

# Foreign trade

During the first two quarters of 2020, international trade fell dramatically (–3.1% then –14.9%), due to the global coronavirus epidemic and the restrictions put in place to attempt to prevent its spread. The decline in world demand for French goods was even more significant (–3.5% then –16.8%). In fact, the countries of Western Europe, which are France's main trading partners, were more affected by the health crisis than the average seen for other countries and by the resulting halt to activity: their imports therefore declined further.

In this context of a downturn in international trade, French exports fell sharply (–6.0% in Q1 2020, then –25.0% in Q2); the same was true for imports, although to a lesser degree (–5.6% then –16.4%). The branches most affected were transport equipment manufacture (in Q2, –56.9% for exports and –42.3% for imports), where the loss of activity was particularly severe, and tourism (–67.3% and –64.4% respectively), with international tourism virtually ceasing at the peak of the epidemic. However, agricultural products and other services held up better.

In Q3 2020, French exports are expected to rebound (+16%), mainly as a result of the recovery in manufactured products, especially in the automobile and aeronautics branches. By the end of the year, this rebound should bring them back to a little above four-fifths of French exports in Q4 2019. French imports are also expected to rise again (+14% in Q3) and by the end of the year should reach almost nine-tenths of imports in Q4 2019.

## After the sharp fall in H1 2020, world trade is expected to bounce back in H2

In H1 2020, the health crisis severely affected world trade (measured as the sum of imports): after –3.1% in Q1, it fell back –14.9% in Q2 (Table 1). The restrictions linked to the fight against the epidemic disrupted global value chains: activity came to a standstill in the countries under lockdown, foreign demand plummeted, as did domestic demand, while supply difficulties increased. The advanced countries were more affected than the emerging countries: their imports fell by –16.9% in Q2 (after –4.0% in Q1), and their exports by –19.4% (after –2.6%). During this period, imports by the emerging countries fell back by –10.7% (after –1.2%) and their exports dropped by –6.2% (after –2.6%).

In H2, world trade is expected to increase (+10% in Q3 then +3% in Q4), as a result of the improvements in the global health situation. After suffering a greater decline than the emerging countries in H1, the advanced countries are also likely to see a greater rebound, in part automatic. Their imports are expected to grow by 11% then 4% in the last two quarters while in the emerging countries growth is likely to be more moderate (+7% in Q3 then +1% in Q4 2020, Table 1).

World demand for French goods fell sharply at the beginning of the year (–16.8% after –3.5%), because it was greatly affected by the decline in imports by its European neighbours (the European Union accounted for 64% of total

**Table 1 - World trade and world demand for French products**

variations trimestrielles et de moyenne annuelle en %

	2019				2020				2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>World trade</b>	<b>0.7</b>	<b>-0.4</b>	<b>0.2</b>	<b>-0.7</b>	<b>-3.1</b>	<b>-14.9</b>	<b>10</b>	<b>3</b>	<b>0.5</b>	<b>-10</b>
Imports from advanced economies	0.7	-0.4	0.5	-0.8	-4.0	-16.9	11	4	2.0	-12
Imports from emerging economies	0.9	0.9	0.8	0.3	-1.2	-10.7	7	1	5.8	-5
<b>Global demand addressed to France</b>	<b>1.2</b>	<b>-1.0</b>	<b>0.5</b>	<b>-0.7</b>	<b>-3.5</b>	<b>-16.8</b>	<b>10</b>	<b>4</b>	<b>1.1</b>	<b>-11</b>

Forecast

Sources: DG Trésor, INSEE

## French economic outlook

French exports in 2019, *Graph 2*). By the end of 2020, due to the upturn in imports by the advanced countries, world demand for French goods is expected to increase in Q3 by around +10%, a rebound that should continue into Q4 (+4%).

**French exports are expected to increase in H2 2020, driven by the partly automatic rebound in exports of manufactured products and tourism which were very badly affected in H1**

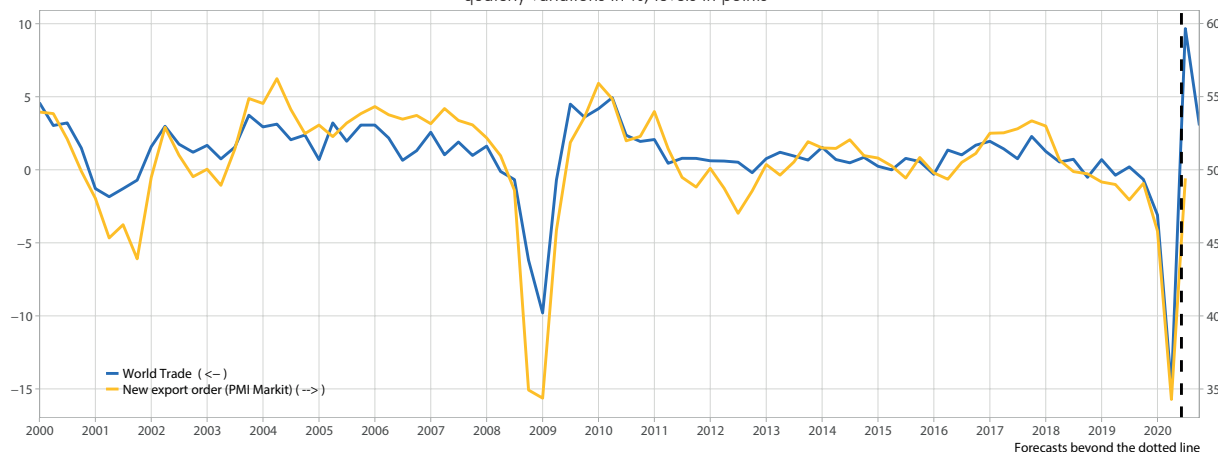
In Q2 2020, the downturn in French exports that had started in Q1 (-25.0%, after -6.0%, *Table 2*) gathered pace – since the epidemic had reached France and its European neighbours from March onwards, later than in Asia, health measures and the economic impact were concentrated in this spring period. Thus, foreign demand decreased while at the same time domestic production difficulties increased.

