

September 2019

- French GDP growth should remain resilient at 1.3% in 2019 and 2020 and 1.4% in 2021. Our projection is largely unchanged since that of June, due to several offsetting factors.
- The outlook for demand from our trading partners deteriorated once again during the summer. Conversely, the drop in oil prices in particular should support French economic growth.
- The strong gains in household purchasing power should be confirmed in 2019 (an average of 2.3% per capita) and 2020. Household consumption growth has already begun to accelerate, though with a lag, on the back of these gains and should consolidate over the coming quarters.
- Employment growth was surprisingly dynamic at the beginning of the year and is expected to remain robust in 2019. Thereafter, the French economy should continue to create new jobs but at a more modest rate as productivity gains improve. The unemployment rate for France as a whole (including overseas territories) is expected to continue to fall and should reach 7.9% at the end of 2021.
- French headline inflation (HICP) should continue to decline to an annual average of 1.1% in 2020, in line with the drop in energy prices. It should then rebound to 1.3% in 2021. Inflation excluding energy and food is expected to remain weak at 0.6% in 2019 but should gradually rise to 1.3% in 2021 in line with falling unemployment and increasing wages.
- These growth and inflation projections are subject to significant and negative external risks, particularly given the uncertainties surrounding the timing and terms of Brexit.

KEY PROJECTIONS FOR FRANCE

	2016	2017	2018	2019	2020	2021
Real GDP	1.0	2.4	1.7	1.3	1.3	1.4
Contributions to GDP growth (in percentage points) ^{a)}						
Domestic demand (excluding changes in inventories)	1.8	2.3	1.3	1.5	1.6	1.5
Net exports	-0.4	-0.1	0.7	-0.1	-0.3	0.0
Changes in inventories	-0.3	0.2	-0.2	-0.1	0.0	0.0
Household consumption (52%) ^{b)}	1.6	1.6	0.9	1.3	1.7	1.5
Government consumption (23%)	1.4	1.5	0.8	0.9	1.0	1.1
Total investment (23%)	2.5	5.0	2.8	2.7	2.1	1.7
Government investment (3%)	0.0	0.5	2.4	2.9	1.5	0.6
Household investment (5%)	2.8	6.6	2.0	1.1	0.9	0.8
Business investment (NFCs-FCs-IEs) (14%)	3.1	5.5	3.2	3.3	2.7	2.3
Exports (31%)	1.8	4.0	3.5	2.3	2.3	3.0
Imports (32%)	3.0	4.1	1.2	2.4	3.1	3.1
Real household gross disposable income	1.6	1.4	1.2	2.5	1.7	1.4
Net job creations (thousands)	176	275	288	271	169	104
ILO unemployment rate (France and overseas departments, % of labour force)	10.1	9.4	9.1	8.5	8.1	8.0
HICP	0.3	1.2	2.1	1.3	1.1	1.3
HICP excluding energy and food	0.6	0.5	0.9	0.6	1.0	1.3
GDP deflator	0.5	0.5	0.8	1.6	0.9	1.1

Sources: INSEE data up to the second quarter of 2019 (quarterly national accounts published on 29 August 2019). 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 2018.

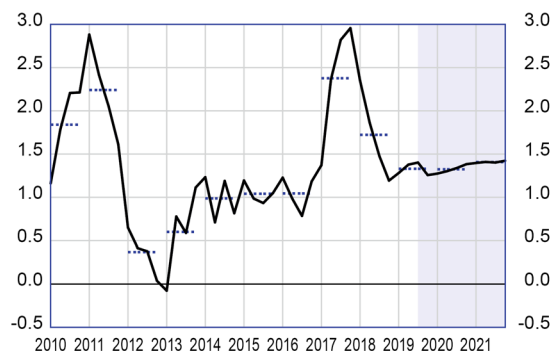
Resilient French economic growth at a projected rate of between 1.3% and 1.4%

French economic growth has settled into a fairly stable pace since mid-2018 of between 1.2% and 1.4% year-on-year (see Chart 1). France has thus demonstrated greater resilience than other euro area economies, particularly Germany, where year-on-year growth only amounted to 0.4% in mid-2019. This growth rate should continue over the coming quarters (see Chart 1): based on Banque de France business surveys published on 9 September, we expect quarter-on-quarter GDP growth in the third quarter of 2019 of 0.3%.

French GDP should grow by 1.3% in 2019 in annual average terms after 1.7% in 2018. This slowdown should largely reflect the slowdown in exports (see Chart 2), while domestic demand, particularly household consumption, is expected to pick up. The normalisation of imports after a particularly sluggish 2018 should also contribute to a deterioration in the net contribution of foreign trade to GDP growth.

