

Review of the previous forecast

In Q4 2018, gross domestic product (GDP) increased by 0.3%, a little more than forecast in the December 2018 issue of *Conjoncture in France* (+0.2%). Output in all sectors accelerated more than expected (+0.3% against +0.2%). Domestic demand excluding inventory sustained GDP growth, as forecast (+0.2 points). Foreign trade drove growth a little more than anticipated (+0.3 points against +0.2 points) while the contribution of changes in inventories was in line with forecasts (-0.2 points). The growth forecast for Q1 2019 is exactly the same as that given in the December *Conjoncture in France* (+0.4%); for Q2, the forecast is also +0.4%, a rise of 0.1%. In Q4 2018, market employment grew by 46,000 (against the +24,000 expected). At the same time, the unemployment rate fell by 0.3 points, to 8.8% of the French labour force (against the forecast for stability at 9.1%). In December 2018, headline inflation stood at +1.6% as expected and the forecast for June is maintained at +1.0%.

In Q4, activity increased a little more quickly than forecast

In Q4 2018, GDP growth reached +0.3%, a slightly faster pace than forecast in the December 2018 issue of *Conjoncture in France* (+0.2%, *Table 1*). Output in all branches accelerated more than expected (+0.3% against +0.2%, *Table 2*), mainly due to the sustained growth in activity in

Table 1

Gross domestic product and its main components in the expenditure approach
Percentage changes from previous period in %

	<i>Conjoncture in France December 2018</i>		<i>Conjoncture in France March 2019</i>	
	Q4 2018	Q1 2019	Q4 2018	Q1 2019
Gross domestic product	0.2	0.4	0.3	0.4
Imports	1.4	0.8	1.4	0.9
Household consumption expenditure	0.2	0.7	0.0	0.5
General government consumption expenditure*	0.3	0.4	0.4	0.5
Gross fixed capital formation	0.0	0.3	0.2	0.5
of which: Non financial enterprises	0.1	0.6	0.2	0.7
Households	-0.5	-0.4	-0.3	-0.3
General government	0.1	0.0	0.9	0.7
Exports	2.1	-0.3	2.3	0.6
Contributions (in percentage points)				
Domestic demand excluding changes in inventories**	0.2	0.5	0.2	0.5
Changes in inventories**	-0.2	0.2	-0.2	0.1
Net foreign trade	0.2	-0.3	0.3	-0.1

Forecast

* General government and non-profit institutions serving households

** Changes in inventories include acquisitions net of sales of valuable

Source: INSEE

market services (+0.6% against a forecast of +0.4%). Manufacturing output stagnated, as anticipated; output in the water-energy-waste branch was maintained, although a decline was expected (+0.1% against -0.9%), as was also the case for construction (+0.1% against -0.1% forecast). Trade slowed almost as expected (+0.1% against +0.2% forecast).

Domestic demand sustained growth, as forecast

The contribution of domestic demand excluding inventories to GDP growth was in line with the forecast (+0.2 points). Household consumption was at a standstill, where less of a slowdown was expected (0.0% against +0.2%). Total investment increased slightly (+0.2%) instead of stagnating: corporate investment grew more than expected (+0.2% against +0.1%) and household investment fell back less than anticipated (-0.3% against -0.5%).

The external balance drove growth just a little more than forecast (+0.3 points against +0.2 points forecast). Exports increased almost as expected (+2.3% against +2.1%), whereas imports grew by 1.4% as forecast. Indeed, purchases of agricultural products were more dynamic than anticipated (+3.9% against +1.5%), while energy purchases fell back much more than expected (-4.1% against 0.0%). Like imports, sales of manufactured goods picked up a little more than forecast (+3.6%

French developments

against +3.1%). Finally, the contribution of changes in inventories was negative (-0.2 points, as anticipated).

The growth forecast for Q1 2019 is maintained at +0.4%

The growth forecast for Q1 2019 is maintained at +0.4%, as forecast in Conjoncture in France in December 2018. Total output in Q1 is expected to increase more than was forecast (+0.5% against +0.3% expected in December), mainly due to increased growth forecast for manufacturing output (+0.4% against -0.2% originally forecast).

Domestic demand is likely to drive growth in Q1 (+0.5 points as forecast in December). While the forecast for household consumption is revised downwards slightly (+0.5% against +0.7%), the forecast for corporate investment is revised upwards (+0.7% against +0.6%).

Foreign trade should make a slightly less negative contribution than originally expected in Q1 2019 (-0.1 points against -0.3 points). Exports are likely to slow instead of falling back (+0.6% against -0.3%) and imports should be a little more buoyant

(+0.9% against +0.8%). Forecasts for changes in inventories have been revised downwards slightly (0.1 points against 0.2 points).

Market employment increased more than forecast

In Q4 2018, market employment increased more than anticipated (+46,000 job creations against +24,000 expected). In addition, the unemployment rate (including Overseas Departments) dropped to 8.8%, against a forecast of 9.1%.

At the end of 2018, inflation stood at +1.6%, as forecast in the December Conjoncture in France

In December 2018, headline inflation stood at +1.6% overall, as forecast in the December issue of Conjoncture in France, while core inflation increased as expected (+0.7%). At the end of the Q1 2019, headline inflation is likely to rise to 1.2% less than forecast in the December 2018 Conjoncture in France, with core inflation expected to be +1.0%, against +1.1% expected previously, due to a slowdown in the price of services (+0.9% in June against +1.2% forecast in the December Conjoncture in France). ■

Table 2

	Conjoncture in France December 2018		Conjoncture in France March 2019	
	Q4 2018	Q1 2019	Q4 2018	Q1 2019
Output by sector				
Agriculture	0.1	0.1	0.0	0.0
Manufacturing	0.0	-0.2	0.0	0.4
Energy, water and waste	-0.9	0.7	0.1	0.8
Construction	-0.1	-0.2	0.1	0.2
Trade	0.2	0.6	0.1	0.4
Market services excluding trade	0.4	0.6	0.6	0.6
Non market services	0.2	0.4	0.4	0.4
Total	0.2	0.3	0.3	0.5
Employment, unemployment, prices				
Non-agricultural market sector employment	24	33	46	35
ILO* unemployment rate - Metropolitan France	9.1	9.1	8.8	8.8
Consumer price index ¹	1.6	1.3	1.6	1.2
Core inflation ¹	0.8	1.1	0.7	1.0

Forecast

* ILO unemployment: unemployment as defined by the International Labour Organisation
1. Year-on-year on the last month of the quarter

Source: INSEE