

## September 2018

- In a less dynamic, more uncertain international environment, French GDP is expected to expand by 1.6% in 2018, 2019 and 2020. GDP growth should remain above potential, helping to drive further reductions in France's unemployment rate.
- Domestic demand should grow at a pace more in line with its usual determinants, after two particularly robust years.
- Following an exceptional year for foreign demand for French exports in 2017, net trade should make a strong positive contribution to growth in 2018, and a neutral one thereafter.
- After hitting a peak in the summer of 2018, annual headline inflation (HICP) should average 2.1% for the year, buoyed notably by energy prices. It should then ease to 1.7% in 2019 and 1.8% in 2020. Inflation excluding energy and food is expected to rise progressively, reaching 1.5% at end-2020.
- The ILO unemployment rate should fall gradually to 8.3% at the end of 2020 (France and overseas departments). Household purchasing power should see sustained growth over the period.

### KEY PROJECTIONS FOR FRANCE

	2016	2017	2018	2019	2020
<b>HICP</b>	<b>0.3</b>	<b>1.2</b>	<b>2.1</b>	<b>1.7</b>	<b>1.8</b>
<b>HICP excluding energy and food</b>	<b>0.6</b>	<b>0.6</b>	<b>1.0</b>	<b>1.4</b>	<b>1.5</b>
GDP deflator	0.2	0.7	0.7	1.2	1.5
<b>Real GDP</b>	<b>1.1</b>	<b>2.3</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>
Contributions to GDP growth (in percentage points): <sup>a)</sup>					
<i>Domestic demand (excluding changes in inventories)</i>					
	2.0	2.0	1.4	1.6	1.6
<i>Net exports</i>					
	-0.5	0.1	0.4	0.0	0.0
<i>Changes in inventories</i>					
	-0.4	0.2	-0.2	0.0	0.0
Household consumption (52%) <sup>b)</sup>	2.0	1.1	0.9	1.3	1.4
Government consumption (24%)	1.4	1.4	1.4	1.4	1.4
Total investment (23%)	2.7	4.7	2.8	2.2	2.2
<i>Government investment (3%)</i>					
	0.1	1.6	2.5	2.1	1.8
<i>Household investment (5%)</i>					
	2.8	5.6	1.5	0.3	1.8
<i>Business investment (NFCs-FCs-IEs) (14%)</i>					
	3.4	5.2	3.4	3.0	2.5
Exports (31%)	1.5	4.7	3.6	4.2	3.7
Imports (32%)	3.1	4.1	2.3	4.0	3.6
Real household gross disposable income	1.8	1.4	1.0	1.7	1.5
Net job creations (thousands)	197	330	245	142	163
ILO unemployment rate (France and overseas departments, % of labour force)	10.1	9.4	9.1	8.8	8.5

Sources: Insee data for 2016 and 2017. Blue-shaded columns show Banque de France projections.

Figures are adjusted for the number of working days.

a) Individual contributions may not add up to GDP growth as figures have been rounded.

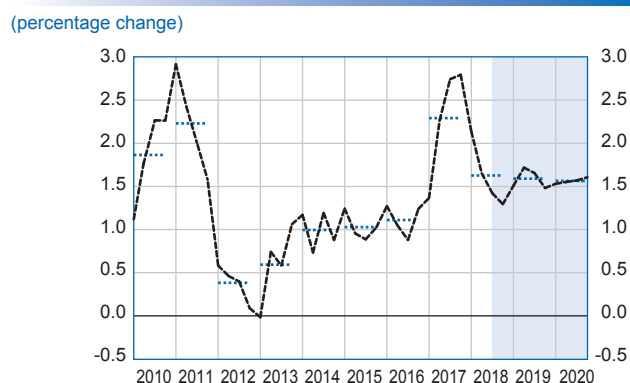
b) Percentages in brackets refer to each item's share of GDP in 2017.

### French annual GDP growth is projected at 1.6% for the next few years, below the peak seen in 2017, but still above potential

As of mid-2018, economic activity should expand at an average quarterly rate of 0.4%. Growth is thus expected to moderate after the very high rates seen in 2017 (0.7% per quarter), but should still prove stronger than in the first half of 2018 (0.2% per quarter). In annual average terms, economic activity is projected to increase by 1.6% per year between 2018 and 2020, after growing by 2.3% in 2017 (see Chart 1). The expansion should therefore continue at a pace above potential, helping to drive further declines in France's unemployment rate (see below).

