

Foreign trade

At the end of 2016 world trade accelerated (+1.7% after +0.6%), as did world demand for French goods (+1.9% after +0.3%). Against this promising global backdrop, French exports grew strongly once again (+1.3% after +0.8%), especially those of manufactured goods, driven by record deliveries of aircraft at the end of the year. In H1 2017, boosted by robust world demand and a slight depreciation of the Euro, they should continue to increase strongly. The quarterly profile of exports is still likely to be dictated by the pace of deliveries of major aeronautics and shipbuilding contracts (+0.2% then +1.4%).

Imports slowed significantly in Q4 (+1.0% after +2.7%), especially of manufactured goods and raw hydrocarbons. They are expected to pick up in Q1 (+1.3%) then stall in Q2 (+0.2%). In mid-2017 foreign trade is likely to hold back the annual growth overhang by 0.2 points, markedly less than last year: in 2016 it stripped annual growth of 0.8 points, of which -0.5 points were carried over by mid-year.

World trade accelerated at the end of 2016 and should remain strong until mid-2017

In Q4 2016 world trade accelerated sharply (+1.7% after +0.6%; [Table 1](#)), thanks to renewed momentum in Chinese, American and German imports. Nevertheless, this brought to an end what had been a sluggish year 2016: on average over the year, world trade slowed further and growth (+1.5%) was at its lowest since 2009. Through to mid-2017, it should increase strongly (+0.9% per quarter). It is likely to be driven mainly by the reinvigorated imports of the emerging countries, as suggested by the significant improvement in

balances of opinion on export orders in the world business tendency surveys ([Graph 1](#)). The annual carry-over effect through to mid-year should reach +3.4% in 2017.

World demand for French goods also accelerated at the end of 2016 (+1.9% after +0.3%; [Graph 2](#)), mainly thanks to the buoyancy of German imports. Through mid-2017, this demand is expected to grow at the same pace as world trade (+0.9% per quarter) with the momentum coming mainly from the Eurozone partners.

Exports are expected to continue to increase solidly in H1 2017

In Q4 2016 French exports accelerated (+1.3% after +0.8%, [Table 2](#)). Exports of manufactured goods once again grew strongly (+2.0% after +1.9%). Sales of transport equipment rebounded particularly well (+4.8% after 0.0%) as a result of record aeronautical deliveries at the end of the year. Exports of "other industrial products" (+1.8% after +2.3%) and capital goods (+1.1% after +2.0%) increased significantly once again. However, sales of energy products plummeted (-12.4% after +3.0%), due to several shutdowns of nuclear power station reactors. Exports of agricultural products declined again (-5.7% after -16.5%), while sales of services recovered (+1.1% after -0.4%).

In Q1 2017 exports of goods and services are likely to stall (+0.2%), especially those of manufactured goods (-0.1%; [Graph 3](#)). Aeronautics and shipbuilding deliveries are expected to shrink significantly as an after-effect of the exceptional end of year in 2016. Exports of agricultural products are likely to remain sluggish, still suffering from last summer's poor harvests. However, exports of services should remain buoyant (+1.0%).

Table 1

World trade and world demand for French products

levels ; percentage changes from previous period

	2015				2016				2017		2015	2016	2017 ovgh
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
World trade	0.4	0.1	0.7	0.5	-0.5	0.7	0.6	1.7	0.9	0.9	2.4	1.5	3.4
Imports of advanced economies	1.8	0.0	0.7	1.0	0.2	0.4	0.8	1.4	0.9	0.9	4.0	2.3	3.2
Imports of emerging economies	-2.6	0.4	0.7	-0.5	-1.9	1.3	0.3	2.2	1.0	1.0	-1.0	-0.1	4.0
World demand for French products	1.1	0.1	0.6	0.9	-0.1	1.2	0.3	1.9	0.9	0.9	3.4	2.5	3.4

Forecast

Source: INSEE

French developments

In Q2 2017 exports (+1.4%) should benefit from the buoyancy of world demand for French goods, the slight past depreciation of the Euro and some large shipbuilding contracts, with the delivery of the cruise ship *Meraviglia*. Exports of manufactured goods are set to increase by 1.6% and exports of services by 1.0%. Exports of energy products should pick up slightly over the half-year as electricity production capacity is gradually restored.

