

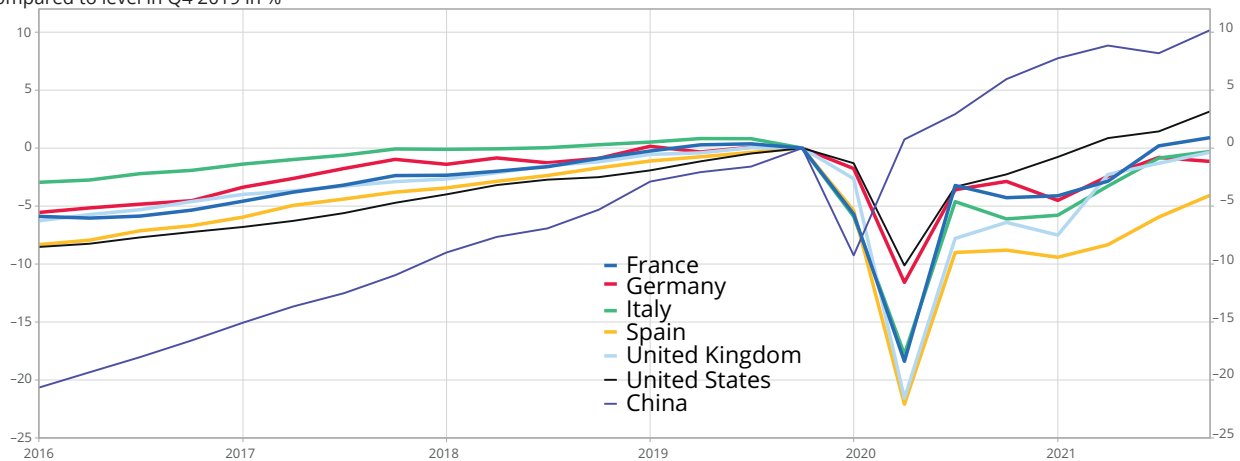
Synthesis international

In Q4 2021, economic activity slowed in Europe, particularly in France and Italy, while in Germany it even fell back (► **Figure 1**). This slowdown suggests fewer catch-up effects after the dynamism of activity in the previous quarter, while new waves of the epidemic, linked to the Delta and Omicron variants, have affected household consumption, notably in Germany. Most of the main European countries have nevertheless returned to their level of activity in Q4 2019, with the exception of Spain, which is still well below this level (► **Focus** trajectories for exiting the health crisis in Europe). In addition, after a sluggish Q3, GDP bounced back in the United States, Japan, China and several of the emerging economies, hence stimulating the recovery of world trade. In fact, world trade in goods and services accelerated significantly in Q4 2021 (+2.3% after +0.9%, ► **Figure 2**), despite continuing supply chain difficulties. In particular, the buoyancy of imports combined with less vigorous domestic demand meant that the United States and the Eurozone countries were able to reconstitute part of their inventories.

At the beginning of Q1 2022, it would appear that the deterioration in the health situation was not only hampering household consumption of services (► **Figure 3**), but also extending disruptions to world supply chains, notably as a result of the closure of factories and ports in China. From February onwards, geopolitical tensions in Ukraine, then the war and economic sanctions against Russia, are likely to increase these production difficulties for the European economies, in particular by disrupting the value chains of certain industries.

► 1. In Q4 2021, activity slowed in Europe but accelerated in China and the United States

GDP compared to level in Q4 2019 in %



Source: INSEE, Destatis, Istat, INE, ONS, BEA, NBSC

2. World trade accelerated sharply in Q4 2021

quarterly variations in % (annual variations in % for the last three columns)

	2020				2021				2022	2020	2021	2022 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
World trade	-2.9	-14.9	12.8	4.9	3.2	1.7	0.9	2.3	0.5	-7.5	11.4	3.1
Imports by advanced economies	-3.0	-16.9	13.5	5.1	1.4	2.5	1.1	2.7	1.0	-9.4	10.2	4.3
Imports by emerging economies	-2.8	-10.7	11.5	4.4	6.9	-0.1	0.4	1.6	-0.6	-3.5	13.8	0.7
World demand for French products	-2.7	-16.4	12.8	4.9	2.1	2.8	1.0	1.9	0.7	-8.6	10.5	3.3

Note: the scope considered here is goods and services. The category "advanced economies" includes the main Eurozone countries, the United Kingdom, the United States, Canada, and South Korea. The category "emerging economies" includes China, India, Turkey, the OPEC countries, Russia, Poland, Brazil, and Mexico

