

Household consumption and investment

In Q1 2019, household consumption expenditure gathered pace slightly (+0.4%, after +0.3%). Indeed, consumption of services remained buoyant (+0.6% after +0.6%) and consumption of goods stabilised (0.0% after -0.2%), sustained in particular by automobile consumption.

In Q2 2019, household consumption is expected to increase by 0.3%. Consumption of goods is expected to rise very little (+0.1% after 0.0%), whilst that of services is expected to slow slightly (+0.4% after +0.6%). Consumption in Q2 2019 is expected to be driven mainly by energy consumption.

In H2 2019, household consumption should remain more or less steady following on from the beginning of the year and then increase by +0.5% in Q3 and +0.4% in Q4. Consumption of goods should pick up markedly (+0.6% in Q3 then +0.4% in Q4) and that of services should continue rising, by +0.4% per quarter. On average over the year, household consumption is expected to increase by +1.3% in 2019, more than in 2018 (+0.9%). This acceleration is expected to be less marked than that of purchasing power. The savings ratio reached the high level of 15.3% in Q1. Though it is expected to drop during the year, it should increase on average over the year.

After seeing an exceptional level of growth in 2017, household investment slowed considerably in 2018 (+2.0% after +6.6%) as sales of new-build housing stabilised. In 2019, it is expected to fall by 0.3%.

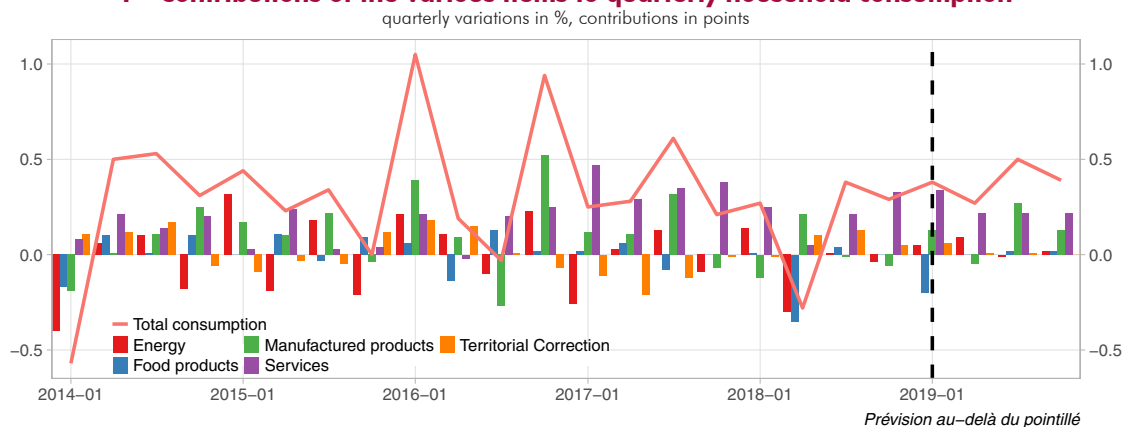
Consumption increased in Q1 2019

In Q1 2019, total household consumption accelerated very slightly compared to the previous quarter (+0.4% after +0.3%, *Graph 1 and Table*). Indeed, consumption of goods remained stable (0.0% after -0.2%) and consumption of services rose at the same pace as in the previous quarter (+0.6%).

Consumption of manufactured goods bounced back; consumption of consumer durables in particular increased substantially (+0.6% after -0.5%), driven by the rebound in automobile consumption and the buoyancy of spending on household durables, in spite of a slight dip in consumption of other consumer durables. Consumption of clothing and textiles picked up sharply (+0.9% after +0.1%) and that of other manufactured goods bounced back (+0.5% after -0.1%). Household energy consumption also picked up again (+0.7% after -0.4%), driven by the increase in spending on fuel, although gas and electricity consumption remained virtually stable. On the other hand, food consumption fell slightly (-1.1% after 0.0%).

Spending on services increased at the same rate as in the previous quarter (+0.6%). Consumption of transport and accommodation and food services slowed slightly (+0.3% after +1.1% and +0.9% after +1.3% respectively), but consumption of leisure services picked up a little (+0.6% after +0.4%). In addition, consumption of services was boosted by the increase in household

1 - Contributions of the various items to quarterly household consumption



Source: INSEE

French developments

consumption of housing services (+0.6% after +0.4%), a consequence of the reduction in housing benefits in Q1.

