

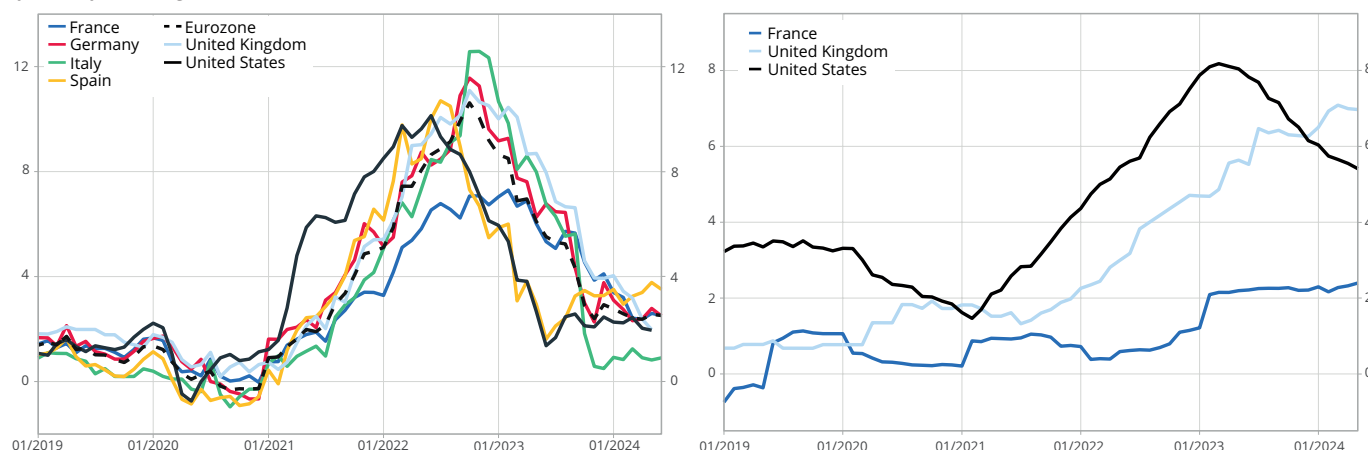
International synthesis

In Q1 2024, the pace of activity in the main advanced economies converged after several quarters with a pronounced differential between the economic situation in the United States on the one hand and the European economies on the other. The US economy has slowed (+0.4% of GDP growth in Q1 2024 after +0.8% at the end of 2023), partly due to the extractive sector being penalised by unfavourable weather conditions. Conversely, the United Kingdom and the Eurozone have returned to growth (+0.7% and +0.3% respectively) after several quarters of decline or stagnation. A degree of convergence has also emerged within the Eurozone: while Spain is still the exception, continuing its catch-up (+0.8%), the other three main Eurozone economies grew at a similar pace. The German economy grew by +0.2% after contracting sharply at the end of 2023 (-0.5%), while activity continued to grow moderately in France and Italy (+0.2% and +0.3% respectively, after +0.3% and +0.1%). Meanwhile, world trade improved moderately (+0.4%, ► **Figure 2**).

However, this convergence in growth masks some significant divergences concerning domestic demand and, on the flip side, in contributions from foreign trade. In the United States, private consumption remained buoyant in Q1 (+0.4% after +0.8%), with households benefiting from substantial pay rises. Conversely, household consumption improved only slightly in the Eurozone (+0.2%). Investment, however, especially in construction, rebounded on an occasional basis on either side of the Atlantic. Ultimately, domestic demand improved strongly in the United States but remained sluggish in the Eurozone. Conversely, foreign trade hampered growth in the United States, but stimulated activity in Europe.

► 1. Inflation compared and variation in rents for Eurozone countries, United Kingdom and United States

(year-on-year change, in %)



Last point: left: June 2024 for Eurozone, May 2024 for United Kingdom and United States. Right: May 2024.

How to read it: left: in France, in June 2024, the Harmonised Index of Consumer Prices increased by 2.5% over one year, in Spain it increased by 3.5%. Right: in the United States, the rent component of the CPI increased by 5.4% year-on-year in May 2024.