Chart 1: Real GDP growth in France

(percentage change)

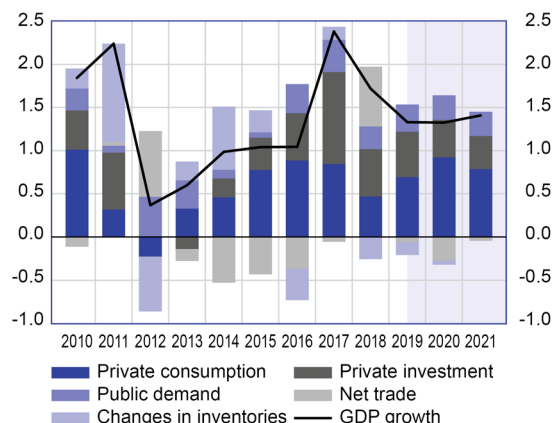


Sources: INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.

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

Chart 2: Contributions to GDP growth

(annual average percentage change and percentage point contributions)



Sources: INSEE data up to the second quarter of 2019. 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.

In 2020, foreign demand and therefore exports are expected to remain subdued but domestic demand should gather momentum, mainly due to the continued acceleration of household spending as households gradually adjust their consumption to reflect strong gains in purchasing power since the end of 2018. In 2021, the economic outlook of our trading partners should improve and exports should strengthen, thereby boosting economic growth in France.

Although the rounded figure for expected GDP growth for 2019 is unchanged from that given in our June publication at 1.3%, the projection has actually been edged upwards due to a slightly higher than anticipated carry-over at the end of the second quarter of 2019. However, the projection has been revised down slightly by 0.1 percentage point for 2020. Although exports were penalised by a more negative economic outlook for our trading partners than in June, several factors cushion this trend: the sharp reduction in long-term rates during the summer bolsters the investment outlook; the drop in oil prices increases household purchasing power; and fiscal policy will give a little more support to household income for 2020 and 2021.

Indeed, our projection now incorporates the fiscal measures announced or confirmed over recent weeks (the cut in income tax in 2020, unemployment benefit reform, the continuation of public sector wage freezes in 2020, and the extension of the abolition of the housing tax to all households as from 2021). These measures, which partially cancel each other out, have, compared with the June projections, an additional positive though limited net effect on household purchasing power for 2020 and 2021.

These September projections are based on the quarterly national accounts published by INSEE on 29 August which cover the period up to the second quarter of 2019. They also factor in the technical and international environment assumptions used in the Eurosystem September projection exercise, for which the cut-off date is 19 August (see Table A2 in the Appendix).

Strong purchasing power gains per capita confirmed with an average of 2.3% in 2019

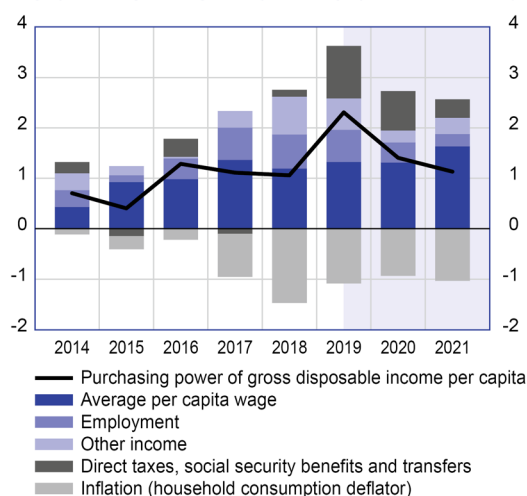
Purchasing power per capita should accelerate sharply in 2019, with gains estimated at 2.3% over the year, its highest growth rate since 2007. The pace should be maintained at 1.4% in 2020, before falling more into line with the GDP per capita growth rate in 2021 (1.1%). Of course, these purchasing power growth figures are averages for the entire population and individual situations will differ depending on the household category.

Different factors are expected to contribute to this improvement in household income purchasing power (see Chart 3), which has been revised upwards slightly since the June projections (see Table A1 in the Appendix).

First, the price of oil has dropped sharply since mid-2018. The price of a barrel of Brent is expected to decline more sharply in the third quarter of 2019 than was anticipated in our June projections, down EUR 11 year-on-year to EUR 54. This projection is based on the assumption, derived from forward prices, that the price will continue to drop before settling at around EUR 50 in 2021.