These projections were finalised on 5 September 2018. They incorporate the quarterly national accounts released by Insee on 29 August 2018, and

### Chart 1: Real GDP growth



Sources: Insee data up to the second quarter of 2018. Blue-shaded area shows Banque de France projections.

Note: The curve shows the percentage change in GDP year-on-year and the horizontal lines show the annual average percentage change.

are based on the technical and international environment assumptions used in the Eurosystem September projection exercise (see table A2 in the appendix), for which the cut-off date is 21 August 2018. The international environment is now less favourable and subject to growing uncertainties (rise of protectionism, crises in certain emerging countries, Brexit, etc.), which has translated into a slowdown in foreign demand for French exports (see below).

These projections do not take account of the new fiscal measures for 2019 and 2020 which will be included in the forthcoming draft budget, some of which are currently under discussion. The measures set out in the 2019 budget, both on the receipt and expenditure side, will be incorporated into our next projections scheduled for December.

In light of the slowdown in activity compared with last year, the general government deficit is expected to stabilise in 2018 at 2.6% of GDP.<sup>1</sup>

### **The slight revision to our June projections stems mainly from the deeper than expected soft patch in the first half of 2018**

Since our last publication in June 2018, we have revised our growth estimate downwards for 2018 (from 1.8% to 1.6%, representing a decline of 0.1 percentage point between non-rounded figures) and for 2019 (from 1.7% to 1.6%, down 0.1 percentage point), and left it unchanged for 2020. For 2018, this reflects a deeper than expected soft patch in the first half of 2018: Insee has revised its first-quarter growth estimate down by 0.1 percentage point, and second-quarter growth came out at just 0.2%, slightly below our June forecast (0.3%). This marked slowdown was caused by a stronger than expected deceleration in domestic and foreign demand.

For 2019, beyond some near-term fluctuations, the underlying tailwinds should be slightly weaker due to the less favourable global environment, and foreign demand for French exports has notably been revised down. Foreign demand is now seen growing at just under 4% over the year, below the 5.0% growth rate recorded in 2017. The euro effective exchange rate is also expected to appreciate markedly in annual average terms between 2017 and 2018, and to a greater extent than projected in June. The euro oil price, on the other hand, has been revised only marginally in our projections, but is still expected to rise sharply between 2017 and 2018 (increase of EUR 12.5 per barrel).

### **By end-2020, the unemployment rate should be at its lowest level since end-2008**

Employment growth proved very strong in 2017 (330,000 net job creations) and is expected to remain robust in 2018 (245,000 net job creations in annual average terms). However, it should then moderate slightly in 2019 and 2020 (140,000 and 160,000 net new jobs respectively), due to the cut in subsidised contracts, particularly in 2018 and 2019. The slowdown in economic activity also means the private sector should no longer see the same high rate of employment growth as in 2017 – a trend that was already evident in the second quarter of 2018.

Based on Insee's demographic growth projections, this should mean unemployment will continue to fall, from 9.1% in the second quarter of 2018 to 8.3% at end-2020, its lowest level since the end of 2008.

### **After the recent peak, headline inflation should ease temporarily up to mid-2019, then stabilise at around 1.8% in 2020**

After peaking at 2.6% in July and August 2018, fuelled mainly by the sharp jump in energy prices and hikes in energy and tobacco taxes, inflation as measured by the annual change in the Harmonised Index of Consumer Prices (HICP) should moderate up to the autumn of 2019 (projection of 1.6% for the third quarter). It should then rise progressively, stabilising at around 1.8% in 2020 (see Chart 2).

Inflation excluding energy and food has been recovering very gradually since the start of the year (averaging 1.0% in 2018, up from 0.6% in 2017), with industrial goods prices in particular rising more sharply than expected. However, services inflation is expected to remain fairly weak over the year, reflecting declines in social housing rents and

<sup>1</sup> This projection does not take into account the revised deficit and debt figures released by Insee on 6 September 2018, in which SNCF Réseau has been reclassified under general government from 2016 onwards. The general government deficit figures published by Insee thus show a widening of 0.1 percentage point for 2016 and 2017.