Source: INSEE, Destatis, Istat, INE, ONS, BLS.

► 2. World trade is gradually recovering

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

	2022		2023				2024				2022	2023	2024
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Euro-dollar exchange rate	1.01	1.02	1.07	1.09	1.09	1.08	1.09	1.08	1.07	1.07	1.05	1.08	1.08
Barrel of Brent (in dollars)	100.6	88.6	81.2	78.1	86.6	84.0	82.9	84.5	85.0	85.0	100.9	82.5	84.4
Barrel of Brent (in euros)	100.0	86.8	75.6	71.7	79.5	78.1	76.3	78.5	79.4	79.4	95.7	76.2	78.4
World trade (variations)	1.5	-0.4	0.3	0.6	-0.6	1.0	0.4	0.9	0.8	0.8	6.2	1.4	2.3
Imports by advanced economies	1.0	-1.0	0.2	-0.9	-0.8	1.3	0.4	0.8	0.7	0.7	7.9	-0.6	1.8
Imports by emerging economies	2.9	1.3	0.6	4.5	0.2	0.3	0.6	1.2	0.9	0.9	2.0	6.5	3.7
World demand for French products (variations)	1.1	-0.6	0.4	-0.1	-1.2	1.2	0.1	0.9	0.7	0.7	6.7	0.4	1.6

■ Forecast

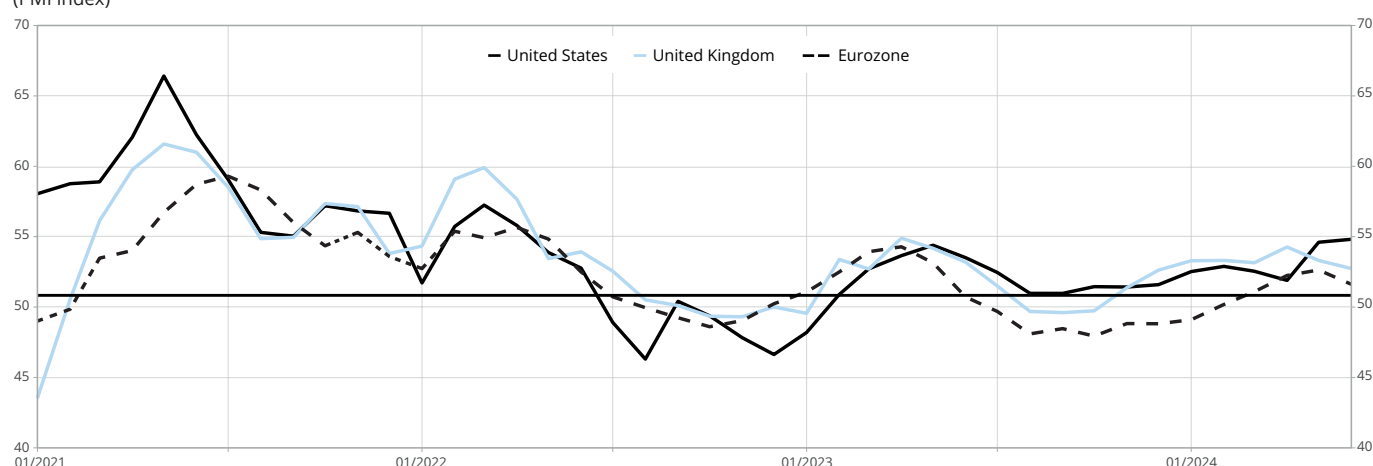
Source: Commodity Research Bureau, IHS Markit, Statistiques équilibrées du commerce (OCDE), CHELEM – Commerce international (CEPII), INSEE Calculations.