Chart 3: Contributions to changes in purchasing power of household GDI and changes in purchasing power per capita

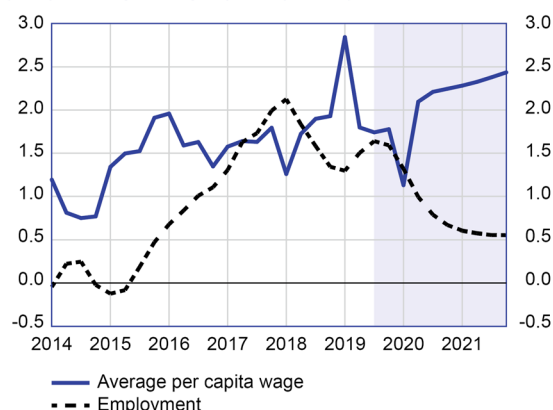
(annual average percentage change and percentage point contributions)



Sources: INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.

Chart 4: Market sector wages and employment

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



Sources: INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.

Second, the succession of fiscal stimuli has a major impact. As was noted in our June projections, the measures already voted into law and implemented – the reduction in employees’ social security contributions, the cut in housing tax, the increase in the activity bonus, tax relief on overtime, etc. – mainly affect 2019. These September projections also include the measures recently announced for 2020 (the cut in income tax) and 2021 (the additional reduction in the housing tax), which are partially offset by the savings announced due to unemployment benefit reform and the continuation of public sector wage freezes in 2020.

Lastly, the improvement in household purchasing power should continue to benefit from the strength of labour market incomes. Despite the decline in the economic growth rate since the beginning of 2018, employment growth proved resilient until the end of 2018 and surprisingly even accelerated at the beginning of 2019. This lag between employment and economic growth is common in the cycle, even if the situation in early 2019 was more unexpected (see box). The improvement in employment should however be more modest in the future as the effects of the past downturn in economic growth are felt, while productivity should return to a higher rate of growth. Net job creations should continue to be robust in 2019, with an annual average of 271,000 new jobs, before gradually slowing as productivity gains kick in, to 169,000 net job creations in 2020 and 104,000 in 2021. Against this backdrop, the unemployment rate should continue to fall and reach 7.9% at the end of 2021. The upturn in apparent labour productivity should allow businesses to step up the pace of wage growth (see Chart 4) over the projection horizon (2.0% in 2019, 1.9% in 2020 and 2.4% in 2021). The slight slowdown in the cost of labour in 2020 compared with the previous year should be solely attributable to the impact of the one-off bonus paid at the beginning of 2019.

Box

THE STRENGTH OF JOB CREATION RESULTED IN A FAIRLY NORMAL PRODUCTIVITY CYCLE IN 2018, BUT A LESS EXPECTED ONE IN 2019, WHICH SHOULD NORMALISE OVER THE PROJECTION HORIZON

Since early 2018, employment has remained robust throughout the economy whereas economic growth has slackened, reflected by a significant slowdown in apparent labour productivity (see Chart A). In the second quarter of 2019, the latter’s year-on-year growth rate was just 0.4% (against a 20-year average of 0.8%). The slowdown observed in productivity up to 2018 indicates a normal productivity cycle: employment followed, with a lag, trends in economic activity and continued to be driven by the lagged impact of strong growth up to the end of 2017. However, the persistence of this phenomenon in early 2019 is more surprising. According to

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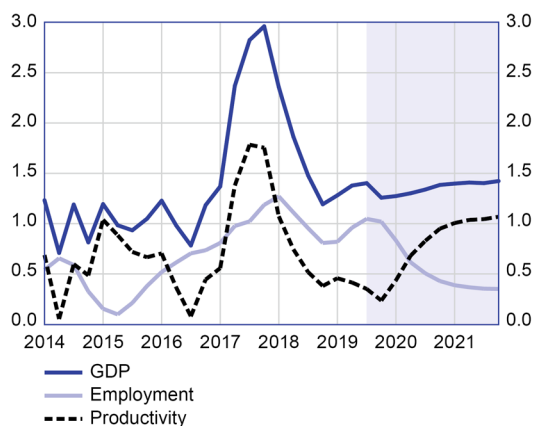
our projections, in the second half of 2019, employment should remain strong, but is expected to move gradually into line with the normal productivity cycle: the pace of job creation should ease while productivity gains are expected to pick up (see Chart A). The assumption used in this projection of a return of productivity to its trend over the projection horizon is cautious in view of recent developments if, in particular, all the measures taken in recent years on the labour market increased, at least temporarily, the employment content of growth.

