

Foreign trade

At the end of 2017, world trade picked up (+1.5% after +0.9%), as did world demand for French goods (+1.4% after +0.6%). In this buoyant international context, French exports rose sharply (+2.4% after +1.0%), particularly in the manufacturing sector (+3.1% after +1.4%), due to deliveries of a backlog of aircraft and ongoing deliveries of military hardware.

In H1 2018, due to strong world demand and in spite of a slight appreciation of the euro, exports should hold firm, following a quarterly profile marked by the pace of deliveries of large aeronautical and shipbuilding contracts (+1.0% then +0.5%).

In Q4, imports slowed sharply (+0.3% after +2.2%), in particular those of manufactured goods and agricultural products. In Q1 2018, these are expected to pick up again (+1.1% then +1.2% per quarter).

By mid-2018, foreign trade should no longer be holding back French growth (+0.2 points of growth overhang at mid-2018), unlike in 2017 and 2016 (−0.3 and −0.8 points of contribution to annual growth).

World trade is expected to maintain a sustained pace through to mid-2018.

In Q4 2017, world trade accelerated sharply (+1.5% after +0.9%, Table 1), driven in particular by an upsurge in American, Japanese, German and Indian imports, and in spite of the decline in Chinese imports.

After a two-year slowdown, in 2017 world trade saw its strongest growth surge (+5.2%) since 2011.

Through to mid-2018, growth in world trade should remain steady (+1.3% then +1.2% per quarter), bolstered by buoyant imports in the advanced countries as well as the emerging countries, as suggested by the improvement in new export orders in the world business tendency surveys (*Graph 1*). The growth overhang of world trade at mid-year is already expected to stand at 4.2% in 2018.

Furthermore, world demand for French exports also picked up at the end of the year (+1.4% after +0.6%, *Graph 2*), mainly benefiting from the rise in German, American and Japanese imports. From now to mid-2018, this demand is expected to increase at virtually the same rate as world trade (+1.2% then +1.1% per quarter), thanks to the strong imports of its partners in the Eurozone.

Exports are expected to hold firm in H1 2018

In Q4 2017, French exports rose sharply (+2.4% after +1.0%, Table 2), most notably due to the momentum of exports of manufactured goods (+3.1% after +1.4%).

In particular, sales of transport equipment surged (+5.9% after +1.4%), as a result of record aeronautical deliveries at the end of the year and deliveries of military hardware. At the same time, sales of other industrial goods (+1.8% after +1.1%) and agri-food products (+2.0% after +0.3%) continued to rise. However, exports of energy products slumped (−5.1% after +0.1%) whilst those of agricultural produce slowed (+3.0% after +9.1%). Finally, service exports rallied (+1.2% after −1.2%).

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	1.0	0.9	1.5	1.3	1.2	2.0	5.2	4.2
Imports of advanced economies	1.6	1.1	0.6	1.9	1.1	1.2	2.7	4.9	4.0
Imports of emerging economies	2.6	0.7	0.7	0.8	1.9	1.4	0.4	5.4	4.1
World demand for French products	1.6	1.3	0.6	1.4	1.2	1.1	3.1	4.9	3.7

Forecast

Sources: INSEE, DG Trésor

French developments

In Q1 2018, in spite of the slight appreciation in the euro, exports are expected to pursue their steady rise (+1.0%), boosted by exports of manufactured goods (+1.2%, *Graph 3*). Indeed, in spite of the expected return to normal levels of aeronautical deliveries after an exceptional period at year's end, exports of manufactured goods are likely to benefit from the delivery of a number of major military and shipbuilding contracts, most notably that of the ocean liner *Symphony of the Seas*.

In addition, sales of energy products are expected to recover (+1.0%) and those of agricultural produce should maintain their momentum (+2.0%) thanks to good harvests in 2017. Nevertheless, service exports are likely to come to a standstill (0.0%) after a very vigorous quarter.

In Q2 2018, growth in exports is expected to slow considerably (+0.5%), in reaction to the temporary boost in the previous quarter due to the delivery of the liner and in spite of ongoing military hardware deliveries. Exports of manufactured goods are expected to slow to +0.2%.