However, thanks to the gradual improvement in purchasing power, domestic demand looks set to rally and bolster European growth: the business climate as revealed by the business tendency surveys has gradually picked up in the Eurozone and remains in the expansion zone (► [Figure 3](#)). Because of its higher growth potential and a more favourable budgetary stimulus, the US economy is expected to keep progressing a little more quickly than the European economy: it should rebound to +0.6% in Q2, boosted by the recovery of the extractive sector, and then improve by +0.5% per quarter in the second part of the year (► [Figure 4](#)). Economic activity in the United Kingdom should continue to improve, driven by household consumption (+0.4% in Q2 then +0.3% per quarter), whereas activity in the Eurozone is expected to remain at the same pace (+0.2% then +0.4% and +0.3%): European households are reaping the benefits of the fall in inflation and their consumption is expected to gather momentum. In China, the persistent real estate crisis continues to hold back activity, which has remained at its average pace since 2021 (around +1.1% per quarter). In such a context, world trade is expected to be bolstered by the contribution made by the advanced economies, especially the European economies, and should accelerate from Q2 onwards (+0.9%, ► [Figure 6](#)).

Inflation continues to fall in the United Kingdom (+2.0% in May after +3.4% in April). In the Eurozone, inflation has been falling steadily for several months (year-on-year, the HICP increased by 2.5% in June after 2.6% in May and against 2.9% last December). Conversely, the disinflation movement ended more than a year ago in the United States and inflation has been stabilising there for several months (► [Figure 1 left](#)). In May, the year-on-year variation in the United States CPI stood at +3.3%. The Federal Reserve considers that inflation is still too high, which is why it has not yet started to reduce its key interest rates, unlike the European Central Bank (ECB). This momentum in prices in the United States is mainly due to the increase in rents (+5.4% in May year-on-year, ► [Figure 1 right](#)) and their weighting in the index, as the US CPI includes the “imputed rents” of owner-occupiers, unlike the European indices. The HICP, calculated by the US statistical services for international comparison purposes, is increasing at the same pace as in the Eurozone, with its year-on-year

► 3. Composite PMI in the United States, United Kingdom and Eurozone

(PMI index)



Last point: June 2024.

How to read it: the composite PMI was 55 in the United States in June 2024 against 51 in the Eurozone..

Source: S&P.

► 4. Past and forecast GDP growth in the main western economies

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

	2022		2023				2024				2022	2023	2024
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
France	0.5	0.0	0.1	0.7	0.1	0.3	0.2	0.3	0.5	-0.1	2.6	1.1	1.1
Germany	0.4	-0.4	0.3	-0.1	0.1	-0.5	0.2	0.1	0.3	0.3	1.9	0.0	0.2
Italy	0.4	0.0	0.3	-0.1	0.4	0.1	0.3	0.1	0.1	0.2	4.1	1.0	0.8
Spain	0.5	0.5	0.4	0.5	0.5	0.7	0.8	0.6	0.5	0.5	5.8	2.5	2.5
United Kingdom	-0.1	0.1	0.2	0.0	-0.1	-0.3	0.7	0.4	0.3	0.3	4.3	0.1	1.0
United States	0.7	0.6	0.6	0.5	1.2	0.8	0.4	0.6	0.5	0.5	1.9	2.5	2.5
China	4.0	0.8	1.8	0.5	1.8	1.2	1.6	1.0	1.1	1.1	3.0	5.2	5.2
Eurozone	0.5	0.0	0.1	0.1	0.0	-0.1	0.3	0.2	0.4	0.2	3.4	0.6	0.7