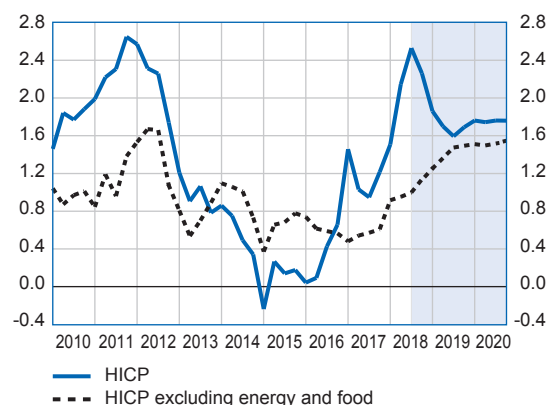
in telecommunications prices. In 2019 and 2020, inflation excluding energy and food should start to follow an upward path (1.4% in 2019 and 1.5% in 2020), linked to falling unemployment and accelerating wage growth.<sup>2</sup>

## Household purchasing power should see sustained growth over the projection horizon

Household purchasing power is expected to grow by 1.0% in 2018 after a 1.4% rise in 2017. It should then gather momentum as of the second half of 2018, with 2019 and 2020 seeing significant gains (1.7% and 1.5% respectively). Two main factors are expected to drive the improvement. Nominal wages per employee should accelerate (growth of 2.0% in 2018, 2.2% in 2019 and 2.3% in 2020 after 1.8% in 2017) and employment growth should remain robust, albeit weaker than in 2017-18. From the end of 2018 onwards, household purchasing power should also be boosted by the cuts to direct taxes and social security contributions (in particular, the reductions in housing tax and payroll taxes). The measures recently tabled as part of preparations for the forthcoming budget law nonetheless pose a downside risk to this scenario.

## Chart 2: HICP and HICP excluding energy and food

(year-on-year percentage change, quarterly series)



Sources: Insee data up to August 2018 (flash estimate). Blue-shaded area shows Banque de France projections.

## Box 1

# THE COMPOSITION OF HOUSEHOLD INCOME, THE HOUSEHOLD SAVING RATIO AND HOUSEHOLD CONSUMPTION

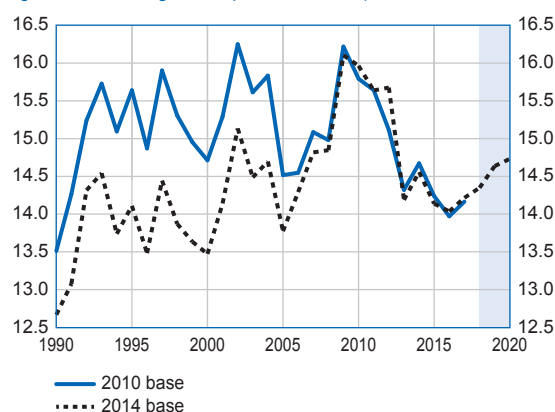
The switch to a 2014 base in the national accounts has resulted in significant revisions to household gross disposable income (GDI). These mainly reflect adjustments to net flows of financial income (dividends and interest), as Insee has reviewed its methodology for estimating these items and now notably takes into account tax data on resident households.<sup>1</sup>

These changes have led to a significant downward revision to the saving ratio up to 2005 (see Chart A). As a result of this new historical data, the **saving ratio for end-2017 is no longer as low as it was using the 2010 base**. Moreover, the saving ratio follows a hump-shaped trajectory from 2009 to 2013, and appears particularly high during that period. All of this raises questions as to the medium-term outlook for the saving ratio in our projections.

The major revisions to the data have led us to estimate a new equation for consumption.<sup>2</sup> **The previous equation was based on the assumption that, beyond its near-term fluctuations, consumption evolved in a manner that allowed the saving**

## Chart A: Household saving ratio

(percentage of household gross disposable income)



Sources: Insee up to the first quarter of 2018. Blue-shaded area shows Banque de France projections.

<sup>1</sup> See "The national accounts switch to a 2014 base" and "France's current account deficit and borrowing requirement compiled using a 2014 base" (French version only), May 2018.

<sup>2</sup> For a description of the previous specification used, see Faubert (V.) and Olivella Moppett (V.) (2015), "How can the rise in the French household saving ratio since the start of the crisis be explained?", Rue de la Banque, No. 9, September.

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<sup>2</sup> See also the box entitled "Trends in French inflation excluding energy and food" in the June 2018 Macroeconomic projections.

**ratio to revert towards its long-run target. In the new equation, this long-term pattern has been modified.** The chosen specification, inspired by Bonnet and Poncet (2004),<sup>3</sup> incorporates two new features.

