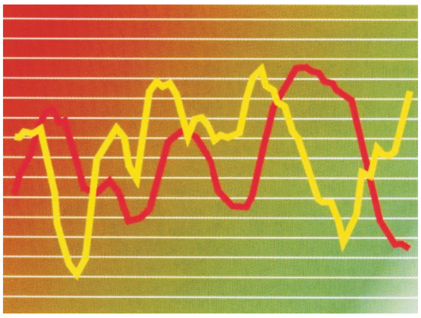
INSEE CONJONCTURE

CONJONCTURE IN FRANCE



OCTOBER 2018

Purchasing power picking up, but international uncertainties remain

The first half of 2018 was more difficult than expected for the French economy, which stalled for two consecutive quarters with growth at 0.2%. Admittedly, this slowdown was not confined to France and its international factors are well known, from rising oil prices and the past appreciation of the Euro, to the more global context of uncertainty fuelled by protectionist tensions in particular. Nevertheless, French growth stagnated more than in the Eurozone as a whole, where activity still increased by +0.4% per quarter.

This slowdown can therefore be partly explained by one-off factors that were specific to France, especially in Q2. Household consumption was hit by the strikes in the transport sector and lower energy requirements due to an early spring, with the drop in purchasing power recorded in the previous quarter also having an impact. In addition, the improvement in foreign trade was slow to appear.

The second half of the year has been characterised by an international environment that remains strong but uncertain. The exchange rate of the Euro against the dollar has stabilised over the summer, as have Oil prices which have increased again in September. The US economy should continue to grow at a brisk pace, buoyed by a procyclical fiscal policy which could eventually pose risks of overheating. However, the activity of certain emerging countries (Turkey, Brazil and Russia) could be adversely affected by the prevailing financial tensions, in a context of the normalisation of US monetary policy.

In the Eurozone, the weakening of the business climate observed at the start of the year now appears to have been curbed. Production capacity utilisation rates remain high and recruitment difficulties persist, especially in Germany, although major inflationary pressures have not yet appeared. Growth is therefore likely to remain relatively strong throughout the Eurozone, at around 0.4% per quarter through to the end of the year: an increase of 2.0% as an annual average, after +2.5% in 2017.

The French economy is expected to get back on course at the end of the year, when it should start growing again at the same rate as the rest of the Eurozone. Indeed, there seems to be a convergence of many factors contributing to a return to better conditions in Q3. The deadweight losses suffered by transport services due to the strikes should be followed by a reaction with activity returning to normal. In addition, new car registrations rose sharply this summer. Consumption should therefore rise again, also driven by the strong increase in purchasing power expected in the last quarter, under the effect of lower social contributions and the reduction in housing tax. Corporate investment should continue to be dynamic, although household investment is likely to remain sluggish. Lastly, exports are set to gather pace at the end of the year, under the effect of the aircraft delivery schedule.

All these factors should drive French GDP growth to +0.5% in Q3, followed by +0.4% in Q4. Annual growth is likely to reach 1.6%, after 2.3% in 2017. The French economy is expected to create approximately 130,000 jobs in 2018 and the unemployment rate should stand at 8.9% at the end of the year. This scenario is not free of risk – especially of an international nature – from the impacts of protectionist measures on world trade, the terms of Brexit or the fragility of certain emerging economies, for example. In France, surveys show that households have not yet taken into account the coming rise in their purchasing power: their consumption behaviour could therefore hold surprises, by being either more vigorous or more sluggish than anticipated. ■

Insee

In Q2 2018, the growth gaps between the major economies widened

Growth was vigorous in the USA but more restrained in Europe

In Q2 2018, economic activity in the Eurozone grew at the same rate as at the start of the year (+0.4%), whereas it picked up in the majority of the other main advanced economies. In the USA in particular, after a slight slowdown in Q1 2018, gross domestic product (GDP) grew by +1.0%, driven by consumption and private investment which benefited from the fiscal stimulus. In Japan, growth (+0.7%) was boosted by the pick-up in investment and consumption. Activity also accelerated in the United Kingdom (+0.4%).

In the Eurozone, although corporate investment was vigorous in response to the growing production capacity tensions, household consumption remained timid (+0.2%). GDP growth was stronger in Spain (+0.6%) and Germany (+0.5%) than in Italy (+0.2%).

Certain emerging economies experienced turmoil

China recorded almost the same rate of growth as in 2017. However, the Russian, Brazilian and Turkish economies were affected by the depreciation of their currencies and a marked rise in inflation, sometimes in a context of political uncertainties or diplomatic tension with the United States.

World trade slowed in H1 2018

Despite the buoyancy of activity in the advanced economies, world trade slowed in H1 2018 and world demand for French goods grew by only +0.5% in Q1 followed by +0.7% in Q2, against +1.5% on average per quarter in 2017.

