

Review of the previous forecast

In Q3 2019, activity grew by +0.3%, as forecast in the October 2019 issue of Point de Conjoncture in France. Activity was driven by domestic demand excluding inventories (contribution of +0.6 points against +0.4 forecast) but was held back by the deterioration in foreign trade (-0.2 points against 0.0 forecast).

Imports were more dynamic than forecast

Manufacturing output fell back once again in Q3 2019 (-0.6%) due mainly to the closing of a refinery. Agricultural output declined although a slowdown had been expected; this was probably because the good wheat harvests were not enough to offset the poor grape harvest.

The introduction of the new motor vehicle testing requirements, WLTP, affected domestic demand for manufactured goods, especially via the effects of anticipation. The resulting increase in registrations of private and light vehicles led, on the one hand, to a rebound in household consumption of goods, an increase that was forecast in October's Point de Conjoncture, and on the other hand to an acceleration in investment in manufactured products by non-financial enterprises (+1.5% after +1.0%).

Exports of goods and services decreased slightly (-0.1%) but surprisingly, imports rose (+0.7% whereas stability was predicted) due to the reception of aeronautical and automobile products.

The approach of the municipal elections bolstered investment in construction

Investment in construction slowed in Q3 2019 (+0.6% after +0.9%) but nevertheless remained buoyant. For households it increased by 0.2% in Q3, the same as in Q2. It also slowed for general government, as expected, while still maintaining a fairly rapid pace (+1.5% after +2.0%) due to the approach of the municipal elections in March 2020. Local election dates form part of an electoral cycle where public investment increases in the preceding quarters (see *Special Analysis*).

Household consumption of market services increased at the same pace as in the previous quarter, as forecast, after an exceptional month of June in the hotel industry, probably linked with the FIFA Women's World Cup being held in France. Household investment in services excluding construction maintained a steady pace, with the volume of property transactions continuing to

1 - Gross domestic product and its main components in the expenditure approach

Percentage changes from previous period in %

	Planned in the Point of October 2019	Estimated	Difference
Gross domestic product	0.3	0.3	0.0
Imports	0.1	0.7	0.6
Household consumption expenditure	0.3	0.4	0.1
General government consumption expenditure*	0.3	0.5	0.2
Gross fixed capital formation	0.6	1.2	0.6
of which: Non financial enterprises	0.5	1.4	0.9
Households	0.4	0.7	0.3
General government	0.9	1.0	0.1
Exports	0.1	-0.1	-0.1
Contributions (in percentage points)			
Domestic demand excluding changes in inventories**	0.4	0.6	0.2
Changes in inventories**	-0.1	-0.1	0.0
Net foreign trade	0.0	-0.2	-0.2
Unemployment rate as defined by the ILO (including the French overseas departments)	8.4	8.6	0.2
Consumer Price Index	0.9	0.9	0.0

* General government and non-profit institutions serving households

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

Source: INSEE

French developments

increase at a healthy pace, probably driven by advantageous financing conditions.

Domestic demand brought growth; the unemployment rate did not decline in Q3

All in all, household consumption expenditure picked up somewhat (+0.4% in Q3 2019, a little more than expected). This domestic demand excluding inventories supported growth in activity, but was held back by the deterioration in trade in goods. In fact, foreign trade held growth in activity back by 0.2 points, whereas a zero contribution had been forecast. All in all, GDP increased by +0.3%, as forecast (*Table*).

These strong imports of manufactured goods offset the decline in manufacturing output. Partly as a result of a refinery closure, companies also increased their destocking of energy, water, and waste. All in all, changes in inventories contributed to a slowing of GDP growth by 0.1 points, as anticipated.

Non-farm market payroll employment increased almost as expected (+33,000 net job creations against +37,000 anticipated). Nevertheless, the ILO unemployment rate increased slightly in Q3 (+0.1 points to 8.6%) despite a 0.1 points decrease being forecast.

Meanwhile, year-on-year inflation increased to 0.9% in September 2019, as expected. ■