- First, over the long run, consumption depends on the level of **disposable income excluding net financial income<sup>4</sup> and no longer on total GDI**. As a result, the saving ratio, which is a function of total GDI, may vary depending on changes in the weight of net financial income.
- Second, the proportion of household GDI (excluding net financial income) that is actually consumed depends on the composition of that income, and in particular on: **(i) the share of gross wages (excluding employer social security contributions) and social security benefits; and (ii) the share of gross operating surplus from the self-employed.**

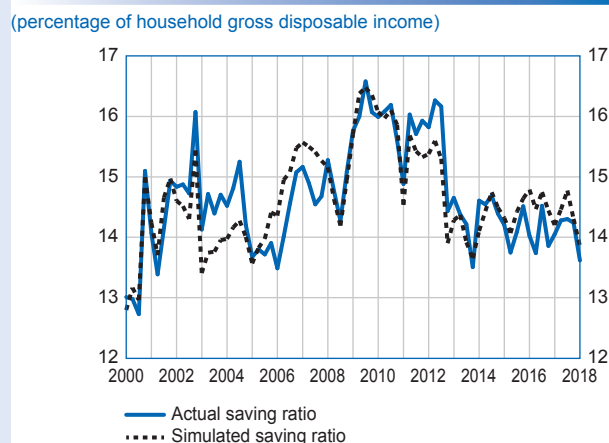
The inclusion of variables linked to the composition of GDI is based on the assumption that **marginal propensities to consume differ according to the income source**. In our estimated equation, **a shock to labour income or benefits, assuming other income remains stable, is consumed nearly in full**, leaving the saving ratio almost unchanged. Conversely, **in the case of a reduction in direct taxes and social security contributions, half of the gains are spent while the rest are saved**, resulting in a rise both in consumption and in the saving ratio. A cut of 1 percentage point in the share of direct taxes and social security contributions in GDI leads, all else being equal, to a 0.3 percentage point rise in the saving ratio over the long run. In the case of net financial income, the estimates suggest that the marginal propensity to consume is close to zero, so shocks to this income only affect the saving ratio.

**In the new model, the speed of adjustment of consumption to its long-run determinants – allowing a stabilisation of the share of income consumed – is much higher than in the equation without composition effects.** In general, following a shock to real GDI (excluding net financial income) but with no change in income structure, 60% of the consumption adjustment has occurred after around one year, compared with 50% in the previous equation.

**The new equation also more accurately reproduces the actual saving ratio observed since 2005** (see Chart B). There is no longer an overestimation bias from 2002 to 2008 as there was with the previous equation, and the hump-shaped pattern from 2009 to 2013 is adequately explained by the equation's determinants. Indeed, the ratio's trajectory from 2009 to 2013 is attributable to two separate effects: (i) in 2008, the share of gross operating surplus from the self-employed declined, leading to a rise in the saving ratio; and (ii) in 2012, the sharp increase in direct taxes and social security contributions led to a decline in the saving ratio. In the recent period, the simulated saving ratio is only slightly higher than the actual one, reflecting the ongoing decline in the share of gross operating surplus from the self-employed in household GDI.

Over the projection horizon, **the structure of household GDI is expected to be strongly impacted by the planned cuts to direct taxes and social security contributions**. Direct taxes and social security contributions are projected to decline by 1.3 percentage point as a share of GDI between 2017 and 2020, which **should help to boost consumer spending. However, in line with our previous estimates, a portion of the gains are expected to be saved**, resulting in an increase in the saving ratio of around 0.5 percentage point from 2017 to 2020 in our projections. Obviously, there are still some uncertainties surrounding the estimated saving ratio for 2020. The change in the structure of GDI could have a stronger than expected impact, leading to a higher saving ratio and therefore lower consumption and GDP levels than in our baseline scenario. Conversely, it could have a lower than expected impact, with the saving ratio falling back towards its long-term average (average of 14.5% between 1995 and 2017), which in turn would lead to higher than projected consumption and GDP.

**Chart B: Actual saving ratio and dynamic simulations with the new equation**



Sources: Insee for actual data, Banque de France calculations for simulated data.

<sup>3</sup> See Bonnet (X.) and Poncet (H.) (2004), "Structures de revenus et propensions différentes à consommer" (Structure of income and different propensities to consume), Insee Working Paper, December.

<sup>4</sup> Net financial income = net interest earned + net dividends earned + other net income (income distributed to insurance policyholders, rental income from land).