Economic activity in France was disappointing in Q1 2018

In France, economic activity grew no faster in Q2 2018 (+0.2%) than in Q1. Household consumption – already timid last winter (+0.2%) in the context of a one-off drop in purchasing power – even slipped back slightly in the spring (-0.1%), despite a rebound in household income: the transport strikes took their toll on consumption and the warm spring temperatures reduced spending on energy. Household investment also came to a standstill in Q2 (-0.1% after +0.3%) following the drop in the number of housing starts observed since mid-2017. However, corporate investment bounced back sharply in Q2 (+1.2% after 0.1%), thanks mainly to the catch-up effect in investment in manufactured goods, while investment in services rose strongly again. Exports hardly picked up at all after their downturn in Q1. On the production side, manufacturing activity stagnated in Q2 despite the relatively strong business climate in industry.

Oil prices and the exchange rate of the Euro against the dollar have remained almost unchanged over the summer

The rise in the US base rates has bolstered the appreciation of the dollar

In the United States, vigorous inflation (+2.7% in August) and the low unemployment rate (3.9% in August) have supported the Federal Reserve in its strategy of gradually increasing the US base rates, which, combined with the European Central Bank's policy of maintaining its rates until mid-2019, led to the appreciation of the dollar against the Euro at the start of the year. The exchange rate has remained virtually unchanged since the spring.

Oil prices have remained stable over the summer, but have increased again in September

Worldwide demand for oil has been bolstered by Asian growth in particular. In addition, and in a context of political tensions, especially with Iran, the production problems in Venezuela and Libya have been only partially offset by the increase in output by other OPEC members. This rise has helped to curb prices last summer. Nevertheless, Oil prices have increased in September. Beyond the decisions made by OPEC, the price trends will also depend on the increases in production in the United States and Russia.

Despite protectionist pressures, world trade is expected to regain some momentum in H2 2018

US growth should again be steady through to the end of the year

After a downturn at the start of the year, especially in the Eurozone, the business climate has remained at a high level in all advanced economies (Graph 1). Activity in the United States is expected to slow somewhat in H2, to +0.7% per quarter. It should be buoyed by household consumption and corporate investment but slowed by foreign trade: US imports, which stagnated in Q2, are likely to bounce back in H2. In this way, US imports should contribute to the rebound in world trade at the end of this year, which is not likely to be as dynamic as in 2017.

During H2 2018, activity in Japan is not expected to be as lively as in Q2. UK activity should slow down on average in 2018 pending the finalisation of an agreement on Brexit.

Exchange-rate risks are likely to hold back the activity of several emerging economies

The slowdown in Chinese activity is expected to remain limited: although exports could be affected by less dynamic foreign demand than in 2017, due to trade tensions in particular, investment in real estate and household consumption should sustain activity. Only a moderate slowdown is expected in the economies of Central and Eastern European countries, in line with the situation in the Eurozone. However, activity in Turkey, Brazil and Russia is likely to be hit much harder by the financial tensions in H2.

Eurozone growth is set to fall short of the 2017 level

Growth should be more modest in Italy than in Germany and Spain

Following on from H1 2018, which was marked by a downturn in the business climate, Eurozone GDP growth is expected to remain more moderate in H2 (+0.4% per quarter) than in 2017 (+0.7% per quarter). GDP should increase by +0.4% to +0.5% per quarter in Germany and Spain, but only by +0.1% per quarter in Italy.

Consumption is likely to benefit from the buoyancy of wages

With household confidence remaining high, consumption in the Eurozone should remain steady through to the end of 2018. Employment is set to rise again strongly. Despite inflation returning to just over 2% by the end of the year, vigorous nominal wages are expected to drive rises in household purchasing power.

Corporate investment should maintain its momentum in response to supply-side tensions

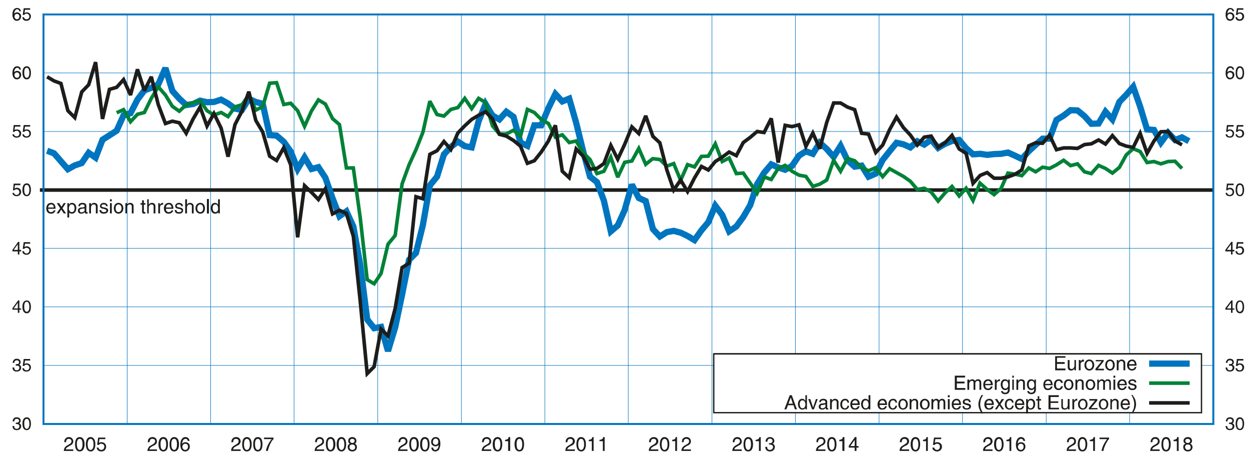
In H2 2018, investment in construction is likely to slow slightly in the Eurozone, with no further rises in the number of building permits since the start of the year. In a context of growing production capacity tensions, equipment investment should be driven by demand prospects and the favourable financial situation of enterprises.

