Growth, between purchasing power and uncertainties

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Jean-Luc Tavernier

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Raphaële Adjerad
Clément Bortoli
Dorian Roucher

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Institut national de la statistique et des études économiques
Chief manager: Jean-Luc Tavernier
Head office: 88 avenue Verdier - CS 70058 - 92541 Montrouge Cedex
Phone: +33 01 87 69 50 00
Website: https://www.insee.fr

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.

International economic outlook and detailed forecasts for France

The drop in oil prices gives western economies some breathing space

Since mid-July, despite persistent tensions in the Middle East, oil prices have fallen. Over the forecasting period, the price of a barrel of oil is expected to reach $75, or €68, which is about $10 less than in the spring (►**Figure 1**). Conversely, the price of gas increased. However, given the scale of the drop in the price of oil, the net effect is expected to be positive overall for the terms of trade of hydrocarbon-importing countries, especially France, providing an immediate boost to household purchasing power and corporate margin rates.

As inflation declines, monetary policy eases

Central banks have just begun a cycle of lowering their key interest rates: in the Eurozone, the European Central Bank (ECB) has already cut its rate twice by 25 basis points, in June and then in September; in the United States, the Federal Reserve made a cut of 50 basis points in September (►**Figure 2**). With the decline in inflation, these reductions are expected to continue on both sides of the Atlantic over the forecasting period. Initially, this easing should help real estate markets out of their rut, but it is unlikely to have much effect on corporate investment through to the end of the year.

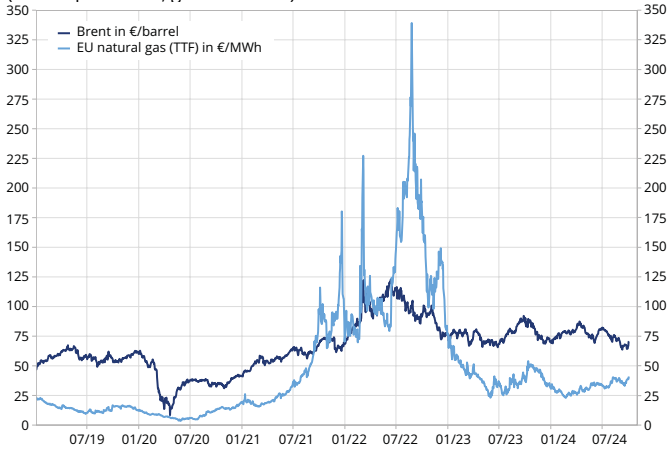
In the Eurozone, purchasing power is increasing, while consumption is in the doldrums

Growth returned to the Eurozone in H1 2024, marking the end of five quarters of stagnation: GDP increased by 0.3% in Q1 and by 0.2% in Q2 2024. In addition, the slowdown in prices continued (►**Figure 4**): year-on-year variation in the HIPC fell below +2% in September 2024 (+1.8%) for the first time since 2021. In the four major Eurozone economies, this disinflation has made a considerable contribution to purchasing power gains. In particular, real wages increased significantly in 2024 in Spain, where they even exceeded their 2019 level, Germany and Italy. The wage catch-up is a little slower in France, where they have slowed rapidly in the wake of prices.

However, these gains in purchasing power have not yet been accompanied by a rise in household consumption, which remained sluggish in spring 2024. Although inflation has declined, outlook surveys in the Eurozone countries do indeed show that households' perceptions of price changes over the last 12 months have not yet returned to their level prior to the inflationary shock (►**Figure 3**). Households are still very much affected by this inflationary episode and continue to save

►1. World oil prices and natural gas prices in Europe

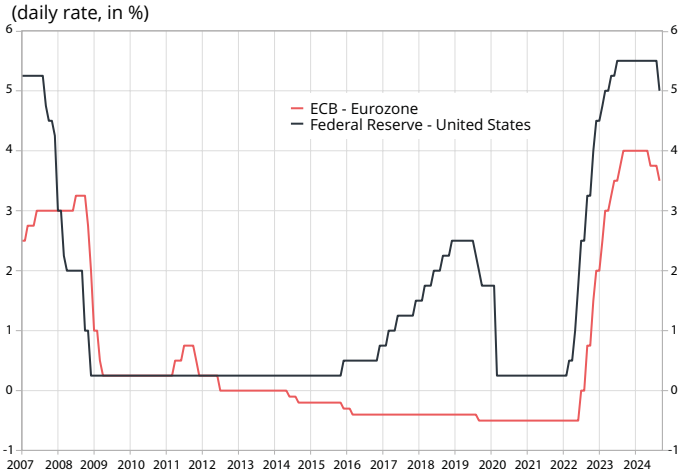
(oil in € per barrel, gas in €/MWh)



Last point: 4 October 2024.
Note: Brent stood at 70.1 euros per barrel and natural gas at 41.0 euros per MWh on 4 October.
Source: Commodity Research Bureau, ICE Futures Europe.

►2. Base interest rates

(daily rate, in %)



Last point: September 2024.
Note: ECB: deposit rate; Fed: federal funds effective rate.
Source: ECB, Federal Reserve.

significantly more than in 2019 (►**Figure 5** and **6**). Consumption should gradually pick up in H2 2024: savings ratios are not expected to increase further, but nor are they likely to fall.

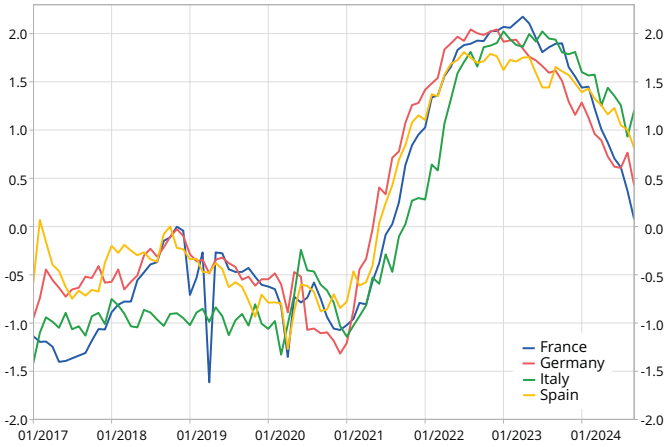
Germany remains in a slump

The timid recovery seen in the Eurozone since the beginning of 2024 has been driven, for the time being, by foreign trade, while domestic demand remains sluggish. In addition, significant disparities are emerging between the different Eurozone countries: Germany is still in a slump (-0.1% in Q2) while Spain is racing ahead (+0.8% in Q2).

The business tendency surveys suggest that this divergence between European economies is likely to continue in H2 (►**Figure 8**). In Spain, the outlook for activity is favourable (+0.6% GDP growth forecast per quarter in H2 2024) and growth over the year is expected to reach +2.9%. In Italy, activity should continue to grow at a moderate pace (+0.2% per quarter in H2) and is expected to grow by +0.6% across the whole of 2024. In Germany, however, industrialists remain extremely pessimistic, reporting empty order books, leading to prospects of activity at a standstill in H2, and growth of -0.1% across 2024, the same as in 2023.

►3. Perception of previous prices over the last 12 months in the Eurozone

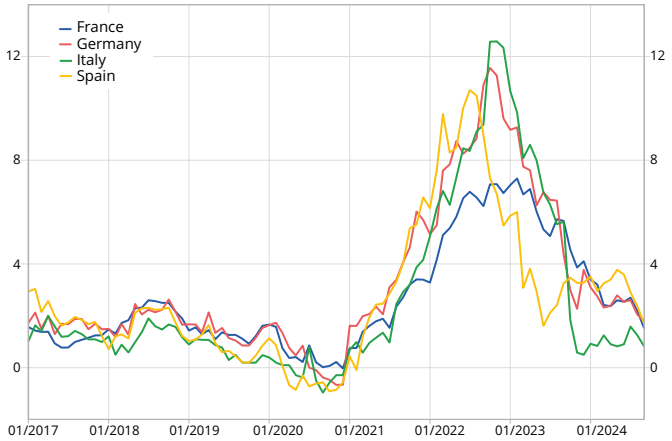
(standardized and scaled balances)



Last point: September 2024.
How to read it: in Spain, in September 2024, the standardized and scaled balance of households' perception of price changes over the last 12 months was 0.8 standard deviations above its long-term average (average over the period January 2005 to September 2024).
Source: DG ECFIN, INSEE calculations.

►4. Comparison of inflation (within the meaning of the Harmonised Index of Consumer Prices, HICP) in the Eurozone

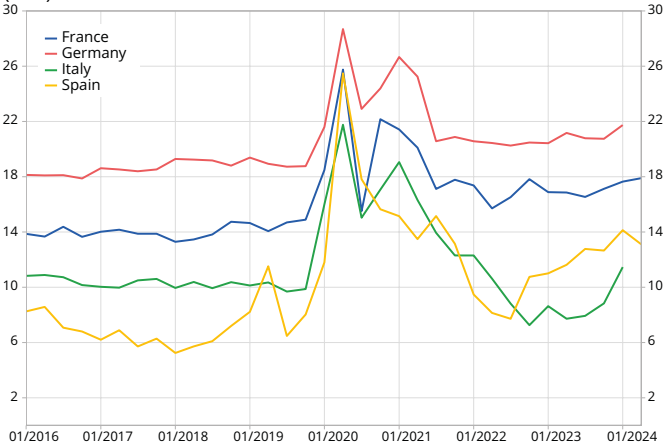
(year-on-year % change)



Last point: September 2024.
How to read it: in September 2024, inflation in Germany within the meaning of the HICP was +1.8% year on year.
Source: Eurostat, INSEE calculations.

►5. Savings ratio in the Eurozone

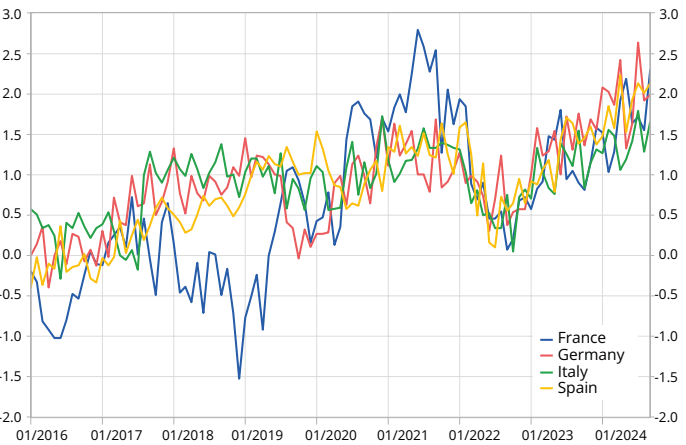
(in %)



Last point: Q2 2024 for France and Spain; Q1 2024 for Italy and Germain.
How to read it: in France, Q2 2024, the savings ratio was 17.9%.
Source: Eurostat, INSEE calculations.

►6. Future savings capacity in the Eurozone

(standardized and scaled balances)



Last point: September 2024.
How to read it: in Spain, in September 2024, the standardized and scaled balance of household savings capacity over the next 12 months was 2.1 standard deviations above its long-term average (average over the period January 2005 to September 2024).
Source: DG ECFIN, INSEE calculations.

Strong recovery across the Channel, soft landing across the Atlantic

After a slump lasting four quarters, the United Kingdom experienced a vigorous recovery in H1 2024 (+0.5% in Q2, after +0.7%), driven by household consumption and government support. Domestic demand is expected to continue to drive activity during H2 (+0.3% GDP growth per quarter) and annual growth should accelerate strongly (+1.0% in 2024, after +0.3% in 2023).

Across the Atlantic, the US economy remained robust during the first half of the year (+0.7% in Q2, after +0.4% in Q1). However, the business climate is weakening, especially in the manufacturing sector (►**Figure 7**), although without falling behind, thus suggesting a soft landing. In particular, both private and government consumption are expected to continue to boost activity in H2, and annual GDP growth is likely to reach +2.6% in 2024.

After sluggish momentum in 2023, world trade is picking up again in 2024

In H1 2024, foreign trade hampered growth in the United States, in the wake of buoyant domestic demand, and in some emerging countries. Conversely, it bolstered growth in most Eurozone countries, due to a significant lagging behind in relation to the rest of the world, and also in China: Chinese industrialists, faced with sluggish domestic demand and excess production capacity, have been exporting massively for several quarters. All in all, after a year of mixed results in 2023 (+1.1%), world trade is expected to regain some of its dynamism in 2024 (+2.2%).

The dissolution of the National Assembly in June 2024 created an uncertainty shock specific to France which was significant, though not major

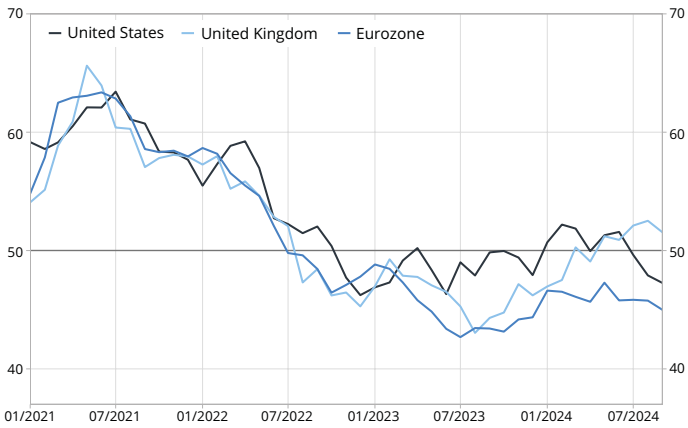
In France, the unexpected announcement of the dissolution of the National Assembly on 9 June 2024, gave rise to a shock wave of uncertainty. The difference in sovereign yields between France and Germany, which had been around 50 basis points for several months, rose sharply, fluctuating between 70 and 80 basis points. At the same time, the volatility of French financial markets, which provide an indirect measure of the uncertainty of economic agents at an individual level, increased after the dissolution was announced, while still remaining contained: the uncertainty shock can therefore be described as significant, although it is not such a major event as the health crisis or the invasion of Ukraine (►**Focus** "In June 2024, increased uncertainty on the financial markets is specific to France and a significant shock, but not a major one"). Nevertheless, the event remains unique as it is a shock specific to France, where previous uncertainty shocks were caused rather by global or European events. By confusing the expectations of economic agents and provoking wait-and-see behaviour, a situation such as this is likely to affect the real economy.

The business climate had a turbulent summer

This increased uncertainty was immediately reflected in businesses' responses to INSEE's tendency surveys. The business climate had remained relatively stable and close to its long-term average throughout the spring, but fell sharply in July to 94, its lowest level since February 2021

►7. PMI in the United States, the United Kingdom and the Eurozone in the manufacturing sector

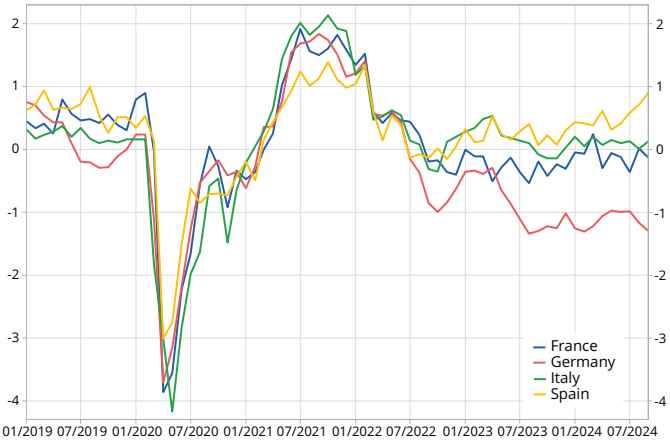
(level)



Last point: September 2024.
How to read it: in the Eurozone, the PMI in manufacturing stood at 45.0 in September 2024.
Source: S&P Global, INSEE calculations.

►8. General climate in the Eurozone

(standardized and scaled climate)



Last point: September 2024.
How to read it: in Spain, in September 2024, the general business climate was 0.9 standard deviations above its long-term average (average over the period January 2005 to September 2024).
Source: DG ECFIN, INSEE calculations.

(►**Figure 9**), since most of the responses from business leaders had been collected before the second round of the legislative elections. With the exception of the sudden variations that occurred during the health crisis, this 5-point drop in the space of one month is unprecedented since 2011. All sectors of the economy were concerned. It then rebounded, to 97 in August, then 98 in September. In addition, when questioned each month about their difficulty in predicting the future, many business owners in the services and trade sectors reported increased uncertainty this summer: in Europe, this phenomenon was specific to France. On the other hand, uncertainty has increased neither in construction nor in industry (►**Focus** "In France, economic uncertainty linked to the political situation over the summer mainly affected services and trade"). The partial recovery in the business climate, spread over two months, shows that French companies, especially in the tertiary sector, have shown a marked, but transitory pessimism, which seems to have partly dissipated once the legislative election results were known. In industry and construction fluctuations in the business climate are more likely to be due to long-standing factors (especially variations in order levels) than to the uncertainty created by the political situation.

In H2, excluding the one-off stimulus of the Olympic and Paralympic Games, growth is expected to remain positive but sluggish

Given that uncertainty is lessened but persistent, activity is expected to improve at a fairly moderate pace in H2 2024: despite growing by 0.4% this summer, boosted by the hosting of the Olympic and Paralympic Games, there is likely to be a backlash with activity stabilising in the autumn. The forecast for the end of the year has nevertheless been revised upwards compared to that given in the *Economic Outlook* of 9 September: the business climate improved a little in the last month and household confidence has picked up, bolstered by the drop in energy prices and gains in purchasing power. The impact of the Olympic and Paralympic Games on growth in Q3, originally estimated at +0.3 points (►***Economic outlook***, July 2024), is more likely to be around +0.2 points, taking into account greater crowding-out effects than anticipated in recreation services and accommodation-catering. Conversely, industrial production was a little more dynamic than expected this summer, especially in transport equipment.

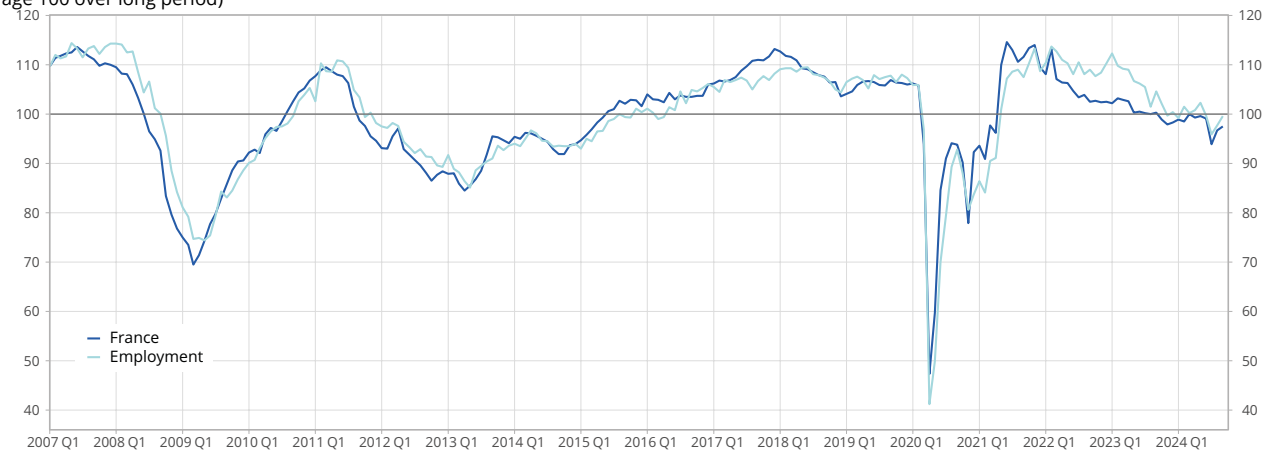
Thus, at the sectoral level, activity is expected to improve a little in the manufacturing industry in the summer (+0.2% in Q3), after a downturn over two quarters. It is likely to accelerate slightly in Q4 (+0.3%): after plummeting by 11% year-on-year in the spring, automobile production is expected to move forward once again with the opening of new assembly lines for electric vehicles, bringing related sectors along in its wake (notably metallurgy and rubber).

In construction, activity looks set to continue to decline, although less sharply (-0.6%, then -0.4%, after -1.4% in Q2).

Finally, in market services, activity is expected to maintain a trend rate, although with some jolts in H2 associated with the Olympic and Paralympic Games in Paris (+0.6% in Q3, before stabilising): the holding of events represents production in recreational services, giving rise to income from sales of tickets and television rights collected by the Olympic and Paralympic Games organising Commitee. This increase in activity was recorded in the national accounts when the events were held. Activity in services is also likely to be boosted in the summer, although to a lesser extent, by additional spending on the Île-de-France transport network (►***Economic outlook***, July 2024).

►9. Business climate and employment climate

(average 100 over long period)



Last point: September 2024.
How to read it: the employment climate was 100 in France in September 2024.
Source: INSEE, business surveys.

Employment is expected to improve a little, with the unemployment rate increasing slightly

In Q2 2024, payroll employment was at a standstill, after +0.3% in Q1 2024: in the private sector, it slowed considerably (-0.1% after +0.3%), whereas it continued to increase in the civil service (+0.3% after +0.4%). Year on year, private payroll employment increased by 0.3% and labour productivity in the non-agricultural market branches by 1%, a rate slightly higher than the pre-health crisis trend. Labour retention in certain branches, especially the industrial sectors, is declining a little. However, this upswing in productivity makes up for only a small proportion of the cumulative losses since the health crisis (blog post, in French).

