

Activity awaiting renewed confidence

Economic outlook



17 December 2024

The issues of *Economic outlook* are available as soon as they are published on the INSEE website **www.insee.fr**.

ISSN 2726-6176

ISBN : 978-2-11-162459-7

Completed on 16 December 2024

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Activity awaiting renewed confidence

In Q3, the growth seen in the Eurozone was deceptive (+0.4% after +0.2%). While the strength of the Spanish economy continued unabated, activity remained at a standstill in Italy and Germany, but accelerated in France, due solely to the Olympic and Paralympic Games. Across the continent of Europe, the recovery that had been taking shape since the beginning of 2024 is already running out of steam and convalescence is ongoing: investments are weighed down by restrictive credit conditions while consumers, although benefitting from major gains in purchasing power as a result of disinflation, are still hesitant to consume and continue to boost their savings. As for European exporters, they continue to suffer from high energy prices and are also facing uncompromising competition from China: penalised by sluggish domestic demand, Chinese industrialists are cutting their prices and constantly gaining market share. The contrast is striking between the despondency in the Old Continent and the rude health of the American economy, where growth continues at a high rate (+0.7% in the summer after +0.7% in the spring): in addition to more vigorous demographics, consumers there are saving little and investments are buoyant.

In France, since this summer, the political factor has had to be considered in addition to the common European determinants. Responses collected from companies up until November and before the no-confidence motion against the Government painted a gloomy picture: the business climate fell drastically in the summer, once it was known that the Assembly had been dissolved, and has remained below its long-term average since then. However, a few sectors are coping well: aeronautics and related electronics and repair sectors are taking advantage of a favourable competitive position but are still struggling, mainly with supply difficulties; accommodation and catering are enjoying a fairly steady flow of customers. On the demand side, 2024 remains an unusual year: while French growth has held up well (+1.1%, the same as in 2023), this is due to the strong expansion of its public spending and a record contribution from foreign trade, linked to the decline in imports. Conversely, investment looks set to decline over the year as a whole (-1.6% in 2024 after +0.7% in 2023) and consumption is not expected to pick up (+0.9% after +0.9%), even though households have seen significant gains in purchasing power (+2.1% after +0.9%). By mid-2025, the two drivers of 2024 are expected to fade: foreign trade is likely to go back to normal, and a return to exactly the same budget as last year is likely to curb public spending. Private demand could take over to a limited extent. Investment could certainly benefit from the initial effects of monetary easing but is expected to continue to be constrained by uncertainty, with the result that ultimately only consumers will be driving French growth a little. They are expected to take advantage of past gains in purchasing power and a further drop in inflation which, having fallen to +1.3% year on year in November, looks set to drop further to +1.0% in June 2025. Faced with sluggish demand, companies are expected to limit their price increases and core inflation should stabilise at around +1.5%. Furthermore, in the absence of any new measures, tobacco prices are not expected to increase further and electricity prices should fall back in February. All in all, activity is likely to come to a standstill in Q4 2024 (0.0%) as a reaction to the Olympic and Paralympic Games, then grow slightly in H1 (+0.2% per quarter). The 2025 mid-year growth overhang is expected to be modest, at +0.5%.

In the labour market, payroll employment saw an unexpected upturn this summer (+0.2%), due in particular to its public component. In the private sector, it is slowing down sharply: over one year, the increase is +0.2%, against +0.5% at the end of 2023 and +1.5% at the end of 2022. By mid-2025, the private sector is expected to start cutting payroll jobs, especially apprentices, and employment is likely to slow sharply in the public sector: all in all, the French economy is likely to create 40,000 jobs over three quarters, mainly non-salaried. This is unlikely to be sufficient to keep pace with the increase in the labour force, mainly the result of the ramping-up of the pension reform, and thus the unemployment rate is expected to continue its slow rise, reaching 7.6% by mid-2025.

There are several uncertainties surrounding this forecast. First and foremost, the political situation and its budgetary consequences remain a source of unknowns. In this *Economic Outlook* it is assumed that in 2025 on the revenue side taxes will be renewed according to the scales currently in force, and on the expenditure side, services voted in 2024 will be renewed. However, budgetary policy could take a more restrictive turn once political uncertainty has been lifted, further slowing domestic demand. In addition, the reaction of economic agents to this unprecedented uncertainty remains very unpredictable: an additional wait-and-see period cannot be ruled out. Conversely, a rapid restoration of confidence could free up behaviour, especially as the household savings ratio is high. On the international scene, the consequences of the election of the new American president remain unclear: in particular, the rapid implementation of customs measures could slow down world trade but, conversely, increased budgetary expansion could stimulate it. ●

Conjoncture française



Economic activity

In Q3 2024, activity gathered pace (+0.4% after +0.2%, ► [Figure 1](#)), buoyed by a one-off stimulus of approximately 0.2 GDP points provided by the Paris Olympic and Paralympic Games. In accordance with the French national accounting system, ticket sales and audiovisual broadcasting revenues were recorded as the production of services at the time of the events: these two accounting effects boosted growth by 0.3 points. However, the impact on activity was lessened by the crowding-out effect on regular tourists: household consumption of accommodation and food services slipped back nationwide this summer (-0.2% on the previous quarter), as did the consumption of transport services (-0.4%). Although the consumption of recreational services nationwide increased by 7.1%, it actually declined if ticket sales for the Olympic Games are disregarded. Crowding-out effects therefore reduced the impact of the Paris Olympic and Paralympic Games on French growth by around 0.1 points.

Domestic demand increased (contributing +0.3 points to GDP growth in Q3 after +0.1 point in Q2) thanks to the growth of household consumption (+0.6% after +0.0%) and the unwavering dynamism of government consumption (+0.5% in both quarters). At the same time, investment – both corporate and household (► [Figure 2](#)) – continued to fall (-0.7% after -0.1%). Foreign trade hampered activity slightly (contributing -0.1 point after +0.2 points). Imports fell back (-0.6% after +0.1% in Q2), but exports declined even more sharply (-0.8% after +0.6%) – especially for manufactured goods (-1.9% in Q3) – after the major shipbuilding deliveries in Q2. Lastly, changes in inventories buoyed up activity slightly (contributing +0.1 point).

On the supply side, activity in the manufacturing industry stabilised after two quarters of decline (► [Figure 4](#)): the return to slightly positive growth in capital goods and “other industrial branches” was not sufficient to offset a further downturn in value added in transport equipment (-0.9% after -1.6%) and in the agrifood sector (-0.2% after -1.0%). At the same time, construction activity edged down only slightly after three consecutive quarters of sharp decline. However, activity in market-sector services picked up slightly, boosted by the Paris Olympics (+0.5% after +0.3%). Finally, poor harvests in 2024 explained the 3.6% decline in agricultural value added in Q3 and are therefore likely to reduce annual growth by nearly 0.2 points in 2024 (► [Focus](#) on agricultural production in 2024).

► 1. Goods and services: resources-uses balance at chain-linked prices for the previous year, in quarterly and annual change

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

	2023				2024				2025		2023	2024	2025 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Gross domestic product	0.1	0.7	0.1	0.4	0.2	0.2	0.4	0.0	0.2	0.2	1.1	1.1	0.5
Imports	-2.0	1.8	-0.5	-2.0	0.1	0.1	-0.6	0.6	0.5	0.5	0.7	-1.3	1.0
Total resources	-0.4	1.0	0.1	0.1	0.0	0.3	0.3	0.1	0.2	0.2	1.4	0.7	0.6
Household consumption expenditure	0.1	0.0	0.5	0.3	0.1	0.0	0.6	0.2	0.1	0.3	0.9	0.9	0.8
General government consumption expenditure*	-0.3	0.1	0.5	0.4	0.7	0.5	0.5	0.2	0.1	0.1	0.8	2.0	0.8
of which individual general government expenditure	-0.4	-0.1	0.4	0.2	0.3	0.2	0.5	0.3	0.2	0.2	0.5	1.2	0.9
of which collective general government expenditure	-0.3	0.4	0.7	0.8	1.3	1.2	0.7	0.0	-0.1	-0.1	1.2	3.7	0.5
Gross fixed capital formation (GFCF)	-0.3	0.5	-0.1	-0.8	-0.6	-0.1	-0.7	-0.2	-0.1	0.0	0.7	-1.6	-0.7
of which Non-financial enterprises (NFE)	0.1	0.8	0.5	-0.8	-0.9	-0.2	-1.2	-0.3	-0.3	-0.2	3.1	-1.9	-1.3
Households	-2.9	-1.5	-2.3	-2.0	-2.0	-0.9	-0.6	-0.3	-0.2	0.0	-8.2	-6.0	-0.9
General government	2.4	2.4	0.6	0.2	1.1	0.7	0.5	0.3	0.2	0.2	7.1	3.1	0.9
Exports	-1.5	3.2	-0.9	0.7	0.5	0.6	-0.8	0.3	1.0	0.2	2.5	1.6	1.2
Contributions (in points)													
Domestic demand excluding inventory**	-0.1	0.2	0.4	0.1	0.1	0.1	0.3	0.1	0.1	0.2	0.9	0.6	0.5
Changes in inventories**	-0.1	0.0	-0.2	-0.7	0.0	-0.1	0.1	0.0	-0.1	0.1	-0.4	-0.6	0.0
Foreign trade	0.2	0.5	-0.1	1.0	0.1	0.2	-0.1	-0.1	0.2	-0.1	0.6	1.0	0.1

■ 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 Q1 2024, the imports increased by 0.1%.

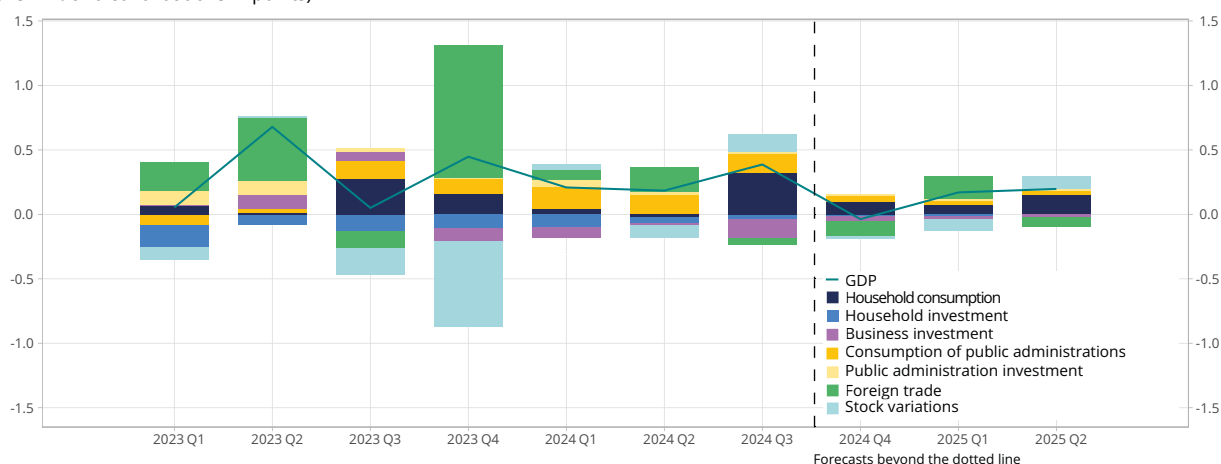
Source: INSEE.

According to the business tendency surveys, the situation remains gloomy with the business climate indicator languishing below its long-term average for several months and remaining on a negative trend (► [Figure 3a](#)). In industry in particular, the outlook for the business community has deteriorated in all sectors with the exception of transport equipment, thanks to the aeronautical sector (► [Figure 3b](#)). Business leaders in the construction sector are also pessimistic in their business forecasts, particularly for new construction (► [Figure 3c](#)). The employment climate, which had remained on a much more positive trend than the business climate throughout 2022 and 2023, reflecting the fact that employment was growing much more vigorously than business activity, has now returned to normal over the past year. In November, it stood at just below its long-term average (99), reflecting less vigorous job creation. Household confidence, which had plummeted to well below its long-term average in the wake of the invasion of Ukraine and the inflationary shock (reaching 80 in the summer of 2022), recovered steadily until the beginning of 2024, and then stabilised throughout the first part of the year, at what remains a depressed level. It then picked up again this summer, rising from 90 in June to 95 in September. Such a burst of optimism is commonly observed at the times of national elections, to which an effect linked to the Paris Olympic and Paralympic Games may have been added (► [Focus Economic outlook](#), October 2024). Nonetheless, confidence deteriorated again in October and November, returning to its June level, a long way from its historical average, a sign that this relative upturn in optimism was only temporary.

Against this unpromising backdrop, activity is expected to be sluggish in Q4 (0.0% GDP growth forecast). The Olympic and Paralympic Games, which buoyed activity in the summer, are likely to have a negative impact on its trend in the autumn. Apart from this effect, activity is likely to remain sluggish (+0.2% in Q4), maintaining a similar rate to that recorded this summer. Manufacturing output looks set to be virtually stable: the aeronautical industry should make substantial deliveries towards the end of the year, but activity in “other industrial branches” is expected to start deteriorating again. The production of services is expected to come to a standstill in a backlash to the impact of the Paris Olympic and Paralympic Games. In construction, activity should continue to decline (-0.4%), mainly due to weak demand, which is increasingly mentioned by companies as the only factor holding back production (19% of enterprises in the construction sector were concerned in November 2024, the highest proportion observed since January 2018).

Amongst the main components of demand, household consumption is set to rise slightly despite the impact of the Olympic Games (+0.2% in the Q4 after +0.6%). It should be buoyed up by the continued slight upturn in food consumption (+0.4% after +0.5%), linked to the drop in food inflation, but also by motor vehicle purchases: vehicle registrations were vigorous in November in anticipation of the reduction in the bonus for electric vehicle purchases (which finally occurred at the beginning of December), and the planned tightening of the CAFE standard for vehicle emissions at European level at the beginning of 2025.

► 2. Quarterly variations in GDP and contributions of main demand items (variations in % and contributions in points)



How to read it: in Q3 2024, GDP is expected to increase on the first quarter (+0.4%); the contribution of household consumption to this trend would be around +0.3 points.

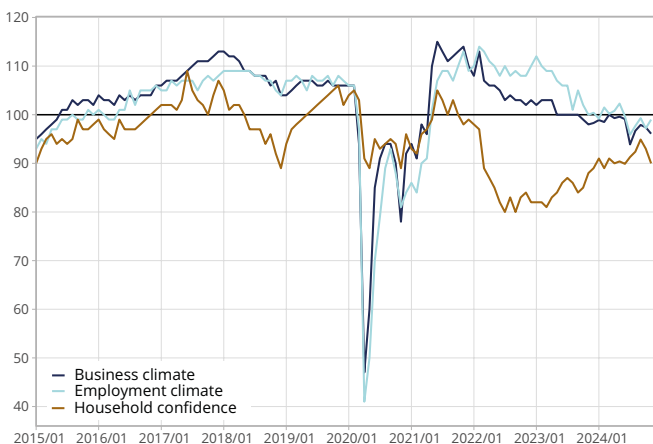
Source: INSEE.

French economic outlook

The decline in household investment is expected to continue (-0.3% in Q4), albeit at a slower pace than before; household investment in construction is set edge down moderately (-0.5% after -0.6%), reflecting the delayed stabilisation of housing starts, whereas household investment in services is set to pick up again (+0.5% after -0.9%). The cycle of interest rate cuts by the ECB, which began in June, is beginning to fluidify transactions, as confirmed by the slightly better balance of opinion on purchasing intentions in the business tendency survey of households. For enterprises, investment in manufactured goods is likely to keep falling (-1.0% after the historic decline of -4.6% in Q3), mainly as a result of persistently unfavourable financing conditions. Corporate investment in construction looks set to edge down for the eighth successive quarter (-0.7%), in a context that remains unpromising for commercial property, and corporate investment in services is likely to slow (+0.5% after +1.0%). Lastly, the contribution of foreign trade to activity is expected to be slightly negative (-0.1 point), due a backlash effect after the Paris Olympic and Paralympic Games and despite significant aeronautical deliveries.

► 3a. Business climate, employment climate and household confidence in France

(normalized with mean 100 and standard deviation 10)



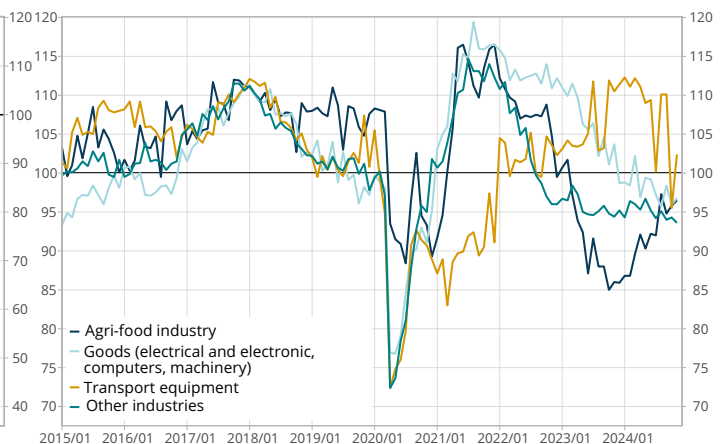
Last point: November 2024.

How to read it: in November 2024, business climate in France stands at 96, below its long-term average of 100.

Source: business and consumer surveys, INSEE.

► 3b. Business climate in the main sub-sectors of the manufacturing industry

(normalized with mean 100 and standard deviation 10, since 1990)



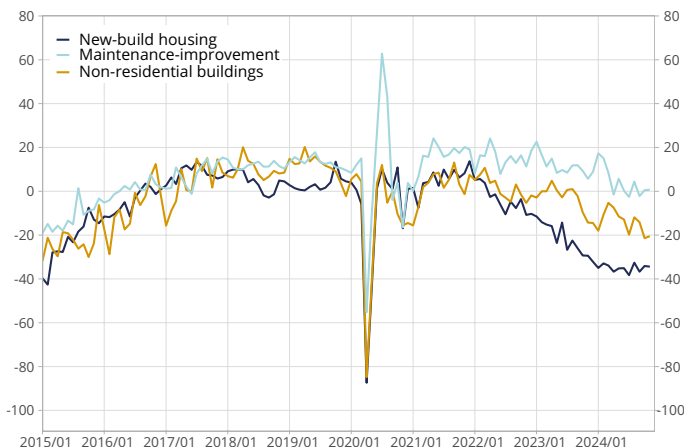
Last point: November 2024.

How to read it: in November 2024, the business climate in agri-food industries stands at 97 points, below its long-term average (100).

Source: business and consumer surveys, INSEE.

► 3c. Balances of opinion on planned construction activity by type of work to be done

(opinion balances)



Last point: November 2024.

How to read it: in November 2024, the balance of opinion on planned maintenance and improvement works remains stable compared to October 2024, at just above 0.

Source: business and consumer surveys, INSEE.

In H1 2025, activity should remain sluggish (+0.2% in Q1, then +0.2% in Q2). Manufacturing output is set to remain flat, while construction activity is expected to take less of a toll on growth (-0.3% in Q1 and -0.2% in Q2). However, in reaction to the poor harvests in 2024, agricultural activity is expected to be particularly buoyant in 2025, contributing +0.1 percentage point to French growth in 2025. The production of services is expected to rise again (+0.2% growth per quarter for all market-sector services), in the wake of household consumption.

On the demand side, corporate investment should keep edging down at virtually the same rate (-0.3% in Q1 and -0.2% in Q2): financing conditions are expected to improve, but the prevailing uncertainty is likely to prevent businesses from taking full advantage of them. Household investment in construction is expected to be slow to stabilise (-0.4% in Q1 and -0.1% in Q2), while household investment in services should continue to rise (+0.5% per quarter). Household consumption is likely to be the main driver of growth, as it looks set to rise moderately in H1 (+0.1% in Q1 and +0.3% in Q2). Household purchasing power is likely to increase at a slightly slower pace over the forecasting period, and the decline in the savings rate, which stood at a very high level in Q3 2024, should remain modest (18.2%, ► **Focus** on the savings rate of European households): household confidence, which had gradually improved over the summer, fell back sharply in November. After several quarters of sustained growth (between +0.5% and +0.7% per quarter), the consumption of general government should slow down significantly (+0.2% at end 2024 and +0.1% in both Q1 and Q2 2025). On the Government side, the renewal of last year's budget is expected to lead to a marked slowdown, while local authority spending is expected to return to normal after rising sharply in 2024. Finally, the profile of the contribution of foreign trade to growth in H1 2025 (+0.2 points then -0.1 point) is likely to be determined by major shipbuilding deliveries in Q1. Beyond this one-off effect, France's losses of export market shares are unlikely to be offset over the forecasting period.

► 4. Quarterly changes in economic activity by industry

(quarterly changes in %)

Branch	weight in %	2023				2024				2025		2023	2024	2025 ovhg
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Agriculture, forestry and fishing	1.6	1.7	0.9	-1.2	-3.1	-4.1	-4.3	-3.6	0.0	3.6	3.2	4.9	-11.3	3.0
Industry	13.4	4.3	2.2	0.2	1.4	0.8	-0.1	0.7	-0.2	0.0	0.0	5.8	2.8	0.1
Manufacturing industry	11.2	1.1	1.9	0.0	0.6	-0.6	-0.8	0.0	0.1	0.0	0.0	2.5	-0.3	-0.2
Manufacture of food products, beverages and tobacco-based products	1.9	-1.5	1.1	-1.4	0.0	3.7	-1.0	-0.2	0.0	-	-	-4.7	2.4	-
Coke and refined petroleum	0.1	-4.7	9.2	10.5	1.9	-4.2	5.9	2.1	1.0	-	-	31.5	10.1	-
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1.5	3.1	1.7	-1.1	-0.5	-1.4	-0.9	0.1	0.0	-	-	4.8	-2.5	-
Manufacture of transport equipment	1.7	6.4	5.8	-0.7	1.3	-5.8	-1.6	-0.9	1.2	-	-	14.0	-5.2	-
Manufacture of other industrial products	6.1	-0.1	0.9	0.4	0.8	-0.2	-0.6	0.2	-0.7	-	-	0.5	0.2	-
Extractive industries, energy, water, waste treatment and decontamination	2.2	22.1	3.3	0.9	5.0	3.3	1.7	2.6	-1.0	0.0	0.0	23.4	10.9	0.9
Construction	5.7	1.2	1.1	-0.3	-0.8	-1.8	-0.9	-0.1	-0.4	-0.3	-0.2	2.2	-3.0	-1.0
Mainly market services	57.5	-0.6	0.9	0.3	0.6	0.4	0.3	0.5	-0.1	0.2	0.2	1.4	1.7	0.7
Trade; repair of automobiles and motorcycles	10.2	-1.3	0.6	0.0	0.0	0.2	-0.4	-0.6	0.0	-	-	-1.1	-0.2	-
Transport and storage	4.4	-3.7	0.9	-1.6	0.3	0.6	0.2	0.3	0.1	-	-	-3.9	0.5	-
Financial and insurance activities	3.6	-1.3	-1.2	-1.9	-0.6	0.3	1.7	-0.7	0.0	-	-	-2.2	-0.5	-
Real estate activities	14	0.0	0.3	0.1	0.2	0.2	0.2	0.2	0.2	-	-	0.7	0.8	-
Accommodation and catering	2.4	2.0	3.9	0.9	1.2	0.2	0.8	0.5	0.5	-	-	12.8	3.5	-
Information and communication	5.5	0.9	1.8	1.3	1.5	0.9	0.7	1.8	0.9	-	-	6.3	4.8	-
Scientific and technical activities; administrative and support services	14.5	-0.1	1.6	1.2	1.6	0.3	0.5	0.9	0.6	-	-	3.3	3.5	-
Other service activities	3	0.7	0.1	0.6	0.2	0.5	-0.1	3.7	-3.0	-	-	3.3	2.0	-
Mainly non-market services	21.7	-0.4	-0.3	0.1	0.4	0.4	0.6	0.5	0.2	0.2	0.2	-0.7	1.4	0.8
Total VA	100	0.2	0.8	0.1	0.5	0.3	0.2	0.5	-0.1	0.2	0.2	1.6	1.3	0.6

■ Forecast

How to read it: in Q3 2024, value added in the transport equipment manufacturing branch fell by 0.9%. It is expected to rise by 1.2% in Q4 2024.

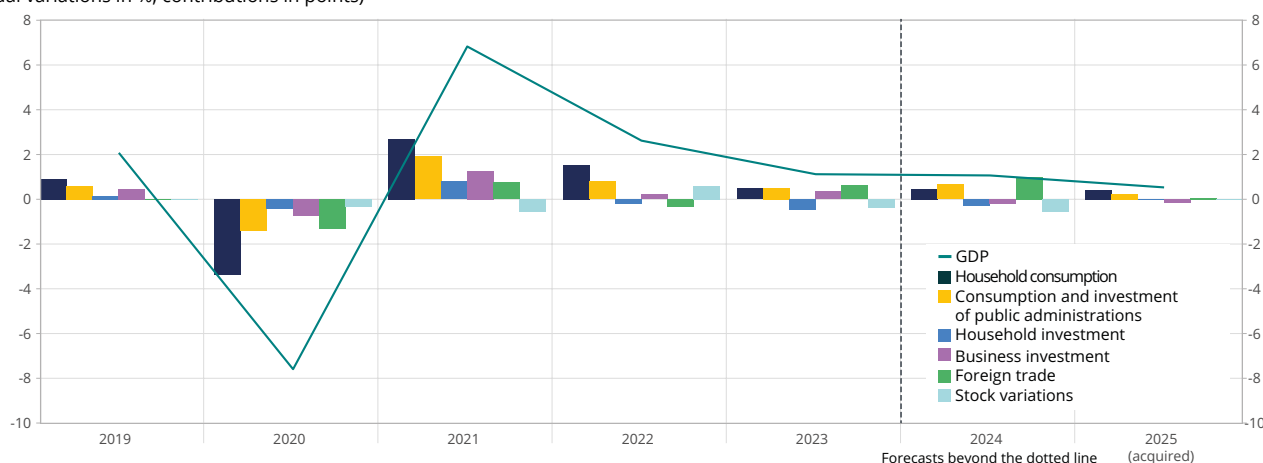
Source: INSEE.

French economic outlook

All in all, annual growth for 2024 is expected to stand at +1.1%, as in 2023. The mid-year growth overhang for 2025 is expected to reach +0.5% (► [Figure 5](#)). This forecast remains subject to uncertainty, not least with regard to the political situation in France. In fact, the forecast produced in this issue of *Economic Outlook* is based on an analysis of economic indicators, the most recent of which relate to October, and on responses to surveys of economic players conducted in November, before the National Assembly passed a vote of no confidence in the French Government. Developments in the political situation in France therefore constitute a major uncertainty in the scenario, especially with regard to the fate of the budgetary measures planned for 2025. As far as the fiscal impulse is concerned, the forecast is based on the assumption that a special law authorising the Government to levy tax on the basis of the tax scales in force will be passed, and that the budget passed for the last fiscal year, i.e. 2024, will be rolled over. The uncertain political context is likely to alter the behaviour of economic players, fuelling the wait-and-see attitude among households and businesses alike that emerged at the start of the summer of 2024. On the international front, new geopolitical and trade tensions could once again threaten growth, notably through a rise in energy prices or a deterioration in world trade if the United States rapidly embarks on a policy of raising customs tariffs. ●

► 5. Annual variations in GDP and contributions of main demand items

(annual variations in %; contributions in points)



Note: general government consumption also includes consumption by non-profit institutions serving households (NPISH).

How to read it: in 2023, GDP would increase by 1.1%; the contribution of household consumption amounted to +0.5 points.

Source: INSEE.

Poor harvests in France are expected to cost 0.2 points of annual growth in 2024

Climatic conditions in 2024 were very unfavourable for agricultural production, especially crop production. Heavy rainfall in the winter of 2023-2024 resulted in a sharp decline in cultivated areas, and following this, the lack of sunshine and excess humidity during spring 2024 led to a collapse in yields, especially cereals (wheat, barley). Wine production was also down in 2024. Thus, production in the agricultural branch as a whole is expected to fall by 3.6% in 2024. In 2025, assuming a return to normal for crop cultivation, it should increase by 2.5%.

The value added of the agricultural branch looks set to fall back more sharply than production in 2024, due to less volatile intermediate consumptions, it should then also rebound more strongly in 2025. All in all, the agricultural branch is expected to take about 0.2 points off gross domestic product growth in 2024, and make a positive contribution of 0.1 points in 2025.

Sylvain Heck, Andrea Mencarelli

Agricultural production is expected to decline sharply in 2024

In 2024, production in the agricultural branch¹ in France is expected to fall back by 3.6% on average across the year,² after increasing for three consecutive years (► [Figure 1a](#)). This sharp decline is due mainly to a drop in crop production (► [Figure 1b](#)), which represents about 60% of agricultural production, and which is likely to decline by an average of 6.2% across the year³ (after +5.9% in 2023). Conversely, animal production,⁴ which represents about 40% of agriculture, is expected to rebound slightly (+1.0% in 2024 after -3.5% in 2023).

Cereal crops (around a quarter of crop production) look set to tumble by almost 16% in 2024, after the rebound recorded the previous year (+7.2%). Production of soft

wheat in particular is likely to be the lowest recorded in forty years due, on the one hand, to the effect of the significant reduction in cultivated surface area (-12%) after heavy rainfall in Q4 2023, and on the other hand, to the dramatic fall in yields (-17%) caused by a lack of sunshine and excess humidity during the spring. Barley production too is expected to decline by almost 20% in 2024, hampered by the significant downturn in yields and areas cultivated with winter barley.

Wine production (around a quarter of crop production) is also expected to fall sharply in 2024 (-20.5% after +2.9% in 2023), due mainly to the excess rainfall and mildew that affected several wine-growing areas (Champagne, Bourgogne, Val de Loire). Hail damage in the South-West and Bourgogne, and persistent drought in Languedoc-Roussillon have also hit production this year.⁵

¹ Here the agricultural branch includes agriculture, forestry and fishing.

² Estimates for agricultural production are based on "First estimates for the 2024 agricultural accounts – Poor harvests and falling prices", *Insee Première* n°2029 of 12 December 2024. The decline in agricultural production and value added in the first three quarters of 2024 can already be seen in the quarterly national accounts published at the end of November. However, the figures from the national accounts may differ slightly from those in the agricultural accounts, as different concepts are being considered.

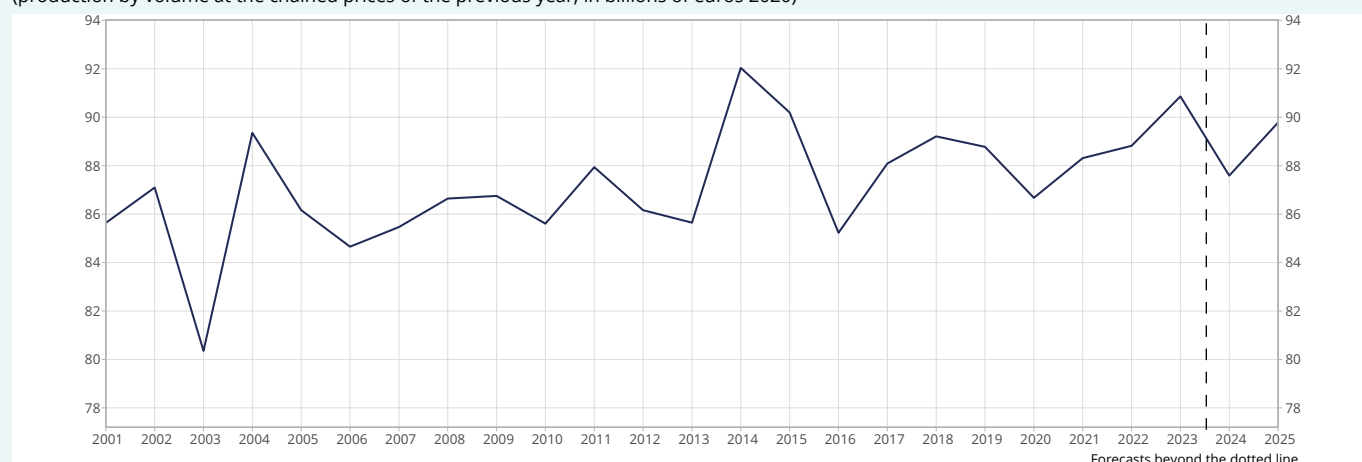
³ Data by volume at constant prices, valued at producer price.

⁴ Here animal production includes forestry and fishing (for simplification).

⁵ Agreste, Infos Rapides N°141 – Viticulture, November 2024.

► 1a. Agricultural production

(production by volume at the chained prices of the previous year; in billions of euros 2020)



Last point: 2025 (annual forecast, assuming that crop yields return to normal).

Source: INSEE.

Economic outlook

In contrast, the other components are expected to help moderate the decline in crop production somewhat in 2024. Notably, the production of fodder crops has increased sharply (+16%), driven mainly by grassland and meadow production, with grass-growing stimulated by the many rainy spells.⁶ In addition, potato production is likely to receive a boost from the installation of several processing plants in Hauts-de-France,⁷ offering new outlets for this sector: it should therefore improve significantly this year (+10.6% after +7.3% in 2023).

A less pronounced decline in production than that recorded in 2016

In 2024, the decline in agricultural production (-3.6%) is expected to be less marked than in 2016 (-5.5%), a year that was also notable for its heavy rainfall and lack of sunshine during the spring. The fall in crop production is likely to be slightly less severe than that observed in 2016 (-6.2% against -7.9%): harvests of soft wheat (-27.0% against -32.4%) and barley (-20.0% against -20.2%) are expected to shrink to similar rates to those recorded in 2016, while the drop in wine production is likely to be significantly greater (-20.5% against -6.6%). However, the very sharp increase in the production of fodder crops and flax should help offset the downturn in plant production in 2024. Animal production too is expected to be more promising in 2024 than in 2016.

This downturn in agricultural production is reflected in foreign trade. Exports of agricultural products (in volumes at the chained prices of the previous year,

6 Meanwhile, the production of maize for fodder has changed only very moderately.

7 Agreste, Infos Rapides N°142 – Grandes cultures, November 2024.

SA-WDA) have collapsed since the summer (-12.4% in Q3 2024 compared to Q3 2023), because of the sharp drop in exports of soft wheat and maize (around 80% in Q3 compared to the beginning of the year). Over this period, export prices were fairly stable, whereas they had increased substantially in 2022, then fallen back in 2023.

Imports of agricultural products (in chained volumes, SA-WDA) increased by 7.4% between Q3 2023 and Q3 2024, during a period of falling prices: the price index for imports of agricultural products has dropped by 9% since the beginning of 2024.

Assuming normal weather conditions, agricultural production is expected to rebound slightly in 2025

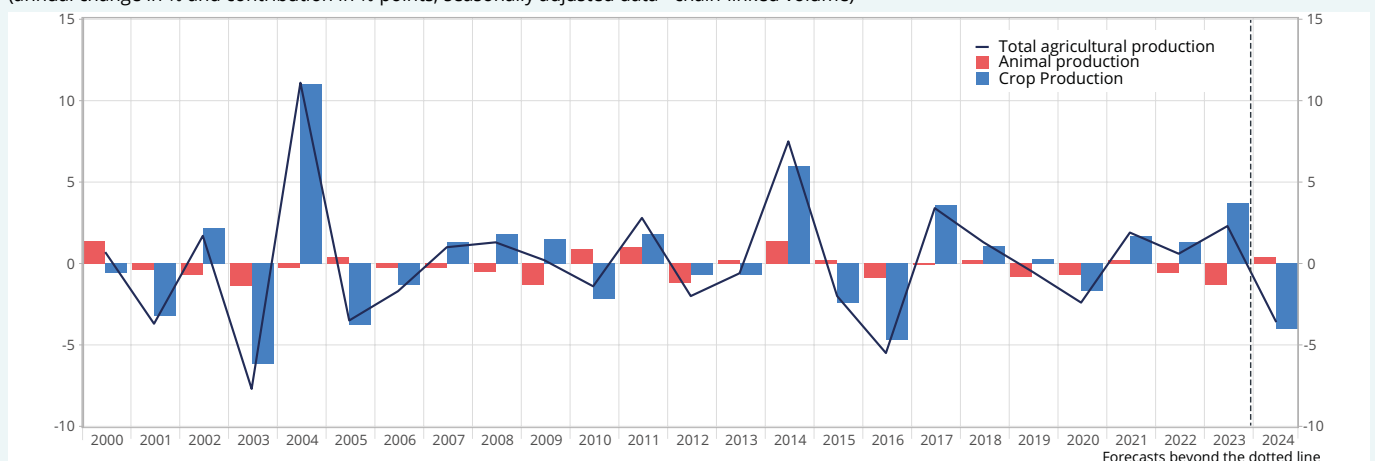
After a sharp decline in 2024, following on from a relatively favourable 2023 (► Figure 1a), production in the agricultural branch has limited potential for a rebound in 2025: assuming a return to normal in crop yields, production in the agricultural branch as a whole would increase by 2.5% (► Figure 1a). For comparison, it rebounded in 2017 (+3.4% after -5.5% in 2016), due to the strong recovery in crop production (+6.2%, ► Figure 1b).

The rebound in value added in the agricultural branch should be more pronounced

Intermediate consumptions in the agricultural branch are, by their very nature, less volatile than production, where variations depend to a large extent on exogenous factors (climate conditions, diseases, parasites). Fluctuations in its added value are therefore generally

► 1b. Change in total agricultural production, contribution of productions

(annual change in % and contribution in % points; seasonally adjusted data - chain-linked volume)



Last point: 2024.

How to read it: in 2021, agricultural production increased by +1.9%. The contribution of crop production to this increase was 1.7 points, while that of animal production was 0.2 points

Source: INSEE

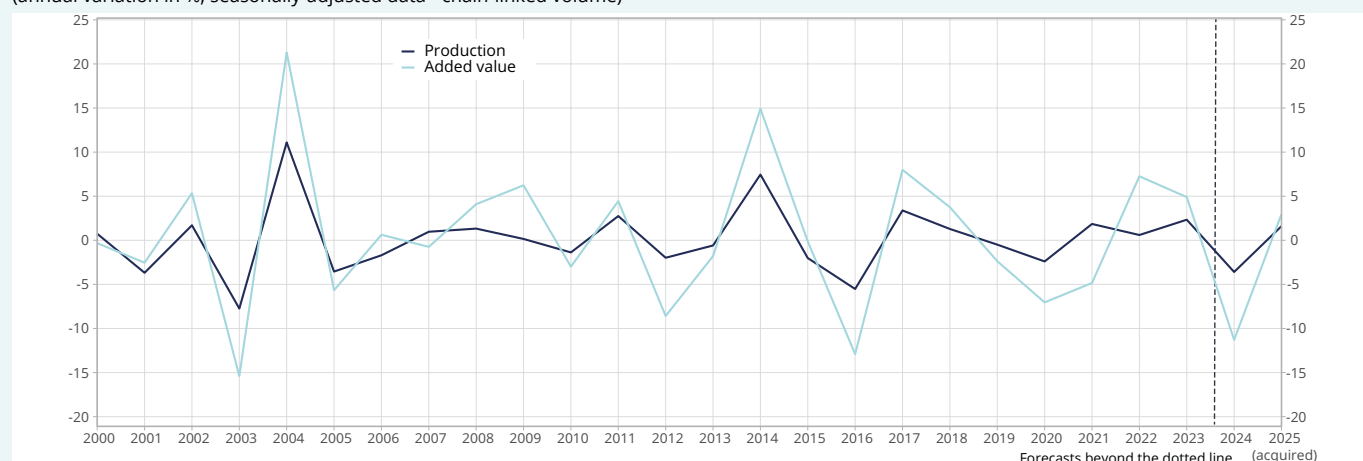
more pronounced (► **Figure 2**). Thus in 2016, when agricultural production had fallen by 5.5%, agricultural value added plummeted by 12.9%; in 2017 the rebound in value added (+8.0%) was again more than twice that in production (+3.4%). In 2024, value added in the agricultural branch is expected to contract by around 11%, before rebounding sharply in 2025.

After reducing growth by 0.2 points in 2024, the agricultural branch could contribute to an increase in GDP in 2025

In 2024, the decline in agricultural production is expected to take about 0.2 points off GDP growth (► **Figure 3**). In 2025, assuming a return to average yields in plant crops, the agricultural branch should contribute to the annual rise in GDP, accounting for 0.1 percentage points. ●

► 2. Change in production and value added in the agricultural branch

(annual variation in %; seasonally-adjusted data - chain-linked volume)



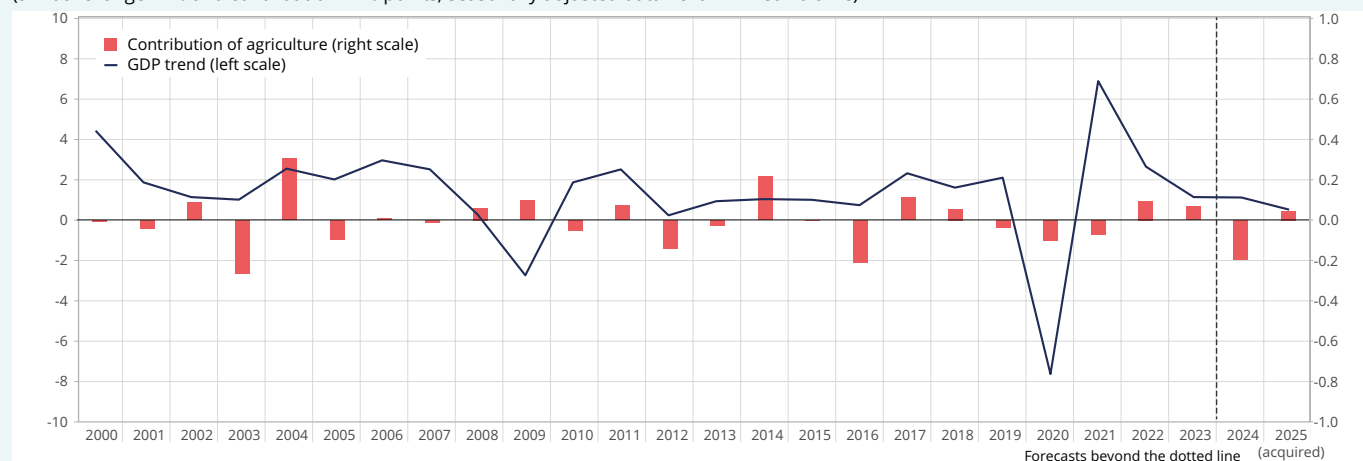
Last point: 2025 (ovhg in Q2).

How to read it: in 2023, agricultural production increased by +2.3%, while value added increased by 4.9%.

Source: INSEE.

► 3. Change in GDP, contribution of the agricultural branch

(annual change in % and contribution in % points; seasonally adjusted data - chain-linked volume)



Last point: 2025 (ovhg in Q2)

How to read it: in 2023, GDP increased by 1.1%, agriculture contributed 0.1 points to this increase.

Source: INSEE.

Over the last three years, the euphoria of the 2010s seems to have waned among e-retailers

By matching the business tendency surveys with those on the use of information and communications technologies (ICT), some cyclical developments in e-commerce could be tracked. In the retail sector, e-commerce boomed during the 2010s, resulting in tremendous optimism on the part of online retailers. However, as e-commerce became more widespread, it became commonplace: this great optimism, measured continuously from 2014 to the end of 2021, and which peaked during the health crisis, has been eroded over the last three years. For a time in 2022, there were more e-retailers than retailers as a whole reporting cash flow difficulties. At the end of 2024, however, renewed optimism has emerged among e-retailers.

Charles-Marie Chevalier

Online retail sales grew strongly until 2021 but then stalled in 2022 and 2023

Retail e-commerce, which represents about a third of e-commerce as a whole (► [Montecino, 2022](#)), has developed in contrasting ways over the last fifteen years. Between 2009 and 2019, turnover in the online retail trade doubled (► [Montecino, 2022](#)), driven by the traditional major retailers. At the same time, the composition of employment in retail trade changed profoundly: between 2016 and 2020, the number of employees in logistics and self-service increased by 12%, whereas sales representatives fell by 14% (► [Arion, 2023](#)).

Subsequently, during the health crisis, online sales helped maintain or even increase turnover, particularly for non-food trade which was subject to restrictions on opening times (► [Faquet and Malardé, 2020](#); ► [Bezard-Falgas, Guillet and Montecino, 2023](#)). More recently, however, for the distance sales sector, which includes major specialists in the field (► [Method](#)), sales fell in 2022 and then again in 2023: -3.3% and -1.7% respectively, after +15.3% in 2021 (► [Insee, 2022a](#) ; ► [Insee, 2023](#)).

The e-retail sector is made up of two main types of player, interviewed in the business tendency surveys

From the monthly tendency survey in the retail trade sector, these dynamics can be confirmed over time and the most recent signals highlighted. Every month, since 1991, this survey has recorded trends across the sector, and especially in the two main categories of e-retailer questioned: on the one hand, those retailers for whom e-commerce lies at the heart of their business activity (sometimes called

“pure players”) and who are classified in the distance sales sub-sector of the classification of French activities (NAF); on the other hand, businesses using online sales and classified in general trade (especially food) or specialist trade (apparel, furniture, electrical household appliances, etc.). The respective share of these two categories of player in online retail sales has changed over the last 15 years: pure players represented about 60% of retail e-commerce at the beginning of the 2010s, around half in 2019 and only 37% in 2020 (► [Imberti, 2022](#), ► [Figure 1](#)).

In order to reconstruct an aggregate for e-commerce within retail trade and analyse its specific short-term characteristics, we match the responses to the business survey with those from the information and communications technology survey (ICT), which records annually the share of turnover attributable to online sales (► [Method](#)). The matching of the two surveys is not exhaustive¹ but the companies interviewed in the business tendency survey represent over 80% of turnover in online retail sales. For this study, companies' responses to the business survey are weighted according to their online turnover, with the annual share of online sales taken from the ICT survey.² For e-commerce specialists (► [Method](#)), online trade often represents more than 80% of their turnover, whereas for hyper- and supermarkets or specialist trade, this share is around 10%.

After the euphoria of the 2010s and the health crisis, the short-term outlook for the online retail sector has been returning to normal since 2022

Virtually all short-term balances of opinion (on sales, workforce, order intentions, cash-flow situation, excluding inventories) confirm that the momentum in online business

¹ The sample from the ICT survey is renewed every year, whereas that for the business tendency survey is generally renewed every three years. However, both surveys regularly question the largest business entities domiciled in France.

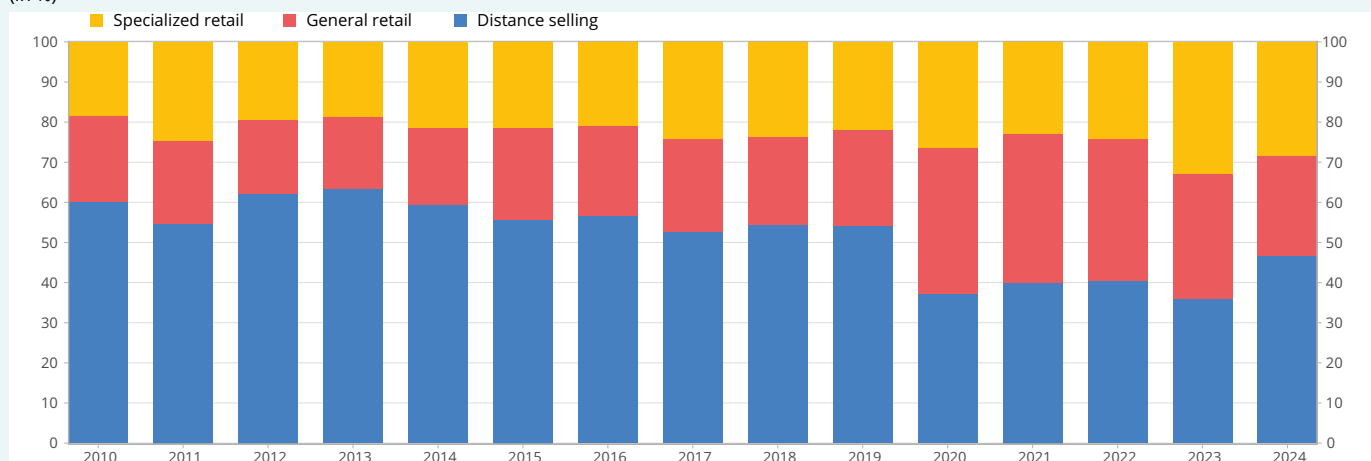
² If the company did not respond to the ICT survey in a given year, the value for the nearest year was used

was continuously more favourable between 2014 and 2021 (► [Figure 3](#)). However, the responses of e-retailers have been returning to normal since the beginning of 2022 and are now in line with those of the sector as a whole. Regarding their cash flow, at the end of 2021 and in 2022, it occasionally happened that more e-retailers than other types of retailer considered that they were having difficulties, whereas from 2014 to 2021, they had almost constantly considered that their situation was easier. The composite climate for e-retailers reproduces these relative trends and confirms the slowdown in online sales, which have lost their status as the driving force behind trade (► [Figure 2](#)).

Towards an upturn in online retail trade by the end of 2024?