French foreign trade is set to regain momentum in H2 2018

Exports are expected to benefit from strong delivery figures in aviation and shipbuilding

In H1 2018, French exports stagnated (+0.1% in the spring after -0.4%), after rising sharply in Q4 2017, with this profile attributed to deliveries of transport equipment in particular. From Q3 onwards, aeronautical deliveries are expected to make up for their slow start to the year and exports should pick up strongly (+0.8% followed by 1.8%). Imports, after bouncing back in Q2 (+0.7%), driven by purchases of manufactured goods, are likely to increase more modestly in Q3 (+0.5%) before accelerating again at the end of the year (+1.6%).

1 - In H1 2018, the business climate indicators edged down in the Eurozone and in the emerging economies, but remain at high levels



Source: PMI Markit

The contribution of foreign trade to growth should therefore become slightly positive again in H2

All in all, in 2018, exports are expected to rise at a slightly slower pace (+3.3%) than world demand for French goods (+4.1%) and than in 2017 (+5.3%). After having a negative impact in H1 2018, the contribution of foreign trade to French growth is set to be slightly positive in H2 (+0.1 followed by +0.0 GDP point in Q4).

The French growth rate should stand at +1.6% in 2018

The weakening of the business climate seems to have been curbed

In September 2018, the business climate indicator in France stood at 106 points, which is above its long-term average (100). However, it has weakened significantly since December 2017 when it peaked at 111, a ten-year high. Over the past few months, optimism in the main sectors of the business community has stabilised, despite the decline observed in industry and the retail trade since September (Graph 2).

Activity in Q3 should be boosted by industry in particular

In Q3, French growth was affected by several one-off factors: strikes in the transport sector hampered household consumption and production in the sector. Maintenance shutdowns at refineries and the low level of energy consumption also reduced output. This should be positively counterbalanced by the return to normal in these same sectors in Q3. Manufacturing production is set to return to growth in H2 after the drop observed in H1. Lastly, household consumption is expected to benefit from the renewed vigour of purchasing power, and from an exceptional rise in the number of new vehicle registrations over the summer ahead of the change in the test procedure for new vehicles (WLTP). All in all, French GDP is likely to grow by +0.5% in Q3 followed by +0.4% in the autumn. As a consequence, the French economy should grow by +1.6% in 2018, after +2.3% in 2017.

In the wake of activity, job creations are set to continue at a more moderate pace

Market-sector employment is likely to slow in 2018

After 342,000 net creations in 2017, total employment should increase by 129,000 jobs in 2018, in line with the slowdown in activity. Following the job losses in temporary employment in Q2, employment in services should slow and the reduction of the workforce in industry is expected to continue through to the end of the year.

Non-market sector employment has suffered from the drop in subsidised employment over the first half of the year

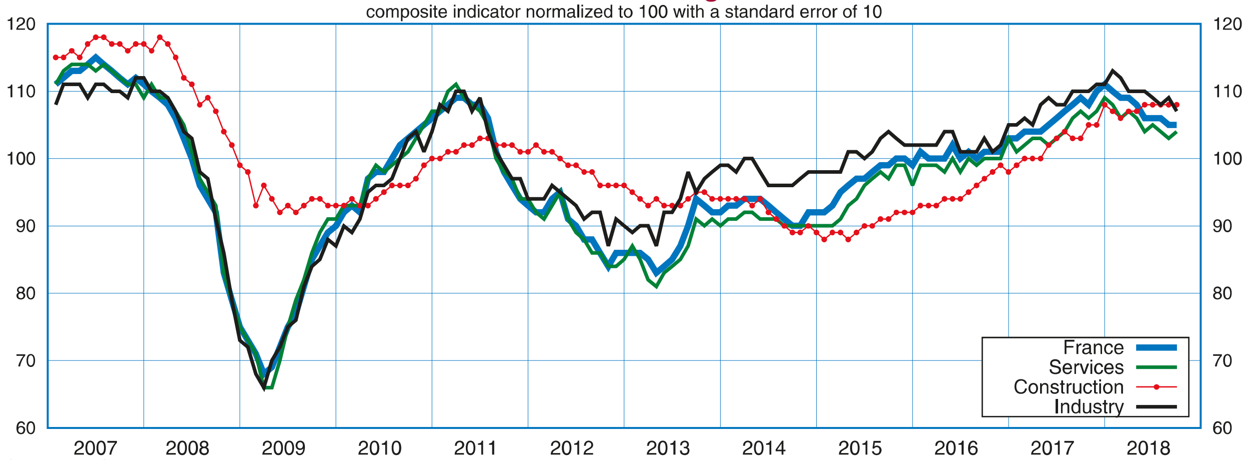
As expected, non-market employment has fallen due to the drop in the number of beneficiaries of subsidised employment contracts in H1. In H2, this reduction should be attenuated by the progressive ramping up of the new subsidised employment contract scheme ("Parcours emploi compétences", PEC).