In order to analyse these developments, we use the market-sector employment equation in our macroeconomic projection model (FR-BDF). In this equation, employment converges over the long run towards a target that is dependent on a long-term trend in productivity, economic activity, with a unitary elasticity, and labour costs, with an elasticity of around 0.5. Other determinants, such as working time or the position in the cycle play a more marginal role. Moreover, the equation implies short-term adjustment dynamics towards the long-term target in response to shocks to the employment determinants. In particular, after the shocks to economic activity, it accurately reflects the fact that employment traditionally responds with a lag, resulting in a productivity cycle: the lag between economic activity and employment generates in the short term low apparent productivity gains during downturns (e.g. in 2018) and conversely significant apparent productivity gains during upturns (e.g. in 2017).

Chart B shows simulated market-sector employment dynamics derived from this equation as well as the contribution of the residuals, i.e. the divergence between simulated and actual market-sector employment. Changes in employment over the different quarters of 2018 are fairly well explained by this equation, and the residuals are even negative, i.e. employment is less robust than could be expected. That said, the strength of employment at the start of 2019 is not explained as shown by the significantly positive contributions of the residuals. According to our projections, the residuals should remain positive until end-2019. They are expected to then turn slightly negative in 2021, partially offsetting the very positive surprises at the start of 2019.

Chart A: GDP, total employment and apparent labour productivity

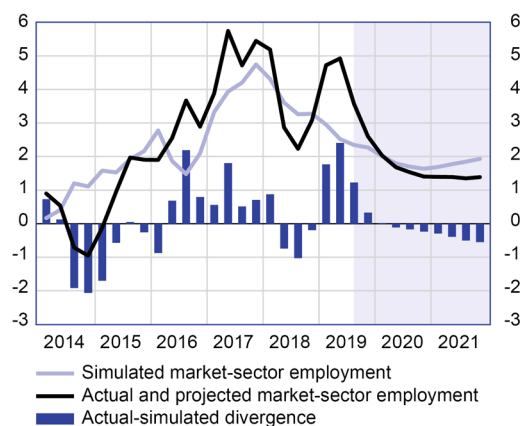
(year-on-year percentage change, quarterly series)



Sources: INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.

Chart B: Actual and simulated market-sector employment

(quarter-on-quarter percentage change)



Sources: INSEE data up to the second quarter of 2019 and Banque de France calculations. Blue-shaded area shows Banque de France projections.

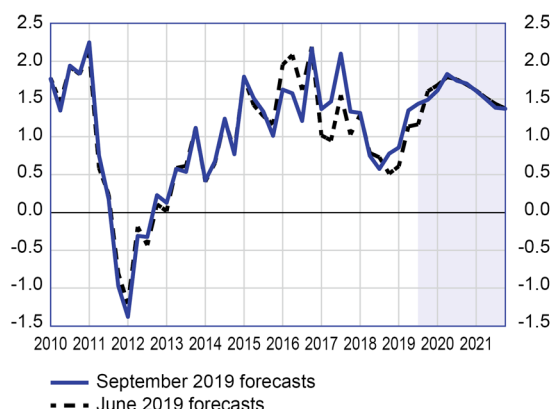
The saving ratio should stabilise and household consumption should lend more solid support to domestic demand over the projection horizon, especially in 2020

Since mid-2018, there have been strong gains in household purchasing power, which peaked in the first quarter of 2019 with a year-on-year growth rate of 3.1% and remained high in the second quarter at 2.1%. As anticipated in the June projections (see Chart 5), household consumption growth has started to accelerate, accentuated by national accounts data revisions over recent quarters, and was up 1.3% year-on-year in the second quarter of 2019 after a low of 0.6% in the third quarter of 2018. However, a significant proportion of purchasing power gains have been channelled into savings: the household saving ratio increased sharply to 15.1% on average in the first half of 2019, compared with an average of 14.2% in 2018.

With gains in purchasing power expected to persist over the coming quarters, the acceleration in household consumption growth should continue (see Chart 5). It is expected to peak in 2020 at 1.7% after 1.3% in 2019, and should then maintain a sustained pace of 1.5% in 2021. Meanwhile, the household saving ratio should stabilise around the level reached at the beginning of 2019 (see Chart 6).

Chart 5: Household consumption

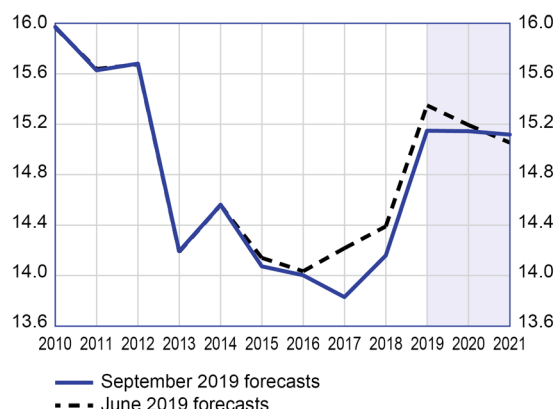
(year-on-year percentage change, quarterly series)



Sources: INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.