At the end of H1 2017, the annual growth overhang for exports is expected to have already reached +2.6%, considerably more than the annual average for 2016 (+1.1%).

Imports expected to accelerate then stall

In Q4 2016 French imports slowed considerably (+1.0% after +2.7%). This slowdown originated firstly from manufactured goods (+0.4% after +2.2%), especially transport equipment (+3.6% after +6.7%) and capital goods (+0.4% after +2.2%), and secondly from energy products

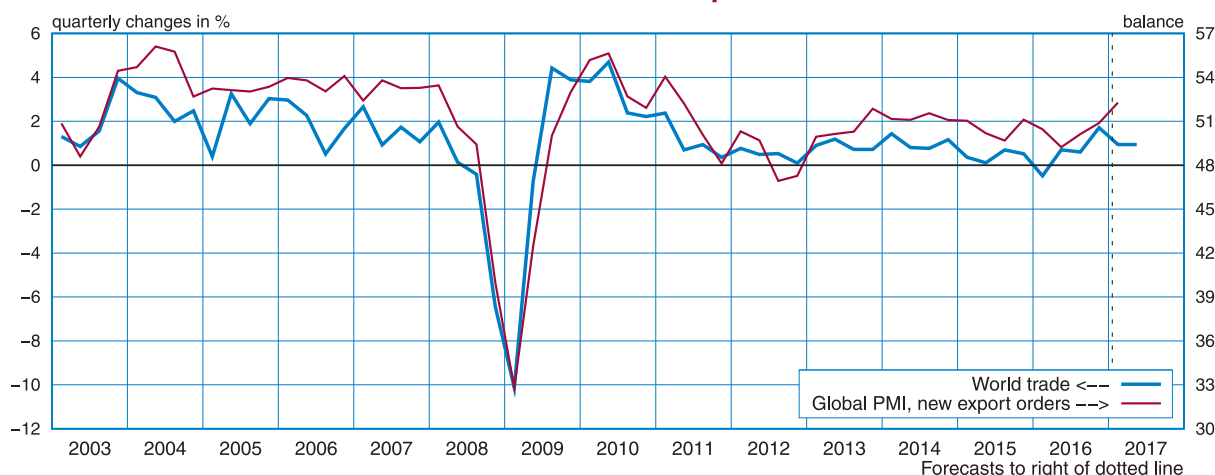
(+9.7% after +24.9%). Imports of agricultural products stalled (0.0% after +3.1%). However, purchases of services recovered (+1.0% after -0.1%).

In Q1 2017 imports are expected to accelerate slightly (+1.3%). Imports of manufactured goods should pick up substantially (+1.9%) mainly thanks to some exceptional sourcing in pharmaceuticals. Imports of services are likely to remain sustained (+1.1%). However, imports of raw hydrocarbons are expected to shrink (-3.0%), with the announcement that several refineries are to stop production.

In Q2 imports are likely to slow substantially (+0.2%). Imports of manufactured goods should then decelerate strongly in reaction (+0.3%) and energy purchases are expected to decrease once again.

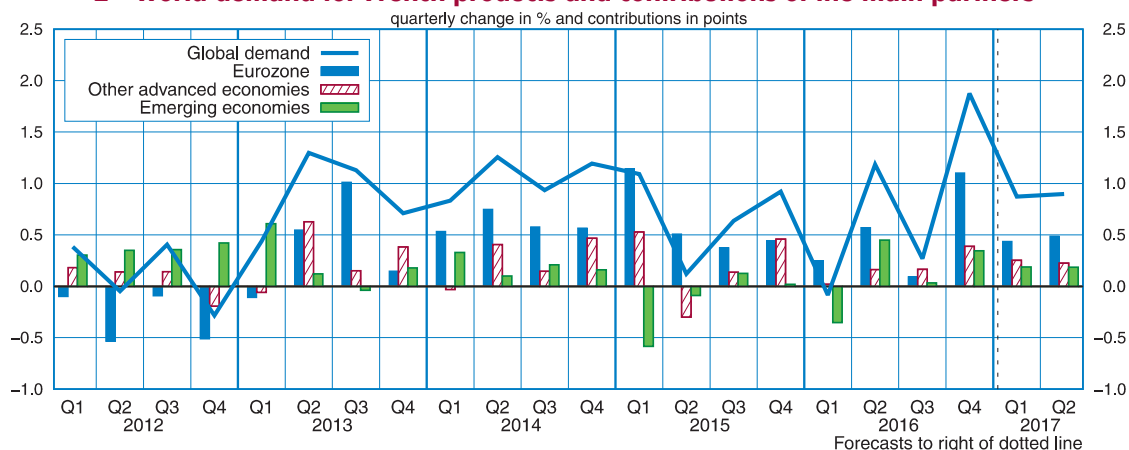
In mid-2017, the annual carry-over effect for imports is likely to be +3.2%, after an increase in the annual average of +3.7% in 2016.