Unemployment is set to fall through to the end of the year

Thanks to the buoyancy of employment, the unemployment rate is on a downward trend at a rate of around -0.1 points per quarter. Over the forecasting period, this trend is expected to continue, reaching 8.9% in the autumn.

2 – In France, the business climate has weakened since the start of the year, but it remains at a high level

composite indicator normalized to 100 with a standard error of 10



Source: INSEE

Significant increases in purchasing power through to the end of the year should lead to rises in consumption and in the household savings ratio

Inflation is likely to edge down below 2% with the stabilisation of oil prices, and core inflation should remain close to 1%

Inflation reached +2.3% in July and August 2018, in contrast to only 0.9% one year earlier. This acceleration in consumer prices has been driven mainly by rising energy prices, the tobacco price hike and food inflation. Over the same period, however, core inflation only rose by 0.5 points and is expected to remain close to +1.0% through to December. Assuming that the price of Brent stabilises, energy should trigger an easing of headline inflation, which should edge down to +1.8% in December 2018.

Nominal wages are set to pick up slightly in 2018

After rising by 1.7% in 2017, nominal wages per capita in the non-agricultural market sector should gather pace in 2018 (+2.0%), in a context of serious recruitment difficulties. After adjustment for inflation, the rise in market-sector wages per capita in real terms should stand at +0.4% in 2018, as in 2017.

Purchasing power is expected to rise briskly at the end of 2018

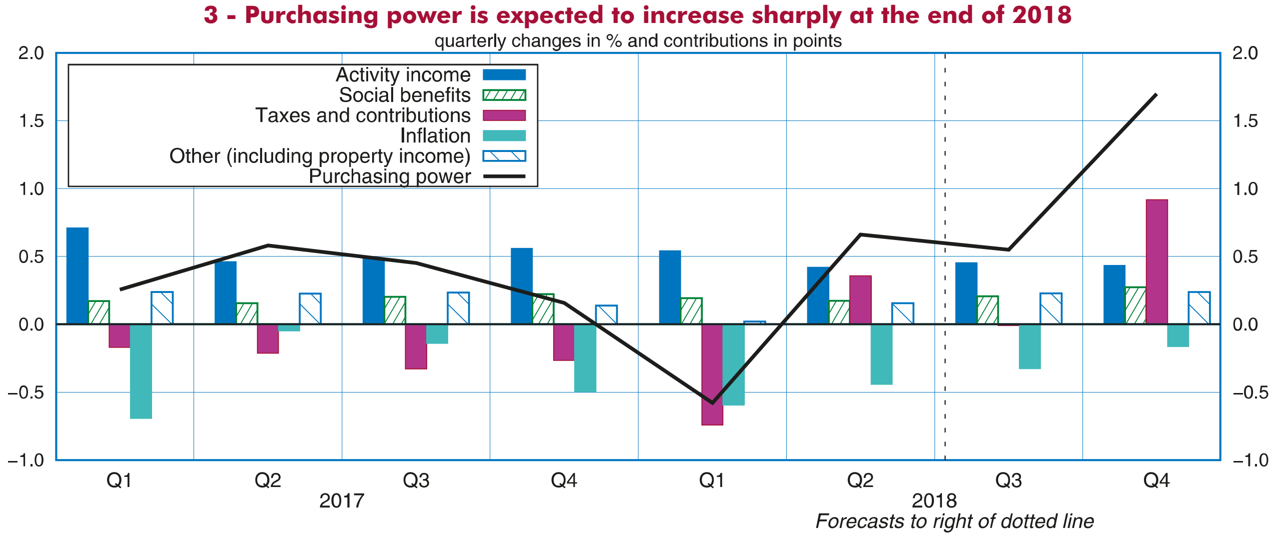
With the acceleration in wages compensating for the slowdown in employment, gross wages should remain dynamic (+3.0% in 2018 after +3.1% in 2017), and the gross disposable income of households is likely to increase by 2.9% in 2018. However, the upturn in inflation in 2018 should result in a slight slowdown in purchasing power, to +1.3% in 2018, after 1.4%. Quarter on quarter, substantial purchasing power fluctuations are likely, with a significant acceleration at the end of the year (*Graph 3*). Purchasing power should increase by +0.5% in Q3 and then by +1.7% in Q4, due to the elimination of the remaining unemployment insurance contributions for salaried employees and the reduction in housing tax for certain households.