Through to the end of 2019, consumption is expected to increase at the same pace overall

In Q2 2019, total household consumption is expected to rise once again, by 0.3%. Indeed, households are expected to smooth the impact of purchasing power fluctuations on their consumption. Consumption of goods is barely expected to rise (Report) (+0.1% after 0.0%) and consumption of services is expected to slow a little (+0.4% after +0.6%). The dip in the consumption of consumer durables (-0.3% after +0.6%) is expected to weigh particularly on household consumption of goods in Q2. In particular, car purchases are likely to fall considerably, while purchases of household durables and the consumption of other durables are expected to rise. Consumption of clothing and textiles is expected to fall back and that of other manufactured goods to slow. On the other hand, energy consumption is expected to rise again in Q2, with the increase in spending on gas and electricity offsetting the reduction in fuel consumption. Consumption of foodstuffs is expected to stabilise in spring (0.0%), after a marked drop in Q1. Overall, consumption of manufactured goods is expected to drop, due notably to the downturn in spending on goods produced by the automotive and agri-food industries. In services, consumption is expected to slow slightly in Q2 2019. In particular, spending on housing services is expected to return to

its trend rate and no longer be the driver of household consumption of services (+0.3% after +0.6%).

In Q2 2019, household consumption is expected to continue increasing, by +0.5% in Q3 and +0.4% in Q4. Among goods, consumption of manufactured goods is expected to bounce back markedly in Q3, enabling overall consumption to accelerate slightly. In particular, vehicle purchases are expected to pick up strongly. On the other hand, energy consumption is expected to fall very slightly, led by the fall in household spending on gas and electricity, in spite of a stabilisation of fuel expenditure. Consumption of foodstuffs is likely to be relatively stable (+0.1% per quarter). Total consumption of goods is therefore expected to pick up considerably in Q3 (+0.6% after +0.1%) before slowing to +0.4% in Q4. Among services, both spending on transport services and consumption of accommodation and food services, as well as leisure services, are expected to remain sustained. All in all, consumption of services should continue to rise, by +0.4% in Q3 and Q4 2019. On average over the year, household consumption is expected to rise by +1.3% in 2019, after +0.9% in 2018.

The savings ratio is expected to remain steady at a high level in 2019

In Q1 2019, purchasing power increased by +0.9%, most notably under the effect of the emergency economic and social measures taken. It is expected to slip back in Q2 (-0.2%) before gradually picking up again at the end of the year. With household consumption rising by 0.3%

1 - Household consumption and investment expenditure

in %

	Quarterly changes								Annual changes		
	2018				2019				2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Total household consumption expenditure (1)+(2)+(3)	0.3	-0.3	0.4	0.3	0.4	0.3	0.5	0.4	1.6	0.9	1.3
Services (1)	0.5	0.1	0.4	0.6	0.6	0.4	0.4	0.4	2.4	1.9	1.9
Goods (2)	0.1	-0.9	0.1	-0.2	0.0	0.1	0.6	0.4	1.4	-0.4	0.1
including									0.4	-1.4	-1.4
Food	0.1	-2.0	0.2	0.0	-1.1	0.0	0.1	0.1	0	0	0
Agriculture goods (AZ)	0.3	-2.1	-1.8	-0.3	-0.8	2.1	0.3	0.2	-1.3	-3.0	-0.8
Agri-food products (C1)	0.0	-1.9	0.6	0.1	-1.1	-0.4	0.1	0.1	0.7	-1.1	-1.5
Energy	1.7	-3.6	0.2	-0.4	0.7	1.1	-0.2	0.2	-0.6	-1.0	0.3
Energy, water and waste (DE)	2.6	-6.4	1.7	-0.9	0.2	2.5	-0.3	0.3	-1.2	-0.8	0.4
Coke and refined petroleum (C2)	0.6	0.1	-1.6	0.1	1.2	-0.5	0.0	0.1	0.2	-1.2	0.1
Engineered goods (C3 à C5)	-0.5	1.0	0.0	-0.3	0.6	-0.2	1.3	0.6	2.9	0.7	1.3
Manufactured goods (C1 à C5)	-0.2	-0.2	0.1	-0.1	0.0	-0.3	0.7	0.4	1.9	-0.1	0.1
Territorial correction (3) = (4) - (5)	0.6	-6.4	-8.9	-3.7	-4.5	-0.6	-0.4	-0.2	30.9	-1.5	-13.7
Imports of touristic services (4)	1.0	2.4	1.2	0.1	1.3	0.5	0.7	0.9	-0.3	5.2	3.6
Exports of touristic services (5)	0.8	-0.5	-1.9	-1.0	-0.3	0.2	0.4	0.6	7.9	3.0	-1.7
Investment expenditure	0.1	0.7	0.3	-0.3	0.0	-0.3	-0.2	-0.1	6.6	2.0	-0.3