The two branches that contributed most to this decline were manufactured products (-28.3%, after -5.6%; see *Focus*) and tourism, which experienced the largest decline as a result of borders being closed (-67.3%, after -20.7%). Aeronautical and naval deliveries also fell sharply in H1 2020 (-60.4%, after -13.2%). Civil aviation exports were severely affected when international tourism came to a halt, due to the resulting collapse of commercial air traffic. Lastly, exports of services and agricultural products held up better in the face of the decline (around -5% in Q2).

In Q3 2020, in line with the upturn in world demand for French goods, exports should bounce back (+16%), probably spurred on by exports of manufactured products (+17%), and driven in particular by the aeronautics and naval branch. Meanwhile energy and services exports are expected to increase at a more moderate pace (+9% and +4% respectively). Exports are then likely to slow in Q4 to +3%, reflecting a slower return to activity at the end of the year and uncertainties over a second wave of the epidemic.

### 1 - World trade and new export orders

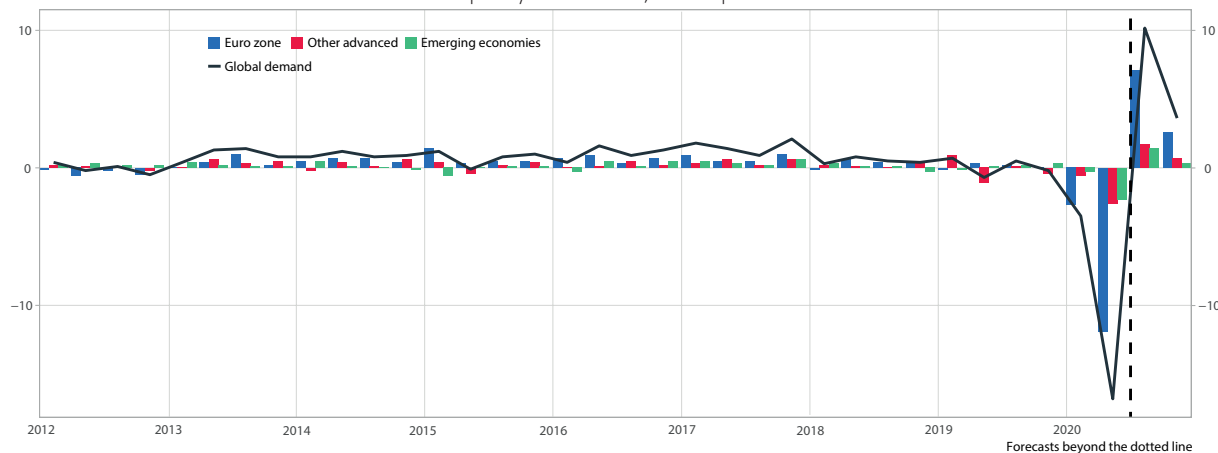
quarterly variations in %, levels in points



Source: PMI Markit, INSEE

### 2 - Foreign demand for French goods and contributions of the main trading partners

quarterly variations in %, levels in points



Source: INSEE

### Although equally affected by the crisis, French imports declined a little less than exports, with the same branches being most affected

In H1 2020, French imports also fell back, although to a lesser degree than exports (-16.4%, after -5.6%, Table 2). With the halt in domestic activity, there was less recourse to foreign goods, especially manufactured goods, whose imports contributed most to the decline (especially in transport equipment, -42.3% after -11.1%). Imports associated with tourism fell dramatically (-64.4%, after -13.4%). As with exports, imports of agricultural products and services declined less (-3.7% after -2.3%, and -3.3% after -3.2% respectively).

In Q3 2020, imports should bounce back (+14%), as purchases of manufactured products are very buoyant (+15%), while purchases of

agricultural products and services are expected to increase at a more moderate pace (+8% and +5% respectively). In Q4, imports are likely to be almost stable, due to the slower pace of recovery in domestic activity until the end of 2020 and uncertainties over the health situation.

### The contribution of foreign trade to growth looks set to be negative in 2020

In 2019, foreign trade was already weighing down GDP growth by 0.3 points. In H1 2020, because exports fell more than imports, the contribution of foreign trade to GDP was very negative (-0.1 points in Q1, then -2.5 points in Q2). In H2, the contribution should be slightly positive, as the rebound in exports is stronger than that in imports. Across the whole of 2020, it is likely to be negative, at around -2 points. ■

**Table 2 - French foreign trade**

variations in %, volumes at previous year's chained prices, contributions in points

	2019				2020				2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Exports</b>										
All goods and services	0.5	-0.5	-0.5	-0.9	-6.0	-25.0	16	3	1.8	-18
Manufactured products (67%*)	0.5	-0.6	-0.6	-0.8	-5.6	-28.3	17	5	2.0	-20
<b>Imports</b>										
All goods and services	1.2	0.1	0.6	-0.8	-5.6	-16.4	14	0	2.6	-12
Manufactured products (69%*)	1.0	0.5	1.0	-0.6	-5.0	-19.0	15	0	2.8	-13
<b>Contribution of foreign trade to GDP</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>-2.5</b>	<b>0</b>	<b>1</b>	<b>-0.3</b>	<b>-2</b>

Forecast

\* Part of exports (resp. imports) of non-energy industrial goods in exports (resp. imports) in a whole in 2019

Source: INSEE