

# Growth, between purchasing power and uncertainties

Since the start of 2024, the Eurozone has begun to emerge from its torpor. Inflation is falling and households are regaining purchasing power, while exporters are seeing a timid recovery in world trade. However, although growth is recovering, it remains fragile: households continue to increase their savings efforts, and there are still broad disparities within the Eurozone with depression in Germany and strong growth in Spain. Across the Atlantic, there was no weakening of growth in H1, taking advantage of dynamic private domestic demand and substantial government support. By the end of the year, the advanced economies are expected to see the benefits of this summer's decline in the price of oil. However, the favourable effects of the drop in interest rates, initiated by central banks on both sides of the Atlantic, are not yet expected to reach productive investment.

In France, as elsewhere in Europe, the inflationary episode is over: the year-on-year increase in prices was limited to +1.2% in September. However, households are only just beginning to see the benefits: despite some solid improvement in purchasing power (+1.8% expected in 2024, after +0.9% in 2023), household consumption has been disappointing since the beginning of the year. However, the continuing upturn in their confidence suggests an acceleration in H2. On the business side, the electoral situation has left its mark: the business climate was disrupted during the summer, losing 5 points in July, before recovering almost completely in two stages, in August then September. There are still considerable differences from one branch to another, however: those sectors that are geared towards households are fairly optimistic, while those specialising in investment products are generally worried. Thus, by the end of the year corporate spending on equipment is expected to continue to decline.

Regarding the labour market, employment stalled in the spring and looks set to remain virtually at a standstill until the end of the year with 10,000 payroll job creations expected in H2. This pace of growth is unlikely to be enough to absorb the increase in the labour force, boosted by the ramping-up of pension reform, and the unemployment rate is expected to rise again slightly, reaching 7.5% by the end of the year.

All in all, activity is expected to increase by 0.4% in Q3 then stabilise by the end of the year. The Olympic and Paralympic Games certainly boosted activity in the short term over the summer, albeit a little less than originally expected, due to crowding-out effects in recreational services and in accommodation and catering. Thus, leaving the effect of the Games to one side, growth is likely to maintain an underlying rate of +0.2% per quarter in H2, split between the recovery in consumption and the contraction in investment. Foreign trade is expected to return to normal, after the French economy regained market share at the beginning of the year.

There are several uncertainties surrounding this forecast. Although the price of oil is declining, it remains very volatile, affected by weak demand and geopolitical tensions, as can be seen from its recent rise. In France, while political uncertainty has receded somewhat, details of the budgetary measures are not yet fully known. When they are announced, this could change the behaviour of economic stakeholders, especially businesses. On the household side, the mid-2024 savings ratio was three points above its 2019 level: if it were to come down, this would represent a considerable support factor, whereas a more marked wait-and-see attitude would weaken the expected growth. ●