Chart 6: Household saving ratio

(percentage of gross disposable income)



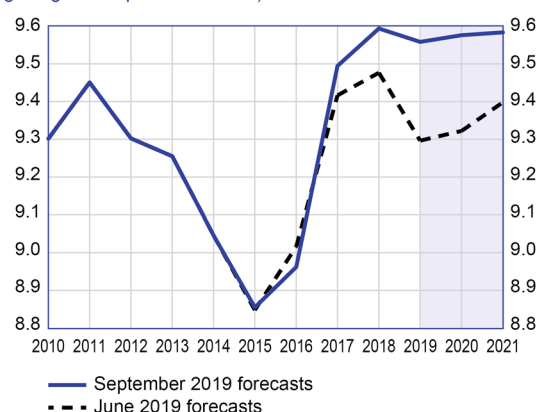
Sources: INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.

The assessment of household investment (spending on the construction of dwellings and on home improvements) was substantially changed as a result of the revisions to the national accounts at the end of May 2019. Indeed, the household investment rate (see Chart 7), which compares household investment spending to household income, is now substantially higher, both because the peak of 2017 is more marked and because the decline in 2018 and early 2019 is less significant. In this context, and despite the fall in interest rates, the margin for an acceleration in household investment growth in the coming quarters appears to be narrower than at the time of the June projections. Our scenario is now that household investment will continue to grow at a more modest pace (close to 1.0%), stabilising the household investment rate as a percentage of household disposable income.

Based on data available until mid-2019, business investment growth should continue at a fairly robust pace in 2019 in annual average terms (3.3%). Following a series of positive surprises from 2014 to 2017, since mid-2017 it has generally followed a trend in line with its determinants, i.e. mainly economic growth and cost of capital. Against this backdrop, the overall slowdown in economic activity should gradually lead to a more moderate investment growth rate (2.7% in 2020 and 2.3% in 2021). However, it should continue to slightly exceed GDP growth, particularly because of the persistently low interest rates.

Chart 7: Household investment rate

(percentage of gross disposable income)



Sources: INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.

The international environment deteriorated

In our June projections, foreign demand for French goods and services was revised sharply downwards by 1.1 percentage point for 2019 and 0.9 percentage point for 2020. In September, the international environment is continuing to deteriorate. Expected foreign demand for French goods and services has thus been further revised downwards for 2019 by 0.6 percentage point and should grow at a rate of only 1.4% in 2019, its lowest level since 2012. The revision since June mainly reflects a deterioration in imports into the United Kingdom and the poorer outlook for demand from the euro area, particularly from Italy. The upturn in foreign demand should remain modest in 2020 at 2.3% (revised downwards by 0.5 percentage point since June), due to a more sustained slowdown than previously anticipated in emerging economies and a sharper slowdown in international trade.

Overall, French exports are therefore expected to suffer from the effects of the slowdown in foreign demand. They should however prove resilient in 2019 with a growth rate (2.4%) that quite clearly exceeds that of foreign demand.

Export performances should therefore recover in 2019 in annual average terms, primarily as a result of improvements since the end of 2018, which should partially cancel out the poor performances recorded in 2016 and 2017 (see Chart 8). In this respect, there has been a significant upturn in aeronautics sector deliveries.

With generally stable export performances, exports are expected to grow in 2020 at a pace similar to that of 2019 and then gain momentum in 2021 on the back of foreign demand, which should contribute to restoring a slightly more sustained rate of economic growth.

Imports for their part are expected to rise in line with demand. In particular, the increase in imports linked to the acceleration in household consumption growth in 2020 should partly explain the net negative contribution of foreign trade of 0.3 percentage point for the same year.

Chart 8: Export performances



Sources: Eurosystem, INSEE data up to the second quarter of 2019. Blue-shaded area shows Banque de France projections.
Note: Export performance defined as the ratio between exports and foreign demand.