## The return to fairly sustained growth from mid-2018 onwards should be driven both by domestic demand and exports

Household consumption proved weak in the first half of 2018, reflecting the temporary rise in headline inflation. It should rebound as of the second half of the year, however, as purchasing power growth accelerates. The cuts to direct taxes and social security contributions should help to boost consumption but should also allow households to rebuild their savings. The saving ratio is thus expected to rise to an average of 14.7% in 2020 from 14.2% in 2017 (for further details see Box 1 “The composition of household income, the household saving ratio and household consumption”). On the whole, after more moderate annual average growth in 2018 (0.9%, after 1.1% in 2017), household consumption is expected to increase at a slightly slower pace than purchasing power in 2019 and 2020 (1.3% and 1.4% growth respectively).

Business investment should grow at a pace more in line with its usual determinants. It should nonetheless continue to outstrip GDP growth, spurred by strong gains in private sector value added, a continuing low cost of debt and the recovery in corporate profit margins from the historic low of 2013.

After exceptionally high growth in 2017, household investment is projected to rise more slowly in 2018 and 2019. Recent data on home sales and housing starts suggest this trend should continue until the start of 2019, and from then onwards household investment should grow at a pace more in line with purchasing power.

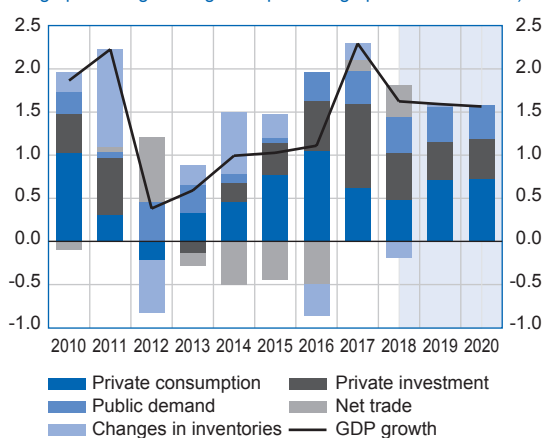
After the sharp rebound seen in 2017, export growth is expected to slow, hit by a loss of momentum in foreign demand from 2018 onwards. The euro appreciation since the start of 2018 should also start to weigh on export performances, which were close to their average since 2010 at the start of 2018 (see Chart 4), and should remain little changed up to the end of 2020. France’s import penetration rate should continue to rise, but import growth is projected to be dampened by slower growth in domestic demand and exports.

Net trade is projected to make a strong positive contribution to economic growth in 2018 (0.4 percentage point ; see Chart 3), notably due to a high carry-over effect at the end of the second quarter (0.4 percentage point). The contribution should then become neutral in 2019 and 2020, as foreign demand is projected to grow at a higher pace than domestic demand over the projection horizon. In the period up to 2020, the external trade balance is expected to improve slightly, but should nonetheless continue to show a deficit of just under 1.0% of GDP (for further details, see Box 2 “The national accounts now paint a less negative picture of France’s external trade balance”).

Inventories are expected to make a negative contribution to economic growth in 2018, as a partial counter-effect to the positive contribution from trade. They should then make a positive contribution in 2019 thanks to a high carry-over effect, and a neutral contribution in 2020.

### Chart 3: Contributions to GDP growth

(annual average percentage change and percentage point contributions)



Sources: Insee data up to the second quarter of 2018. Blue-shaded area shows Banque de France projections.

Note: Private investment groups together business and household investment. Public demand groups together government consumption and government investment.

### Chart 4: France’s export performances

(Q1 2010 = 100)



Sources: Insee data up to the second quarter of 2018. Eurosystem data for foreign demand. Blue-shaded area shows Banque de France projections.

Note: Export performances are calculated as the ratio of exports to total foreign demand for French exports.

## Box 2

# THE NATIONAL ACCOUNTS NOW PAINT A LESS NEGATIVE PICTURE OF FRANCE'S EXTERNAL TRADE BALANCE

France's external trade balance has remained stable for the past decade

The switch to a 2014 base in the national accounts published by Insee<sup>1</sup> in May 2018, coupled with revisions to the Banque de France's estimates for trade in services,<sup>2</sup> has considerably altered the assessment of France's external trade position.

After widening significantly in the 2000s due to the rise of emerging markets, the globalisation of value chains and a decline in cost competitiveness, **France's trade deficit in goods (including energy) and services, as measured in the rebased national accounts, has remained more or less stable since 2008** at around 1.0% of nominal GDP (see Chart A). In 2017, it amounted to 1.1% of GDP (EUR 25.3 billion), which is similar to the level seen in 2008 (deficit of 1.2% of GDP). The figures are a vast improvement on the previous national accounts data, compiled using a 2010 base, which showed a deficit nearly twice the size for 2017, at 2.5% of GDP or EUR 57.7 billion, and a marked deterioration in the balance from 2008 onwards (deficit of 1.8% of GDP in 2008).