Forecast

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

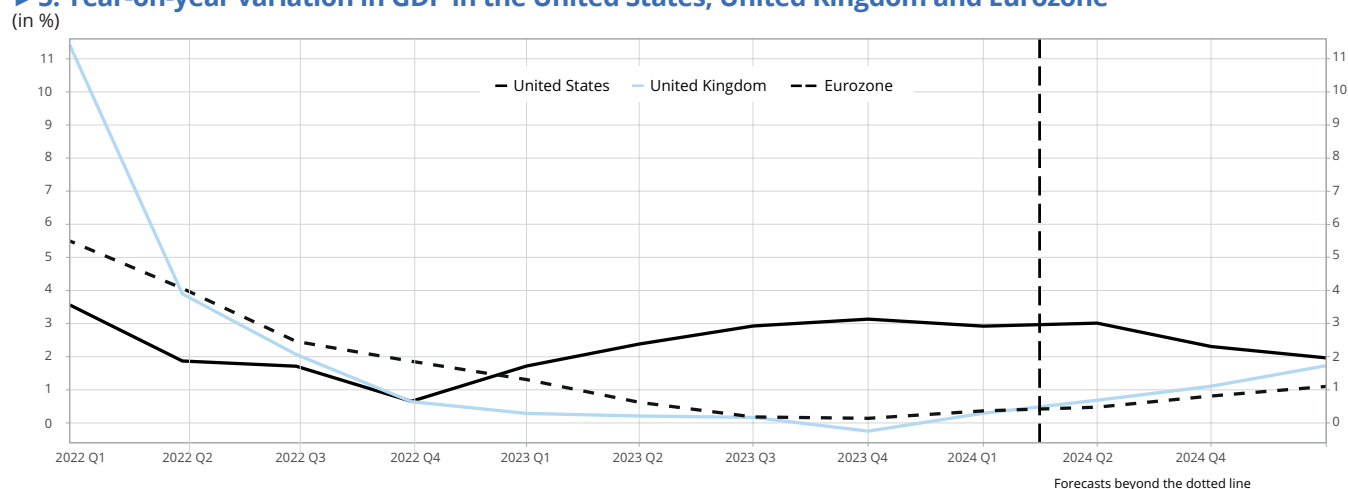
International economic outlook

variation standing at +2.0% in May 2024. In the United Kingdom, the energy component is edging down but core inflation remains significantly higher than in the other economies, sustained by the rise in wages. In China, the low demands made on the means of production are generating deflationary pressures: consumer prices are virtually stable (+0.3% year-on-year in May 2024) and producer prices have been declining continually since October 2022.

This disinflation is expected to fuel household consumption, which should then bolster growth in the different advanced economies. However, since financing conditions are still difficult, this is expected to keep hampering investment: in construction, after the upturn in Q1, it is expected to decline again in the Eurozone and the United States, before stabilising gradually by the end of the year. The effect of the monetary easing expected on both sides of the Atlantic is likely to remain marginal over the forecasting period, whether for household or corporate investment. In Europe, interest-rate spreads between States widened following the announcement of the dissolution of the French National Assembly, but for the moment this has resulted in a drop in German rates rather than an increase for the other States (► Figure 7). Budgetary policy in the United States is likely to remain accommodating and support activity strongly both directly through public consumption and indirectly by boosting corporate investment. Conversely, the budgetary impulse is expected to be either neutral or negative in most European countries.

On average throughout 2024 as a whole, due to the stagnation recorded in Europe at the end of 2023, the growth differentials are expected to be maintained between the United States (at +2.5% per year) and the United Kingdom (+1.0% after +0.1%) or the Eurozone (+0.7% after +0.6%). However, acceleration in the Eurozone is expected to be pronounced throughout the year and the year-on-year variation at the end of the year should reach +1.1% against +2.0% in the United States (► Figure 5). In China, growth in 2024 looks set to be exactly the same as in 2023 (+5.2%), lower than the pace before the health crisis. ●

► 5. Year-on-year variation in GDP in the United States, United Kingdom and Eurozone



Last point: Q4 2024.