1 - World trade and new export orders



Sources: INSEE, DG Trésor, Markit

2 - World demand for French products and contributions of the main partners

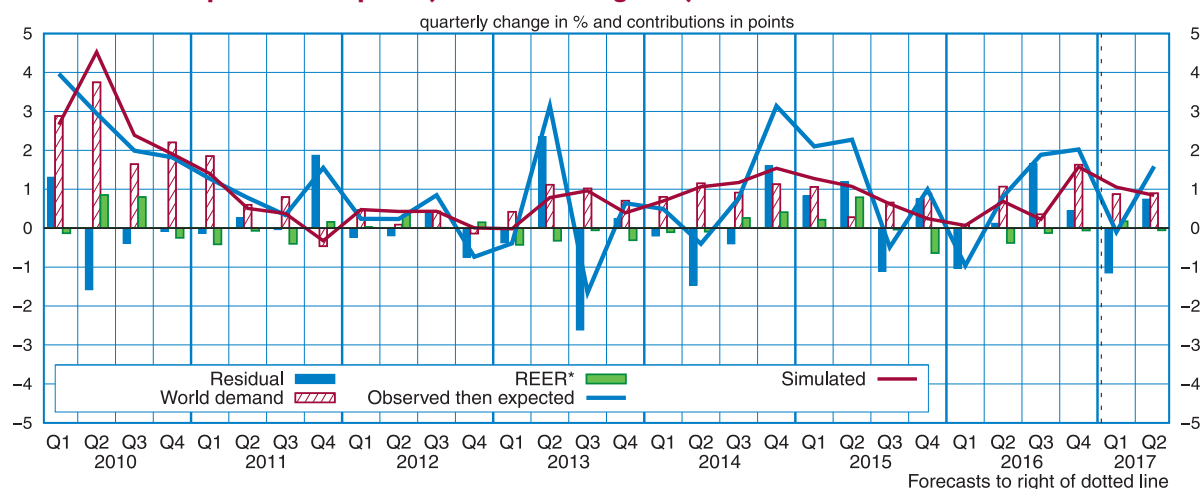


Sources: INSEE, DG Trésor

Over 2016 as a whole, foreign trade subtracted 0.8 points from GDP growth, having already affected it in 2015 (−0.3 points). Exports suffered from weak world demand, climate conditions that were unfavourable to agricultural products and a downturn in tourism, while imports remained driven by domestic demand (*Focus*). The

contribution of foreign trade is expected to remain negative in Q1 2017 (−0.4 points), but should become positive in Q2 (+0.4 points). By mid-2017, foreign trade is likely to have held back the annual GDP carry-over effect by 0.2 points, considerably less than last year at the same period (−0.5 points mid-2016). ■

3 - Equation of exports (manufactured goods) and econometric contributions



*REER: real effective exchange rate
Sources: INSEE, DG Trésor

Table 2

Foreign trade growth forecast

variations in % at chain-linked previous year prices, contributions in points

	Quarterly changes						Annual changes		
	2016				2017		2015	2016	2017 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
Exports									
All goods and services	−0.2	0.0	0.8	1.3	0.2	1.4	6.0	1.1	2.6
Manufactured products (68%)*	−1.0	0.8	1.9	2.0	−0.1	1.6	6.7	2.2	3.8
Imports									
All goods and services	0.6	−1.5	2.7	1.0	1.3	0.2	6.4	3.7	3.2
Manufactured products (68%)*	1.2	−1.2	2.2	0.4	1.9	0.3	6.4	4.8	3.3
Contribution of foreign trade to GDP	−0.2	0.5	−0.6	0.1	−0.4	0.4	−0.3	−0.8	−0.2

Forecast

*Part of exports (resp. imports) of non-energy industrial goods in exports (resp. imports) in a whole in 2015.

Source: INSEE