Over the two most recent months of the survey (October and November 2024), the economic outlook for online retail trade seems to be improving once again, while that of the retail sector as a whole is stagnating. This improvement is due in particular to the more favourable opinions of e-retailers concerning past sales and expected changes in workforce. Turnover data also reveal an earlier improvement from August 2024 which does not show up in the business tendency surveys. In the next few months the diagnosis will be refined and it will be possible to assess whether this is another turning point or simply a sudden flare-up. ●

► 1. Proportions of online retail sales by sub-sector (in %)

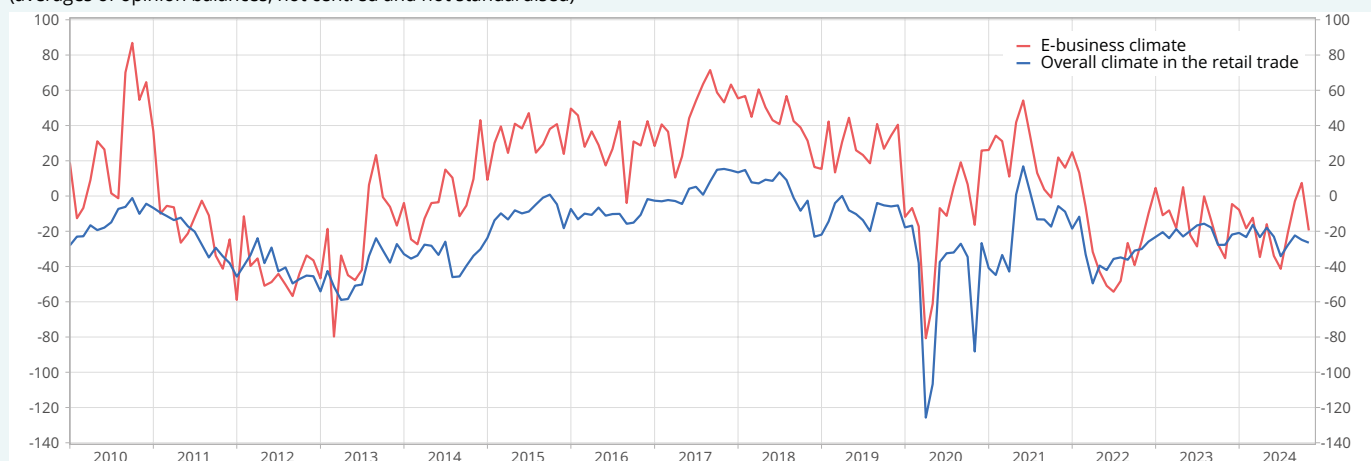


Note: scope is limited to retail trade excluding the automotive sector (NAF code 47). Online sales are calculated from turnover figures in the business tendency surveys and shares of online sales in the ICT surveys then reprocessed (► [Method](#)). Concerning the trade and repair of automobiles, this is generally a smaller proportion, less than 15% over the period studied. For 2024, the data do not take into account the December tendency survey.

Source: INSEE, business surveys and ICT surveys.

► 2. Business climate

(averages of opinion balances, not centred and not standardised)



Note: non-standardised climates, calculated over the study period (2010-2024) for e-commerce and for all retail trade. This latter climate differs from that usually published, as it is calculated over a longer period, from 1991, and standardised (► [Method](#)).

How to read it: in November 2024, the business climate was -19.5 in retail e-commerce and -26.5 across all retail trade.

Source: INSEE, business surveys and ICT surveys.

French economic outlook

► 3. Main balances of opinion on activity and workforce

(seasonally adjusted response balances, in points)



How to read it: in November 2024, the balance of opinion on general expectations for business activity was -25.8 in retail e-commerce and -22.7 across all retail trade.

Source: INSEE, business surveys and ICT surveys.

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Method

The e-commerce considered here focuses on retail trade and thus does not include online sales in other services and industry, which account for approximately two-thirds of online sales in France (► [Montecino, 2022](#)). The online sales specialists mentioned are in the distance sales retail trade sub-sector (NAF rev.2 class 47.91), which also includes mail order sales. The scope does not include warehousing companies, which are not included in the tendency survey in the retail sector. Finally, e-commerce is limited in this study to sales made online via a website, without taking into account sales via electronic data interchange (EDI), which are a minority in the retail trade sector.

The study used the business tendency survey and the ICT survey between 2010 and 2023. Responses were monthly for the former and annual for the latter. Each individual response was weighted according to the turnover declared in the tendency survey multiplied by the share of sales made online as reported in the ICT survey for the corresponding year (or by the closest known value). Different imputation methods were tested (last value or average throughout the observation period) and produced results that were qualitatively equivalent. Some outliers were removed at the very beginning of the sample if there was an erroneous declaration or an overestimated imputation on major companies.

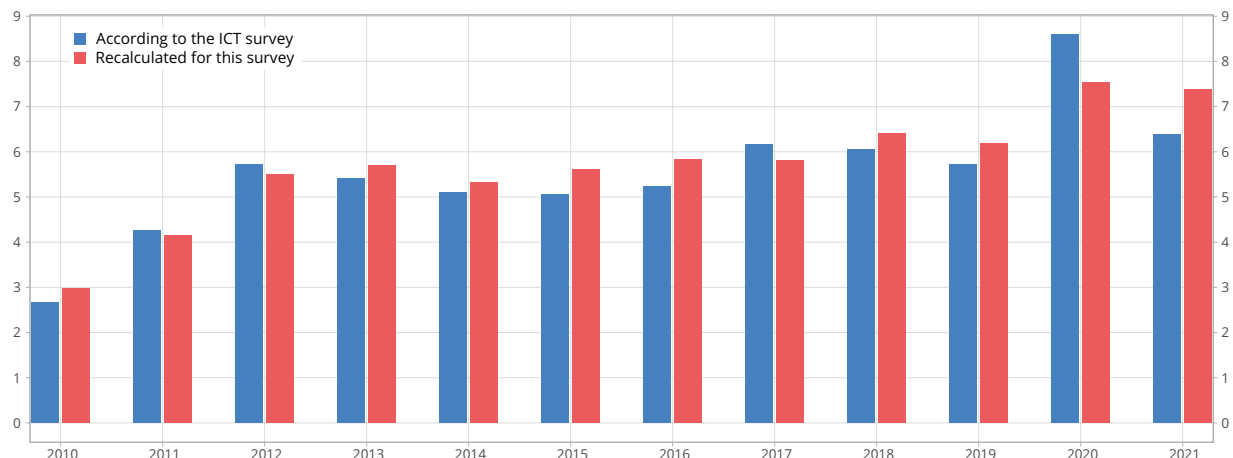
Ultimately, the share of online sales in the turnover of all retail trade obtained using this method is very similar to that obtained directly from the ICT survey (► [Figure 4](#)), which is itself consistent with the associated statistics published annually (see for example ► [Insee, 2022b](#)).

Using this method, the balances of opinion calculated for online retail trade give a non-standardised climate for the period studied (2010-2024), and this is reproduced for the whole sector (this climate therefore differs from that usually published, which is calculated over a longer period, from 1991, then standardised). For 2023 and 2024, the share of online sales is extended using the last known value from the ICT survey. Finally, in order to ensure the consistency of the climate comparison, the scope includes automotive trade and repair, unlike some analyses of online retail trade, such as in

► [Imberti \(2022\)](#). ●

► 4. Share of online sales in the total turnover of retail trade

(in %)



Note: scope includes retail trade and automotive trade and repair (NAF codes 45 and 47).

How to read it: in 2021, the share of online sales in the total turnover of retail trade was 7.4% according to the matched data and 6.4% according to the ICT survey data.

Source: INSEE, business surveys and ICT surveys.

Foreign trade

Imports fell back in Q3 2024 (-0.6% after +0.1% in Q2) in the wake of investment, while exports declined even further (-0.8% after +0.6%), with the result that foreign trade weighed a little on GDP growth (-0.1 points, ► [Figure 1](#)). The drop in exports particularly concerned manufactured products (-1.9%): this reflects on the one hand losses in market share by French exporters, and on the other hand a reaction to the sizeable naval deliveries in Q2. Sales in agriculture also plummeted (-12.0%), due to poor French harvests, a similar situation to that observed in 2016 (► [Focus](#) on agricultural production in 2024). Conversely, exports of services were dynamic (+1.3%), mainly with revenue from the audiovisual broadcasting of the Olympic and Paralympic Games, which was recorded in the national accounts when these sporting events were held.

In Q4 2024, exports are expected to rebound moderately (+0.3%), in the wake of exports of manufactured goods (+0.9%), which should be boosted by significant aeronautical deliveries at the end of the year. Concerning other manufactured products, exports look set to improve, in line with world demand for French products, although this will not make up for earlier losses of market share: industrial companies (excluding aeronautics) are interviewed each month in the business tendency surveys, and they do indeed report that their export order books remain depleted (► [Figure 4](#)). Exports of services are expected to fall back after the boost from the Olympic and Paralympic Games, with agricultural exports likely to continue their decline (► [Figure 2](#)). Imports are expected to improve in Q4 2024 (+0.6% forecast after -0.6%, ► [Figure 3](#)). All in all, foreign trade should affect change in GDP only slightly, by around -0.1 points.

Over 2024 as a whole, foreign trade is expected to boost French growth significantly (contribution of +1.0 point to annual growth). Imports are likely to decline considerably (-1.3%), as companies have mobilised their inventories over the recent period. Exports should improve (+1.6%), especially exports of manufactured products (+0.9%). This growth looks set to be in line overall with demand for French goods for export: thus French exporters are expected to stabilise their market share as an annual average.

In H1 2025, exports are expected to accelerate in Q1 (+1.0%) then slow in Q2 (+0.2%). This quarter by quarter schedule is likely to be affected by the timing of aeronautical and naval deliveries, notably with the delivery of a cruise liner during the winter. Apart from these trends, exports of manufactured products excluding the aeronautics and naval sectors are expected to rise in H1 2025, as will world demand for French goods, but without making up for the losses of summer 2024. Meanwhile, imports should continue to increase slightly to cope with household consumption (+0.5% per quarter). The contribution of foreign trade to GDP growth is expected to follow the same pattern as naval deliveries, contributing positively in Q1 2025 (+0.2 points), then negatively in Q2 (-0.1 points). By mid-year, imports are expected to grow slightly less than exports (+1.0% and +1.2% respectively), due to the continuing sluggishness of investment, and with the contribution of foreign trade likely to be slightly positive (+0.1 points). However, the mid-year growth overhang for exports of manufactured products (+1.4%) is likely to remain lower than demand for French goods. Thus, after the improvement in 2023 then the relative stability of 2024, 2025 looks set to see the return of a slight loss of market share for our exporters (► [Figure 5](#)). ●

► 1. French foreign trade

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

	Quarterly variations										Annual variations		
	2023				2024				2025		2023	2024	2025 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Total Exports	-1.5	3.2	-0.9	0.7	0.5	0.6	-0.8	0.3	1.0	0.2	2.5	1.6	1.2
Manufactured products	-0.6	4.7	-1.0	-0.8	0.8	1.0	-1.9	0.9	1.4	0.1	2.8	0.9	1.4
Total Imports	-2.0	1.8	-0.5	-2.0	0.1	0.1	-0.6	0.6	0.5	0.5	0.7	-1.3	1.0
Manufactured products	-1.7	1.8	-1.2	-2.5	0.5	-0.2	-0.8	0.6	0.5	0.5	0.5	-1.9	0.9
Contribution of foreign trade to GDP	0.2	0.5	-0.1	1.0	0.1	0.2	-0.1	-0.1	0.2	-0.1	0.6	1.0	0.1

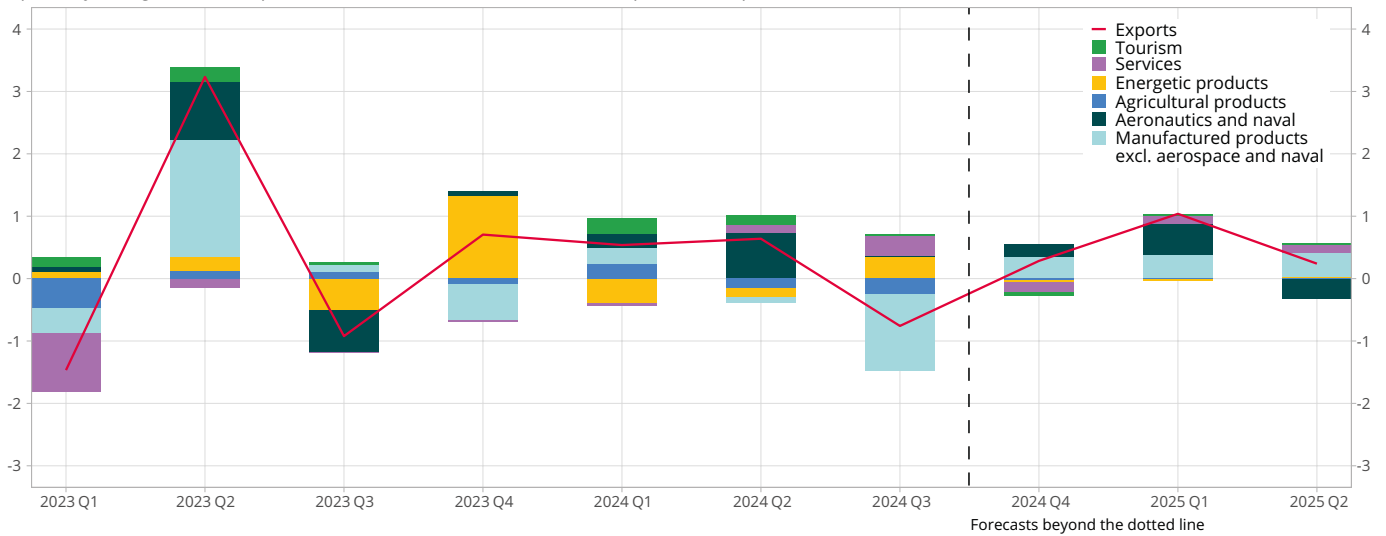
■ Forecast.

How to read it: in Q3 2024, French exports fell by 0.8%.

Source: INSEE.

► 2. Contributions of different products to exports

(quarterly changes in total exports, in %, and contributions of individual products, in points)

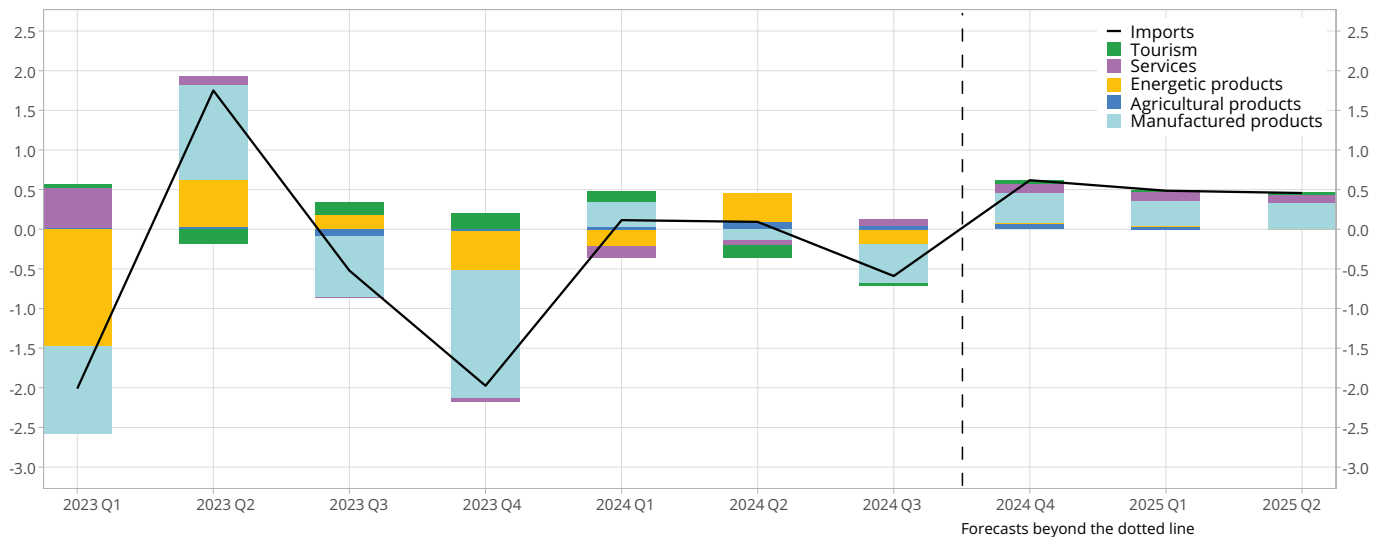


How to read it: French exports fell by 0.8% in the third quarter of 2024. Exports of manufactured goods, excluding aeronautical and naval equipment contributed by -1.2 points.

Source: INSEE.

► 3. Contributions of different products to imports

(quarterly changes in total imports, in %, and contributions of individual products, in points)

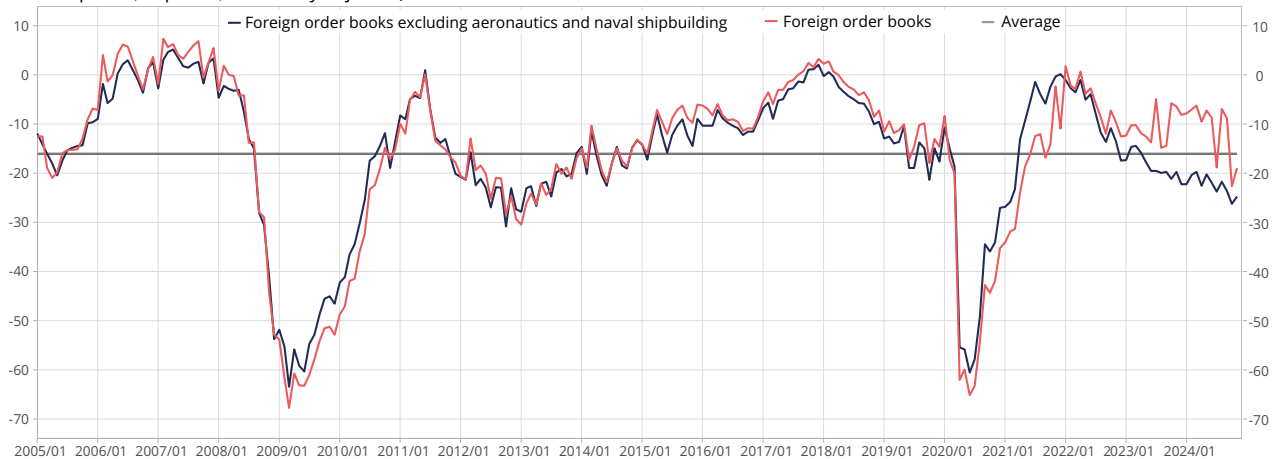


How to read it: French imports fell by 0.6% in the third quarter of 2024. Imports of manufactured goods contributed -0.5 points.

Source: INSEE.

► 4. Balance of opinion on foreign order books in industry

(balances of opinion, in points, seasonally adjusted)



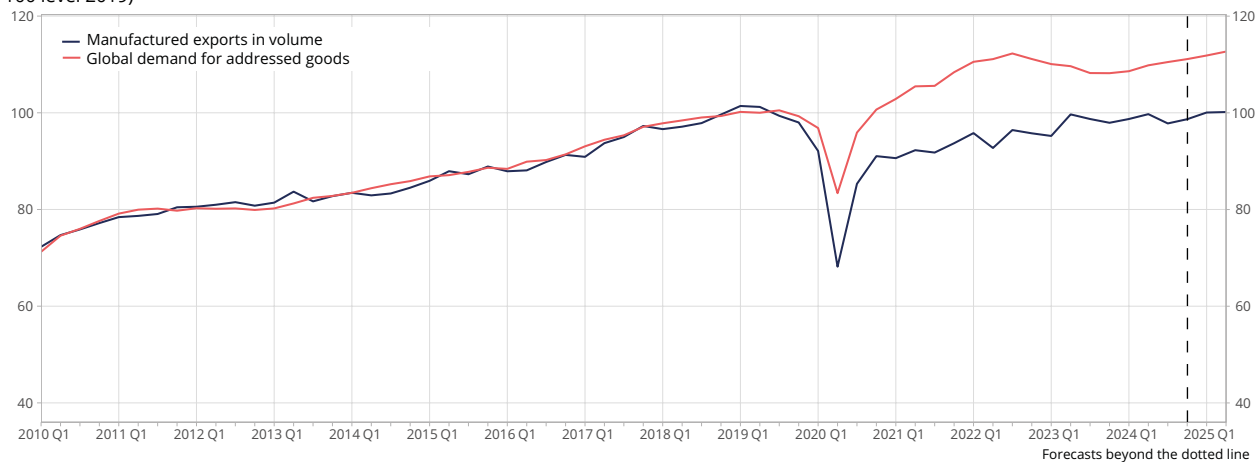
Last point: November 2024.

Source: industry business survey, INSEE.

French economic outlook

► 5. Exports and world demand for goods

(base 100 level 2019)



Last point: Q2 2025.

How to read it: exports of manufactured products by volume in Q3 2024 were 1.3% down on 2019.

Source: DG Trésor, INSEE calculations.

Employment

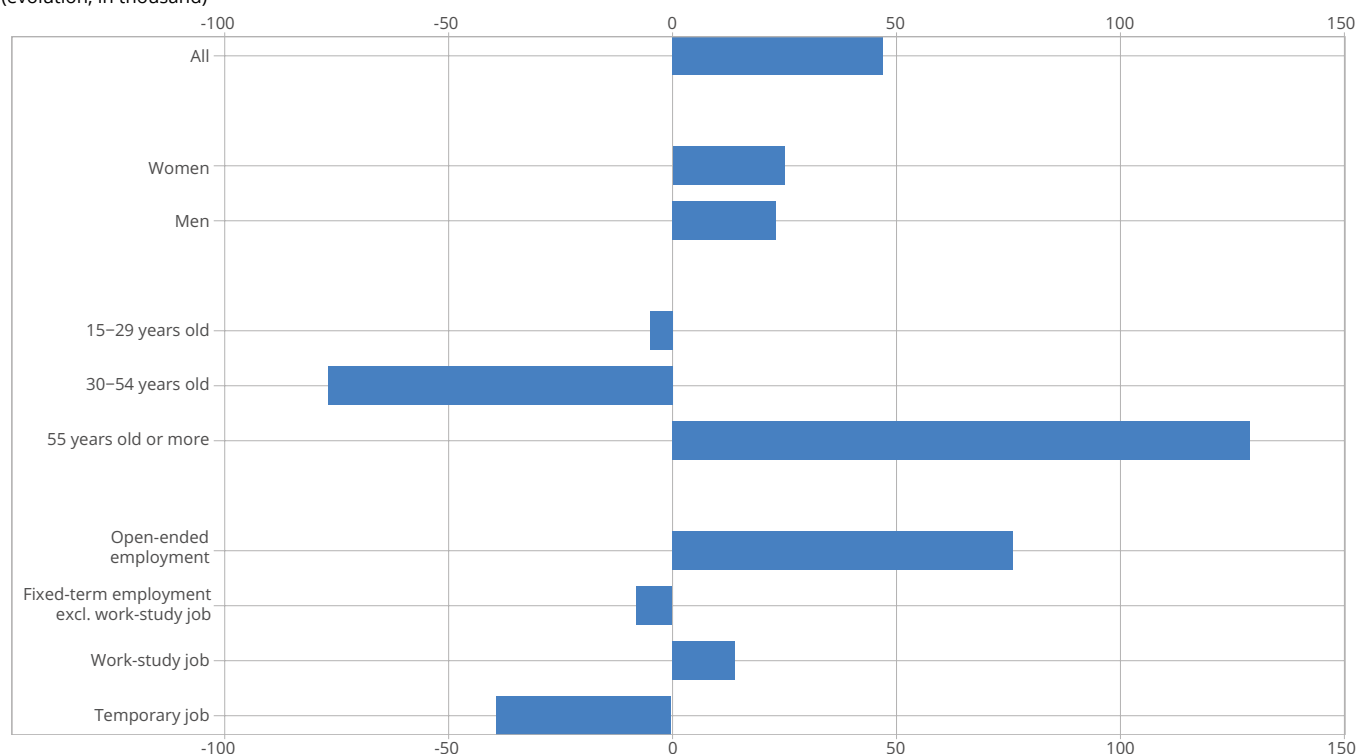
In Q3 2024, payroll employment increased by 0.2% (i.e. +49,000 jobs): this increase came in both the public (+22,000 jobs) and private sectors (+27,000 jobs). It concerned in particular the non-market tertiary sector, accommodation-catering and, to a lesser extent, services to businesses. In the private sector, payroll employment of seniors continues to grow (+129,100 jobs year on year for those aged 55 and over), for 30-54-year-olds it has declined (-77,100 jobs), while for the under-30s it has remained stable (► [Figure 1](#)). Although this increase was greater than expected, payroll employment continues to slow year on year: +0.5% against +0.7% at the end of 2023 and +1.4% at the end of 2022.

Responses from business leaders in the business tendency surveys suggest that there was a moderate increase in their workforce in Q4 2024, as the climate in which their responses were analysed was slightly below its long-term average (► [Figure 2](#)). In addition, employment in work-study programmes made a substantial contribution to the earlier increase in total employment (accounting for about one third of the increase between the end of 2019 and the end of 2022), then moved downwards in 2023. It then fell back further in summer 2024 as a result of the reduction in the one-off bonuses for apprenticeships, and is expected to remain in decline over the coming quarters. Thus it is likely that private sector employment will continue to slow: it is expected to start to erode in industry, continue to slip back in construction and temporary employment and is unlikely to rise any further in the market tertiary sector. Meanwhile, public employment looks set to stabilise by mid-2025, after two years of growth in 2023 and 2024.

Self-employment is expected to continue to increase, but less and less significantly, due to the slight slowdown in the creation of micro-enterprises. All in all, total employment is expected to remain virtually stable from Q4 2024 to Q2 2025. Year on year, it looks set to increase by 0.4% (i.e. around +108,000 jobs) by mid-2025, a slower pace than the previous year (► [Figure 3](#)). Activity should increase more rapidly (+0.7% expected year on year by mid-2025), which should give apparent labour productivity the chance to continue to pick up. Since the end of 2023, in the non-agricultural market sector, excluding work-study employees, per capita productivity has been in excess of its pre-health crisis level, although it has not yet caught up with the accumulated loss of productivity (► [Figure 4](#) and [blog in French](#)). It has exceeded its pre-crisis level in the market tertiary sector since early 2022. Conversely, by mid-2025 in industry and construction, productivity is still likely to be well below its pre-health crisis level. ●

► 1. Number of private payroll jobs created between Q3 2023 and Q3 2024

(evolution, in thousand)



How to read it: between the third quarter of 2023 and the third quarter of 2024, private salaried employment rose by 129,000 for those aged 55 or over.

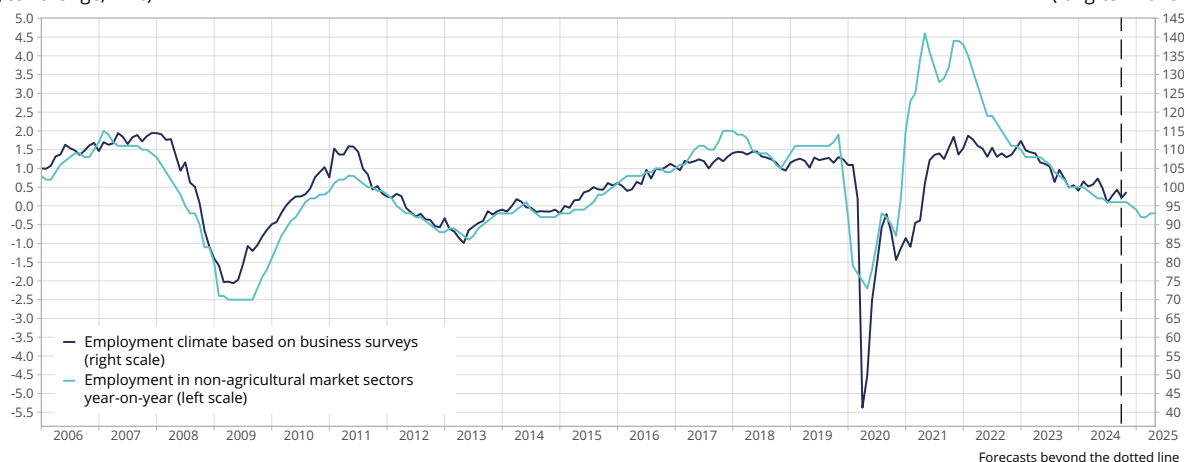
Source: INSEE, Employment estimates; quarterly estimates URSSAF, DARES, INSEE.

French economic outlook

► 2. Employment climate and change in market payroll employment

(year-on-year change, in %)

(long-term average 100)



Last point: November 2024 for the employment climate, Q3 2024 for the year-on-year change in employment in the non-agricultural market sectors (forecast for the last three points).

How to read it: in November 2024, the employment climate stands at 99 points, just below its long-term average; in the Q3 of 2024, non-farm payroll employment was 0.1% higher than a year earlier.

Source: INSEE, business surveys and DARES-INSEE-URSSAF, quarterly employment estimates, INSEE forecast.

► 3. Change in payroll employment

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

	Evolution over 3 months										Evolution over 1 year		
	2023				2024				2025		Q4 2022	Q4 2024	Q2 2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Payroll employment	35	68	48	23	74	-15	49	6	-8	-8	175	113	38
	0.1%	0.3%	0.2%	0.1%	0.3%	-0.1%	0.2%	0.0%	0.0%	0.0%	0.7%	0.4%	0.1%
By sector of activity													
Agriculture	-9	6	3	4	0	-11	7	2	0	0	4	-2	9
Industry	7	8	11	10	7	4	0	0	-3	-3	35	12	-6
Construction	-2	-2	-4	-4	-8	-9	-4	-10	-10	-10	-13	-30	-34
Market tertiary	23	37	17	-14	43	-21	10	0	0	0	63	32	10
of which: temporary work	-20	-5	-18	-10	-5	-18	-6	-5	-5	-5	-53	-34	-21
of which: excl. temporary work	43	42	35	-4	48	-3	16	5	5	5	117	66	31
Non-market tertiary	16	20	22	28	31	21	35	14	5	5	85	101	59
By type of employer													
Private	16	55	39	-2	55	-33	27	-3	-11	-8	108	46	5
Public	20	13	10	25	19	18	22	9	3	0	67	68	33
Self-employment	23	23	23	23	20	20	20	20	15	15	90	80	70
	58	90	71	46	94	5	68	26	7	7	265	193	108
All	0.2%	0.3%	0.2%	0.2%	0.3%	0.0%	0.2%	0.1%	0.0%	0.0%	0.9%	0.7%	0.4%

■ Forecast.

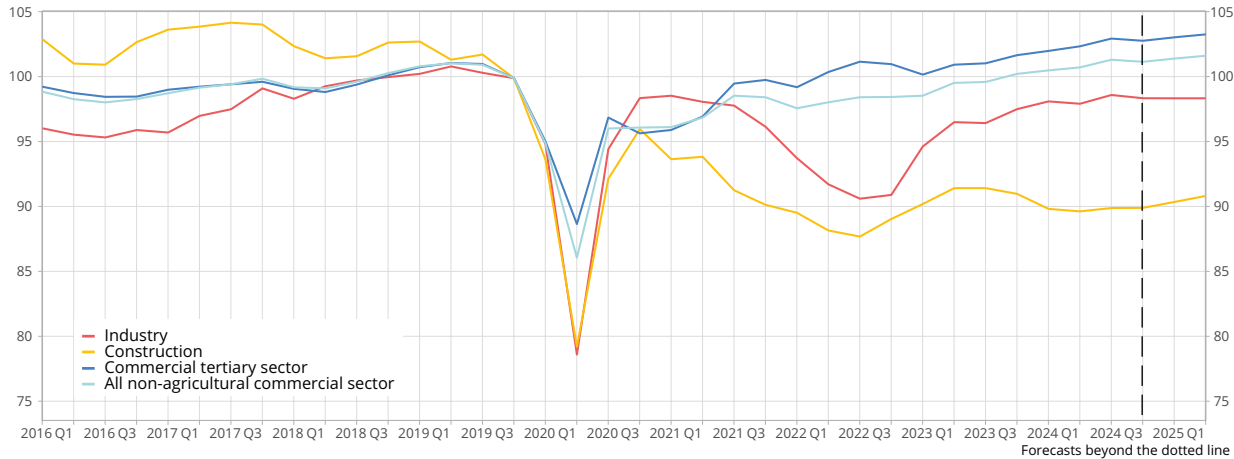
Note: in this table, temporary workers are counted in the commercial tertiary sector.

How to read it: in Q3 2024, payroll employment increase by 0.2%, or 49,000 net new jobs.

Scope: France (excluding Mayotte).

Source: INSEE.

► 4. Apparent per capita productivity, excluding work-study
(base 100 = Q4 2019)



Note: apparent per capita productivity is measured here using the ratio of the value added of each branch to payroll employment excluding work-study in the corresponding sector.
How to read it: in Q3 2024, apparent per capita productivity excluding work-study in the industry sector was 1.1% lower than its Q4 2019 level.
Source: INSEE, National accounts and quarterly employment estimates.

Unemployment

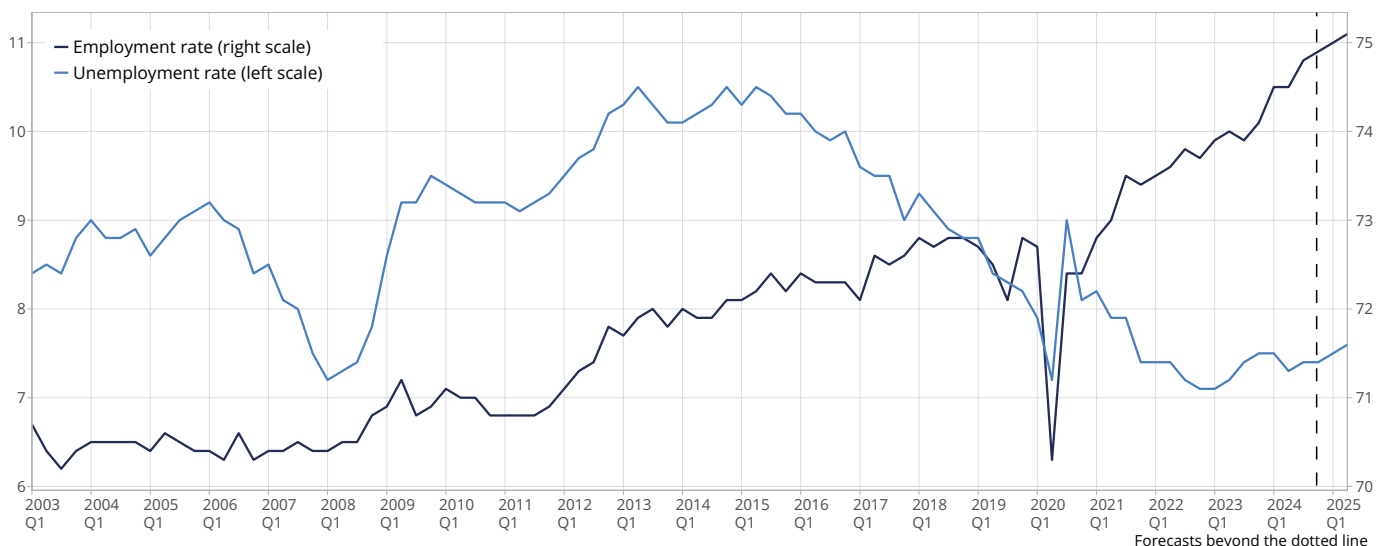
In Q3 2024, the unemployment rate according to the ILO definition was virtually stable compared to the previous quarter: +0.1 points, representing 7.4% of the labour force (► [Figure 1](#)). This was 0.3 points higher than the low point of 7.1% reached in Q4 2022 and Q1 2023, but still significantly lower than its mid-2015 peak (10.5%). The unemployment rate among the under-25s rose again in Q3 2024: +1.8 points, to 19.7%. This is 2.4 points above its level of a year earlier and is the highest it has reached since Q1 2021. Meanwhile, the unemployment rate for those aged 25-49 remained virtually stable over the quarter (-0.1 points), 0.2 points below its level the previous year, at 6.6%. For those aged 50 and over, the unemployment rate fell by 0.3 points over the quarter, and by 0.5 points year on year, to 4.7%, its lowest level since the end of 2008.

The relative stability of unemployment year on year is the result of similar increases in both employment and the labour force: 214,000 net jobs were created over the year for 256,000 additional workers. For 15-64-year-olds, the employment rate (69.1%) and the labour force participation rate (74.8%) continued to increase, and in Q3 2024 reached their highest levels, at least since INSEE has been measuring them (1975).

In Q4 2024 and H1 2025, mainly as a result of the pension reform, the labour force is expected to continue to increase substantially (around +40,000 workers per quarter). However, the decline in the number of apprentices is likely to have a slightly negative effect on the labour force. Given that employment is expected to remain more or less stable over the next three quarters, the unemployment rate should continue to increase slightly, to 7.6% of the labour force by mid-2025 (► [Figure 2](#)). This forecast is imperfect as there is some uncertainty surrounding the potential effects of the implementation of the law on full employment at the beginning of 2025: this provides for the automatic registration with France Travail at the beginning of 2025 of “everyone without employment”, especially those receiving the earned income supplement “RSA”. The aim of the reform, ultimately, is to bring these people back into employment and thus to increase their labour force participation rate, as a large proportion of them are currently inactive. However, the short-term effects of this reform on indicators according to the ILO definition are uncertain and will very much depend on how the law is implemented (► [Box](#)). At this stage, the forecasts presented here do not include any effect on employment and unemployment resulting from this reform. ●

► 1. Unemployment rate (ILO definition)

(quarterly average as % of labour force, SA data)



Scope: France (excluding Mayotte), persons aged 15 or over living in ordinary housing.

Source: INSEE, Labour Force Survey.

► 2. Change in employment, unemployment and the active population

(variation in quarterly average in thousands, SA data)

	Quarterly change										Annual change			
	2023				2024				2025		Q4 2022	Q4 2023	Q4 2024	Q2 2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Employment (1)	87	74	80	58	70	50	37	47	17	7	429	300	203	107
reminder: employment at the end of the period	58	90	71	46	94	5	68	26	7	7	395	265	193	108
Unemployment (2)	8	41	50	47	2	-42	35	-4	22	27	-72	146	-10	80
Active population = (1) + (2)	95	115	130	106	71	8	72	43	39	34	357	446	193	187
Trend labour force (a)	11	9	23	39	38	38	39	39	40	41	30	82	154	158
"Pre-crisis" cyclical bending effect (b)	9	7	8	6	7	5	4	5	2	1	43	30	20	11
Effect of work-linked training on youth activity (c)	10	16	7	1	11	16	5	-1	-2	-8	86	35	30	-6
Residue	66	82	92	59	16	-51	25	0	0	0	198	299	-11	25
Variation in unemployment rate	0.0	0.1	0.2	0.1	0.0	-0.2	0.1	0.0	0.1	0.1	-0.3	0.4	-0.1	0.3
Unemployment rate	7.1	7.2	7.4	7.5	7.5	7.3	7.4	7.4	7.5	7.6				

■ Forecast.

(a) Trend based on adjusted 2022 active population projections, including the impact of the 2023 pension reform and the 2023 unemployment insurance reform.

(b) This flexibility effect represents the fact that new workers enter the labour market when the employment situation improves.

(c) Effect based on employment policy monitoring data from DARES, calculations by INSEE.

Note: employment here corresponds to total employment (payroll workers and self-employed), measured as a quarterly average.

How to read it: between the second quarter of 2024 and the third quarter of 2024, employment rose by an average of 37,000 people, unemployment by 35,000 and the working population by 72,000.

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

Source: INSEE, Labour Force Survey, Quarterly employment estimates.

The "full employment" law comes into force in January 2025: uncertain effects on the ILO's unemployment indicator

The "full employment" law provides for the automatic registration with France Travail of everyone without a job from the beginning of 2025

The aim of the "[full employment law](#)" of 18 December 2023 is to achieve "employment for all via strengthened socio-professional support for those who need it most, and a transformation of the public employment service". In particular, since the beginning of 2024, the operator France Travail has replaced Pôle Emploi. In addition, among the provisions of the law is automatic registration with France Travail of "everyone without employment" at the start of 2025. This therefore concerns those receiving and applying for the earned income supplement "RSA" and their partners, young people receiving support from local Missions and disabled people receiving support from Cap Emploi.

The law also provides for the strengthening of support through an improved employment contract, with rights and responsibilities. For example, for a person receiving the RSA, failure to comply with certain responsibilities (e.g. summons to attend an interview) could result in a report being sent to the departmental Council and ultimately to the suspension of benefit payments for the person concerned.

Registration of all those concerned (RSA, local Missions, Cap Emploi) will be automatic from the beginning of 2025. However, entry into the support programme will be gradual and will not be effective until after an interview with a guidance counsellor. Thus there will be a transition period of two years (three years in the French Overseas Departments), at the end of which all new registrants will have been seen.

New registrants who have not yet been seen will be classified as "awaiting orientation". Those who have been out of work for a considerable time due to peripheral constraints (e.g. health, caring for a relative), will be classified in a "social track" category and will receive specifically tailored support.

Direct and potentially significant impact on job-seeker statistics

Because registration is automated, the numbers registering with France Travail will increase sharply at the beginning of 2025. For example, at present, among the 2.1 million additional beneficiaries of the RSA, only around 40% are already registered with France Travail: thus, about 1.2 million existing beneficiaries could be registering, not to mention the new applications in 2025. To deal with this expected shock to statistics covering job-seekers registered with France Travail, a consultation group has been set up by the National Council for Statistical Information (“CNIS”), chaired by Eric Heyer and composed of members of DARES, France Travail, INSEE, experts and qualified individuals.

The [working group report](#), submitted in September 2024, notably provides for the creation of two new statistical categories mirroring the two new administrative categories. On the one hand, people in the “social track” will be placed in category F: they will not be considered as being “seeking employment”. On the other hand new registrants who have been automatically registered as “awaiting orientation” will be put into category G; when they come out of this pending category, they will be classified according to the job-seekers’ categories (A to E) or put into category F. Data will also be produced in order to best measure the impact of the reform on the statistics published in categories A to E and to highlight any short-term changes (e.g. number of registrants excluding RSA recipients, and excluding young people in local Missions).

The fact of being registered with France Travail does not in itself constitute a criterion for defining activity status according to the ILO definition

According to the definition of the International Labour Organization (ILO), an unemployed person is someone who is aged 15 or over and who simultaneously meets three conditions: being unemployed during a given week; being available to take up a job within two weeks; having actively sought a job in the last four weeks or having found one starting in less than three months.

In France, as in all European Union countries, unemployment according to the ILO definition can only be measured through a survey, via the strict application of a European regulation. For purposes of comparability, measuring activity status (employment and unemployment according to the ILO and also inactivity) is very closely restricted, including the procedure for the questions (“harmonisation via inputs”). In order to measure this status according to the ILO definition, the responses to several factual questions from the Continuous Employment Survey are used, independently of any administrative criteria. In particular, the fact of being registered with France Travail is not directly included in the ILO definition of unemployment. Thus, not all unemployed people within the ILO definition are registered with France Travail, and not all job-seekers are unemployed (► [Passeron, 2022](#)). Therefore, any change relating to the conditions of registration with France Travail, to the rights and responsibilities of those registered or to the unemployment benefit payment system does not automatically affect unemployment as defined by the ILO. Nevertheless, seeking advice from France Travail may form part of the active steps considered in the definition of unemployment according to the ILO (see below).

Indirect effects of the law on the indicators according to the ILO definition

The purpose behind the automatic registration of a significant number of people with France Travail is to change their behaviour regarding the intensity of their job search and the methods used. It could therefore indirectly affect the ILO activity indicators.

Regarding employment, it is possible that more intensive support from France Travail or even the possibility of stopping the RSA could result in a quicker return to work by those receiving this benefit. In sectors where there is a shortage of workers, this could help increase employment, all other things being equal. However, if, as was the case when experiments with the law were being carried out, some of those that are registered are doing “immersive work in companies”, with no additional remuneration apart from the RSA, then in theory this has no impact on employment according to the ILO’s definition, where “people who are obliged to work in order to continue to receive government social benefits are excluded from the employment category”.

It is also possible that registering with France Travail could result in people declaring greater availability, or could boost the job search of those who would not otherwise have been searching at all were it not for the law (e.g. through disillusionment): these people would then move from inactivity to unemployment, according to the ILO

definition. This would be the case, for example, if, when interviewed, these available individuals say that they are “looking at job offers”, “updating their online CV”, “contacting France Travail to find a job or responding to one of their job offers”: in fact, these are the very steps that, in the Employment survey, classify a person as “actively” seeking employment. However, this type of change of status according to the ILO definition will not apply to those who are newly registered and are on a training course as part of their job search support, as this “activity” does not correspond to activity according to the ILO definition.

All in all, the reform may have the effect of pushing up both employment and activity but have an uncertain effect overall on unemployment. There are still many uncertainties surrounding all of these effects, in the short and medium term, regarding:

- the number of people concerned: this will depend on the pace at which France Travail is able to boost the effective support provided for these new applicants, also on applicants’ actualisation behaviour, and the distribution of new applicants across the different types of support;
- the intensity and coercive nature of the demands placed on people who are automatically registered; these are, for the most part, still to be defined and will largely depend on decisions by the departmental Councils on conditions surrounding possible suspension of the RSA;
- changes in behaviour in the labour market due to “automatic” registration with France Travail (which may differ from the behaviour of voluntary registrants), or even changes in behaviour in responding to the Employment survey.

It should also be noted that there is a change in practice regarding the administrative deletions of job seekers, which will no longer be automatic, after missing an appointment, for example. This could also have an impact on activity behaviour according to the ILO definition.

An initial progress report on the impact of the law on ILO indicators in Q1 2025 will be published in May 2025

Due to the various uncertainties surrounding the potential effect of the law, forecasts for the labour market in this *Economic outlook* exclude any effect of its implementation, as there is some risk involved.

After the publication of the unemployment rate and labour market indicators based on the Employment survey for Q1 2025, and due in mid-May 2025, an initial progress report on the *ex post* measurement of these effects will be produced. It will then be possible to measure any change in the main labour market indicators (e.g. unemployment rate, employment rate, share of the halo of unemployment) by differentiating the contributions of the various population categories, based on the different variables used in the Employment survey relating to the receipt of RSA on the one hand, and to registration with France Travail on the other. ●

Consumer prices

After plateauing for almost a year at around 6% in 2022, year-on-year variation in consumer prices in France fell back sharply in 2023 and early 2024. It stabilised in the spring, fluctuating between +2.2% and +2.3% between March and July 2024, before falling again during the summer, dropping to +1.1% year on year in September, due to the decline in energy and services inflation, especially telecommunications. In November, inflation stood at +1.3% year on year (► [Figure 1](#)). As an annual average in 2024, it is expected to fall to +2.0%, after +4.9% in 2023 and +5.2% in 2022 (► [Figure 2](#)).

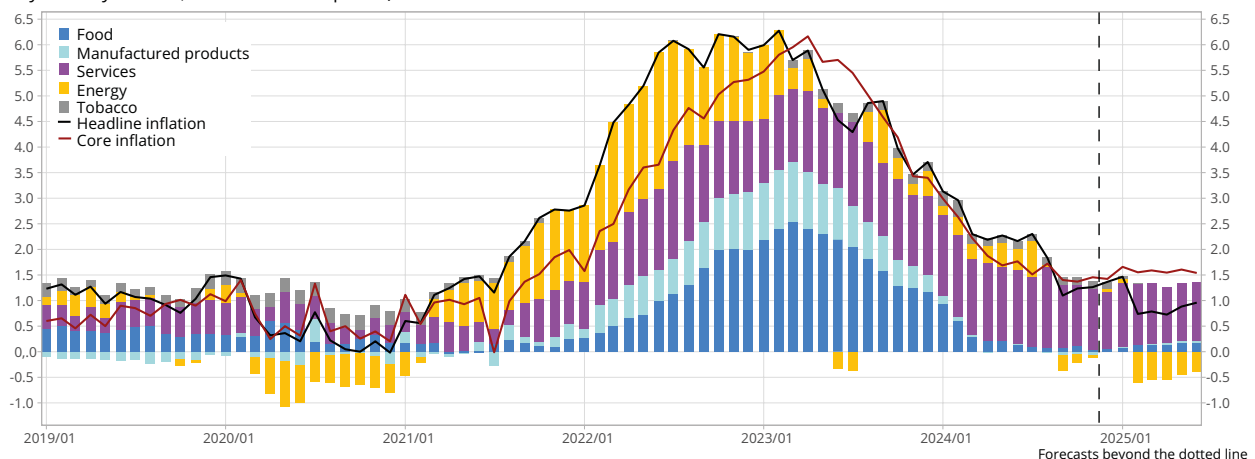
Core inflation, which stood at +1.5% in November, is expected to maintain this pace over the forecasting period. The balances of opinion in the business tendency surveys relating to expected prices have generally stabilised after falling sharply from early 2023 to mid-2024, signalling the end of the disinflationary trend (► [Figure 3](#)). Thus, compared to November, the contribution of food and manufactured products to headline inflation is expected to increase very slightly, whereas that of services should remain fairly stable. The other components of inflation are likely to trend downwards, however, especially tobacco prices, which are unlikely to increase much at all year on year from January, and electricity prices, which are expected to fall in February. Thus in June 2025, headline inflation is expected to stand at +1.0% year on year. It is likely to peak in January at +1.5% year on year due to the increase in certain regulated tariffs (health and insurance), before falling back from February onwards with the expected drop in electricity prices.