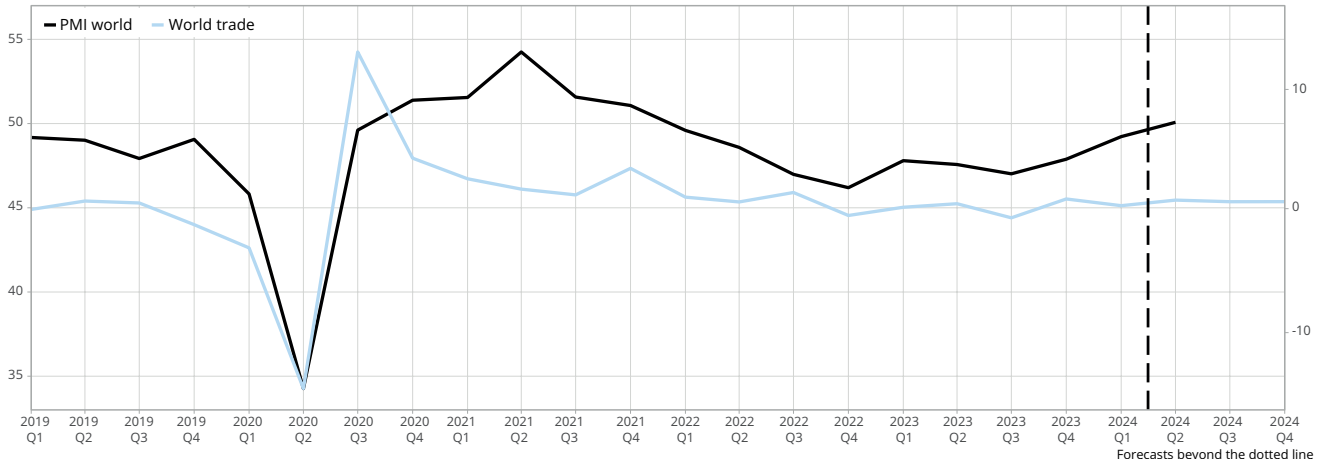
How to read it: in the United States, in Q4 2024, year-on-year variation in GDP is expected to be +2.0%.

Source: Eurostat, ONS, BEA, INSEE forecast.

► 6. PMI for new export orders and world trade

(PMI survey, index level)

(world trade, quarterly percentage change)



Last point: Q2 2024 for the PMI survey and Q4 2024 for world trade.

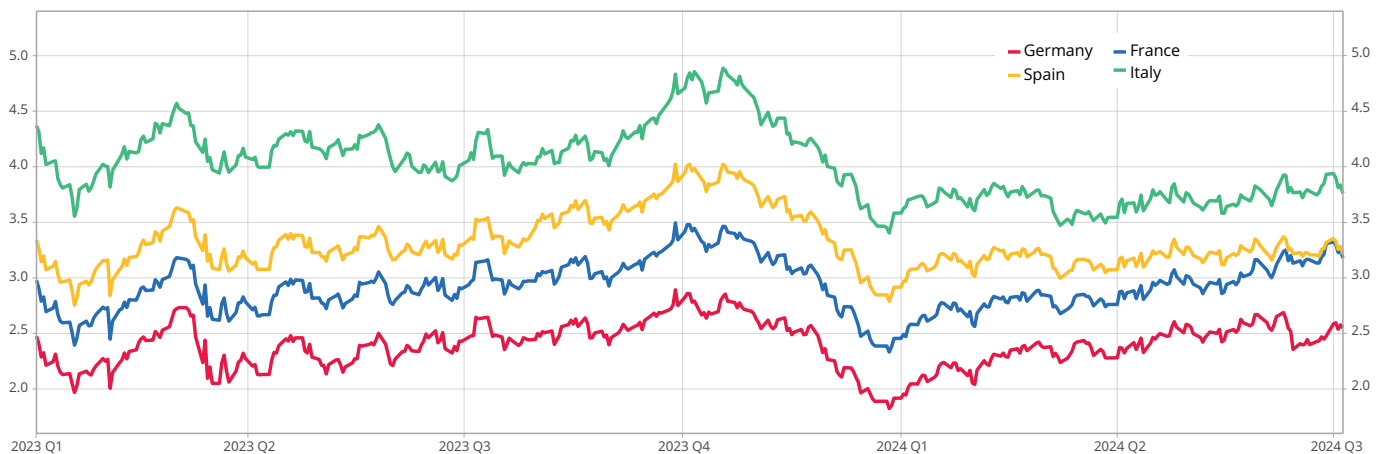
Note: forecast beyond the dotted line, for world trade only.

How to read it: Q4 2024, world trade is expected to increase by 0.8%. In Q2 2024, the PMI for new export orders was 50.1, slightly above its expansion threshold.

Source: IHS Markit, Balanced trade statistics (OCDE), CHELEM – Commerce international (CEPII), INSEE.

► 7. 10-year sovereign yields in the main European economies

(in %)



Last point: 5 July 2024.

Lecture: The 10-year yield for French bonds was 3.2% on 5 July 2024.

Source: IHS Markit.