 1.1 |
| Public consumption (27%) | -0.1 | 0.3 | 0.2 | 0.1 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 1.2 | 0.9 | 0.6 |
| Exports (25%) | 4.5 | 3.1 | 2.2 | 0.4 | 1.4 | 0.7 | 1.2 | 1.2 | 0.6 | 0.6 | 9.3 | 5.0 | 2.7 |
| Imports (28%) | 1.5 | 3.3 | 3.8 | 0.2 | 2.8 | -1.0 | 0.7 | -1.2 | 0.6 | 0.6 | 8.3 | 5.0 | 0.3 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | -0.2 | 0.3 | 0.6 | 0.3 | 0.4 | -0.4 | 0.2 | 0.3 | 0.1 | 0.2 | 0.8 | 1.0 | 0.5 |
| Inventories | -0.4 | 0.3 | 0.3 | 0.0 | 1.0 | -0.1 | 0.0 | -0.8 | 0.0 | 0.0 | 0.5 | 0.9 | -0.6 |
| Foreign trade | 0.7 | -0.1 | -0.5 | 0.1 | -0.5 | 0.5 | 0.1 | 0.7 | 0.0 | 0.0 | 0.1 | -0.1 | 0.6 |

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** | **0.6** | **-0.2** | **0.2** | **0.4** | **3.6** | **3.1** | **0.7** |
| Private consumption (58%) | 0.0 | 0.8 | 0.3 | 0.7 | 0.6 | -0.7 | 1.2 | -0.2 | 0.2 | 0.2 | 0.6 | 1.4 | 0.6 |
| Investment (17%) | 0.2 | 5.7 | 1.6 | -0.2 | 4.0 | 0.0 | 0.3 | 1.1 | -1.2 | 2.6 | 5.2 | 6.6 | 1.8 |
| Public consumption (20%) | 0.9 | -0.6 | 0.8 | 0.1 | 0.1 | 0.8 | 0.6 | 0.1 | 0.2 | 0.2 | 1.7 | 1.4 | 0.9 |
| Exports (47%) | 3.4 | 7.0 | 2.0 | 1.0 | 1.6 | 2.7 | 2.6 | -0.8 | 0.7 | 0.7 | 13.4 | 8.4 | 2.6 |
| Imports (41%) | 5.8 | 6.2 | 0.9 | 1.3 | 1.0 | 2.9 | 2.7 | -0.3 | 0.5 | 0.9 | 11.5 | 7.5 | 3.0 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | 0.2 | 1.3 | 0.6 | 0.4 | 1.0 | -0.2 | 0.8 | 0.1 | 0.0 | 0.6 | 1.6 | 2.2 | 0.8 |
| Inventories | 1.1 | -0.1 | -0.4 | 0.1 | 0.0 | 0.4 | -0.4 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 | -0.1 |
| Foreign trade | -0.7 | 0.7 | 0.6 | -0.1 | 0.4 | 0.1 | 0.1 | -0.3 | 0.2 | -0.1 | 1.4 | 0.8 | 0.0 |

| 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** | **1.1** | **0.5** | **0.4** | **0.2** | **0.1** | **0.3** | **-0.2** | **-0.7** | **-0.4** | **-0.3** | **1.8** | **0.5** | **-1.1** |
| Private consumption (60%) | 0.4 | -0.1 | 0.9 | 0.3 | 0.0 | -0.1 | -0.4 | -0.7 | -0.4 | -0.4 | 1.2 | 0.2 | -1.4 |
| Investment (20%) | 1.9 | 0.4 | 0.8 | -1.0 | 0.0 | -0.1 | -0.6 | -2.4 | -1.6 | -1.5 | 1.7 | -1.2 | -4.7 |
| Public consumption (21%) | -0.6 | 0.3 | -0.4 | -0.3 | 0.3 | -0.4 | -0.6 | -0.7 | -0.9 | -0.9 | -0.6 | -0.9 | -2.4 |
| Exports (27%) | 3.2 | 3.9 | 2.4 | 3.1 | 0.2 | 0.7 | 2.0 | 0.0 | 0.5 | 0.5 | 11.4 | 6.3 | 2.1 |
| Imports (28%) | 4.0 | 3.3 | 2.3 | 5.1 | -2.3 | -1.4 | -1.2 | -2.5 | -1.1 | -1.0 | 12.4 | 1.0 | -4.6 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | 0.4 | 0.1 | 0.6 | -0.1 | 0.1 | -0.2 | -0.5 | -1.0 | -0.7 | -0.7 | 0.9 | -0.3 | -2.3 |
| Inventories | 0.9 | 0.3 | -0.2 | 0.8 | -0.6 | -0.1 | -0.6 | -0.4 | -0.1 | 0.0 | 1.2 | -0.6 | -0.8 |
| Foreign trade | -0.2 | 0.1 | 0.0 | -0.5 | 0.7 | 0.6 | 0.9 | 0.7 | 0.5 | 0.4 | -0.3 | 1.4 | 2.0 |