Energy prices are expected to continue to fall year on year. Assuming that the price of Brent remains stable at €69.50 per barrel, petroleum product prices are then expected to fall back by 4.7% year on year in June 2025, after -9.0% in November. For electricity prices, meanwhile, the year on year variation was +9.5% in November 2024 due mainly to the increase in the regulated electricity tariff implemented in February 2024, but these prices look set to fall in February 2025 in line with the 14% drop announced in the regulated sales tariff (TRV), which is indexed to market prices but with some delay. This fall is expected to be a little less pronounced for households subscribing to a market offer, with the result that electricity prices will probably fall, on average, by 11.6% year on year in June 2025. Finally, gas prices are likely to increase in the winter before falling slightly from March onwards as a result of fluctuations in the market price (► [Energy and commodities sheet](#)): year on year, they are expected to increase by 16.1% in June 2025, after +7.2% in November 2024. All in all, energy is likely to contribute to reducing headline inflation in June 2025, mainly due to the drop in regulated electricity tariffs and the year on year decline in the price of petroleum products.

Food inflation is expected to rise again in 2025, from +0.2% year on year in November 2024 to +1.1% year on year in June 2025. Inflation in fresh produce is likely to increase in the coming months, from +1.8% in November 2024 to +5.1% in June 2025, mainly as a result of the base effect. Food prices, excluding fresh produce, are likely to be a little more dynamic than last year, since agrifood industry producer prices will not decline any further in 2024 (► [Figure 4](#)): for these products, the year-on-year increase in prices is expected to reach +0.6% in June 2025, whereas it was slightly negative in November 2024. The outcome of the trade negotiations currently underway in the major retail sector could affect this trajectory, in one direction or another.

► 1. Headline inflation and contributions by item

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



Last point: November 2024, definitive CPI.

How to read it: in November 2024, headline inflation is expected to rise by +1.3%. Energy contributed -0.1 points, while services contributed +1.3 points.

Source: INSEE.

Inflation in manufactured products is expected to increase slightly over the forecasting period, reaching +0.1% year on year in June 2025, after -0.3% in November 2024. This rise in inflation will be driven in part by new cars, whose prices are expected to increase in December as a result of restrictions on the ecological bonus. In addition, according to the business tendency survey in industry, in November 2024, the balance of opinion on expected variations in selling prices was close to its long-term average.

Inflation in services is expected to drop only very slightly over the forecasting period, to +2.2% in June 2025 after +2.3% in November 2024: services are expected to remain the main contributors to headline inflation throughout the forecasting period, due to their weighting in the index (accounting for about half of the consumer basket). Prices of health services are expected to increase from the end of 2024, driven by the increase in the basic consultation rate for general practitioner doctors. Inflation in transport services is expected to slow over the period of the forecast, except for rail transport, where it is likely to increase a little. However, since the end of the summer, the decline in communication tariffs has intensified considerably and stood at -12.2% in November 2024. This fall was specific to France and almost the same as that recorded in 2012 when a fourth operator arrived on the scene (► [Figure 5](#)); these rates are expected to continue to fall through to June 2025, although this decline will ease a little (-6.5%). Inflation in “other services” to households looks set to slow slightly in the wake of wage costs. However, the increase in insurance rates is expected to be sustained, particularly due to the increase in the additional subscription rates for “natural disaster” guarantees. The year-on-year variation in rents for principal residences is expected to fall over the forecasting period, in the wake of the increase in the rent reference index (► [Focus](#) on change in housing rents).

Finally, tobacco inflation is likely to decline due to the base effect from January 2025, provided there are no new tax increases: after this date, prices should be more or less stable year on year, having increased by +8.7% year on year in November 2024 as a result of excise duty increases decided on at the beginning of the year. ●

►2. Headline inflation, past and forecast

(change in %, contributions in points)

CPI groups* (2023 weightings)	Oct. 2024		Nov. 2024		Dec. 2024		Jan. 2025		March 2025		June 2025		Annual averages	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2023	2024
Food (15.1%)	0.6	0.1	0.2	0.0	0.3	0.1	0.5	0.1	0.9	0.1	1.1	0.2	11.8	1.4
including: fresh food (1.9%)	4.5	0.1	1.8	0.0	2.9	0.1	3.0	0.1	5.3	0.1	5.1	0.1	9.6	2.2
excluding: fresh food (13.2%)	0.0	0.0	-0.1	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.6	0.1	12.2	1.3
Tabacco (1.8%)	8.7	0.2	8.7	0.2	8.7	0.2	2.3	0.0	0.3	0.0	0.2	0.0	8.0	10.3
Manufactured products (23.2%)	-0.2	0.0	-0.3	-0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	3.5	0.0
including: clothing and footwear (3.4%)	0.1	0.0	-0.1	0.0	0.4	0.0	0.6	0.0	0.5	0.0	0.5	0.0	2.5	0.5
medical products (4.0%)	-1.2	0.0	-1.5	-0.1	-1.4	-0.1	-1.4	-0.1	-1.4	-0.1	-1.4	-0.1	-0.7	-1.2
other manufactured products (15.8%)	0.0	0.0	0.0	0.0	0.2	0.0	0.3	0.0	0.4	0.1	0.5	0.1	4.7	0.2
Energy (8.3%)	-2.0	-0.2	-0.7	-0.1	0.7	0.1	1.0	0.1	-6.5	-0.6	-4.7	-0.4	5.6	2.2
including: oil products (4.3%)	-11.9	-0.5	-9.0	-0.4	-5.8	-0.2	-5.0	-0.2	-8.1	-0.4	-4.7	-0.2	-1.7	-4.8
Services (51.6%)	2.2	1.1	2.3	1.2	2.1	1.1	2.4	1.3	2.3	1.2	2.2	1.1	3.0	2.7
including: rent-water (8.0%)	2.8	0.2	2.8	0.2	2.8	0.2	2.7	0.2	2.6	0.2	2.6	0.2	2.8	2.8
health services (6.2%)	-0.4	0.0	-1.2	-0.1	-1.0	-0.1	-0.1	0.0	-0.3	0.0	0.4	0.0	-0.2	0.6
transport (2.9%)	3.8	0.1	4.4	0.1	3.1	0.1	3.1	0.1	1.9	0.1	2.0	0.1	6.3	2.3
communications (2.0%)	-15.7	-0.3	-12.2	-0.2	-12.3	-0.3	-10.3	-0.2	-8.4	-0.2	-6.5	-0.1	-3.6	-7.9
other services (32.5%)	3.5	1.1	3.6	1.2	3.4	1.1	3.5	1.2	3.4	1.1	3.0	1.0	3.9	3.8
All (100%)	1.2	1.2	1.3	1.3	1.4	1.4	1.5	1.5	0.8	0.8	1.0	1.0	4.9	2.0
All excluding energy (91.7%)	1.5	1.4	1.4	1.3	1.4	1.3	1.5	1.4	1.5	1.3	1.5	1.4	4.8	2.0
All excluding tabacco (98.2%)	1.0	1.0	1.1	1.1	1.2	1.2	1.5	1.4	0.8	0.8	1.0	1.0	4.8	1.9
Core inflation** (62.7%)	1.3	0.8	1.5	0.9	1.4	0.9	1.7	1.0	1.6	1.0	1.5	0.9	5.1	1.8

■ Forecast.

yoy: year-on-year; **cyoy**: contribution to the year-on-year value of the overall index.

* Consumer price index (CPI).

** Index excluding public tariffs and products with volatile prices, corrected for tax measures.

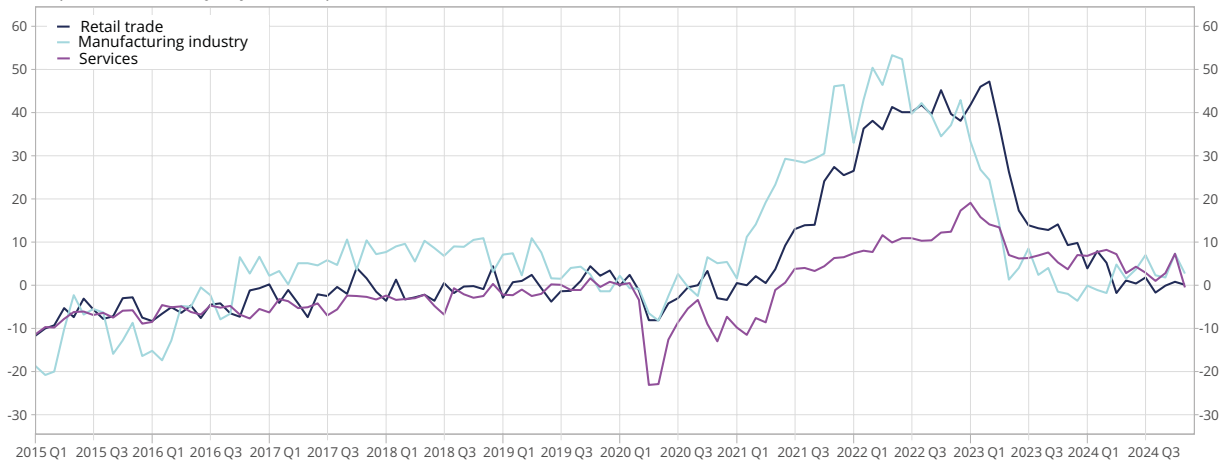
Note: the table shows the definitive CPI for February, published on 15 March 2023, while forecasts for the following months were based on the provisional CPI estimate.

Source: INSEE.

French economic outlook

► 3. Balances of opinion on variations in selling prices over the next 3 months

(balances of opinion, seasonally adjusted, in points)



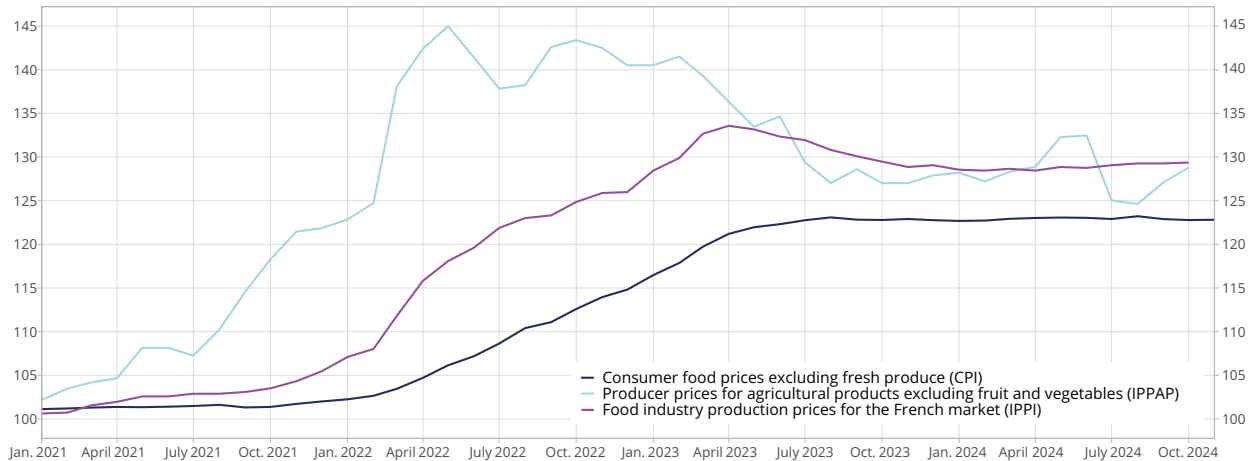
Last point : November 2024.

How to read it: in November 2024, the balance of opinion on variation in selling prices is 2.7 in manufacturing industry, -0.5 in services and +0.1 in retail trade +0.1 in retail trade.

Source: monthly business surveys, INSEE.

► 4. Variation in prices along the food production chain

(in level, base = 100 in 2019)



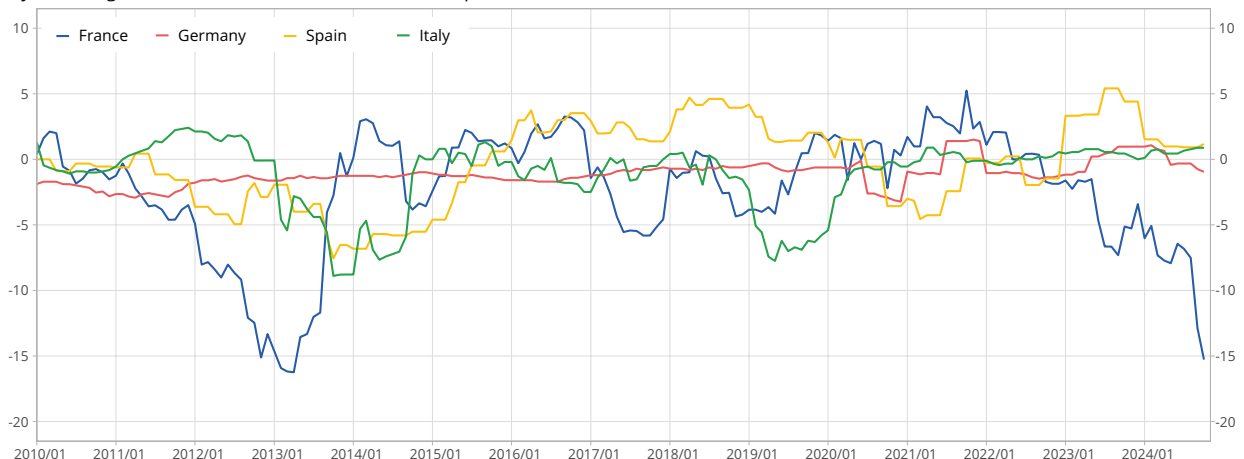
Last point : October 2024 for IPPAP and IPPI, November 2024 for CPI.

How to read it: in October 2024, compared with their average in 2019, consumer prices for food products excluding fresh produce rose by 22.8%, production prices for the French market by 29.4% and farm-gate prices for agricultural products (excluding fruit and vegetables) by 28.8%.

Source: IPPAP, IPPI, IPC, INSEE.

► 5. Variation in the prices of telecommunications services in the four main Eurozone countries

(Year-on-year change in the harmonised index of consumer price)



Last point : October 2024.

Note: the data below use the Harmonised Index of Consumer Prices (HICP) at European level to facilitate comparisons. They therefore differ slightly from the French national index (CPI) referred to in Table 2.

How to read it: in France in October 2024, the year-on-year variation in the HICP for "telecommunication services" was -15.3%, whereas it was +1.2% in Spain.

Source: Eurostat.

Since 2022, housing rents have increased less quickly than other consumer prices, but more so in the social sector than in the private sector

Housing rents charged to tenants in both the private and social sectors are tracked in the INSEE consumer price index (CPI). Over the recent period, they have changed less rapidly than other household consumer prices. On the one hand, the Rent Reference Index (RRI), used as a base for rent reviews relating to current leases, was capped between Q3 2022 and Q1 2024 by the so-called “purchasing power law” passed in the summer of 2022. On the other hand, in the private housing stock, the elasticity of rents to the RRI has been around 0.5 since 2022, whereas it was more like two-thirds in the 2010s. This slowdown in rents compared to the RRI is due to lower residential mobility in recent years, stricter supervision of rents when re-letting, and fewer rent reviews for tenants on current leases. In the social housing stock, however, rent reviews based on the RRI are still more or less systematic. When compared to average income, the weighting of rents at a constant structure has fallen since 2022 but is expected to pick up a little by mid-2025. Over the period of the forecast, housing rents look set to slow but are still buoyed up in the social housing sector.

Paul Aventin, Gaston Vermersch

The household consumer price index includes rents really paid by tenants in the private and social sectors

Each month, the INSEE Consumer Price Index (CPI) measures the prices of a basket of goods and services representative of average household consumption in France. This basket includes housing rents for main residences: the rents measured by the CPI are those actually paid by households, and this differs from the household consumer price in the national accounts, which also includes imputed rents for owner-occupiers (► **Box 1**). Since around 60% of households own their main residence (► **INSEE, 2024**), the weight of rents paid by tenants is relatively low in the CPI (6.4%), compared to their weight in the household consumer price in the national accounts (19.4%). Among tenant households, about 60% are housed in the private sector and 40% in the social sector.

Rent review by landlords is regulated by law for a current lease, and even in cases of re-letting in the majority of cases

The law regulates rent reviews both in the case of a current lease and, in the majority of cases, for a lease renewal or a re-letting. When a lease is current, the review is based on the Rent Reference Index (RRI) produced by INSEE and published in the *Journal Officiel* every three months (15 days after the end of the quarter). In the private sector, this review takes place on the anniversary date of the lease, and is based on the year-on-year variation in the last RRI published. In the social sector, the review takes place on 1st January, and is based on the RRI of the second quarter of the previous year (Article L353-9-3 of the French Construction and Housing Code). Since 2008, the RRI

corresponds to the average of the Consumer Price Index over the last twelve months, excluding rents and tobacco.

Since 2018, for the renewal of a lease or re-letting, changes to rents in “tense areas”¹ are now regulated (► **INSEE, 2019**). This zoning scheme was revised in late 2023: in 2024, 47 urban areas were concerned, compared to 28 before the zoning was overhauled. In these local government areas, the rent increase cannot exceed the RRI, except in cases where there has been major improvement work (but which in this case must constitute an improvement in quality and not a price increase) or an obvious under-estimation of the rent charged to the previous tenant. In addition, rent capping has been trialled in some areas since 2019 and has managed to slow the rise in rents.

Apart from the “tense areas”, when a lease is renewed, landlords are free to set the rent. However, since 2022, the rents of low energy performance housing (rated F or G on the energy performance certificate, and representing about 16% of the rental housing stock ► **SDES, 2023**) are frozen and cannot therefore be subject to any rent review. Given the low tenant turnover rate, which is around 20% per year (► **SDES, 2022**), the RRI strictly regulates changes in rents for the majority of housing.

The Purchasing Power Law of 2022 capped the increase in the Rent Reference Index (RRI), thereby protecting tenants from inflation

In the inflationary context of summer 2022, Parliament voted on the so-called “purchasing power law”, capping the year-on-year change in the RRI at +3.5% in Metropolitan France excluding Corsica (► **Figure 1**), at +2.5% in the Overseas departments and at +2% in Corsica.

¹ The “ALUR” law (Law for Access to Housing and Renovated Urban planning) of 2014 defines a “tense area” as one of continuous urbanisation with more than 50,000 inhabitants and where there is a clear imbalance between scarce housing supply and strong demand.

Box 1 - Measuring housing rents for main residences in the Consumer Price Index

The “Rents for main residences” item in the Consumer Price Index (CPI) is constructed from the housing rent index (ILH) published every quarter by INSEE. ILH data is collected from two surveys covering the private and social sectors respectively.

The scope of the *Rents and Charges Survey*, collected since 1958 in Metropolitan France (and since 2019 in France excluding Mayotte), covers all main residences rented unfurnished in the private sector. Housing that is sub-let, leased with a purchase option or occupied free of charge is not surveyed. In addition to the characteristics of the housing, the survey measures rents and charges paid by the tenant households. 5,500 households, representative of the population of tenant households, are surveyed every quarter.

The *Social Landlord Rental Survey* (“Enquête sur les loyers auprès des bailleurs sociaux” - ELBS) has been collected since 2013 directly from around a hundred social housing landlords.

The housing rent index (ILH) is measured at constant quality, like the entire CPI basket, and therefore adjusts for variations in rents as a result of improvements in the comfort of the housing or improvement work that goes beyond simple refurbishment.

Rental prices are collected at the beginning of the quarter (January, April, July and October). The ILH for the private and social sectors is published by INSEE 15 days before the end of the quarter. The rental index in the CPI comes directly from the ILH, converting quarterly variations to monthly.

A methodological note (► [INSEE, 2020](#)) describing the construction of the housing rent index is available on the INSEE website. ●

In Metropolitan France, this cap was in place between Q3 2022 and Q1 2024, when the year-on-year change in the RRI fell back below the ceiling. Between these two dates, the mechanism was able to contain inflation in services and mitigate inflationary shock for tenants: without the cap, the year-on-year change in the spontaneous RRI would have been +6.3% in Q1 2023. In fact, between Q1 2019 and Q3 2024, the RRI published in the *Journal Officiel* increased by +11.7%, whereas it would have increased spontaneously by 15.5% had there been no cap (► [Figure 2](#)).

Over the recent period, rents have not increased as much as the capped RRI, especially in the private sector

In practice, the housing rent index (“Indice des loyers d’habitation” - ILH) increased by only +7.0% between 2019 and Q3 2024: change in housing rents since 2019 is therefore 4.7 points lower on average than change in the capped RRI. On the one hand, owners may not have applied the increase in the RRI, given the inflationary situation, thus losing the benefit of the annual rent revision. On the other hand, the mobility of the residential rental stock may have decreased recently, leading to a decrease in the share of new tenants whose rents have been set freely (outside the “tense areas”). Finally, environmental regulations on the energy performance

criteria or the extension of the “tense areas” may also have limited any rent increase when re-letting.

Although on average, residential rents have risen less quickly than the RRI since 2019, this observation is more pronounced for tenants in the private sector than in the social sector. Compared to the beginning of 2019, the ILH in the social sector had increased by +8.6% by Q3 2024, against +6.1% for the private sector (► [Figure 2](#)), whereas the capped RRI had increased by +11.7%. In the social sector, landlords can revise rents on 1st January based on change in the RRI in Q2 of the previous year. This indexing against the RRI is virtually systematic and has been maintained over the recent period (► [Box 2](#)).

In contrast, in the private sector, the elasticity of rent increases to the RRI was relatively constant, between 0.6 and 0.7 on average during the 2010s. This elasticity has fallen to around 0.5 since 2022, reflecting the fact that rents have evolved less quickly compared to the RRI in recent times (► [Box 2](#)). Analysis of the Rents and Charges Survey produces a breakdown of the reasons for this recent drop in elasticity. First, the share of owners who revised the rents of sitting tenants dropped, in line with inflation during the 2010s, and recovered only very partially with the inflationary episode (► [Figure 3](#)). Second, turnover rates and average rent increases on re-letting (according to the RRI) have declined.

By mid-2025, variation in housing rents year on year is expected to slow in the private sector but remain buoyant in the social housing stock

By mid-2025, the base for reviewing rents in the private sector is expected to fall back. Due to its method of calculation and the disinflation observed in 2024 (► [Consumer Prices sheet](#)), the RRI has slowed substantially: its year-on-year variation in Q1 2024, affecting rents in the CPI in Q3 2024, was still at +3.5%, whereas the Q4 2024 variation, which will affect rents in the CPI in Q2 2025, is expected to be +2.2%. Thus,

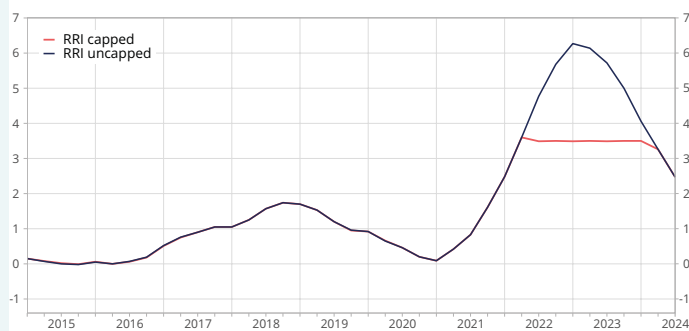
assuming that the elasticity of the increase in private sector rents to the RRI returns to a level of around 0.7 over the forecasting period, then year-on-year change in rents in this sector is expected to slow down slightly by mid-2025, to +1.5%, compared to +1.8% in Q3 2024 (► [Figure 4](#)).

Social sector rents, meanwhile, are expected to remain buoyant: in fact, the revisions expected at the beginning of 2025 are likely to be in line with the year-on-year variation in the RRI in Q2 2024 which was still close to the ceiling (+3.3%).

Overall, the year-on-year change in housing rents is expected to slow to +2.1% in mid-2025, after +2.4% in Q3 2024.

► 1. Change in the RRI year on year before and after capping for Metropolitan France excluding Corsica

(year-on-year change, in %)



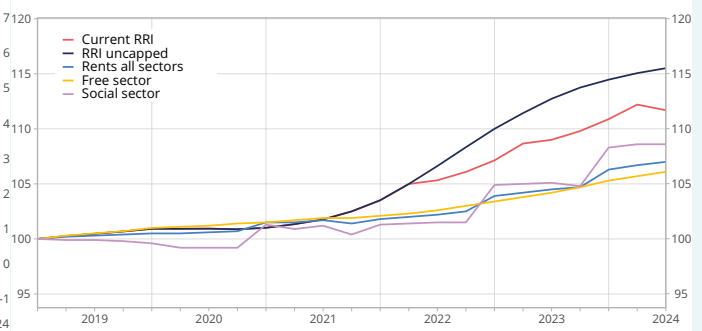
Last point: Q3 2024.

How to read it: in Q1 2024, in Metropolitan France excluding Corsica, the year-on-year variation in the RRI before capping would have been +6.3%. After capping, it was down to +3.5%.

Source: INSEE.

► 2. Change in the RRI since 2019 (before and after capping) and housing rents in the private and social sectors

(base 100= Q1 2019)



Last point: Q3 2024.

How to read it: in Q3 2024, housing rents in the social sector increased by +8.6% compared to Q1 2019, against +6.1% in the private sector.

Source : INSEE.

► 3. Share of revised rents among existing tenants in the private sector since 2014

(in %)



How to read it: in 2024, 48% of rents were revised among existing tenants in the private sector.

Source: Rent and service charges survey, INSEE.

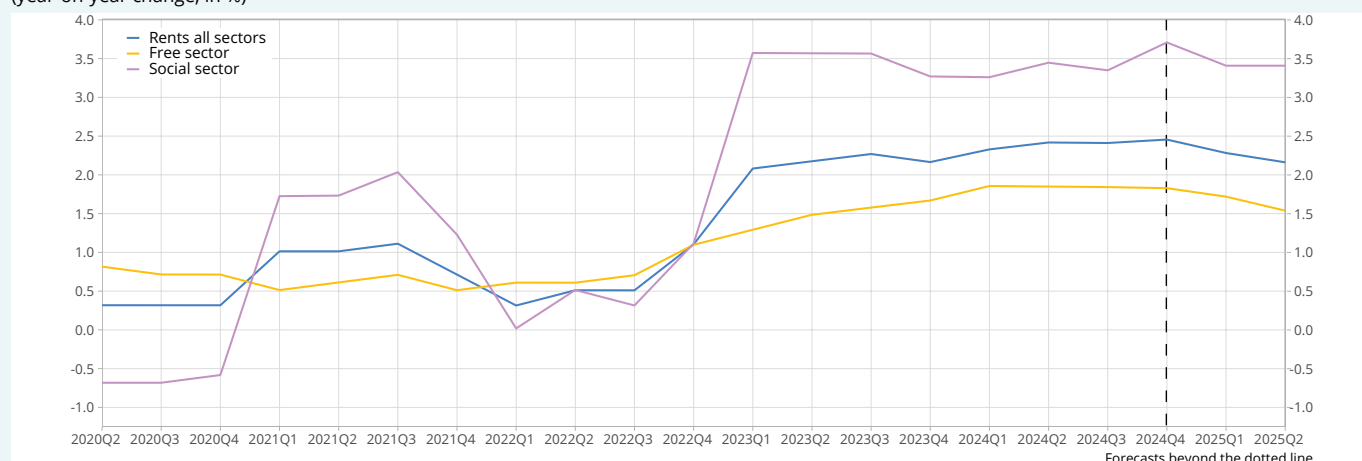
French economic outlook

Compared to average income, the constant structure rent index has fallen since 2022 but is expected to pick up slightly by mid-2025

As a result of the ceiling on the RRI, change in housing rents has been relatively well contained compared to other consumer prices since the inflationary shock. Recently, household gross disposable income (GDI) ([► Household income sheet](#)) has increased much faster than housing rents. The weight of housing rents at a constant structure relative to GDI per household has therefore fallen since 2022, in a period of inflation, and should recover slightly by mid-2025. However, this relationship does not take

into account tenant households' rent-to-income ratio, but simply the difference in dynamics between rents at constant quality and overall income per household. On the one hand, the GDI for all households differs from that of tenant households alone, and over the recent period, the income of renting households could have evolved differently from that of homeowners. In particular, social benefits, retirement pensions and the minimum wage have been indexed to inflation, unlike housing rents. On the other hand, the trending of the constant structure housing rent index is less dynamic than average rents actually paid, due to the improvement in the quality of housing over the long term. ●

► 4. Forecast of year-on-year change in Housing Rent Indices in the private and social sectors (year-on-year change, in %)



Last point: Q2 2025 (forecast from Q4 2024).

How to read it: in Q2 2025, housing rents in the social sector are expected to increase by 3.4% year on year.

Source: INSEE.

Box 2 - Comparison of variations in rents observed in the private and social sectors with year-on-year variation in the RRI

During the quarterly collection of rental data from private sector tenants and social landlords, housing rents may be stable compared to the previous quarter or they may have been revised, depending on whether it is a lease anniversary date, a lease renewal or a re-letting. For revised rents, most are adjusted according to the Rent Reference Index (RRI), especially on the lease anniversary date, or in the case of a renewal or a re-letting in “tense areas”. Rents can only be revised freely in the case of a lease renewal or re-letting outside a “tense area”, or when major work has been carried out, justifying a rent increase, which then constitutes an improvement in quality and not an increase in the constant structure rent index. As a result, changes in housing rents (ILH), can be simply modelled, differentiating the private sector from the social sector, against delayed year-on-year variation in the RRI.

In the private sector, there is a delay of about two quarters between the publication of the RRI in the *Journal Officiel* and its actual application by a landlord for revaluation purposes. A landlord surveyed at the beginning of quarter *T* could only, if necessary, revise their rent with reference to the RRI for quarter *T-2*, since the RRI for quarter *T-1* is not published in the *Journal Officiel* until the middle of the first month of quarter *T*. By making the simplifying assumption that rent revisions are distributed uniformly throughout the year in the private sector, the quarterly variation in the ILH is therefore equal, in theory, to one quarter of the year-on-year variation in the RRI delayed by two quarters, in the event that all the rents concerned are revised according to the RRI.

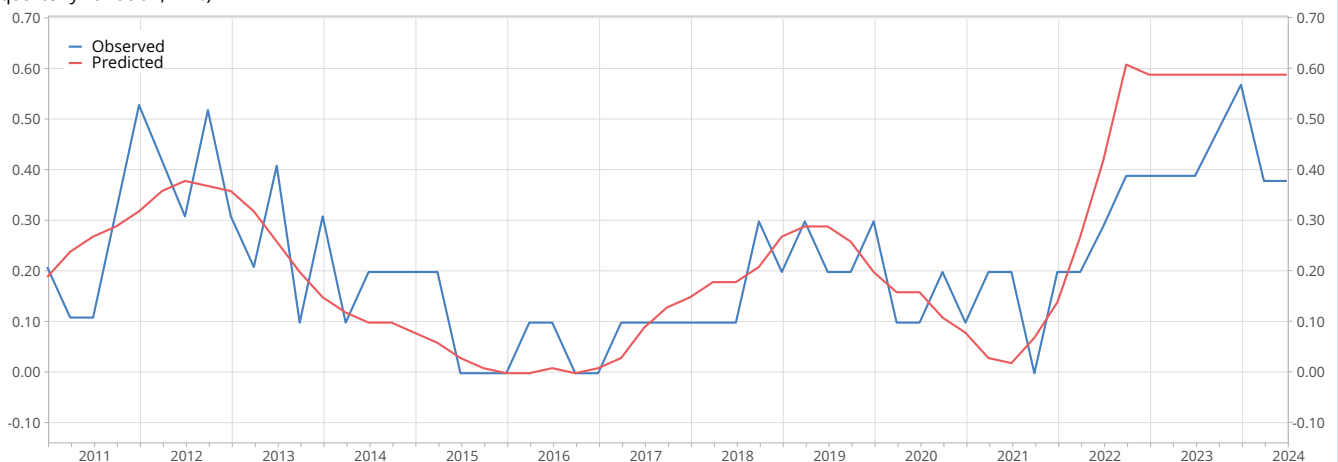
Over the period 2011-2021, the correlation between quarterly variations in the private sector ILH and the year-on-year variation in the RRI delayed by two quarters is well verified (► **Figure 5**): the elasticity estimated quarterly is 0.17 (► **Figure 6**), suggesting an annual elasticity between the RRI and effective revisions of between 0.6 and 0.7.

Over the recent period, elasticity appears to be significantly lower, at around 0.5. Indeed, since the end of 2022, quarterly variations in private sector rents have averaged 0.4%, i.e. below the capped RRI (+0.9% quarterly), and also below the changes that would have been observed if rents had been revised according to the trend highlighted during the 2010s (+0.6%).

In the social sector, rents are revised on 1st January of each year, based on the RRI for Q2 of the previous year (Article L353-9-3 of the French Construction and Housing Code). In practice, variations in rents observed in the ILH for the social housing stock each year in Q1 are similar to the year-on-year variation in the RRI in Q2 of the previous year (► **Figure 7**), and low in the other quarters. Only variations observed during the health crisis in 2020 and 2021 seem to deviate from this rule.

► 5. Modelling private sector ILH compared to year-on-year variation in the RRI delayed by two quarters

(quarterly variation, in %)



How to read it: in Q3 2024, the quarterly variation observed in the private sector ILH was +0.4% while the expected revaluation, given the year-on-year variation in the RRI delayed by two quarters and the revaluation behaviour of landlords in the 2010s, was +0.6%.

Source: INSEE calculations.

French economic outlook

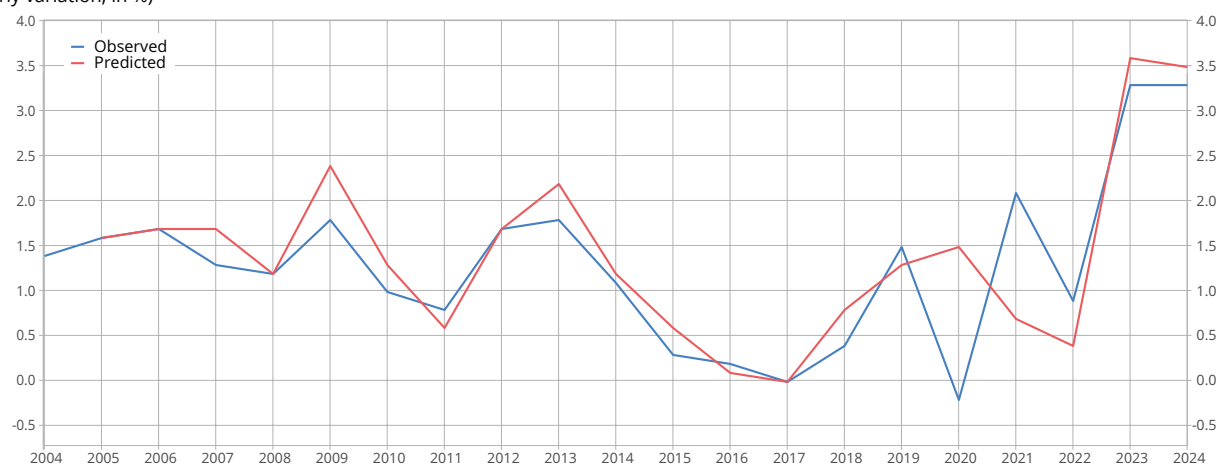
Thus, contrary to what was observed in the private housing stock, in the social sector almost all rents are revised according to the RRI. In addition, no obvious change in behaviour was observed during the period of the RRI ceiling, as revisions observed at the beginning of 2023 and in 2024 were similar to the capped RRI. ●

► 6. Modelling Housing Rent Indices (ILH)

	Modelled variable	
	Quarterly variation in the private ILH in quarter T	Quarterly variation in the social ILH on 1 st January of year N
	Private ILH (1)	Social ILH (2)
Year-on-year variation in RRI in Q-2	0.169*** (0.012)	
Year-on-year variation in RRI in Q2 of year N-1		0.836*** (0.103)
Estimation period	Quarterly: Q12011 - Q42021	Annual: 2003-2021
RMSE	0.09	0.01
DW	1.9	2.687
Observations	42	17
R ²	0.820	0.803
R ² adjusted	0.816	0.791
Test F	187.194*** (df= 1; 41)	65.286*** (df= 1; 16)

Note: *p<0,1; **p<0,05; ***p<0,01

► 7. Modelling quarterly variation in the social sector ILH in Q1 of each year compared to year-on-year variation in the RRI of Q2 of the previous year (quarterly variation, in %)



Lecture : in Q1 2024, social sector rents increased by +3.2% while the year-on-year variation in the RRI observed in Q2 2023 was +3.5%.

Source : INSEE calculations.

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Wages

In Q3 2024, the average wage per capita (SMPT) in the non-agricultural market branches decelerated (+0.4% over the quarter, after +0.7% in Q2; ► **Figure 1**). The basic monthly wage (SMB¹) also slowed (+0.5% after +0.6%). This slowdown was happening in the context of a downturn in inflation: the consumer price index increased by 1.7% year on year on average in Q3 2024, after +2.2% in the previous quarter. In the business tendency surveys companies report a similar pace of increase for Q4 2024 as in the previous quarter (► **Figure 2**) and the SMPT, like the SMB, is expected to increase by 0.5%, driven mainly by the expected +2.0% increase in the minimum wage on 1st November.

As an annual average, nominal wages are expected to decelerate in 2024: +2.9% forecast for the SMB (after +4.3% in 2023) and +2.8% for the SMPT (after +4.1%). The dynamism of the SMPT is likely to be limited by smaller value sharing bonus payouts (PPV²), mainly because the system has been taxed since 1st January 2024 for some employees. However, the slowdown in wages in 2024 is expected to be slightly less pronounced than that of prices, which should result in a regain in purchasing power for wages after falling for two years: on average in 2024, the real SMB looks set to rise by 0.9% and the real SMPT by 0.8%.

In Q1 2025, nominal wages are expected to increase by 0.4%, both the SMB and the SMPT, a much slower pace than in the early quarters of 2023 and 2024, when some strong increases were seen. This decline in momentum at the start of 2025 is likely to be due to the fact that the expected automatic increase in the minimum wage on 1st January did not happen, and the downturn in inflation was taken into account in wage negotiations. In Q2 2025, nominal wages are expected to rise again by +0.4% during the quarter (the SMB and the SMPT) and, for the first time since the end of 2021, their annual rate is likely to be below 2.0% (+1.9% for the SMB and +1.8% for the SMPT; ► **Figures 1 and 3**).

¹ The SMB corresponds to the core component of the SMPT, alongside the short-term component which was affected mainly by value sharing bonus payouts and overtime hours.

² The PPV scheme allows employers to pay, under certain conditions, €6,000 in bonuses per employee, per year, exempt from social security contributions (► **Focus** "Value-sharing bonus: massive payouts at the end of 2022, with potential windfall effects", *Economic outlook*, March 2023).

► 1. Changes in the average wage per capita (SMPT) and the basic monthly wage (SMB)

(changes in %, seasonally adjusted data)

	Quarterly growth rates										Annual growth rates										Average annual change		
	2023				2024				2025		2023				2024				2025		2023	2024	2025 ovgh
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Average wage per capita (SMPT) in non-agricultural market branches	0.9	0.7	0.5	0.8	0.8	0.7	0.4	0.5	0.4	0.4	5.0	4.6	3.7	3.0	2.9	2.9	2.8	2.5	2.1	1.8	4.1	2.8	1.5
SMPT adjusted for short-time working* in non-agricultural market sectors	0.9	0.7	0.5	0.8	0.8	0.7	0.4	0.5	0.4	0.4	4.6	4.5	3.7	3.0	2.9	2.9	2.8	2.5	2.1	1.8	3.9	2.8	1.5
Basic monthly wage (SMB)	1.6	0.9	0.8	0.5	1.1	0.6	0.5	0.5	0.4	0.4	4.6	4.5	4.2	3.8	3.3	2.9	2.7	2.7	2.1	1.9	4.3	2.9	1.5
SMPT in general government																					4.1	3.8	0.7
Real SMPT* in the non-agricultural market branches	-0.5	-0.3	-0.3	0.3	0.4	0.3	0.1	0.5	0.3	0.1	-0.9	-0.5	-1.0	-0.7	0.1	0.7	1.0	1.2	1.1	0.9	-0.8	0.8	0.8
SMPT adjusted for real** short-time working in non-agricultural market sectors	-0.5	-0.3	-0.3	0.3	0.4	0.3	0.1	0.5	0.3	0.1	-1.3	-0.6	-1.0	-0.7	0.1	0.7	1.0	1.2	1.1	0.9	-0.9	0.8	0.8
Real SMB*	0.2	-0.1	0.0	0.0	0.6	0.1	0.2	0.5	0.3	0.1	-1.3	-0.6	-0.5	0.1	0.5	0.7	0.9	1.4	1.1	1.0	-0.6	0.9	0.8
Real SMPT* in general government																					-0.7	1.8	0.0

■ Forecast

* in the sense of the household consumption price (quarterly national accounts).

** in the sense of the CPI - household consumption price index.

How to read it: in Q2 2025, the basic monthly wage (SMB) would grow by 0.4% compared to the previous quarter.

Source: DARES, INSEE.

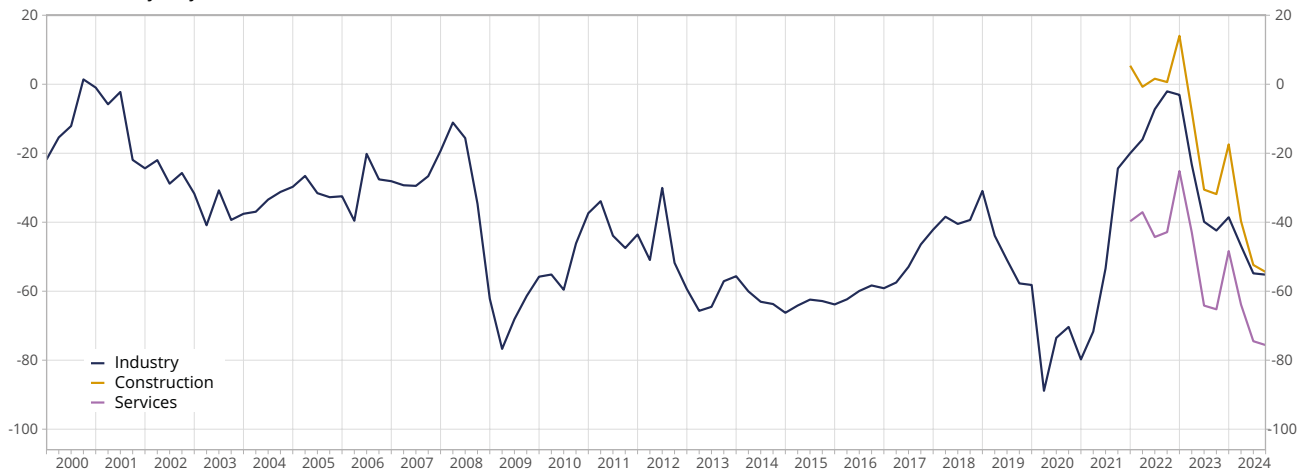
French economic outlook

The mid-year growth overhang for 2025 for the SMB and the SMPT is expected to be +1.5%, a greater increase than for prices (+0.7% expected). Thus the gain in purchasing power by wages looks set to continue in H1 2025: the mid-year growth overhang is expected to reach +0.8% for the real SMB and the real SMPT. Nevertheless, gains in purchasing power cumulated for 2024 and early 2025 (+1.7% for the SMB and +1.6% for the SMPT) are likely to remain below the combined losses for 2022 and 2023 (-2.4% for the SMB and -2.8% for the SMPT adjusted for short-term working).

In general government, the nominal SMPT is likely to increase by 3.8% on average in 2024, driven by various measures (increase in the index point for all public employees early in the year, increase for teachers from September 2023, bonuses paid for the Olympic and Paralympic Games), even though the one-off purchasing power bonus (GIPA) was not paid at the end of the year. The purchasing power of the SMPT in general government is thus expected to improve by 1.8% on average in 2024, after falling back 0.7% in 2023. At the start of 2025, it is likely that the nominal SMPT in general government will suffer from the after-effects of the payment of bonuses associated with the Olympic and Paralympic Games. Wages in the public sector are thus expected to increase less than in the private sector (+0.7% carry-over by mid-2025), and remain stable in real terms. ●

► 2. Balance of opinion on general expectations for wages

(SA data for industry only, in %)



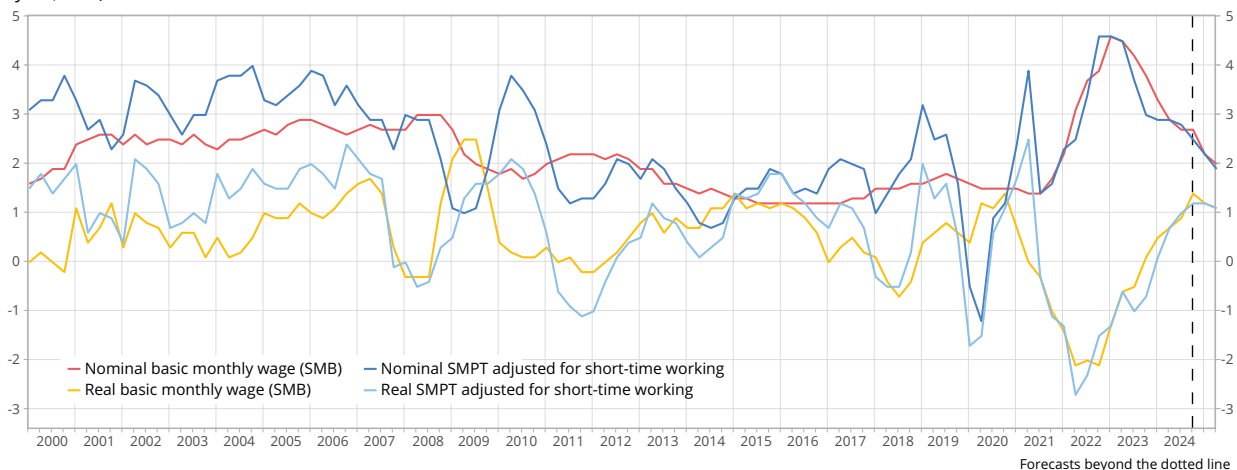
Last point: Q4 2024 (October).

How to read it: in Q4 2024, the balance of opinion on the general outlook for wages in industry rises to -55 points.

Source: INSEE, quarterly business survey in industry.

► 3. Nominal and real changes* in average wage per capita (SMPT) adjusted for the effect of short-term working, and in basic monthly wage (SMB)

(year on year, in %)



* in the sense of the CPI - household consumption price index.

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 when the SMPT was not adjusted during the health crisis ► [blog post on wage indicator \(in French\)](#).

How to read it: in Q2 2025, year-on-year growth in nominal SMPT would be 1.9%.

Scope: non-agricultural market sector.

Source: DARES, INSEE.

Household income

In Q3 2024, household gross disposable income (GDI) remained dynamic (+1.0% adjusted for the effect of Financial Intermediation Services Indirectly Measured – FISIM,¹ as in the previous quarter), buoyed by dynamic social benefits and the decline in income tax paid by households. Wealth income slowed down, as did earned income. Meanwhile, disinflation continued as household consumer prices slowed further in Q3 excluding the FISIM effect (+0.2% after +0.5% in the previous quarter). Thus the purchasing power of household GDI accelerated in the summer (+0.9% after +0.5% in Q2, ► [Figure 1](#)).

In Q4 2024, it is likely that household GDI will be at a standstill (0.0% excluding the FISIM effect). Earned income is expected to maintain the same pace as in the summer (+0.5%): in the civil service, the increase in the minimum wage introduced on 1st November will probably be offset by the axing of the one-off purchasing power bonus (GIPA), but gross wages are expected to be driven, on the one hand, by the payment of bonuses for the Olympic and Paralympic Games for some categories of public employees, and on the other hand, by relatively dynamic government employment. Social benefits are expected to be vigorous once again, driven by the increase in additional pensions. Wealth income, excluding the FISIM effect, is likely to edge down towards the end of the year, with interest income beginning to reflect the cuts in base interest rates and the increase in property tax likely to affect home-owners' income (landlords and owner-occupiers). Finally, social and tax deductions from income look set to rebound at the end of the year, mainly due to the expected increase in the rate of local residence tax on second homes. Household consumer prices, excluding the FISIM effect, should remain virtually stable (+0.1%), and GDI purchasing power is therefore likely to fall back slightly in the last quarter of 2024 (-0.1%, ► [Figure 2](#)).

¹ In the national accounts, FISIM measure banking intermediation activity and are sensitive to changes in interbank interest rates. In a period of falling interbank rates in 2024, FISIM started to fall back after two strong years of growth in 2022 and 2023. Thus GDI was pushed down, as were household consumer prices, but the FISIM effect on household purchasing power was more or less neutral (► [Focus](#) on measuring wealth income and FISIM in the national accounting, December 2023).

