

France

Rebalancing the economy
...is hard but at least France is trying

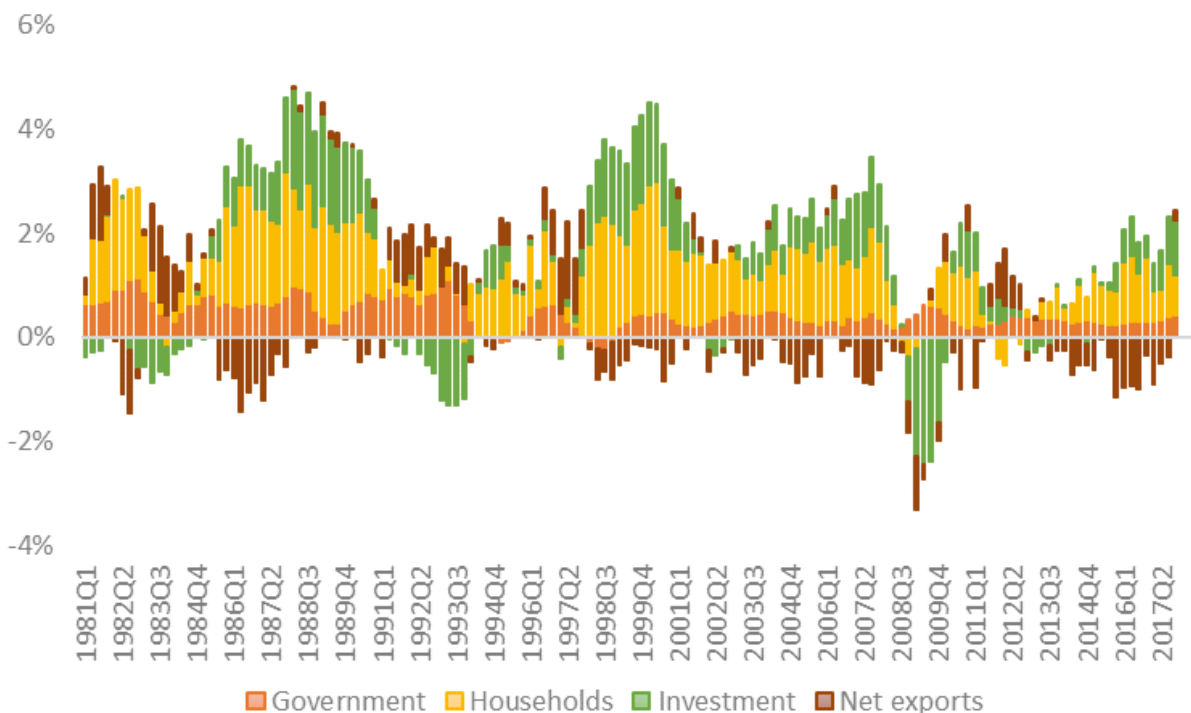
Shubhra Singh
Raffaella Tenconi

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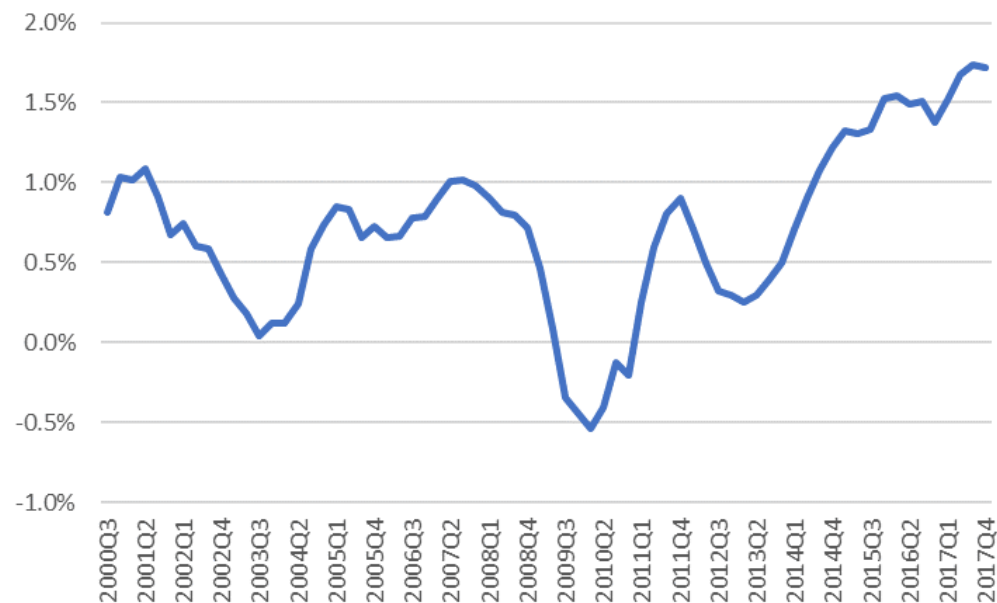
- GDP, inflation and labour market Pg. 3-11
- Business sector Pg. 12-18
- Household sector Pg. 19-24
- Interest rates Pg. 25-27
- General government Pg. 28 -31
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Historical perspective on GDP drivers