During the summer, the employment climate experienced similar fluctuations to those in the business climate (►**Figure 9**): it was at its long-term average in June, but fell sharply in July, to 96 (based on responses received mainly before the second round of the legislative elections), before rebounding in August and September, when it returned to its long-term average. Meanwhile, hiring slowed slightly this summer, especially for open-ended contracts. These factors suggest that employment is slowing but is not in decline: 10,000 payroll posts are expected to be created by the end of the year. Employee numbers look set to increase in the market tertiary sector excluding temporary workers and in industry, but are likely to decline in construction and temporary employment. Given that the expected increase in activity is likely to be a little more pronounced, productivity should continue to pick up in H2 2024.

Driven by seniors, especially since the 2023 pension reform, the labour force has recently seen an upward trend and at the beginning of 2024 the labour force participation rate of 15-64-year-olds reached its highest level since INSEE has measured it within the meaning of the ILO (1975). In Q2 2024, the labour force slowed slightly and thus the unemployment rate declined from 7.5% to 7.3% (►**Figure 10**). The labour force is forecast to recover its upward trend, again growing slightly faster than employment, with the result that the unemployment rate is likely to rise again slightly, reaching 7.5% at the end of the year.

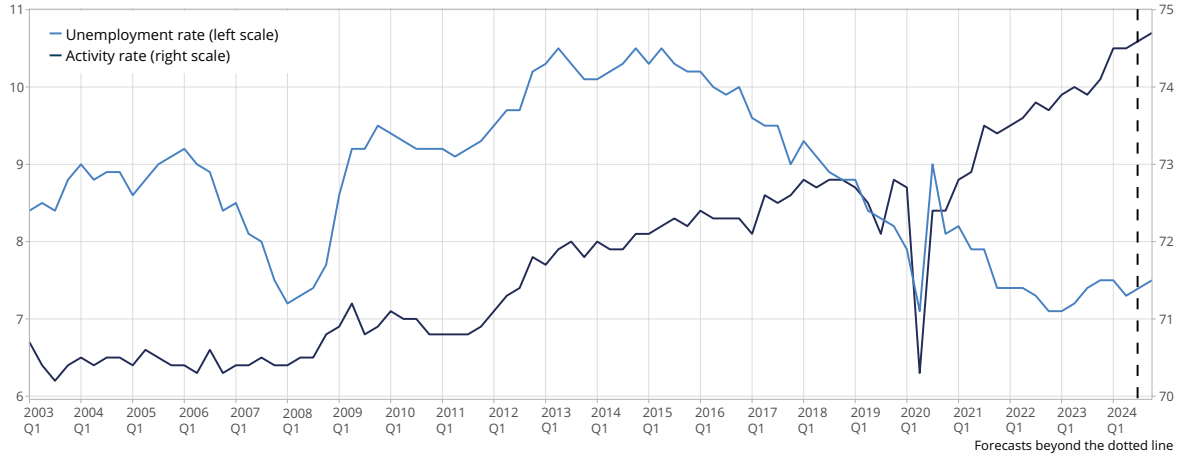
After a sharp decline, inflation is expected to remain contained until the end of the year

Disinflation continued into September, at a faster pace than forecast: prices rose by 1.2% year on year (according to the provisional estimate), after +1.8% in August, the lowest level of a price variation over a year since July 2021 (►**Figure 11**).

Due to the drop in oil prices, energy inflation fell to -3.3% year on year in September. By the end of the year, this decline is expected to lessen, due to the increase in gas prices and a "base effect", as Brent prices fell back a little in late 2023: in December, energy prices are likely to fall back by 0.7% year on year, assuming a price of $75 per barrel. Food inflation, which was the main contributor to headline inflation between September 2022 and September 2023, stood at +0.5% year on year in September 2024: it is forecast to fall a little further and is likely to be zero in December 2024.

►10. Unemployment rate and labour force participation rate

(in %)



How to read it: the unemployment rate is expected to be 7.5% in Q4 2024 and the labour force participation rate 74.7%.
Scope: France (excluding Mayotte), persons aged 15 or over living in ordinary housing for the unemployment rate; persons aged 15 to 64 for the labour force participation rate.
Source: INSEE, Employment survey.

Prices of manufactured products have also slowed since the beginning of the year: in September, they fell by 0.3% year on year. This year-on-year decline is expected to stop by the end of 2024, due to the rise in maritime freight costs, although the prices of manufactured goods will not contribute significantly to headline inflation. On the services side, companies are passing on previous wage increases and it is likely that prices will continue to rise, although less and less rapidly: after +2.5% year on year in September, price rises are expected to reach 2.2% in December. Within services, prices are falling sharply in telecommunications, where competition between operators is intensifying.

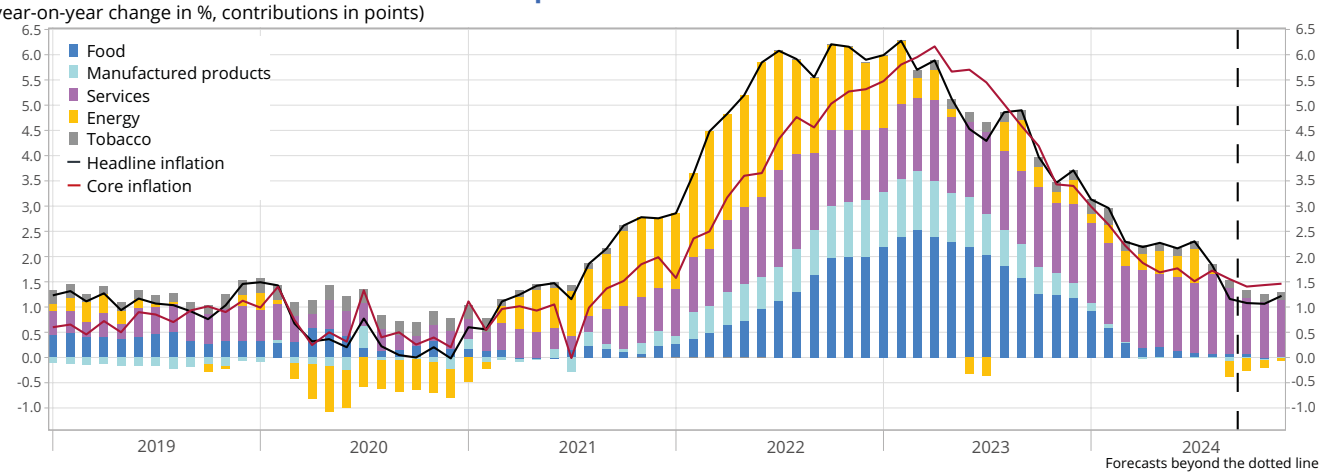
All in all, inflation is expected to remain broadly stable by the end of the year, standing at +1.2% year on year in December 2024. Core inflation is likely to be at a slightly higher rate (+1.5%). As an annual average, consumer prices are expected to increase by 2.0% in 2024, much less than in 2022 (+5.2%) and 2023 (+4.9%). This forecast of low inflation is consistent with the responses given by businesses and households in the monthly outlook surveys (►**Focus** "A new composite climate indicator to forecast price changes").

Real wages are expected to recover some of the ground lost in 2022 and 2023

In nominal terms, wages are slowing considerably in the wake of prices (►**Figure 12**), despite the planned increase in the minimum wage which is expected in November. In real terms, however, wages have started to rise again: after falling by 3.0% between the end of 2020 and the end of 2023, the real basic monthly wage is expected to increase year on year by +1.4% by the end of 2024. As a result of disinflation, real wages are therefore

►11. Headline inflation and its main components

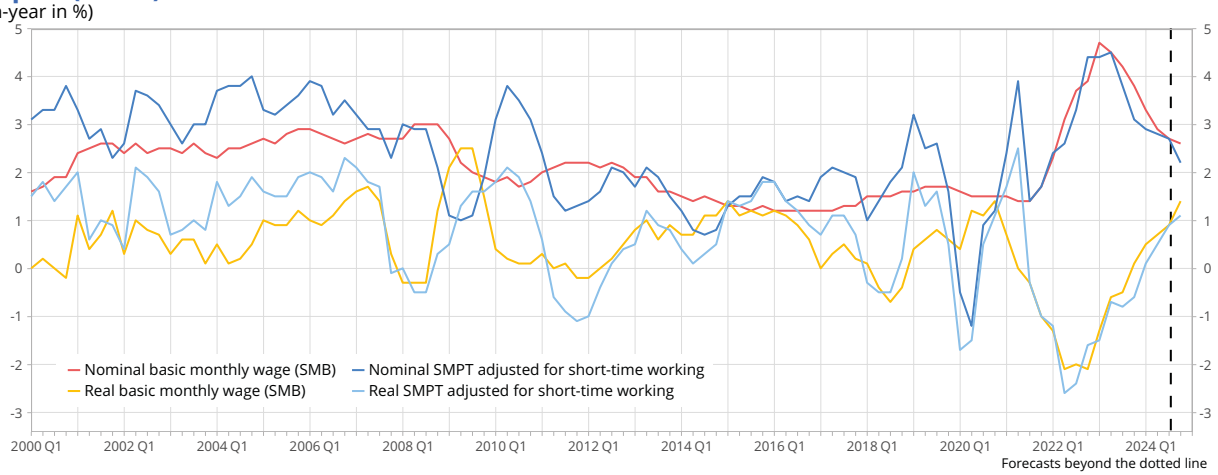
(year-on-year change in %, contributions in points)



Last point: December 2024 (forecast from October 2024).
How to read it: in September 2024, headline inflation was at +1.2%, according to the provisional estimate. Food contributed +0.1 points, while services contributed +1.3 points.
Source: INSEE.

►12. Nominal and real* changes year-on-year in the basic monthly wage (SMB) and the average wage per capita (SMPT)

(year-on-year in %)



* within the meaning of the CPI – Consumer Price Index.
Last point: Q4 2024 (forecast from Q3 2024).
Note: here the SMPT is adjusted for short-term working: these payments are not counted as wages, and therefore led to some very wide variations in the SMPT when it was not adjusted during the health crisis (►**blog post** on wage indicators).
How to read it: in Q4 2024, year-on-year growth in nominal SMB is expected to be 2.6%.
Scope: non-agricultural market branches.
Source: DARES, INSEE.

expected to have recovered half of the losses suffered during the inflationary episode by about the end of 2024. In the non-agricultural market branches, the average wage per capita, which includes bonuses and overtime pay, looks set to be a little less dynamic: value-sharing bonus payouts are expected to be lower than in 2023, as the scheme is now less advantageous.

Household purchasing power is expected to increase by 1.8% in 2024

On average over the year 2024, household gross disposable income is likely to slow (+4.1% after +5.8% in 2023): employment and wages are expected to slow, however it is likely that benefits will accelerate (+6.0% after +4.7%), mainly due to the pension reform at the beginning of the year. Wealth income should remain dynamic, driven by dividends and life insurance payouts. Tax and social contributions are likely to increase at almost the same pace as income, after an exceptional decorrelation in 2023. However, the decline in inflation is expected to be considerably greater than that in income, with the result that the purchasing power of gross disposable income is likely to accelerate in 2024: +1.8% after +0.9% in 2023 (►**Figure 13**), an increase of +1.3% per consumption unit, after +0.3% in 2023.

With some delay, household consumption is coming back to life

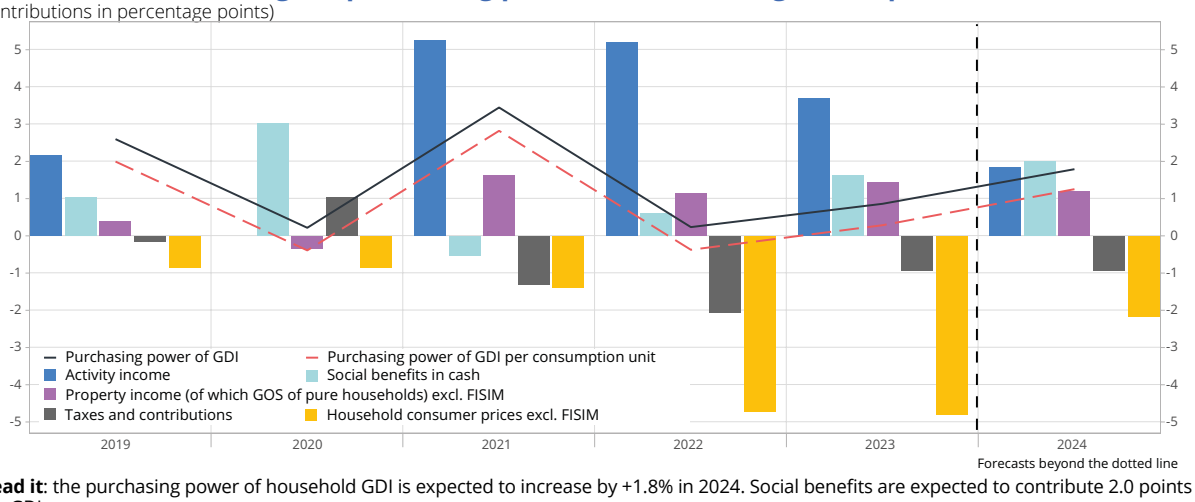
As elsewhere in Europe, French households have not yet consumed the gains in purchasing power accrued at the start of 2024. Household consumption has been at a total standstill over the last three quarters and in Q2 2024 their savings ratio was 17.9%, still well above its pre-crisis level (14.6% on average in 2019) and even one point above its level of one year ago. Compared to 2019, it is mainly the consumption of goods that is at a standstill: spending on food has slipped back due to the surge in inflation, energy consumption has faltered due to energy-saving behaviour in play since the invasion of Ukraine, and purchases of vehicles are down, a sign of a certain wait-and-see attitude with regard to the period of technological transition that the sector is currently experiencing (►**Figure 14**).

Since June 2024, however, household confidence has been increasing constantly, having been relatively stable since the beginning of the year. It went from 90 in June to 91 in July, then 93 in August, and finally 95 in September: it has remained below its long-term average, but has nevertheless greatly improved since its low point in July 2022 (80). This rebound over the summer was driven primarily by the most modest households (►**Focus** "Since the legislative elections, renewed optimism varies according to cate-gory of household"). While an improvement in household confidence is usually seen during periods of national elections, other factors may have been in play this time, especially the hosting of the Olympic and Paralympic Games in Paris, or the trend underway across Europe of a more general upturn in household confidence since summer 2022, in the wake of increased purchasing power.

Given this context, household consumption is expected to increase substantially in the summer (+0.5%), with the effect of spending associated with the Olympic and Paralympic Games, in particular the purchase of tickets for the events (►***Economic outlook***, July 2024). As a result, it is likely to slow at the end of the year (+0.2%). Despite these jolts, the average pace of household consumption is expected to increase a little towards the end of the year. The savings ratio is expected to settle at 17.8% in the summer, then increase once again at

►13. Contributions to change in purchasing power of household gross disposable income (GDI)

(annual contributions in percentage points)



How to read it: the purchasing power of household GDI is expected to increase by +1.8% in 2024. Social benefits are expected to contribute 2.0 points to the increase in GDI.
Source: INSEE.

the end of the year (18.0%) affected by further gains in purchasing power as a result of disinflation. As an annual average, the savings ratio is expected to be 17.9% in 2024, one point up on the level in 2022 and 2023 (16.9%).

Household investment is stabilising

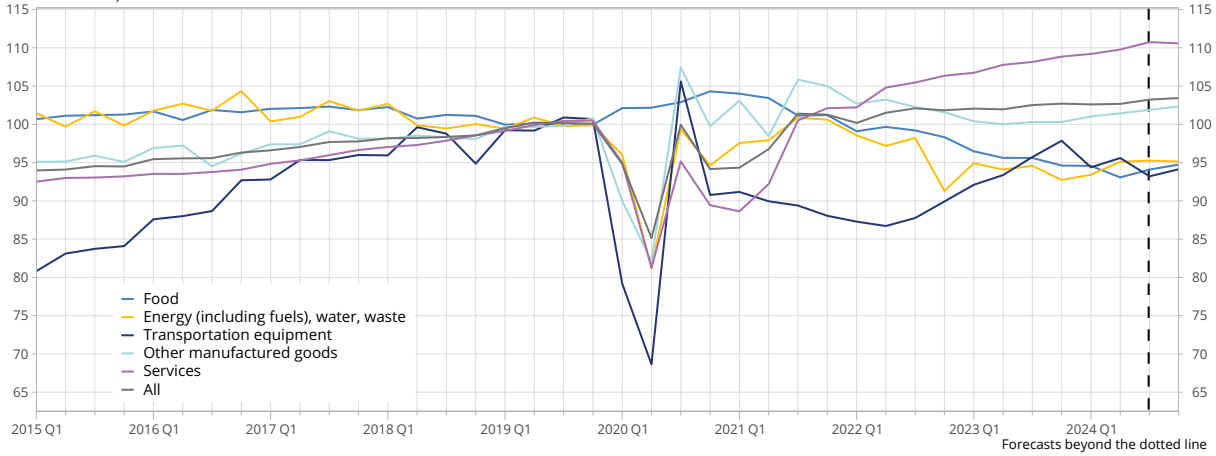
Household investment fell in the spring for the twelfth consecutive quarter (-1.1%). In H2, it should be stabilising (-0.8% in the summer, then -0.4% in the autumn). Household investment in construction looks set to fall less sharply, especially in new housing, reflecting with some delay the momentum in housing starts (►**Figure 15**). Their investment in services, which includes the costs involved in purchasing second-hand housing, is expected to increase moderately. In this sector, the drop in interest rates is likely to circulate rapidly, encouraging a timid recovery in the real estate market.

Corporate investment is suffering

After three quarters of decline, corporate investment is expected to remain adversely affected by financing conditions, by the slow recovery of demand in the Eurozone and by the political uncertainty in France. The monetary easing introduced by the ECB is unlikely to produce any effect before the end of the year. Corporate investment in manufactured products looks set to tumble in Q3 (-2.4%) in the wake of heavy vehicle registrations (►**Figure 16**), it will also be penalised by the entry into force of the new European standard GSR-2 (General Safety Regulation), and is expected to continue to decline at the end of the year (-0.3%). Companies' investment in construction will continue to fall (-1.0% then -0.8% in Q3 and Q4, after -1.2% in the spring), whereas their investment in services is expected to slow down sharply (+0.2% then +0.3% in Q3 and Q4, after

►14. Household consumption by product

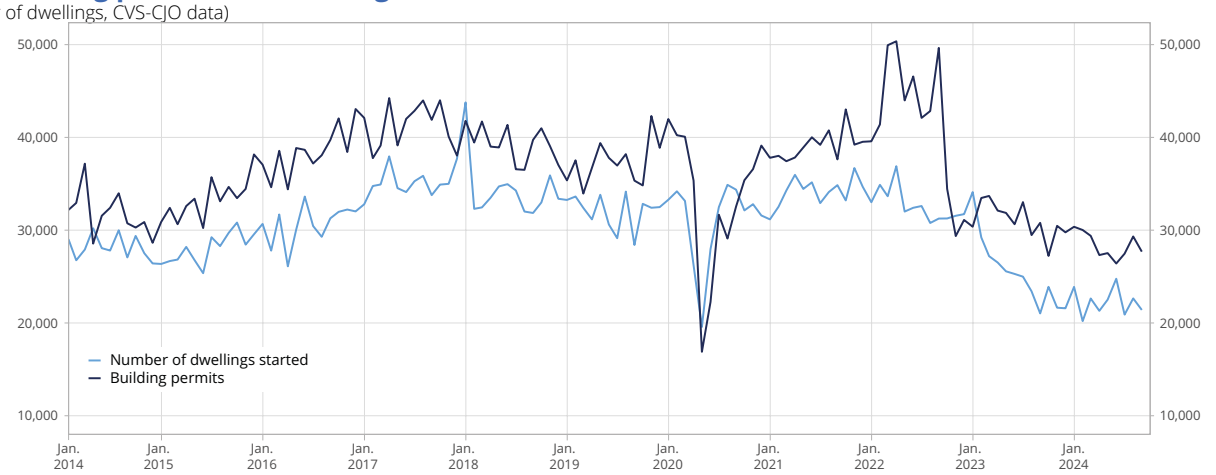
(based on 100 in 2019)



Last point: Q4 2024 (forecast from Q3 2024).
How to read it: food consumption is expected to be 5 points below its 2019 level in Q4 2024.
Source: INSEE.

►15. Building permits and housing starts

(number of dwellings, CVS-CJO data)



Last point: August 2024.
How to read it: in August 2024, around 21,000 homes were started.
Source: SDES.

+1.0% in the spring). In fact, the turnover of information-communication companies deteriorated in July and the business climate in this sector dropped below its long-term average in July 2024, for the first time since spring 2021: having been a constant source of support for French growth since the health crisis, French companies' investment in software now seems to be drying up. All in all, corporate investment looks likely to fall back significantly in Q3 (-1.0%, after -0.5% in Q2) then more gently at the end of the year (-0.2%).

In 2024, the financial situation is deteriorating for companies

With the return to normal of some producer prices in energy and the manufacturing industry, the margin rate of non-financial corporations is expected to fall in 2024 (to 31.1%) and thus return to its 2019 level. However, due to increased financial costs, corporate savings are likely to be well below their 2019 level (at 18.7% of value added) and at their lowest since 2012.