■ forecast

Source: INSEE

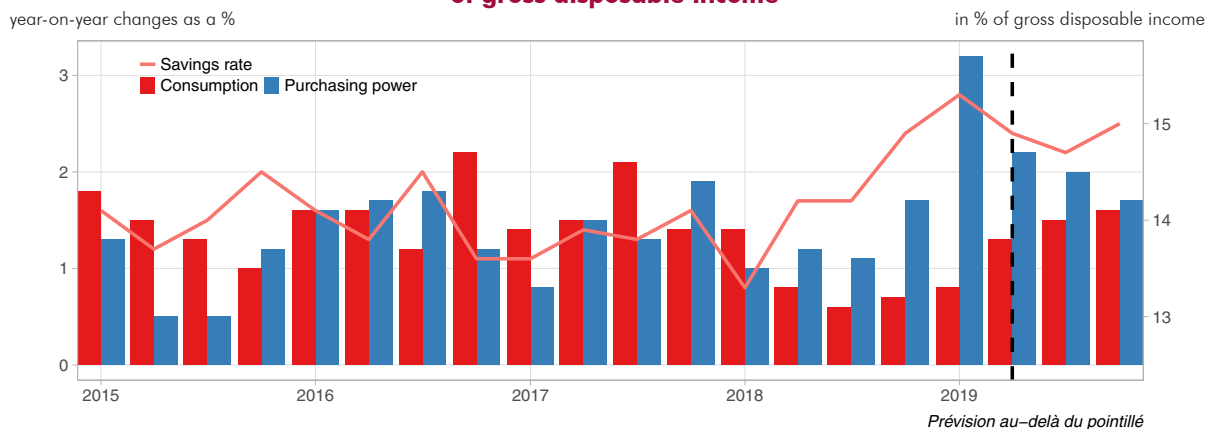
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to 0.5% per quarter in 2019, the savings ratio increased to 15.3% in Q1; it is expected to fall slightly in Q2 and should stand at about 15.0% at the end of the year, thereby enabling households to smooth their consumption (*report: What is the link between purchasing power and household consumption in France today?*). Over the year 2019 as a whole, the savings ratio is likely to be higher than in the previous year (15.0% after 14.2% in 2018).

Household investment is expected to fall in 2019

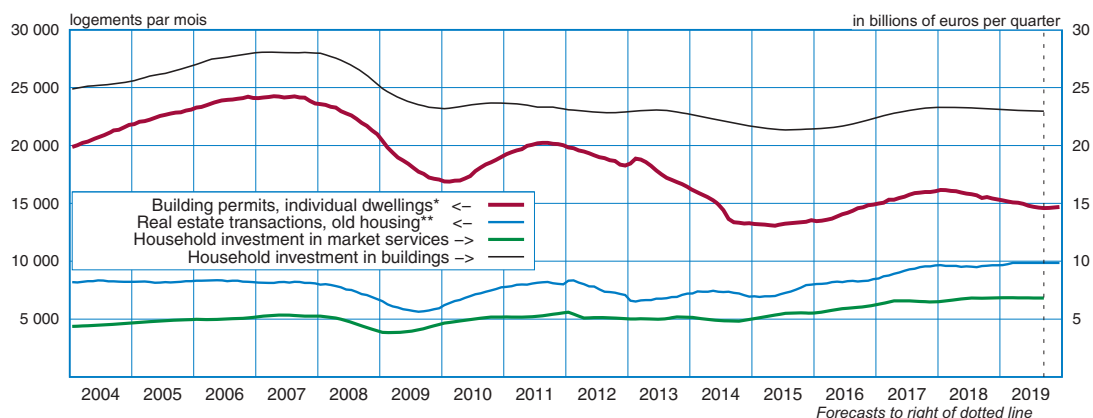
In Q4 2018, household investment fell for the first time since Q3 2015, which explains a distinct slowdown over 2018 as a whole (+2.0% after +6.6% in 2017). In Q1 2019, household investment stabilised (0.0%), but it is expected to dip again from Q2 2019 onwards. Indeed, single-dwelling production is expected to fall again and major home maintenance work, which increased in Q1, will most likely fall over the rest of the year. In addition, the number of real estate transactions involving older properties is expected to remain stable and household investment in market services is not expected to increase further. Overall in 2019, household investment is expected to fall by 0.3%. ■

2 - Savings ratio and variations in consumption and in purchasing power of gross disposable income



Source: INSEE

3 - Household investment on construction and housing starts



* GFCF: gross fixed capital formation

** EAD+: estimated actual dates

Source: INSEE, SDES