► 1. Components of household gross disposable income

(variations in %)

	Quarterly changes										Annual changes		
	2023				2024				2025		2023	2024	2025 ovgh
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Gross disposable income (100%)	1.4	1.6	1.4	1.6	1.1	0.4	0.9	-0.1	0.4	0.0	8.0	4.2	0.9
<i>Of which Gross disposable income excluding Sifim</i>	0.8	0.8	1.1	1.4	1.1	1.0	1.0	0.0	0.5	0.1	5.8	4.2	1.3
Earned income (69%)	1.0	0.8	1.0	1.4	0.4	0.8	0.5	0.5	0.3	0.2	5.2	3.1	1.3
<i>Gross wages and salaries (62%)</i>	1.0	0.7	1.0	1.5	0.5	0.9	0.5	0.6	0.2	0.2	5.3	3.3	1.3
<i>GOS of sole proprietors* (7%)</i>	0.7	1.0	0.9	0.6	-0.1	0.2	0.6	-0.5	0.8	0.0	4.6	1.4	0.8
Social benefits in cash (33%)	0.9	0.5	0.7	1.4	2.8	1.0	1.2	0.8	1.1	0.5	4.7	6.0	2.9
Property income, of which GOS of pure households (23%)	5.9	4.9	2.6	1.2	2.0	-1.1	0.2	-1.3	0.0	-0.2	17.1	4.4	-1.3
<i>Of which Income from assets excluding FISIM</i>	3.0	1.5	1.2	0.2	2.5	1.3	0.8	-0.9	0.6	0.2	7.0	4.8	0.8
Social contributions and taxes (-25%)	3.5	0.7	0.3	0.4	2.6	0.9	-0.4	1.8	0.8	0.8	3.6	4.2	2.8
Household consumer prices**	2.4	1.8	1.1	0.5	0.7	-0.1	0.1	0.0	0.1	0.1	7.1	2.0	0.2
<i>Of which Income from assets excluding FISIM</i>	1.7	1.0	0.8	0.2	0.8	0.5	0.2	0.1	0.3	0.2	4.8	2.1	0.7
Purchasing power of gross disposable income	-1.0	-0.2	0.3	1.1	0.3	0.5	0.9	-0.1	0.2	-0.1	0.9	2.1	0.6
Purchasing power per consumption unit	-1.1	-0.4	0.2	1.0	0.2	0.4	0.7	-0.2	0.1	-0.2	0.3	1.5	0.2

■ Forecast.

* the gross operating surplus (GOS) of sole proprietors is the balance of the operating account of sole proprietorships. This is mixed income as it remunerates work carried out by the owner of the sole proprietorship, and possibly members of their family, but it also contains profit made as a sole proprietor.

** The dynamics of household consumer prices in 2023 differ significantly from those of the Consumer Price Index (CPI) as a result of the accounting effect of the earlier increase in interbank rates.

Note: numbers in brackets give the structure for 2023.

How to read it: household gross disposable income (GDI) excluding the effect of FISIM rose by 1.0% in the third quarter of 2024.

Source: INSEE.

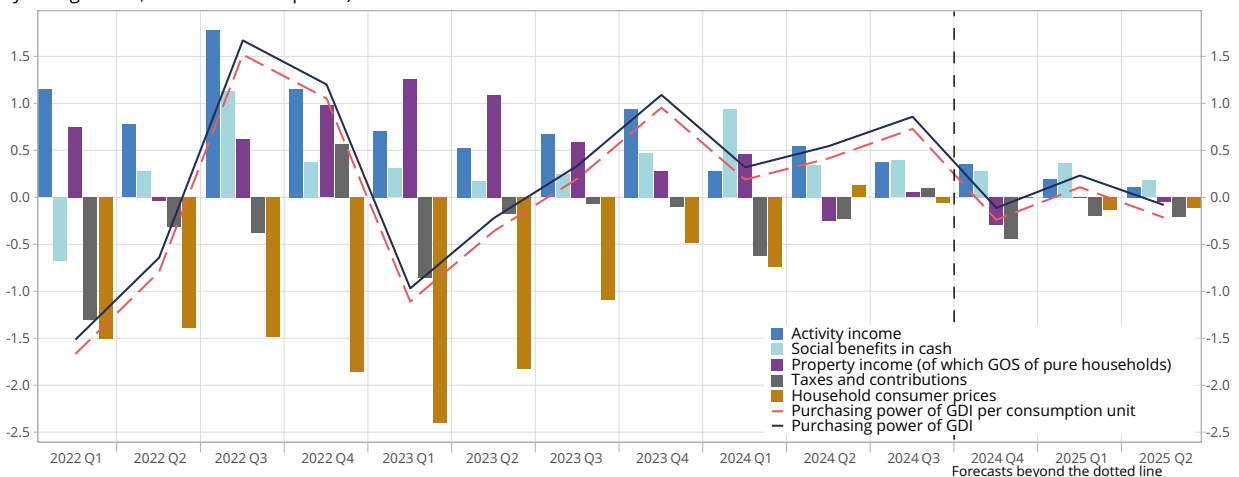
French economic outlook

Across the whole of 2024, purchasing power overall looks set to increase more than expected growth (+2.1% and +1.1% respectively) and purchasing power per consumption unit should pick up (+1.5% after +0.3% in 2023) in this context of disinflation (► [Figure 3](#)). In real terms, social benefits in cash are expected to be the main contributor to change in household purchasing power in 2024 since there is a time lag in their indexing on earlier inflation, especially the 5.3% increase in basic pensions at the beginning of the year.

In H1 2025, household GDI is expected to grow at the beginning of the year before slowing down in the spring (+0.5% in Q1, then +0.1% in Q2 adjusted for the FISIM effect). Social benefits should remain dynamic early in the year with the indexing of basic pensions on earlier inflation, which is likely to be applied automatically if the social security finance law is not passed. Sole proprietors' income is likely to benefit from the increase in the consultation fee for general practitioner doctors, effective at the end of December. Gross wages paid to households are expected to slow significantly, driven mainly by changes in wages, whereas employment should remain more or less stable. It is likely that social and tax contributions will spontaneously increase faster than income at the beginning of 2025: in particular, income tax yields should pick up since the wage bill paid to households increased more than the consumer price index in 2024. A possible freeze on the income tax scale in 2025 is unlikely to have any effect on tax contributions paid by households in H1 2025, as it will probably be recorded mainly when adjustments are made in the summer i.e. in H2.

► 2. Quarterly variation in purchasing power of household gross disposable income (GDI) and its main contributions

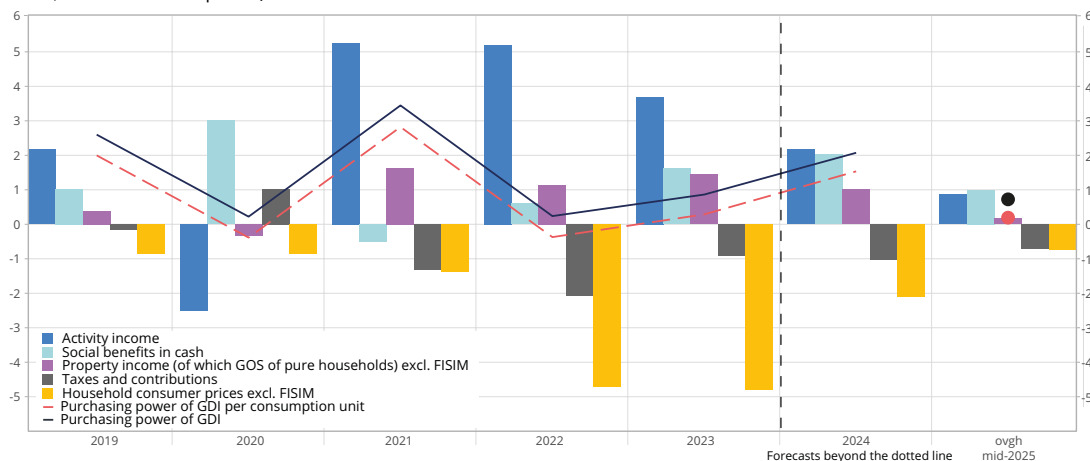
(quarterly changes in %, contributions in points)



How to read it: the purchasing power of household GDI increased by 0.9% in Q3 2024. Social benefits contributed +0.4 points to the increase in household GDI.
Source: INSEE.

► 3. Annual changes in purchasing power of household gross disposable income (GDI) and its main contributions

(annual changes in %, contributions in points)



Note: the 2025 point is a mid-year growth overhang.

How to read it: GDI purchasing power (excluding the FISIM effect) would increase by 2.1% in 2024. Social benefits would contribute +2.0 points to the increase in household GDI excluding the FISIM effect.

Source: INSEE.

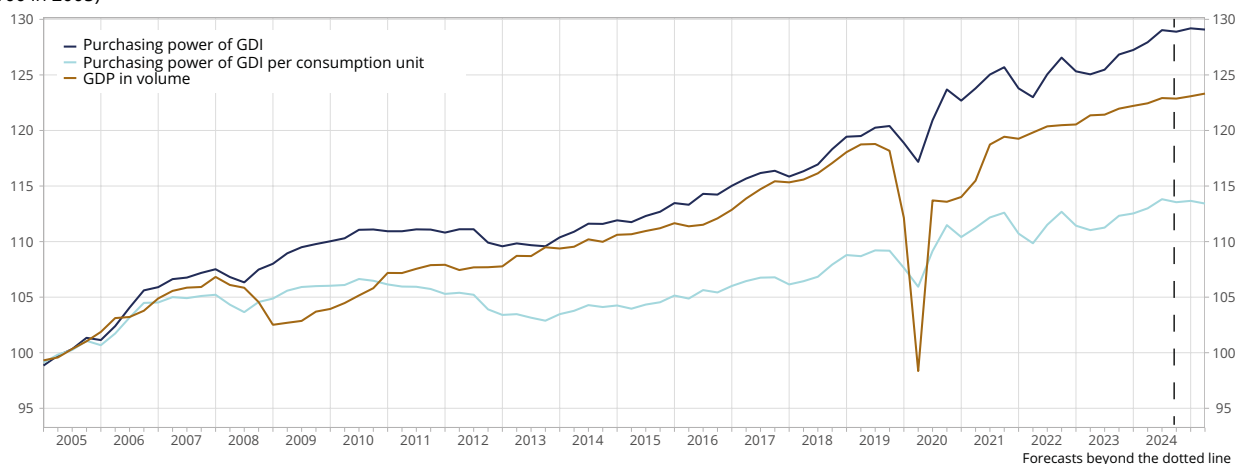
Home-owners' income should rebound automatically in Q1 2025 after the increase in property tax affected the end of 2024. However, the rest of property income (excluding the FISIM effect) is expected to contract: interest rates are likely to reflect the new cuts expected in the ECB's base interest rate; dividend payments to households by companies are expected to slow, as a result of less favourable financial results in 2024; other investment income should increase, including life insurance in particular, along with loans, and the rates applied should stabilise.

Finally, consumer prices are expected to remain moderate in H1 2025 (+0.3% in Q1, then +0.2% in Q2 excluding the FISIM effect), and thus household GDI purchasing power will be sluggish throughout but with an uneven profile from one quarter to the next (+0.2% then -0.1%, ► [Figure 4](#)).

For 2025, the mid-year overhang for change in purchasing power (i.e. the annual change forecast if purchasing power were to remain stable in H2, at the level forecast for Q2) is virtually the same (+0.6%, i.e. +0.2% per consumption unit) as the GDP growth overhang. ●

► 4. Change in purchasing power of household gross disposable income (GDI) and of GDP since 2005

(base 100 in 2005)



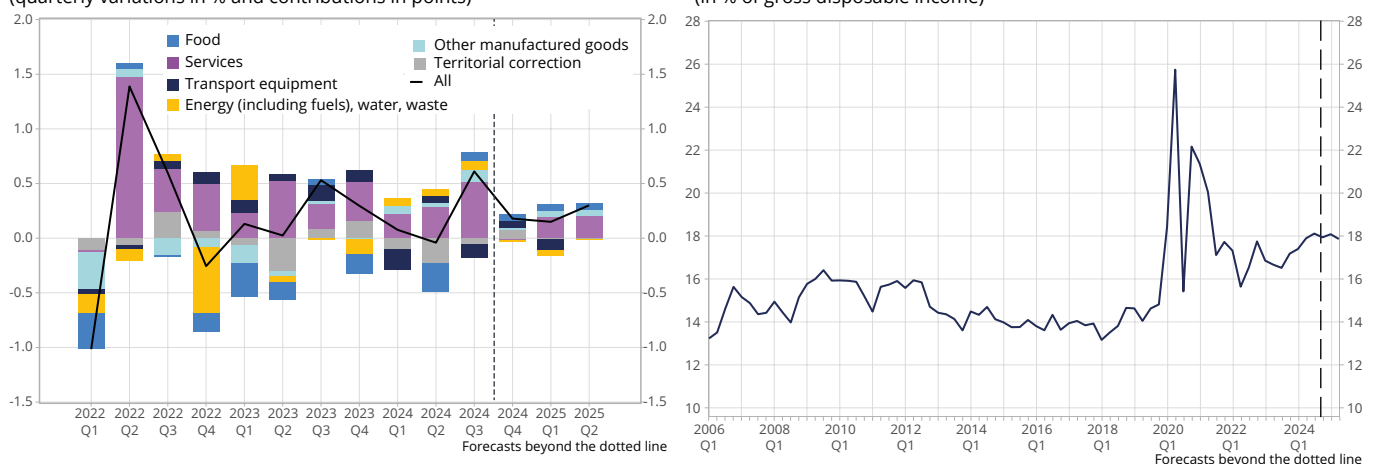
Last point: Q2 2025.

Source: INSEE.

Household consumption and investment

In Q3 2024, household consumption recovered its momentum (+0.6% after 0.0%, ► **Figure 1**), driven mainly by the dynamism in services (+0.9% after +0.5%). Sales of tickets for the Paris Olympic and Paralympic Games were recorded in the national accounts in the summer and boosted consumption in recreational services (+7.1%). However, this major development masks the crowding-out effects on normal recreational activities: in fact, excluding revenue from Olympic and Paralympic Games ticket sales, consumption in these services declined. Crowding-out effects also concerned accommodation-catering and transport services: household consumption in accommodation-catering in France slipped back this summer (-0.2% compared to the previous quarter), as it did in transport services (-0.4%), probably a sign of a relative disaffection by regular tourists. Consumption of goods started to rise again slightly (+0.4% after -0.2%). Food consumption picked up timidly but is still six points below its 2019 average (► **Figure 2**). Automobile purchases, particularly of new cars, fell back significantly, notably as a result of the entry into force of the new EU General Safety Regulation (GSR2) in July. Household spending on gas and electricity remained vigorous, meanwhile, with temperatures in September being cooler than the seasonal norms.

► **1. Past and expected quarterly consumption (left) and household savings ratio (right)**
(quarterly variations in % and contributions in points) (in % of gross disposable income)

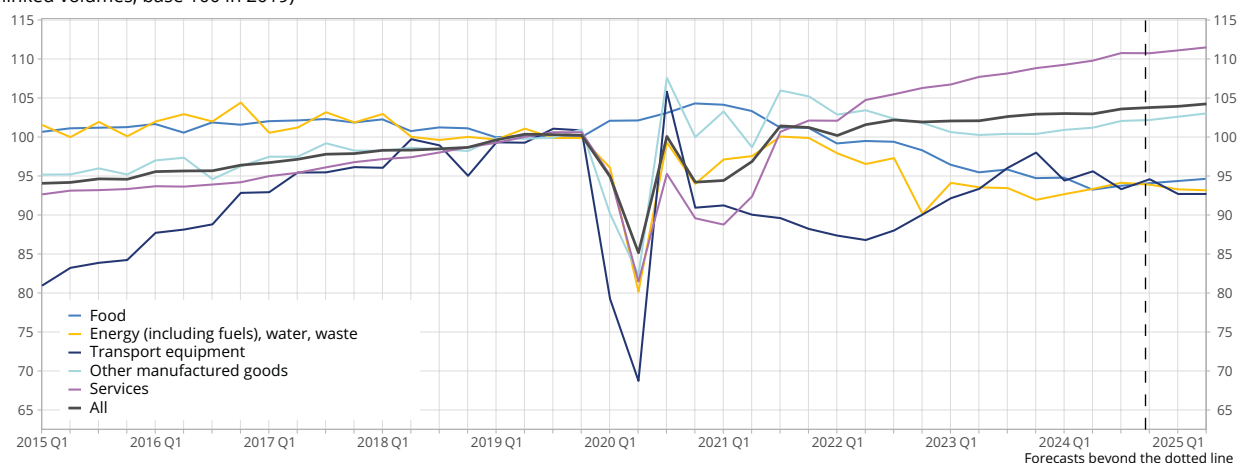


Note: territorial correction represents purchases made by French residents abroad (also counted in imports) minus purchases by non-residents made in France (counted in exports). The other contributions to household consumption (food, energy, etc.) refer exclusively to consumption in France.

How to read it: in Q3 2024, household consumption rose by +0.6% compared to the previous quarter. Consumption of services contributed +0.5 points to the rise in consumption. The household savings rate stood at 18.2% of gross disposable income Q3 2024.

Source : INSEE.

► **2. Past and expected quarterly consumption by level**
(chain-linked volumes, base 100 in 2019)



Note: territorial correction, which denotes purchases by French residents abroad minus purchases made by non-residents in France, is not shown in this graph.

How to read it: in Q3 2024, household food consumption was 6 points below its 2019 average.

Source: INSEE.

In Q4 2024, household consumption should continue to increase (+0.2%) despite the sharp decline forecast in leisure services (-6.0%), linked to the after-effects from Olympic Games ticket sales. Spending in other services is expected to be dynamic. In particular, consumption in accommodation-catering services and transport services are expected to grow faster than their trend growth, as a reaction to the sluggish summer, as the crowding-out effects associated with the Olympic and Paralympic Games come to an end. Spending on goods should continue to recover, including food, where purchases are expected to increase at virtually the same pace as the previous quarter (+0.4% in Q4 after +0.5%). Purchases in the automobile sector look set to improve temporarily: new registrations were certainly dynamic in November, in anticipation of the reduction in the bonus for the purchase of electric vehicles (which came into force at the beginning of December) and the tightening planned for early 2025 of the European CAFE standard on vehicle emissions. The consumption of gas and electricity, when adjusted for seasonal variations, is expected to be stable compared to the summer: household consumption of gas and electricity looks set to remain about 4% higher than its level of last winter, due to an early cold snap in November, with energy-saving behaviour assumed to be constant (► [Figure 3](#)).

Across the whole of 2024, consumption is expected to increase at a similar pace to the previous year (+0.9%, ► [Figure 4](#)). The increase would thus be significantly less than that in purchasing power (+2.1%, ► [Figure 5](#)) and the household savings ratio in 2024 is expected to settle, on average, at 17.9%, one point higher than last year and 4 points higher than its pre-health crisis level (► [Focus](#) on savings ratio of European households). Household opinion regarding the opportunity to save in the current economic situation remains at historically high levels, whereas regarding the opportunity to make major purchases, opinion has recovered slightly compared to mid-2023, but is still very much in decline (► [Figure 6](#)).

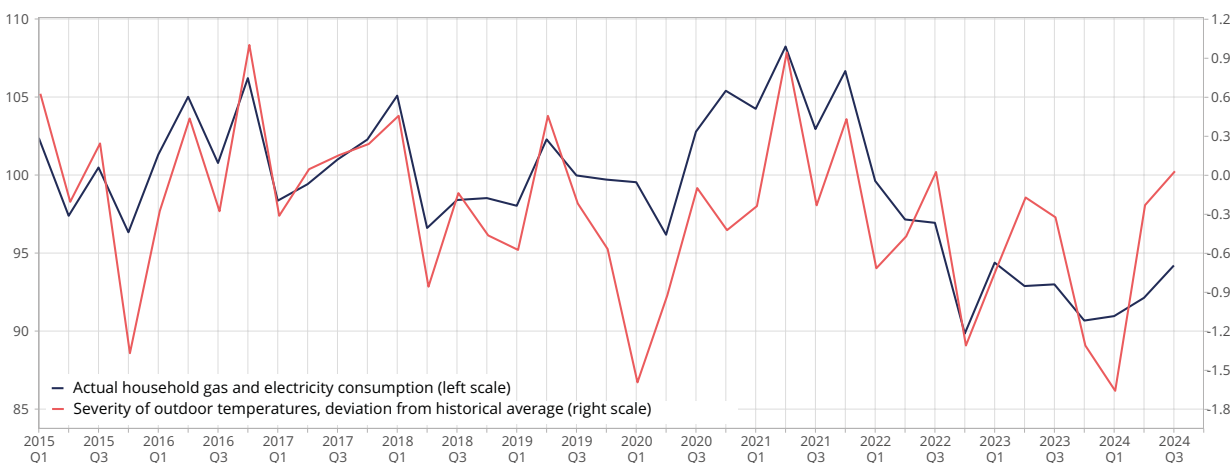
In H1 2025, household consumption is expected to maintain a moderate pace, on average, accelerating in Q2 (+0.1% then +0.3%): their purchasing power looks set to be sluggish over the forecasting period, but their savings ratio, which is particularly high, could fall slightly, provided that the period of political uncertainty comes to an end. Consumption of goods is expected to fall back slightly in the winter (-0.1%). Automobile purchases are likely to suffer in Q1 as the CAFE standard comes into force and prices rise due to the tightening of restrictions on the electric vehicle bonus: because automobiles have become relatively more expensive compared to the other items in the basket, the decline in purchases in winter 2025 is expected to be more significant than their increase in autumn 2024. Spending on energy for housing is also likely to fall back (-1.0% in Q1 2025), assuming that temperatures return to their seasonal norms and that energy-saving behaviour continues. These two effects will probably no longer play a part in the spring, with the result that by then the consumption of goods should regain some of its momentum (+0.2%). In H1 2025, with a growing perception by households that the period of inflation is coming to an end, recovery should continue in food consumption, albeit moderately. On the services side, consumption is expected to maintain a certain momentum (+0.3% per quarter), in line with trends observed over the recent period.

All in all, the 2025 mid-year household consumption overhang is likely to be +0.8%, slightly higher than that of purchasing power (+0.6%). Thus in Q2, the household savings ratio looks set to stand at 17.9% of gross disposable income, still well above its level throughout the 2010s.

► 3. Gas and electricity consumption and the severity of outside temperatures

(SA-WDA data for gas and electricity consumption, base 100 in 2019)
average)

(unified degree days, deviation from historical



Last point: Q3 2024.

Note: actual household gas and electricity consumption also includes consumption financed by “energy cheques”, assigned in the national accounts to general government.

The severity of temperatures is calculated as the deviation of the temperature in “unified day degrees” from the historic average (since 1990), where unified day degrees equal the difference between 17°C and the observed temperature if this difference is positive, 0 if not.

How to read it: in Q4 2023, actual household gas and electricity consumption, seasonally adjusted, was about 9% below its 2019 average. In Q4 2023, temperatures were less severe than their historic average, by around 1.3 celsius degrees.

Source: INSEE, Météo France (INSEE calculations).

French economic outlook

Finally, household investment continued to decline in Q3 2024, but slightly less than the previous quarter (-0.6% after -0.9%). Household investment in services, linked to real estate transactions in second-hand housing (agency and notary fees), contracted after a dynamic spring (-0.9% after +1.9%), while their investment in construction continued to fall, although less sharply than before (-0.6% after -1.7%). By mid-2025, the decline in household investment in construction should affect activity less and less, as the time lag reflecting the stabilisation of housing starts begins to come into play, while their investment in services is expected to recover its vitality. In fact, the proportion of households intending to buy a home has been recovering since mid-2024, a sign that the cycle of ECB cuts that started in June is now beginning to unblock transactions. In addition, the outlook for activity in companies building new housing has stabilised overall since the spring, having been in constant decline almost since the start of 2022, and hitting some very low levels (► [Figure 7](#)).●

► 4. Estimated and projected quarterly household consumption

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

Products	weight ⁽¹⁾	2023				2024				2025		2023	2024	2025 ovgh
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
All goods	44%	-0.1	-0.5	0.5	-0.5	-0.1	-0.2	0.4	0.3	-0.1	0.2	-1.6	-0.3	0.4
Food goods	17%	-1.9	-1.0	0.4	-1.2	0.1	-1.6	0.5	0.4	0.4	0.4	-3.5	-1.7	0.8
Agricultural products	3%	-0.8	1.3	-0.3	-0.8	-0.2	-1.9	-0.5	0.0	0.3	0.3	-2.6	-2.3	-0.3
Food product	14%	-2.1	-1.4	0.5	-1.2	0.1	-1.6	0.7	0.4	0.4	0.4	-3.7	-1.6	1.0
Coke and refined petroleum	4%	-0.1	-1.9	-0.3	-1.4	1.3	0.4	-0.3	-0.5	-0.3	-0.3	-2.2	-0.3	-0.9
Other industrial products	19%	-0.3	0.1	0.9	0.5	-0.6	0.5	0.0	0.5	-0.2	0.3	0.4	0.7	0.4
Capital goods	3%	-0.9	-1.4	2.1	0.1	1.4	0.7	0.5	0.6	0.9	0.9	-2.1	3.2	2.5
Transport equipment	5%	2.3	1.3	2.9	2.0	-3.7	1.3	-2.4	1.4	-2.0	0.0	7.8	-0.4	-1.9
Other industrial products	11%	-1.2	-0.1	-0.4	0.0	0.3	0.2	0.9	0.0	0.3	0.3	-2.1	0.7	1.0
Energy, water, waste	5%	8.7	0.7	0.1	-1.9	0.3	1.0	1.8	-0.1	-1.0	0.0	-2.4	0.8	0.1
All services	57%	0.4	0.9	0.4	0.6	0.4	0.5	0.9	0.0	0.3	0.3	3.1	2.1	1.1
Construction	2%	0.8	-0.1	-0.2	0.1	0.1	-0.5	-0.2	0.2	0.0	0.0	0.2	-0.4	-0.1
Trade (2)	0%	-0.2	-0.3	-0.8	-0.6	-1.5	0.6	-0.8	-0.2	-0.2	-0.2	0.8	-2.4	-0.8
Market services excluding trade	46%	0.4	1.0	0.4	0.6	0.5	0.4	1.0	0.0	0.3	0.3	3.2	2.1	1.1
Transport	3%	0.1	2.5	0.4	1.7	0.6	0.3	-0.4	0.6	0.3	0.3	6.6	2.8	0.8
Accommodation and food	9%	-0.5	2.4	-0.2	0.1	0.4	0.6	-0.2	0.7	0.2	0.2	5.5	1.5	0.9
Information-communication	4%	1.9	0.9	2.3	1.6	1.5	0.8	2.5	2.0	0.6	0.6	5.7	6.5	4.0
Financial services	8%	0.3	0.4	0.4	0.5	0.2	0.4	0.4	0.2	0.3	0.3	1.7	1.4	1.0
Real estate services	19%	0.3	0.3	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3	1.4	1.3	1.1
Business services	3%	0.7	1.4	0.5	1.6	0.7	-1.1	1.5	0.2	0.1	0.1	4.7	2.5	0.8
Household services	4%	0.8	1.0	-0.4	0.3	0.9	1.2	7.1	-6.0	0.4	0.4	3.6	4.1	-0.2
Non-market services	5%	0.8	0.7	1.0	1.7	-0.1	1.5	0.7	0.0	0.8	0.8	3.3	3.4	2.2
Total consumption in France	101%	0.2	0.3	0.4	0.1	0.2	0.2	0.7	0.1	0.2	0.3	1.0	1.1	0.8
Territorial correction	-1%	8.3	36.2	-7.4	-15.0	10.8	23.6	4.4	-6.0	0.5	0.5	6.2	19.9	3.3
Imports of tourism services		1.7	-3.8	3.5	4.5	2.3	-3.0	-0.8	1.0	0.5	0.5	10.4	3.9	0.4
Exports of tourism services		2.9	3.7	0.9	0.1	3.9	2.5	0.5	-0.8	0.5	0.5	9.5	7.3	1.1
Total consumption of residents	100%	0.1	0.0	0.5	0.3	0.1	0.0	0.6	0.2	0.1	0.3	0.9	0.9	0.8

■ 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 motorcycles. Expenditures in retail trade, excluding cars and motorcycles, are allocated to the corresponding products.

How to read it: in Q3 2024, household consumption of food rose by 0.5% compared to the previous quarter.

Source: INSEE.

► 5. Household consumption, purchasing power, savings ratio and investment

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

	2023				2024				2025		2023*	2024*	2025 ovhg*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Consumption: quarterly changes	0.1	0.0	0.5	0.3	0.1	0.0	0.6	0.2	0.1	0.3	0.9	0.9	0.8
Purchasing power: quarterly changes	-1.0	-0.2	0.3	1.1	0.3	0.5	0.9	-0.1	0.2	-0.1	0.9	2.1	0.6
Savings ratio: as % of gross disposable income	16.9	16.7	16.6	17.2	17.4	17.9	18.2	18.0	18.1	17.9	16.9	17.9	17.9
Investment: quarterly changes	-2.9	-1.5	-2.3	-2.0	-2.0	-0.9	-0.6	-0.3	-0.2	0.0	-8.2	-6.0	-0.9

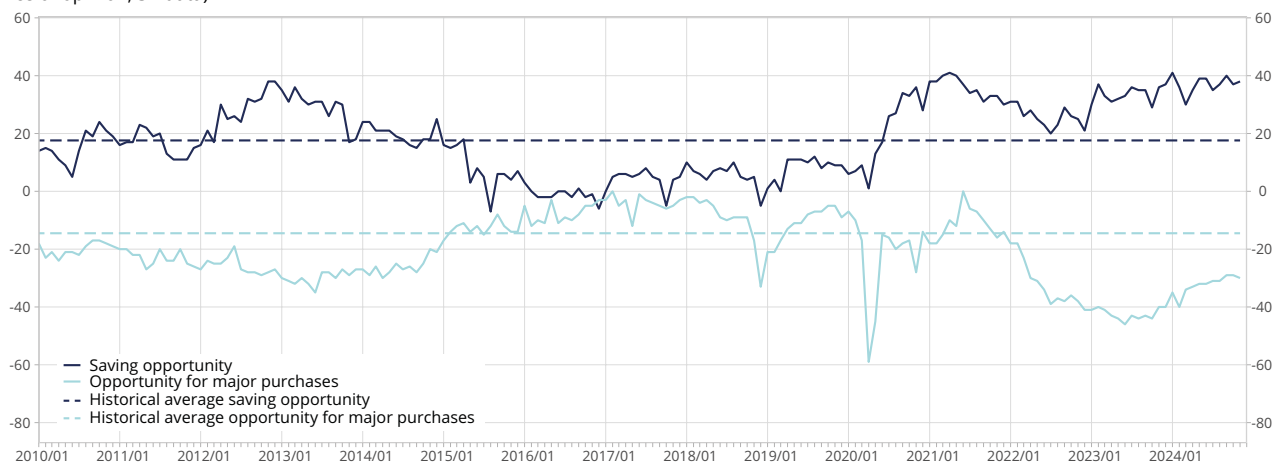
■ Forecast.

* annual variations for the last three columns (apart from the annual average for savings ratio).

Source: INSEE.

► 6. Household investment in construction and housing space produced

(balance of opinion, SA data)



Last point: November 2024.

Note: dotted lines represent historical average balances, calculated over the period January 1987-December 2023.

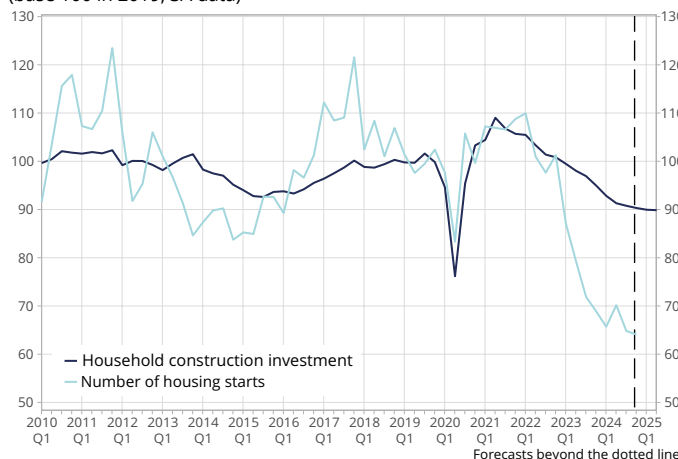
How to read it: in November 2024, households' balance of opinion on the opportunity to save stood at 38 points.

Scope: households living in ordinary housing in metropolitan France.

Source: monthly household survey (Camme), INSEE.

► 7a. Household investment in construction and housing starts

(base 100 in 2019, SA data)



Note: for housing starts, the point at Q2 2024 corresponds to data for October only.

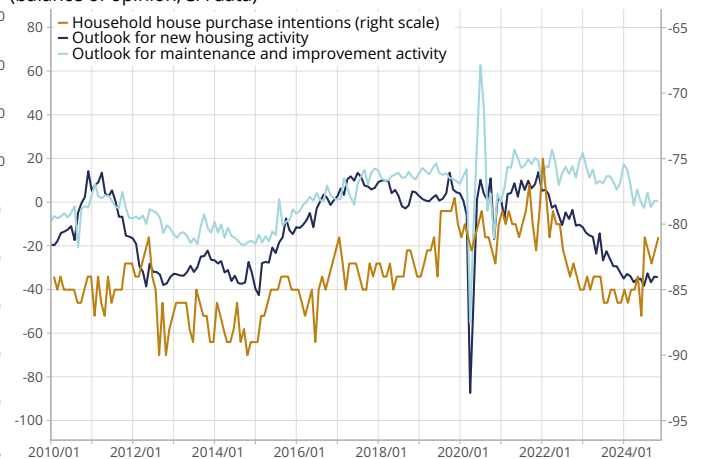
How to read it: in the Q3 2024, household investment in construction was 9 points below its average level for 2019.

The number of housing starts was 35 points below its average level for 2019.

Source: INSEE and SDES.

► 7b. Balances of opinion on expectations for activity in the next three months in construction (companies) and home-buying intentions (households)

(balance of opinion, SA data)



Last point: November 2024.

How to read it: in November 2024, the balance of opinion on expectations for activity in the next three months in the construction of new homes stands at -34 points.

Source: monthly business survey of the construction industry, INSEE.

Entreprises' earnings

In Q3 2024, the margin rate of non-financial corporations (NFCs) increased significantly, reaching 32.4% of their value added, or +1.1 points compared to the previous quarter (► [Figure 1](#)), driven by the improvement in terms of trade: the price of oil fell and energy companies and transport services benefitted from the rise in electricity and maritime freight prices. The effect of the Olympic and Paralympic Games on growth also led to accounting gains in productivity and thus supported margins (as the Organising Committee of Olympic and Paralympic Games is considered an NFC in national accounting), while real labour costs and taxes on production contributed almost nothing to the change (► [Figure 2](#)). The margin rate of NFCs is more than one point above its pre-health crisis average (30.9% in 2019) but this comes mainly from the energy and transport services sectors. In the manufacturing industry and market services excluding transport, it is only scarcely above its 2019 level.

In the last quarter of 2024, the margin rate of NFCs is expected to fall by 0.4 points, to 31.9% of value added. The real cost of labour is likely to rise again in a context of low inflation, without this being offset by gains in productivity, which will probably be sluggish, as a reaction to the one-off increase in the previous quarter.

All in all, across the whole of 2024, corporate margin rates are expected to stand at 31.9% of value added, down 1.0 point compared to its average in 2023 and slightly above its average in the 2010s. The deterioration in the terms of trade (linked to the return to normal of European electricity prices after the surge in 2022) is expected to have a significant effect on corporate margin rates, especially in the energy sector, whereas the increase in the real cost of labour is expected to be offset by gains in productivity. In 2024, the margin rate of the energy branch is therefore likely to fall back, as will that of manufacturing industry, whereas it is expected to pick up in market services as they gradually pass on past wage increases to their selling prices (► [Focus](#) "The margin rate of companies in France has withstood the rise in import prices well, due to their increased selling prices and wage moderation", *Economic outlook*, July 2024). In addition, corporate financing costs should continue to increase as a result of the earlier rise in interest rates and, ultimately, in corporate savings (which take corporate tax and financial earnings into account) and are expected to represent 18.8% of their value added in 2024, or almost two points less than the average observed between 2015 and 2019 (► [Figure 3](#)).

► 1. Decomposition of margin rate of non-financial corporations (NFC)

(margin rate in %, variation and contributions in points)

	2023				2024				2025		2023	2024	2025 ovgh
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Margin rate	32.1	33.3	33.0	33.1	32.1	31.2	32.4	31.9	31.6	31.6	32.9	31.9	31.6
Variation in margin rate	1.2	1.3	-0.3	0.2	-1.1	-0.8	1.1	-0.4	-0.3	0.0	1.9	-1.0	-0.3
Productivity (+)	0.0	0.9	0.1	0.5	0.0	-0.1	0.4	-0.1	0.0	0.3	0.9	0.7	0.3
Real per capita labour cost* (-)	0.2	0.1	0.1	0.0	-0.4	-0.3	-0.1	-0.3	-0.2	-0.1	0.4	-0.7	-0.5
Of which real wages per head(-)	0.3	0.1	0.2	-0.1	-0.2	-0.2	0.0	-0.3	-0.1	0.0	0.4	-0.4	-0.4
Of which Employer's contribution rate(-)	-0.1	-0.1	-0.2	0.1	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.3	-0.1
VA price/consumer price ratio* (+)	0.5	-0.1	-0.4	-0.1	-0.8	-0.5	0.7	0.0	-0.3	-0.2	0.3	-1.2	-0.2
Other items	0.4	0.5	-0.1	-0.2	0.2	0.0	0.1	-0.1	0.2	0.0	0.2	0.2	0.2

■ Forecast.

* in the sense of the consumption price index (CPI).

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 (P_{VA}/IPC), which have a positive effect;
- changes in the real cost of labour (W/P_c , 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.

This breakdown can be synthesised in the equation:

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

How to read it: in Q3 2024, productivity contributed 0.4 points to the increase in the NFC margin (+1.1 points).

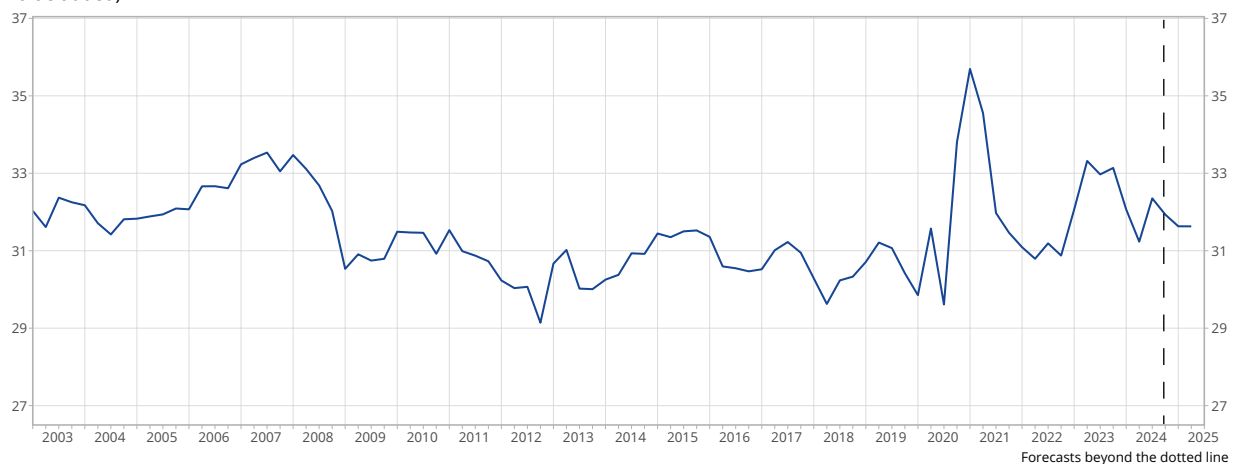
Source: INSEE.

In Q1 2025, the margin rate of NFCs is expected to fall further (-0.3 points), then stabilise in the spring at 31.6% of value added. Terms of trade are likely to deteriorate in the winter due to the expected drop in the selling price of electricity for producers which looks set to be greater than that in household consumer prices, given the rise in excise duty (► [Consumer prices sheet](#)). Over the half-year, NFCs are expected to record productivity gains, with activity slightly more dynamic than employment, but these are likely to be offset by the increase in the real cost of labour. Finally, with no finance law for 2025, the NFC margin rate is likely to benefit from the further reduction in the business value-added contribution (CVAE) in 2025, which was voted in the finance law for 2024.

The 2025 mid-year overhang of the NFC margin rate is expected to fall slightly, to 31.6% of value added: the terms of trade are still likely to affect change in the margin rate a little, whereas productivity gains are expected to only partially offset the increase in the real cost of labour. The savings ratio looks set to fall again, slightly, to 18.3% of value added carried over by mid-2025, in the wake of the margin rate. ●

► 2. Quarterly margin rate of non-financial corporations (NFC)

(in % of value added)



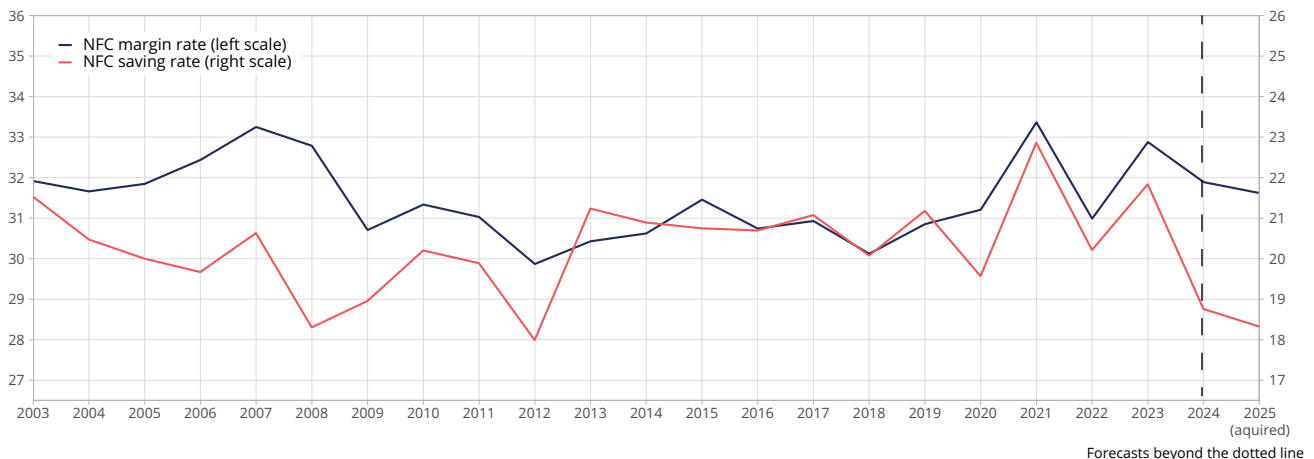
Last point: Q2 2025.

How to read it: in Q3 2024, the margin rate for NFCs increased to 32.4% of their value added.

Source: INSEE.

► 3. Margin rate and annual savings ratio of non-financial corporations (NFCs)

(in % of value added)



Note: the last point is the mid-year growth overhang for 2025.

How to read it: in 2024, the margin rate of NFCs is expected to be 31.9% and the savings ratio 18.8% of their value added.

Source: INSEE.

Corporate investment

Investment by non-financial enterprises (NFEs) declined further in summer 2024, for the fourth consecutive quarter (-1.2% after -0.2% in Q2 2024, ► [Figure 1](#)). Investment in manufactured products fell sharply (-4.6% after -1.7% in Q2 2024), weighed down by the collapse in investment in transport equipment (-9.2% after -1.0%) which was linked to the introduction of the new European GSR-2 standard (*General safety regulation*), for heavy vehicles in particular. Purchases of capital goods and “other industrial products” continued to decline, hampered by difficult financing conditions. Investment in construction almost stabilised (-0.1% after -0.6% in Q2), but nevertheless recorded its seventh consecutive quarter of decline. At the same time, spending on services continued to grow at a sustained pace (+1.0% after +1.4%), driven by spending on both information-communication (+1.0% after +1.5%) and services to businesses (+0.9% after +1.3%).

Despite the downward trend in base interest rates started by the ECB in June 2024, bank financing conditions remain unfavourable: in October 2024, only 7% of business leaders in manufacturing industry considered that financial conditions were likely to stimulate investments planned for 2025, a proportion that has been stable since October 2022 and at its lowest in over 20 years. The outlook for demand is also gloomy: only half of industrialists believe that demand will stimulate the investment they have planned for 2025, the lowest share in over 20 years (► [Figure 2](#)). In addition, only 16% of them are planning capacity investment in 2025, after 24% in 2024, a figure that is at its lowest since 2002; the vast majority of planned investment therefore concerns the replacement or modernisation of existing equipment. In this context where there is also general uncertainty, businesses are increasingly reluctant to consider increasing their investments, both in industry and services (► [Figure 3](#)). The business climates in sectors of activity delivering goods and investment services such as capital goods, wholesale trade or information-communication, are particularly vulnerable.

► 1. Investment by non-financial enterprise (NFEs)

(quarterly and annual changes, in %, seasonally and working day adjusted)

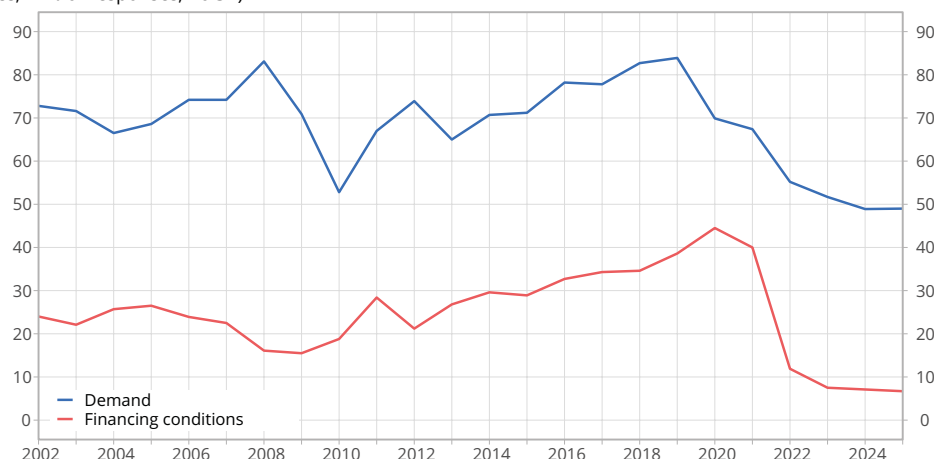
	Quarterly changes										Annual changes		
	2023				2024				2025		2023	2024	2025 ovgh
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Manufactured product (33%)	-0.2	1.0	1.2	-1.6	-2.1	-1.7	-4.6	-1.0	-0.8	-0.6	3.6	-6.1	-4.7
Construction (26 %)	-0.2	-0.2	-0.5	-1.0	-1.4	-0.6	-0.1	-0.7	-0.7	-0.7	-0.5	-3.2	-2.0
Services excl. construction (42 %)	0.5	1.5	0.7	0.0	0.7	1.4	1.0	0.5	0.5	0.5	5.4	3.1	2.1
All products (100 %)	0.1	0.8	0.5	-0.8	-0.9	-0.2	-1.2	-0.3	-0.3	-0.2	3.1	-1.9	-1.3

■ Forecast.

Source: INSEE.

► 2. Factors stimulating investment in industry

(proportion of companies, in % of responses, no SA)



Last point: 2025 (forecasts produced by companies in October 2024).

How to read it: in October 2024, 7% of industrial companies considered that financing conditions will stimulate their investments for 2025.

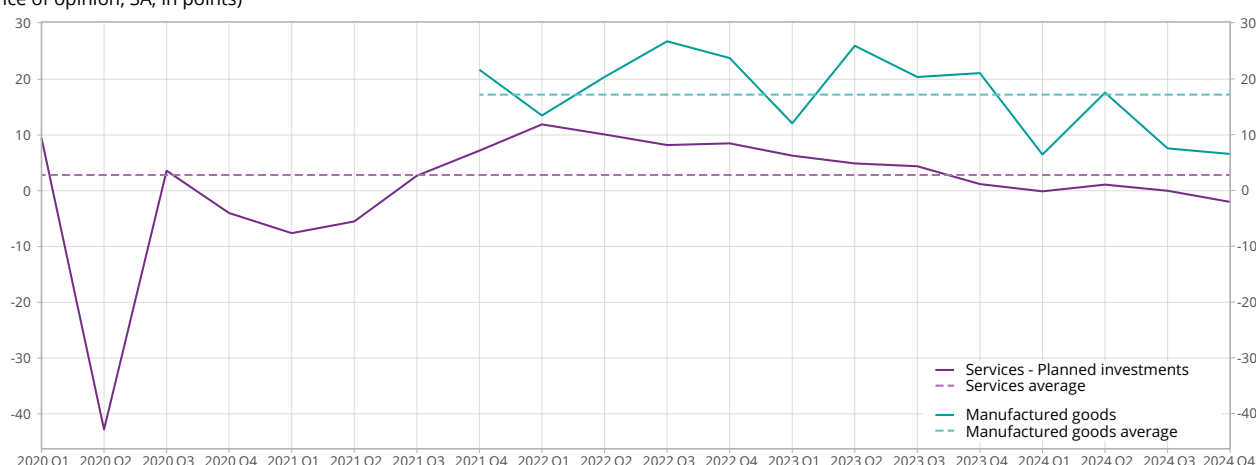
Source: INSEE, business survey in industry.

In Q4 2024, corporate investment is therefore expected to continue its decline (-0.3% after -1.2%). Although investment in services, mainly information-communication, is expected to increase (+0.5%), this growth will probably be between two and three times lower than the average pace over the last three years, at around 1.5% per quarter (► [Figure 4](#)). Purchases of manufactured goods look set to continue their decline (-1.0% after -4.6%): although purchases of vehicles are unlikely to fall further, after crashing in the summer, companies will probably limit their purchases of capital goods. Finally, corporate investment in construction is expected to decline (-0.7% after -0.1%), in a context where interest rates continue to be high and structural changes are being introduced: more particularly, business leaders in construction report a sharp decline in activity for the construction of non-residential buildings. Only demand for housing by social landlords looks set to hold up.