Inflation should initially be affected by the drop in energy prices and idiosyncratic factors but should ultimately recover slightly to 1.3% in 2021 for both headline HICP and HICP excluding energy and food

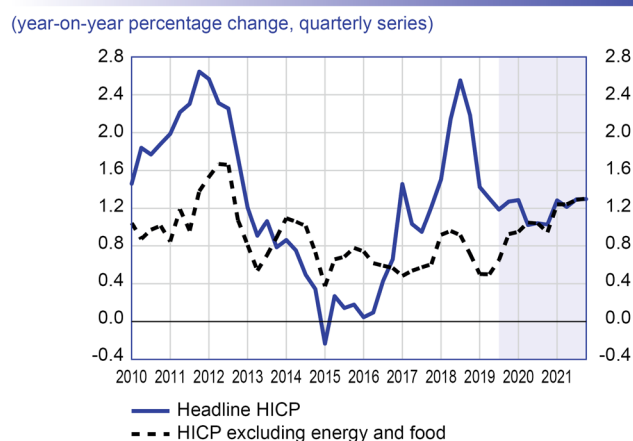
After peaking at 2.6% during the summer of 2018, inflation as measured by the Harmonised Index of Consumer Prices (HICP) had gradually fallen over recent months to 1.3% year-on-year in August 2019 (see Chart 9). This decline is mainly due to lower energy inflation as a result of both the drop in oil prices and the cancellation of the hike in the domestic consumption tax on energy products (TICPE) at the beginning of 2019, both of which had pushed energy prices sharply upwards in 2018. However, this downward pressure is partially offset by the continued strong upward trajectory of food prices.

Furthermore, inflation excluding energy and food was relatively weak at the beginning of 2019. The appreciation of the euro effective exchange rate until mid-2018 spread to industrial goods prices, with a few quarters' lag. The weakness of services inflation at the beginning of 2019 was more unexpected, but it has recovered since May.

Overall, annual average HICP excluding energy and food is expected to be only 0.6% in 2019 after 0.9% in 2018, while annual average headline HICP should fall to 1.3% from 2.1% in 2018. Headline HICP is then expected to decline a little further to 1.1% in 2020 when the effects of the drop in energy prices are expected to make themselves fully felt, in annual average terms. In addition, the rise in food prices should slow following the recent short-term increases. Headline HICP is then expected to regain momentum and rise to 1.3% in 2021, mainly driven by inflation excluding energy and food.

In 2020 and 2021, inflation excluding energy and food should gradually increase to 1.0% and then 1.3%, respectively. In the last few years, the rise in the value added deflator, and hence the underlying inflationary pressures, has been limited by weak growth in the cost of production factors, both labour costs and the cost of capital. Businesses have thus been able to cushion the impact of wage growth by slightly squeezing their margins. However, the dynamic labour market is expected to gradually contribute to a rebound in core inflation. Furthermore, the effects of the past exchange rate appreciation are expected to dissipate and industrial goods prices should be more strongly supported by rising import prices.

Chart 9: HICP and HICP excluding energy and food



Sources: INSEE data up to August 2019. Blue-shaded area shows Banque de France projections.

However, it is important to note that inflation excluding energy and food is expected to follow an uneven trajectory, particularly in 2020, as a result of various economic policy measures: a further cut in social housing rents in January (following a first reduction in June 2018); and the impact of the French health law on zero excess for optical products, hearing aids and dental prostheses. This latter reform could prompt a significant decrease in the prices of optical products (and hearing devices) and therefore on industrial goods prices at the beginning of the year. In return, supplementary healthcare coverage could become more expensive, pushing up the service price index.

In 2019, the government deficit should be close to the ceiling of 3% of GDP, although it would only be a little over 2% if the temporary effect of the transformation of the CICE were excluded. It should remain a little over 2% of GDP in 2020, before falling below this ceiling in 2021. This is still unlikely to be enough to bring down government debt

The government deficit, which narrowed to 2.5% of GDP in 2018, is expected to stand at 3.0% in 2019 as a result of the temporary effect of transforming the CICE tax credit into a permanent cut in social security contributions. Excluding this impact, the deficit would stand at 2.1% of GDP in 2019. Factoring in the most recent fiscal measures announced by the government (the cut in income tax in 2020, the extension of the abolition of the housing tax to the households which have not benefited yet as from 2021, unemployment benefit reform), even though they still have to be fully clarified in forthcoming budget laws, the government deficit should be a little over 2% of GDP in 2020 before shrinking to slightly below 2% in 2021.

A reduction in the aggregate tax-to-GDP ratio (taxes and social security contributions as a percentage of GDP) of 1 percentage point of GDP between 2018 and 2021 should be accompanied by an increase in spending, in real terms and excluding tax credits, of up to 0.7% on average from 2019 to 2021 (0.6% excluding the impact of the incorporation of France Compétences into the scope of general government). In addition to savings made on the public sector wage bill (freeze in index points in the public sector pay grid) and on social security benefits (unemployment benefit reform), this trend incorporates the continued reduction in interest payments over the projection horizon. Real primary spending (excluding interest payments) is expected to increase more significantly than total spending, by an average of 1.3% from 2019 to 2021. The primary structural adjustment is expected to be negative over the entire projection horizon and the government debt ratio should continue to rise until 2020, only stabilising at the end of the horizon at around 99% of GDP.

