

Foreign trade

In Q3 2017, world trade is expected to have picked up pace as a result of dynamic imports from the advanced countries and a rebound in imports in the emerging countries. World trade should remain solid between now and mid-2018, sustained by demand from the emerging countries as well as the advanced countries, particularly the Eurozone.

World demand for French products again grew sharply in Q3 2017 (+1.0% after +0.9%). French exports returned to a similar rate of growth (+1.1% after +2.2%), particularly the manufactured goods branch (+1.0% after +2.8%) following the delivery of an ocean liner in the previous quarter. Exports should grow sharply in Q4 (+1.8%), buoyed by sales of military hardware and the upturn in aeronautical exports. The after-effect of this upswing means that exports should slow in H1 2018, despite the delivery of a major shipbuilding contract.

Imports leapt in Q3 2017 (+2.8% after +0.3%), particularly manufactured goods (+4.4% after +0.4%) as a result of massive purchases of chemical products and aeronautical equipment. They should come to a standstill in Q4 2017 (+0.2%). In H1 2018, imports are expected to grow more rapidly than domestic demand once again (+0.8% per quarter).

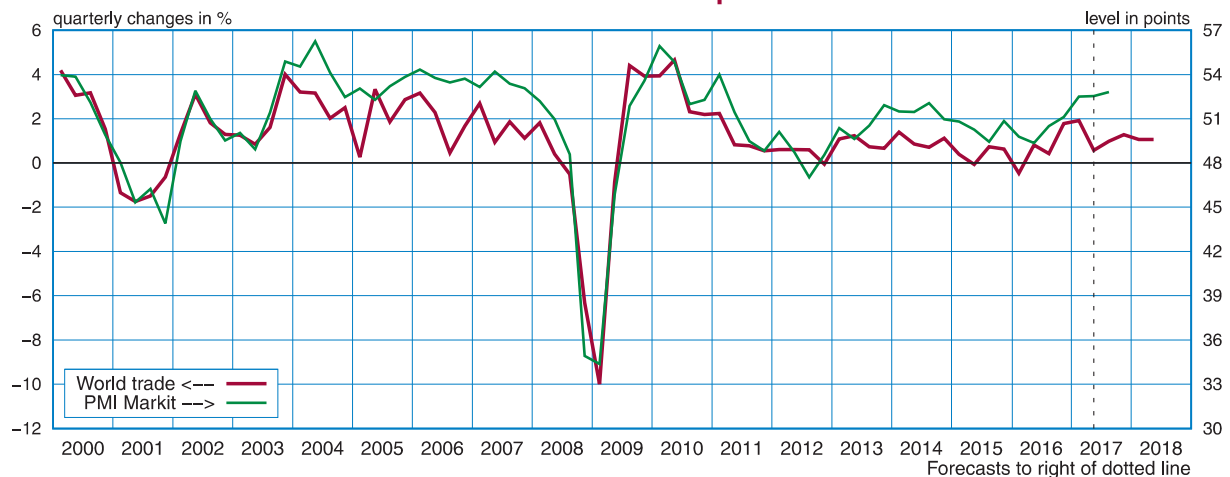
After weighing down on growth in Q3 2017 (-0.6 points), the contribution of foreign trade should be positive in Q4 (+0.5 points), then slightly negative in H1 2018. As an annual average for 2017, foreign trade is expected to slow French growth by 0.5 points, less so than in 2016 (-0.8 points).

World trade should continue to grow through to mid-2018

World trade is expected to have picked up in Q3 (+1.0% after +0.6%, *Graph 1*), after an already-vigorous H1 (+1.3% on average). In this healthy international context, imports in emerging nations, and particularly China, regained some of their dynamism over the summer. World trade should continue to grow robustly in Q4 2017 (+1.3%), then by +1.1% per quarter until mid-2018. Trade should be bolstered by the still-solid imports in the advanced countries, primarily the USA and the Eurozone. Purchasing by emerging countries should remain steady, albeit slowing slightly. As an average over the whole year, world trade should see a sharp increase in 2017, growing at the highest rate since 2011 (+5.0% after +1.6%, *Table 1*). This momentum should continue into 2018 (+3.5% growth overhang by mid-2018).

World demand for French products is expected to show a slight acceleration for Q3 2017 (+1.0% after +0.9%). Between now and mid-2018 demand for French products should continue to increase at virtually the same rate as world trade (+1.2% in Q4 2017 then +1.0% per quarter in H1 2018, *Graph 2*), driven primarily by demand from France's main European trading partners.