Source: INSEE

International economic outlook

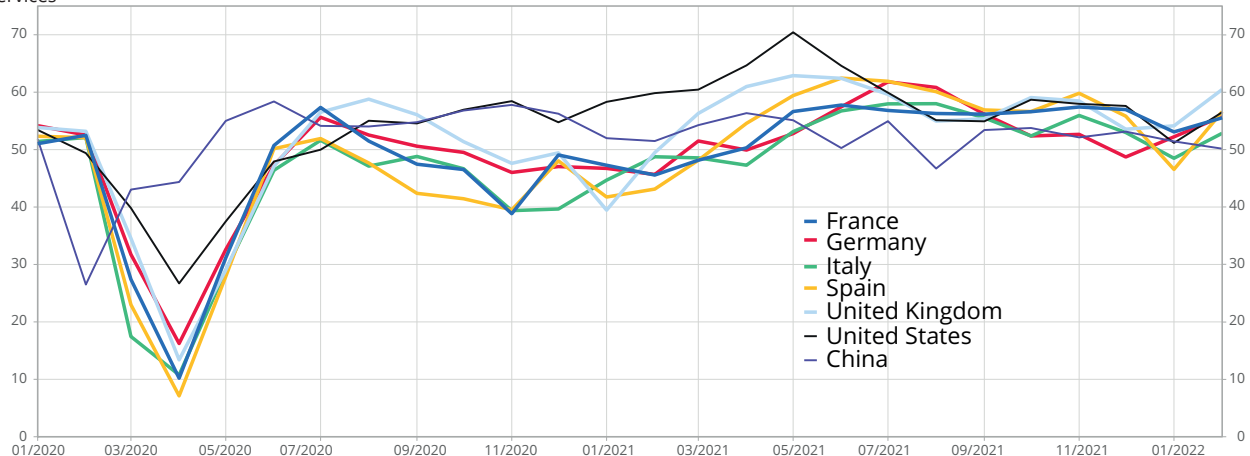
Another consequence of the war in Ukraine is that inflation is expected to continue to rise in March, after having already reached particularly high levels early in the year in the western economies (► **Figure 4** and **Focus** inflation in the Eurozone). On the one hand, commodity prices increased substantially, especially oil, which, after weakening in December with the emergence of the Omicron variant, shot up after the start of the conflict (► **Focus** oil and commodities). On the other hand, in 2021, when supply constraints came up against dynamic demand, this pushed prices upwards in the main western economies. This high inflation could be detrimental to household consumption in H1 2022, especially in Europe, with the depreciation of the euro against the dollar, a safe haven currency in times of uncertainty. To stem this inflation, the central banks have begun to tighten their monetary policies, despite keeping them accommodative since the start of the health crisis, with notably a reduction in the pace of net asset purchases for the ECB and a potential increase in interest rates in mid-March for the Fed.

Developments in economies in Q2 still depend to some extent on the health situation (especially in China), and above all on developments in the war in Ukraine and its economic consequences. The increase in energy prices, in particular, is imposed on all economies given the global nature of the energy markets. Concerning the European economies, this shock affects them primarily in terms of their net imports¹ of energy products. In France, the share of net imports of energy products in GDP was not as high in 2018² as in the other main Eurozone economies (► **Figure 5**). A rise in energy prices, as we have seen since the start of the conflict, could therefore affect Germany and Italy more than France, especially since in those countries the share of net imports from Russia is relatively large. In addition, among these net imports of energy products, the share of net imports of gas is variable, and could lead to Italy's being exposed to soaring gas prices. In the United Kingdom and the United States, countries that both produce and export fossil fuels, their trade deficit for energy products is lower than in the Eurozone. ●

¹ Net imports correspond to the difference between imports and exports of a given product.
² Last year available for the data used.

► 3. Services were affected by the upturn in the epidemic in December and January in the western countries, but they picked up in February