These projections remain subject to negative external risks, including in particular the outcome of Brexit, which could have a significant impact on our expectations

These projections remain subject to significant risks, notably due to the uncertain international environment. Economic activity in France could be undermined by a more severe slowdown in our euro area trading partners' economies, especially in Germany, which has been hit by the weakening of global trade and difficulties in its automobile sector, and in Italy, where future economic policy trends are difficult to foresee. The escalation in trade tensions, particularly between China and the United States, also continues to pose significant risks.

Above all, a disorderly Brexit, and particularly if its repercussions quickly reach beyond the United Kingdom (a scenario that has not been taken into consideration here), would create a significantly different – and more deteriorated – external environment, which would thus weigh on France's economic outlook.

By contrast, on a domestic level, recent economic surveys suggest that the short-term outlook should be positive, while business investment could be higher than anticipated, particularly given the recent significant reduction in long-term rates. The uncertainty over the speed at which purchasing power gains will be consumed remains a significant risk, both upside and downside, to our projections. Lastly, the fiscal measures that will be incorporated into the 2020 budget law, details of which were not available at the time of preparing these projections, are also likely to have an impact on the trajectory described.

There are also a number of risks to the evolution of prices in France. First, oil price volatility generally poses a symmetric risk to energy prices. Furthermore, while the trajectory of non-energy, non-food inflation was weaker than expected in the first half of 2019, it appeared to pick up, particularly in services, in July and August, but it remains to be seen how long this upturn will last. Moreover, we have incorporated a fairly significant downside effect from the January 2020 "100% health" law on the pharmaceutical products price index, but it is difficult to precisely calculate the future impact of such measures on inflation. Lastly, a significantly different macroeconomic scenario, such as a more unfavourable Brexit outcome than that included in these projections, would, of course, lead to a different, and theoretically weaker, level of inflation.

Appendix A: Revisions to projections and technical assumptions since the June 2019 projections

Table A1: Revisions to projections since June 2019

	September 2019 projections			Revisions since June 2019 projections		
	2019	2020	2021	2019	2020	2021
Real GDP	1.3	1.3	1.4	0.1	-0.1	0.0
Contributions to GDP growth (in percentage points) ^{a,b)}						
Domestic demand (excluding changes in inventories)	1.5	1.6	1.5	0.2	0.0	0.0
Net exports	-0.1	-0.3	0.0	0.0	-0.1	0.0
Changes in inventories	-0.1	0.0	0.0	-0.1	0.0	0.0
Household consumption (52%) ^{c)}	1.3	1.7	1.5	0.2	0.0	0.0
Government consumption (23%)	0.9	1.0	1.1	-0.1	-0.1	-0.1
Total investment (23%)	2.7	2.1	1.7	0.8	0.2	0.0
Government investment (3%)	2.9	1.5	0.6	0.1	0.0	0.0
Household investment (5%)	1.1	0.9	0.8	1.7	0.2	-0.7
Business investment (NFCs-FCs-IEs) (14%)	3.3	2.7	2.3	0.6	0.2	0.2
Exports (31%)	2.3	2.3	3.0	-0.2	-0.5	-0.3
Imports (32%)	2.4	3.1	3.1	-0.1	-0.3	-0.4
Real household gross disposable income	2.5	1.7	1.4	0.2	0.2	0.1
Net job creations (thousands)	271	169	104	122	26	-22
ILO unemployment rate (France and overseas departments, % of labour force)	8.5	8.1	8.0	-0.2	-0.2	-0.2
HICP	1.3	1.1	1.3	0.0	-0.2	-0.1
HICP excluding energy and food	0.6	1.0	1.3	0.0	0.0	-0.1
GDP deflator	1.6	0.9	1.1	0.2	-0.3	-0.1

Sources: 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.

b) The revisions presented here have been calculated using unrounded figures and then rounded off to one decimal.

c) Percentages in brackets refer to each item's share of GDP in 2018.