1 - World trade and new export orders



Sources: Markit, DG Trésor, INSEE forecast

French developments

Exports should increase sharply in Q4 2017

In Q3 2017, total French exports slowed down (+1.1% after +2.2%). Exports of manufactured goods slowed (+1.0% after +2.8%), largely due to a sharp downturn in transport equipment (+0.0% after +5.6%) as an after-effect of the ocean liner delivered in Q2. Furthermore, agricultural and food exports came to a standstill (+0.2% after +3.6%), and exports of refined petroleum products slowed (+3.9% after +8.0%), as did exports of industrial goods (+1.1% after +2.1%). However, exports of capital goods bounced back (+2.1% after -0.3%).

In Q4 2017, manufacturing exports should increase strongly (+2.3%, *Table 2*). Aeronautical and shipbuilding exports are expected to accelerate towards the end of this year, as a result of a catch-up effect in civil aeronautical deliveries, in line with the annual targets set by the main exporter in this sector, and also the continuation of military hardware deliveries. Service exports should continue to accelerate (+0.8%) and exports of

agricultural goods should remain dynamic (+2.0%), buoyed by the rebound in French harvest volumes in 2017. Energy exports are expected to come to a standstill (0.0%) after three consecutive quarters of growth. Tourist numbers should also continue to improve. All in all, exports of goods and services should experience a sharp acceleration (+1.8%).

In H1 2018, despite the dynamism of world demand for French products, exports are expected to suffer from the return to normal levels of deliveries in the aeronautical sector and the negative effects of the recent appreciation of the euro on price competitiveness. Exports are expected to hold up in Q1 thanks to the delivery of a major shipbuilding contract (+0.7%), before stalling in Q2 (+0.2%, *Graph 3*).

As an average for the year as a whole, exports are expected to have risen sharply in 2017 (+3.3% after +1.9% in 2016). In spite of the clear slowdown in H1, they should still see a further acceleration in 2018 (+3.4% growth overhang in H1 2018), mainly thanks to agricultural exports.

Table 1

World trade and world demand for French products

levels ; percentage changes from previous period

	2017				2018		2016	2017	2018 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
World trade	1.9	0.6	1.0	1.3	1.1	1.1	1.6	5.0	3.5
Imports of advanced economies	1.6	1.1	0.7	1.1	0.9	1.0	2.6	4.7	3.1
Imports of emerging economies	2.6	-0.5	1.6	1.8	1.3	1.3	-0.4	5.7	4.4
World demand for French products	1.5	0.9	1.0	1.2	1.0	1.0	2.7	4.8	3.3

Forecast

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		
	2017				2018		2016	2017	2018 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
Exports									
All goods and services	-0.7	2.2	1.1	1.8	0.7	0.2	1.9	3.3	3.4
Manufactured products (68%)*	-1.8	2.8	1.0	2.3	0.7	-0.1	3.0	3.7	3.5
Imports									
All goods and services	1.2	0.3	2.8	0.2	0.8	0.8	4.2	4.6	3.1
Manufactured products (68%)*	2.8	0.4	4.4	0.2	1.0	1.0	4.4	6.3	4.2
Contribution of foreign trade to GDP	-0.6	0.5	-0.6	0.5	0.0	-0.2	-0.8	-0.5	0.0

Forecast

*Part of exports (resp. imports) of non-energy industrial goods in exports (resp. imports) in a whole in 2016.

Source: INSEE

Imports are expected to come to a standstill in Q4 2017

In Q3 2017, French imports picked up sharply (+2.8% after +0.3%). This momentum stems primarily from purchases of manufactured goods (+4.4% after +0.4%), particularly capital goods (+3.9% after +2.0%), "other manufactured goods" (+2.0% after +1.5%) following a massive uranium purchase, and transport equipment (+12.9% after -2.4%) linked to purchases of satellite components and turbojets.