Nevertheless, household consumption is expected to rise more slowly than purchasing power in Q4 2018

In H1, households partly staggered the effects of the substantial fluctuations in their purchasing power on their consumption. The same situation is likely to apply at the end of the year: the buoyancy of new vehicle registrations, the return to normal in the transport sector and a more general catch-up effect after the sluggish start to the year should lead to a rebound in consumption in Q3 (+0.7%). This is likely to continue in Q4 (+0.5%), but without matching the increase in household purchasing power. The drop in the savings ratio at the start of the year should therefore be offset by a sharp rise in the last quarter. This rate is expected to stand at 15.2% at the end of the year, but as an annual average in 2018 (14.3%), it should remain at almost the same level as in 2017 (14.2%).

Although household investment has stagnated, corporate investment should be robust

3 - Purchasing power is expected to increase sharply at the end of 2018



Source: INSEE

One-family housing starts are edging down

Affected by the drop in the number of housing starts, and by the stabilisation of transactions for existing homes, household investment should remain virtually stable through to the end of 2018 (0.0% in Q3 followed by -0.1% in Q4) after two very dynamic years. All in all, over 2018, household investment is expected to increase by just 1.6% after +5.6% in 2017.

Corporate investment continues to grow by nearly 1% per quarter

Corporate investment in services remains particularly dynamic, while manufacturing investment returned to steady growth in Q2 after a one-off downturn during the winter. The capacity utilisation rates increased significantly last year and have stabilised at high levels in 2018. The margin rates and self-financing ratios have barely fallen: corporate investment is expected to increase by 0.9% per quarter through to the end of the year, which should lead to growth of 3.6% in 2018 after +4.4% in 2017.

International uncertainties are growing

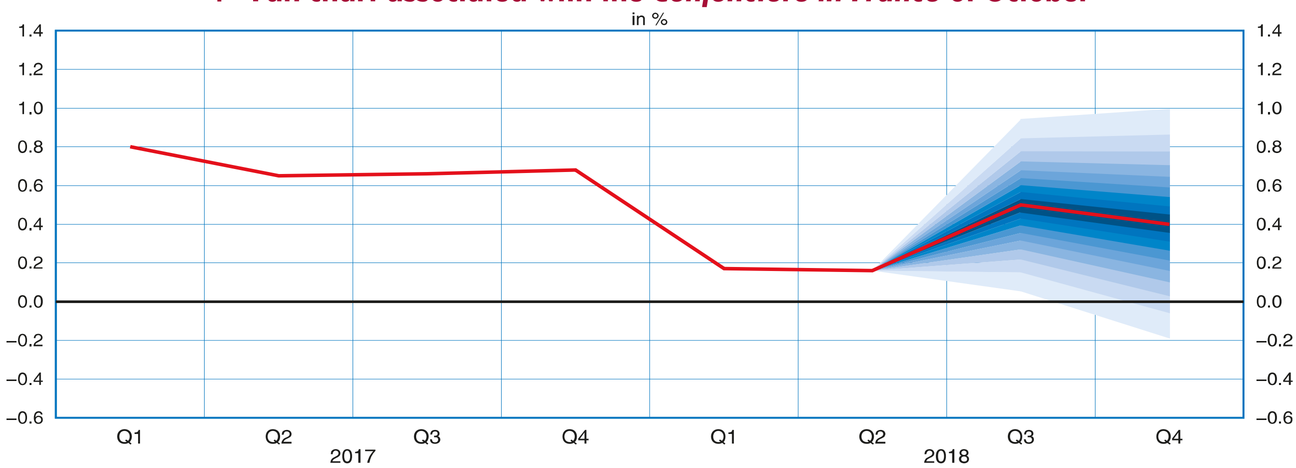
The commercial, financial and political uncertainties remain

To date, the impacts of the raising of customs barriers have been limited, but world trade could be more seriously affected if significant additional measures were to be implemented. In addition, the monetary crises in certain emerging countries are posing a more general risk to their economic activity. The most indebted of these economies could struggle in the event of a substantial rise in interest rates or a more significant depreciation against the dollar. Lastly, the political uncertainties in Europe remain, such as the doubts concerning the terms of Brexit and Italian economic policy.

Support for purchasing power is only partly reflected in household expenditure

At the end of the year, household income in the Eurozone will be sustained by the buoyancy of wages and property income, especially in France due to the policy of reducing social contributions and the housing tax. However, households do not yet appear to have taken account of the coming increase in their purchasing power: their consumption behaviour could therefore hold surprises, by being either more vigorous or more sluggish than anticipated. ■

4 – Fan chart associated with the *Conjoncture in France* of October



How to read it: the fan chart plots 90% of the likely scenarios around the baseline forecast (red line). The first and darkest band covers the likeliest scenarios around the baseline, which have a combined probability of 10%. The second band, which is a shade lighter, comprises two sub-bands just above and just below the central band. It contains the next most likely scenarios, raising the total probability of the first two bands to 20%. We can repeat the process, moving from the centre outwards and from the darkest band to the lightest, up to a 90% probability (see *INSEE* Conjoncture *in France* for June 2008, pages 15 to 18). It can therefore be estimated that the first estimate that will be published in the quarterly accounts for Q3 2018 has a 50% chance of being between 0.3% (lower limit of the fifth band from the bottom) and 0.7% (upper limit of the fifth band from the top) and 90% chance of being between 0.0% and 0.9%. In Q4 2018, the confidence interval at 90% is [–0.2% ; +1.0%].
Source: INSEE