In H1 2025, NFE investment is likely to fall further (-0.3% in Q1 and -0.2% in Q2). Investment in manufactured products is expected to remain in decline (-0.8% in Q1 and -0.6% in Q2): monetary easing and the acceleration of foreign demand are likely to be supporting factors, but, conversely, the current climate of uncertainty looks set to lead to a freeze in investments (► [Figure 5](#)). Investment in services is expected to continue to grow more slowly than its trend pace in recent years (+0.5% per quarter), and investment in construction is likely to fall back (-0.7% in Q1 and Q2), hampered by the decline in demand for non-residential premises. All in all, the mid-year growth overhang in corporate investment is expected to be well into negative figures (-1.3%). ●

► 3. Planned investment in services and industry

(balance of opinion, SA, in points)



Last point: October 2024.

Note: the question has only been asked in this form since October 2021 in the quarterly section of the monthly business survey in industry, and previously concerned half-yearly rather than annual investment.

How to read it: in October 2024, the balance of opinion on investment forecast by companies in the industry sector stands at 6.6 points. This is the difference between the proportion of companies forecasting an increase in investment in 2025 and the proportion forecasting a decrease.

Source: INSEE, business surveys.

► 4. Investment of non-financial enterprises by product

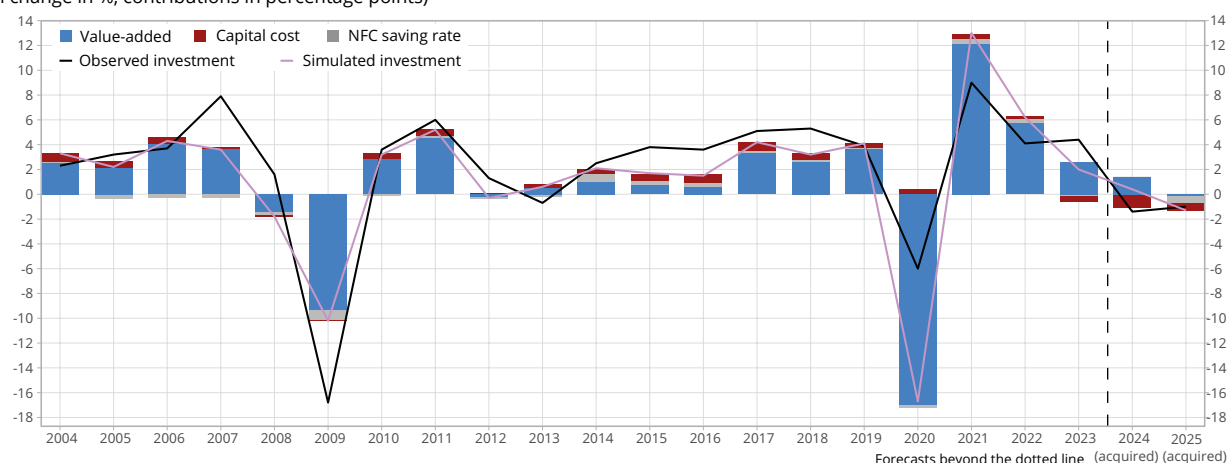
(quarterly changes in %, contributions in percentage points)



Source: INSEE.

► 5. Modeling NFC investment excluding construction

(annual change in %, contributions in percentage points)



Note : the modelling is that presented in the June 2015, *Economic outlook*: ► [Hauseux and al.](#) "Real estate prices appear to have no direct effect on investment in productive assets".

How to read it: in 2019, NFC investment excluding construction increased by 3.9%. The model simulated an increase of 4.1%, including a 3.6 points contribution from value added, 0.4 points from the cost of capital and 0.1 points from the savings rate.

Source: INSEE.

International economic outlook



International economic outlook

Warning

Some estimated coefficients in the equations shown in Box 1 were corrected on 23/01/2025; these corrections do not affect Figure 4.

European household savings ratios have increased since 2019 but the factors contributing to this rise would partially reversed in 2025

In the four main Eurozone economies, the savings ratio at the beginning of 2024 was higher than before the health crisis. In France, Germany and Spain, this drop in the proportion of income consumed is not explained by the more traditional determinants (mainly purchasing power and unemployment rate). In addition, apart from Italy and, to a lesser extent Spain, it is not accompanied by increased investment in housing: these excess savings are therefore of a financial nature. There are several factors that can account for this.

One series of possible explanations arises from the episode of high inflation that occurred in Europe in 2022 and 2023 and the resulting behaviour shown by households. This has certainly left its mark. On the one hand, household perceptions take some time to adjust to actual price changes, which is likely to increase their savings ratio temporarily in a period of disinflation. On the other hand, high inflation may have pushed households to save more in order to maintain their “real cash holdings”, i.e. the real value of their financial assets, which had been undermined by the sharp rise in prices over the previous two years. Additionally, the rise in interest rates limited households’ access to consumer credit. Finally, the link between excess household savings and the financial situation of the Eurozone Member States and the existence of “Ricardian” effects is not easy to establish on the basis of past behaviours. However, in Germany and France, the political uncertainty of 2024 could be such as to give rise to a certain wait-and-see attitude among households, thus encouraging savings behaviour.

A second type of possible explanation can be put forward, concerning changes in the demographic structure in Europe and fluctuations in the composition of income since the health crisis. The aging population seen in the Old Continent results in a decrease in the youngest age groups, who have a low propensity to save. This is an underlying trend, however, unlikely to account for a fairly sudden shock to the savings ratio occurring over just a few quarters. There are other factors that have changed more rapidly. Thus the change in the composition and distribution of income since the inflationary shock has favoured saving behaviour: gains in purchasing power have been driven notably by wealth income, which is more likely to be put into savings and is concentrated in the wealthiest households, who save more.

Finally, the increase in the savings ratio can be explained temporarily when households no longer favour certain products: energy expenditure in particular has been falling since 2019, as a result of households’ energy-saving behaviour, while the sluggishness of the European automobile market against a backdrop of technology transition is fuelling a certain wait-and-see attitude and affecting the consumption of durable goods.

Some of these phenomena seem to be temporary by nature: inflation is returning to normal, household perceptions are adjusting, and consumer credit rates are falling. In addition, income is now driven more by wage income, which is more likely to be consumed than income from assets. On the other hand, some factors persist: the wait-and-see attitude does not seem to have been lifted in the automobile market and the real value of households’ financial assets remains below its earlier trend, even though it is picking up a little. These factors suggest a forecast of a moderate decline in the savings ratio, but it is nevertheless likely to remain higher in the medium term than its level before the health crisis.

Émilie Cupillard, Enzo Iasoni, Alexandre Simcic

In the four main Eurozone economies, the mid-2024 household savings ratio was between 2 and 5 points above its average in the 2010s

Since the 2000s and until the end of the 2010s, the savings ratio, defined as the unconsumed share of households’ gross disposable income, has remained remarkably stable both in France and Germany, fluctuating around 15 and 17% respectively. In Italy, this unconsumed share of income tended to decrease at the beginning of the 2010s, dropping from 16 to 11%, but stabilised at a little below 11% between the middle of the decade and 2019. In Spain, the savings ratio has historically fluctuated more from quarter to quarter but after a significant rise in the wake of the 2008 crisis, which saw it reach over 12%, it fell during the 2010s, to an average of 8% across the decade.

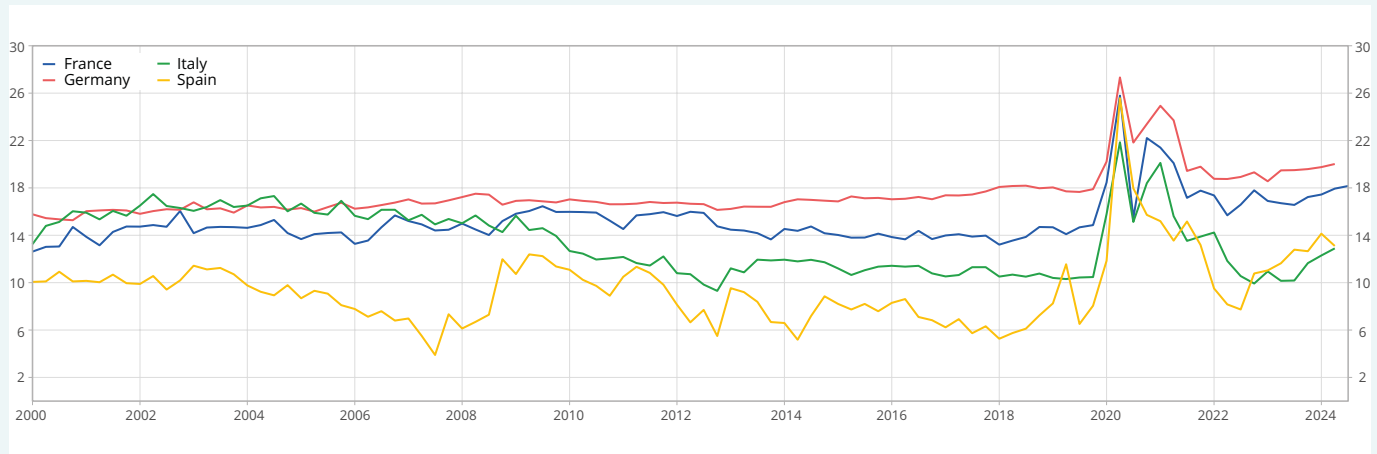
In all four countries, the health crisis resulted in a sharp increase in household savings in 2020 and 2021: in fact, the periods of administrative restrictions effectively limited consumption while incomes were partly protected by government intervention, mainly through the implementation of short-term working schemes. Mid-2022 in Spain and Italy saw the savings ratio return to levels close to those preceding the health crisis, but it has since started to rise again and reached around 13% in spring 2024 in both these countries, i.e. respectively 5 and 2 points higher than their average in the 2010s (► **Figure 1**). In France and Germany, the household savings ratio certainly declined during 2021, but it has never returned to its average in the 2010s and exceeded it by more than three points at mid-2024.

In France, Germany and Spain, the most traditional determinants of consumption cannot account for its relative sluggishness compared to purchasing power

In the four economies considered here, the purchasing power of households' gross disposable income in Q2 2024 was significantly above its 2019 level, generally following its pre-health crisis trend (► [Figure 2](#)) – except in Italy, where it was relatively stable in the late 2010s and has picked up substantially since the start of 2023. The unemployment rate was below its 2019 level in France, Spain and Italy and remained at a contained level in Germany (► [Figure 3](#)). These economic variables are among the most important determinants of household consumption: Keynesian

theory suggests in the long term a unitary indexation of consumption to purchasing power, and an increase in the unemployment rate traditionally leads to households building up precautionary savings. For example, this is the model selected for the last version of the Mésange model (► [Bardaji et al., 2017](#)): in the long term, consumption is indexed unitarily to purchasing power, while in the short term variations in the unemployment rate and real interest rates also intervene. ► [Boissinot \(2004\)](#) also notes that among the variables likely to account for changes in household consumption and savings ratio, only changes in the purchasing power of disposable income, interest rates and inflation have achieved consensus among economists.

► 1. Savings ratio of households' gross disposable income (in % of gross disposable income)



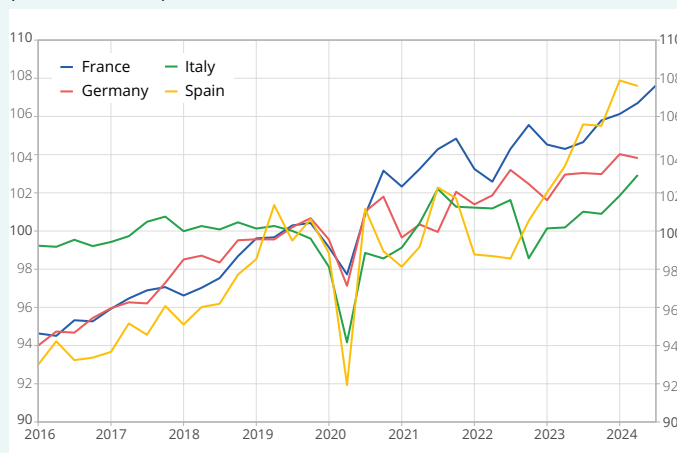
Last point: Q3 2024 for France, Q2 for other countries.

Note: for Germany, Italy and Spain, the savings ratio shown corresponds to the savings ratio of households and NPISHs.

How to read it: in Q3 2024, the household savings ratio stood at 18.2% of their gross disposable income.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

► 2. Purchasing power of household income (base 100 in 2019)



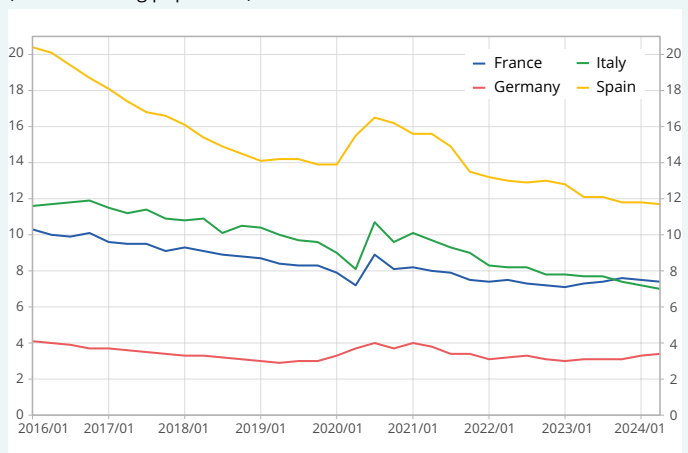
Last point: Q3 2024 for France, Q2 for other countries.

Note: purchasing power is defined as households' gross disposable income deflated by household consumer prices. For Germany, Italy and Spain, the purchasing power shown corresponds to the purchasing power of households and NPISHs.

How to read it: in Q3 2024, the purchasing power of French households was 7.6% below its 2019 level.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

► 3. Unemployment rate (in % of working population)



Last point: Q2 2024.

How to read it: Q2 2024, in Germany, the unemployment rate was 3.4%.

Source: Labour Force Survey, Eurostat.

International economic outlook

The effect of inflation is theoretically indeterminate (► **Howard, 1978**): on the one hand, it may encourage purchases of goods and services to the detriment of monetary holdings (flight from money) and thus have a favourable impact on consumption in the short term, especially in the event of high inflation; on the other hand, it may cause households to save in order to maintain the purchasing power of their financial assets, or at least of their monetary holdings.

These variables can be combined in a simple behavioural model: in the long term, consumption is indexed unitarily to purchasing power, while in the short term, variations in unemployment and inflation also play a role (► **Box 1**). For France, Germany and Spain, a simple model of this kind can explain only part of the increase in savings ratio since the end of the crisis (► **Figure 4**).

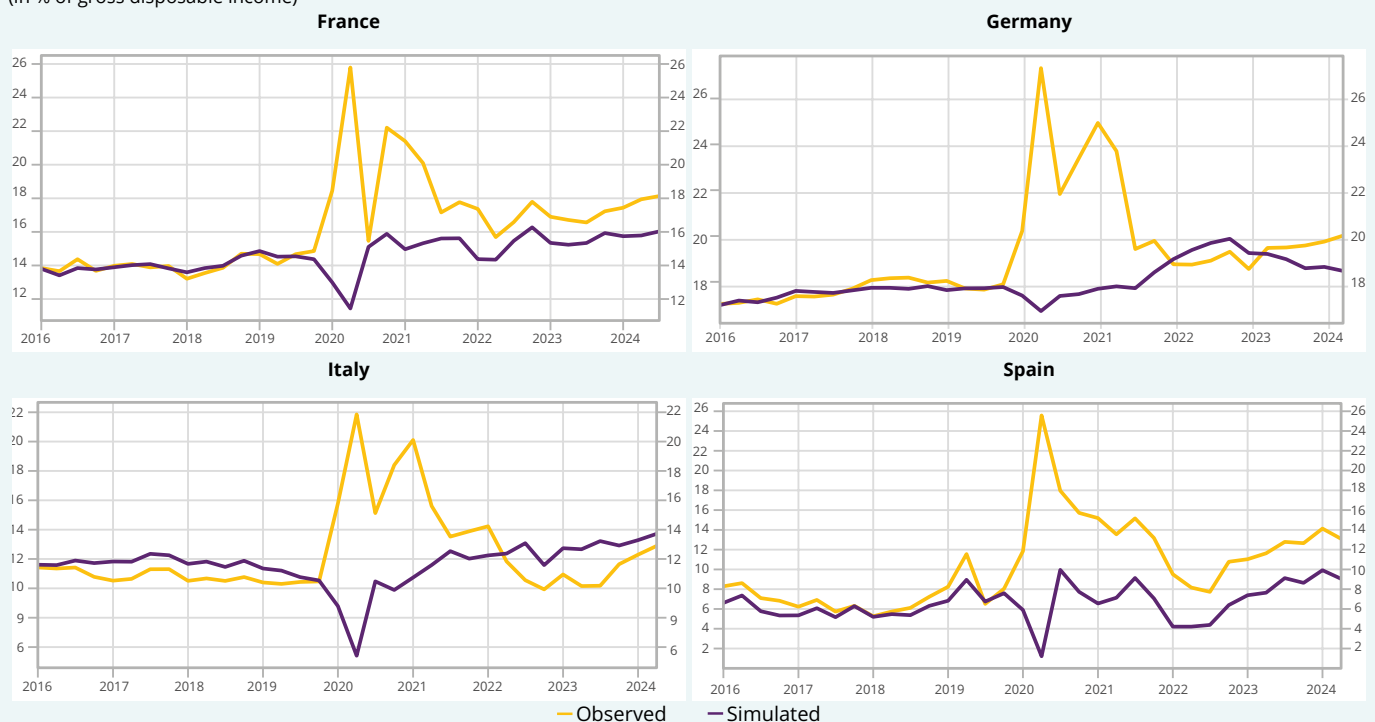
In France, the model accounts for about half of the increase in the savings ratio: it stands at about 1.5 points above its level as modelled between early 2022 and late 2023. The simulated rise in the savings ratio comes almost entirely from inflation: in the short term, this may reflect, at least in part, real cash effects, highlighted on the basis of past fluctuations. On the other hand, the continued increase in the savings ratio in 2024 is not explained by the model: with disinflation, the model suggests instead a decrease in the savings ratio.

In Germany, the savings ratio returned to a level in line with its determinants in 2022. However, since the beginning of 2023, it has started to grow again, which the usual determinants are unable to account for. At the beginning of 2024, the simulated ratio was 1 point lower than the observed ratio: half of the increase over the period was due to the dynamism of inflation. It was in Spain that the gap between the simulated savings ratio and the observed ratio was greatest: this gap has been relatively constant since mid-2022, fluctuating between 3 and 4 points. Finally, Italy is the exception: the rise in the savings ratio at the end of 2023, at the same time as a sharp increase in purchasing power, is well demonstrated in the model, suggesting that it corresponds to a consumption smoothing behaviour on the part of households.

In France and Germany, this increase in savings is not accompanied by a rise in household investment

The unconsumed portion of households' gross disposable income is made up in part of their reported expenditure on investments: purchase of new housing, major maintenance and improvements to housing, agency and notary fees incurred when purchasing second-hand housing. Thus, a particularly pronounced increase in household investment over the recent period could account for the increase in savings ratio.

► 4. Savings ratios observed and simulated by error correction models (in % of gross disposable income)



Last point: Q3 2024 for France, Q2 for other countries.

Note: for Germany, Spain and Italy, the savings ratios shown correspond to the savings ratios of households and NPISHs. The characteristics of the models (estimation period, variables selected, etc.) are presented in Box 1.

How to read it: in the third quarter of 2024, the savings ratio of French households was 18.2% of their gross disposable income, whereas the model forecast a savings ratio of 16.1%.

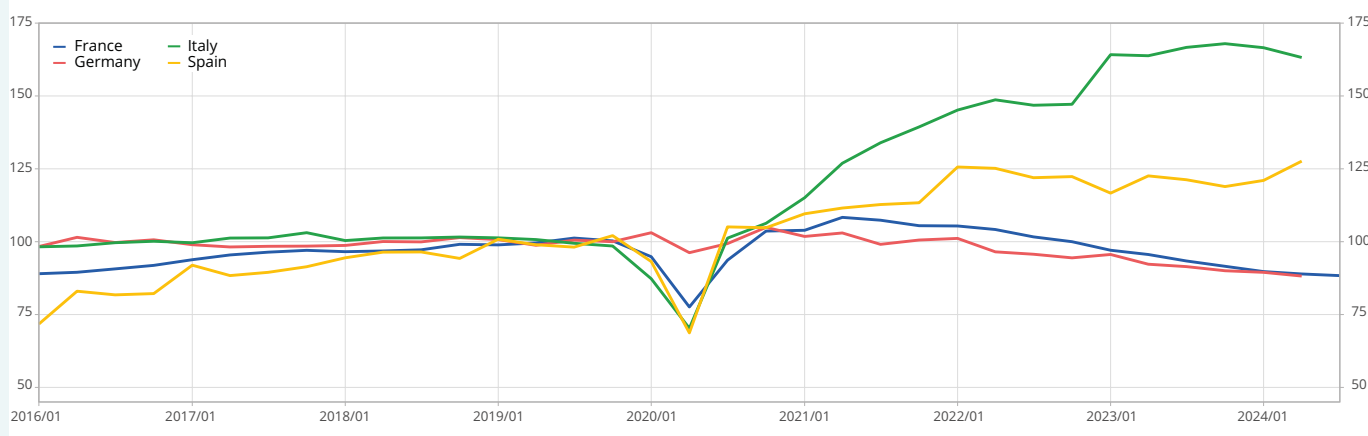
Source: INSEE, Destatis, Istat, INE, INSEE calculations.

In France and Germany, however, household investment by volume has been in sharp decline since the end of the health crisis: in Q2 2024, in both countries, it stood at about 12% below its 2019 average (► [Figure 5](#)). Even taking the buoyancy of prices into account, the increase in the unconsumed share of household gross disposable income in these two countries is not driven by an increase in their investment by value (► [Figure 6](#)) but rather corresponds to an increase in financial savings. In Spain,

household investment in 2024 significantly exceeded its 2019 average, standing at 28% above this level in Q2. Part of the increase in the savings ratio (just over a quarter) therefore comes from the increase in investment and not from financial savings. Finally, in Italy, household investment has soared since 2019, boosted by schemes to aid investment (especially the “Superbonus” scheme) which have driven activity since the health crisis, and now absorb all household savings.

► 5. Household investment by volume

(base 100 in 2019)



Last point: Q3 2024 for France, Q2 for other countries.

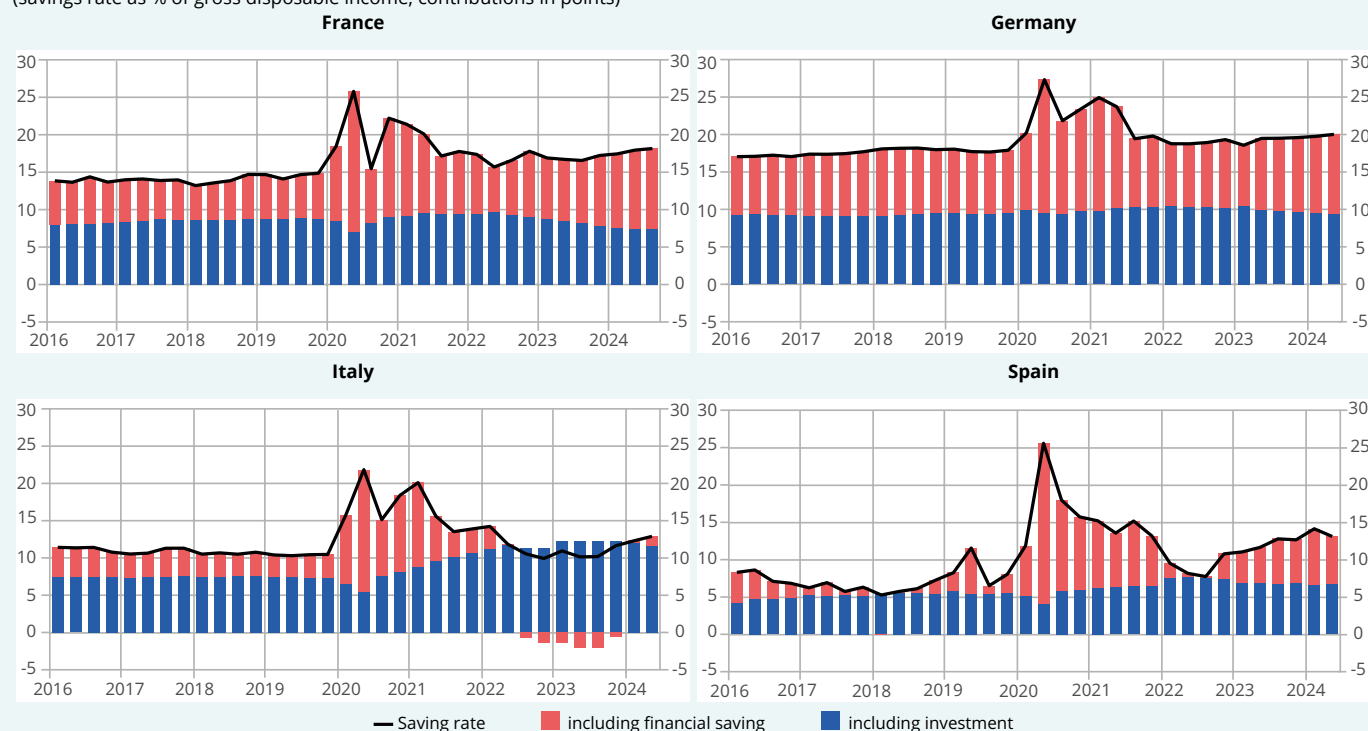
Note: for Germany, Italy and Spain, the aggregate is constructed from the GFCF of households and NPISHs by value, deflated by the price of the GFCF in construction over the whole of the economy.

How to read it: in Q3 2024, household investment in France was 11.6 points below its 2019 level.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

► 6. Sharing the savings ratio between investment and financial savings

(savings rate as % of gross disposable income, contributions in points)



Last point: Q3 2024 for France, Q2 for other countries.

Note: for Germany, Italy and Spain, the savings ratios shown correspond to the savings ratios of households and NPISHs.

How to read it: in Q3 2024, the savings ratio of French households was 18.2% of their gross disposable income, and financial savings contributed 10.8 points.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

International economic outlook

Households take time to perceive the rise in inflation

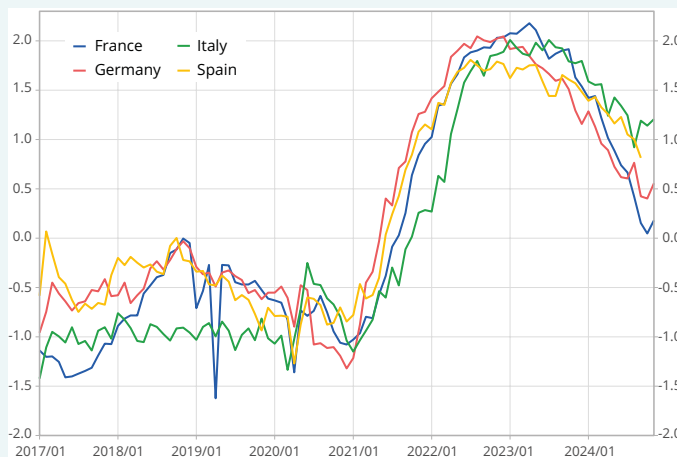
The difficulty that the econometric models have had in tracking changes in savings in France, Germany and Spain in 2024 could be linked in part to the gap between the observed level of inflation and households' perception of this inflation. Even though inflation has returned to its 2019 average, or even slightly below, the balance of opinion of households on change in past prices is slow to return to its long-term average in the four main Eurozone economies (► **Figure 7**). This is also the case at the level of the Eurozone as a whole, with regard to the quantitative estimate of inflation felt by households (► **RESF 2025**). This gap in perceptions is nevertheless in the process of

narrowing, which could favour a future drop in savings ratios. However, expectations of inflation seem to have increased for the long term after the inflationary episode: the equilibrium level of the savings rate could be higher than before the health crisis (► **Box 2**).

Looking beyond perceptions, the sharp rise in interest rates over the last three years has seriously undermined households' access to consumer credit

In the four main Eurozone economies, interest rates on consumer credit were still well above their pre-health crisis levels in mid-2024 (► **Figure 8**). Consumer credit volumes have not returned to their 2019 level, except in

► 7a. Perceptions of past prices over the last 12 months in the Eurozone (centred reduced balance)

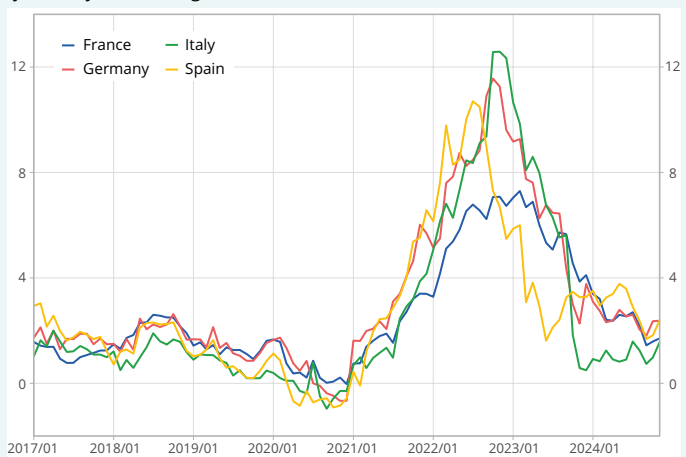


Last point: november 2024.

How to read it: in France, in november 2024, the centred reduced balance of households' perception of price changes over the last 12 months was 0.2 standard deviations above its long-term average (average for the period January 2005 to September 2024).

Source: DG ECFIN, INSEE calculations.

► 7b. Comparison of inflation (within the meaning of the HICP) in the Eurozone (year-on-year % change)

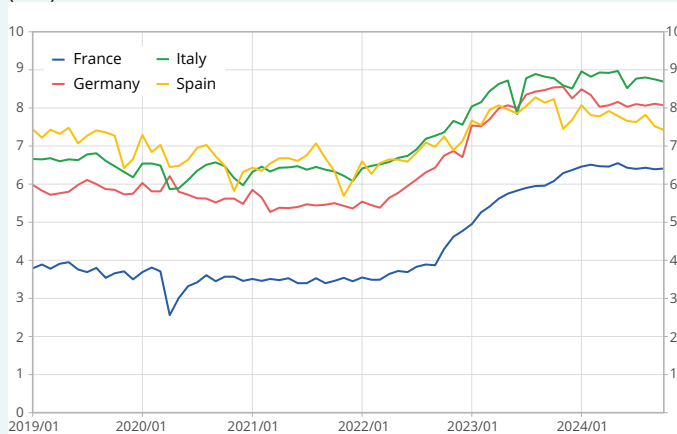


Last point: november 2024.

How to read it: in november 2024, inflation in France within the meaning of the HICP was +1.7% year on year.

Source: Eurostat, INSEE calculations.

► 8. Consumer credit interest rates (in %)

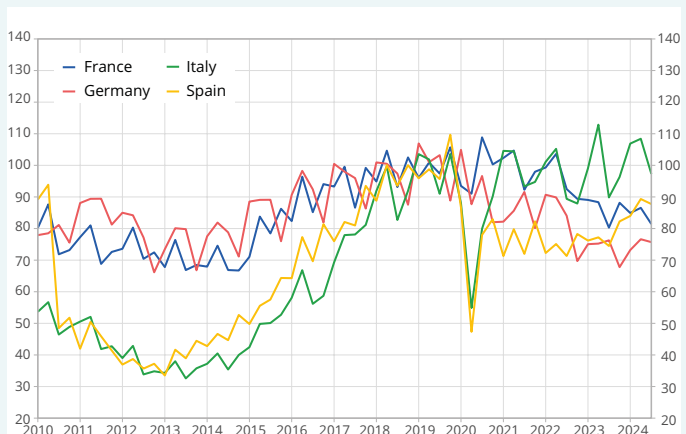


Last point: octobre 2024.

How to read it: in octobre 2024, the consumer credit interest rate for households in France was 6.4%.

Source: European Central Bank, bank interest rates - consumer loans to households (new contracts, excluding revolving loans and overdrafts, payday loans and extended credit).

► 9. Consumer credit volumes (in constant euros, base 100 in 2019)



Last point: octobre 2024.

How to read it: in Q3 2024, in France, the real amount of consumer credit granted by the banks was 24.3% below its 2019 level.

Source: European Central Bank, volume of bank business - household consumer credit (new contracts, excluding revolving loans and overdrafts revolving loans and overdrafts, convenience loans and extended credit extensions), INSEE calculations.

Italy (► **Figure 9**), even though structurally they concern a significant proportion of the population (in France, 27% of households had consumer credit debts in 2020-2021; ► **INSEE 2024**). The high level of interest rates (including in real terms since 2024) may thus have contributed to slowing household consumption, by restricting their access to credit and therefore exerting a liquidity constraint. The ECB's reduction in its base interest rates, which began in the summer of 2024, is expected to be passed on gradually and could therefore facilitate a drop in the savings ratio.

The real value of financial assets is below its pre-health crisis trend

Inflation reduces the purchasing power of cash and deposits held by households, which may encourage them to save more in nominal terms: this is the phenomenon known as "real cash holdings". This phenomenon is only partially taken into account in the model, via the introduction of inflation as an explanatory variable for consumption. Similarly, inflation also reduces the real value of other financial assets held by households, which may affect consumption via "wealth effects". In fact, at the beginning of 2024 in Germany and Spain, the net financial worth of households, expressed in the number of quarters of gross disposable income, was only very slightly higher than its 2019 average (► **Figure 10**). In France, it is even now still slightly below. In all three countries, it is significantly below the pre-health crisis upward trend. In Italy, the real value of financial assets is close to its trend value.

With inflation having nevertheless peaked between mid-2022 (Germany, Spain, Italy) and early 2023 (France), the real value of household financial assets is tending, in part, towards recovery, which could also contribute somewhat

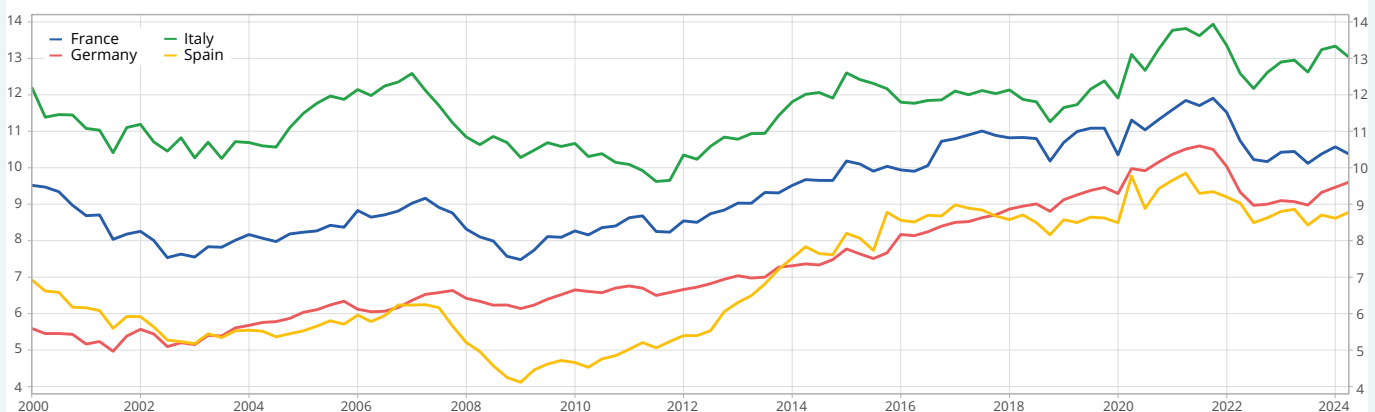
to unblocking consumption behaviour. However, as the savings ratio remains below its previous trend level, it is nevertheless likely to remain at a relatively high level in the medium term.

Public deficits on the rise overall but difficult to establish a link with the recent rise in household savings ratios

Compared to the situation before the health crisis, the public balance has deteriorated in France, Germany and Italy, whereas in Spain it has returned to fairly similar levels. According to the Ricardian equivalence theory, households are likely to react to a deterioration in public finances, especially via an increase in public spending, by reducing their consumption accordingly, anticipating a future increase in taxes and contributions. Empirically, the validity of such effects in France and even in Europe is a question for debate. ► **Rocher et Stierle (2015)**, based on a panel study of European data, conclude that effects can be ambiguous (government deficit can have a positive effect on savings ratio, but government debt has a negative effect). Using data prior to the financial crisis of 2008, the ► **OFCE (2017)** highlights the presence of Ricardian effects in the case of Germany only and not in other European countries. In the case of France, ► **Fraisse (2004)** shows that the increase in government deficit is offset by an increase in private savings by up to a quarter and only in the short term, with zero effect in the long term. ► **Röhn (2010)**, on the contrary, finds a unitary Ricardian behaviour in France with private savings increasing as much as the government deficit in the short term and only by half as much in the long term. On the panel of 16 OECD countries that he studies, Ricardian effects are also highlighted in Italy, but not in Germany. Finally, ► **Bardaji, et al. (2014)** consider, on the contrary,

► 10. Net financial wealth of households, expressed in the number of quarters of income

(data not seasonally adjusted)



Last point: Q2 2024.

Note: for France, net financial wealth is relative to household income; for the other countries, it is relative to the income of households and NPISHs.

How to read it: in Q2 2024, in Italy, households' net financial worth represents 13 quarters of income.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

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that in France, the Ricardian equivalence is rejected, with households reacting only weakly and only in the short term to a variation in government savings.

Thus the link between the recent increase in household savings ratios and the overall deterioration in the government finances of the Eurozone Member States seems difficult to establish on the basis of past behaviour. However, this does not presuppose a possible change in household behaviour in the recent period, particularly if there are threshold effects, as debt has reached record levels in most European countries. In addition, in Germany and France, the political uncertainty prevailing in 2024 could also give rise to a certain wait-and-see attitude by households, thus encouraging savings behaviour.

The aging of the population in all four economies may contribute to maintaining the savings ratio, but does not account for the jump compared to before the health crisis

The increase in the savings ratio in the recent period may also be linked to the demographic changes currently underway in Europe, with the gradual aging of populations. At the macroeconomic level, the age structure in an economy should contribute to the dynamics of the savings ratio.

The life-cycle theory (► [Ando-Modigliani, 1963](#), and ► [Modigliani-Brumberg, 1954](#)) concludes that the savings

ratio at an individual level is likely to be negative at the beginning of life (period of studies) and at the end, and positive during the period of activity. However, the effect of the proportion of older people in the economy on the level of consumption observed, all other things being equal, and therefore on the savings ratio, is more ambiguous in the empirical literature. Panel studies covering a wide range of countries generally examine the effect on household consumption of the ratio of the share of over-64s to the share of 20-64-year-olds (from ► [Serres et Pelgrin, 2003](#); ► [Grigoli et al., 2014](#)). This literature concludes that there is a positive effect on the variation in household consumption of an increase in the dependency ratio, even if the results are not always significant when estimates are carried out country by country, especially for France and Germany (from ► [Serres et Pelgrin, 2003](#)). In fact, for France, the latest available data by category, consistent with national accounting, conclude that the net savings ratio for over-65s is only slightly lower than for 30-64-year-olds (8%, with the savings ratios for other categories above 10%; ► [André et Buresi, 2024](#)). It is more certain that the savings ratio for the youngest category is lower and an increase in the proportion of these young people in the economy is associated with an increase in consumption, all other things being equal (► [OFCE, 2017](#)), and therefore with a decrease in the savings ratio.

Over the last twenty years, the share of under-15s in the population has decreased (► [Figure 11](#)). In France, Italy

► 11. Composition of the population by age (in % of total population)



Last point: 2023.

How to read it: in 2023, in France, the under-15s represented 17% of the population.

Source: World Bank.

and Spain, this trend was still current in the first years of the 2020s, favouring an increase in the savings ratio. Since, in any event, this trend is gradual over a long period, it does not seem to explain the sudden rise in the savings ratio in France and Spain compared to before the health crisis.

Since 2021, the composition and distribution of income have encouraged saving

Since 2021, the increase in purchasing power has been driven mainly by property income (► [Figure 12](#)), whereas real wages have fallen in France, Germany and Italy. However, the differences in the marginal propensity to consume the different components of household gross disposable income are well documented. For France in particular, ► [Bonnet et Poncet \(2004\)](#) demonstrate for example that there is a greater marginal propensity to consume payroll, social benefits and the income of sole proprietors. This is consistent with a lower marginal propensity to consume net financial income and reductions in taxes and social contributions rather than other income (► [Banque de France, 2020](#)).

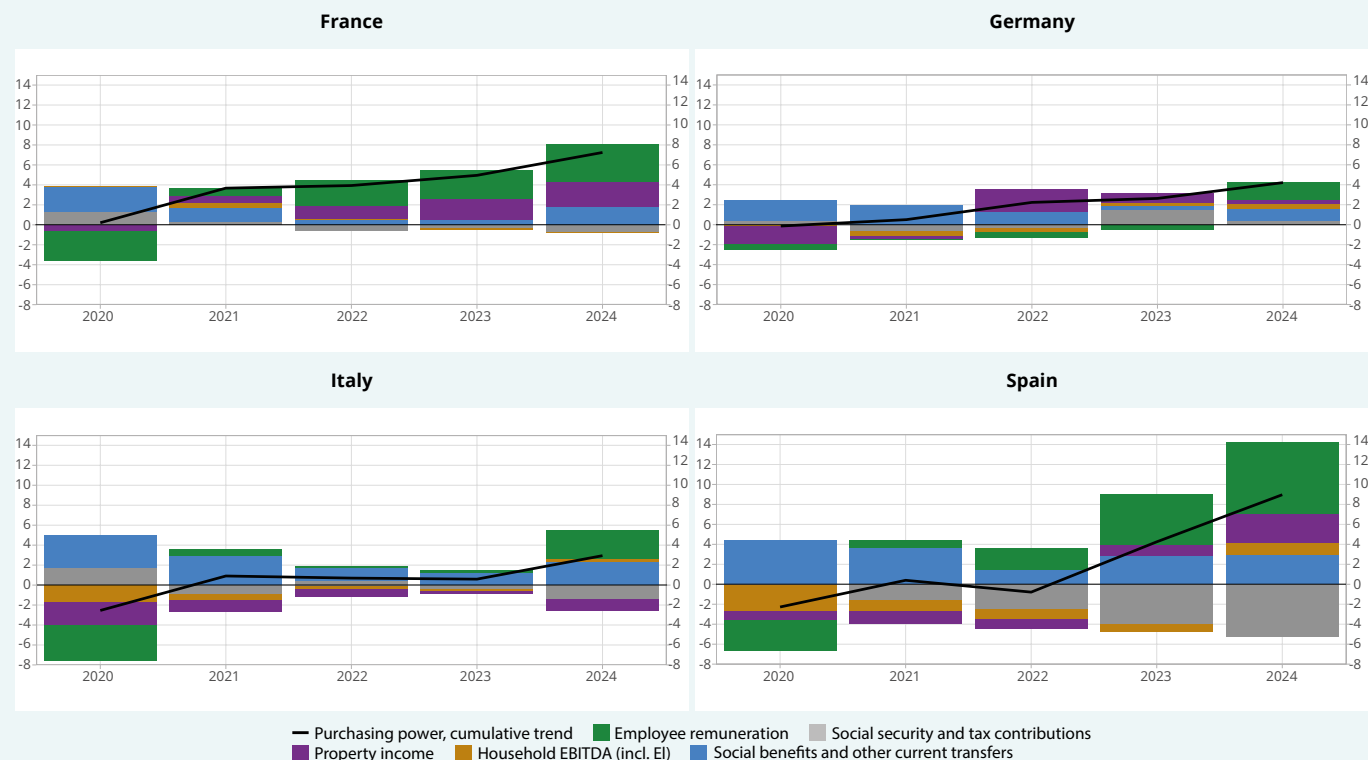
Between 2019 and 2024, the share of property income in household income increased in France and Spain. By selecting a marginal propensity to consume this income of virtually zero (► [Banque de France, 2020](#)), which is

obviously a lower bound, this increase could account for at most between 1.5 and 2 points of increase in the savings ratio in these two countries. On the other hand, in Germany, the share of wealth income in households' income has not increased and therefore cannot account for the increase in savings ratio.

Income from financial assets is concentrated in the wealthiest household categories (see for example ► [Beatriz et al., 2019](#)) who have therefore benefitted more than others from the increase in this component. The consumer confidence surveys suggest that there is an increased inequality in ability to save: in Germany, Spain and France, the balance of opinion on the financial situation of the wealthiest 25% of households is up compared to 2019, whereas for the least well-off 25% it is stable (► [Figure 13](#)).

Thus, the moderate reaction of consumption to purchasing power gains since 2019 may, in part, be explained by a concentration of these gains in types of income and categories of household where the marginal propensity to consume is lowest, especially in France and Spain. In 2025, the situation should start to reverse: the fall in interest rates is expected to slow financial income, while real wages are likely to increase with disinflation. The composition of income should therefore become more favourable to consumption.

► 12. Breakdown of change in purchasing power by income type, cumulative since 2019 (evolution in % and contributions in points, deflated by the consumption deflator)



Last point: 2024.

Note: in 2024, the point corresponds to the cumulative year-on-year variation since 2019 of the average of the first two quarters for all countries, except for France where it is the average for the first three quarters. Each contribution is expressed in real terms. For France, "employee remuneration" corresponds to gross wages and salaries, "social security and tax contributions" do not include employer-paid contributions, and the changes are adjusted for the FISIM effect.

How to read it: 2023, in France, household purchasing power was 5% above its 2019 level, and property income contributed 2.1 points to this change.

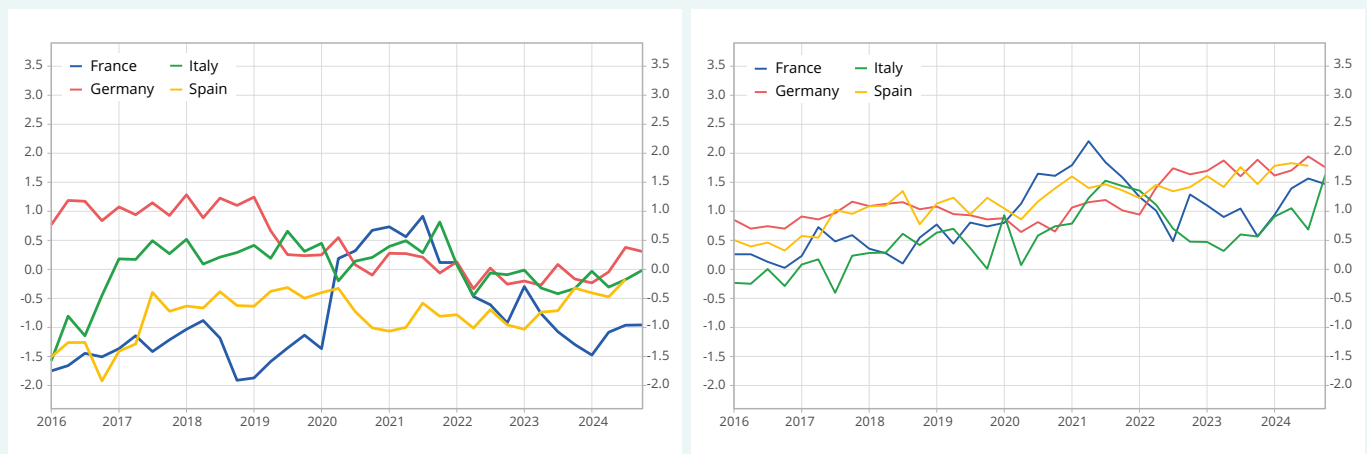
Source: INSEE, Destatis, Istat, INE, INSEE calculations.

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The rise in savings ratios may ultimately be due temporarily to households' loss of appetite for consuming certain products

Finally, the rise in savings ratios can be explained temporarily by a loss of appetite on the part of households for certain products. Across Europe, consumption of non-durable goods (i.e. food and energy) is down compared to 2019: this may be due to the sharp price increase specific to these products following the inflationary shock and, regarding energy expenditure, the resulting energy-saving behaviour. Concerning the consumption of durable goods, demand for automobiles is significantly depressed throughout Europe: the number of private vehicle registrations is between 20 and 25% below its 2019 level in the four main Eurozone countries (► **Figure 14**). This sluggishness in automobile consumption probably reflects a certain wait-and-see attitude in the face of the period of technology transition

► 13a et b. Balance of opinion on current personal financial situation, for the least well-off 25% of households (left) and the wealthiest 25% of households (right) (centered-reduced balances, seasonally adjusted)



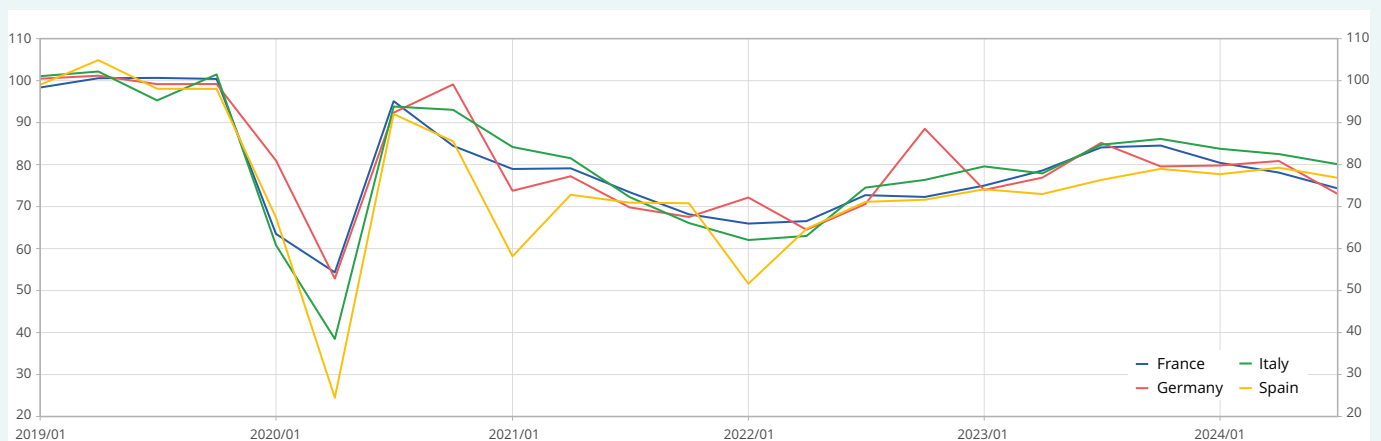
Last point: Q3 2024.