Government demand is expected to slow a little at year's end

Since the beginning of the year, government spending has been the main source of domestic growth. By the end of the year, collective general government consumption is likely to slow considerably with the increase in credit cancellations announced earlier. Government investment is expected to remain dynamic, however, driven by the electoral cycle with the approach of municipal elections. Finally, in 2024, government consumption is expected to accelerate and investment to slow, while nevertheless remaining solid.

After driving growth for three quarters, French foreign trade is returning to normal

In France, foreign trade has boosted GDP growth for three quarters. On the one hand, exports are growing more quickly than demand for French goods, marking a partial recovery of market share losses recorded since the health crisis, notably in aeronautics, pharmaceuticals and metallurgy. On the other hand, imports of manufactured goods have declined and are now at a relatively low level, as companies have recently mobilised their inventories. Expressed as a share of GDP, the foreign trade balance has seen a trend improvement since late 2022: it has now returned to its 2019 level as a result of sluggish imports, partial recovery of export market shares, favourable effects on the terms of trade of the fall in the price of hydrocarbons, and the steady improvement in the tourist balance (►Figure 18).

By the end of the year, imports and exports should grow at a similar pace, with the result that the contribution of foreign trade is expected to be virtually zero: imports should pick up slightly, thanks to the increase in consumption and a slight restocking movement, and exports are likely to receive a temporary boost in the summer with the delivery of a cruise liner and the sale of tickets and broadcasting rights abroad for the Olympic and Paralympic Games.

►16. Registration of heavy goods vehicles

(number of vehicles, CVS-CJO data)

Last point: September 2024.
How to read it: after seasonal adjustment, 4,185 heavy vehicles were registered in September 2024.
Source: SDES.

Economic outlook

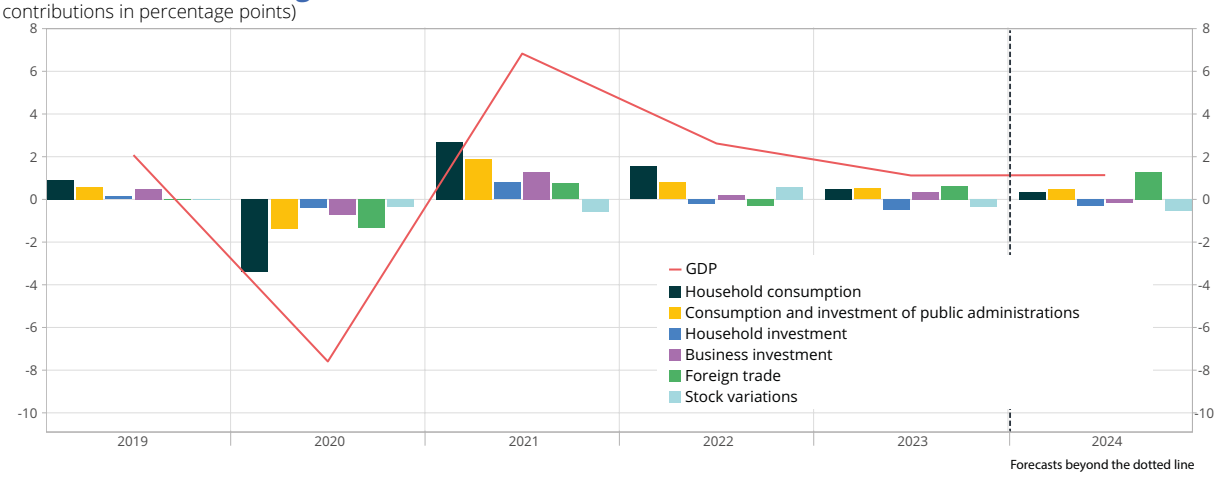
In 2024, foreign trade is expected to drive most of French growth, but momentum looks set to be slow in 2025

All in all, in 2024, growth is expected to reach +1.1% as an annual average, the same as in 2023 (►**Figure 17**). It is likely to be driven mainly by foreign trade (contribution of +1.3 GDP points), although counterbalanced by a considerable amount of destocking (inventory contributing -0.5 points to growth). Meanwhile, domestic demand is expected to be sluggish (contributing +0.4 points to growth): household investment is expected to fall sharply (-5.9%), corporate investment is also expected to decline (-1.7%), while household consumption should improve moderately (+0.7%) with only government spending providing a significant boost to domestic demand. The momentum for 2025 is also expected to be weak with the growth overhang at the end of 2024 standing at +0.3%.

There are several points of uncertainty surrounding this forecast. The price of oil may well be in decline, but it nevertheless remains very volatile, given the low level of demand and geopolitical tensions, as its recent rise clearly demonstrates. In France, political uncertainty has fallen back a little, but the full details of the budgetary measures have not yet been announced, and they could affect the behaviour of economic actors involved, especially businesses. Regarding households, the mid-2024 savings ratio was three points higher than its 2019 level: if this were to come down it would provide a considerable boost, whereas a more pronounced wait-and-see attitude would weaken expected growth. ●

►17. Contributions to GDP growth

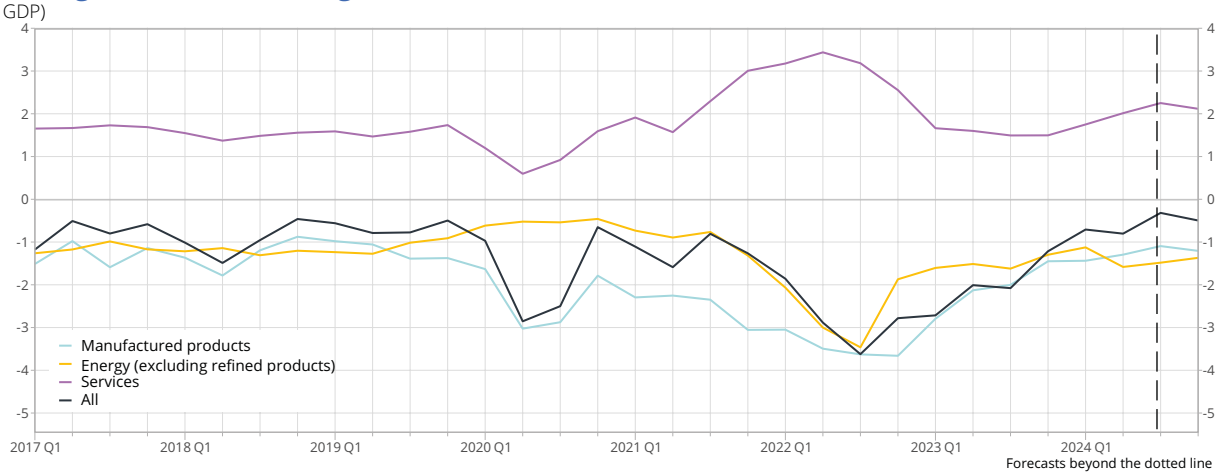
(annual contributions in percentage points)



How to read it: in 2024, GDP growth is expected to be +1.1%. Foreign trade is expected to contribute +1.3 points to GDP growth.
Source: INSEE.

►18. Foreign trade balance in goods and services

(in % of GDP)



Last point: Q4 2024 (forecast from Q3 2024).
How to read it: in Q4 2024, the foreign trade balance in goods and services is expected to represent -0.5% of GDP.
Source: INSEE.

In June 2024, increased uncertainty on the financial markets is specific to France and a significant shock, but not a major one

Whether caused by political, geopolitical or macroeconomic factors, uncertainty shocks are liable to affect the real economy. Decisions made by economic agents depend on their assessment of the future situation of the economy as a whole. Thus a situation that suddenly becomes more uncertain, following on from exceptional events (e.g. political or geopolitical crises), can give rise to an "uncertainty shock". Such a shock can take the form of a series of financial fluctuations: stock market volatility in particular is a macroeconomic measurement that correlates with uncertainty at the individual level. However, such events are likely to confuse the expectations of economic agents and be passed on to the real economy. In the case of France, an uncertainty shock, defined by selecting the main episodes of financial volatility over a long period (a threshold corresponding to the highest 5% of monthly values was selected), has a significant impact on activity: the Industrial Production Index (IPI) falls during the year following the shock and temporarily reaches a level 1% lower than it would have been in the absence of the shock.

The announcement of the dissolution of the National Assembly led to strong volatility in the French financial markets in June 2024. However, an indicator must be constructed over a long period in order to determine the importance of this increase in volatility compared to the last episodes of recorded "shocks". The method used in this *Focus study* is able to quantify the extent of the volatility and hence identify the main uncertainty shocks over the recent period: while the different phases of the Covid pandemic and the invasion of Ukraine did cause a major increase in volatility, this was not the case for the dissolution of the National Assembly. The volatility observed in June 2024 on the CAC 40 certainly increased, but it remained contained: thus at the macroeconomic level it was a large uncertainty shock, but not a major one. The event is unusual nonetheless as it is a shock specific to France, whereas previous uncertainty shocks were caused rather by global or European events.

Raphaële Adjerad, Gaston Vermersch

An increase in uncertainty is likely to generate a wait-and-see attitude, particularly with regard to corporate investment

Uncertainty shocks affect the decisions made by economic agents, decisions which are based on the agents' assessment of the future of the economy as a whole. Such wait-and-see behaviour can affect households as they decide between consumption and savings, but it is particularly relevant for corporate investment decisions. Indeed, in an uncertain environment, companies are more likely to decide to postpone or reduce the scale of their projects so as to limit the risks of overproduction and problems with cash flow, as investment decisions are difficult to reverse. Thus an increase in uncertainty is likely to slow down economic activity.

Uncertainty is not observable directly but can be approached by studying the volatility of financial markets

The uncertainty faced by economic actors cannot be observed directly. However, ►**Bloom (2009)** has shown that stock market volatility is a macroeconomic measurement that correlates with uncertainty at the individual level and that it also has an impact on real macroeconomic variables. Thus, most studies on uncertainty shocks use the volatility of the financial markets as an indicator of the uncertainty perceived by economic actors. In particular, the ECB publishes an index of financial uncertainty every month and for every European country (CLIFS, Country-level index of financial stress), constructed from financial data from three different types of market: stocks, bonds and foreign exchange (►**Duprey and Klaus 2015**).

However, it is not possible to identify the source of this uncertainty (natural events, internal political crises, international situation, etc.) using such an approach. To assess the political origin of any uncertainty, ►**Baker, Bloom and Davis (2016)** created a composite indicator based in part on the frequency with which political uncertainty is mentioned in the major American daily papers, using certain key words (such as "economy" associated with "uncertainty"). They show that an increase in uncertainty, when measured in this way, is accompanied by a significant contraction in investment, GDP and employment. This indicator is updated every month by the authors and replicated for most major economies. For France, the authors have used the websites of two major dailies (*Le Monde* and *Le Figaro*) to construct their indicator of political uncertainty since 1987. In a recent article using a similar method, ►**Hee Hong, Ke and Nguyen (2024)** show that a budgetary uncertainty shock leads to a contraction in industrial output and an increase in the cost of borrowing for several advanced countries, including France.

In France, uncertainty shocks usually slow down industrial activity for several months

In the case of France, ►**Zakhartchouk (2012)** has constructed an uncertainty indicator based on episodes of sudden increases in the volatility of stock market prices. He shows that an uncertainty shock, defined by selecting the main episodes of financial volatility over a long period (a threshold was chosen corresponding to the highest 5% of monthly values), has a significant impact on activity, and especially industrial activity. In fact, the Industrial Production Index (IPI) falls during the ten months following the shock. At the height of this period of "uncertainty crisis", the IPI is 1% below the level it would have had in the absence of the shock. From the eleventh month, the IPI increases once again, getting closer to its long-term level, which it reaches in around the twentieth month. In a more recent analysis covering the entire Eurozone, ►**Bobasu and al. (2021)** use a more complex uncertainty indicator which reflects the difficulty in forecasting a set of real and financial variables (GDP, employment, industrial production, retail sales, household consumption, price indices, interest rates, etc.). They show that industrial production reacts negatively to such a shock, which dissipates after about a year. They also highlight a rise in unemployment following these shocks, with a return to the original situation after two years.

Financial volatility in France increased significantly in June faced with the surprise of early legislative elections

The announcement of the dissolution of the National Assembly on Sunday 9 June 2024 was an exogenous event, not anticipated by the financial markets. In the week of 10 June 2024, this surprise led to a sharp decline in the CAC 40 stock market index, which measures the listings of the 40 most actively traded stocks on the Euronext Paris financial market: the index fell by an average of 3% over the week compared to the previous week (►**Figure 1**).

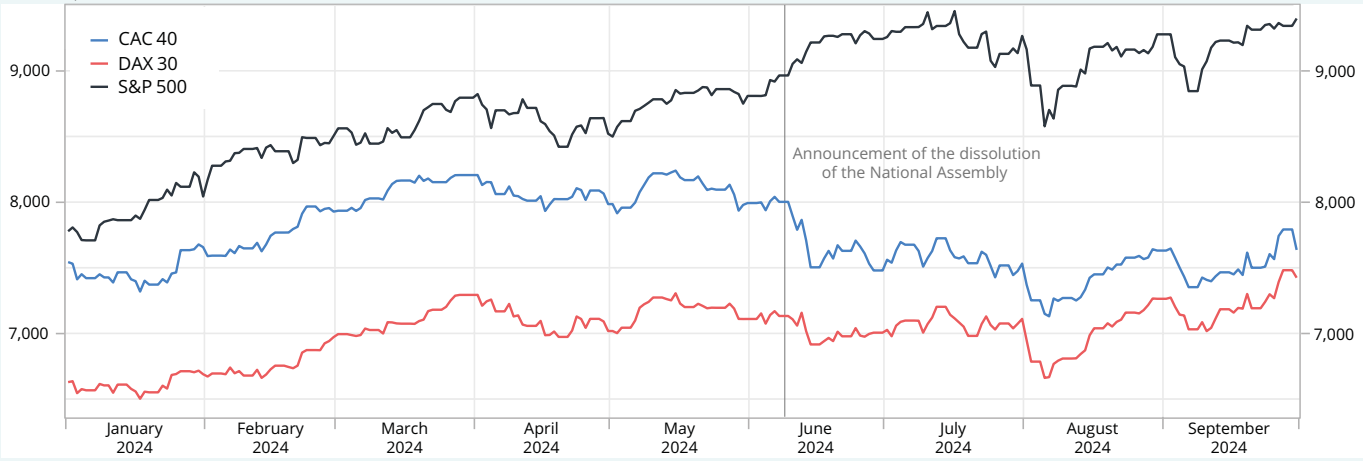
In contrast to the CAC 40, the American S&P 500 Index, which is based on 500 large listed companies in the United States, did not see a downturn in the week of 10 June 2024 and continued its upward trend. The German DAX 30 index, based on 30 large companies listed on the Frankfurt stock exchange fell by 1.2% in the week following the announcement of the dissolution. Over the same week, the yield on the 10-year Bund (considered to be the Eurozone's risk-free bond) lost 26 basis points (►**Figure 2**) and the interest rate gap between France and Germany increased. Thus, faced with increased uncertainty fuelled by the French political situation, investors were able to seek a safe investment, which probably led to the fall in German sovereign yields.

The political origin of uncertainty can be highlighted by bringing in the indicator calculated from press cuttings by ►**Baker and al (2016)**. In France, this indicator of political uncertainty increased sharply in June 2024, returning to a level close to the maximum reached in April 2017, the time of the presidential election.[1] However, this indicator remained lower in France in June than the level in Germany since the invasion of Ukraine, or in the United Kingdom at the time of Brexit (►**Figure 3**).

1 However, this episode did not result in a particular increase in volatility on the French markets. Thus not all political uncertainty shocks turn into financial uncertainty shocks.

►1. Stock index levels since January 2024

(level: in points)



Last point: 30 September 2024.
How to read it: the CAC 40 stood at 7635 points on 30 September 2024.
Source: S&P, INSEE calculations.

The increase in financial volatility in the financial markets in June 2024 was substantial but not major

In order to quantify this increase in financial volatility and compare it to previous times of shock, an uncertainty indicator was constructed, based on the work of ►Zakhartchouk (2012). It is calculated by correlating the monthly variance[2] of the CAC 40 with its average for the month (►Figure 4), and it does indeed show a marked increase in June 2024. It is well correlated with the ECB's index of financial uncertainty (CLIFS) for France, although it is more volatile (►Figure 5): in fact, this indicator is able to capture one-off uncertainty shocks, whereas the CLIFS is rather able to identify prolonged periods of uncertainty.

This uncertainty indicator can then be transformed into a binary "shock" signal. Two conditions are defined for a high volatility episode to be considered as an uncertainty shock:

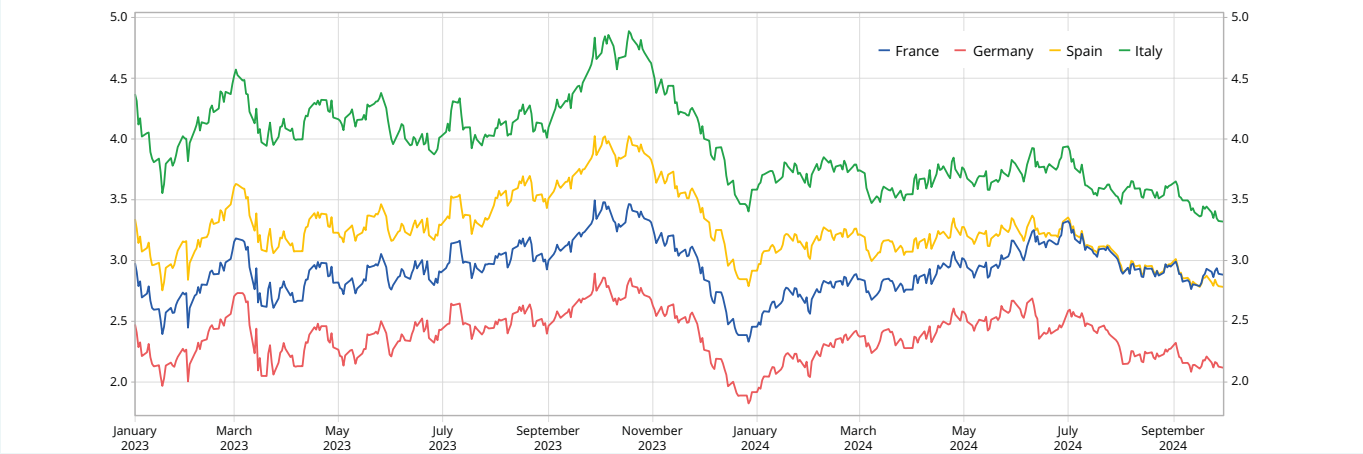
• It must exceed a significance threshold, which can define the exceptional nature of the shock quantitatively. The threshold chosen here corresponds to the level where the highest 5% of values are selected. This is the conventional threshold and another value, 10% for example, could have been chosen.

• There must not have been a similar shock in the previous three months. This condition ensures that a unique shock is identified with exceptionally high volatility for several months.

2 Monthly variance is calculated from daily data. For each day, the closing value of the index for the session is used.

►2. Borrowing interest rates

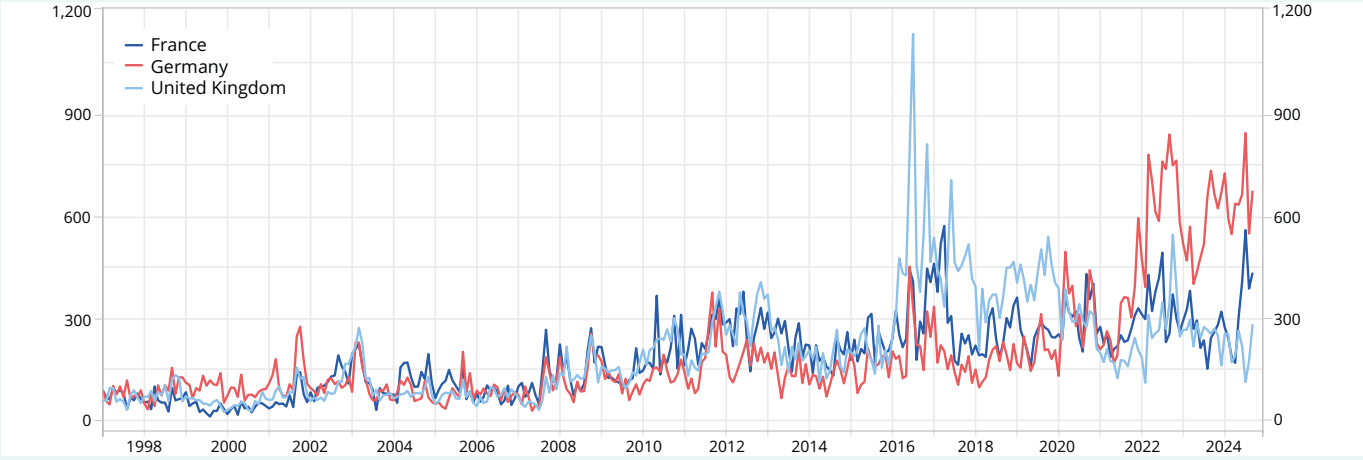
(in %)



Last point: 30 September 2024.
How to read it: the borrowing interest rate on a 10-year loan in France was 2.9% on 30 September 2024.
Source: S&P, INSEE calculations.