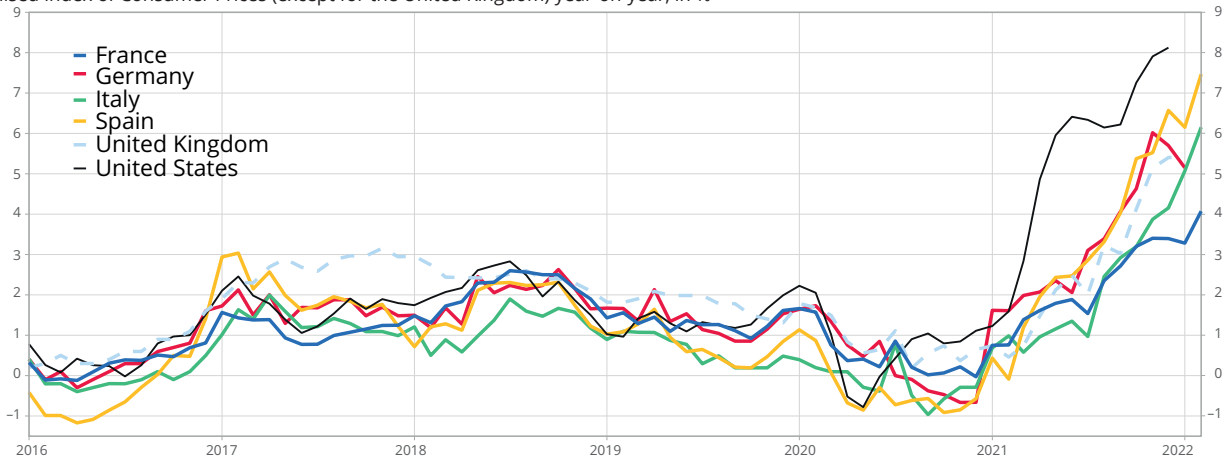
PMI Services



Note: in February 2022, PMI Services in France stood at 55.5, above the expansion threshold of 50.
Source: Purchasing Manager's Index, IHS Markit

► 4. Inflation reached some particularly high levels in the western countries

harmonised Index of Consumer Prices (except for the United Kingdom) year-on-year, in %



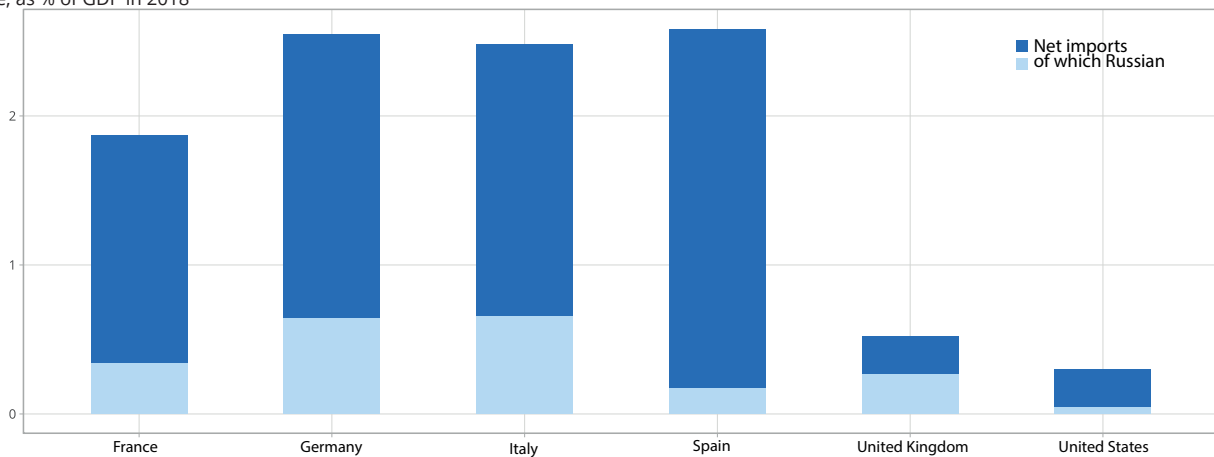
Note: Eurostat provides the Harmonised Index of Consumer Prices (HICP), an indicator for countries of the European Union and the United States, but data for the United Kingdom stop at the end of 2020. For the United Kingdom, therefore, the index is the non-harmonised CPI provided by the UK ONS. Data for the most recent months are not available for all countries, in particular, the last point for the United States is December 2021

How to read it: in February 2022, in France, consumer prices (within the meaning of the HICP) were 4.1% higher per year than their level in February 2021. Last point: February 2022.

Source: Eurostat, ONS

► 5. Net imports in the energy sector are not as high in France as in the other main Eurozone economies

by value, as % of GDP in 2018



Note: net imports in the sectors "Extraction of energy materials", "Mining and exploitation of non-energy-producing products", "Extraction support activities", "Coke and refined petroleum" and "Production and distribution of electricity, gas, steam and air conditioning". The latest available data in the inter-country table date from 2018. Net imports correspond to the difference between imports and exports of a given product.

Source: OECD (2021) OECD Inter-Country Input-Output Database, <http://oe.cd/icio>