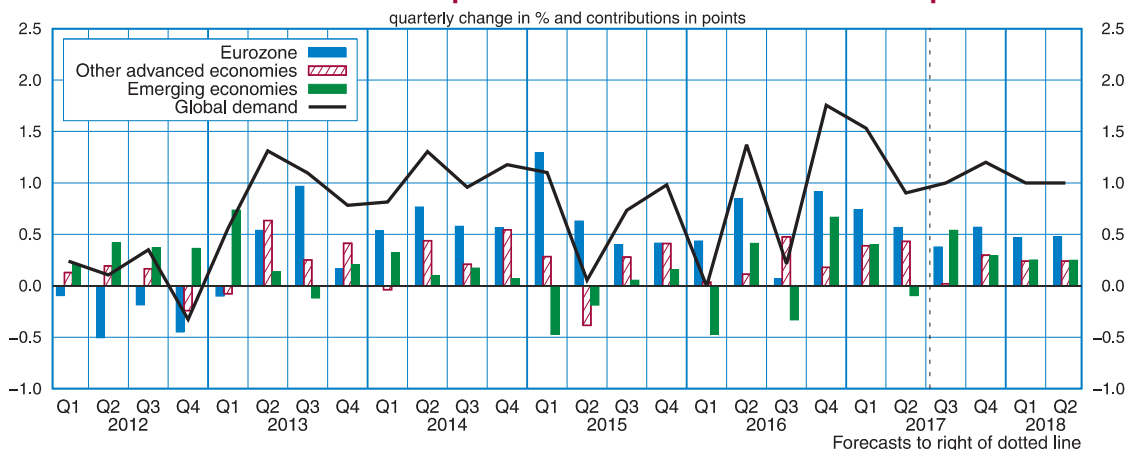
Nonetheless, energy imports have dropped off along with imports of agricultural products, as improved harvests in France have reduced the need for imports.

Imports are expected to slow sharply in Q4 2017 (+0.2% after +2.8%), before returning to a level consistent with the relative buoyancy of domestic demand in early 2018 (+0.8% per quarter).

As an annual average, imports should see another strong increase in 2017 (+4.6% after +4.2% in 2016), growing more rapidly than exports. As such, the contribution of foreign trade to growth should be negative again in 2017, but less so than in 2016 (-0.5 points after -0.8 points in 2016). In 2018, the contribution of foreign trade to the growth overhang at the mid-year point should be neutral: the negative contribution of trade in manufactured goods should be counterbalanced by the positive contributions of agricultural products, energy and tourism.

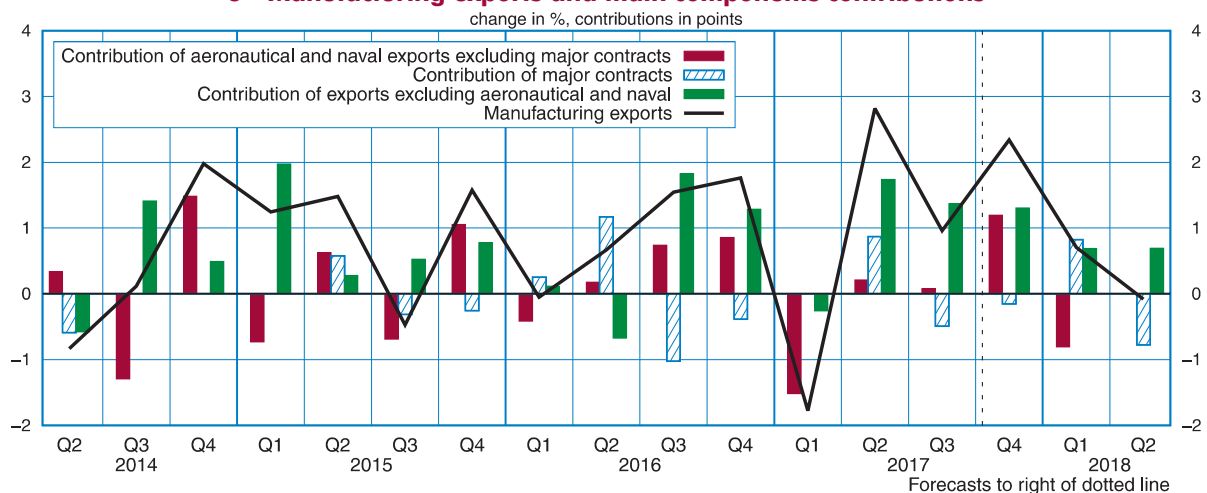
In H1 2017, the balance of trade in goods services deteriorated significantly. As a result of the rise in oil prices the balance should continue to deteriorate slightly until mid-2018, returning to a level close to the minimum recorded in early 2011 (-2.7% of GDP). ■

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



Sources: DG Trésor, INSEE forecast

3 - Manufacturing exports and main components contributions



Source: INSEE