STATISTICAL APPENDIX

Goods and services: sources and uses at chain–linked previous year prices

billion euros and percentage changes from previous period, working–day and seasonally adjusted data

	2016				2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross domestic product (GDP)	**549.0**	**547.7**	**548.8**	**552.1**	**556.5**	**560.1**	**563.8**	**567.6**	**568.6**	**569.5**	**572.3**	**574.6**	**2198**	**2248**	**2285**
% change	0.7	–0.2	0.2	0.6	0.8	0.6	0.7	0.7	0.2	0.2	0.5	0.4	1.1	2.3	1.6
Imports	180.0	177.6	181.9	183.2	186.8	186.0	189.6	190.2	189.0	190.4	191.3	194.3	722.6	752.5	765.0
% change	0.2	–1.3	2.4	0.7	2.0	–0.4	1.9	0.3	–0.6	0.7	0.5	1.6	3.1	4.1	1.7
Total resources	1168	1163	1170	1179	1191	1198	1209	1218	1218	1222	1229	1236	4680	4815	4905
% change	0.7	–0.4	0.6	0.7	1.0	0.6	0.9	0.8	0.0	0.3	0.6	0.6	1.7	2.9	1.9
Household consumption expenditure	289.2	290.5	290.0	292.2	292.3	293.3	294.5	295.1	295.8	295.6	297.7	299.0	1162	1175	1188
% change	1.2	0.4	–0.2	0.7	0.0	0.3	0.4	0.2	0.2	–0.1	0.7	0.5	2.0	1.1	1.1
General government consumption expenditure[1]	139.5	139.9	140.4	140.9	141.2	141.8	142.5	142.9	143.0	143.4	143.9	144.3	560.7	568.3	574.7
% change	0.4	0.3	0.4	0.4	0.2	0.4	0.5	0.2	0.1	0.2	0.3	0.3	1.4	1.4	1.1
of which: General government individual consumption expenditure	*86.4*	*86.7*	*87.2*	*87.5*	*87.9*	*88.2*	*88.8*	*89.1*	*89.3*	*89.6*	*90.0*	*90.4*	*347.8*	*354.1*	*359.2*
% change	*0.6*	*0.3*	*0.5*	*0.4*	*0.5*	*0.3*	*0.7*	*0.3*	*0.2*	*0.4*	*0.4*	*0.4*	*1.7*	*1.8*	*1.4*
General government collective consumption expenditure	*45.7*	*45.8*	*45.8*	*46.0*	*45.8*	*46.0*	*46.2*	*46.2*	*46.2*	*46.2*	*46.3*	*46.3*	*183.2*	*184.2*	*184.9*
% change	*0.2*	*0.1*	*0.1*	*0.4*	*–0.4*	*0.6*	*0.3*	*0.0*	*0.0*	*0.0*	*0.2*	*0.0*	*0.7*	*0.5*	*0.4*
Gross fixed capital formation (GFCF)	121.3	121.2	121.6	122.7	125.5	126.5	128.2	129.4	129.6	130.6	131.4	132.2	486.8	509.7	523.9
% change	1.1	–0.1	0.3	0.9	2.3	0.8	1.3	1.0	0.1	0.8	0.6	0.6	2.7	4.7	2.8
of which: Non–financial entreprises[2]	*68.9*	*68.4*	*68.3*	*68.7*	*70.6*	*70.8*	*72.0*	*72.9*	*73.0*	*73.9*	*74.6*	*75.2*	*274.3*	*286.3*	*296.6*
% change	*1.9*	*–0.6*	*–0.2*	*0.6*	*2.8*	*0.4*	*1.6*	*1.3*	*0.1*	*1.2*	*0.9*	*0.9*	*3.2*	*4.4*	*3.6*
Households	*27.3*	*27.5*	*27.9*	*28.3*	*28.8*	*29.2*	*29.5*	*29.7*	*29.8*	*29.8*	*29.8*	*29.8*	*111.0*	*117.2*	*119.1*
% change	*0.7*	*0.8*	*1.2*	*1.5*	*1.9*	*1.3*	*1.1*	*0.7*	*0.3*	*–0.1*	*0.0*	*–0.1*	*2.8*	*5.6*	*1.6*
Government	*19.0*	*19.0*	*19.0*	*19.1*	*19.2*	*19.3*	*19.3*	*19.4*	*19.4*	*19.5*	*19.6*	*19.8*	*76.0*	*77.2*	*78.3*
% change	*–0.9*	*0.3*	*–0.1*	*0.5*	*0.5*	*0.6*	*0.3*	*0.3*	*0.1*	*0.5*	*0.5*	*0.8*	*0.1*	*1.6*	*1.4*
Exports	168.5	167.7	169.2	171.6	171.8	176.4	178.2	182.2	181.4	181.5	182.9	186.1	677.0	708.6	732.0
% change	0.4	–0.5	0.9	1.5	0.1	2.7	1.0	2.2	–0.4	0.1	0.8	1.8	1.5	4.7	3.3
Contributions (in GDP points)															
Domestic demand excl. inventory changes[3]	1.0	0.3	0.1	0.7	0.6	0.5	0.6	0.4	0.2	0.2	0.6	0.5	2.0	2.0	1.5
Inventory changes[3]	–0.4	–0.8	0.6	–0.3	0.8	–0.8	0.3	–0.3	–0.1	0.2	–0.2	–0.1	–0.4	0.2	–0.3
Net foreign trade	0.1	0.3	–0.5	0.2	–0.6	1.0	–0.3	0.6	0.1	–0.2	0.1	0.0	–0.5	0.1	0.5