### A deficit in trade in goods and a surplus in trade in services

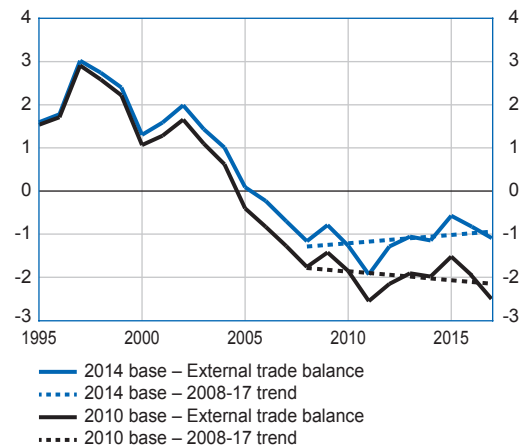
The stability of the overall trade deficit over the past ten years masks diverging trends in the individual components.

**The energy component (crude and refined products) has fluctuated considerably.** It weighed heavily on the overall trade balance up to 2014 (average negative contribution of EUR 54 billion per year or 2.6% of GDP), before improving again on the back of falling oil prices (average negative contribution of EUR 34 billion per year or 1.5% of GDP between 2014 and 2017).

**The trade balance in non-energy goods and services (see Chart B) now shows a surplus for 2017, at 0.5% of GDP,** compared with a sizeable deficit of 1.0% of GDP using the 2010 base. It also appears to have deteriorated to a lesser extent between 2008 and 2017 than in the old national accounts, declining by around 1.1 percentage point compared with a fall of 1.7 percentage point previously. **After hitting a low at the start of 2017,** the balance could now **return to its ten-year average.** This improvement should be fuelled by the expected rebound in global trade after the soft patch in the first half of 2018, and by strong projected aeronautical deliveries at the end of the year, as observed in 2016 and 2017.

**Chart A: External trade balance**

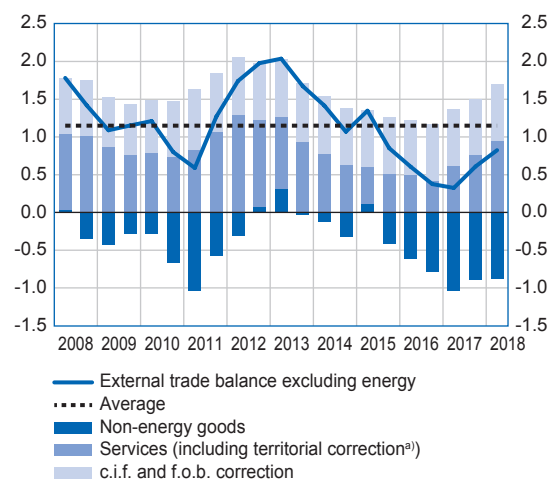
(percentage of GDP – annual nominal data)



Source: Insee quarterly national accounts.

**Chart B: Non-energy trade balance and its components**

(percentage points of GDP, half-yearly nominal data)



Source: Insee quarterly national accounts.

Note: c.i.f. = including the cost of transit, insurance and freight up to the importer's border; f.o.b. = free on board at the exporter's border.

a) In the national accounts, territorial correction represents the expenses of residents abroad minus the expenses of non-residents in France.

<sup>1</sup> See "The national accounts switch to a 2014 base" and "France's current account deficit and borrowing requirement compiled using a 2014 base" (French version only), May 2018.

<sup>2</sup> See "Presentation of revised tourism figures for France" (French version only, January 2018). In April 2018, the Banque de France published new estimates for the tourism trade balance which take into account the change in methodology in the survey of foreign visitors. This modification led to an increase of some ten billion euro in France's annual tourism surplus.

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The breakdown by product shows a **large surplus in trade in services, combined with a deficit in trade in non-energy goods**.