How to read it: in France, in Q3 2024, the centred reduced balance of opinion on the current personal financial situation of the least well-off 25% of households was 0.9 standard deviations below its long-term average (average of all available data for each country, with the period starting between 1980 and 1990 depending on the country).

Source: DG ECFIN, INSEE calculations.

► 14. Registration of private vehicles

(base 100 in 2019, seasonally adjusted)



Last point: Q3 2024.

How to read it: in Germany, in Q3 2024, the number of private vehicles registered was 27% below its 2019 level.

Source: European Automobile Manufacturers' Association (ACEA), INSEE calculations.

that the sector is currently experiencing, and decisions that the public authorities may implement to support the energy transition.

The depression in the real estate market may also have hampered consumption recently: moving into a new home (new or second-hand) is likely to be accompanied by major purchases (large household appliances, furniture, electronic equipment, etc.). In France, real estate transactions at the beginning of 2024 were almost 20% down on their 2019 level.

This apathy in consumption throughout Europe is expected to be temporary to some extent: in particular, purchases of household goods are expected to no longer decline and may even increase slightly with the upturn in real estate markets. However, any unblocking of the automobile market remains very uncertain in the short term.

A moderate fall in the savings ratio is forecast, which would still leave it higher in the medium term than its pre-health crisis level

All in all, some of the phenomena that have been highlighted seem temporary by nature: inflation is returning to normal, household perceptions are adjusting, and consumer credit rates are falling. In addition, income is now driven more by wage income, which is more likely to be consumed than wealth income. Some factors persist, however: the wait-and-see attitude does not seem to have lifted in the automotive sector and the real value of household financial assets remains below its earlier trend, although it is beginning to pick up a little. These points suggest that a moderate drop should be forecast for the savings ratio, which would still be higher in the medium term than its pre-health crisis level. ●

Box 1 – Modelling household consumption in the four main Eurozone economies

Econometric modelling of household consumption in the main Eurozone countries is based on error correction models. Using these models, the contribution of different explanatory factors in each country (France, Germany, Italy, Spain) can be measured: purchasing power, unemployment rate and consumer prices. They are estimated over the period 1990-2019 for France, 1999-2019 for the other countries.

For the long term, the only determinant retained for consumption is purchasing power of gross disposable income, for which a unitary elasticity is used. The estimate is then applied to the short-term determinants, incorporating the “restoring force” of consumption towards its estimated long-term equilibrium level. The explanatory variables are described below. The simulated savings ratio is then recalculated from the simulated consumption and the observed disposable income.

In addition to the purchasing power of gross disposable income, the determinants retained in the short-term equation are the following:

- **Unemployment rate:** the unemployment rate according to the ILO definition is used, and thus precautionary savings can be included. A rise in the unemployment rate can in fact encourage savings behaviour on the part of households, who have to cope with uncertainty in the labour market. The variable is introduced as a difference in the equation (change in the unemployment rate is in points and not %), the coefficient estimated before this variable is therefore a semi-elasticity.

- **Inflation:** the metric used in the equations for inflation is the CPI for France, and the HICP (harmonised European inflation) for Germany and Italy (quarterly variations in seasonally adjusted indices). As the estimation period selected corresponds to a low inflation regime, this variable is applied only in the short term. For France, the estimated short-term coefficient is an elasticity of -0.4, consistent with the long-term elasticity estimated in the first Mésange model (► [Allard-Prigent et al., 2002](#)).

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As the price variable did not prove significant and had a coefficient of almost zero for Spain, it is not included in the final model. Apart from this, the equations are fairly similar in the four countries.

Simple model of consumption by country (figures in brackets correspond to standard deviations of the estimated coefficients):

France

$$\Delta \log(C_t) = 0,04 + 0,13 \Delta \log(\text{rdbr}_t) - 0,75 \Delta U_t - 0,37 \Delta \log(\text{Pc}_t) - 0,19 * [\log(C_{t-1}) - \log(\text{rdbr}_{t-1})]$$

(0,08) (0,24) (0,16) (0,06)

Germany

$$\Delta \log(C_t) = 0,15 + 0,74 \Delta \log(\text{rdbr}_t) - 0,27 \Delta U_t - 0,39 \Delta \log(\text{Pc}_t) - 0,20 * [\log(C_{t-1}) - \log(\text{rdbr}_{t-1})]$$

(0,05) (0,17) (0,11) (0,06)

Italy

$$\Delta \log(C_t) = -0,01 + 0,16 \Delta \log(\text{rdbr}_t) - 0,75 \Delta U_t - 0,24 \Delta \log(\text{Pch}_t) - 0,05 * [\log(C_{t-1}) - \log(\text{rdbr}_{t-1})]$$

(0,05) (0,15) (0,14) (0,02)

Spain

$$\Delta \log(C_t) = -0,06 + 0,14 \Delta \log(\text{rdbr}_t) - 0,85 \Delta U_t - 0,15 * [\log(C_{t-1}) - \log(\text{rdbr}_{t-1})]$$

(0,06) (0,12) (0,04)

C – Household consumer spending, by volume.

rdbr – Household real disposable income, deflated by the consumption deflator (log).

U – Unemployment rate.

Pc – Consumer price index.

Pch – Harmonised index of consumer prices. ●

Box 2 – Household perceptions are adjusting towards disinflation, as seen in the price indices, but their expectations are still affected in the long term by the inflationary episode

Each month, INSEE's monthly consumer confidence survey of households ("CAMME") interviews 2,000 households resident in France on their economic environment and their opinion on their personal economic situation. In particular, this survey is able to measure each month the share of households that consider that prices have "increased significantly", "increased moderately", "increased a little", "stagnated" or "decreased". This question is harmonised at European level (► [Figure 7a](#)) and is used to calculate households' balance of opinion on previous price changes, which correspond to the difference between the share of households who consider that prices have "increased significantly" and those who consider that they have "increased a little", "stagnated" or "decreased".

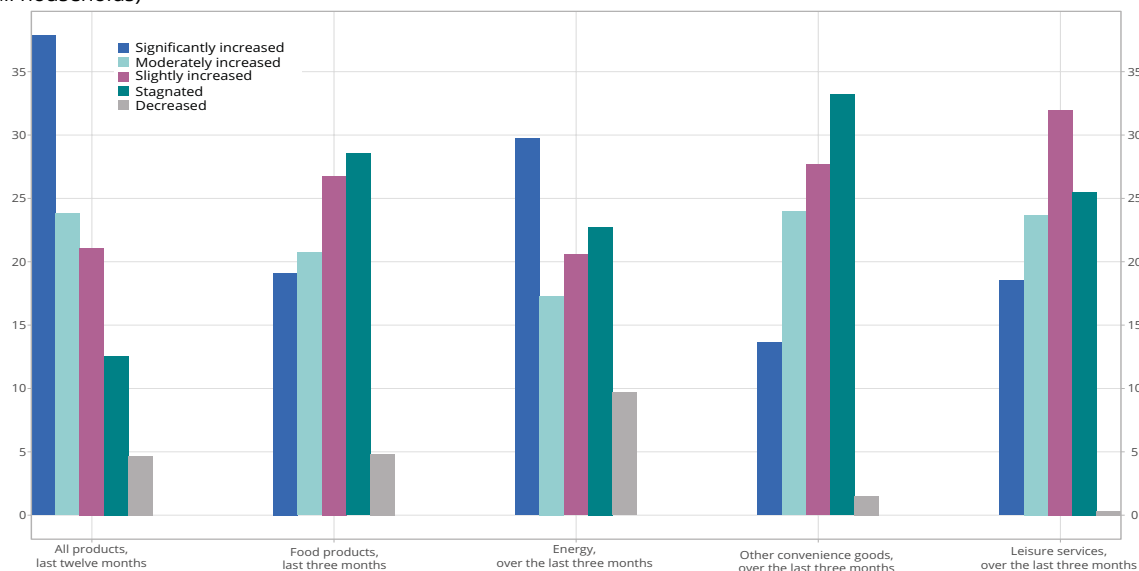
In September 2024, French households were also asked about their perception of price changes for certain products over the last three months (► [Figure A](#)). For three of the four types of product on which households were questioned (food, non-food manufactured goods, services), the share of households who consider that prices have increased significantly over the last three months was around 20 points below the share who believe that prices overall have increased significantly over the last twelve months (between 19 and 24 points below). Households' perceptions of energy prices were clearly differentiated: this was the only type of product for which more households believe that prices have increased significantly over the last three months (30%) than believe that they have stagnated (23%), even though the price of energy (fuel and housing energy), measured in the consumer

price index in September 2024, was 2% below its level for June (► **Figure B**). This discrepancy can be explained by the relative inertia of the price of energy for the home that households actually pay each month. In fact, residential energy contracts are often taken out on the basis of a monthly amount that is fixed for the year, followed by an annual adjustment, whereas CPI prices are monitored on the basis of new contracts offered by the suppliers. Thus, in the course of the next few months there could be a gradual alignment of households' perceptions of inflation over the year and of changes measured via the consumer price index.

Regarding inflation in the future, households' expectations on year-on-year price changes in the next twelve months are also still well above their pre-health crisis level. The CAMME survey questionnaire collects quantitative responses on expectations regarding inflation over the next twelve months. When the extreme values have been removed, the level that households expect on average in November 2024 for the next twelve months is around 10%, whereas this level has been relatively stable since the 2000s, fluctuating around 6%, already well above the inflation level measured by the CPI (► **Figure C**). In 2022 and 2023, when inflation rates that had not been seen since the 1980s actually happened, this may have accustomed households to seeing high levels of inflation and hence increased the average level of inflation that they expected.

Thus there are two conclusions that can be drawn concerning future change in the savings ratio. First, responses regarding the perception of past inflation over the last three months suggest that perceptions are indeed adjusting towards the disinflation that is currently observed in the price indices, which would be likely to fuel a recovery in consumption. Second, the quantitative responses concerning expectations of inflation to come suggest that they remain affected in the long term by the inflationary episode. Thus, the savings ratio is expected to fall but should remain above its pre-crisis level. ●

► A. Households' perception of change in prices overall in the last twelve months, and of change in the prices of certain products in the last three months (in % of all households)



Note: households interviewed in September 2024.

How to read it: in september 2024, 29% of households reported that the prices of food products had stagnated over the last three months.

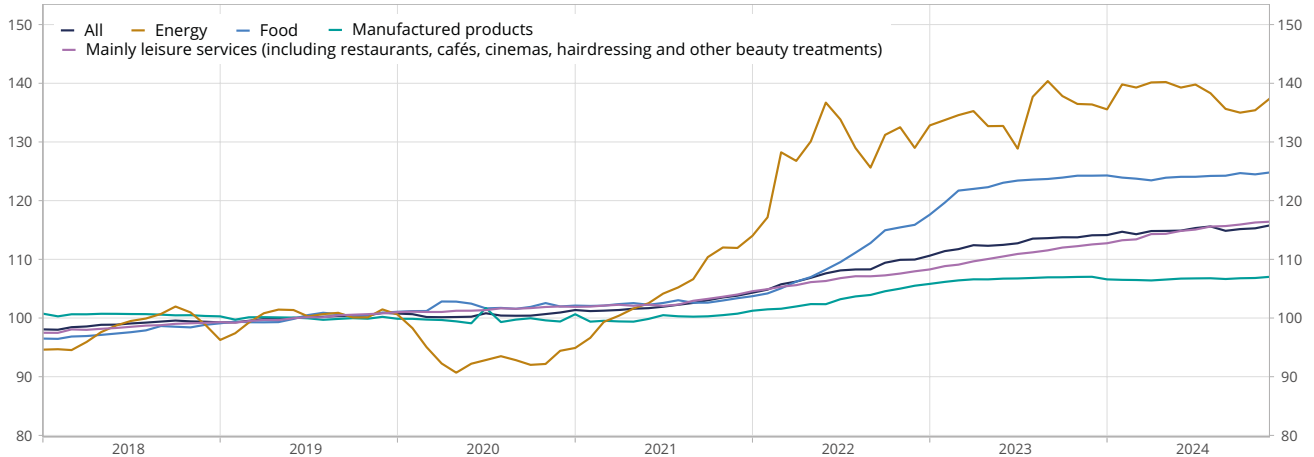
Scope: households living in mainland France in ordinary housing.

Source: INSEE, monthly household business survey.

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► B. Price levels for certain products

(CPI in France, seasonally adjusted, base 100 in 2019)



Last point: september 2024.

How to read it: in september 2024, the consumer price index for all products was around 16 points above its 2019 average.

Scope: entire France.

Source : INSEE.

► C. Year-on-year change in consumer prices measured over the last twelve months, and change expected by households over the next twelve months

(in %)



Last point: november 2024.

Note: survey data for August are not available prior to 2008.

How to read it: in november 2024, the average change in prices anticipated by households for the next twelve months was 9.9%. The year-on-year change in the consumer price index was 1.3%.

Scope: households living in mainland France in ordinary housing for change in prices anticipated by households; all of France for the consumer price index.

Source: INSEE, monthly household survey. INSEE, consumer price index.

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International synthesis

In Q3 2024, activity accelerated sporadically in the Eurozone (+0.4% after +0.2%), but was still less vigorous than in the United States (+0.7% GDP growth in Q3, as in Q2). In contrast, the United Kingdom economy was at a standstill after brightening in H1 (+0.1% GDP growth in Q3, after +0.5% in Q2). Within the Eurozone, the pace of growth in the different countries continued to diverge: growth in Spain did not weaken (+0.8% in Q3 2024, after +0.8%, ► **Focus** on the momentum in the Spanish economy), while Germany and Italy came to a halt (+0.1% and 0.0% growth respectively in Q3, after -0.3% and +0.2% in the spring). Finally, in France, activity received a one-off boost this summer with the hosting of the Olympic and Paralympic Games (+0.4%).

In most of the advanced countries, public spending and private consumption improved steadily in the summer, boosting activity. Households took advantage of disinflation and wage catch-up and enjoyed an upturn in purchasing power. Concerning residential investment, the dynamics diverged slightly, although the rise in interest rates has stalled housing construction in all countries: in the United States, it contracted sharply in 2023 but apart from some quarterly hiccups, it seems to have been on a recovery trajectory for over a year; in Germany, France and the United Kingdom, however, the effects of monetary tightening have been slower to manifest but they continued to be felt in 2024. In Italy and Spain, support from the European recovery plan seems to be counteracting the unfavourable effects of financing conditions. Differences in growth are even more evident for non-residential investment: in Q3 2024, it was 20 points above its 2019 level in the United States, compared to only 2 points above in the United Kingdom and the four main Eurozone countries (► **Figure 5**). Finally, the contribution of foreign trade to growth was negative this summer in most of the countries monitored: in the United States and Spain, imports were driven by domestic demand and were more dynamic than exports, whereas in France, Germany and Italy exports declined. In contrast, the contribution of foreign trade to growth in the emerging countries was positive, especially in China.

The differing rates of momentum between the Eurozone, the United Kingdom and the United States are expected to continue over the forecasting period, according to the business tendency surveys (► **Figure 3**). Driven by a fiscal impetus that continues to expand and solid private demand, the US economy is expected to continue to grow faster than that in Europe: US GDP is expected to increase by 0.5% per quarter. In the UK, activity looks set to grow moderately in late 2024 and early 2025 (+0.2% per quarter), then accelerate in the spring as the new budget comes into force (expected growth of +0.3% in Q2 2025). In the Eurozone, however, although the business tendency surveys saw a slight improvement in the spring, the recovery is already running out of steam. By the end of 2024, activity is expected to be at a standstill (+0.1%), hampered by German sluggishness and the repercussion after the Olympic and Paralympic Games in France; it should then improve slightly in H1 2025, although with limited effect. Within the Eurozone, there is still considerable short-term divergence between the four main economies, which is unlikely to ease very much as it is affected by the slight slowdown in Spain and the very gradual rebooting of the German driving force. In China finally, 2024 looks set to be the first year of growth below 5% since 1990 (excluding the health crisis). Growth is then expected to increase slightly in H1 2025 to +1.1% per quarter, as a result of the recovery measures introduced by the Chinese authorities. Given this situation, world trade should maintain a steady pace in Q4 2024 (+0.6%), before picking up again slightly in early 2025 (+0.8% per quarter, ► **Figure 6**), assuming that there are no major protectionist measures within this timeframe (undermining the momentum of foreign trade).

On average across the whole of 2024, growth differentials are expected to remain between the United States (+2.7% after +2.9% in 2023), the United Kingdom (+0.9% after +0.3%) and the Eurozone (+0.7% after +0.5%). The 2025 mid-year growth overhang is expected to be +1.8% in the United States, +0.7% for the Eurozone and +0.8% for the United Kingdom.

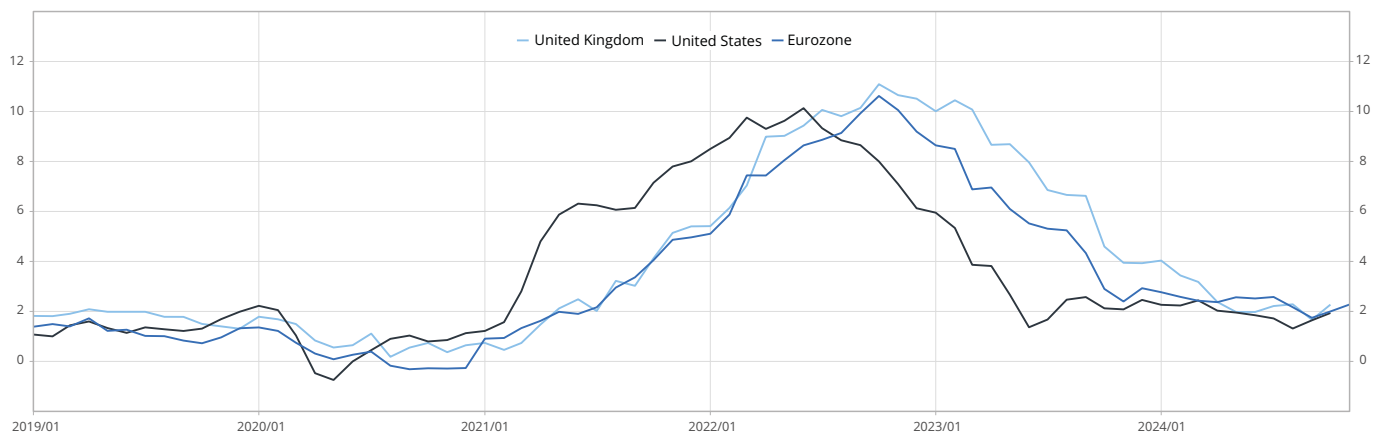
In the advanced economies, the inflationary episode is over. In September, inflation fell below 2% in the United Kingdom and the Eurozone. Since then, it has risen slightly on both sides of the Channel, while remaining moderate (+2.3% in October in the United Kingdom and in November in the Eurozone). In the United States, inflation, measured according to the CPI produced by the Bureau of Labor Statistics, stood at 2.6% year on year in October, compared to +3.2% a year earlier. However, this index is being pushed up by the dynamism of rents, which occupy a significant place: within the meaning of the HICP, a similar concept to inflation as measured in Europe, the year-on-year variation in prices fell below 2% in the United States from May onwards and has remained there since (► **Figure 1**). This disinflationary trend has

triggered several rate cuts on both sides of the Atlantic, which are expected to continue over the forecasting period, assuming there are no massive customs tariff increases. The situation is slightly different in the United Kingdom, where core inflation is higher and is expected to rise slightly in spring 2025, due to increases in employer contributions planned by the British government. Lastly, in China, inflation remains low (+0.3% in October) and producer prices are still on a resolutely downward trend (-2.9% in October).

In the advanced economies, this disinflation is expected to continue to boost private consumption. In addition, in France, Germany and Spain it will be fuelled by the fall in savings ratios, which in mid-2024 were still well above the levels of the previous decade (► **Focus** on savings ratios in European households). However, investment dynamics are expected to remain different between the major economies. In the Eurozone, investment is likely to continue its decline, although less sharply than in 2024, as household and corporate financing conditions begin to ease. In the United States, where investment has been growing continuously since the beginning of 2023, it is expected to stall temporarily at the end of 2024, before increasing again vigorously in H1 2025. In the United Kingdom, corporate investment should continue to grow moderately, while the decline in household investment should have stopped by mid-2025. Public investment is expected to be stimulated in Q2 2025 by the entry into force of the new budget. ●

► 1. Inflation compared in the Eurozone, the United Kingdom and the United States

(year-on-year variation in %)



Last point: in November for eurozone, October for United States, United Kingdom.

How to read it: year-on-year variation in the HICP was 1.9% in the United States in October 2024, and 2.0% in the Eurozone.

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

► 2. World trade is gradually recovering

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

	2023				2024				2025		2023	2024	2025 (ovgh)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Euro-dollar exchange rate	1.07	1.09	1.09	1.08	1.09	1.08	1.10	1.07	1.05	1.05	1.08	1.08	1.05
Barrel of Brent (in dollars)	81.2	78.1	86.6	84.0	82.9	84.7	80.0	74.2	73.0	73.0	82.5	80.4	73.0
Barrel of Brent (in euros)	75.6	71.7	79.5	78.1	76.3	78.6	72.9	69.5	69.5	69.5	76.2	74.3	69.5
World trade (variations)	-0.4	0.4	0.2	0.3	0.5	1.5	0.6	0.6	0.8	0.8	1.0	2.5	2.5
Imports by advanced economies	-0.3	-0.5	-0.6	0.2	0.4	1.2	1.1	0.6	0.7	0.7	-0.6	1.7	2.5
Imports by emerging economies	-0.6	2.7	2.2	0.6	0.8	2.3	-0.6	0.7	1.0	1.0	5.1	4.7	2.6
World demand for French products (variations)	-0.1	0.1	-0.9	0.0	0.4	1.1	0.6	0.6	0.7	0.7	0.2	1.2	2.2

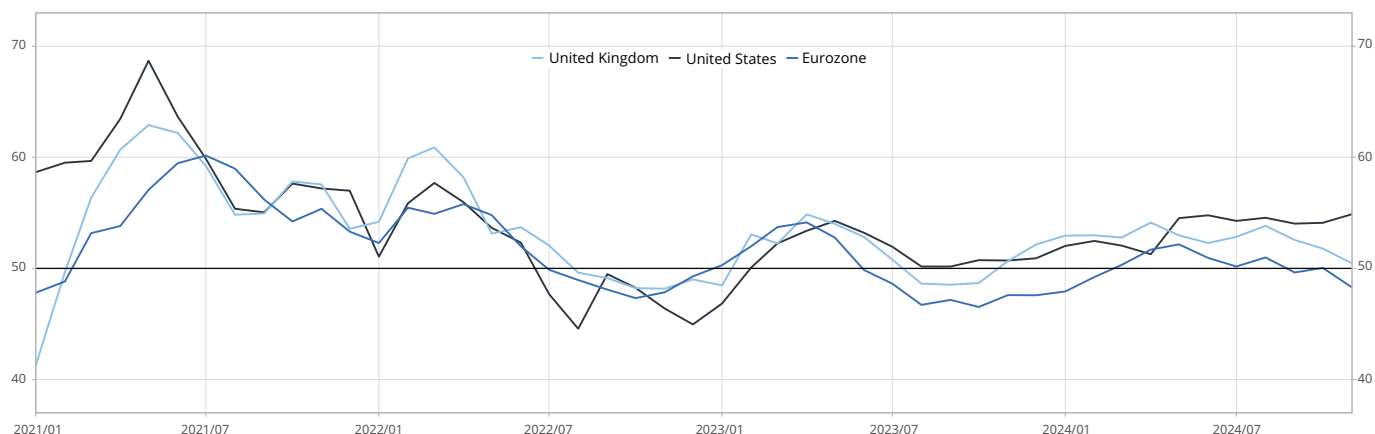
■ Forecast.

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

International economic outlook

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

(index level)



Last point: November 2024.

How to read it: the composite PMI was 55 in the United States in November 2024, compared to 50 for the United Kingdom and 48 for the Eurozone.

Source: S&P.

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

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

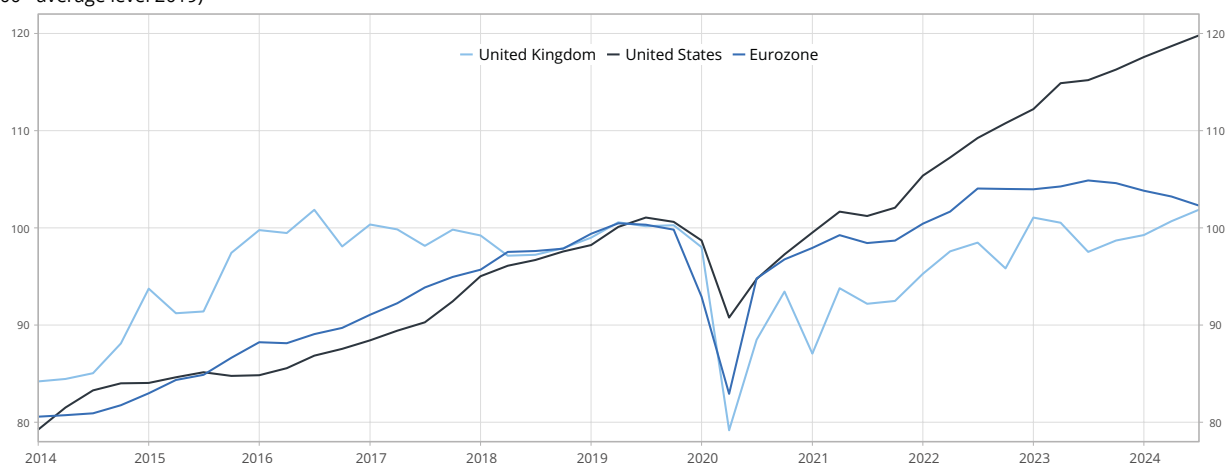
	2023				2024				2025		2023	2024	2025 (ovhg)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
France	0.1	0.7	0.1	0.4	0.2	0.2	0.4	0.0	0.2	0.2	1.1	1.1	0.5
Germany	0.1	-0.2	0.2	-0.4	0.2	-0.3	0.1	0.0	0.1	0.2	-0.1	-0.2	0.2
Italy	0.3	-0.2	0.2	0.0	0.3	0.2	0.0	0.2	0.1	0.1	0.8	0.5	0.4
Spain	0.7	0.2	0.7	0.7	0.9	0.8	0.8	0.6	0.6	0.5	2.7	3.1	2.1
United Kingdom	0.1	0.0	-0.1	-0.3	0.7	0.5	0.1	0.2	0.2	0.3	0.3	0.9	0.8
United States	0.7	0.6	1.1	0.8	0.4	0.7	0.7	0.5	0.5	0.5	2.9	2.7	1.8
China	1.8	0.8	1.5	1.3	1.5	0.5	0.9	1.0	1.1	1.1	5.2	4.6	3.3
Eurozone	0.0	0.1	0.0	0.0	0.3	0.2	0.4	0.1	0.2	0.2	0.5	0.7	0.7

Forecast.

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

► 5. Productive investment in the United States, the United Kingdom and the four major Eurozone countries

(base 100= average level 2019)



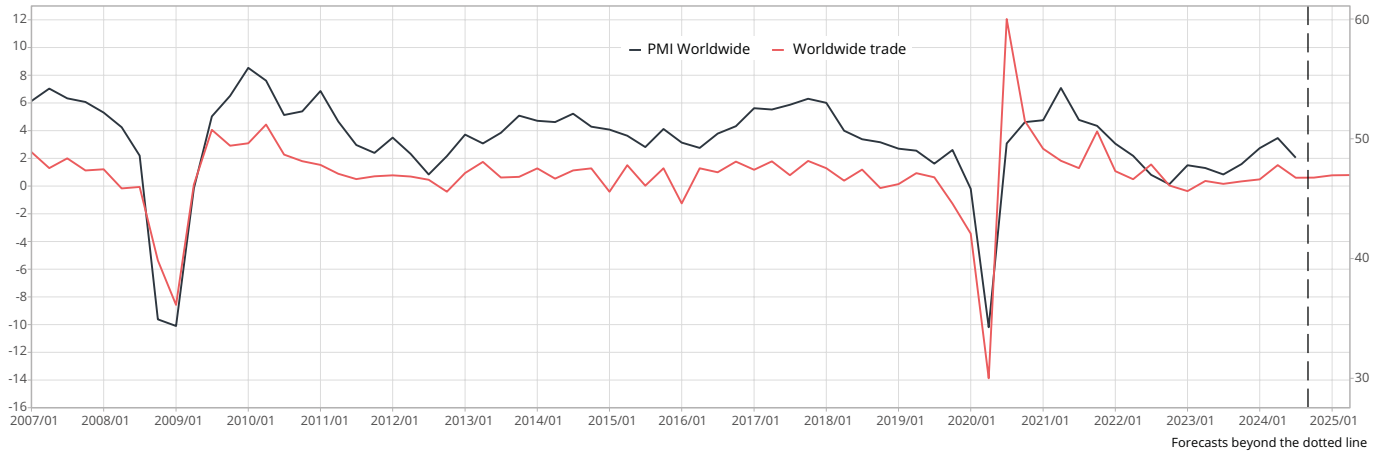
Last point: Q3 2024.

How to read it: non-residential investment in the United States and the United Kingdom, total investment excluding construction for the four major Eurozone countries. On the graph, the Eurozone denotes France, Italy, Spain and Germany.

Source: Eurostat, ONS, BEA.

► 6. PMI for new export orders and world trade

(world trade, quarterly change in %)



Last point: Q2 2025 (forecast from Q4 2024) for world trade, Q3 2024 for world PMI.

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

How to read it: world trade increased by 0.6% in Q3 2024 and the global PMI for new export orders was 48 on average across the quarter.

Source: IHS Markit, Statistiques équilibrées du commerce (OCDE), CHELEM – Commerce international (CEPII), forecast INSEE.

Energy and commodities

Despite strong geopolitical tensions in the Middle East, the price of oil fell in H2 2024. The successive postponements of the reintroduction of production restrictions by OPEC+ had only a limited effect: there is therefore expected to be excess supply in 2025, according to the International Energy Agency (IEA), due to sluggish global demand, especially from China, and the continuing increase in the US extraction sector. In contrast, the price of gas on the European market has been rising sharply since the spring. In addition, climatic hazards continue to fuel the volatility of food commodity prices, whereas precious metal prices are soaring, benefitting from a flight to quality effect in an uncertain economic climate.

After reaching \$84.70 in Q2 2024, the price of a barrel of Brent fell back sharply during H2. After \$80 in Q3, the price then settled at around \$75 in Q4 (► [Figure 1](#)). The escalation of tensions in the Middle East and the extension of additional reductions in production quotas by some OPEC+ countries until March 2025 are offset by a strong slowdown in demand (+0.9 million barrels per day in 2024, according to the IEA forecasts, compared to +2.1 million barrels per day in 2023), notably in China. The IEA also anticipates a significant surplus in supply in 2025, estimated at 1.2 million barrels per day, boosted by the dynamism of production in non-OPEC countries, especially in the United States (► [Figure 2](#)). Conversely, the reduction in the central banks' base interest rates and the Chinese government's recovery measures are unlikely to lead to an acceleration in global demand in 2025 (+1 million barrels per day according to the IEA). Over the forecasting period (to mid-2025), the assumption adopted is that the price of oil will remain constant, at \$73 per barrel (or €69.50 assuming a euro-dollar exchange rate of 1.05 dollars for 1 euro).

Conversely, the price of gas on the European market (TTF) rebounded strongly during the year, after hitting €27.60/MWh in Q1 2024, its lowest level since Q2 2021 (► [Figure 3](#)): it stood at €35.60/MWh in Q3 and above €40/MWh in Q4, more than 45% higher than at the beginning of 2024. In early December, European inventories were 10% lower than last year, and the price remained under pressure due not only to concerns related to the escalation of the situation in Ukraine, in particular the uncertainty over the renewal of the transit agreement between Gazprom and Kiev, but also to the drop in renewable electricity production in Northern and Central Europe in the autumn, which led to an increased use of gas-fired power plants. On the European market gas was therefore 4 times more expensive than on the North American market (*Henry Hub*), thus hampering the competitiveness of European exporters, especially in energy-intensive industries (► [Focus](#), *Economic outlook*, July 2024). In line with the price of gas, the price of electricity on the wholesale market (EPEX Spot) returned to levels above €100/MWh at the beginning of November, against €30/MWh on average in Q2 2024.

The price of carbon dioxide (CO₂) on the European Union Trading Emissions System had fallen sharply in Q1 2024 (€59.70 per tonne, after €83.60 in 2023) due to depressed industrial production, especially in Germany, but has recovered slightly since then: the price has remained at around €65 per tonne since the start of H2, boosted mainly by the increased use in the Old World of thermal power plants as a result of the decline in wind production. In addition, the price of uranium has slipped back since its peak in early 2024, but is still at more than 3 times its 2019 level (► [Figure 4](#)), driven by demand, which is expected to increase sharply in the years to come.

Industrial commodity prices remain at broadly similar levels to those at the end of 2023 (► [Figure 5](#)). However, the prices of gold and silver, safe havens in a context of major geopolitical uncertainty and expected reductions in base interest rates by the main central banks, reached new heights; in particular, an ounce of gold achieved a new historical record of over \$2,780 at the end of October.

Lastly, the prices of some food commodities have been affected by various climatic events. Droughts in Brazil contributed to the rebound in sugar prices in September (► [Figure 6](#)) and fuelled the sharp rise in coffee prices (+57.4% year on year in November for Arabica), already affected by a 20% drop in Robusta production in Vietnam during the 2023-2024 season. Meanwhile, cocoa and olive oil prices remained at levels between 3 and 4 times higher than in 2019, after some extreme episodes that affected harvests in 2023 (torrential rains in West Africa and prolonged drought in Spain). Conversely, since the beginning of 2024, the price of wheat has returned to similar levels to those before the invasion of Ukraine. Finally, the production of sunflower oil, of which Ukraine and Russia are the two main global exporters, could decrease next year even though demand continues to grow, which is already exerting increasing pressure on the markets. ●

International economic outlook

► 1. Price of oil (Brent) in dollars and euros

(daily values)



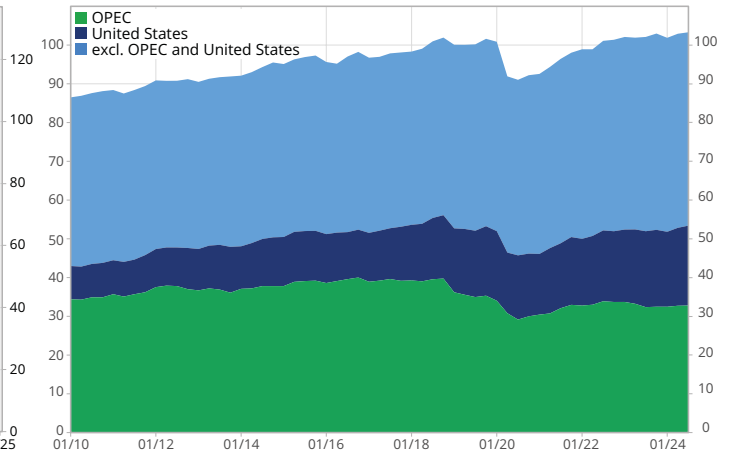
Last point: 10 December 2024.

How to read it: on 10 December 2024, the price of a barrel of Brent was \$72.2.

Source: Commodity Research Bureau.

► 2. World oil production

(quarterly values, in millions of barrels per day)



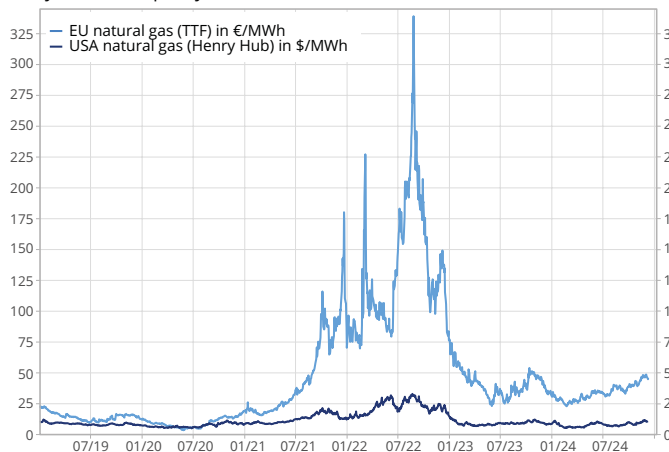
Last point: Q3 2024.

How to read it: on Q3 2024, OPEC crude oil output was 32.8 million barrels per day.

Source: Energy Information Administration (EIA).

► 3. Natural gas prices in Europe and in the United States

(daily values – capacity rate, in %)



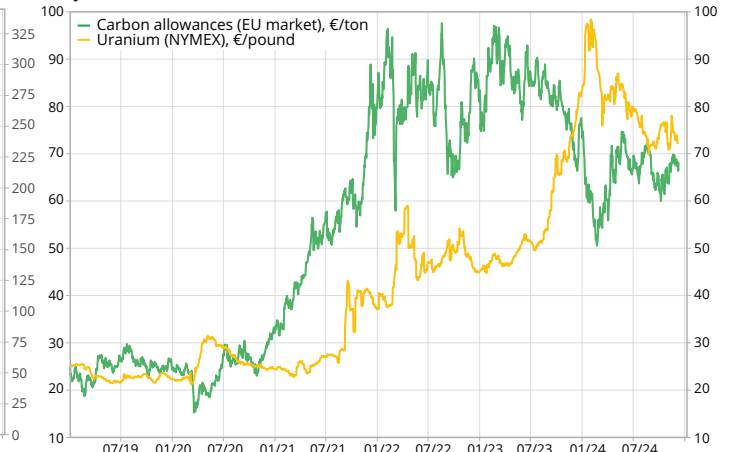
Last point: 10 December 2024.

How to read it: 10 December, 2024, the value of natural gas futures contracts at the next expiry date in the Netherlands (TTF) was €45.6 per megawatt-hour.

Source: ICE Futures Europe, New York Mercantile Exchange.

► 4. Price of a tonne of CO₂ on the European market and uranium prices

(daily values, in euros)



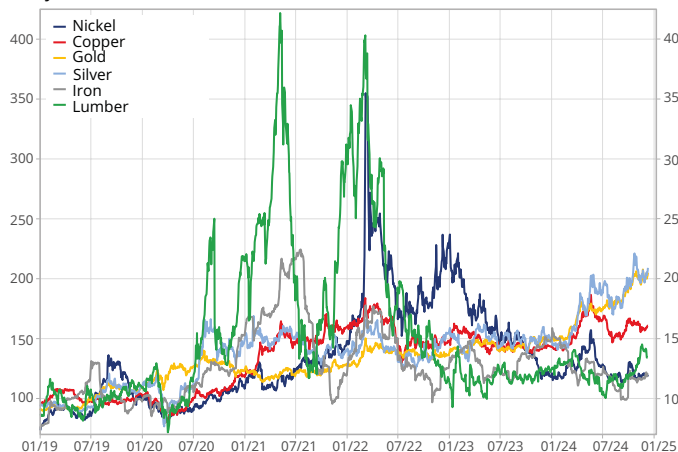
Last point: 10 December 2024.

How to read it: 10 December 2024, the price of a tonne of CO₂ on the European Union Emissions Trading System was €68.2.

Source: ICE Futures Europe, New York Mercantile Exchange.

► 5. Prices of nickel, copper, gold, silver, steel and lumber

(daily index – base 100=2019)



Last point: 10 December 2024.

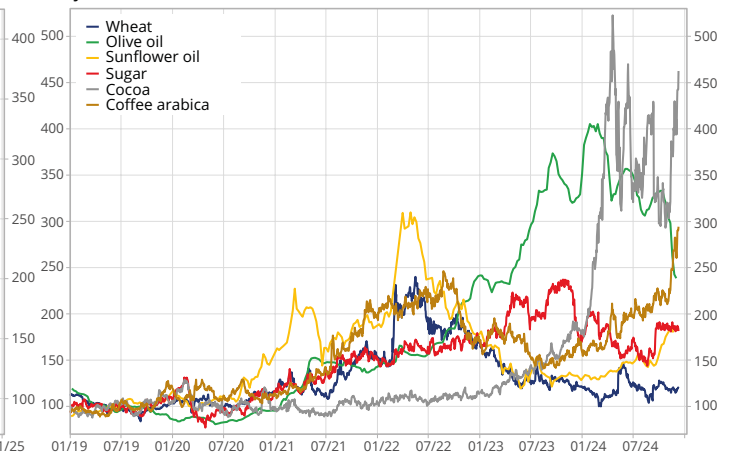
How to read it: 10 December 2024, the price of copper in euros was 60.8% above its 2019 average.

Note: the indices measure price changes in euros.

Source: London Metal Exchange, Chicago Mercantile Exchange, New York Mercantile Exchange.

► 6. Prices of wheat, sunflower oil, olive oil, sugar, cocoa and coffee

(daily index – base 100=2019)



Last point: 10 December 2024.

How to read it: 10 December 2024, the price of wheat in euros was 19.8% above its 2019 average.

Note: the indices measure price changes in euros.

Source: Euronext Paris, APK-Inform, Spanish Ministry of Agriculture, ICE Futures US, International Coffee Organization.

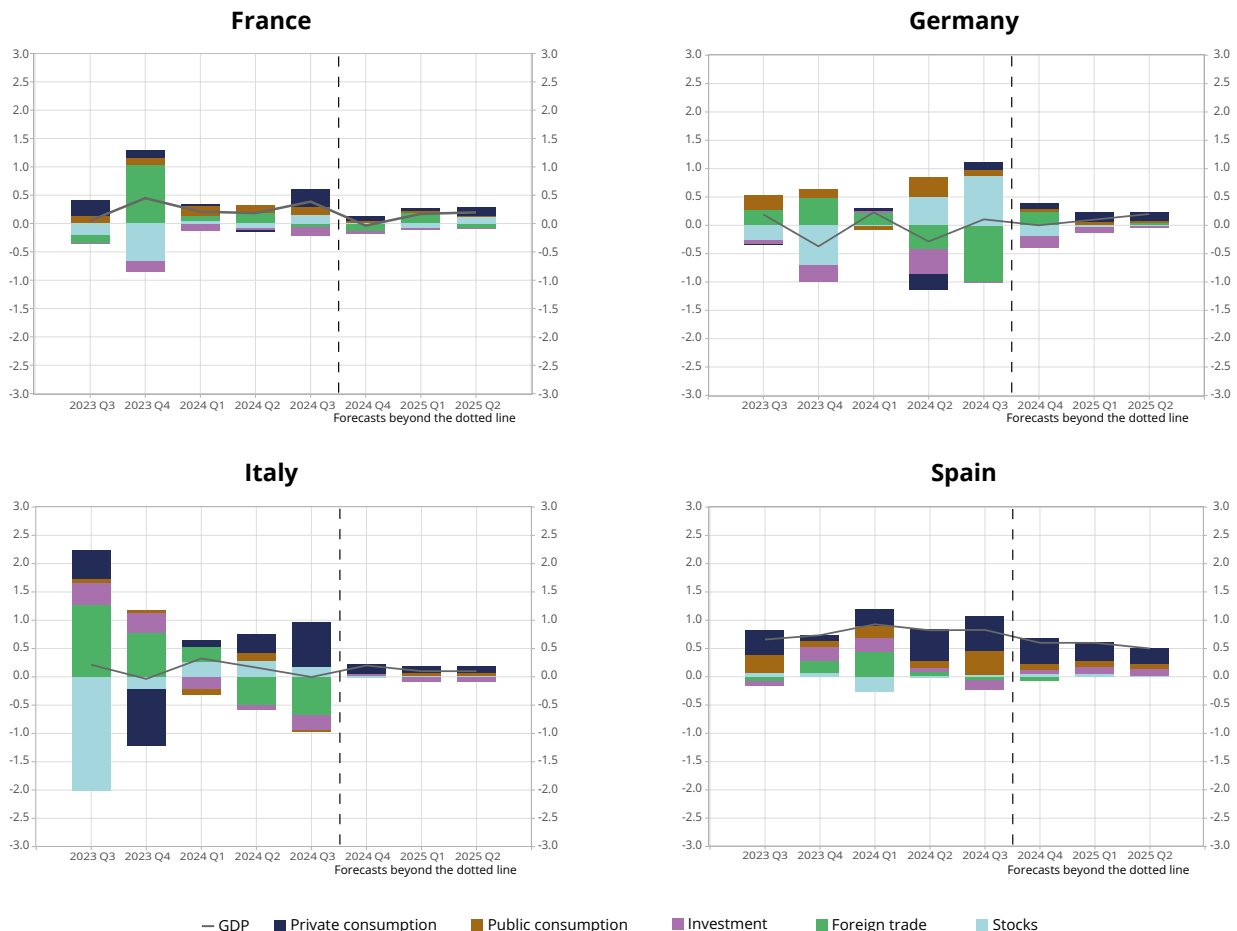
Eurozone

In Q3 2024, activity accelerated in the Eurozone

In Q3 2024, activity accelerated in the Eurozone (+0.4% after +0.2%) with, once again, some major disparities between countries. Growth continued to surprise positively in Spain (+0.8%, the same as in Q2 ► [Figure 1](#)) and in France it received a one-off boost with the hosting of the Olympic and Paralympic Games (+0.4% after +0.2%). Conversely, it remained at a standstill in Germany (+0.1% after -0.3%) and Italy (0.0% after +0.2%).

Domestic demand supported activity in the four main Eurozone economies. In particular, private consumption increased by 1.1% in Spain, 1.4% in Italy, 0.6% in France and 0.3% in Germany, while in all four countries the savings ratio was significantly higher than their historic averages (► [Focus](#) on the savings ratio of European households). However, because financing conditions are still restrictive, weak investment continues to hamper growth in France (-0.7%), Italy (-1.2%), Spain (-0.9%) and, to a lesser extent, Germany (-0.1%). Meanwhile, foreign trade contributed negatively to growth in the four major Eurozone economies: exports in particular declined in Germany (-1.9%), Italy (-0.9%) and France (-0.8%).

► 1. Quarterly variations in GDP and contributions of demand items (quarterly variations in % and contributions in points)



Last point: Q2 2025.

How to read it: in France, in Q3 2024, GDP increased by 0.2% and public consumption contributed +0.2 points.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

An aborted recovery, economic divergences persist

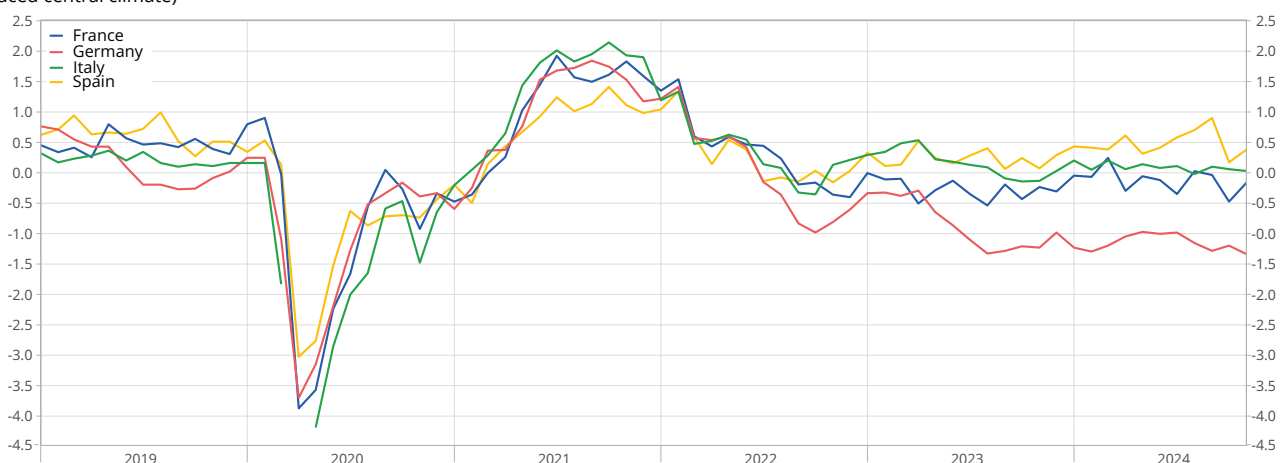
Business tendency surveys in the Eurozone suggest a turnaround: while a recovery was beginning to take shape with business climates improving slightly since the end of 2023, they have now been worsening again since summer 2024. In addition, the economic divergence between the four main economies persists: the confidence indicator is close to its long-term average in France and Italy, still very much in decline in Germany and much more favourable in Spain (► **Figure 2**).