Forecast

Manufactured goods: sources and uses at chain–linked previous year prices

percentage changes from previous period, working–day and seasonally adjusted data

	2016				2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Actual production	0.9	–0.4	0.5	0.6	0.4	0.8	0.7	1.4	–1.0	–0.1	0.9	0.4	1.6	2.4	1.1
of which: Value added	0.6	–0.1	0.3	0.2	0.6	0.5	0.6	1.4	–0.8	0.1	0.6	0.4	1.4	2.0	1.1
Intermediate consumption	1.1	–0.6	0.6	0.8	0.3	0.9	0.8	1.4	–1.1	–0.1	1.1	0.4	1.7	2.6	1.2
Imports	0.8	–1.1	1.6	0.3	3.6	–0.9	3.5	0.0	–0.4	2.2	–0.2	2.0	4.2	5.5	3.2
Taxes on products excluding subsidies	1.3	–0.6	0.2	0.9	0.8	0.1	0.1	–0.3	–0.4	0.3	0.6	0.5	1.8	1.5	0.1
Trade and transport margins	0.8	–0.6	–0.3	1.0	1.1	1.2	0.8	0.9	0.2	0.2	0.6	0.5	1.2	3.1	2.1
Total resources	0.9	–0.6	0.6	0.6	1.4	0.3	1.4	0.8	–0.5	0.6	0.5	0.9	2.2	3.2	1.8
Intermediate uses	1.4	0.2	0.4	0.9	0.9	0.7	0.9	1.3	–0.4	0.4	0.7	0.4	2.8	3.2	2.0
Households' consumption expenditures	1.1	0.2	–0.5	1.3	0.4	0.4	0.5	0.0	–0.2	0.2	0.9	0.5	1.6	1.8	0.9
General governments' individual consumption expenditures	1.5	1.3	1.2	1.8	1.1	1.3	1.9	0.5	1.4	1.0	1.2	1.2	4.5	5.5	4.7
Gross fixed capital formation (GFCF)	3.6	–0.1	–1.8	0.2	3.0	0.1	1.7	1.8	–1.0	1.5	1.3	1.2	7.3	3.7	3.3
of which: Non–financial enterprises[2]	3.9	–1.1	–2.5	0.9	4.1	0.5	2.2	1.8	–1.4	1.8	1.3	1.0	5.4	5.2	3.5
Other	1.7	6.4	2.6	–3.1	–3.1	–2.7	–1.9	1.6	1.6	0.0	1.2	2.5	20.2	–5.1	2.4
Inventory changes[3] contributions to manufactured production	–0.3	–1.9	0.8	–1.5	2.4	–2.2	1.2	–1.4	–0.1	0.9	–0.9	–0.3	–0.7	–0.2	–1.0
Exports	–0.2	0.1	1.2	1.8	–0.9	3.4	1.1	3.0	–0.9	–0.3	1.2	2.4	1.9	5.0	3.7
Domestic demand excl. inventory changes[3]	1.5	0.2	–0.1	1.0	0.9	0.6	0.9	0.8	–0.3	0.4	0.8	0.5	2.8	2.8	1.8

Forecast

1. Includes consumption expenditures by non-profit institutions serving households (NPISHs)
2. Including unincorporated enterprises
3. Inventory changes include acquisitions net of sales of valuables

Situation of households

percentage changes from previous period and rates in %

	2016				2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Total employment	43	65	75	35	98	100	41	102	46	11	34	39	218	342	129
Non–agricultural market sector employment	43	45	55	38	86	93	48	108	43	26	34	33	180	335	136
ILO unemployment rate France*	10.2	10.0	10.0	10.0	9.6	9.4	9.7	8.9	9.2	9.1	9.0	8.9	10.0	8.9	8.9
Consumer price index**	–0.1	0.2	0.4	0.6	1.1	0.7	1.0	1.2	1.6	2.0	2.2	1.8	0.2	1.0	1.9
Core inflation**	0.6	0.1	0.7	0.0	0.2	0.6	0.5	0.2	–0.5	0.7	0.5	1.7	1.8	1.4	1.3
Real gross disposable income (GDI)	0.6	0.1	0.7	0.0	0.2	0.6	0.5	0.2	–0.5	0.7	0.5	1.7	1.8	1.4	1.3
Saving ratio	14.0	13.7	14.5	13.9	14.0	14.2	14.3	14.3	13.7	14.3	14.1	15.2	14.0	14.2	14.3