►3. Political uncertainty index

(level: in points)



Last point: September 2024.
Source: Economic Policy Uncertainty Index, Baker et al.

Thus the resulting indicator does not quantify the level of uncertainty in the economy, but identifies a sudden increase in uncertainty: if the volatility indicator rises above the chosen threshold, this is interpreted as the occurrence of an uncertainty shock.

This method identifies about twenty uncertainty shocks over the period 1987-2024. Most recently, the following episodes are identified (shocks prior to 2012 are listed in **►Zakhartchouk, 2012**):

• January 2015: the CAC 40 experienced a sharp rise due to the start of the quantitative easing programme by the European Central Bank (ECB), in a context of fears of a deflationary spiral in the Eurozone.

• August 2015: concerns over a slowing Chinese economy caused Asian stock indices to fall, which then spread to western indices.

• October 2018: the escalation of trade tensions between China and the United States, the successive increases in the US Federal Reserve's key interest rate, as well as a resurgence of tension in the Eurozone between the European Commission and the Italian government regarding the preparation of the 2019 budget are all factors that affected the CAC 40 towards the end of 2018.

• February 2020: the spread of the Covid pandemic across the world caused a sharp increase in the volatility of the CAC 40 from February 2020. It reached its highest level ever in March.

• November 2020: during the second wave of the pandemic, the CAC 40 increased suddenly on 9 November 2020, following the announcement of the interim results of the final phase of the Pfizer BioNTech Covid vaccine trials.

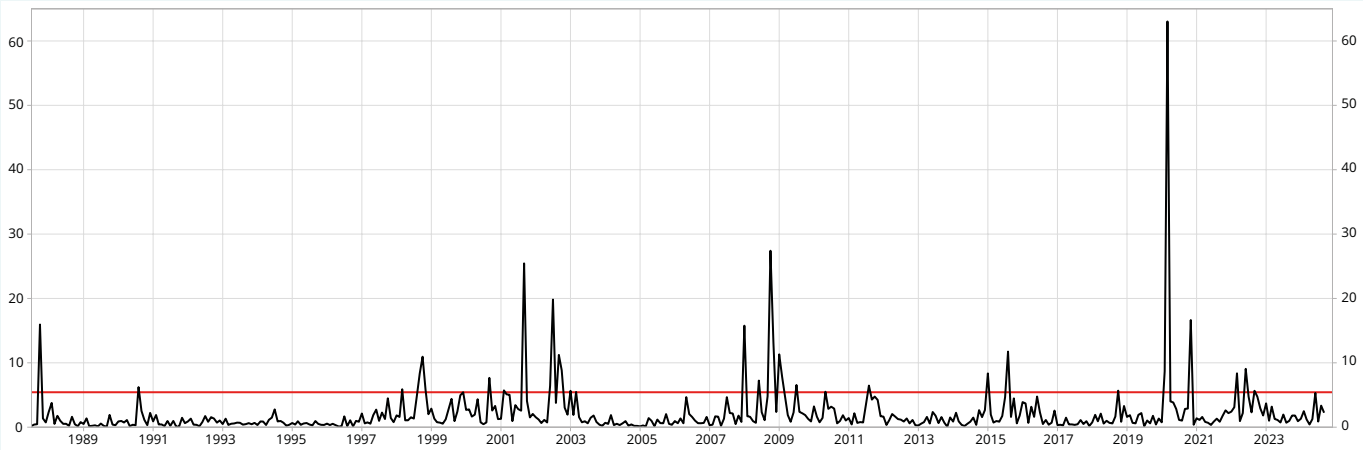
• March 2022: this uncertainty shock was caused by the Russian army's invasion of Ukraine.

• June-September 2022: fears of recession emerged in the face of the rapid rise in inflation and the first decisions of the central banks to tighten their monetary policy.

The increase in volatility observable in June 2024 following the dissolution of the National Assembly falls just below the chosen threshold. However, the 5% threshold remains the convention, and the volatility in June 2024 is easily within the highest 10% since 1987.

►4. Volatility of the CAC 40 compared to the index average

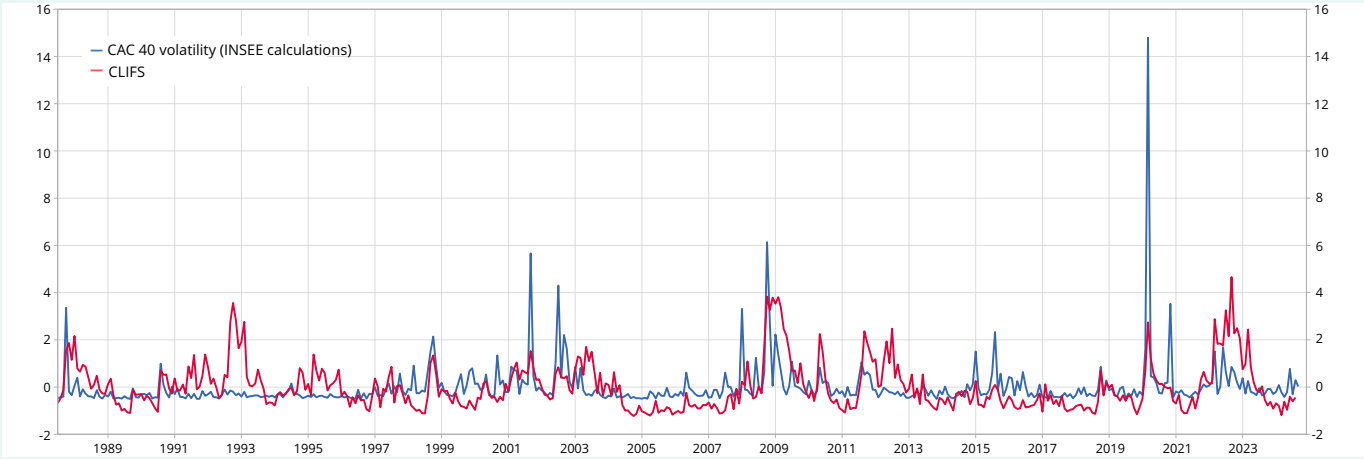
(level: in points)



Last point: September 2024.
How to read it: the monthly variance of the CAC 40 compared to the index average was at 2.2 in September 2024, i.e. below the threshold selected to define a shock (horizontal red line).
Source: S&P, INSEE calculations.

In addition, the proposed indicator is constructed only from stock markets, whereas part of the shock may have passed through the bond markets too. However, the CLIFS indicator for France, which combines volatility in three markets (bonds, stocks and foreign exchange) does not show a very pronounced increase in June 2024 either. Consequently, while there were many mentions in the press of political uncertainty (►**Figure 3**), in terms of financial volatility, the June 2024 episode is not a major uncertainty shock, although it can still be described as a substantial shock. The event is nonetheless unique in that this shock is specific to France, where previous uncertainty shocks were usually caused by global events. ●

►5. CAC 40 volatility index and CLIFS
(standardized and scaled levels)



Last point: September 2024 for the CAC 40; August 2024 for the CLIFS.
Note: the indices have been standardized and scaled for comparison.
Source: S&P, ECB, INSEE calculations.

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In France, economic uncertainty linked to the political situation over the summer mainly affected services and trade

The business climate, which summarises the responses of business leaders to the business tendency surveys, experienced a turbulent summer: while it had remained relatively stable and close to its long-term average throughout the spring, it fell sharply in July to 94 (these responses were mainly collected before the second round of the legislative elections), before rebounding, first in August (to 97) then in September (to 98). This overall movement affected all sectors, but was particularly pronounced in services and retail trade. This partial recovery, spread over two months, shows that French companies, especially in the tertiary sector, displayed a marked but transitory pessimism, which partly dissipated once the legislative election results were known.

The political situation probably contributed to these fluctuations via uncertainty: to measure this, a specific question has been added to the outlook surveys in all European countries since 2021. Thus, in services and retail trade, a peak in uncertainty was observed this summer in France (consistent with the sudden changes in the business climate), but not elsewhere in Europe. However, uncertainty did not increase in either construction or industry in France during the summer: in these two sectors, fluctuations in the business climate are therefore probably due more to long-term factors (especially variations in orders) than to uncertainty created by the political situation.

Marie-Cécile Cazenave-Lacrouts et Enzo Iasoni

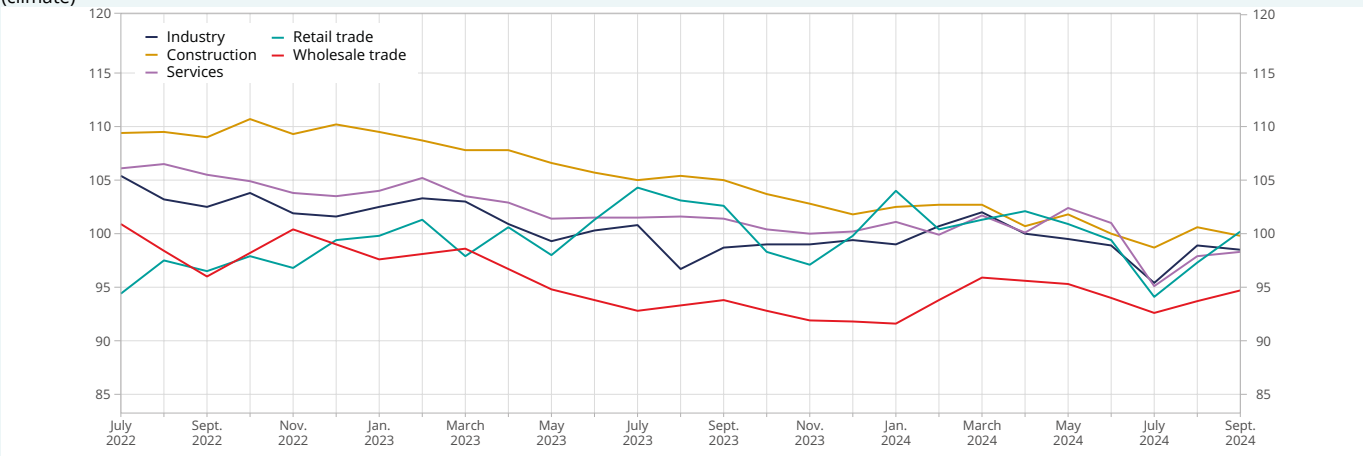
The business climate in France took a sharp nosedive in July 2024

The dissolution of the National Assembly on 9 June 2024 seems to have had an impact on the opinions of business leaders, as reported in INSEE's business tendency surveys. Whereas in June, the business climate in France (based on company responses which for the most part were provided before the announcement of the dissolution) stood at 99, very close to its long-term average, it deteriorated significantly to 94 in July (most companies having responded before the second round of the legislative elections). With the exception of the sudden variations that occurred during the health crisis, this 5-point decline is unprecedented since 2011. All sectors of the economy were affected (►**Figure 1**).

The decline was very marked in services, where the climate indicator lost 5 points: entrepreneurs were particularly pessimistic about expected demand, especially in information-communication, specialised activities and support services, i.e. sectors mainly oriented towards other companies. In retail trade, the climate indicator also lost 5 points.

►1. Comparison of change in sectoral climates over the recent period

(climate)



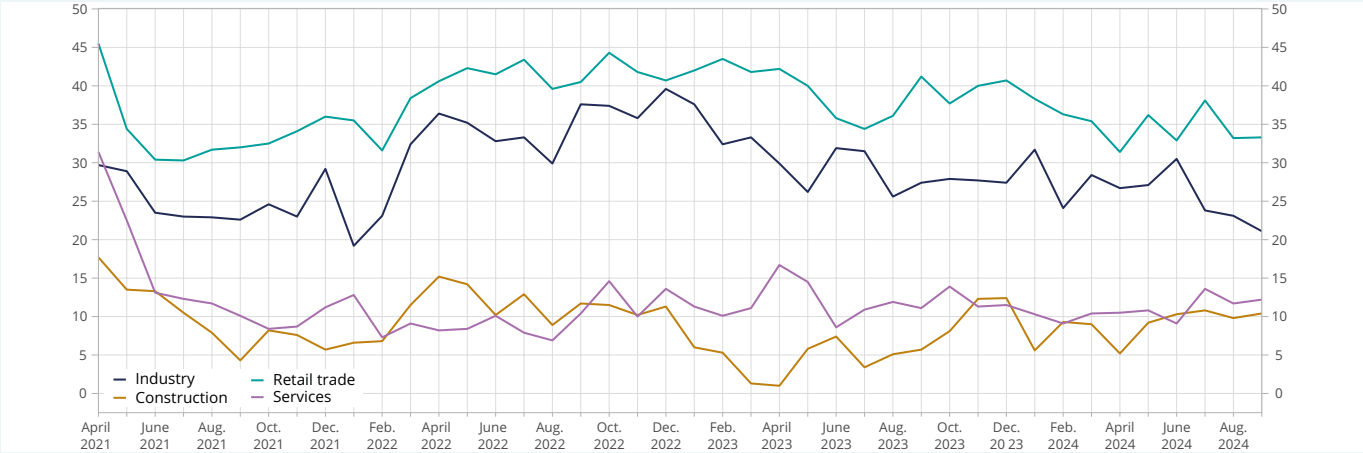
Last point: September 2024.
Source: INSEE, business surveys.

In services and retail trade, economic uncertainty increased in July in France, while it remained relatively stable elsewhere in Europe

Nothing suggests that these changes are linked to uncertainty caused by the political situation. A question that has been included in the tendency surveys since 2021 helps to understand this phenomenon: in 2021, the European Commission asked all Member States to question companies on their ability to predict their situation. Their answers to this question ("Overall, is future change in your business situation currently: easy to predict, fairly easy to predict, fairly difficult to predict, difficult to predict?") were aggregated in the form of a balance of opinion, interpreted as economic uncertainty perceived by the entrepreneurs (►**Box**). However, in contrast to the business climate, this balance of uncertainty did not fluctuate in the same way in all sectors of activity (►**Figure 2**).

►2. Balances of opinion on perceived economic uncertainty (since the indicator was first created)

(sales)

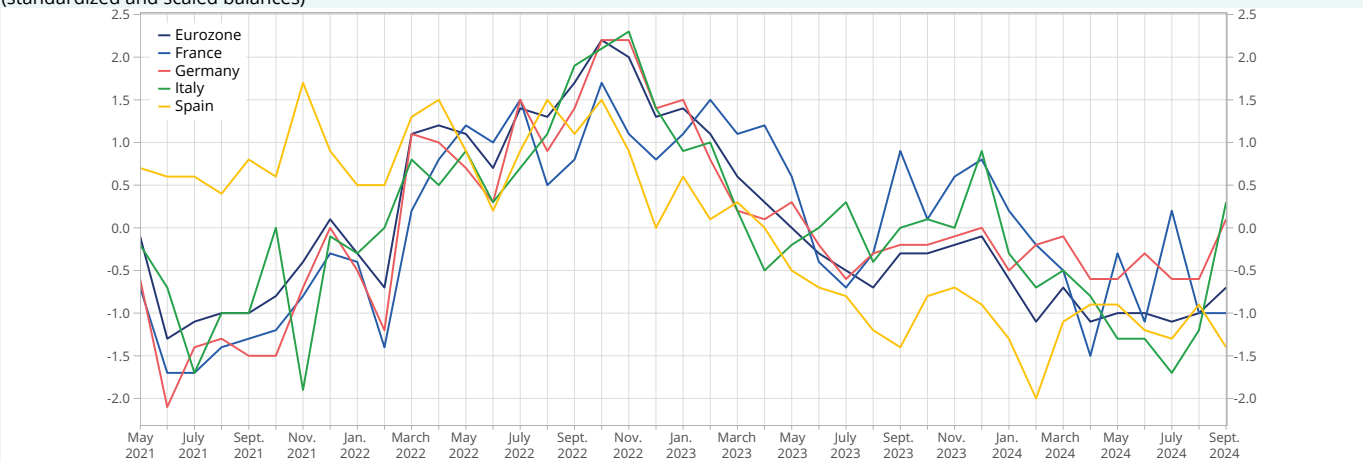


Last point: September 2024.
Source: INSEE, business surveys.

In retail trade and services, the balance of opinion on perceived economic uncertainty increased between June and July then fell back from August, a development that mirrored change in the business climate. France is the only Eurozone country to have experienced such an episode of peak uncertainty this summer in these two sectors (►**Figures 3** and **4**): in the other countries, changes in this balance were not particularly uneven.

►3. Perceived economic uncertainty in retail trade in the Eurozone countries

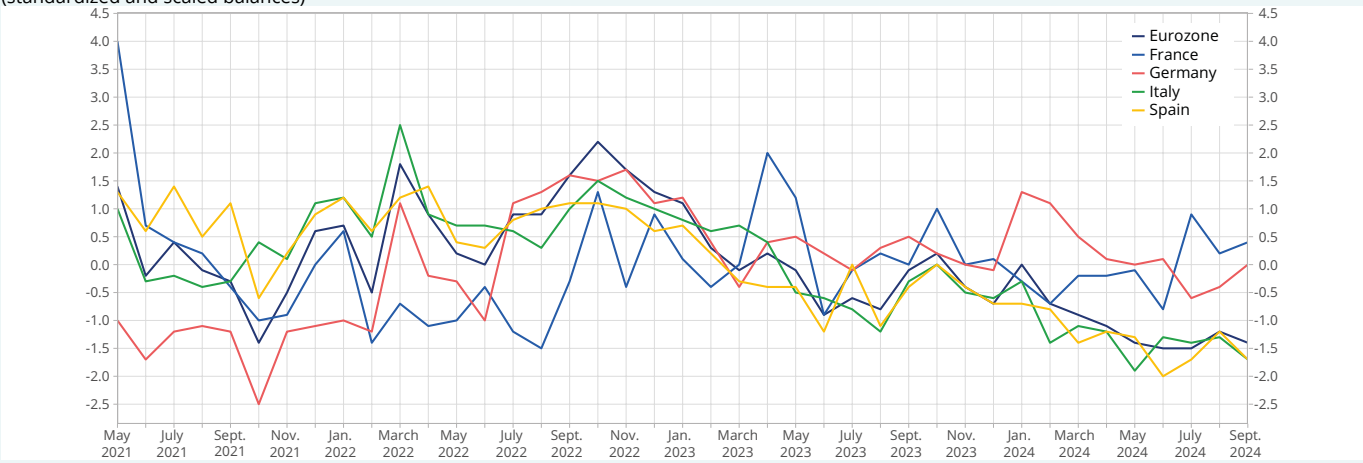
(standardized and scaled balances)



Source: DGECFIN surveys.

►4. Perceived economic uncertainty in services in the Eurozone countries

(standardized and scaled balances)



Last point: September 2024.
Source: DGECFIN surveys.

Looking into sub-sectors, the one-off increase in uncertainty in trade comes mainly from trade excluding automobiles, whereas those selling and repairing automobiles have made no reports of a more uncertain environment. In services, the business climate fell in July in almost all sectors (with the single exception of road freight transport), however, the balance on uncertainty showed contrasting changes from one branch to another (►Figure 5).

Thus perceived uncertainty increased sharply in administrative and support services (a sector which includes temporary employment), in specialised, scientific and technical activities and in real estate activities. In these sectors, the uncertainty peak seems to be linked to the political situation: according to the Banque de France (►Box), temporary employment agencies and advertising companies have specifically reported increased uncertainties linked to the political context since the announcement of the dissolution of the National Assembly.

In accommodation and catering services, uncertainty also peaked in July: however, in this sector, in addition to the political context, the consequences of organising the Olympic and Paralympic Games may have increased the lack of visibility in the short term.

Finally, in information-communication, the deterioration in the business climate in July did not result in such a marked increase in perceived economic uncertainty: this may be a sign that, in this sector, the turnaround is more permanent and could be linked to the end of the large-scale equipping of French companies with software following the health crisis and the widespread use of teleworking.

►5. Business climate and perceived economic uncertainty in the services sectors

		Road freight transport	Accommoda-tion catering	Information communi-cation	Real estate activities	Specialised, scientific and technical activities	Administrative and support services
Business indicator	June	98	104	103	97	100	98
	July	98	102	97	91	96	91
	change between June and July (in points)	***0***	***-2***	***-6***	***-6***	***-4***	***-7***
Balance of per-ceived economic uncertainty*	June	110	89	100	99	98	88
	July	110	99	104	106	105	105
	change between June and July (in points)	***1***	***9***	***3***	***7***	***7***	***17***
	August	109	90	101	102	107	99
	September	110	96	98	105	101	105

* Balance centered at 100 and standard deviation 10.
Source: INSEE, business surveys.

Economic uncertainty has not increased in construction and industry

In the construction industry, the balance on perceived economic uncertainty remained virtually stable. In this sector, the specific political context of summer 2024 is therefore unlikely to make forecasting more difficult than usual for companies, thus confirming the change in the business climate, which fell by only one point in July. In addition, this is the sector in which the balance of opinion on perceived economic uncertainty is usually lowest, on average (►Box).

Finally, the manufacturing industry stands out because it is the only sector in which uncertainty fell sharply during the summer (by thirteen points between June and July), concurrently with the 4-point drop in its overall climate.