In Q4, growth is expected to remain solid in Spain (+0.6%), despite the flooding that hit the Valencia region this autumn, impacting activity, and should keep up the same pace in Q1 2025, then slow slightly in the spring (+0.5%), as certain supporting factors decline (► **Focus** on the dynamism of the Spanish economy). In France, activity looks set to stabilise in the autumn, a reaction after the Olympic and Paralympic Games boosted growth in the previous quarter, and is likely to return to a modest pace in H1 2025 (+0.2% per quarter). In Italy, growth is expected to remain limited over the forecasting period (+0.2% at the end of the year, then +0.1% per quarter at the beginning of 2025) as the effects of the investment support schemes (especially the “Superbonus” scheme), which have driven activity since the health crisis, are beginning to weaken. In Germany, activity is likely to remain sluggish in Q4 (0.0%) before growing slowly in H1 2025 (+0.1% in Q1, then +0.2% in the spring): investment is expected to continue to hamper growth at the end of 2024, but then a little less in H1 2025 with the gradual improvement in financing conditions, while household consumption should start to recover.

Over the whole of 2024, activity is expected to improve in all four economies at a similar pace to that recorded in 2023, reflecting the persistent cyclical divergence between them: activity looks set to remain sluggish in Germany (growth of -0.2% in 2024, after -0.1% in 2023), it should improve at a moderate pace in Italy (+0.5% after +0.8%) and France (+1.1% after +1.1%), and accelerate in Spain (+3.1%, after +2.7%). In 2025, this divergence is likely to persist, while decreasing slightly: the mid-year growth overhang is expected to be +2.1% in Spain, +0.5% in France, +0.4% in Italy and +0.2% in Germany.

Overall, the Eurozone is expected to experience a moderate rebound in H1 2025 (+0.2% per quarter) after virtually zero growth at the end of the year (+0.1%). This growth will probably be driven by household consumption, the sole driver of private domestic demand, bringing the mid-year growth overhang to +0.7% (after +0.7% growth in 2024).

► 2. Business climate indicators remain disparate in the Eurozone (reduced central climate)



Last point: November 2024.

How to read it: in Spain, in November 2024, the general business climate was 0.4 standard deviations above its long-term average (average over the period January 2005 to November 2024).

Source: DG ECFIN survey, INSEE calculations.

International economic outlook

After a marked slowdown in 2023 and 2024, productivity is expected to rebound in the Eurozone

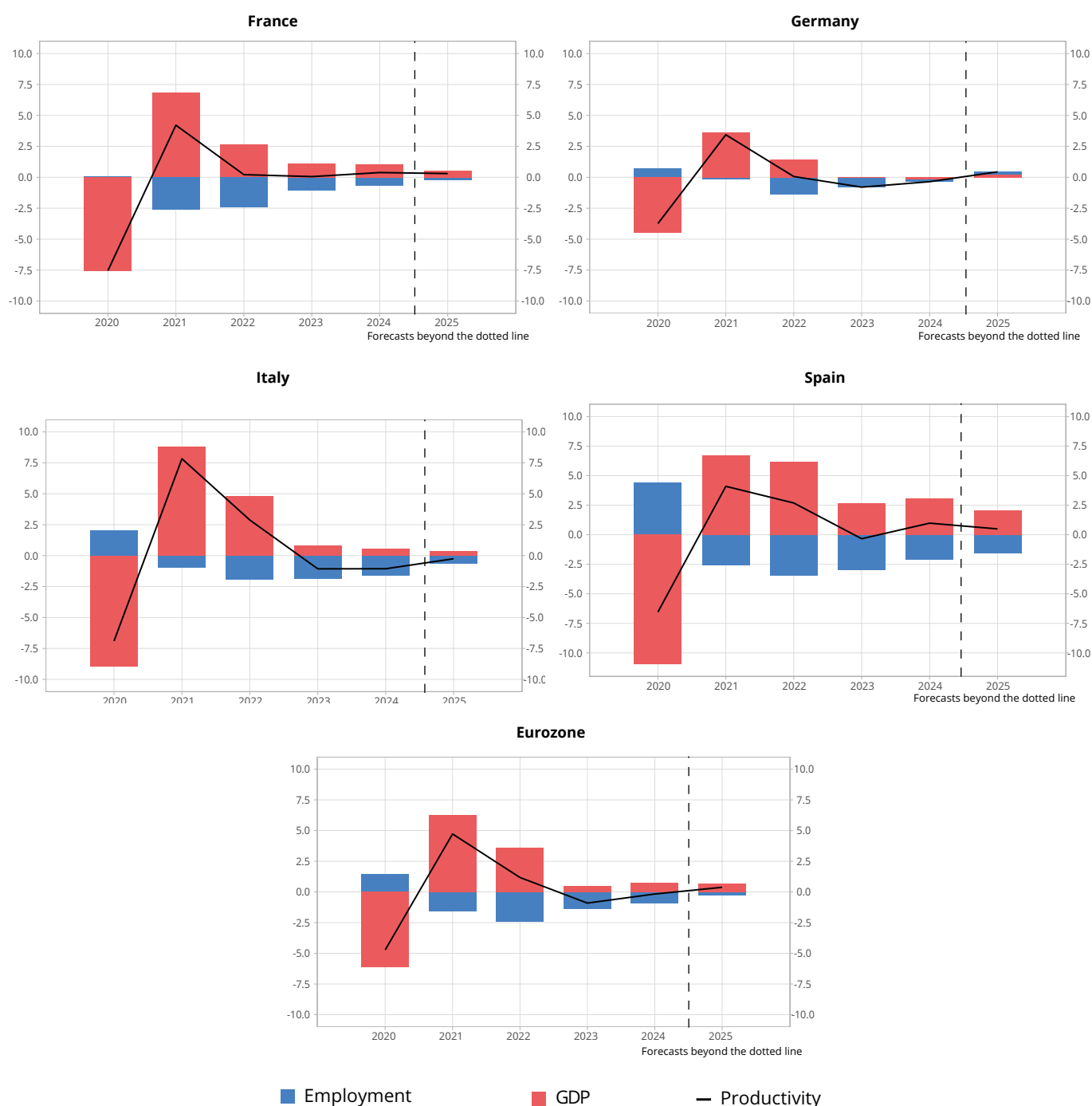
Since 2019, employment has been particularly resilient in the Eurozone, despite the succession of shocks that have affected Member States. On average in 2024, total employment is expected to be 4.9% above its 2019 average. This improvement in employment has mainly been due to support measures put in place during the health crisis.

From Q4 2022 to Q4 2023, the Eurozone experienced a continuous decline in productivity, due to sluggish growth and resilient employment. However, since the beginning of 2024, moderate growth in the Eurozone has been accompanied by gains in productivity (► [Figure 3](#)), mainly in Spain.

Thus, in the Eurozone, apparent labour productivity in 2024 is expected to be below its 2019 average (-0.3%). This decline is likely to be particularly pronounced in France (-3.1% on average in 2024 compared to its 2019 average) and Germany (-1.6%), while productivity is expected to remain stable in Spain and improve slightly in Italy.

► 3. Change in productivity in the main Eurozone countries

(annual variations in productivity in % and contributions in points)



Last point: mid-2025 growth overhang.

How to read it: in France, in 2023, productivity increased by 0.1% and employment contributed -1.1 points.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

The gradual recovery from these past productivity losses is likely to concern mainly Germany up to mid-2025: hiring intentions are very low and German employers, especially industrialists, are expected to begin adjusting their workforce.

Inflation has come back down everywhere in Europe, wages are following suit

Inflation fell sharply in the Eurozone in 2024, from +2.8% year on year in January to +2.3% in November. This decline was seen in France (where inflation within the meaning of the HICP fell from +3.4% to +1.7%), Germany (from +3.1% to +2.4%) and Spain (from +3.5% to +2.4%), whereas inflation rose slightly in Italy, where it had previously fallen substantially (from +1.0% to +1.6%). Prices excluding food and energy products increased at the most moderate pace in France and Italy (+2.2% and +2.0% respectively in November). Conversely, inflation excluding food and energy products was higher in Germany (+3.1% year on year in November) and Spain (+2.8%), in line with wages, which are themselves more buoyant than in France and Italy (► **Figure 4**).

Prices look set to continue to slow a little until mid-2025, at a faster pace in Germany and Spain than in France and Italy. However, wages are expected to evolve more significantly, as they gradually incorporate the disinflation of 2024. All in all, after some major gains in 2024, purchasing power should slow considerably at the beginning of 2025, in all the Eurozone countries (► **Figure 5**).

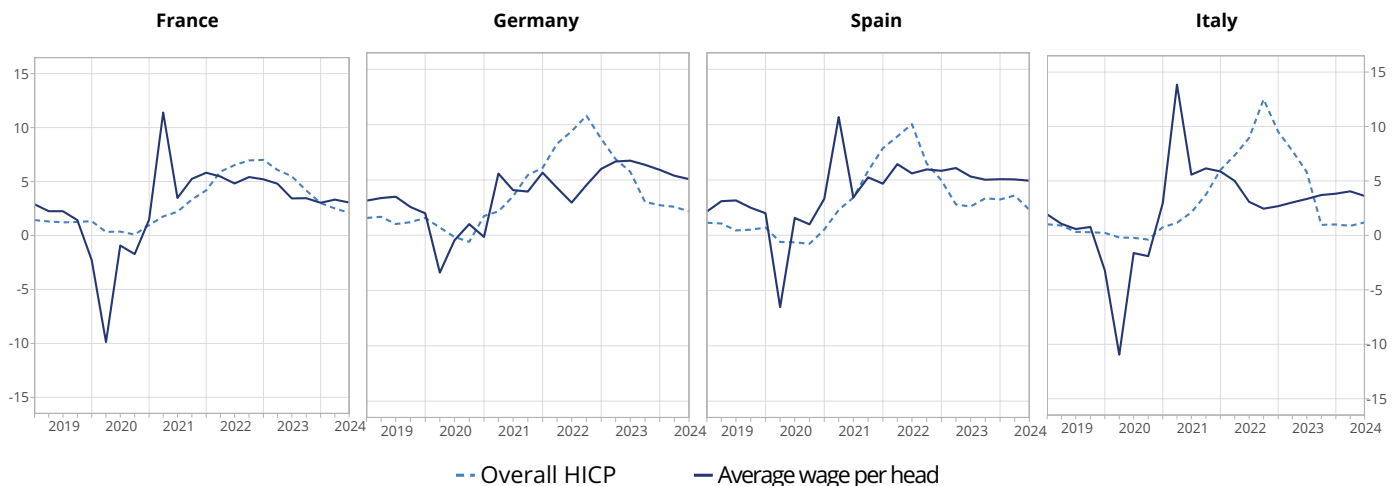
Consumption, the main driver of European growth

In the four main Eurozone economies, private consumption increased less than purchasing power in 2024 while the household savings ratio rose sharply (► **Focus** on the savings ratio of European households). This ratio is expected to deflate slightly by mid-2025, while still remaining much higher than before the health crisis. Business tendency surveys show that European households have noted an improvement in their financial situation (► **Figure 6**) and more and more of them consider that the economic situation is conducive to making major purchases.

Thus, a number of phenomena that contributed to the increase in the savings ratio recently are likely to decline by mid-2025: inflation is returning to normal, households' perceptions are adjusting, and consumer credit rates are falling. In addition, income is now driven more by wage income, which is more likely to be used for consumption than wealth income. Thus the savings ratio is expected to fall back over the forecasting period in the different Eurozone countries.

► 4. Average wage per capita and headline inflation (within the meaning of the HICP) in the main Eurozone economies

(year-on-year change, in %)



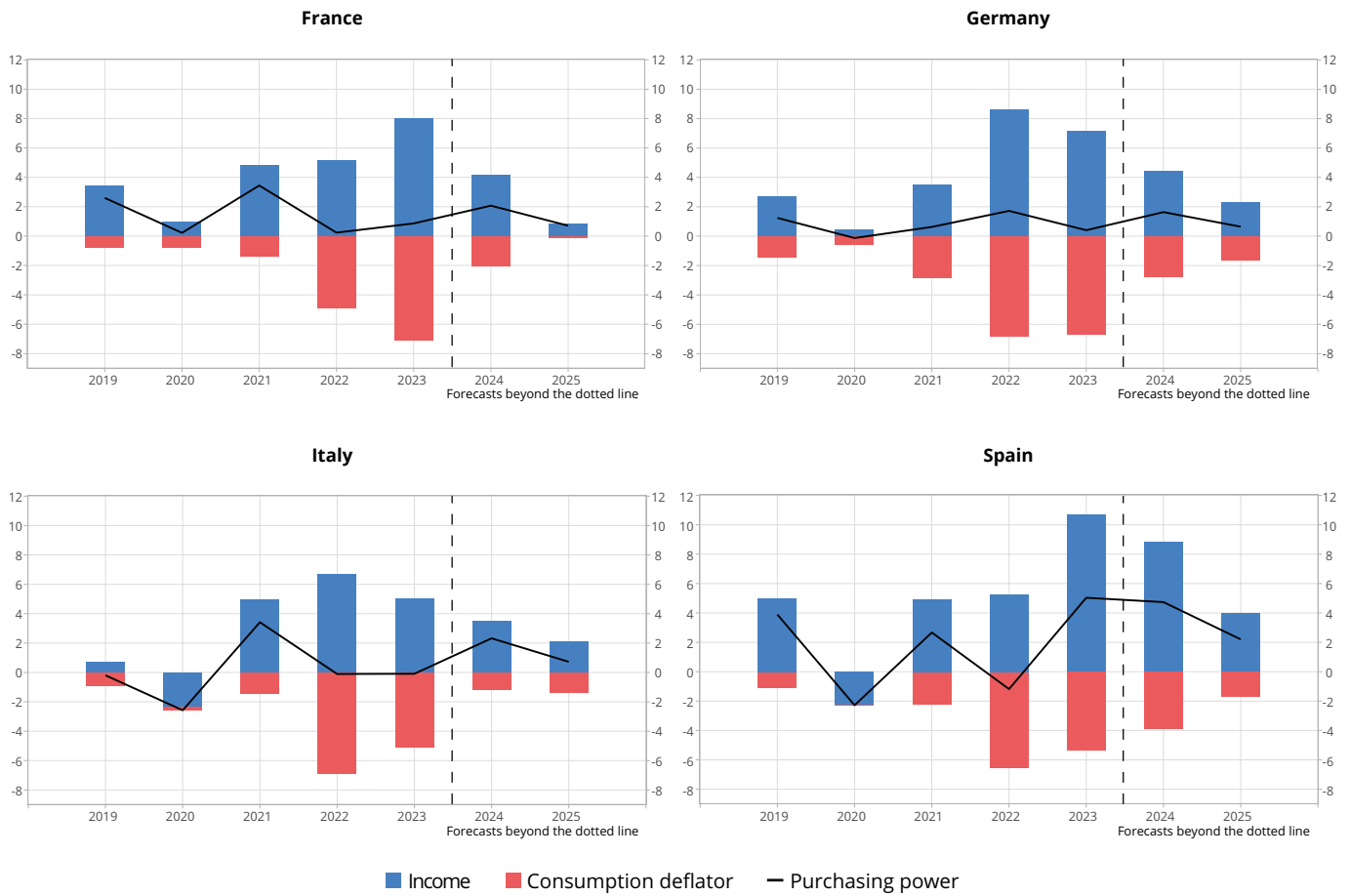
Last point: Q3 2024.

How to read it: in Q3 2024, in Spain, the average wage per capita increased by 4.9% year on year, i.e. faster than the Harmonised Index of Consumer Prices, which increased by 2.3% year on year.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

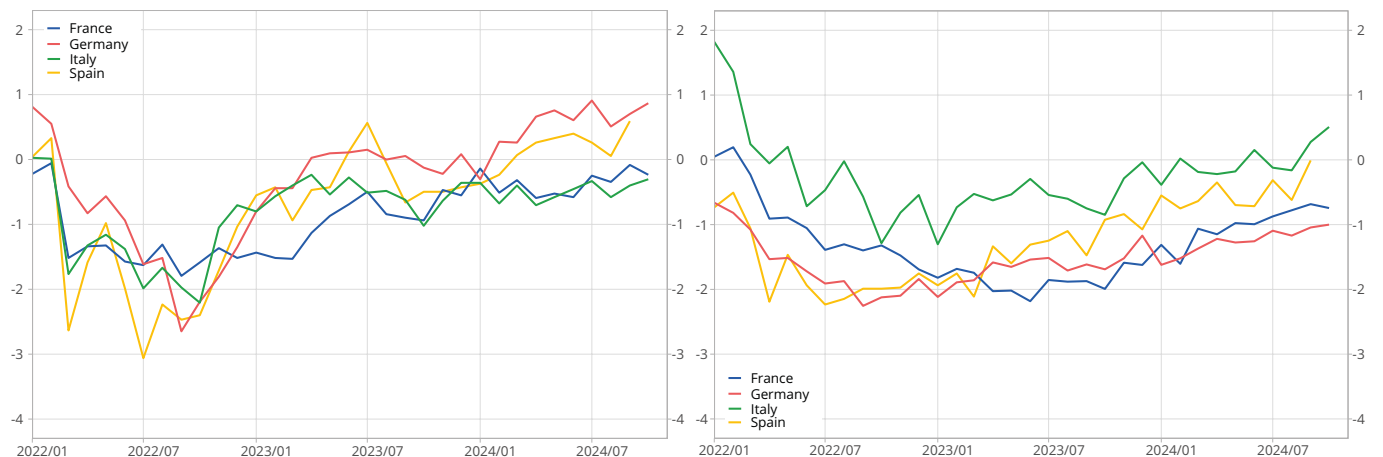
International economic outlook

► 5. In 2025, purchasing power is expected to slow substantially in Europe (annual variations in % and contributions in points)



Last point: mid-2025 growth overhang.
How to read it: in Germany, in 2023, purchasing power increased by 0.4%.
Source: INSEE, Destatis, Istat, INE, INSEE calculations.

► 6. Since the beginning of 2024, households in the main Eurozone economies are slightly more optimistic about their financial situation (left) and the opportunity to make major purchases (right) (reduced centered balances)



Last point: November 2024.
How to read it: in Italy, in November 2024, the centred-reduced balance of households' financial situation in the next 12 months was 0.5 standard deviations below its long-term level (average over the period January 2005 to November 2024).
Source: DGEFIN survey, INSEE calculations.

Investment is still in decline

Despite successive cuts in the ECB's base interest rates in 2024, financing conditions remain restrictive and are expected to continue to slow investment. Thus the contribution of investment to growth is likely to be negative or zero over the next three quarters in France and Germany. Spain will again probably be the exception, particularly because public investment there has received funding from the European recovery plan. In Italy, however, support from the recovery plan will not be enough to compensate for the gradual withdrawal of the "Superbonus" scheme and investment looks set to decline. Finally, the Eurozone will probably struggle to reduce the gap between the components of domestic demand: activity is expected to benefit as private consumption becomes more robust, while investment is likely to slow it down (► Figure 7).

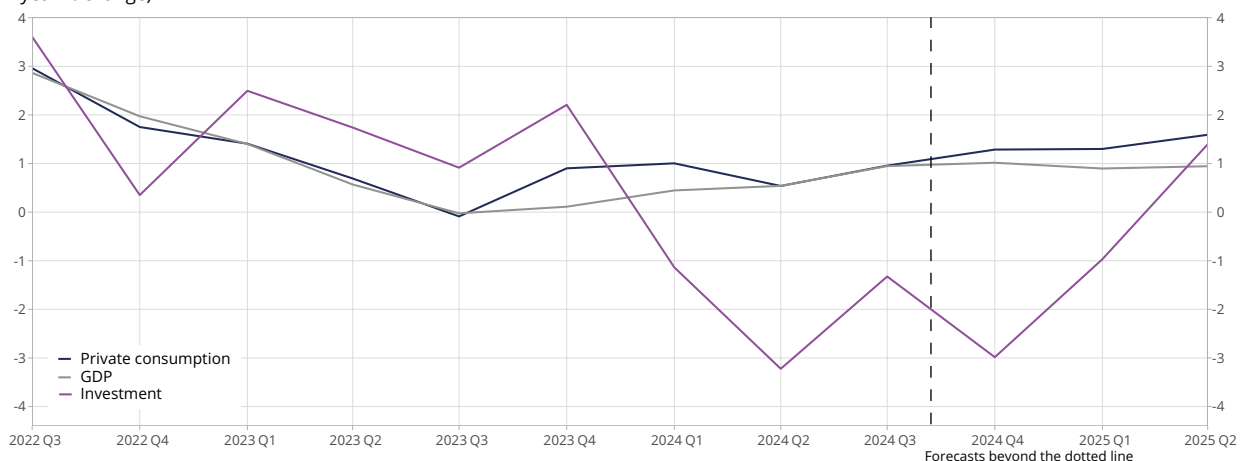
After further declines recorded in 2024, market shares of European exporters are forecast to stabilise

In Europe, exporters recorded further losses in market share in the summer of 2024 (► Figure 8). In the forecast, these market shares are expected to stabilise on average for French, Italian and Spanish exporters, although without wiping out these new losses. However, according to the forecast, German exporters are likely to continue to lose market share: German industrialists are complaining that their foreign order books are very depleted, much more so than in the other countries (► Figure 9).

At the same time, the upturn in consumption in the Eurozone should promote growth in imports, albeit timidly. The contribution of foreign trade is therefore expected to be limited up to mid-2025. ●

► 7. In 2024, private consumption is expected to drive growth in the Eurozone, in the face of struggling investment

(year-on-year % change)



Last point: Q2 2025.

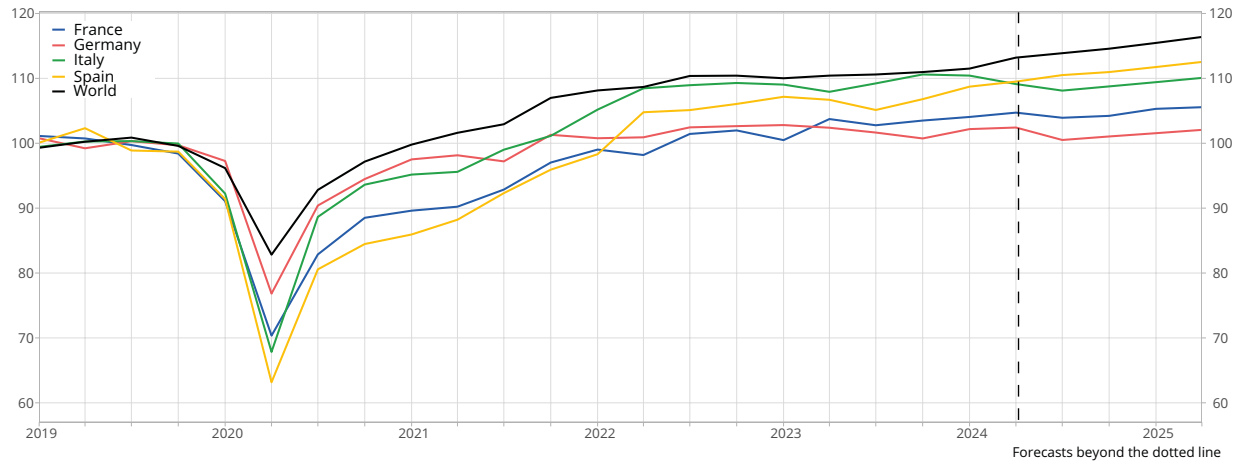
How to read it: in the Eurozone, GDP is expected to increase by +1% year on year in Q2 2025.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

International economic outlook

► 8. In 2025, the main Eurozone economies are not expected to make up the losses in export market share recorded since 2020

(exports of goods and services by volume, base 100 2019)



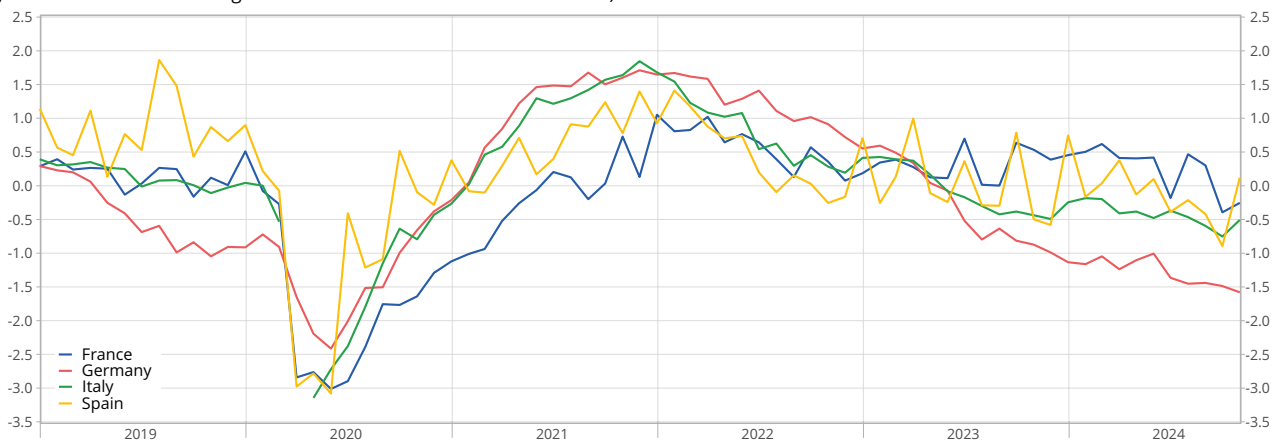
Last point: Q2 2025.

How to read it: in Spain, in Q2 2025, exports are expected to be 12.5% above their 2019 level, when world exports look set to be 16.4% above their 2019 level.

Source: INSEE, Destatis, Istat, INE, Balanced trade statistics (OECD), CHELEM - International trade (CEPII), INSEE calculations.

► 9. German industrialists are lamenting their depleted export order books

(judgement on the level of foreign order books – centred-reduced balances)



Last point: November 2024.

How to read it: in Germany, in November 2024, the centred and reduced balance of the state of export orders in industry was 1.6 standard deviations below its long-term average (average over the period January 2005 to November 2024).

Source: DGEFCIN survey, INSEE calculations.

Spanish economic dynamism since the health crisis: miracle or illusion?

Since the end of the health crisis, Spain has stood out from the other major European economies by its dynamism. In Q3 2024, Spanish GDP by volume stood at 7.3% above its 2019 level, compared to 4.8% for the Eurozone as a whole. Unemployment continues to fall, reaching 11.3%, compared to 26.3% at its peak in Q1 2013.

Temporary factors can partly account for this difference in momentum in Spain compared to the rest of the Eurozone: in particular, its relatively low dependence on hydrocarbons from Russia and its strong autonomy in electricity production have partly protected it from the inflationary shock experienced elsewhere in Europe. In addition, it benefits from significant European funding under the national recovery and resilience plan put in place since the health crisis, amounting to 13% of GDP in 2019 (one half in the form of subsidies, the other in the form of loans) and this has boosted economic activity since 2021. Finally, part of the growth in employee income and consumption has been supported temporarily by a return to normal of corporate margins, which had increased considerably after the 2008 financial crisis.

There are other more structural factors that account for the persistent over-performance of the Spanish economy. Firstly, it also has the advantage of strong tourist appeal, a real driver of growth since the end of the health crisis. Secondly, Spain has some very favourable demographic dynamics, driven by the immigration of qualified people from South America who are able to integrate the labour market fairly easily. Thus while real GDP growth is high, GDP per capita growth appears to be much closer to that of its European neighbours.

However, this economic performance must be put into perspective by looking at change over the last two decades. In 2019, Spanish GDP per capita was only a few percentage points higher than its level before the 2008 financial crisis. Investment has never caught up with its 2007 level and private consumption is only slightly higher than its level of 17 years ago, despite the increase in population. Therefore still today, part of Spanish growth results from a gradual fading of the stigma of the financial crisis.

Over the forecasting period to mid-2025, most of these factors are expected to continue to support Spanish growth, especially the demographic dynamics and the country's attractiveness as a tourist destination. In addition, European-funded recovery spending is likely to continue into 2025 while fiscal consolidation is expected to be moderate. However, the energy price gap is increasingly unlikely to account for a difference in momentum compared to other European countries, and inflation has already fallen sharply across Europe in Q3 2024. Finally, in the short term, real wage gains recorded since the health crisis are likely to continue to drive household consumption. However, in the absence of gains in productivity, the dynamics of real wages could stall, with company margins having returned to their 2007 level.

Augustin Baron Rault and Alexandre Simcic

Spain stands out from its European neighbours due to its dynamic growth

With European economies still in a catch-up situation after the health crisis, Spain stands out as its economic growth is significantly higher than that of its European neighbours (► **Figure 1**). Spanish GDP recovered its 2019 level in Q2 2022, and was at 7.3% above its 2019 average in Q3 2024 (compared to 4.8% in the Eurozone as a whole).

Spain was less affected by the rise in energy prices

In the spring of 2022 and as a result of Russia's invasion of Ukraine, the price of gas in Europe increased significantly, resulting in a historic rise across the continent in household consumer prices of both gas and electricity. Spain's relatively low direct dependence on hydrocarbons from Russia, as well as the activation of the "Iberian Mechanism" to cap electricity prices, made

possible by its low level of interconnection, limited increases in energy prices for Spanish consumers and manufacturers (► **Figure 2**, ► **Focus** in *Economic outlook*, March 2024). In this way, Spain was able both to preserve its household purchasing power and to limit the loss of price competitiveness caused by the rise in energy prices for European exporters (► **Focus** in *Economic outlook*, July 2024).

Since the health crisis, tourism has taken off again in Spain, as it has in most Southern European countries

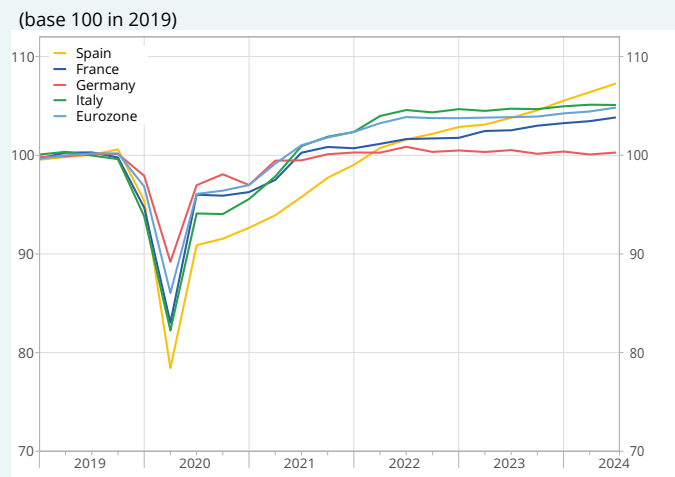
Since 2019, economic growth in the Eurozone has been driven by country-specific factors (► **Figure 3**). Compared to its European neighbours, Spain is characterised by stronger government consumption, and also, to a lesser extent, by a greater boost from foreign trade and private consumption. In contrast, the contribution of investment is negligible (► **Figure 4**).

International economic outlook

Concerning foreign trade, support for activity since 2021 comes mainly from the balance of services, and in particular from tourism services (► [Figure 5](#)). Between 2020 and 2023, GDP grew by 3.6% with the tourism balance alone accounting for 0.6 points of growth, while, conversely, the contribution of trade in goods was negative (-1.3 points). This situation contrasts with the 2010s, when Spanish foreign trade was driven more by trade in goods than by tourism.

From 2021 and the gradual lifting of health measures, the Spanish tourism sector has in fact recovered its pre-crisis GDP weighting. In 2023, Spain welcomed a record 85.2 million foreign tourists, an increase of 13% in seven years, according to its national statistics institute (INE). This strong contribution to growth by tourism is common to all the major tourist destinations in Southern Europe, such as Croatia, Greece and Portugal (► [Box 1](#) on tourism in Europe).

► 1. Comparison of changes in GDP in the Eurozone

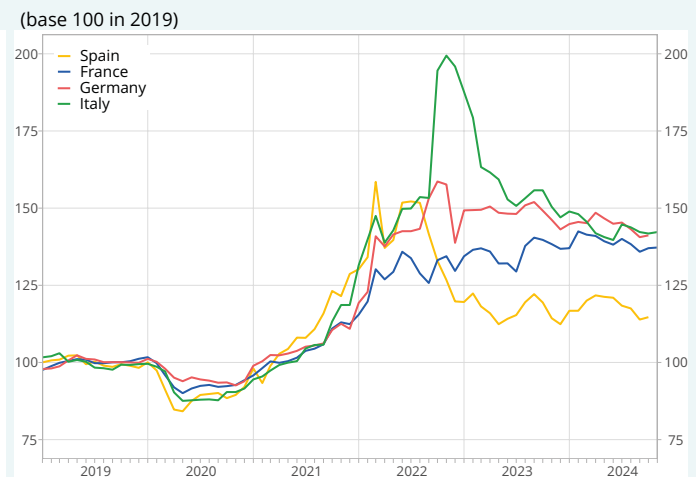


Last point: Q3 2024.

How to read it: in Q3 2024, Spanish GDP was 7.3% higher than its 2019 level.

Source: INSEE, Destatis, Istat, INE, Eurostat, INSEE calculations.

► 2. Comparison of energy price levels (within the meaning of the Harmonised Index of Consumer Prices, HICP) in the Eurozone

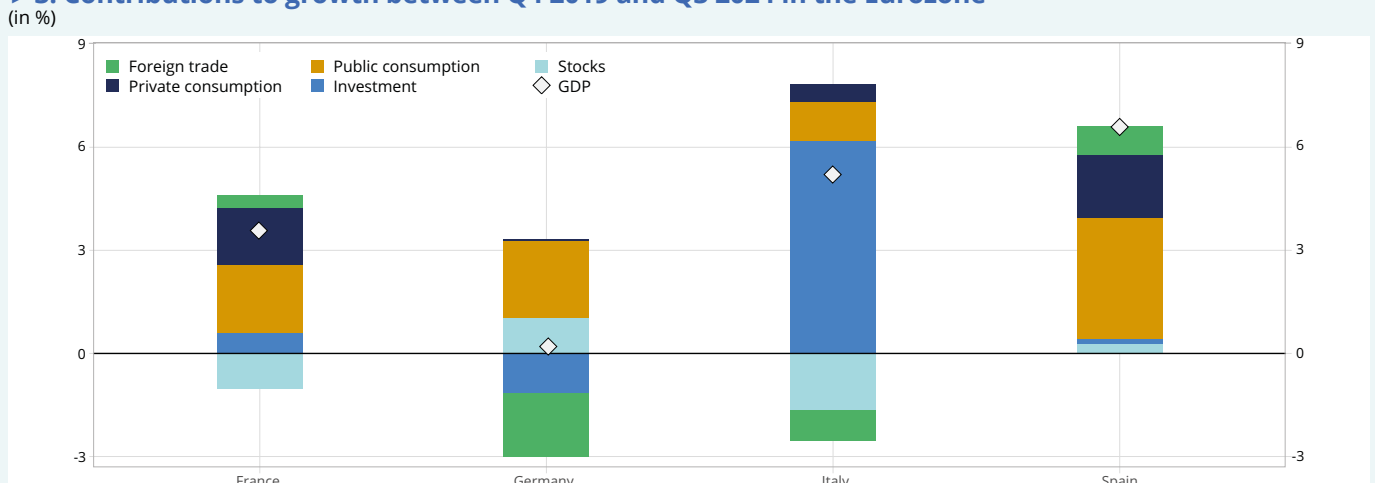


Last point: November 2024, for France and Italy, October 2024 for Spain and Germany.

How to read it: in October 2024, the energy HICP for Spain was 14.7% higher than its 2019 level

Source: INSEE, Destatis, Istat, INE, Eurostat, INSEE calculations.

► 3. Contributions to growth between Q4 2019 and Q3 2024 in the Eurozone



Last point: Q3 2024.

How to read it: between Q4 2019 and Q3 2024, Spanish GDP grew by 6.6%, and government consumption made a positive contribution to this of 3.5 percentage points.

Source: INSEE, Destatis, Istat, INE, INSEE calculations.

Major support from the European recovery plan

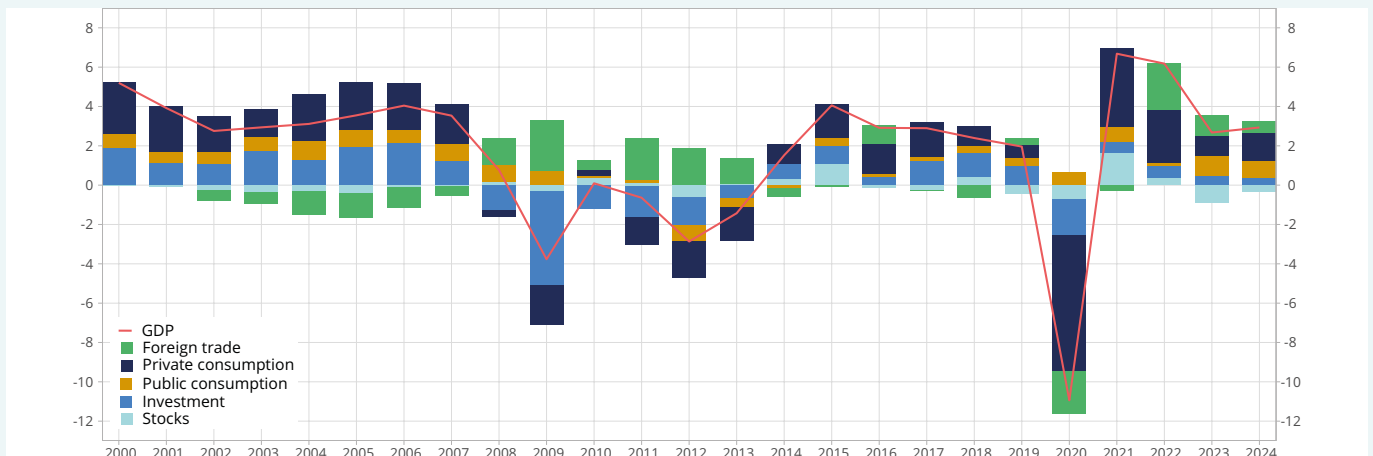
Since the health crisis, the Spanish economy has also been bolstered by significant budget expansion. The public sector deficit has certainly been substantially reduced, from 6.7% of GDP in 2021 to 3.5% in 2023, but this reduction was mainly due to the dynamism of revenue driven by growth, while the structural deficit remained virtually stable (from -4.3% of potential GDP in 2021 to -3.9% in 2023 according to the European Commission). Budget support for activity came mainly from the introduction of the European recovery plan (*NextGenerationEU*) of which Spain has been one of the main beneficiaries: expected funding represents €163 bn (€80 bn in subsidies and €83 bn in loans), i.e. 13% of Spain's 2019 GDP. By October 2024, Spain had received €48.3 bn, or 29.6% of the expected total. This funding boosts activity without affecting the public balance (with regard to subsidies).

Strong immigration supports growth

More structurally, Spanish growth has the advantage of strong demographic dynamics. In Q3 2024, Spanish GDP was 7.3 points above its 2019 level, against 3.2 points for GDP per capita (► [Figure 6](#)). However, while GDP returned to its pre-health crisis level in Q2 2022, GDP per capita did not make up this shortfall until Q1 2023. The increase in the Spanish population is largely due to the growth of the immigrant population. Between July 2021 and July 2024, net migration is expected to be 1.26 million compared to 190,000 for the natural balance (► [Funcas, 2024](#)). Over the same period, 40% of jobs created in Spain were filled by foreigners, representing some 800,000 jobs and highlighting the importance of demographic dynamics in GDP growth in recent years. According to the Spanish Ministry of Immigration, 3.1 million people held a residence permit at the end of June 2024, compared to 2.4 million at the end of 2021 and

► 4. Change in GDP and its contributions in Spain since 2000

(in %)



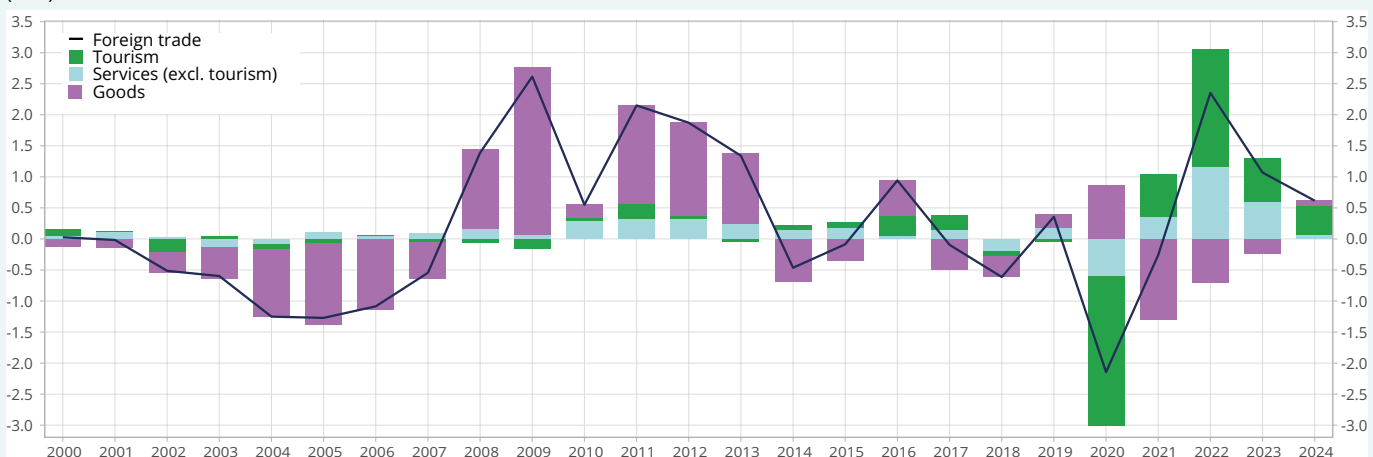
Last point: Q3 2024 growth overhang.

How to read it: in 2022, Spanish GDP grew by 6.2%, foreign trade made a positive contribution to this of 2.4 percentage points.

Source: INE, INSEE calculations.

► 5. Change in the contribution of foreign trade to GDP and its components in Spain

(in %)



Last point: Q3 2024 growth overhang.

How to read it: in 2022, the contribution of foreign trade to Spanish GDP growth was 2.4 percentage points (pp): tourism services made a positive contribution (+1.9 pp) while the contribution of trade in goods was negative (-0.7 pp).

Source: INE, INSEE calculations.

International economic outlook

2.3 million at the end of 2013 (► [Figure 7](#)). Almost half of this increase of 700,000 people in less than three years is made up of people from South America and a quarter are Ukrainian refugees. This influx of rather well-qualified South American migrants (► [Funcas, 2023](#)), has created a favourable supply shock specific to Spain: the ratio of people aged over 64 to those aged 15-64 is much lower than in France, Germany and Italy (► [Figure 8](#)).

Recovery from the stigma of 2008 was still not complete in 2019

Spain's good performance in recent years must also be put into its historical perspective. During the 2010s, the country had been further penalised by the sovereign debt crisis

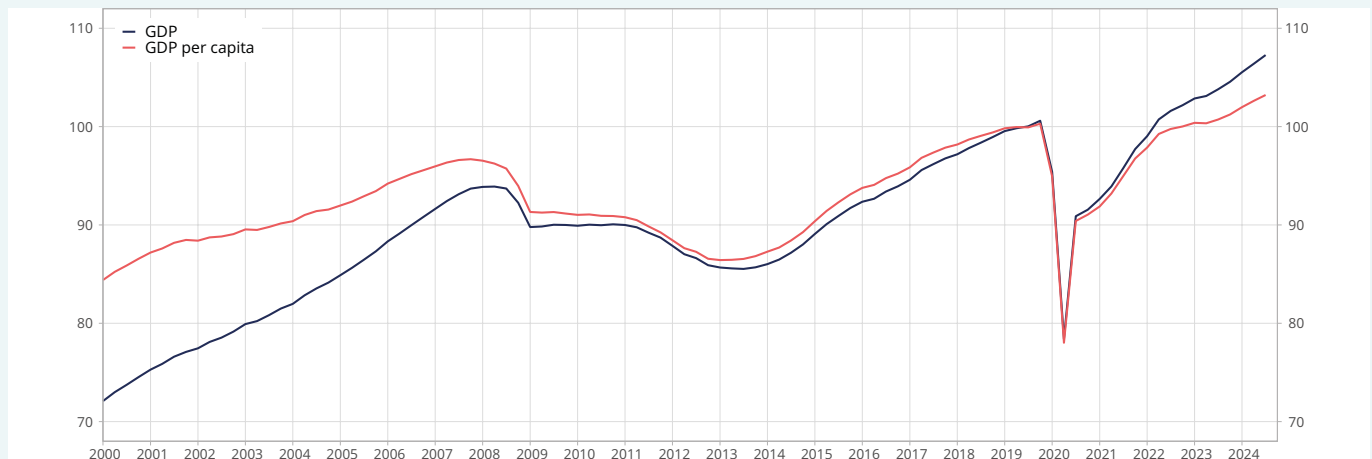
of 2008 and just before the health crisis activity was still lagging behind that of France and the Eurozone (► [Figure 9](#)). Regarding GDP per capita, this gap had still not been closed in 2023: it stood at 4.4% above its 2007 level in Spain compared to 9.5% in the Eurozone (► [Figure 10](#)).

For example, it was not until 2017 that Spain was back to its pre-financial crisis level of activity (compared to 2011 for France).

This is particularly the case for investment, which in Q3 2024, was 16.9% below its Q4 2007 peak (► [Figure 11](#)). While the 2007 level was boosted artificially by the real estate bubble, investment in equipment has also been in decline since then, and in 2024 was still below its 2007 level.

► 6. Change in GDP and GDP per capita in Spain since 2000

(in volume, base 100 in 2019)



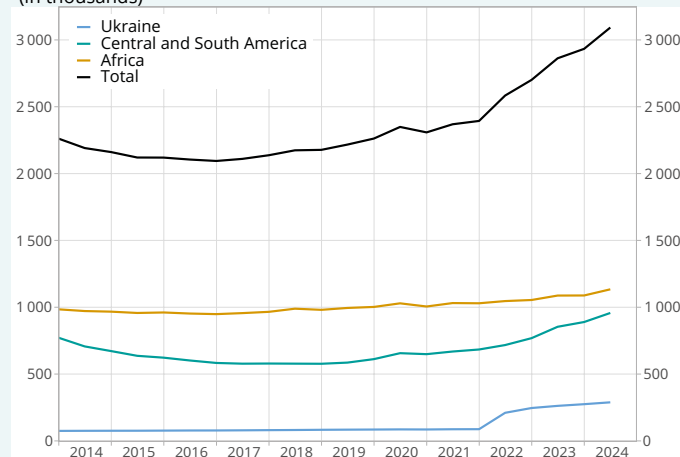
Last point: Q3 2024.

How to read it: in Q3 2024, Spanish GDP was 7.3% higher than its 2019 level compared to 3.2% for GDP per capita.

Source: INE, INSEE calculations.

► 7. Change in residence permit holders in Spain by country of origin since 2014

(in thousands)



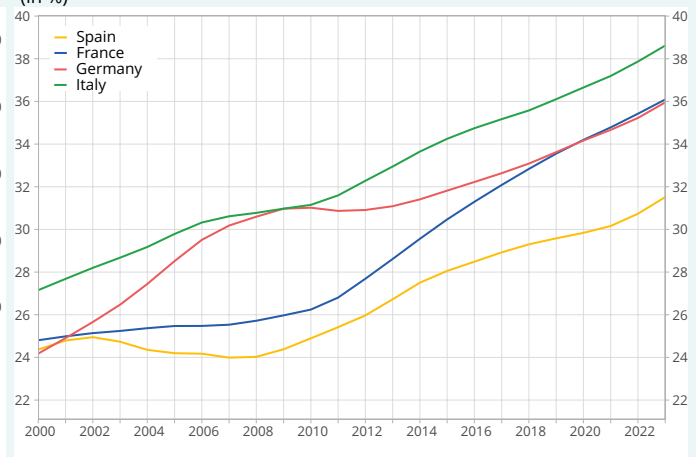
Last point: H1 2024.

How to read it: in H1 2024, 3.1 million people held a Spanish residence permit.

Source: Spanish Immigration Observatory (OPI), INSEE calculations.

► 8. Change in ratio of over-64s to those aged 15-64 in Europe

(in %)



Last point: 2023.

How to read it: in Spain, in 2023, there were 31.5 people aged over 64 for 100 people aged 15 to 64.

Source: World Bank, INSEE calculations.

To a lesser extent, this is also the case for private consumption: despite the increase in the population over the period, in Q3 2024 it was only 4.6% above its 2007 level, in a context of limited purchasing power gains over the previous decade.

A probable fall in structural unemployment with the improved functioning of the labour market

The potential for rebound in the Spanish economy can also be seen in the labour market, which over the past ten years has seen a spectacular decline in the unemployment rate (► **Figure 12**), from 26.3% in Q1 2013 to 11.3% in Q3 2024. However, this decline in the unemployment rate is not only cyclical: it was also made possible in the second half of the 2010s by a better functioning of the labour market. This was as a result of structural reforms between 2010 and 2012, which reduced the strong duality in the Spanish labour market by limiting the use of fixed-term contracts, and also by relaxing the rules for dismissal from open-ended contracts (► **Direction Générale du Trésor, 2016**). This resulted in the shift of the Beveridge curve in the second half of the 2010s: for a given unemployment rate, the job vacancy rate fell (► **Box 2**).