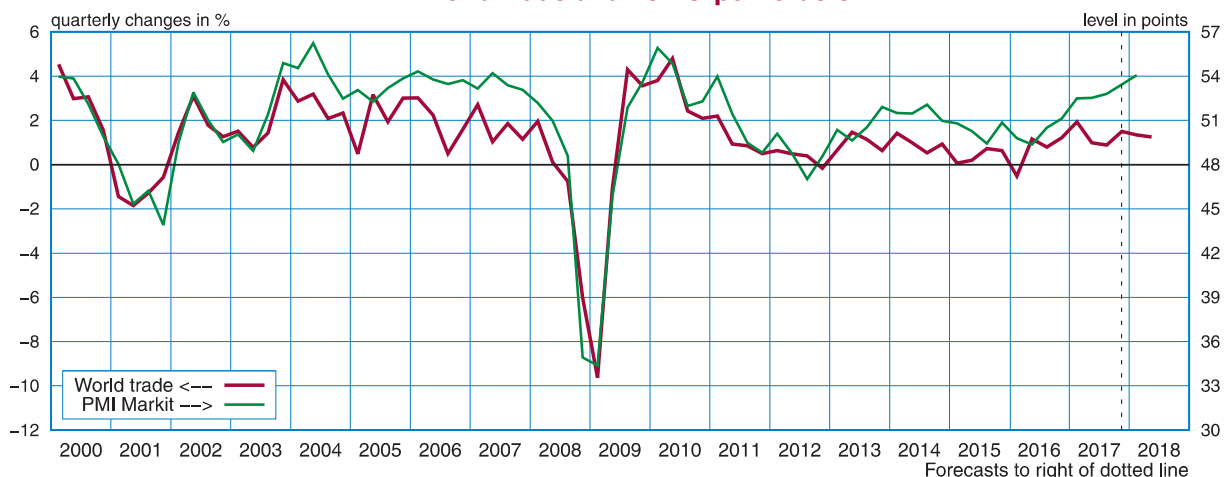
By the end of H1 2018, the annual carry-over effect on exports is expected to be +4.3%, or more than the annual average for 2017 (+3.3%).

Imports should maintain their robust pace in H1 2018

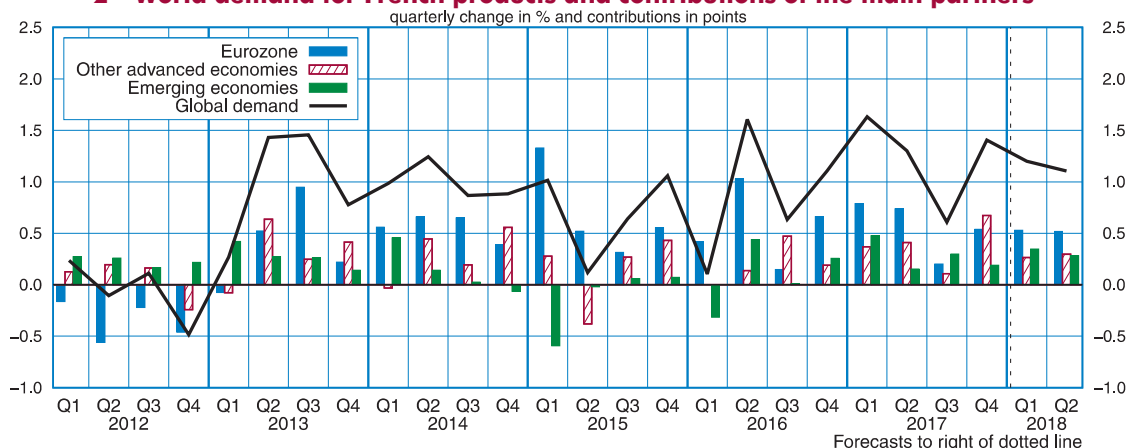
In Q4 2017, French imports slowed (+0.3% after +2.2%). This slowdown was mainly due to the downturn in manufactured goods (-0.7% after +3.7%), especially transport equipment (-4.7% after +9.7%) and capital goods (-0.8% after +3.7%). However, the rebound in energy purchases (+13.4% after -5.4%) and services (+1.0% after -0.3%) has helped to boost imports.