However, there were some very different trends across the industrial branches (►Figure 6). The decline in the balance of perceived uncertainty between June and July was concentrated in the automotive sector and "other manufacturing industries" (some of which, like metallurgy and rubber production, include many automotive sector sub-contractors). Thus across the entire automotive sector (including sales and sub-contractors), these indicators suggest that entrepreneurs' economic forecasts are pessimistic, but with greater certainty, regardless of the political situation (which would tend to be confirmed by the continuing decline in the balance of perceived uncertainty in September). In the other industrial sectors, uncertainty remained stable and the political situation does not seem to have affected entrepreneurs' ability to predict the development of their activity in the short term.

►6. Change in business climate and perceived economic uncertainty in the manufacturing industry sectors

		Food industry	Goods equipment	Automobile	Other transport equipment	Others industries
Business indicator	June	92	99	98	115	95
	July	92	97	95	103	94
	change between June and July (in points)	*0*	*-2*	*-3*	*-12*	*-1*
Balance of perceived economic uncertainty*	June	94	93	91	105	104
	July	92	94	88	105	95
	change between June and July (in points)	*-1*	*2*	*-3*	*0*	*-9*
	August	91	99	87	104	96
	September	91	102	75	104	101

* Balance centered at 100 and standard deviation 10.
Source: INSEE, business surveys.

Despite the climate being almost back to normal in September, the political context could continue to hamper corporate investment

The overall business climate recovered partially in August (+3 points) and again slightly in September (+1 point). Meanwhile, the balance on perceived economic uncertainty remained broadly stable in September in all sectors. This near return to normal suggests that French companies, especially those in the tertiary sector, reacted quickly this summer to the uncertain political context with a strong but transitory pessimism, which largely dissipated once the results of the legislative elections were known. However, uncertainties about the government and its main budgetary directions had not yet been eased in September (notably, most of the responses to the September surveys were recorded before the new Prime Minister was appointed). In addition, while household-oriented sectors are moderately optimistic, investment signals remain clearly negative: after the summer months, political uncertainty could contribute, via a wait-and-see effect, to a downturn in corporate investment, which is already penalised by financing conditions that are slow to improve. ●

Measuring uncertainty in the INSEE and Banque de France business tendency surveys

In the INSEE surveys

In INSEE's business tendency surveys, economic uncertainty as perceived by business leaders is measured by the following question: "Overall, is future change in your business situation currently: easy to predict, fairly easy to predict, fairly difficult to predict, difficult to predict?". This question was introduced at the request of the European Commission in all Member States at the end of the health crisis: businesses in industry, construction, services and retail trade have been asked this question every month since April 2021 in France. Given its short time depth, this series is not adjusted for seasonal variations.

The balance of opinion on uncertainty felt by the entrepreneurs is calculated from the four possible response modalities (easy to predict, fairly easy to predict, fairly difficult to predict, difficult to predict), weighting them as 1, 0.5, -0.5 and -1 respectively, in decreasing order of difficulty in predicting future change in the business situation: the more difficulty companies reported in predicting change in their situation, the more the balance of opinion on perceived economic uncertainty increased. When measured in this way, the economic uncertainty perceived by entrepreneurs varied significantly depending on the sector: it was rather low on the whole in construction and services, with an average of 9 and 12 respectively since April 2021, higher in industry, with an average of 29, and even higher in retail trade and the automotive sector, where the average balance was 38. To comment on comparable changes during the summer of 2024 between the different sectors and sub-sectors of the economy, this series is used in the Focus study in a standardised way, centred (at 100) and reduced (to 10) for all sectors and sub-sectors (▶ **Figure 2** to **6**).

In the Banque de France surveys

Based on its monthly economic survey (EMC), the Banque de France (**Gerardin et Ranvier**, 2021 for the Method) also publishes an uncertainty indicator, constructed from a textual analysis of the free comments made by responding companies in each of the three sectors (industry, services, construction).

The EMC uncertainty indicator reacted more strongly to the political context in summer 2024 than the indicator in the INSEE surveys (Banque de France Monthly Business Survey - Start of September 2024). While the magnitude of the increase was generally greater, the sectors most affected were the same as those identified in the INSEE surveys: in July, the uncertainty indicator increased particularly in services, notably in accommodation-catering, temporary work and advertising (Banque de France Monthly Business Survey - Start of July 2024). However, there are some differences: uncertainty in construction and road freight transport increased in the Banque de France surveys, whereas perceived economic uncertainty did not change significantly in the INSEE surveys. ●

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Banque de France (2024), Monthly Business Survey – Start of September 2024.

Mathilde Gérardin, Martial Ranvier (2021), "Enrichment of the Banque de France's monthly business survey: lessons from textual analysis of business leaders' comments", working paper n°821, July 2021. ●

Since the legislative elections, renewed optimism varies according to category of household

Since 1987, the monthly household consumer confidence survey has collected the opinions of 2,000 households on changes in their economic environment and compiled their overall confidence level. Over the long term, national election cycles (presidential and legislative elections) usually give rise to a wave of optimism on the composite confidence indicator and some balances of opinion.

Household confidence increased by 5 points between June and September 2024. This improvement coincided not only with the election period, but also with the hosting of the Olympic and Paralympic Games in Paris, and also a trend throughout Europe that saw a recovery in confidence in the wake of purchasing power. Looking at household categories, improvement in the balance relating to standard of living in France was mainly driven by low-income households, while the opinion of the wealthier households or managers fluctuated widely from month to month. As in previous elections, the share of households not wishing to express an opinion on certain questions increased, such as future change in standard of living or unemployment, and this proportion was only partially back to normal in September, which in itself reflects a degree of uncertainty.

Émilie Cupillard, Nicolas Palomé

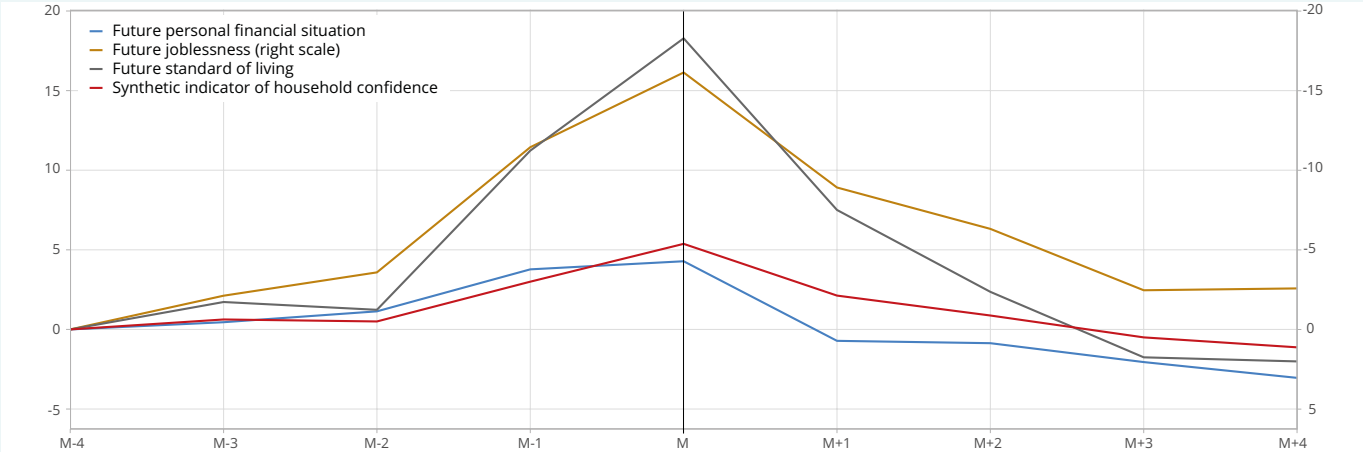
Election cycles are usually accompanied by a temporary surge of optimism

Every month, INSEE interviews about 2,000 households as part of the monthly consumer confidence survey ("CAMME"): balances of opinion on their economic environment and their personal situation are calculated on the basis of their responses, as the difference between the share of "positive responses" and the share of "negative responses". A composite indicator of household confidence is then developed from these different balances (►**Method Box**).

Households' responses to the survey reveal peaks of optimism following national elections held since 1987 (start date for the monthly surveys[1]). These bursts of optimism, although temporary, are statistically significant on the composite confidence indicator and on three forward-looking balances: standard of living in France, unemployment rate and personal financial situation (►***Economic outlook***, March 2017). The peak of optimism is observed, on average, during the month when the election results[2] are known by all the households surveyed (reference month, or month "M"): since the responses associated with a given month are in practice collected from the end of the previous month onwards, month M

1 The household consumer confidence survey has existed since 1957 but became monthly in 1987.
2 The study includes the presidential elections of 1988, 1995, 2002, 2007, 2012 and 2017, also the legislative elections of 1993 and 1997, which also resemble general elections as they did not immediately follow a presidential election. Conversely, legislative elections that took place just after a presidential election are not taken into account.

►1. Impact of the electoral period on different balances for national elections between 1988 and 2017
(SA data)



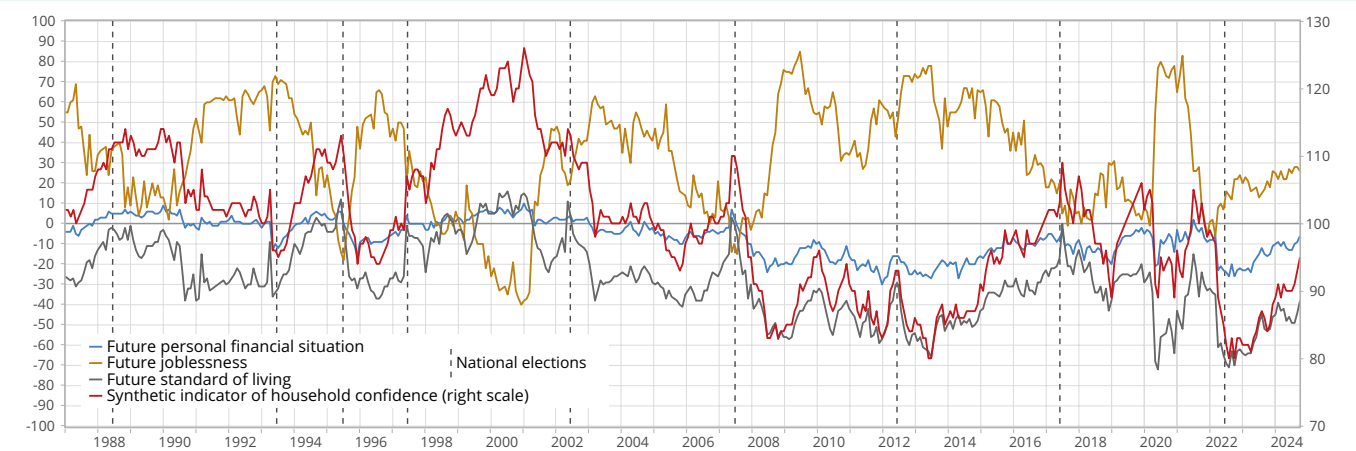
How to read it: balances are shown here so that their average in month "M-4" is equal to 0. The balance for unemployment is represented on the right-hand scale: the balance decreases when fewer households believe that unemployment will increase. The composite indicator is standardized so that its standard deviation is equal to 10 and its average since 1987 equal to 100.
Scope: households living in mainland France in ordinary housing.
Source: monthly business survey of households, INSEE.

usually corresponds to the first full month following the election results. For example, for the 2017 presidential election, the result of which was known on 7 May 2017, the reference month "M" is June.

By superimposing the monthly average profiles for each balance around month "M" during national elections held between 1988 and 2017, a temporary peak can be identified, on the one hand for the three balances mentioned (►Figure 1), and on the other hand for the composite indicator for overall household confidence, constructed from eight balances (the three forward-looking balances mentioned above plus five others, most of them retrospective).

The 2022 presidential election, which took place in the very unusual context of the invasion of Ukraine a few weeks earlier and the rise in inflation (which reached 4.8% from April 2022), does not seem to have had any effect on the balances considered (►Figure 2).

►2. Balances of opinion on change in standard of living in France, the number of unemployed and personal financial situation in the next twelve months and the composite indicator of household confidence
(SA data)



Last point: September 2024.
How to read it: in September 2024, households' balance of opinion on change in standard of living in France was -38.
Scope: households living in mainland France in ordinary housing.
Source: monthly business survey of households, INSEE.

The summer of 2024 saw a noticeable resurgence of optimism, but it is not certain that this was due to the elections

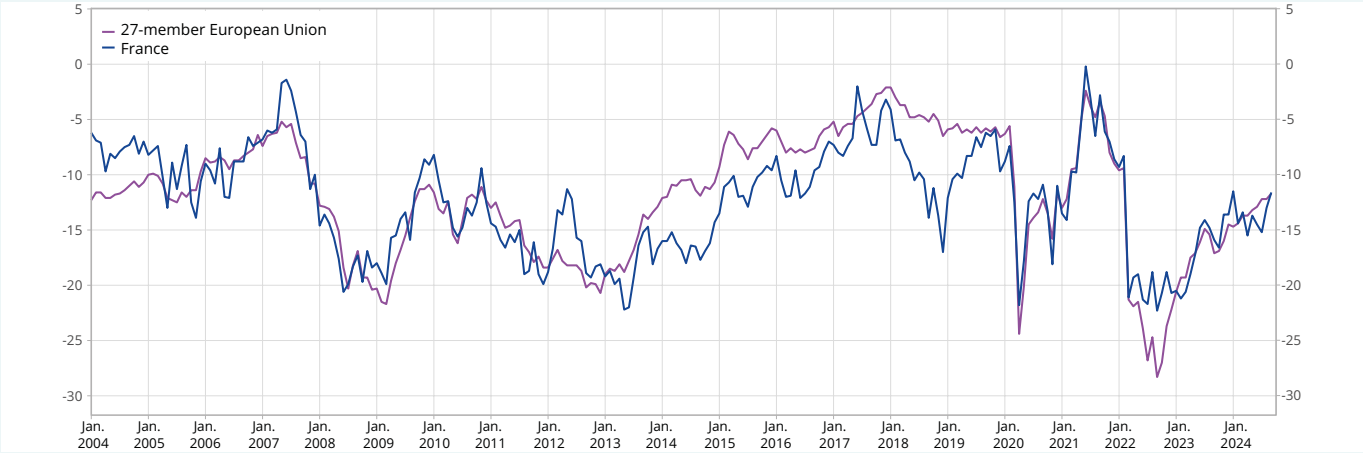
In summer 2024, household confidence rose continuously, having been relatively stable since the beginning of the year, increasing from 90 in June to 91 in July, then 93 in August, and finally 95 in September. The confidence level in June is based on responses collected mainly before the dissolution of the National Assembly was announced, whereas August corresponds to month "M", when all households knew the result of the election:[3] the increase in household confidence is therefore concomitant with the electoral sequence and continued into September. Nevertheless, the improvement in household confidence over the period could also be attributed, in part at least, to the hosting of the Olympic and Paralympic Games in Paris, or to a more global upward trend in household confidence throughout Europe since the low point of July 2022 (►Figure 3).

As regards the balances of opinion that are usually positively affected when elections are held, those relating to prospects for change in the standard of living in France and the personal financial situation of households' questioned increased in the thick of the electoral period, between June and August (by +5 points and +4 points respectively), and continued to improve in September (+6 points and +3 points between August and September respectively). This time, however, concerns about change in the number of unemployed, which usually tend to fall back during elections, increased between June and August (+3 points, where an increase in this balance corresponds to a deterioration in expectations), before falling back in September (-2 points): thus over the summer as a whole, this balance was more or less stable.

3 The 2024 legislative elections were called with only three weeks' notice and households could therefore not have anticipated them several months in advance, unlike most of the previous national ballots (since 1988, all national elections could be predicted several months in advance, with the exception of the legislatives in 1997). Confidence in June was based on responses collected between 28 May and 17 June, 87% of them before the dissolution of the National Assembly on 9 June 2024.

►3. Composite indicator of household confidence, in France and Europe

(SA data)



Last point: September 2024.
Note: the method used to calculate the composite indicator harmonised at European level differs slightly from that used by INSEE, ►Method box.
How to read it: in September 2024, household confidence in France was -11.6.
Scope : France; European Union (27 countries).
Source: DGECFIN.

Improved expectations for the standard of living in France in the next twelve months are driven by the most modest households

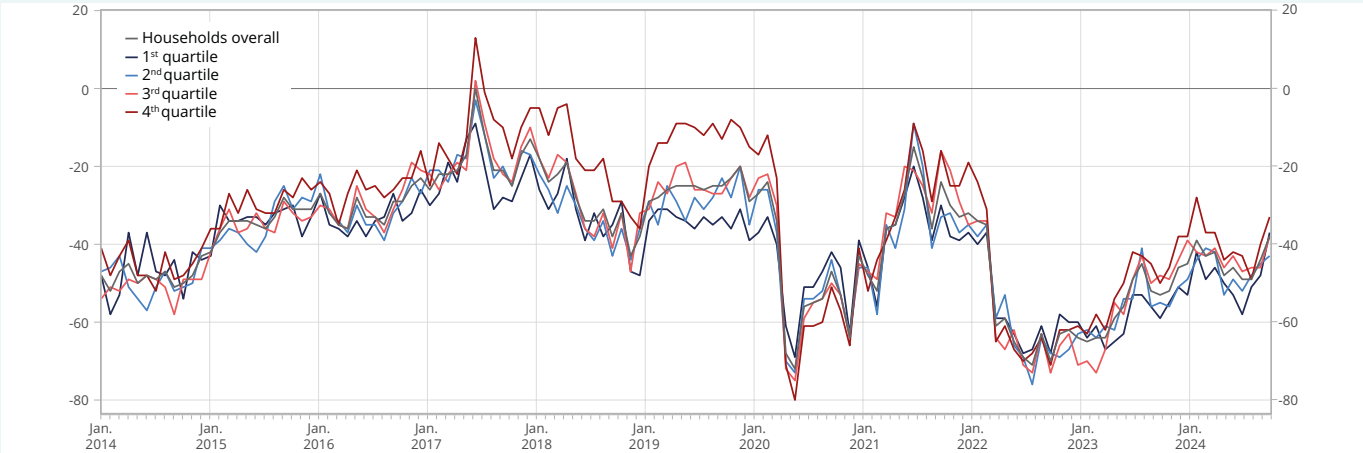
In August 2024, the first month in which all of the households surveyed knew the results of the legislative elections, the balance of opinion on the standard of living in France was 5 points above its June level. This general upturn is admittedly relatively small compared to the average movements observed during month "M" of previous electoral episodes, but it continued into September (the balance increased by 6 extra points between August and September). It also masks some contrasting changes from month to month by category of household.[4]

Over the entire period, it is mainly the least well-off households that are driving the overall improvement in the expectations for future change in the standard of living in France. The balance of opinion of households whose standard of living is among the lowest 25%, has in fact increased by 21 points continuously between June and September (+7 points in July, then +3 points in August and +11 points in September, ►Figure 4), after reaching its lowest level in over a year in June. In September 2024, the balance of opinion of the most modest households was 9 points above its Q1 2024 average, whereas this gap was 3 points for the aggregated balance. The balance of opinion of manual and non-manual workers also increased over the summer: +15 points between June and September.

4 In order to be analysed in a way that is consistent with the changes in the overall balance (which is usually presented in a seasonally adjusted form), balances broken down by household category have also been seasonally adjusted (►Method box).

►4. Opinion on future standard of living in France, by standard of living quartile

(SA data)



Last point: September 2024.
How to read it: in September 2024, the balance of opinion on the future standard of living in France was -37 for the first standard of living quartile.
Scope: households living in mainland France in ordinary housing.
Source: monthly business survey of households, INSEE.

For the wealthiest households (those whose standard of living is among the highest 25%), the balance of opinion also improved over the summer (+10 points between June and September), although less sharply. In addition, some strong movements in opposite directions from month to month reflect their difficulty in anticipating changes in the standard of living in France during the electoral period. At first, their balance of opinion deteriorated significantly by -6 points in July (survey month when all data collection came after the dissolution of the National Assembly but for the most part before the results of the second round of the legislative elections[5]). Their expectations then rebounded sharply in August (+9 points) and September (+7 points). The observation is the same by socio-professional category: the balance of opinion of managers followed the same changing profile (-6 points in July, +8 points in August and +4 points in September).