**The non-energy goods position remained more or less balanced between mid-2012 and mid-2015, but deteriorated in subsequent years to show an average deficit of 1.0% of GDP in 2017.** The downturn is attributable to robust import volumes linked to the rebound in activity,<sup>3</sup> as well as to a disappointing export performance, caused notably by difficulties in some of France's stronghold sectors (aeronautics, agriculture, etc.).<sup>4</sup> **In contrast, the services component shows a strong positive balance.** Between 2008 and 2014, it averaged a surplus of 0.9% of GDP, although this then narrowed temporarily to 0.5% in 2015 and 2016, notably due to the impact on tourism of the Paris and Nice terrorist attacks. **The balance then improved again in 2017, rising to a surplus of 0.7% of GDP, but nonetheless remains below its 2012 peak.** The contribution of the c.i.f./f.o.b. correction applied by Insee to obtain the free on board value of imports has remained stable since 2008 at 0.7% of GDP.

In addition to the trade balance (goods and services), it is also important to look at France's overall current account balance, including income flows, when assessing the country's external sustainability. In this respect, revised balance of payments data show a smaller current account deficit of 0.6% of GDP for 2017,<sup>5</sup> which is also less unfavourable than in our previous assessments.

**Looking ahead to 2020, France's external trade balance is expected to remain negative, although the deficit should narrow slightly to just under 1.0% of GDP.** Export volumes should remain robust, growing at a similar pace to global demand – i.e. by around 4% per year. This should prove slightly higher than the rate of growth in import volumes, as domestic demand is expected to be less dynamic in 2018-20 than in 2016-17. Nonetheless, despite more moderate growth in domestic demand and a relatively favourable international environment, France is not expected to correct its trade imbalance by 2020.

<sup>3</sup> See Gaulier (G.) and Ouvrard (J.-F.) (2017), "Is the recent import dynamism in France surprising?", Eco Notepad blog, Banque de France

<sup>4</sup> See Camatte (H.) and Gaulier (G.) (2018), "Sectoral specialisation and the 2014-16 downturn in France's foreign trade", Eco Notepad blog, Banque de France, and forthcoming Rue de la Banque, Banque de France.

<sup>5</sup> See Banque de France (2018), Annual report – The French balance of payments and international investment position 2017 (French version), August.

## An increase in uncertainty

The international backdrop to these projections is marked by increased uncertainty. The risks to our real GDP forecast are slightly to the downside due to the international political situation. In the short term, a worsening of the situation in certain emerging markets coupled with the risk of protectionism could weigh on global economic activity. Meanwhile, in Europe, economic policy uncertainty is likely to persist over the coming months – both regarding the direction of fiscal policy in Italy and the outcome of negotiations over Brexit. Protectionist measures – and the increased uncertainty they generate – could also weigh more heavily and more quickly on global trade.

In contrast, the risks relating specifically to France are balanced. In the short term, a larger share of the cuts to taxes and social security contributions could be consumed in the run-up to 2020, helping to buoy activity. It should be noted, however, that these projections do not take account of the measures partially announced over the past few weeks, which will be set out in detail in the full 2019 budget law. In the medium term, the current and upcoming reforms could also raise potential growth before the end of our projection horizon.

The risks surrounding the inflation outlook also appear balanced. The first downside risk concerns the future path of oil prices. We also cannot rule out the possibility of a stronger than expected pass-through of the past oil price shock to non-energy prices. Conversely, higher potential growth and lower structural unemployment could delay the rise in inflation excluding energy and food.

## Appendix: Revisions to projections and technical assumptions since the June 2018 projections

**Table A1: Revisions to projections since June 2018**

	September 2018 projections					Revisions since June 2018 projections		
	2016	2017	2018	2019	2020	2018	2019	2020
<b>HICP</b>	<b>0.3</b>	<b>1.2</b>	<b>2.1</b>	<b>1.7</b>	<b>1.8</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>
<b>HICP excluding energy and food</b>	<b>0.6</b>	<b>0.6</b>	<b>1.0</b>	<b>1.4</b>	<b>1.5</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>
GDP deflator	0.2	0.7	0.7	1.2	1.5	-0.2	-0.2	-0.1
<b>Real GDP</b>	<b>1.1</b>	<b>2.3</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.0</b>
Contributions to GDP growth (in percentage points): <sup>a)</sup>								
<i>Domestic demand (excluding changes in inventories)</i>	2.0	2.0	1.4	1.6	1.6	-0.1	-0.1	0.0
<i>Net exports</i>	-0.5	0.1	0.4	0.0	0.0	0.0	0.0	0.0
<i>Changes in inventories</i>	-0.4	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Household consumption (52%) <sup>b)</sup>	2.0	1.1	0.9	1.3	1.4	-0.3	-0.3	-0.2
Government consumption (24%)	1.4	1.4	1.4	1.4	1.4	0.3	0.5	0.5
Total investment (23%)	2.7	4.7	2.8	2.2	2.2	-0.3	-0.2	0.0
<i>Government investment (3%)</i>	0.1	1.6	2.5	2.1	1.8	-0.3	0.0	0.0
<i>Household investment (5%)</i>	2.8	5.6	1.5	0.3	1.8	-0.7	-0.8	-0.2
<i>Business investment (NFCs-FCS-IEs) (14%)</i>	3.4	5.2	3.4	3.0	2.5	-0.2	0.0	0.0
Exports (31%)	1.5	4.7	3.6	4.2	3.7	-0.5	-0.5	-0.4
Imports (32%)	3.1	4.1	2.3	4.0	3.6	-0.2	-0.2	-0.2
Real household gross disposable income (RGDI)	1.8	1.4	1.0	1.7	1.5	-0.2	-0.3	-0.2
Net job creations (thousands)	197	330	245	142	163	49	-25	-27
ILO unemployment rate (France and overseas departments, % of labour force)	10.1	9.4	9.1	8.8	8.5	0.0	0.0	0.1