Temporary support for wage income and demand linked to the return to normal of business margins, which were very high in 2019

Finally, the period 2019-2024 saw temporary support linked to the compression of company margins. While the margin rate remained stable from 1999 to 2007, it increased sharply after the financial crisis, in particular due to the increase in unemployment, which significantly damaged employees' negotiating power. This margin

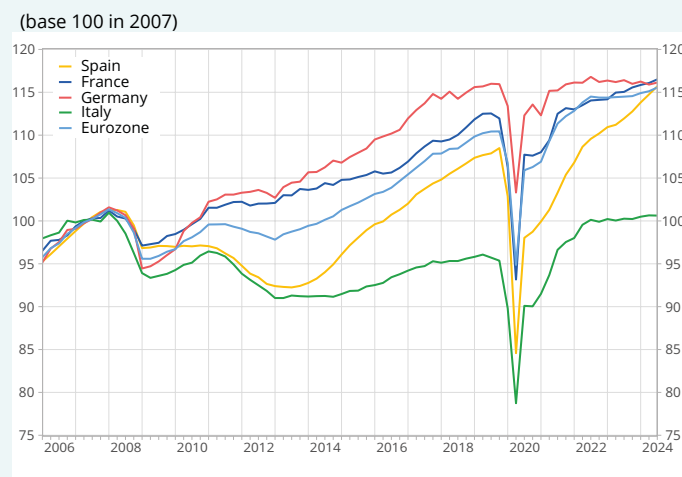
level remained high until 2019 and allowed companies, after the health crisis, to increase wages and thus fuel demand (► **Figure 13**) without deteriorating their price competitiveness. As a result, the margin rate fell sharply from 42.3% at the beginning of 2019 to 36.6% in Q2 2024 (► **figure 14**).

In the short term, most of these factors should continue to bolster activity

Over the forecasting period to mid-2025, the Spanish economy should continue to grow more quickly than its European neighbours, as suggested by the business tendency surveys (► **Sheet Eurozone**). Activity is expected to grow by +0.6% in autumn 2024, hampered somewhat by the severe floods in the Valencia region, and it should maintain this pace in Q1 2025, before slowing a little in the spring (+0.5%). The mid-year growth overhang for 2025 looks set to be +2.1%, after an already very dynamic year in 2024 (+3.1% average annual GDP growth).

The various factors supporting the economy are expected to persist, especially the demographic dynamics and the country's attractiveness for tourists. In addition, recovery spending financed from European funds should continue to increase in 2025 (€45 bn after €27 bn in 2024, including both loans and subsidies). According to the European Commission, cumulatively between 2021 and 2025, the recovery plan could thus increase Spanish GDP by between 2.7% and 3.5%. However, the difference in energy prices between Spain and the other European countries is expected to contribute less to the specific dynamism of the Spanish economy, with inflation having already fallen back sharply throughout Europe in Q3 2024.

► 9. Change in GDP in the Eurozone since 2006

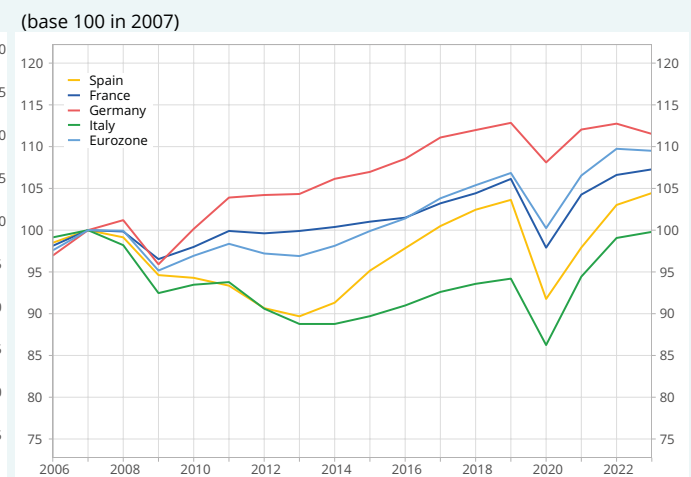


Last point: Q3 2024.

How to read it: in Q3 2024, the real Spanish GDP was 15.7% above its 2007 level.

Source: INSEE, Destatis, Istat, INE, Eurostat, INSEE calculations.

► 10. Change in GDP per capita in the Eurozone since 2006



Last point: 2023.

How to read it: in 2023, Spanish GDP per capita was 4.4% above its 2007 level.

Source: INSEE, Destatis, Istat, INE, Eurostat, INSEE calculations.

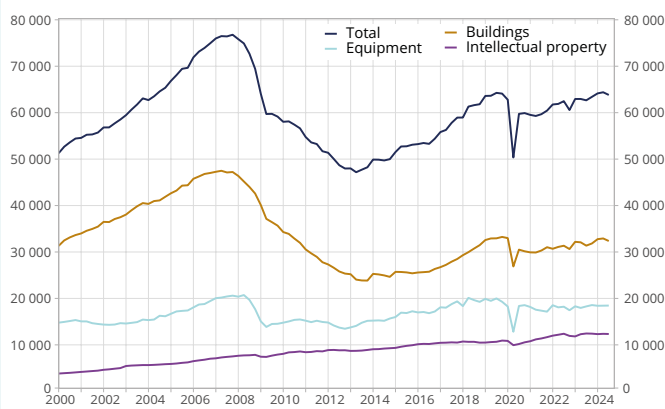
International economic outlook

Concerning the labour market, the catch-up that has been underway for ten years does not seem to be complete: the Spanish unemployment rate is still well above 10%, compared to an average of 6.3% in the Eurozone in Q3 2024. However, signs of tension are emerging: since the end of the 2010s, the Beveridge curve has stopped shifting and the drop in the unemployment rate observed since then now shows a slow rise in the job vacancy rate.

In addition, Spanish companies will not be able to draw on their margins indefinitely to finance real wage gains without productivity gains: this last support factor could quickly be exhausted. Conversely, the household savings ratio, which has increased significantly, could decline slightly, bringing a new boost to activity (► **Focus** on savings ratios of European households). ●

► 11. Change in investment and its components by volume

(in millions of euros 2020)



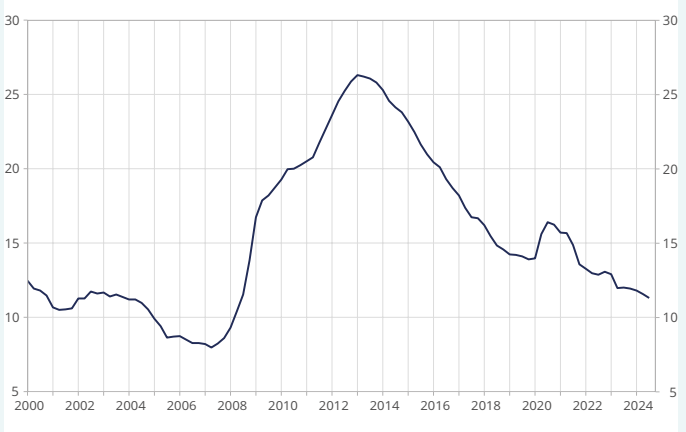
Last point: Q3 2024.

How to read it: in Q3 2024, total investment in Spain was €63.8 bn 2020.

Source: Eurostat, INSEE calculations.

► 12. Change in unemployment rate in Spain

(in %)



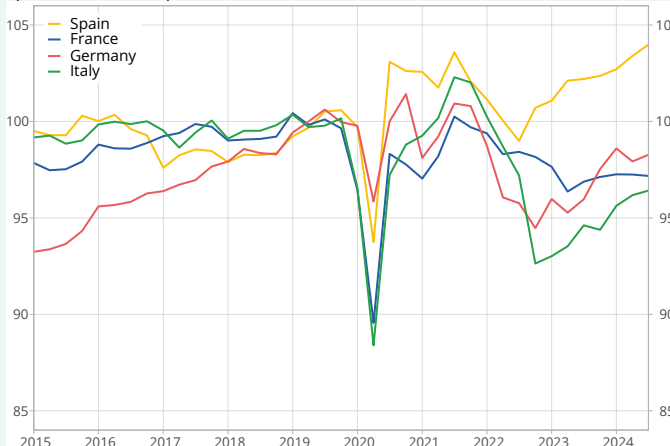
Last point: Q3 2024.

How to read it: in Q3 2024, the unemployment rate in Spain was 11.3%.

Source: INE, INSEE calculations.

► 13. Change in real wages compared to 2019 in Europe

(base 100 in 2019)



Last point: Q3 2024.

How to read it: in Q2 2024, en Espagne, the level of real wages deflated by the HICP was 3.4% above its 2019 level.

Source: Eurostat, INSEE calculations.

► 14. Change in margin rate of non-financial corporations in Spain

(in %)



Last point: Q2 2024.

How to read it: in Q2 2024, the margin rate of non-financial corporations was 36.6%.

Source: Eurostat, INSEE calculations.

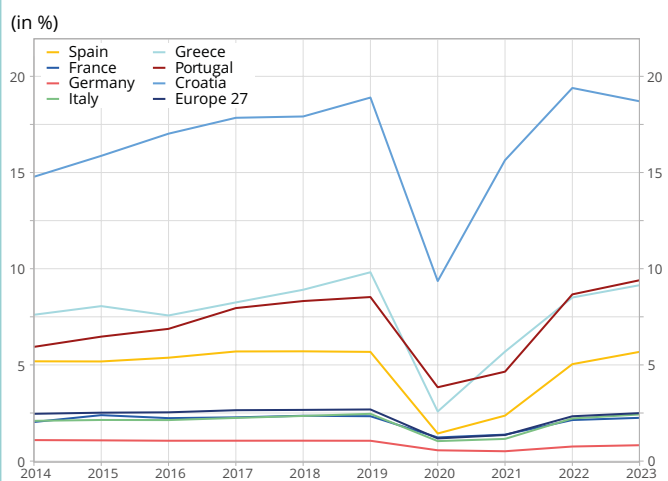
Box 1 – Impact of tourism on activity in the various European countries

Spain was the second European tourist destination in 2023 by the number of tourists, behind France, but it is differentiated from the other major European economies by the sizeable weight of the tourism sector in its national economic activity. Since 2014, apart from the health crisis, exports of travel services have accounted for just over 5% of nominal Spanish GDP (► **Figure 15**), a share that has remained relatively stable over this time, and which is well above the European average (2.5%). For comparison, this sector represents a smaller share of GDP in France (2.2%), Italy (2.3%) and Germany (1.0%) even though these countries are, respectively, the first, third and fourth tourist destinations in the European Union.

The share of tourism in the Spanish economy remains below that seen in other southern European countries, such as Portugal, Greece or Croatia. These last countries are also differentiated by a continuous increase over the last ten years in the weight of the tourism sector in their economies, in contrast to the leading European tourist destinations where this share remains more stable. Thus, in Croatia, exports of travel services accounted for 14.8% of GDP in 2014 compared to 19.4% in 2022.

It was in Croatia that the decline in tourist activity during the health crisis had the greatest impact on economic activity. In 2020, the collapse in exports of travel services contributed -10.4 points to the drop in the Croatian GDP (► **Figure 16**). In Greece, Portugal and Spain, the contribution of tourism to the decline in activity in this same year was between -7.5 and -4.4 GDP points. In 2023, the tourism sector in these countries continued to strongly boost growth, contributing between +2.2 points in Croatia and +1.2 points in Spain. In the major European economies, however, the boost from exports of travel services to economic activity was more limited, ranging from +0.4 points in Italy to +0.1 points in Germany. ●

► 15. Change in the share of exports of travel services compared to GDP in Europe

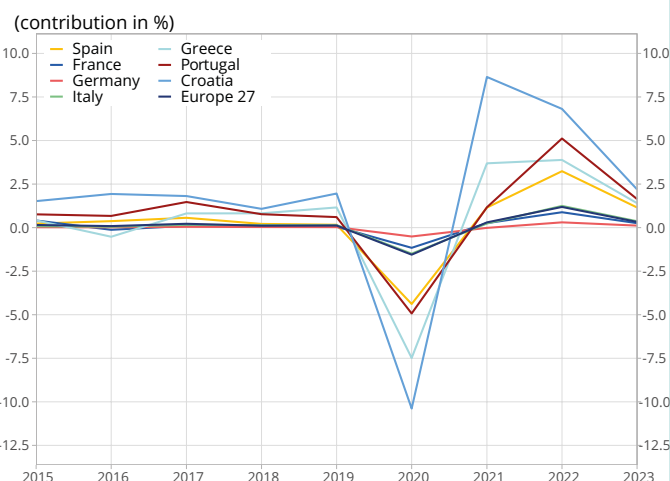


Last point: 2023.

How to read it: in 2022, exports of travel services accounted for 5.0% of Spanish GDP in current euros.

Source: Eurostat, INSEE calculations.

► 16. Change in contributions of exports of travel services to GDP growth in the different European countries



Last point: 2023.

How to read it: in 2022, in Croatia, exports of travel services contributed +6.8 percentage points to GDP growth in current euros.

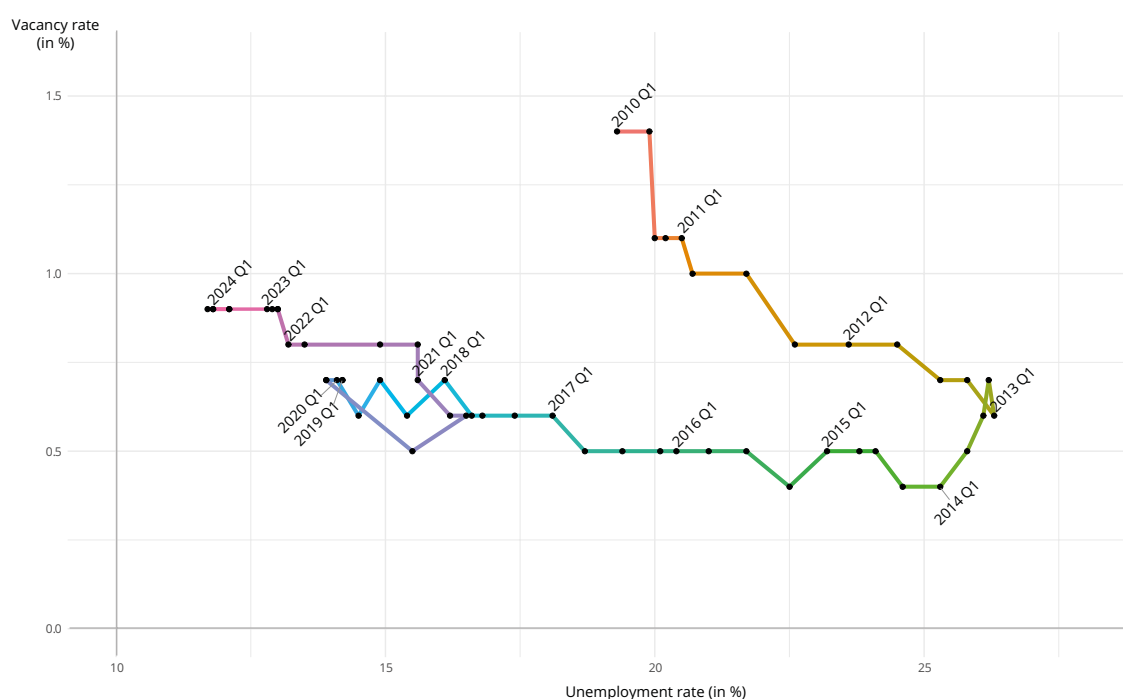
Source: INE, INSEE calculations.

Box 2 – The Beveridge curve in Spain

The Beveridge curve represents graphically the relationship between the unemployment rate (horizontal axis) and the job vacancy rate (vertical-axis). This curve normally slopes downwards: the higher the unemployment rate, the lower the job vacancy rate. Thus a shift “along” this curve indicates a cyclical or short-term change: a drop in unemployment increases hiring tensions. However, a shift of the curve towards the origin reflects an improvement in the functioning of the labour market, with the same unemployment rate associated with a lower job vacancy rate. This is one of the objectives sought when putting structural reforms in place in the labour market.

► **Figure 17** shows the Beveridge curve for Spain, from 2010 to 2024. From 2010 to 2013, it is stable, whereas the short-term situation shows a deteriorating trend: the unemployment rate increases as the job vacancy rate decreases. During the second part of the decade, the Beveridge curve shifts towards the origin, sign of an improvement in the functioning of the labour market: the unemployment rate declines while the job vacancy rate remains constant. From 2018, the Beveridge curve no longer shifts and a new decreasing relationship emerges between the unemployment rate and the job vacancy rate, closer to the graph axes than that observed at the beginning of the period: the same unemployment rate is associated with less severe hiring difficulties at the end of the period than at the beginning. This phenomenon suggests a probable drop in the Spanish structural unemployment rate over the last 15 years. ●

► 17. Beveridge curve for Spain, from 2010 to 2024



Last point: Q2 2024.

How to read it: in Q1 2010, the unemployment rate in Spain was 19.3%, for a job vacancy rate of 1.4%.

Source: INE, INSEE calculations.

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United Kingdom

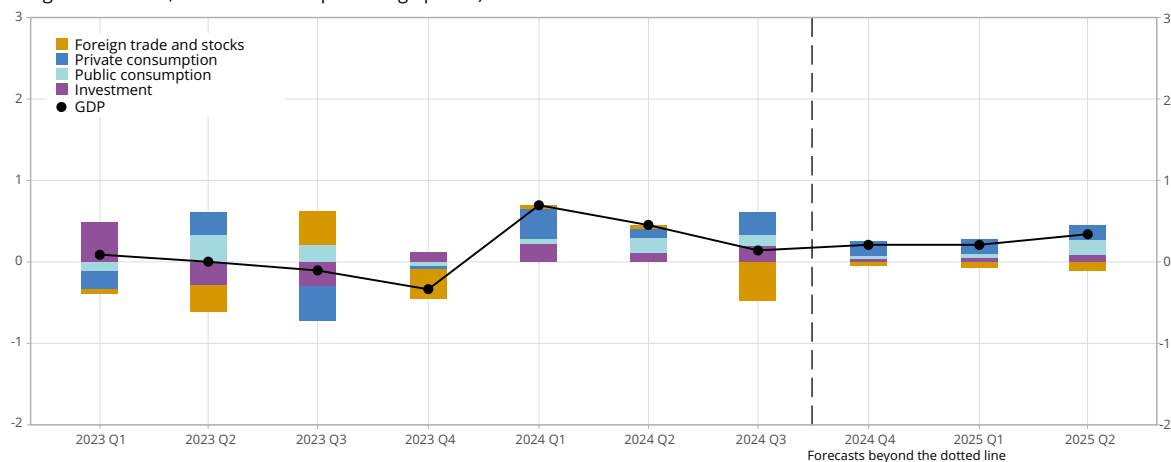
In Q3 2024, economic activity in the United Kingdom scarcely grew at all (+0.1%), marking a substantial slowdown compared to the buoyancy seen in the previous half-year (+0.7% and +0.5% in Q1 and Q2 respectively, ► [Figure 1](#)). Domestic demand, which had driven activity in the previous two quarters, lost none of its vigour nevertheless, contributing 0.6 points to growth. Household consumption regained momentum (+0.5% after +0.2%), and public sector consumption continued to be stimulated by spending, especially on education (+0.6% after +0.9%). In addition, investment remained robust (+1.1%), thanks to the dynamism of public and corporate investment, even though residential investment continued to decline. Foreign trade also contributed positively to GDP growth (+0.4 points), reflecting a significant decline in imports (-1.5%) and virtual stability in exports (-0.2%). However, this positive contribution is affected by movements of non-monetary gold, which are matched by the contribution of inventory to growth (-0.9 points).

Short-term indicators such as PMIs (advance indicators of business activity) and household confidence have been slipping back since August, suggesting that the slowdown in activity observed this summer is likely to continue into the autumn: activity is expected to grow by only 0.2% in Q4 2024 and Q1 2025. However, it should pick up in the spring of 2025 (+0.3%) with the start of the new financial year, accelerating as a result of a generally favourable boost to activity in the short term (► [Box](#) “The United Kingdom 2025-2026 budget”), combining tax increases and strong momentum in public spending. GDP growth should thus reach +0.9% in 2024 with the mid-year carry-over +0.8% for 2025.

Payroll employment is expected to increase in line with activity at the end of 2024 and the beginning of 2025, before coming to a standstill in the spring: in fact the increase in employer contributions by 1.2 percentage points from April 2025, as announced in the budget, is likely to increase the cost of labour. This measure and the 6.7% increase in the minimum wage planned for the same date are expected to fuel an upturn in inflation from Q2 2025: after a significant downturn during the first three quarters of 2024, year-on-year inflation is expected to settle at around 2% at the end of 2024 and the beginning of 2025, then rise to 2.7% in the spring, stimulated by the prices of services (► [Figure 2](#)). Over the forecasting period, real wages are not expected to rise, with companies passing on the increase in labour costs through their prices, and purchasing power is only likely to increase modestly. Private consumption looks set to increase a little faster, however (+0.3% per quarter from the end of 2024). The savings ratio is expected to fall back slightly to 9.8% in mid-2025, after increasing sharply in 2024 (from 7.4% in Q2 2023 to 10.0% in Q2 2024), as a result of disinflation.

► 1. UK activity is expected to be stimulated by budgetary policy from Q2 2025

(quarterly change in GDP in %, contributions in percentage points)



Last point: Q2 2025 (forecast from Q4 2024).

How to read it: in Q3 2024, GDP grew by +0.1% and private consumption contributed 0.3 points to this increase.

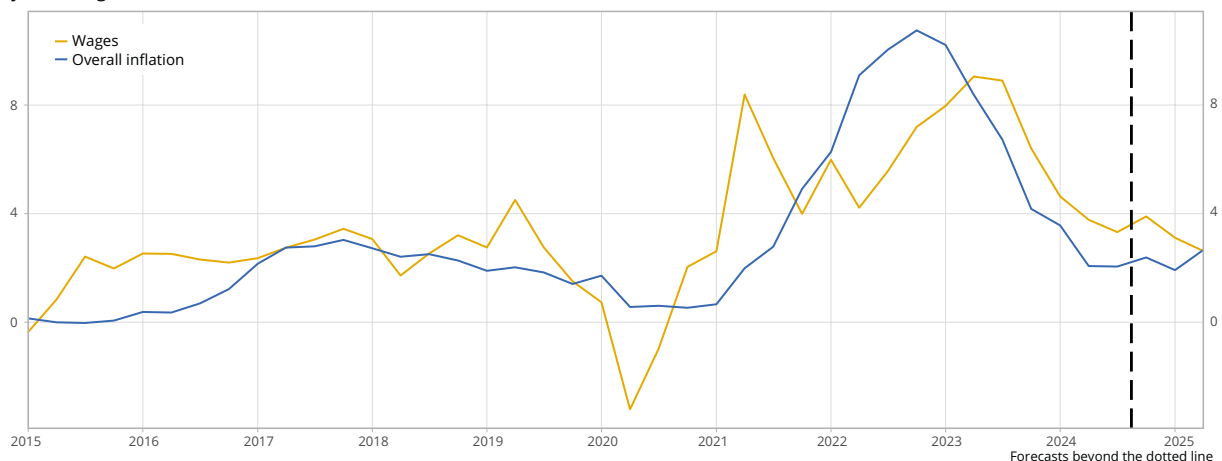
Source: ONS, INSEE calculations.

International economic outlook

The Starmer government's first budget pledged a substantial increase in public spending, especially on the National Health Service, to be funded in part by the increase in employer contributions. Thus public consumption and investment are expected to continue to boost activity. Corporate investment should grow at a moderate pace throughout the forecasting period, torn between the stimulation in demand, made possible by the rise in public spending, and the increase in employer contributions, which will strain financial capabilities. Due to monetary easing, residential investment is expected to gradually stop falling by the beginning of 2025 then increase slightly in the spring. Exports should continue to grow but at a slower rate than demand for UK products and imports look set to remain stimulated by domestic demand, which is relatively solid: by mid-2025, the contribution of foreign trade to the growth overhang is expected to be -0.4 points. ●

► 2. Fairly dynamic nominal wages and inflation up slightly

(year-on-year change)



Last point: Q2 2025 (forecast from Q4 2024).

Note: the nominal wage is calculated as the ratio of payroll by value to payroll employment. Inflation is seasonally adjusted.

How to read it: in Q2 2025, nominal wages are expected to rise by +0.8%.

Source: ONS, INSEE calculations.

The United Kingdom 2025-2026 budget

The United Kingdom public sector deficit stood at 4.5% of GDP in the 2023-2024 financial year:¹ by adopting the Starmer government's first budget, it should be possible, according to the Office for Budget Responsibility² (OBR), to stabilise the deficit during the 2024-2025 financial year, then bring it down to 3.6% of GDP in 2025-2026. However, fiscal consolidation would have been faster without the measures proposed in this budget, hence their effect on growth is positive (► Figure 3).

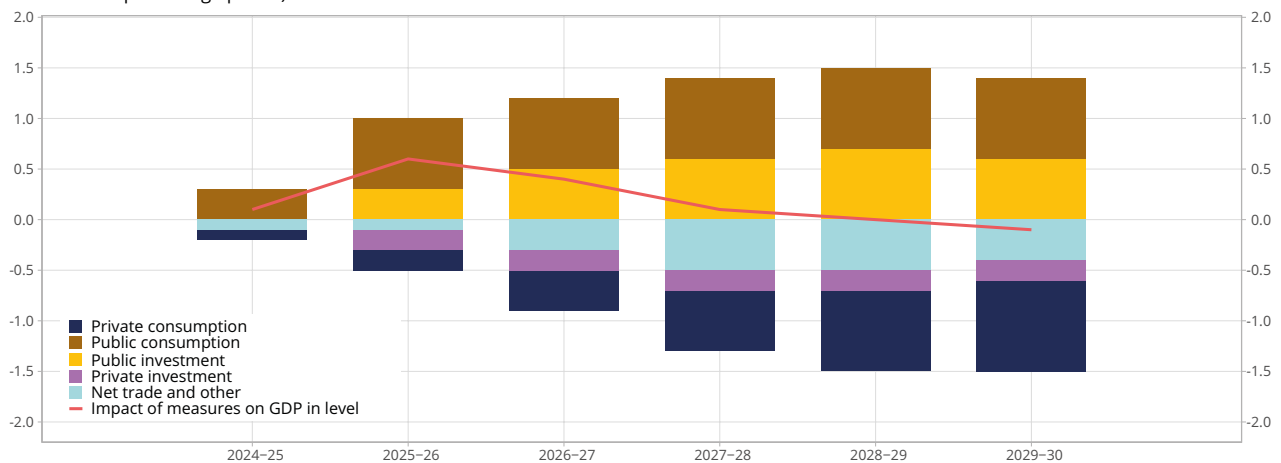
The UK government plans to increase public consumption and investment between the 2024-2025 and 2025-2026 financial years by £35 bn, or around +1.3% of GDP, financed in part by increased tax revenue (+£25 bn, ► Figure 4). The OBR notes that the increases in public consumption and investment planned for in the budget are mainly in the health, education and infrastructure sectors.

The most significant increase in government spending concerns the health system, with an additional £11 bn of funding to boost the National Health Service (NHS). Set against this, employers' national insurance contributions are expected to rise from April 2025 (contribution rate set to increase from 13.8% to 15% combined with a lowering of the contribution threshold), for an annual return of £25 bn. In addition, there are expected to be increases in capital gains tax (the lower rate will increase from 10% to 18% and the higher rate from 20% to 24%), the energy profits levy (from 35% to 38%) and inheritance tax. ●

¹ In the United Kingdom, the financial year does not coincide with the calendar year but runs from April to March.

² Independent body responsible for producing economic forecasts and evaluating the sustainability of public finances, in particular by analysing the budgetary impact of government policies.

► 3. Impact of measures announced in autumn 2024 on GDP and its components according to OBR estimate (contributions in percentage points)

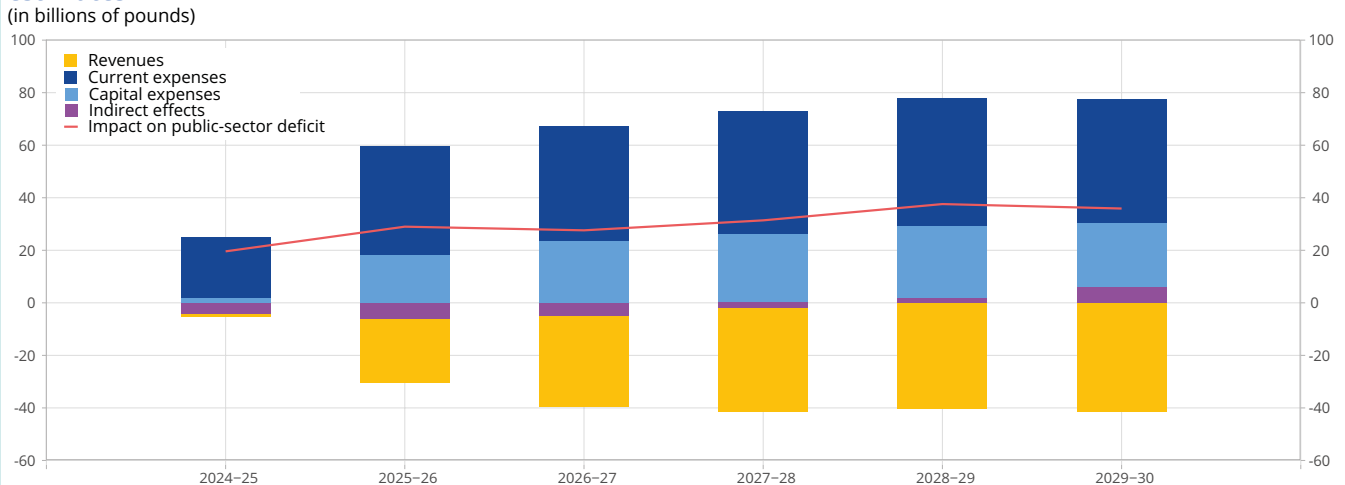


Note: for each upcoming financial year, the graph indicates the effect of the measures announced in autumn 2024 on GDP and its components.

How to read it: the measures announced in autumn 2024 would raise GDP by 0.6 points in the 2025-2026 financial year. Public consumption would contribute +0.7 points.

Source: Office for Budget Responsibility (OBR).

► 4. Effect of budgetary measures announced in autumn 2024 on the UK public deficit according to OBR estimates (in billions of pounds)



Note: the UK financial or tax year is the base used to record tax revenues, public spending and other public finance measures. It runs from 6 April of the current year to 5 April of the following year. The current deficit (Public Sector Net Borrowing) corresponds to the scale of annual public sector borrowing: it is gross borrowing adjusted for tax revenue, public spending, debt repayments, etc. Indirect effects include all effects not directly measurable (e.g. in revenue or expenditure) on economic performance, productivity, employment, short-term and long-term competitiveness. In the context of this budget, later effects reflect the increase in employer contributions on wages, employment, profits and additional expenditure related to interest on the debt.

How to read it: measures announced in autumn 2024 boost current spending by £23.1 billion over the 2024-2025 financial year.

Source: Office for Budget Responsibility (OBR).

Bibliography

Office for Budget Responsibility (OBR), Economic and fiscal outlook, October 2024. ●

United States

In Q3 2024, the United States economy remained solid (+0.7% after +0.7% in Q2, ► [Figure 1](#)). On the demand side, private consumption accelerated (+0.9% in Q3, after +0.7% in Q2): in particular, purchases of goods strengthened and continue to increase well beyond their 2019 level (► [Figure 2](#)). Public consumption and investment returned to strong growth (+1.2%), driven by military spending. Private investment slowed (+0.4% after +0.6%): on the one hand, the drop in housing starts in early 2024 resulted in a decline in residential investment (-1.3%), while on the other hand, non-residential investment continues to slow (+0.9% after +1.0%), with the gradual weakening of public support provided under the Inflation Reduction Act (IRA), which had boosted industrial investment since the start of 2022. Foreign trade hampered growth (-0.2 points) for the third consecutive quarter: exports certainly increased vigorously (+1.8%), but less quickly than imports (+2.5%).

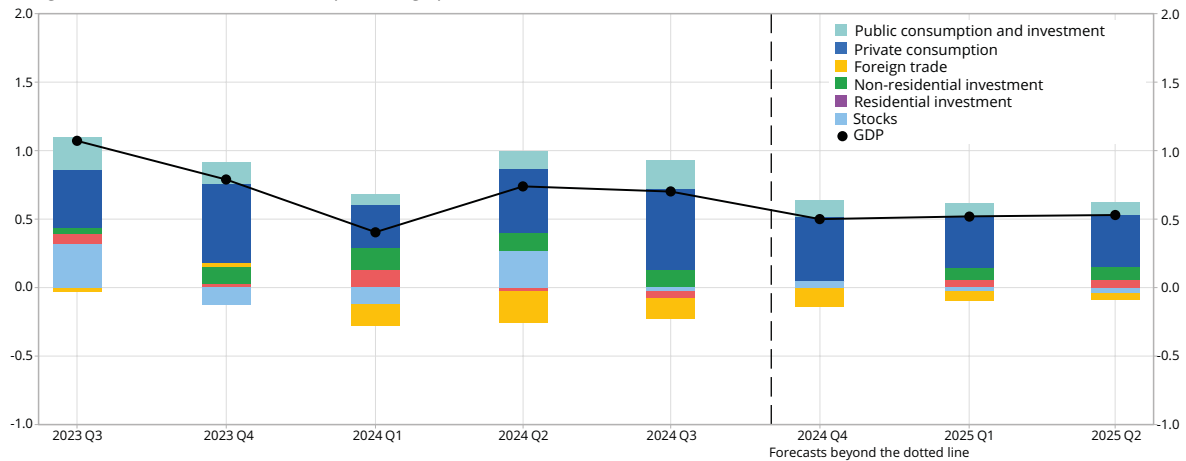
Concerning prices, the Federal Reserve began lowering its base rates in September, then in November (-75 basis points in total) after the cycle of increases triggered by the inflation crisis. Thus, inflation measured by the CPI published by the Bureau of Labor Statistics stood at +2.6% year on year in October, compared to +3.2% a year earlier. However, the increase in this index is being driven further upwards by the dynamism of rents, which play a significant role: within the meaning of the HICP, a similar concept to inflation measured in Europe, the year-on-year variation in prices in the United States fell back below the 2% bar in May and has remained there since. Food inflation has been slightly above 2.0% since February (+2.1% in October 2024). Core inflation stands at +3.3% compared to +4.0% a year earlier, with the positive contribution of rents gradually declining. Energy prices are falling (-4.9% year on year in October 2024), due mainly to the fall in the price of a barrel of oil since the summer.

For the coming quarters, business tendency surveys indicate a divergence between the manufacturing sector, which is slowing down, and the services sector, which is booming (► [Figure 3](#)). This gap reflects the difference in dynamics between private consumption, which is holding up, supported by the recent improvement in household confidence, and private investment, which is slowing. Thus GDP is expected to slow slightly to +0.5% per quarter from Q4 2024 until mid-2025: growth for the whole of 2024 would therefore be +2.7% and the mid-year growth overhang for 2025 would be +1.8%. Despite the halt observed in October, employment is expected to continue to grow, albeit at a slower pace than in H1 2024. Expected productivity gains should result in continued growth in real wages, which would then boost purchasing power. Residential investment is expected to still be penalised to some extent in Q4 2024 due to the decline in housing starts in H1: it is likely to stagnate, before picking up in H1 2025. Corporate investment looks set to come to a complete standstill at the end of 2024, as spending on capital goods in particular is expected to contract. It should then pick up a little, as financing conditions improve in the wake of the Federal Reserve's cut in base interest rates.

Regarding fiscal policy, the Congressional Budget Office forecasts a deficit of 6.1% in GDP for the 2024-2025 tax year, down from the previous year (6.4%), with public consumption and investment expected to slow by mid-2025. Exports are likely to be at a standstill in Q4 2024, penalised by the temporary drop in aeronautical production. They should start to rise again in H1 2025, moving forwards a little less quickly than demand for US goods: industrialists report depleted export order books and they are expected to suffer somewhat from the recent appreciation of the dollar. Imports should increase solidly to meet domestic demand, with the result that the contribution of foreign trade is likely to remain negative until mid-2025. ●

► 1. Contributions of GDP components to US growth

(quarterly changes in GDP in %, contributions in percentage points)

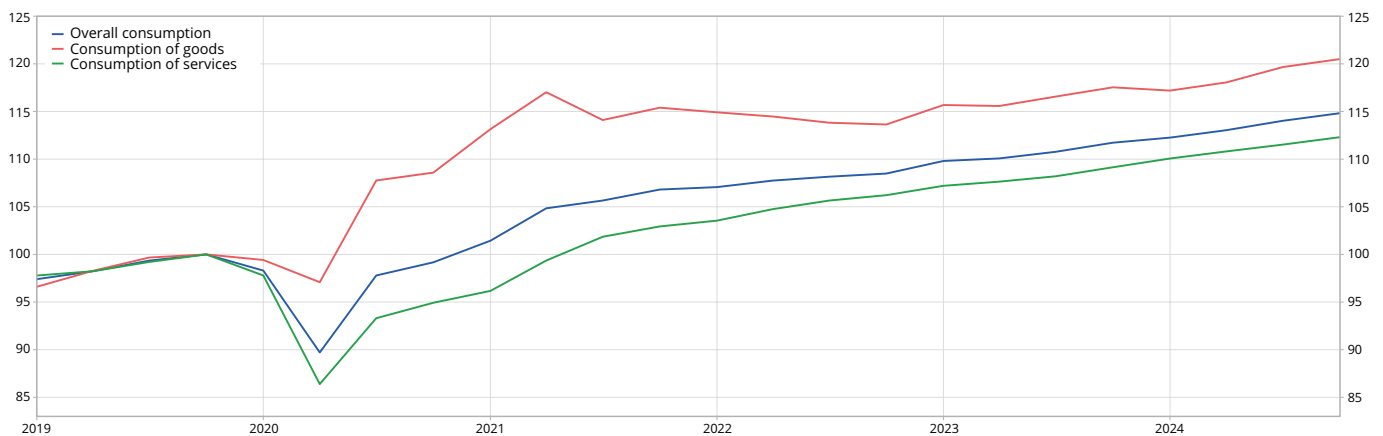


How to read it: in Q3 2024, the US GDP rose by 0.7% and private consumption contributed +0.6 points to this growth.

Source: Bureau of Economic Analysis and INSEE forecasting.

► 2. Change in private consumption components

(base 100= Q4 2019)



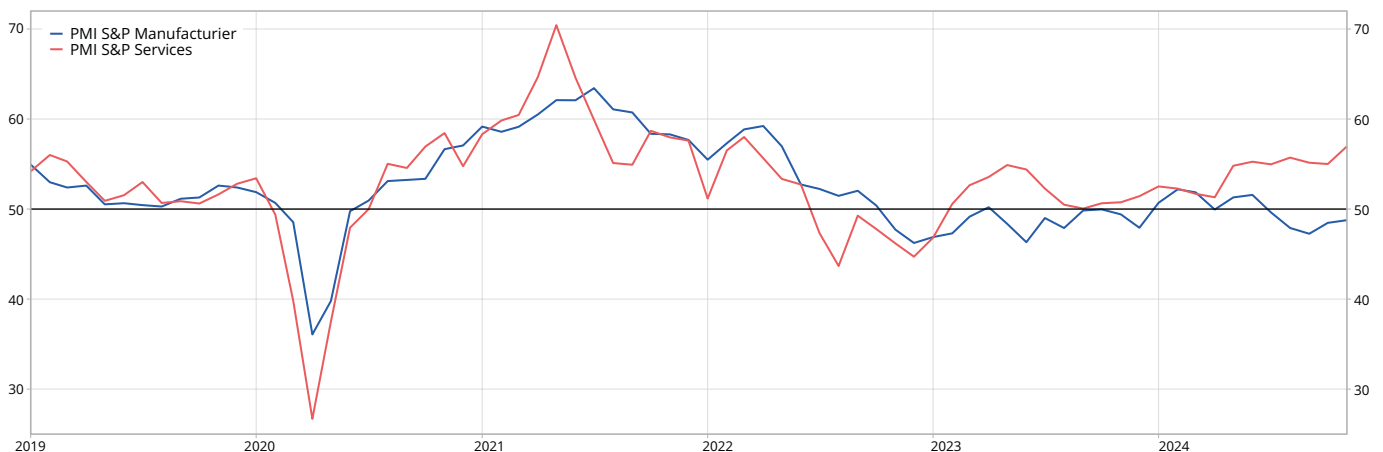
Last point: Q3 2024.

How to read it: in Q3 2024, the consumption was 15 points above its Q4 2019 level, with consumption of goods and services 21 and 12 points respectively above their levels for this period.

Source: Bureau of Economic Analysis, INSEE calculations.

► 3. PMI in the manufacturing and services sectors

(level)



Last point: November 2024.

How to read it: in November 2024, the manufacturing PMI was 48.8 and the services PMI 57.0.

Source: S&P.

China

In Q3, activity accelerated in China (+0.9% after +0.5%). However, this pace of growth remains significantly lower than before the health crisis (► [Figure 1](#)), due mainly to lacklustre domestic demand. Since the beginning of the year, Chinese growth has therefore been driven mainly by foreign trade, despite some trade tensions and the increase in some customs duties: year on year, exports by volume should be up 11% in Q3, compared to 2% for imports (► [Figure 2](#)).

Since March, year-on-year improvement in retail sales has remained strictly below 5%, indicating an ongoing listless increase in private consumption. The consumer confidence index, which fell sharply in early 2022, has since remained at a low level, with no recovery. Although it is increasing, the production capacity utilisation rate remained low in Q3 at 75.1%, after falling at the beginning of 2024 to 73.6%, its lowest level since mid-2016 (excluding the health crisis). Thus, producer prices in industry are falling back (-2.9% year on year in October), especially given that the prices of industrial commodities and energy are somewhat in decline. This deflation can be seen in Chinese export prices, which have been falling for more than a year, whereas export prices are stable in the Eurozone and the United States (► [Figure 3](#)). Gains by volume in China are therefore the result of strong price compression.

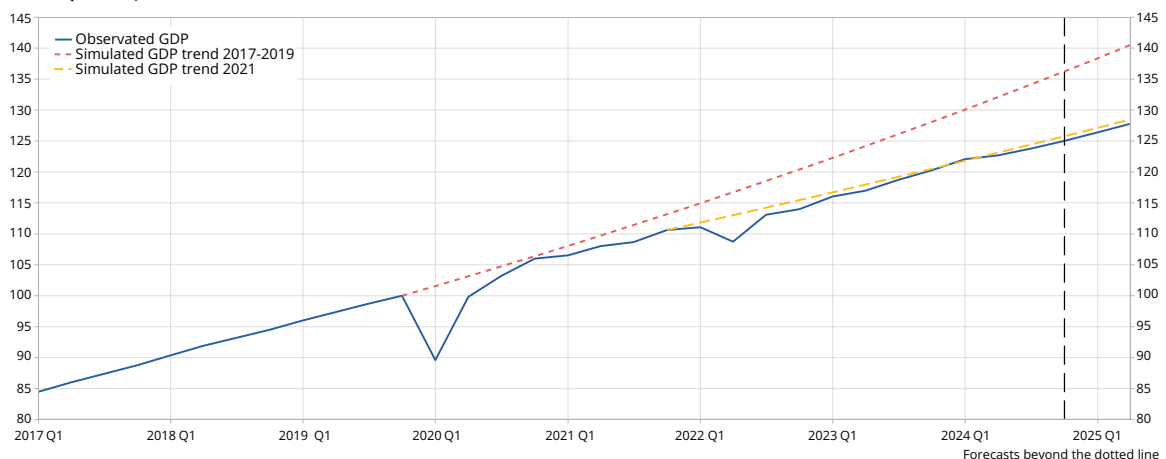
Faced with this slowdown, in September 2024 the Chinese authorities announced a series of measures to boost the economy: lowering base interest rates, supporting the real estate market (especially via the renovation of housing and the extension of loans to certain developers), and recapitalising the major Chinese commercial banks. The aim of these measures is to boost credit and increase asset prices in order to revive investment and consumption via wealth effects; in this way, they are particularly targeting companies rather than household purchasing power.

In the forecast, GDP growth in Q4 is expected to be +1.0% and annual growth in 2024 should stand at +4.6%, below the +5.0% target set by the authorities. Below this threshold, this annual growth would be a historic low since 1990 (excluding the health crisis).

In H1 2025, activity is expected to accelerate slightly, stimulated by the measures announced (+1.1% per quarter). However, it is likely that the stimulus will remain modest, and the gains in market share will gradually fade with the increase in trade tensions, and the introduction of tax measures aimed at increasing the price of certain export products (especially aluminium). ●

► 1. GDP growth is still weaker than before the health crisis

(GDP, base 100 in Q4 2019)



Last point: Q2 2025 (forecast from Q4 2024).

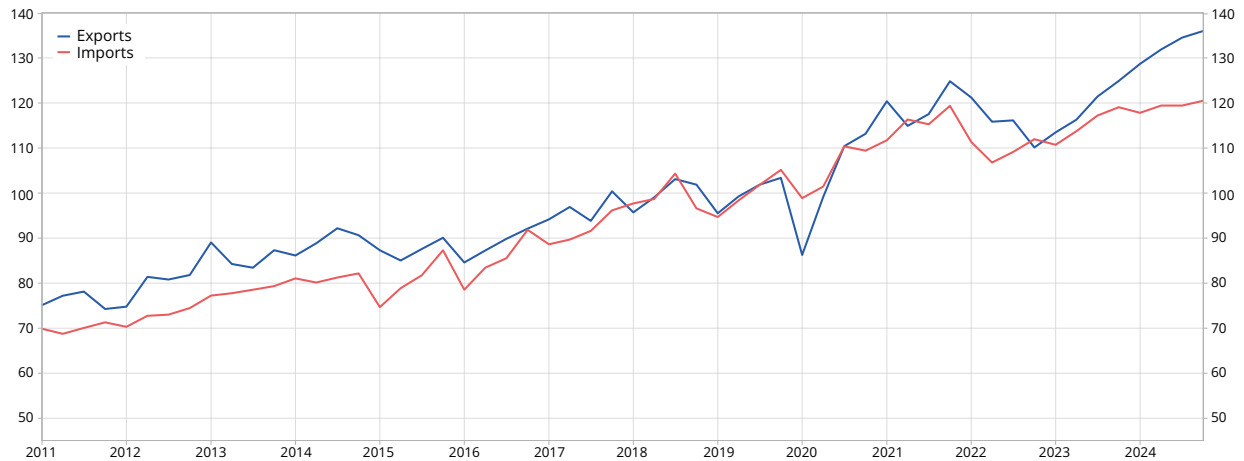
Note: the 2017-2019 (or 2021) trend curve has been plotted by extending the GDP series at a constant quarterly rate from Q1 2020 (or Q1 2022), equal to average quarterly GDP growth over the period 2017-2019 (or 2021).

How to read it: in Q3 2024, GDP increased by 24% compared to its Q4 2019 level. According to the trend observed between 2017 and 2019, it would have increased by 34%.

Source: NBSC, INSEE calculations.

► 2. The gap between exports and imports is widening

(base 100 2019)



Last point: Q3 2024 (forecast Q3 2024 based on customs and CPB data).

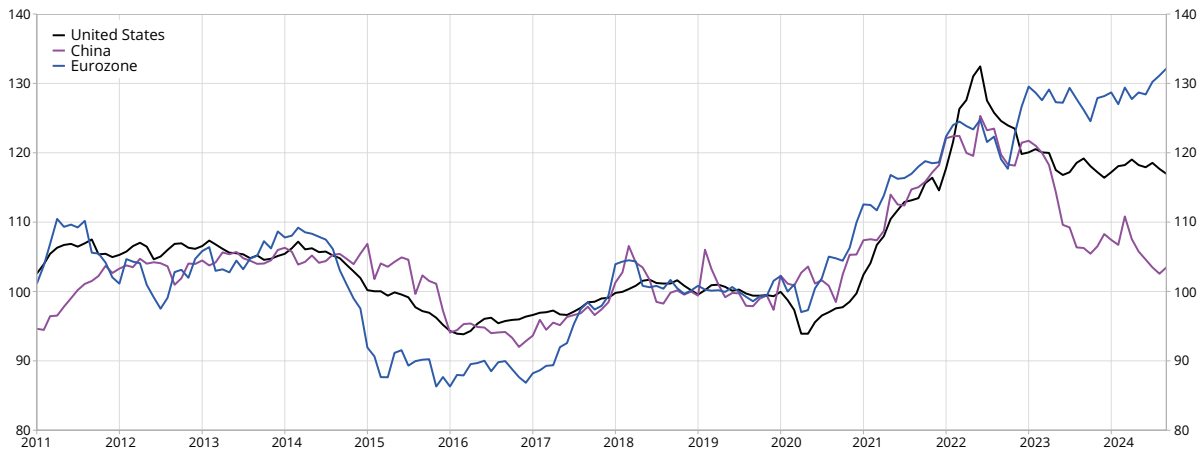
Note: exports and imports in goods by volume.

How to read it: in Q2 2024, exports were 32% above their 2019 level, against 20% for imports.

Source: NBSC, OCDE, CPB, INSEE calculations.

► 3. Chinese exporters are dropping their prices substantially to increase their sales volumes

(price index for exports of goods base 100 = average 2019)



Last point: September 2024.

How to read it: in September 2024, the export price index for the United States was 17 points above its 2019 average, for the Eurozone 32 points above its 2019 average, and for China it was 3 points above its 2019 average.

Source: CPB.