| 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** | **0.2** | **0.0** | **-0.3** | **-0.2** | **-0.2** | **-0.1** | **0.7** | **-0.6** |
| Private consumption (58%) | -0.1 | 0.9 | -0.7 | 0.7 | -0.5 | 0.2 | 0.2 | -1.0 | -0.9 | -0.9 | 0.7 | -0.1 | -2.2 |
| Investment (23%) | -0.9 | -0.6 | -1.9 | -2.0 | -0.4 | -1.1 | -0.4 | -4.3 | -1.7 | -1.3 | -6.3 | -5.1 | -6.4 |
| Public consumption (21%) | -0.1 | 0.8 | -0.4 | -1.1 | 1.3 | -1.9 | -2.0 | -1.1 | -1.6 | -1.3 | 0.2 | -2.2 | -4.9 |
| Exports (27%) | 3.7 | 4.6 | 3.8 | 2.1 | 2.0 | 0.7 | 4.1 | -1.6 | 1.3 | 1.3 | 13.5 | 9.0 | 3.3 |
| Imports (29%) | 2.1 | 5.4 | 0.0 | 0.3 | 0.1 | -1.8 | 2.3 | -6.5 | -2.1 | -1.4 | 8.9 | -0.1 | -7.3 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | -0.3 | 0.5 | -1.0 | -0.3 | -0.1 | -0.6 | -0.4 | -1.8 | -1.2 | -1.1 | -1.1 | -1.7 | -3.3 |
| Inventories | 0.2 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | -0.2 |
| Foreign trade | 0.3 | -0.3 | 0.9 | 0.4 | 0.5 | 0.7 | 0.4 | 1.5 | 1.0 | 0.8 | 0.9 | 2.5 | 3.0 |

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

| Supply and use table (in real terms) | Quarterly change in % | | | | | | | | | | Annual change in % | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | | | 2011 | | | | 2012 | | 2010 | 2011 | 2012 ovhg |
| | 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** | **0.7** | **0.6** | **0.6** | **3.0** | **1.7** | **1.9** |
| Private consumption (71%) | 0.7 | 0.7 | 0.7 | 0.9 | 0.5 | 0.2 | 0.4 | 0.5 | 0.3 | 0.5 | 2.0 | 2.2 | 1.4 |
| Private investment (12%) | 0.3 | 4.6 | 0.6 | 1.8 | 0.3 | 2.2 | 3.1 | 1.1 | 2.9 | 1.6 | 2.6 | 6.7 | 7.1 |
| Government expenditures and public investment (21%) | -0.3 | 0.9 | 0.2 | -0.7 | -1.5 | -0.2 | 0.0 | -1.1 | -0.3 | 0.0 | 0.7 | -2.1 | -1.1 |
| Exports (13%) | 1.8 | 2.4 | 2.4 | 1.9 | 1.9 | 0.9 | 1.1 | 1.0 | 1.2 | 1.2 | 11.3 | 6.8 | 3.7 |
| Imports (16%) | 3.0 | 5.0 | 2.9 | -0.6 | 2.0 | 0.3 | 0.3 | 0.9 | 1.0 | 1.0 | 12.5 | 4.9 | 2.7 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | 0.4 | 1.3 | 0.6 | 0.7 | 0.1 | 0.3 | 0.7 | 0.3 | 0.6 | 0.6 | 1.9 | 1.9 | 1.6 |
| Inventories | 0.8 | 0.2 | 0.2 | -0.4 | 0.1 | -0.1 | -0.3 | 0.5 | 0.0 | 0.0 | 1.6 | -0.2 | 0.2 |
| Foreign trade | -0.2 | -0.4 | -0.1 | 0.3 | -0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | -0.5 | 0.0 | 0.0 |