In H1 2018, imports are expected to gather pace again (+1.1%), driven by imports of manufactured goods (+1.3%). Purchases of agricultural products should also pick up again (+1.0%), like those of services (+2.1%). However, imports of raw hydrocarbons are expected to contract (-4.0%), in reaction to mass purchases in the previous quarter.

1 - World trade and new export orders



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



In Q2 2018, imports should continue to grow at a pace comparable to that seen over the last few years (+1.2%), but imports of manufactured goods are expected to slip back slightly (+1.1%) while those of energy products are likely to continue to decline (-2.0%), due to maintenance work on certain refineries.

By mid-2018, the annual carry-over effect in imports should be +3.4%, after an average annual increase of 4.1% in 2017.

The contribution of foreign trade to growth is expected to improve

Over 2017 as a whole, foreign trade dampened gross domestic product (GDP) growth by 0.3 points (after 0.8 points in 2016), with exports benefiting from the upsurge in world demand and imports being driven both by domestic demand and French exporters.

The contribution of foreign trade to growth is likely to be slightly negative in Q1 2018 (-0.1 points), then again in Q2 (-0.2 points). By mid-2018, the annual carry-over effect of the contribution to GDP of foreign trade is nevertheless expected to be positive (+0.2 points). ■

Table 2

Foreign trade growth forecast

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

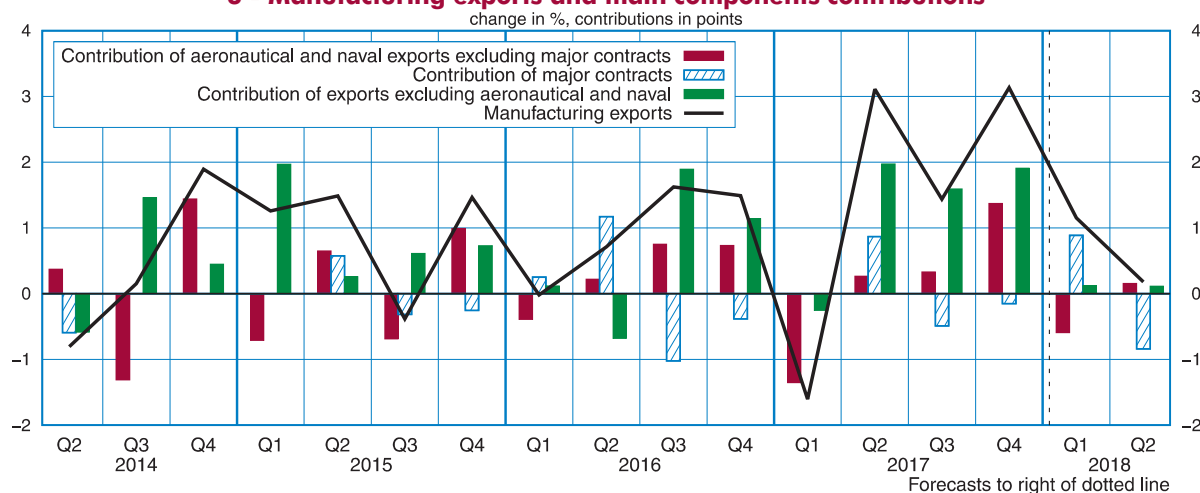
	Quarterly changes						Annual changes		
	2017				2018		2016	2017	2018 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
Exports									
All goods and services	-0.7	2.2	1.0	2.4	1.0	0.5	1.9	3.3	4.3
Manufactured products (69%)*	-1.6	3.1	1.4	3.1	1.2	0.2	3.0	4.4	5.2
Imports									
All goods and services	1.1	0.0	2.2	0.3	1.1	1.2	4.2	4.1	3.4
Manufactured products (69%)*	2.7	0.3	3.7	-0.7	1.3	1.1	4.4	5.5	3.5
Contribution of foreign trade to GDP	-0.5	0.6	-0.4	0.6	-0.1	-0.2	-0.8	-0.3	0.2

Forecast

*Part of exports (resp. imports) of non-energy industrial goods in exports (resp. imports) in a whole in 2017.

Source: INSEE

3 - Manufacturing exports and main components contributions



Source: INSEE