

Foreign trade

In Q4 2020, the upturn in world trade continued (+3.5% after +11.6%) and 2020 ended with a contraction of -6.7% as an annual average, the first year to show a decline since 2009. Imports by the advanced countries contributed around +2.9 points to the increase in the last quarter of 2020, while the emerging countries contributed +0.6 points. World demand for French products followed a very similar pattern to world trade: +3.3% in Q4 2020 after +13.8% in Q3, and a -7.2% decrease in 2020 overall.

In 2020, just like the advanced economies, French foreign trade was severely affected by the consequences of the health crisis. Exports and imports plummeted by -16.3% and -11.5% respectively, despite the continuing rebound in Q4.

At the start of 2021, the international context was particularly uncertain, with restrictive health measures being strengthened in December-January by a number of our European partners and the Brexit agreement entering into force. Nevertheless, looking at the first available indicators, we are counting on continued growth in trade – albeit at a slower pace.

World trade looks set to continue its rebound into Q1 2021

At the end of 2020, world trade continued the rebound that began in Q3 (+3.5% after +11.6%, ► **figure 1**), and in Q4 2020 it was back at a level (-1%) close to that of Q4 2019. Imports by advanced economies were recently the driver behind the increase in international trade, rising by +4.3% in Q4 after +13.6% in the previous quarter. Imports by emerging economies also saw a slight increase in the last quarter of 2020 (+1.9% after +7.6%). This difference in dynamics between the advanced and emerging countries can be explained by the fact that the former suffered

more from the effects of the health crisis in H1 2020, and so experienced a more severe decline in their imports, which was followed by a stronger rebound.

World trade is expected to continue to grow in Q1 2021 (+1%) driven by imports by the emerging economies (+2%), while the recovery in imports in the advanced economies is likely to struggle a little (+1%).

In Q4 2020, world demand for French products continued to pick up (+3.3% after +13.8%, ► **figure 2**). In fact, France’s main European partners continued to experience the rebound that had begun in Q3 2020. In Q1 2021, world demand for French products looks set to grow slightly (► **figure 1**).

French exports are expected to slow in Q1 2021

In Q4 2020, French exports continued their recovery, but necessarily on a smaller scale than in the previous quarter (+5.8% after +22.1%, ► **figure 3**). This pattern was the same for exports of services (+5.1% after +1.0%) and manufactured goods (+8.1% after +29.2%). The latter were boosted by exports of transport equipment (+17.7%), including automobile (+15.4%) and aeronautics deliveries (+19.7%), despite continuing difficulties in this sector (► **Focus: Difficulties in the aeronautics sector prevent French exports from taking off**). The situation surrounding the outcome of the Brexit negotiations may also have contributed to the buoyancy of exports of manufactured goods in Q4 2020 (► **Focus: Brexit caused some changes in inventories on the part of UK businesses in late 2020, then a probable contraction in trade at the start of 2021**). Exports linked to tourism, which are still severely affected by health restrictions, slipped back again with the second lockdown (-22% after

► 1. World trade and world demand for French

quarterly variations (T/T-1), in %

	2020				2021	2020	2021 (acquis)
	Q1	Q2	Q3	Q4	Q1		
World trade	-3.2	-11.7	11.6	3.5	1	-6.7	6
Imports from advanced economies	-3.2	-13.3	13.6	3.8	1	-7.2	7
Imports from emerging economies	-3.1	-8.5	7.6	1.2	2	-5.8	5
Global demand addressed to France	-3.0	-13.8	13.8	3.3	0	-7.2	6

■ Forecast

How to read it: in the first quarter of 2021, world trade would increase by 1.1%. Over the year 2020, it fell by -6.7%

Source: DG, Trésor, INSEE

French economic outlook

+111% in the previous quarter). For 2020 as a whole, French exports tumbled by 16.3%.

In the business tendency surveys in industry, in January and February 2021, the balance of opinion on orders from abroad continued the improvement that had started in Q4 2020. PMI Markit data on new export orders also suggest a strong increase for February. Meanwhile, customs data for January show a rise in exports of French goods by value, despite the slump in exports to the United Kingdom (-19% compared to the average level for the previous quarter).

In Q1 2021 and taking these elements into consideration, growth in French exports is likely to be slow (+1%, ► [figure 3](#)). They will probably stand at about 91% of the Q4 2019 level.