Households' expectations over their personal financial situation also improved, with strong fluctuations from month to month depending on household category

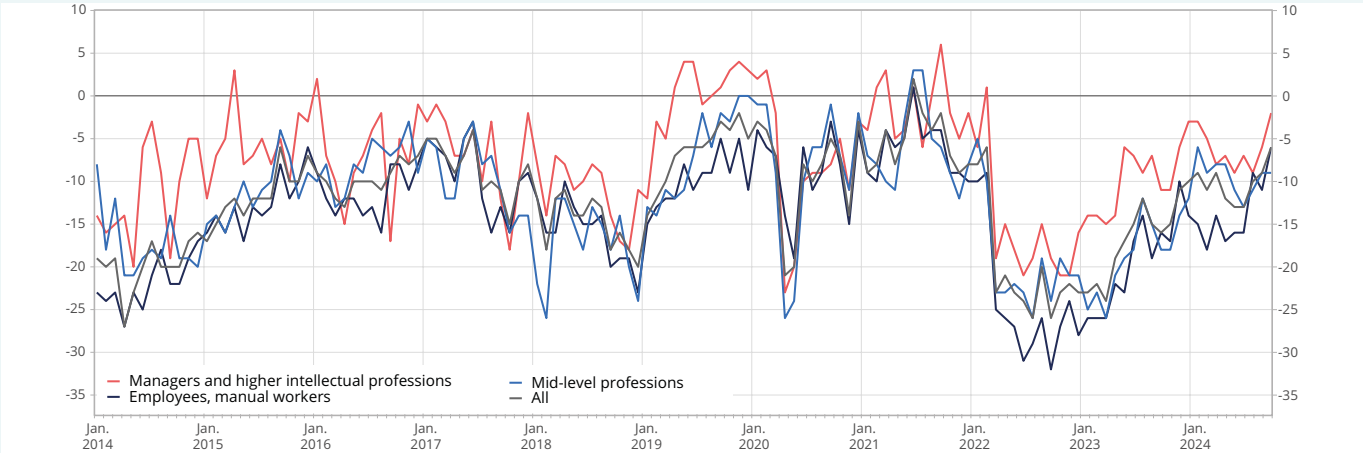
Households' expectations regarding their personal financial situation picked up in July 2024 (+3 points) and continued to improve in August (+1 point), then September (+3 points). Although this improvement is on a similar scale to what is usually observed during electoral periods, it masks some disparities by household category.

The least well-off households, those in the first quartile on the standard of living scale, appear to have had some difficulty in predicting their personal financial situation from month to month. Their balance of opinion improved substantially in July (+8 points), but then fell back in August (-5 points) and finally improved again in September (+2 points). By socio-professional category, the opinions of manual and non-manual workers fluctuated in the same way: +6 points in July, -2 points in August then +5 points in September (►**Figure 5**). For the wealthiest households, such movements were reversed and less pronounced: although they were less pessimistic overall in July regarding their future personal financial situation (-1 point compared to June for the wealthiest quartile, -3 points for managers and the more intellectual professions), their expectations picked up in August and September (+3 points in August and +4 points in September for the wealthiest quartile, the same as for managers).

5 Balances of opinion for July 2024 are based on responses collected between 24 June and 18 July: 50% of households responded before the first round of the legislative elections, 34% between the two rounds and 16% after the results of the second round.

►5. Opinion on future personal financial situation, according to socio-professional category

(SA data)



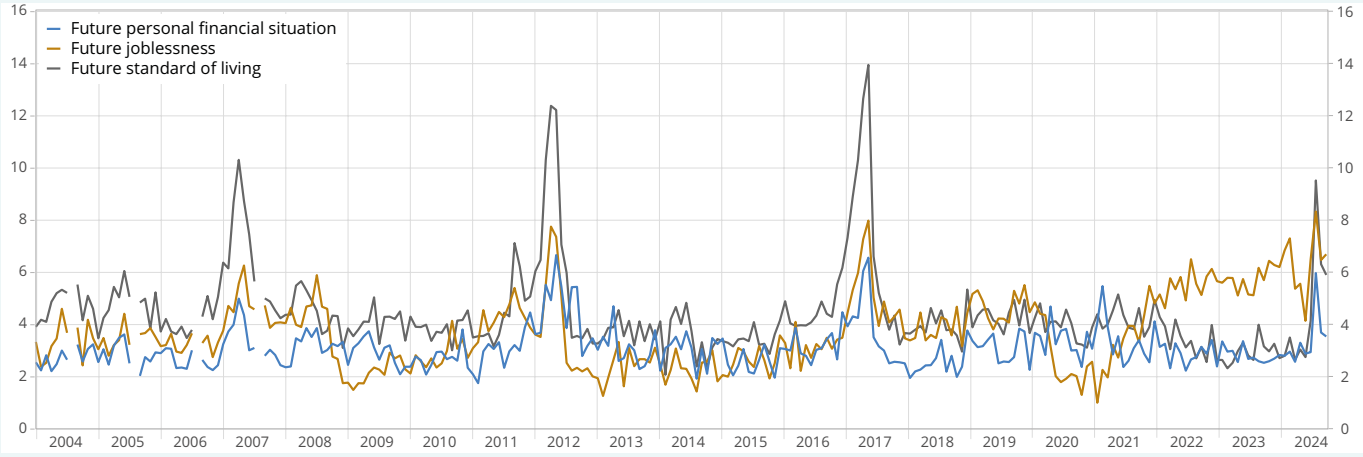
Last point: September 2024.
How to read it: in September 2024, the balance of opinion on future personal financial situation in France was -6 for manual and non-manual workers.
Scope: households living in mainland France in ordinary housing.
Source: monthly business survey of households, INSEE.

As in previous electoral periods, the share of households choosing not to comment when surveyed increased this summer

Month-by-month fluctuations in balances of opinion by household category are a sign of the uncertainty that households were experiencing over the period. This uncertainty can also be seen when studying the change over time in the share of households who were unable to answer certain questions during the survey, based on the use of the "I don't know" option for each question. However, the share of households that do not express an opinion usually increases sharply at the time of national elections. For example, in 2007, 2012 and 2017, the share of households that did not express an opinion on change in the standard of living in France in the coming year exceeded 8% in the three months preceding the presidential election (with peaks above 10%), whereas this share was less than 4.5% on average in the years that preceded these fixed elections (►**Figure 6**). In 2022, however, the share of households unable to give an answer did not increase significantly. After the dissolution of the National Assembly on 9 June 2024, the share of households not expressing an opinion on expected change in the standard of living in France in the next twelve months increased from 4% in June to 9.5% in July: this increase did not affect the balance of opinion, however, as it resulted in a corresponding decrease in the "neutral" response option (the share of households stating that the situation will "stay the same" decreased by almost 6 points between June and July 2024). The questions on change in the number of unemployed and personal financial situations also saw an increase in the share of households not wishing to give their opinion. These household numbers have since fallen, although they have not yet returned to normal, especially for opinions relating to expectations for the standard of living and unemployment in France. ●

►6. Share of households who did not give an opinion

(non SA data)



Last point: September 2024.
How to read it: in September 2024, the share of households who did not give an answer to the question on change in future standard of living in France was 6%.
Scope: households living in mainland France in ordinary housing.
Source: monthly business survey of households, INSEE.

Methodology

The household consumer confidence survey and the composite confidence indicator

As part of the Monthly Consumer Confidence Survey of households ("CAMME"), INSEE collects the responses of around 2,000 households each month on their opinion about their economic environment and their personal situation. This survey is harmonised at European level. The balances of opinion on the various subjects are calculated by subtracting the share of "negative responses" from the share of "positive responses", and are available from 2004 in the harmonised version at European level. However a breakdown by category of household is only possible from 2013.

The composite indicator of household confidence constructed by INSEE is calculated using the factor analysis technique from eight different balances of opinion (past and future standard of living in France, past and future personal financial situation, unemployment prospects, opportunity to make major purchases, ability to save currently and in future months).

The European Commission's Directorate-General for Economic and Financial Affairs (DGECFIN) publishes results from outlook surveys conducted among households in different Member States. These harmonised results can differ slightly from the indicators published by INSEE, due to the calculation methods, which differ marginally. In particular, when calculating balances of opinion, the DGECFIN weights low-intensity responses (e.g. "increase a little" or "decrease a little") at half as much as high-intensity responses ("increase significantly" or "decrease significantly"). In addition, the composite confidence indicator calculated by the DGECFIN is a simple arithmetical mean of the following four balances: past and future personal financial situation, general economic situation of the country in the coming months and ability to save in the coming months.

Details of questions on changes in the standard of living in France, the number of unemployed and the personal financial situation

The question on the future standard of living in France is: "In your opinion, in the next twelve months, overall, will the standard of living in France…". Five response options are proposed, those followed by a "+" are counted as positive, those followed by a "-" as negative: "improve significantly (+)", "improve a little (+)", "remain the same", "deteriorate a little (-)" and "deteriorate significantly (-)".

The question on future change in unemployment is: "Do you think that in the next twelve months, the number of unemployed will…". Five response options are proposed: "increase significantly (+)", "increase a little (+)", "remain the same", "decrease a little (-)" and "decrease significantly (-)".

The question on the future personal financial situation is: "Do you think that in the next twelve months, the financial situation in your household will…". Five response options are proposed: "improve significantly (+)", "improve a little (+)", "remain the same", "deteriorate a little (-)" and "deteriorate significantly (-)".

Adjustments for seasonal variations by household category

To ensure consistency between the balances of opinion calculated by household category and the aggregated series adjusted for seasonal variations, a summary seasonal adjustment is made: for each month, the difference between the balance adjusted for seasonal variations and the gross balance at the aggregate level is added to the value of the gross balance for each household category considered. Although this method assumes that seasonal effects are uniform from one category to another, it has the advantage of preserving the additivity of the series by household category. For example, in August 2024, the aggregate balance of opinion on changes in the standard of living in France in the next twelve months is three points lower after adjustment for seasonal variations than the gross balance. The applied method consists in reducing each balance of opinion calculated in August for the different categories by three points.

A new composite climate indicator to forecast price changes

The inflationary surge observed in 2021-2023 has brought the challenges of the short-term forecasting of inflation back to the forefront. While the macroeconomic determinants of inflation are relatively well known (oil, expectations, wage costs, competition, etc.), month-to-month price formation mainly reflects decisions taken at company level. Thus agents' opinions on prices collected during INSEE's monthly business tendency surveys can clearly provide some valuable information for understanding these short-term price decisions.

This *Focus study* proposes a new composite indicator for "price climate", constructed from questions relating to sales prices in the business tendency surveys and perceptions collected through the household consumer surveys. This "price climate" correlates very well with observed changes in the Consumer Price Index (CPI), significantly improving its forecast relative to standard models. This predictive power is at its maximum at a three-month forecast horizon but quickly disappears for longer time horizons.

Bruno Bjaï, Marie-Cécile Cazenave-Lacrouts and Juan-Pablo Ugarte

Business tendency surveys provide relevant forward-looking information on price changes

Several methods for forecasting inflation are proposed in the literature: one series is based on structural methods that match price trends with variables of tensions in the labour market (unemployment, job vacancies) and commodity price data (►**Banerjee et Marcellino, 2002** or ►**Garner, 1995**). Other analyses highlight the role of expectations (►**Mankiw, 2004**), measured either by professional forecasters (Survey of Professional Forecasters at the European Central Bank), or from indexed financial products, or from households (Surveys of Consumers by the University of Michigan). However, few studies use business tendency studies directly even though, as highlighted by ►**Bernanke (2007)**, they constitute a prime source, as corporate decisions are at the heart of price formation.

In fact, studies using survey variables to forecast inflation suggest that they provide additional information to standard inflation models. ►**Stockhammar and Osterholm (2016)** show that using Swedish outlook surveys (businesses and households) can significantly improve inflation forecasting, especially in the short term, although this improvement appears to come mainly from households' expectations. Using a factor model, ►**Basselier and al. (2018)** show that using qualitative price expectations from outlook surveys significantly improves inflation forecasting for Belgium and the Eurozone as a whole: in their study, the improvement in predictive power comes this time rather from the addition of corporate data. More recently, by mobilising a very large number of series selected from big data analysis methods, ►**Huber and al. (2024)** show the specific predictive power of business surveys from the European Commission's harmonised programme,[1] and in particular of forward-looking balances on activity, to estimate inflation in the Eurozone.

In France, INSEE publishes a provisional estimate of the Consumer Price Index (CPI) on the last day of the month for the current month. The definitive estimate is available less than two weeks after the end of the month under consideration.

Every month, INSEE also carries out business tendency surveys on companies in different sectors of activity. These surveys are used to collect recent information on changes in many economic variables, such as activity or recruitment. In particular, INSEE questions business leaders on changes observed in their selling prices over the last three months, as well as changes they expect over the next three months. There is also a monthly consumer confidence survey of households, and they are questioned mainly on their perceptions of price changes over the last twelve months and their expectations for the momentum of prices over the next twelve months. This information helps to improve the economic analysis of inflation.

A composite price climate indicator appears to be well correlated with change in consumer prices

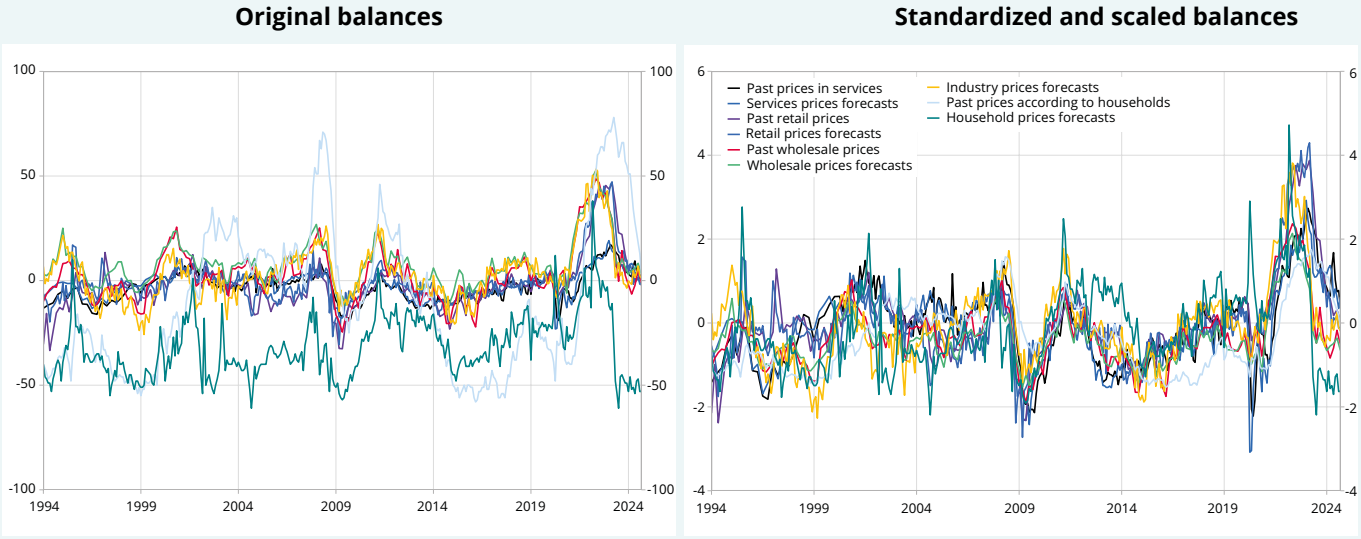
To summarise the information collected in the business tendency surveys, INSEE has constructed composite indicators called "climate" indicators, for the business climate or the employment climate, for example. These indicators are well correlated with changes in economic aggregates: GDP and payroll employment. They were built using factor analysis methods, which extract the information common to several balances of opinion in the form of a single indicator.

1 INSEE produces the DGECFIN business and consumer surveys (blog post, in French) for France.

Using an identical method (►**Method box**), a "price climate" indicator can be constructed, bringing together information from the balances of opinion on prices in the outlook surveys. This indicator is constructed from nine balances of opinion: past and expected changes in selling prices in services, retail trade and wholesale trade, change forecast in selling prices in the manufacturing industry[2] and past inflation and that forecast by households.[3] These balances appear to be well correlated with each other (►**Figure 1**): a common trend can therefore be extracted.

2 Price balances from the survey of the construction industry are not included as they do not improve the correlation of the indicator with the CPI.
3 In the household survey, the forward-looking question concerns the acceleration (or deceleration) of inflation and not the level, unlike the question on perceived infla-tion over the last 12 months.

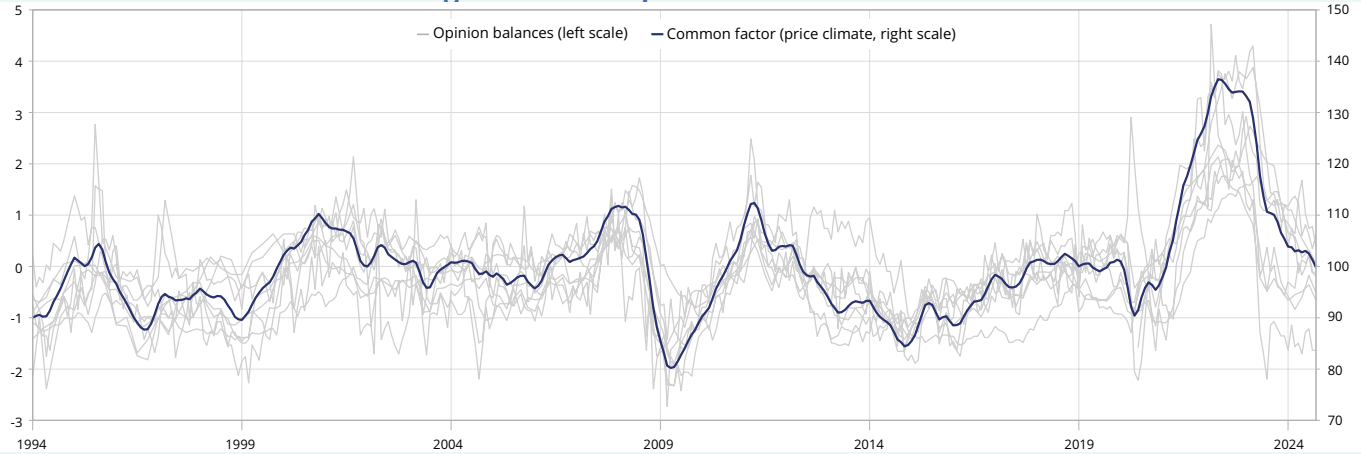
►1. Balances of opinion selected to calculate price climate



Note: a balance of opinion corresponds to the difference between the weighted percentage of responses trending "upwards" and the weighted percentage of responses trending "downwards"..
Source: INSEE, business surveys.

Like other climate indicators, this one is standardised so as to present a long-term average equal to 100 and a standard deviation of 10, which allows an intuitive interpretation of the value of the indicator. It can be seen that this price indicator reached a low point of 80 in the spring of 2009, in the middle of a recession, and that conversely, its maximum is observed in the spring of 2022, at 136, at the height of the inflationary surge (►**Figure 2**). This last value reflects the exceptional nature of the period: the indicator is more than three standard deviations above its long-term average (conventionally set at 100). It has gradually decreased since then, reaching its long-term average in September 2024 (100).

►2. Price climate and contributing balances of opinion



Source: INSEE, business surveys.

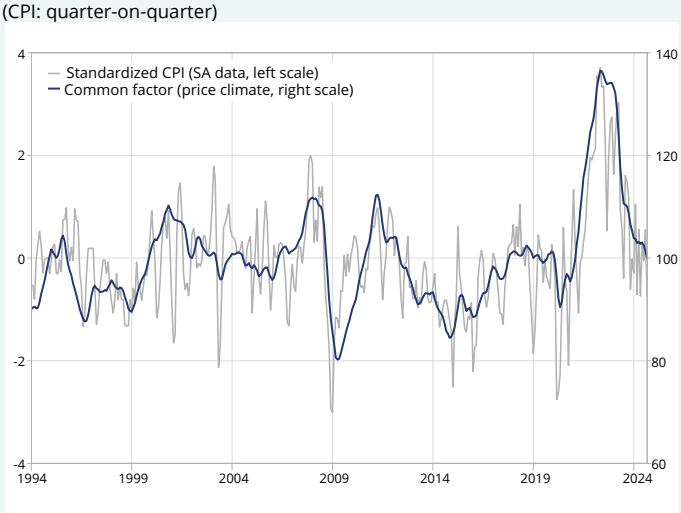
A price climate constructed in this way has an excellent correlation with inflation. More precisely, its correlation is 0.73 with the quarterly shift observed in consumer prices[4] (►Figure 3.a), consistent with the horizon considered in the business tendency survey questions, and reached 0.82 with the year-on-year variation in the CPI. The indicator also shows much less volatility than the shifts in CPI. Finally, the price climate is also well correlated with the quarterly shift in producer prices (►Figure 3.b), although less markedly (0.55).

4 The quarterly shift is the ratio of the monthly price level to its level three months before.

►3. Correlation between price climate and inflation

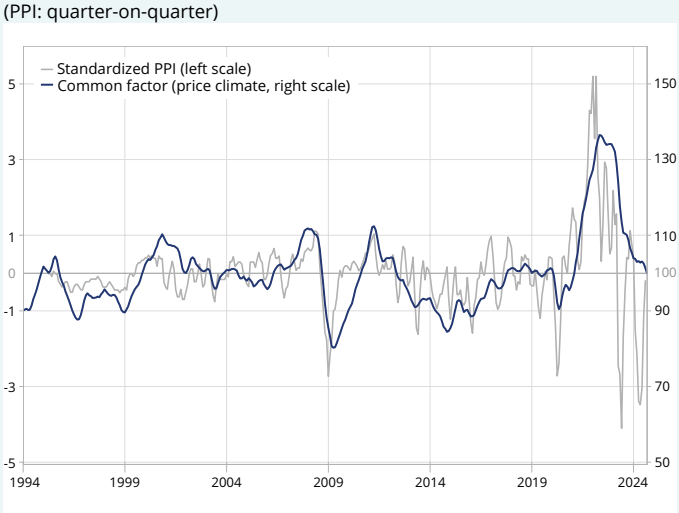
a. Consumer prices

(CPI: quarter-on-quarter)



b. Producer prices

(PPI: quarter-on-quarter)



Note: changes in consumer prices and producer prices are standardized for comparison with the price climate.
Source: INSEE, business surveys and price indices.