Sources: Insee data for 2016 and 2017. Blue-shaded columns show Banque de France projections.

Annual percentage change except where otherwise indicated. Revisions are in percentage points.

a) Individual contributions may not add up to GDP growth as figures have been rounded. This may also affect the calculation of revisions since the previous projections.

b) Percentages in brackets refer to each item's share of GDP in 2017.

**Table A2: Revisions to technical assumptions and the international environment<sup>a)</sup>**

	September 2018 projections					Revisions since June 2018 projections		
	2016	2017	2018	2019	2020	2018	2019	2020
<b>Technical assumptions</b>								
Brent oil price (USD/barrel)	44.0	54.4	71.5	71.7	69.0	-3.0	-1.8	0.3
Brent oil price (EUR/barrel)	39.8	48.2	60.7	62.6	60.3	-1.4	0.6	2.3
Non-energy commodity prices in EUR (annual percentage change)	-3.7	5.9	-2.6	0.5	4.2	-5.4	-3.2	0.1
USD/EUR exchange rate	1.11	1.13	1.18	1.14	1.14	-0.02	-0.04	-0.04
Euro nominal effective exchange rate (annual percentage change) <sup>b)</sup>	3.8	2.2	5.1	0.6	0.0	0.7	0.8	0.0
3-month Euribor <sup>c)</sup>	-0.3	-0.3	-0.3	-0.2	0.0	0.0	-0.1	-0.2
10-year French government bond yields <sup>c)</sup>	0.5	0.8	0.7	0.8	1.1	-0.1	-0.3	-0.3
<b>International environment, annual percentage change</b>								
Extra euro-area competitors' prices on the export side (in EUR)	-4.7	1.8	-1.5	2.6	2.6	-0.1	-0.1	0.2
World real GDP	3.1	3.6	3.7	3.4	3.4	-0.1	-0.3	0.0
World (excluding euro area) real GDP	3.3	3.8	3.9	3.6	3.6	-0.1	-0.3	-0.1
Global (excluding euro area) trade	1.3	5.4	4.6	3.7	3.7	-0.5	-0.9	-0.2
Foreign demand for French goods and services	2.4	5.0	3.7	3.8	3.6	-0.9	-0.6	-0.2
<i>Intra-euro area</i>	4.0	5.1	3.3	4.4	3.7	-0.8	-0.3	-0.2
<i>Extra-euro area</i>	1.0	4.8	4.1	3.3	3.5	-1.0	-0.9	-0.2

Sources: Eurosystem. Blue-shaded columns show Banque de France projections.

Revisions to the June 2018 projections are expressed as percentages for levels and as percentage points for rates of growth.

a) These technical assumptions and international environment projections were constructed on 21 August 2018 for market data and foreign demand for French goods and services, in accordance with the principles set out in *A guide to the Eurosystem/ECB staff macroeconomic projection exercises*, ECB, July 2016, available at: <https://www.ecb.europa.eu/pub/pdf/other/staffprojectionsguide201607.en.pdf>. Foreign demand corresponds to the average imports of France's main trading partners weighted by the share of each country in France's exports. The method of calculation is described in the *Occasional Paper "Trade consistency exercise in the context of the Eurosystem projection exercises – An overview"*, available at: <https://www.ecb.europa.eu/pub/pdf/scopops/ecbocp108.pdf>.

b) Calculated against 38 trading partners of the euro area.

c) The forecasts for interest rates were calculated using the yield curve.