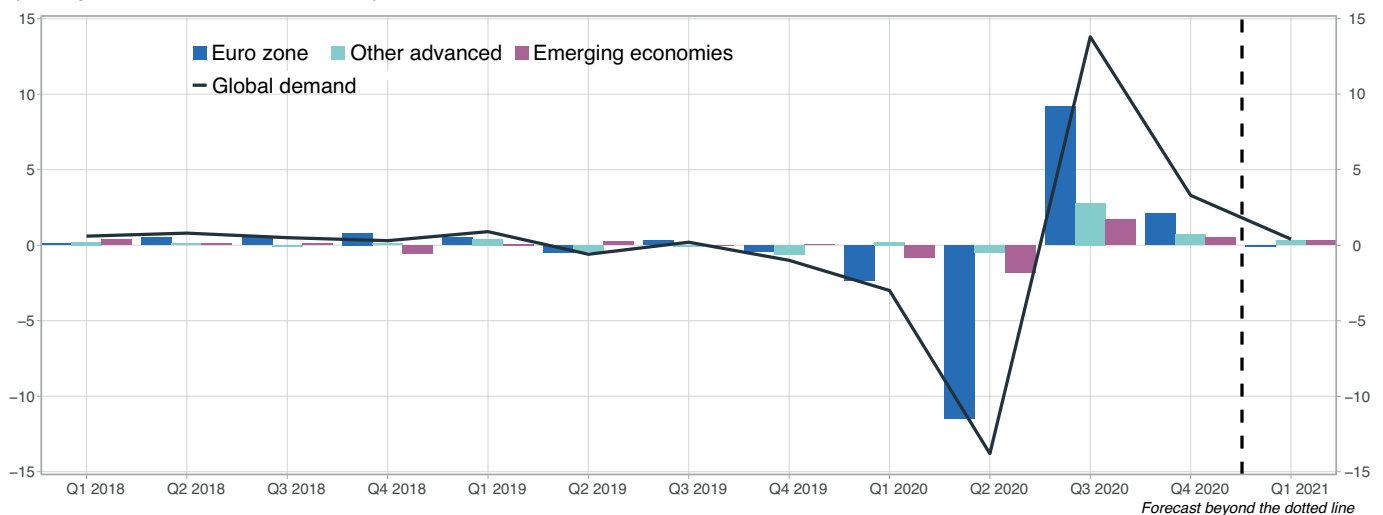
In Q1 2021, French imports are expected to continue their weak growth

French imports continued to grow in Q4, despite the decline in domestic demand, but at a much less steady pace than in the previous quarter (+1.8% after +16.4%, ► [figure 3](#)). Imports of services increased (+5.3% in Q4 2020) after four consecutive quarters of decline, mainly related to imports of transport services. Lastly, energy imports, like imports of manufactured goods, increased moderately (+1.8% and +1.0% respectively). In 2020, French imports declined by -11.5% compared to 2019.

At the start of 2021, more of the companies questioned in the business tendency surveys in industry indicated a lower level of inventory than normal, while the

► 2. Foreign demand for France goods and contribution of main trading partners

quarterly variations in %, contributions in points



How to read it: in Q4 2020, world demand for French products increased by +3.3%.
Source: DG Trésor, INSEE

► 3. French foreign trade

variation in %, volumes of previous year's chained prices, contributions in points

	quarter variations 2020				2021 Q1	annual variations	
	Q1	Q2	Q3	Q4		2020	2021 (ovhg)
Exports							
Total	-6.9	-25.0	22.1	5.8	1.2	-16.3	6.6
Manufactured products (69%)	-6.4	-28.6	29.2	8.1	1.0	-15.8	9.7
Imports							
Total	-5.8	-17.1	16.4	1.8	0.7	-11.5	4.0
Manufactured products (40%)	-5.2	-19.0	23.1	1.0	1.0	-9.7	5.6
Contribution of foreign trade to GDP	-0.3	-2.2	0.8	1.0	0.1	-1.5	0.8

■ Prévision

How to read it: in Q1 2021, total exports are expected to increase by +1%. Across the whole of 2020, they declined by -16.3%.

Source: Insee

balance of opinion on overall order books increased. French customs data confirm this message and suggest a slight increase in French imports of goods in January (+2% in overhang in Q1 2021, data in value). However, they are suffering as a result of Brexit, since French imports from the United Kingdom fell dramatically in January by 20%, in value, compared to the average level for the previous quarter.

In Q1 2021, French imports are expected to increase slightly (+1%) in line with the growth in imports of services and manufactured products.

They would then be at about 93% of their Q4 2019 level.

Foreign trade is unlikely to contribute much to GDP growth in Q1 2021

In Q4 2020, foreign trade again made a positive contribution to growth (+1.0 point, after +0.8 points, ► **figure 3**) despite the resurgence of the pandemic. Over 2020 as a whole, the contribution of foreign trade to the contraction of GDP was -1.4 points. Exports therefore fell more than imports, and also more than world demand for French products. France's specialisation in aeronautics has had a considerable effect on this result (► **Focus**).

In Q1 2021, foreign trade is expected to make a zero contribution to GDP growth, limited in particular by the decline in British imports after their one-off increase before the Brexit deadline. ●