Price climate significantly improves the short-term inflation forecast

The good correlation between the price climate and changes in the CPI suggests its usefulness for forecasting inflation. Here, we are interested in forecasting the quarterly shift in the CPI. To assess the contribution of the indicator to the forecast, our reference model is based on the lags in the observed variable. More precisely, we take as a benchmark an autoregressive model of order 7 (AR(7)), estimated over the period 1994 to 2010.

$$\pi_m = a + \sum_{i=1}^{7} b_i \pi_{m-i} + u_m$$, where π_m is the price shift between month m and month m-3

If we first consider a test period from 2010 to 2019, before the health crisis and the inflationary surge, we see that this model already has some predictive power. For a one-month forecast horizon, the square root of its root mean squared error (RMSE) estimated in real pseudo-time is 0.17, compared to a standard deviation of the variable of interest of 0.28 over the period[5] (►Figure 4). By adding the price climate to this model, we obtain a lower error of 0.15.

$$\pi_m = a + \sum_{i=1}^{7} b_i \pi_{m-i} + \sum_{i=1}^{7} c_i \, Climate_{price_{m-i}} + u_m$$

If we consider a three-month forecast horizon, the contribution of the price climate variable is a little more significant: the AR model of reference gives an error of 0.29, compared to only 0.24 when the price climate is included, i.e. a reduction in the forecast error of around 20%. For longer forecast horizons, the predictive power of the two models becomes very weak, or even negligible. Price climate therefore makes a modest but positive contribution to forecast quality for horizons of one to three months.

If the analysis is extended to the period 2010-2024, which includes the health crisis and the inflationary surge, the predictive power of the price climate appears to be slightly more pronounced. The indicator therefore seems effective, both in periods of normality, and in periods of more volatile prices.

5 The standard deviation of the variable of interest represents a useful reference to put the RMSE of the different models into perspective. A naive model giving the mean of the variable of interest as a forecast would obtain an RMSE equal to the standard deviation of the variable.

►4. Mean squared error of price shifts at different forecast horizons for the two test periods

RMSE	2010-2019		2010-2024	
Horizon (in months)	Benchmark model (auto-regressive, AR)	AR + climate	Benchmark model (auto-regressive, AR)	AR + climate
h=1	0.17	0.15	0.24	0.20
h=2	0.23	0.18	0.33	0.25
h=3	0.29	0.24	0.41	0.32
h=4	0.29	0.28	0.42	0.37
h=5	0.29	0.29	0.43	0.37
h=6	0.30	0.28	0.43	0.39
standard deviation	0.28		0.48	

How to read it: (for the period 2010-2024, the RMSE of the forecasting model including the price climate (AR + climate) is worth 0.20 in a 1-month forecasting horizon, against 0.24 for the reference model *benchmark*).

This direct approach offers only an aggregated view of price changes and is therefore a complement to the traditional disaggregated approach to forecasting. For its inflation forecasts, INSEE uses a range of tools: macroeconomic models that model the usual price-formation behaviour based on production costs; detailed modelling of sub-components of the CPI shopping basket that takes extra information into account (price of oil for energy, administered prices such as those of tobacco or health, for example) and models based on the outlook surveys.

For the end of 2024, the price climate suggests a continuing slowdown in prices. In September 2024, it stood at 100, its long-term average, and down sharply from its high point in May 2022 (136). The "direct" forecasting method, using the price climate presented above, suggests that inflation, which fell to +1.2% year on year in September, is likely to stabilise at between 1.1% and 1.2% by December. This estimate corresponds to the forecast retained from the disaggregated method: +1.2% in December. ●

Methodology

The factor models are based on the following model:

$$X_{it} = \lambda_i f_t + \varepsilon_{it}$$

where :

- x_{it} corresponds to the balance of opinion *i* on date *t*, standardized and scaled;
- f_t corresponds to the common factor for date *t*, it is the same for all the balances of opinion. This is a latent, non-observed variable;
- λ_i corresponds to the loading of *i*, which measures the correlation between the balance of opinion *i* and the common factor. For a given balance, it is the same for all the dates;
- ε_{it} corresponds to the idiosyncratic component of balance *i* on date *t*.

Two variants of factor models are used for the composite indicators from INSEE's surveys. The variant described as "static", which is simpler, allows the factor to be reconstructed as a linear combination of balances of opinion (standardized and scaled). The variant described as "dynamic" specifically models the dynamics of the factor and is based in particular on the Kalman filter.

The price climate indicator presented here is based on the dynamic variant, which allows it to include the balances of opinion from the bi-monthly survey in wholesale trade. With the static variant it is not possible to use series of different frequencies.

In this model, the dynamic structure of the factor is modelled explicitly. An AR(2)-type process was chosen for this study:

$$f_t = \alpha_1 f_{t-1} + \alpha_2 f_{t-2} + \varepsilon_t$$

The model is then estimated using the two-step method proposed in ►**Doz and al.** (2011).

The model was implemented with an R package "dfms". ●

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Economic outlook

Statistical appendix

►1. Goods and services: sources and uses at chain-linked previous year prices, in quarterly and annual changes

(quarterly and annual changes in %, seasonally and working-day adjusted SA-WDA data)

	2022				2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross domestic product	**0.2**	**0.4**	**0.5**	**0.1**	**0.0**	**0.7**	**0.1**	**0.4**	**0.3**	**0.2**	**0.4**	**0.0**	**2.6**	**1.1**	**1.1**
Imports	2.1	0.4	4.6	-0.2	-1.6	1.5	-0.8	-2.2	-0.4	0.1	0.3	0.8	9.1	0.7	-1.6
Total resources	0.5	0.7	1.4	0.1	-0.4	0.9	0.1	0.1	-0.1	0.2	0.4	0.2	4.7	1.4	0.6
Household consumption expenditure	-1.0	1.3	0.5	-0.2	0.2	-0.1	0.6	0.2	-0.1	0.1	0.5	0.2	3.0	0.9	0.7
General government consumption expenditure*	0.4	-0.3	0.4	0.7	-0.2	0.1	0.4	0.4	0.6	0.4	0.2	0.2	2.9	0.8	1.5
of which individual general government expenditure	*0.3*	*-0.9*	*0.5*	*0.8*	*-0.3*	*-0.1*	*0.4*	*0.3*	*0.4*	*0.2*	*0.3*	*0.2*	*3.0*	*0.5*	*1.1*
of which collective general government expenditure	*0.3*	*0.5*	*0.2*	*0.5*	*-0.2*	*0.5*	*0.5*	*0.5*	*0.8*	*0.6*	*0.2*	*0.0*	*1.8*	*1.2*	*2.2*
Gross fixed capital formation (GFCF)	0.2	-0.5	1.4	0.4	-0.2	0.4	0.0	-1.0	-0.5	-0.4	-0.6	-0.1	0.1	0.7	-1.7
of which Non-financial enterprises (NFE)	*0.9*	*0.5*	*3.0*	*0.8*	*0.2*	*0.8*	*0.6*	*-1.1*	*-0.5*	*-0.5*	*-1.0*	*-0.2*	*3.0*	*3.1*	*-1.7*
Households	*-0.2*	*-1.3*	*-2.2*	*-1.6*	*-3.0*	*-1.8*	*-2.0*	*-1.8*	*-1.9*	*-1.1*	*-0.8*	*-0.4*	*-3.3*	*-8.2*	*-5.9*
General government	*0.2*	*-0.9*	*2.1*	*2.3*	*2.4*	*2.2*	*0.6*	*0.0*	*0.5*	*0.6*	*0.4*	*0.4*	*0.1*	*7.1*	*2.1*
Exports	2.0	-0.8	3.1	0.9	-1.3	3.0	-1.2	0.7	0.6	0.4	1.0	0.0	8.4	2.5	2.0
Contributions (in points)															
Domestic demand excluding inventory**	-0.4	0.5	0.7	0.2	0.0	0.1	0.4	0.0	0.0	0.0	0.2	0.1	2.4	0.9	0.4
Changes in inventories**	0.3	0.3	0.4	-0.5	-0.1	0.1	-0.1	-0.6	0.0	0.0	-0.1	0.2	0.6	-0.4	-0.5
Foreign trade	0.0	-0.4	-0.6	0.4	0.1	0.5	-0.2	1.1	0.3	0.1	0.2	-0.3	-0.3	0.6	1.3

Forecast.
* Consumption expenditure of general government and non-profit institutions serving households (NPISH).
** Changes in inventories include acquisitions net of valuable items.
How to read it: in Q3 2024, exports would increase by 1.0% compared to Q2 2024; the contribution of foreign trade to quarterly GDP growth would be around +0.2 point.
Source: INSEE.

►2. Goods and services: resources-uses balance – evolution of chain-linked price indices

(quarterly and annual changes in %, SA-WDA data)

	2022				2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross domestic product	**1.1**	**0.5**	**1.5**	**1.3**	**1.9**	**1.3**	**0.7**	**0.8**	**0.4**	**0.2**	**0.4**	**0.2**	**3.2**	**5.3**	**2.1**
Imports	5.3	6.2	2.8	-2.0	-1.0	-3.2	-0.3	0.1	-0.9	0.7	-0.2	-0.3	17.6	-2.2	-1.4
Total resources	3.2	2.9	1.7	0.0	0.7	-1.1	-0.3	0.4	0.1	0.2	0.2	0.1	9.3	1.3	0.3
Household consumption expenditure	1.5	1.4	1.5	1.9	2.4	1.8	1.1	0.5	1.0	0.2	0.1	-0.2	4.9	7.1	2.6
General government consumption expenditure*	0.9	0.5	2.1	0.7	0.5	0.3	1.0	1.4	-0.3	0.4	0.2	0.4	2.0	3.3	1.7
Gross fixed capital formation (GFCF)	1.5	2.8	1.3	0.8	1.0	0.3	0.2	0.4	0.2	0.4	0.2	0.2	6.7	3.4	1.1
of which Non-financial enterprises (NFE)	*1.5*	*2.0*	*1.1*	*0.8*	*1.1*	*0.5*	*0.2*	*0.6*	*0.4*	*0.5*	*0.2*	*0.2*	*5.7*	*3.4*	*1.6*
Households	*0.7*	*4.8*	*2.1*	*1.1*	*1.3*	*-0.2*	*0.2*	*-0.4*	*0.0*	*-0.1*	*0.1*	*0.1*	*8.1*	*4.3*	*-0.3*
Exports	3.9	4.8	2.7	-1.2	-1.4	-2.9	-0.1	-0.4	-0.4	0.1	0.5	0.0	14.2	-2.2	-1.1
Domestic final demand excluding stocks	1.3	1.5	1.6	1.3	1.6	1.1	0.9	0.7	0.5	0.3	0.2	0.0	4.5	5.2	2.0

Forecast.
* Consumption expenditure of general government and non-profit institutions serving households (NPISH).
** Inventory change includes net acquisitions of valuables
How to read it: in Q3 2024, the GDP deflator will increase by 0.4% compared with Q2 2024. Its annual average change would be 2.1% in 2024, compared with 2023.
Source: INSEE.

▶3. Quarterly changes in economic activity by branch

(quarterly changes in %, SA-WDA data)

Branch	Weight	2022				2023				2024				2022	2023	2024
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Agriculture, forestry and fishing	2	2.5	2.0	2.4	2.2	1.1	1.1	-0.2	-1.1	-1.2	-1.4	-0.8	-0.1	7.3	4.9	-3.4
Industry	13	-2.4	-2.1	-0.9	0.5	4.3	2.1	0.3	1.3	0.8	0.2	0.2	0.2	-5.4	5.8	2.8
Manufacturing industry	11	-0.4	-0.3	0.3	-0.4	1.1	1.9	-0.1	0.6	-0.6	-0.8	0.2	0.3	-1.2	2.5	-0.1
Extractive industries, energy. water, waste treatment and decontamination	2	-11.5	-11.6	-8.1	6.3	21.8	3.0	2.0	4.3	3.0	2.9	0.1	0.1	-25.1	23.4	10.5
Construction	6	-0.5	-1.6	-0.4	1.6	1.1	1.0	-0.1	-1.0	-2.0	-1.4	-0.6	-0.4	-3.0	2.2	-3.9
Mainly market services	58	0.2	1.4	1.1	0.1	-0.6	0.9	0.3	0.6	0.4	0.2	0.6	0.0	5.6	1.4	1.7
Mainly non-market services	22	0.7	-0.4	0.1	-0.3	-0.3	-0.4	0.0	0.3	0.3	0.4	0.1	0.1	1.7	-0.7	0.9
Total VA	100	0.0	0.5	0.6	0.2	0.2	0.8	0.2	0.5	0.3	0.1	0.4	0.0	2.9	1.6	1.3
Taxes and subsidies		*-1.4*	*-0.1*	*0.1*	*-1.1*	*-1.4*	*-0.6*	*-0.6*	*-0.2*	*-0.1*	*0.4*	*0.3*	*0.2*	*0.6*	*-3.0*	*-0.1*
GDP		-0.2	0.4	0.5	0.1	0.0	0.7	0.1	0.4	0.3	0.2	0.4	0.0	2.6	1.1	1.1

Forecast.

How to read it: in Q3 2024, the value added of the manufacture of transport equipment branch is expected to increase by 0.2% compared with Q2 2024.

Source: INSEE.

▶4. Change in total employment

(in thousand, SA, at the end of the period)

	Evolution over a quarter												Evolution over a year			
	2022				2023				2024				2021	2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Payroll employment	116	53	71	94	43	65	53	13	79	-13	5	5	816	334	173	76
	0.4%	*0.2%*	*0.3%*	*0.4%*	*0.2%*	*0.2%*	*0.2%*	*0.0%*	*0.3%*	*0.0%*	*0.0%*	*0.0%*	*3.2%*	*1.3%*	*0.6%*	*0.3%*
By sector of activity																
Agriculture	5	-7	-7	9	-4	4	0	2	-1	-7	0	0	7	0	2	-8
Industry	2	8	12	6	8	8	10	10	8	5	5	5	40	28	35	22
Construction	3	2	0	2	-3	-3	-4	-4	-8	-10	-10	-10	50	8	-13	-38
Commercial tertiary sector	79	39	70	67	25	38	19	-20	47	-18	-5	0	665	255	61	24
of which temporary workers	*-11*	*-11*	*11*	*1*	*-20*	*-4*	*-18*	*-12*	*-4*	*-16*	*-10*	*-10*	*89*	*-10*	*-54*	*-40*
excluding temporary workers	*90*	*50*	*58*	*67*	*44*	*42*	*37*	*-8*	*51*	*-2*	*5*	*10*	*576*	*265*	*115*	*64*
Tertiary non-trading	27	10	-3	9	17	17	28	26	33	18	15	10	54	43	88	76
By type of employer																
Private	102	47	72	89	22	53	41	-9	58	-29	-5	0	796	310	107	24
Public	14	5	-1	5	21	11	12	22	21	16	10	5	20	24	66	52
Self-employment	15	15	15	15	20	20	20	20	10	10	10	10	160	58	80	40
All employment	131	67	85	109	63	85	73	33	89	-3	15	15	976	392	253	116
	0.4%	*0.2%*	*0.3%*	*0.4%*	*0.2%*	*0.3%*	*0.2%*	*0.1%*	*0.3%*	*0.0%*	*0.0%*	*0.0%*	*3.4%*	*1.3%*	*0.8%*	*0.4%*

Forecast.

Note: in this table, temporary workers are included in the commercial services sector.

How to read it: in Q2 2024, payroll employment was stable (0.0%), i.e. 13,000 net job losses.

Scope: France (excluding Mayotte).

Source: INSEE.

▶5. Changes in employment, unemployment and the active population

(change in quarterly and annual averages in thousands, seasonally adjusted data)

	2023				2024				2021	2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Employment (1)	86	74	79	53	61	43	6	15	904	429	291	125
reminder: employment at the end of the period	*63*	*85*	*73*	*33*	*89*	*-3*	*15*	*15*	*976*	*392*	*253*	*116*
Unemployment (2)	4	41	70	28	-1	-40	38	33	-158	-75	144	30
Active population= (1) + (2)	90	115	149	81	59	3	44	48	746	354	435	154
Adjusted trend labour force (a)	*11*	*9*	*23*	*39*	*38*	*38*	*39*	*39*	*31*	*30*	*82*	*154*
Downturn effect (b)	*9*	*7*	*8*	*5*	*6*	*4*	*1*	*2*	*90*	*43*	*29*	*12*
Effect of work-study schemes on youth activity levels (c)	*10*	*16*	*7*	*1*	*11*	*8*	*5*	*7*	*126*	*86*	*35*	*31*
Residual (d)	*61*	*82*	*111*	*36*	*5*	*-48*	*0*	*0*	*499*	*194*	*289*	*-43*
Variation in unemployment rate	0.0	0.1	0.2	0.1	0.0	-0.2	0.1	0.1	-0.7	-0.3	0.4	0.0
Unemployment rate	7.1	7.2	7.4	7.5	7.5	7.3	7.4	7.5				

Forecast.

(a) Trend based on adjusted forecasts for the active population in 2022, integrating the effect of the 2023 pension reform and the 2023 reform to unemployment benefits.

(b) This downturn effect reflects the fact that new workers enter the labour market when the employment outlook improves.

(c) Effect based on DARES numbers for the stock of work-study contracts, INSEE calculations.

(d) In 2020 and 2021, the residual concealed the immediate impact of the Covid crisis on activity levels.

Note: In this case employment corresponds to total employment (salaried and non-salaried), measured as a quarterly average.

How to read it: between Q1 2024 and Q2 2024, employment increased by 43,000 persons on average, unemployment decreased by 40,000 and the labour force increased by 3,000. The unemployment rate came down 0.2 points to 7.3%.

Scope: France (excluding Mayotte), persons aged 15 or over.

Source: INSEE, Employment survey, Quarterly Employment Estimates.

►6. Consumer prices

(year-on-year change in %, contributions in points)

CPI groups* (2023 weightings)	Augt. 2024		Sept. 2024		Oct. 2024		Nov. 2024		Dec. 2024		Annual average	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2023	2024
Food (15.1%)	**0.5**	**0.1**	**0.5**	**0.1**	**0.4**	**0.1**	**-0.2**	**0.0**	**0.0**	**0.0**	**11.8**	**1.3**
including: fresh food (1.9%)	2.7	0.1	2.7	0.1	1.8	0.1	-1.4	0.0	-0.5	0.0	9.6	1.4
excluding: fresh food (13.2%)	0.1	0.0	0.1	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	12.2	1.3
Tabacco (1.8%)	**8.7**	**0.2**	**8.7**	**0.2**	**8.7**	**0.2**	**8.7**	**0.2**	**8.7**	**0.2**	**8.0**	**10.3**
Manufactured products (23.2%)	**-0.1**	**0.0**	**-0.3**	**-0.1**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**3.5**	**0.1**
of which: clothing and footwear (3.4%)	1.0	0.0	-0.2	0.0	0.5	0.0	0.5	0.0	0.5	0.0	2.5	0.6
medical products (4.0%)	-1.1	0.0	-1.1	0.0	-1.2	0.0	-1.2	0.0	-1.1	0.0	-0.7	-1.2
other manufactured products (15.8%)	0.0	0.0	-0.1	0.0	0.1	0.0	0.2	0.0	0.3	0.0	4.7	0.3
Energy (8.3%)	**0.4**	**0.0**	**-3.3**	**-0.3**	**-2.8**	**-0.2**	**-1.9**	**-0.2**	**-0.7**	**-0.1**	**5.6**	**1.9**
of which: oil products (4.3%)	-8.2	-0.4	-14.2	-0.7	-13.7	-0.6	-11.2	-0.5	-8.0	-0.3	-1.7	-5.3
Services (51.6%)	**3.0**	**1.6**	**2.5**	**1.3**	**2.2**	**1.1**	**2.2**	**1.1**	**2.2**	**1.1**	**3.0**	**2.7**
of which: rent-water (8.0%)	2.8	0.2	2.7	0.2	2.6	0.2	2.6	0.2	2.6	0.2	2.8	2.7
health services (6.2%)	0.6	0.0	-0.5	0.0	-0.7	0.0	-1.5	-0.1	-1.1	-0.1	-0.2	0.5
transport (2.9%)	4.5	0.1	2.2	0.1	1.8	0.1	0.9	0.0	2.1	0.1	6.3	1.8
communications (2.0%)	-6.3	-0.1	-7.5	-0.2	-7.5	-0.2	-7.4	-0.1	-9.0	-0.2	-3.6	-6.5
other services (32.5%)	4.0	1.3	3.7	1.2	3.3	1.1	3.4	1.1	3.4	1.1	3.9	3.8
All (100%)	**1.8**	**1.8**	**1.2**	**1.2**	**1.1**	**1.1**	**1.1**	**1.1**	**1.2**	**1.2**	**4.9**	**2.0**
All excluding energy (91.7%)	*2.0*	*1.8*	*1.6*	*1.5*	*1.4*	*1.3*	1.3	1.2	*1.4*	*1.3*	*4.8*	*2.0*
All excluding tabacco (98.2%)	*1.7*	*1.7*	*1.0*	*1.0*	*0.9*	*0.9*	0.9	0.9	*1.1*	*1.1*	*4.8*	*1.8*
Core inflation (61.2%)	**1.7**	**1.0**	**1.6**	**0.9**	**1.4**	**0.9**	**1.4**	**0.9**	**1.5**	**0.9**	**5.1**	**1.8**

Provisionnal.
Forecast.
yoy: year-on-year; cyoy: contribution to the year-on-year value of the overall index.
* Consumer price index (CPI).
How to read it: in September 2024, consumer prices increased by 1.2% year-on-year, according to the provisional estimate. Food contributed +0.1 points to headline inflation in September 2024.
Source: INSEE.