Table A2: Technical assumptions and international environment^{a)}

	September 2019 projections			Revisions since June 2019 projections		
	2019	2020	2021	2019	2020	2021
Technical assumptions						
Brent oil price (USD/barrel)	62.5	57.0	56.3	-5.6	-8.8	-6.4
Brent oil price (EUR/barrel)	55.6	51.0	50.4	-5.0	-7.7	-5.6
Non-energy commodity prices in EUR (annual percentage change)	1.7	4.0	3.7	0.3	-0.3	-0.2
USD/EUR exchange rate	1.12	1.12	1.12	0.0	0.0	0.0
Euro nominal effective exchange rate (annual percentage change) ^{b)}	-0.6	0.5	0.0	0.4	0.4	0.0
3-month Euribor ^{c)}	-0.4	-0.6	-0.6	-0.1	-0.3	-0.4
10-year French government bond yields ^{c)}	0.1	-0.2	-0.1	-0.3	-0.7	-0.8
International environment, annual percentage change						
Extra euro-area competitors' prices on the export side (in EUR)	3.6	2.2	2.4	-1.2	-0.4	0.1
World real GDP	2.8	3.2	3.3	-0.2	-0.2	-0.1
World (excluding euro area) real GDP	3.1	3.4	3.5	-0.3	-0.2	-0.1
Global (excluding euro area) trade	0.4	2.2	2.9	-0.2	-0.6	-0.5
Foreign demand for French goods and services	1.4	2.3	2.9	-0.6	-0.5	-0.2
Intra-euro area	2.1	2.9	3.3	-0.4	-0.3	0.0
Extra-euro area	0.8	1.8	2.6	-0.7	-0.7	-0.4

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

Revisions to the June 2019 projections are expressed as absolute variations for levels and as percentage points for rates of growth.

a) These technical assumptions and international environment projections were constructed by the Eurosystem on 19 August 2019 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*, 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/scpops/ecbocp108.pdf>.

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

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

Appendix B: Additional indicators

Table B1: Change in household consumption and purchasing power

(annual average percentage change)	2016	2017	2018	2019	2020	2021
Real household consumption	1.6	1.6	0.9	1.3	1.7	1.5
Purchasing power	1.6	1.4	1.2	2.5	1.7	1.4
Purchasing power per capita	1.3	1.1	1.1	2.3	1.4	1.1
Saving ratio	14.0	13.8	14.2	15.1	15.1	15.1

Sources: INSEE quarterly national accounts published on 29 August 2019. Blue-shaded columns show Banque de France projections.

Table B2: Ratios of non-financial corporations

(annual average, in %)	2016	2017	2018	2019	2020	2021
Margin rate (% of value added)	31.7	31.8	31.2	32.9	31.6	31.5
Investment ratio (% of value added)	23.2	23.7	24.1	24.4	24.7	24.7
Self-financing ratio (investment/savings)	97.2	98.2	93.7	97.3	90.9	91.3

Sources: INSEE quarterly national accounts published on 29 August 2019. Blue-shaded columns show Banque de France projections.

Table B3: Change in wages and productivity in the market sector

(annual average percentage change)	2016	2017	2018	2019	2020	2021
Value added deflator	0.6	0.0	0.4	1.8	0.9	1.0
Unit labour costs	1.3	0.6	1.4	-0.5	1.0	1.2
Productivity per capita	0.2	1.2	0.5	0.2	0.7	1.1
Average per capita nominal wage	1.6	1.7	1.7	2.0	1.9	2.4
Average per capita real wage ^a	1.4	0.8	0.2	0.9	1.0	1.3

Sources: INSEE quarterly national accounts published on 29 August 2019. Blue-shaded columns show Banque de France projections.

a) Adjusted for the household consumption deflator.

Note: In the national accounts, only social security contributions are included in unit labour costs. The CICE (Tax Credit for Competitiveness and Employment) therefore has no impact on this indicator: the decline in unit labour costs in 2019 is thus attributable to the cut in social security contributions introduced to replace the CICE.

Table B4: Change in employment and unemployment for the entire economy

(annual average change, in thousands)	2016	2017	2018	2019	2020	2021
Total employment	176	275	288	271	169	104
Market-sector salaried employment	152	282	296	264	167	102
Non-market sector employment	25	-11	-22	-6	-2	0
Non-salaried employment	-1	4	15	13	4	2
Labour force	94	96	201	81	70	68
Unemployed	-82	-180	-87	-189	-99	-36
ILO unemployment rate (France and overseas departments, % of labour force)	10.1	9.4	9.1	8.5	8.1	8.0

Sources: INSEE data (Labour Force Survey, quarterly national accounts published on 29 August 2019). Blue-shaded columns show Banque de France projections.

Note: The labour force projections from the third quarter of 2019 onwards are based on INSEE's baseline scenario projections for the labour force up to 2070.