## United Kingdom

| Supply and use table (in real terms) | Quarterly change in % | | | | | | | | | | Annual change in % | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | | | 2011 | | | | 2012 | | 2010 | 2011 | 2012 ovhg |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | | | |
| **GDP** | **0.4** | **1.1** | **0.7** | **-0.5** | **0.3** | **0.0** | **0.5** | **-0.2** | **0.2** | **0.2** | **2.1** | **0.8** | **0.5** |
| Private consumption (62%) | 0.0 | 0.7 | 0.0 | -0.3 | -0.5 | -0.5 | -0.1 | 0.5 | 0.2 | 0.2 | 1.2 | -0.8 | 0.5 |
| Investment (15%) | 5.4 | -2.8 | 0.9 | 0.0 | -0.7 | 0.7 | -1.0 | -2.8 | 0.6 | 0.7 | 3.1 | -1.7 | -1.4 |
| Public consumption (26%) | 0.2 | 0.9 | -0.1 | 0.0 | -0.6 | 0.4 | -0.3 | 0.9 | 0.0 | 0.1 | 1.5 | 0.0 | 0.7 |
| Exports (30%) | -0.1 | 4.6 | 0.6 | 4.1 | 1.7 | -2.1 | -0.7 | 2.3 | 0.5 | 0.5 | 7.4 | 4.8 | 1.7 |
| Imports (33%) | 2.2 | 2.9 | 3.0 | 1.2 | -2.0 | -0.8 | 0.2 | 0.4 | 0.5 | 0.5 | 8.6 | 0.6 | 1.1 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | 0.9 | 0.3 | 0.1 | -0.2 | -0.5 | -0.1 | -0.3 | 0.1 | 0.2 | 0.2 | 1.6 | -0.7 | 0.3 |
| Inventories | 0.2 | 0.4 | 1.3 | -1.1 | -0.3 | 0.5 | 1.1 | -0.9 | 0.0 | 0.0 | 1.0 | 0.4 | 0.0 |
| Foreign trade | -0.7 | 0.4 | -0.7 | 0.8 | 1.1 | -0.4 | -0.3 | 0.6 | 0.0 | 0.0 | -0.6 | 1.2 | 0.2 |

## Japan

| Supply and use table (in real terms) | Quarterly change in % | | | | | | | | | | Annual change in % | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | | | 2011 | | | | 2012 | | 2010 | 2011 | 2012 ovhg |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | | | |
| **GDP** | **1.5** | **1.3** | **0.6** | **-0.2** | **-1.8** | **-0.3** | **1.7** | **-0.2** | **0.6** | **0.5** | **4.5** | **-0.7** | **1.6** |
| Private consumption (59%) | 0.8 | 0.2 | 0.3 | 0.1 | -1.1 | 0.3 | 1.0 | 0.4 | 0.5 | 0.3 | 2.6 | 0.0 | 1.6 |
| Investment (20%) | 0.4 | 1.6 | 0.7 | -1.5 | -0.7 | 1.1 | 0.4 | 2.5 | 1.5 | 1.9 | -0.1 | 0.6 | 5.4 |
| Public consumption (20%) | -0.4 | 1.5 | 0.3 | 0.4 | 0.5 | 0.8 | 0.3 | 0.4 | 0.3 | 0.3 | 2.1 | 2.1 | 1.1 |
| Exports (15%) | 6.3 | 5.8 | 1.2 | -0.3 | -0.3 | -6.2 | 8.6 | -3.1 | 2.0 | 2.0 | 24.4 | 0.0 | 3.6 |
| Imports (14%) | 2.4 | 6.0 | 1.7 | 0.3 | 1.0 | 0.3 | 3.4 | 1.0 | 2.5 | 2.5 | 11.1 | 5.8 | 7.1 |
| **Contributions to GDP growth** | | | | | | | | | | | | | |
| Domestic demand excluding inventories | 0.5 | 0.8 | 0.4 | -0.1 | -0.7 | 0.6 | 0.8 | 0.8 | 0.7 | 0.6 | 2.0 | 0.5 | 2.3 |
| Inventories | 0.4 | 0.4 | 0.2 | 0.1 | -0.8 | 0.1 | 0.2 | -0.3 | 0.0 | 0.0 | 0.8 | -0.5 | -0.1 |
| Foreign trade | 0.6 | 0.1 | 0.0 | -0.1 | -0.2 | -1.0 | 0.7 | -0.7 | -0.1 | -0.1 | 1.7 | -0.7 | -0.4 |

Forecast

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

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