►7. Changes in the average wage per capita and the basic monthly wage

(changes in %, SA data)

	Quarterly change								Annual change								Average annual change		
	2023				2024				2023				2024						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2022	2023	2024
Average wage per capita (SMPT) in non-agricultural market branches	1.0	0.8	0.4	0.9	0.8	0.6	0.4	0.5	4.8	4.6	3.8	3.1	2.9	2.8	2.7	2.2	5.4	4.1	2.6
SMPT adjusted for short-time working* in non-agri-cultural market branches	1.0	0.8	0.4	0.9	0.8	0.6	0.4	0.5	4.4	4.5	3.8	3.1	2.9	2.8	2.7	2.2	3.2	3.9	2.6
Basic monthly wage (SMB)	1.6	0.9	0.7	0.5	1.1	0.5	0.5	0.5	4.7	4.5	4.2	3.8	3.3	2.9	2.7	2.6	3.2	4.3	2.9
SMPT in general govemment (GG)																	4.3	4.1	2.1
Real SMPT** in the non-agri-cultural market sectors	-0.4	-0.3	-0.3	0.4	0.3	0.2	0.0	0.6	-1.1	-0.5	-0.8	-0.6	0.1	0.5	0.9	1.1	0.2	-0.8	0.7
SMPT adjusted for real** short-time working* in non-agri-cultural market branches	-0.4	-0.3	-0.3	0.4	0.3	0.2	0.0	0.6	-1.5	-0.7	-0.8	-0.6	0.1	0.5	0.9	1.1	-1.9	-0.9	0.7
Real SMB**	0.2	-0.1	-0.1	0.0	0.7	0.1	0.1	0.6	-1.3	-0.6	-0.5	0.1	0.5	0.7	0.9	1.4	-1.9	-0.6	0.9
Real SMPT** in gene-ral government																	-0.9	-0.7	0.1

Forecast.
* including payments made for short-time working which are not considered as wages and which therefore led to some very wide variations when the SMPT was not adjusted during the health crisis.
** as measured by the CPI - consumer price index.
How to read: in Q4 2024, the basic monthly wage (SMB) should grow by 0.5% compared with Q3 2024.
Source: DARES, INSEE.

►8. Components of household gross disposable income

(quarterly and annual changes in %)

	Quarterly changes								Annual changes		
	2023				2024						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2022	2023	2024
Gross disposable income (100%)	**1.4**	**1.7**	**1.3**	**1.4**	**1.6**	**0.6**	**0.5**	**0.3**	**5.2**	**8.0**	**4.4**
of which gross disposable income excluding FISIM	*0.8*	*0.9*	*0.9*	*1.2*	*1.4*	*0.8*	*0.7*	*0.5*	*4.8*	*5.8*	*4.1*
Earned income (73%)	1.1	0.8	0.9	1.2	0.4	0.7	0.3	0.4	7.5	5.2	2.7
Gross wages and salaries (65%)	*1.1*	*0.8*	*0.8*	*1.3*	*0.4*	*0.7*	*0.4*	*0.5*	*7.8*	*5.3*	*2.8*
GOS of sole proprietors (8%)*	*0.7*	*1.1*	*1.0*	*0.6*	*0.1*	*0.4*	*-0.2*	*-0.4*	*4.7*	*4.6*	*1.4*
Social benefits in cash and other transfers (34%)	0.9	0.4	0.8	1.5	2.8	0.8	1.1	1.4	1.7	4.7	6.0
GOS of "pure" households (20%)	5.9	5.0	2.8	0.3	4.0	0.3	0.0	-1.3	6.5	17.1	6.8
of which wealth income excluding FISIM	*2.9*	*1.7*	*1.3*	*-0.5*	*3.8*	*1.3*	*0.8*	*-0.8*	*5.6*	*7.0*	*5.7*
Social contributions and taxes (-26%)	3.6	0.5	0.7	0.0	2.2	0.9	0.5	0.5	8.3	3.6	3.7
Household consumer prices**	**2.4**	**1.8**	**1.1**	**0.5**	**1.0**	**0.2**	**0.1**	**-0.2**	**4.9**	**7.1**	**2.6**
of which household consumer prices excluding FISIM	*1.7*	*1.0*	*0.7*	*0.3*	*0.8*	*0.4*	*0.3*	*0.0*	*4.7*	*4.8*	*2.2*
Purchasing power of gross disposable income	**-0.9**	**-0.1**	**0.2**	**0.9**	**0.5**	**0.3**	**0.3**	**0.5**	**0.2**	**0.9**	**1.8**
Household purchasing power by consumption	**-1.1**	**-0.3**	**0.0**	**0.8**	**0.4**	**0.2**	**0.2**	**0.4**	**-0.4**	**0.3**	**1.3**

Forecast.

* The Gross Operating Surplus (GOS) of sole proprietors is the balance of the operating account of sole proprietor-ships.

** The dynamics of consumer prices since 2023 differs substantially from that of the Consumer Price Index (CPI) due to the accounting effect of the increase in interbank rates and their recent reduction.

Note: the figures in brackets give the structure for 2019 The gross operating surplus (GOS) of sole proprietors is the operating surplus generated by self-employed workers. It is classified as mixed income because it represents the remuneration received by the sole proprietor, and potentially their family members, for their work, but it also incorporates the profit generated by their entrepreneurial activities.

How to read it: household disposable income grew by +0.6% in Q2 2024. It is estimated to have increased by +0.5% in Q3 2024.

Source: INSEE.

►9. Estimated and projected quarterly household consumption

(quarterly and annual variations in %. SA-WDA)

Products	weight(1)	2022				2023				2024				2022	2023	2024
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
All goods	**44%**	**-2.0**	**0.0**	**-0.1**	**-1.7**	**-0.1**	**-0.5**	**0.5**	**-0.5**	**-0.1**	**0.0**	**0.3**	**0.5**	**-2.2**	**-1.7**	**-0.1**
Food goods	17%	-2.1	0.6	-0.5	-0.9	-1.9	-0.9	0.0	-1.0	-0.1	-1.6	1.1	0.7	-3.3	-3.5	-1.5
Agricultural products	3%	-2.5	-0.7	-0.8	-2.6	-0.5	1.3	-0.3	-1.4	-0.4	-2.1	-1.0	0.7	-6.2	-2.6	-3.1
Food product	14%	-2.0	0.8	-0.4	-0.6	-2.1	-1.3	0.0	-1.0	0.0	-1.5	1.5	0.7	-2.8	-3.7	-1.3
Coke and refined petroleum	4%	-2.8	-1.1	1.9	-1.1	-0.2	-2.0	-0.1	-1.5	1.4	0.2	0.0	-0.3	1.5	-2.2	-0.2
Other industrial products	19%	-1.9	0.2	-0.4	0.1	-0.2	0.1	0.9	0.6	-0.5	0.6	-0.4	0.6	-1.0	0.4	0.9
Capital goods	3%	-0.1	-0.5	-0.6	-1.6	-1.0	-1.2	2.5	0.5	2.3	1.8	1.0	1.0	-4.0	-2.1	5.8
Transport equipment	5%	-0.9	-0.7	1.2	2.5	2.4	1.4	2.5	2.2	-3.5	1.3	-2.5	1.0	-1.9	7.8	-0.5
Other industrial products	11%	-2.7	0.7	-1.0	-0.4	-1.2	-0.2	-0.2	-0.1	0.4	0.1	0.3	0.3	0.2	-2.1	0.4
Energy, water, waste	5%	-1.7	-1.7	0.2	-12.9	8.8	0.1	1.1	-2.4	0.2	3.0	0.3	0.0	-7.0	-2.4	1.4
All services	**57%**	**0.1**	**2.5**	**0.6**	**0.8**	**0.4**	**1.0**	**0.4**	**0.6**	**0.3**	**0.5**	**0.9**	**-0.1**	**9.2**	**3.0**	**2.0**
Construction	2%	1.9	-1.9	-1.1	1.3	0.2	0.6	-0.6	-0.4	-0.3	-1.1	0.3	0.2	2.5	0.2	-1.4
Trade (2)	0%	-0.5	-0.2	-0.4	2.8	-0.3	-0.2	-1.1	-0.2	-1.4	0.4	-0.5	-0.2	1.4	0.8	-2.1
Market services excluding trade	46%	0.1	3.1	0.7	0.8	0.3	1.0	0.3	0.6	0.4	0.5	1.0	-0.1	10.4	3.1	2.1
Transport	3%	1.7	6.8	2.1	1.4	0.1	2.9	0.3	1.4	0.5	1.8	1.8	-0.6	34.9	6.6	4.6
Accommodation and food	9%	-2.6	13.6	1.0	0.8	-0.5	2.6	-0.4	0.0	0.2	0.7	0.7	0.3	37.7	5.5	1.6
Information-communication	4%	-0.3	0.0	1.5	0.9	1.9	0.9	2.2	1.7	1.5	0.8	2.0	0.5	3.3	5.7	6.0
Financial services	8%	0.6	0.6	0.5	0.4	0.3	0.4	0.4	0.5	0.2	0.4	0.3	0.3	2.4	1.7	1.4
Real estate services	19%	0.4	0.4	0.2	0.5	0.3	0.4	0.4	0.3	0.2	0.4	0.4	0.4	1.6	1.4	1.3
Business services	3%	0.5	1.2	0.9	2.2	0.6	1.5	0.2	1.8	0.7	-1.2	0.3	0.3	11.0	4.7	1.9
Household services	4%	-0.2	2.2	1.1	1.0	1.2	0.6	-0.4	1.0	0.5	0.7	5.0	-4.5	18.9	3.6	3.1
Non-market services	5%	-0.3	-0.4	0.6	1.1	0.8	0.5	1.0	1.8	0.1	1.2	0.3	-0.5	1.9	3.3	3.0
Total consumption in France	**101%**	**-0.9**	**1.4**	**0.3**	**-0.3**	**0.2**	**0.3**	**0.4**	**0.1**	**0.2**	**0.3**	**0.6**	**0.1**	**3.8**	**0.9**	**1.1**
Territorial correction	-1%	11.5	9.0	-25.3	-5.2	-6.4	61.3	-11.5	-4.2	26.0	21.0	6.8	-5.5	498.8	6.3	50.6
Imports of tourism services		3.1	0.9	8.7	5.3	7.5	-8.3	2.7	-1.3	-4.6	3.4	0.5	0.5	28.4	10.4	-3.6
Exports of tourism services		5.1	2.9	-0.1	3.2	5.0	2.8	-0.8	-1.9	2.1	8.1	2.4	-1.4	55.2	9.5	8.0
Total consumption of residents	**100%**	**-1.1**	**1.3**	**0.6**	**-0.3**	**0.2**	**-0.1**	**0.5**	**0.2**	**-0.1**	**0.1**	**0.5**	**0.2**	**3.0**	**0.9**	**0.7**

Forecast

(1) weight in household final consumption expenditure in current euros in 2023.

(2) this item corresponds to sale and repair of motor vehicles and motorbikes.

Lecture: in Q3 2024. household consumption of food wasincrease by 1.1% compared to the previous quarter.

Source: INSEE.

▶10. Consumption, purchasing power, savings ratio and household investment

(quarterly and annual variations, in %, seasonally adjusted data - SA)

	2022				2023				2024				2022*	2023*	2024*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Consumption :															
quarterly variations	-1.0	1.3	0.5	-0.2	0.2	-0.1	0.6	0.2	-0.1	0.1	0.5	0.2	3.0	0.9	0.7
Purchasing power :															
quarterly variations	-1.5	-0.7	1.5	1.4	-0.9	-0.1	0.2	0.9	0.5	0.3	0.3	0.5	0.2	0.9	1.8
Savings rate :															
in % of gross disposable income	17.4	15.7	16.5	17.8	16.9	16.9	16.5	17.1	17.6	17.9	17.8	18.0	16.9	16.9	17.9
Investissement :															
quarterly variations	-0.2	-1.3	-2.2	-1.6	-3.0	-1.8	-2.0	-1.8	-1.9	-1.1	-0.8	-0.4	-3.3	-8.2	-5.9

Forecast.
* annual variations for the last three columns (except for annual average for the savings ratio).
Source: INSEE.

▶11. Decomposition of margin rate of non-financial corporations (NFC)

(margin rate in % of NFC value added, changes and contributions in points)

	2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Margin rate	**32.3**	**33.3**	**33.0**	**32.9**	**31.7**	**30.8**	**31.3**	**30.6**	**31.0**	**32.9**	**31.1**
Variation in margin rate*	**1.2**	**1.0**	**-0.2**	**-0.1**	**-1.2**	**-0.8**	**0.5**	**-0.8**	**-2.4**	**1.9**	**-1.8**
Productivity (+)	0.1	0.7	0.1	0.4	-0.2	-0.1	0.4	0.0	-0.4	0.9	0.4
Real cost of labour per capita** (-)	0.1	0.0	0.2	0.0	-0.5	-0.2	0.0	-0.4	0.1	0.4	-0.7
*Which : Real wages per head**(-)*	*0.2*	*0.1*	*0.3*	*-0.1*	*-0.3*	*-0.1*	*0.0*	*-0.4*	*-0.4*	*0.4*	*-0.4*
Which : Employer's contribution rate (-)	*-0.1*	*-0.1*	*-0.1*	*0.1*	*-0.2*	*-0.1*	*0.0*	*0.0*	*0.5*	*0.0*	*-0.2*
Ratio of price of value added to consumer prices**(+)	0.6	-0.2	-0.5	-0.1	-0.8	-0.5	0.1	0.1	0.3	0.3	-1.5
Others elements	0.4	0.5	0.0	-0.4	0.3	0.0	0.0	-0.5	-2.4	0.2	0.0

Forecast
* the variation indicated here is the result of a difference calculated before rounding.
Note: the margin rate (*MR*) measures the share of value added that remunerates the capital.

This variation can be broken down additionally into:
- changes in productivity (*Y/L*), where *Y* is value added and *L* is employment, and in the ratio of the price of value added to consumer prices, or terms of trade *(Pva/Pc)*, which have a positive effect;
- changes in the real cost of labour (*W/Pc*, where *W* represents the cost of labour per capita), which have a negative effect on the margin rate.
- other factors: these are mainly taxes on production net of subsidies, including the Solidarity Fund.

This breakdown can be synthesised in the equation:

$$TM = \frac{GOS}{VA} \approx 1 - \frac{WL}{Y\,P_{VA}} + other\ factors = 1 - \frac{L}{Y}\frac{W}{IPC}\frac{IPC}{P_{VA}} + other\ factors$$

How to read it: in Q2 2024, the margin rate of non-financial corporations stood at 30.8% of their value added. It is expected to increase slightly in Q3 2024, to 31.3%. Gains in productivity are likely to contribute +0.4 points to change in the margin rate of non-financial corporations in Q3 2024.
Source: INSEE.

▶12. Investment by institutional sector and by product

(quarterly and annual changes in %, seasonally adjusted data - SA)

	2022				2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Non-financial enterprises	*0.9*	*0.5*	*3.0*	*0.8*	*0.2*	*0.8*	*0.6*	*-1.1*	*-0.5*	*-0.5*	*-1.0*	*-0.2*	*3.0*	*3.1*	*-1.7*
Manufactured Products	-0.1	-0.1	4.0	0.6	0.2	1.3	1.0	-2.2	-1.6	-1.6	-2.4	-0.3	-0.4	3.6	-4.8
Construction	0.6	-0.5	-0.5	1.3	-0.3	-0.4	-0.3	-1.0	-0.9	-1.2	-1.0	-0.8	0.1	-0.5	-3.5
Others	2.2	1.9	4.7	0.7	0.6	1.3	0.8	0.0	0.9	1.0	0.2	0.3	8.8	5.3	2.5
Households	*-0.2*	*-1.3*	*-2.2*	*-1.6*	*-3.0*	*-1.8*	*-2.0*	*-1.8*	*-1.9*	*-1.1*	*-0.8*	*-0.4*	*-3.3*	*-8.2*	*-5.9*
Construction	-0.3	-2.1	-1.8	-0.6	-1.4	-1.6	-0.9	-1.9	-2.1	-2.0	-1.2	-0.7	-3.5	-5.3	-6.5
Service	0.2	0.9	-3.5	-4.6	-8.1	-2.5	-5.8	-1.4	-1.2	1.9	0.5	0.5	-2.6	-17.0	-4.0
GG	*0.2*	*-0.9*	*2.1*	*2.3*	*2.4*	*2.2*	*0.6*	*0.0*	*0.5*	*0.6*	*0.4*	*0.4*	*0.1*	*7.1*	*2.1*
Total	**0.2**	**-0.5**	**1.4**	**0.4**	**-0.2**	**0.4**	**0.0**	**-1.0**	**-0.5**	**-0.4**	**-0.6**	**-0.1**	**0.1**	**0.7**	**-1.7**

Forecast.
Source: INSEE.

►13. Foreign trade (imports and exports)

(variations in %; volumes chained to previous year's price, contributions in points)

	2022				2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Total exports	**2.0**	**-0.8**	**3.1**	**0.9**	**-1.3**	**3.0**	**-1.2**	**0.7**	**0.6**	**0.4**	**1.0**	**0.0**	**8.4**	**2.5**	**2.0**
Manufactured products	2.0	-3.0	3.6	-0.1	-0.6	4.3	-1.2	-0.5	1.5	0.7	0.8	0.5	3.4	2.8	2.6
Total Imports	**2.1**	**0.4**	**4.6**	**-0.2**	**-1.6**	**1.5**	**-0.8**	**-2.2**	**-0.4**	**0.1**	**0.3**	**0.8**	**9.1**	**0.7**	**-1.6**
Manufactured products	0.5	-1.2	4.6	0.2	-1.6	1.8	-1.4	-2.3	0.6	-0.4	0.0	1.0	5.4	0.5	-1.5
Contribution of foreign trade to GDP growth	**0.0**	**-0.4**	**-0.6**	**0.4**	**0.1**	**0.5**	**-0.2**	**1.1**	**0.3**	**0.1**	**0.2**	**-0.3**	**-0.3**	**0.6**	**1.3**

Forecast.
Source: INSEE.

►14. International environment

(levels; quarterly changes –annual changes for the last three columns– in %)

	2022				2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Euro-dollar exchange rate	1.12	1.06	1.01	1.02	1.07	1.09	1.09	1.08	1.09	1.08	1.10	1.11	1.05	1.08	1.09
Brent crude oil barrel (in dollars)	100.8	113.6	100.6	88.6	81.2	78.1	86.6	84.0	82.9	84.7	80.0	75.0	100.9	82.5	80.6
Barrel of Brent (in euros)	89.8	106.7	99.9	86.8	75.6	71.7	79.5	78.1	76.3	78.6	72.9	67.6	95.7	76.2	73.8
World trade	1.2	0.3	1.7	0.0	0.0	0.1	0.2	0.3	0.0	1.7	0.7	0.7	6.3	1.1	2.2
Imports by advanced economies	2.5	1.1	1.3	-0.6	0.2	-1.0	-0.5	0.1	0.1	1.2	0.6	0.6	8.2	-0.4	1.0
Imports by emerging economies	-2.2	-2.0	2.7	1.8	-0.6	2.9	2.2	0.6	0.0	2.8	1.1	1.0	1.5	5.1	5.3
World demand for French products	1.5	0.3	1.3	0.0	0.3	-0.2	-1.0	0.1	-0.1	1.4	0.7	0.7	7.0	0.4	0.9
Gross domestic product (changes)															
France	-0.2	0.4	0.5	0.1	0.0	0.7	0.1	0.4	0.3	0.2	0.4	0.0	2.6	1.1	1.1
Germany	0.2	0.0	0.6	-0.5	0.1	-0.2	0.2	-0.4	0.2	-0.1	-0.1	0.0	1.4	-0.1	-0.1
Spain	0.5	1.6	0.5	-0.2	0.4	-0.2	0.2	0.0	0.3	0.2	0.2	0.2	4.8	0.8	0.6
Italy	1.3	1.7	0.9	0.6	0.7	0.2	0.7	0.7	0.9	0.8	0.6	0.6	6.2	2.7	2.9
United Kingdom	0.7	0.3	0.1	0.3	0.1	0.0	-0.1	-0.3	0.7	0.5	0.3	0.3	4.8	0.3	1.0
United States	-0.3	0.1	0.7	0.8	0.7	0.6	1.1	0.8	0.4	0.7	0.4	0.5	2.5	2.9	2.6
China	0.4	-2.1	4.0	0.8	1.8	0.8	1.5	1.2	1.5	0.7	1.0	1.0	3.0	5.2	4.7
Eurozone	0.4	0.9	0.5	-0.1	0.0	0.1	0.0	0.1	0.3	0.2	0.2	0.1	3.4	0.5	0.7

Forecast.
Source: IHS Markit, Commodity Research Bureau, OECD Balanced Trade Statistics, CHELEM – Trade (CEPII), INSEE, DESTATIS, ISTAT, INE, ONS, BEA, NBSC, INSEE calculations.