Forecast

* For annual data, unemployment rate is that of the last quarter of the year

** Year–on–year change on the last month of the quarter and annual averages

Main ratios: non–financial corporate sector

in percentage points

	2016				2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Margin ratio (GOS/VA)*	32.5	31.8	31.6	31.5	31.7	32.0	32.1	32.0	32.0	31.5	31.5	31.7	31.8	32.0	31.7
Investment rate (GFCF**/VA)	23.2	23.3	23.2	23.2	23.6	23.4	23.5	23.6	23.6	23.9	23.9	24.0	23.2	23.5	23.8
Self–financing ratio (cash earnings) (Savings/GFCF**)	96.6	91.5	90.7	91.2	94.9	96.5	97.7	94.4	96.5	93.8	92.6	90.6	92.5	95.9	93.4

Forecast

* Gross operating surplus / Value added

** Gross fixed capital formation

International environment

levels, percentage changes from previous period

	2016				2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Euro–dollar exchange rate	1.10	1.13	1.12	1.08	1.06	1.10	1.17	1.18	1.23	1.19	1.16	1.15	1.11	1.13	1.18
Barrel of Brent oil (in dollars)	34	46	47	51	55	51	52	62	67	74	75	75	44	55	73
World trade	**–0.6**	**1.4**	**0.9**	**1.2**	**1.5**	**1.4**	**1.1**	**2.1**	**1.3**	**1.0**	**1.2**	**1.0**	**2.0**	**5.5**	**5.4**
Imports of advanced economies	0.3	0.7	1.1	1.0	1.8	1.2	0.8	1.8	0.5	0.6	1.2	1.0	2.7	5.1	3.8
Imports of emerging economies	–2.4	2.8	0.6	1.7	0.9	2.0	1.6	2.6	2.9	1.9	1.1	1.0	0.5	6.2	8.6
World demand for French products	0.2	1.8	0.7	1.0	1.6	1.6	0.8	1.9	0.5	0.7	1.2	0.9	3.2	5.3	4.1
Gross domestic product of advanced economies	**0.6**	**0.4**	**0.4**	**0.6**	**0.6**	**0.7**	**0.7**	**0.5**	**0.4**	**0.7**	**0.5**	**0.5**	**1.7**	**2.3**	**2.3**
United States	*0.4*	*0.6*	*0.5*	*0.4*	*0.4*	*0.7*	*0.7*	*0.6*	*0.5*	*1.0*	*0.7*	*0.7*	*1.6*	*2.2*	*2.8*
Japan	*0.8*	*0.2*	*0.3*	*0.2*	*0.7*	*0.5*	*0.6*	*0.2*	*–0.2*	*0.7*	*0.2*	*0.2*	*1.0*	*1.7*	*1.1*
United Kingdom	*0.3*	*0.2*	*0.5*	*0.7*	*0.4*	*0.3*	*0.4*	*0.4*	*0.1*	*0.4*	*0.5*	*0.3*	*1.8*	*1.7*	*1.2*
Eurozone	*0.7*	*0.3*	*0.3*	*0.8*	*0.7*	*0.7*	*0.7*	*0.7*	*0.4*	*0.4*	*0.4*	*0.4*	*1.9*	*2.5*	*2.0*
Germany	*0.9*	*0.4*	*0.2*	*0.4*	*1.1*	*0.5*	*0.6*	*0.5*	*0.4*	*0.5*	*0.5*	*0.4*	*2.2*	*2.5*	*1.9*
Spain	*0.7*	*0.8*	*0.7*	*0.7*	*0.8*	*0.9*	*0.7*	*0.7*	*0.7*	*0.6*	*0.5*	*0.5*	*3.3*	*3.1*	*2.6*
Italy	*0.2*	*0.1*	*0.2*	*0.5*	*0.5*	*0.4*	*0.4*	*0.3*	*0.3*	*0.2*	*0.1*	*0.1*	*1.0*	*1.6*	*1.0*
Consumer prices in Eurozone*	0.1	–0.1	0.2	0.7	1.8	1.5	1.4	1.4	1.3	1.7	2.1	2.1	0.2	1.5	1.8
ILO unemployment rate in the Eurozone	10.3	10.2	9.9	9.7	9.5	9.1	9.0	8.7	8.6	8.3	8.2	8.1	10.0	9.1	8.3

Forecast

* Year–on–year change on the last month of the quarter and annual averages

This document is available on the INSEE website http://www.insee.fr *Completed on October 1st. 2018*

Senior editors: J. Pouget. F. Tallet Sub–editor: F. Hillaireau Layout: S. Clément. N. Lépine Translator: Hancok Hutton

PTC 1810 ISSN: 1253–1316

INSTITUT NATIONAL DE LA STATISTIQUE ET DES ÉTUDES ÉCONOMIQUES

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IMPRIMERIE JOUVE – PARIS