GDP Contributions, constant prices



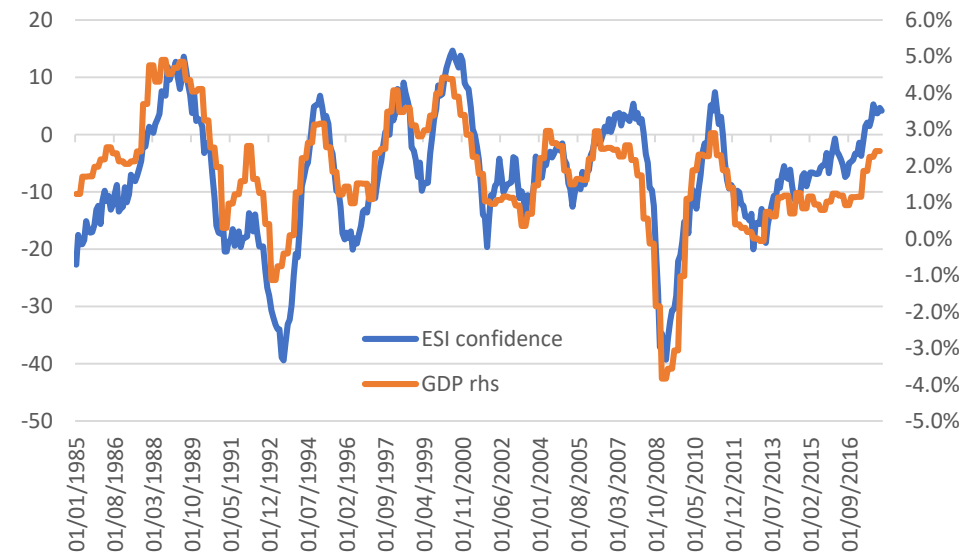
4q rolling sums of inventories, % of GDP



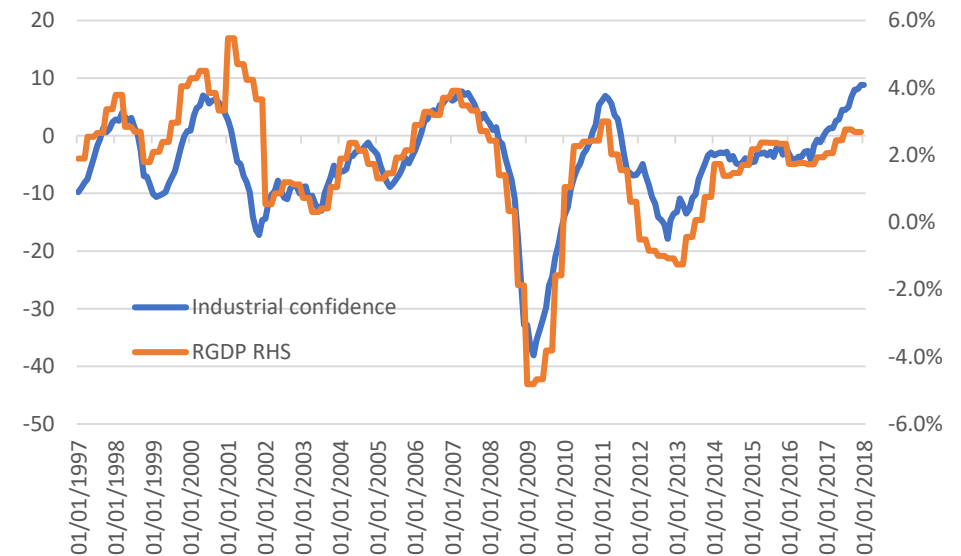
Sources: eurostat, ADA Economics

Surveys & real GDP performance historically

France: leading indicators suggest stronger GDP growth ahead



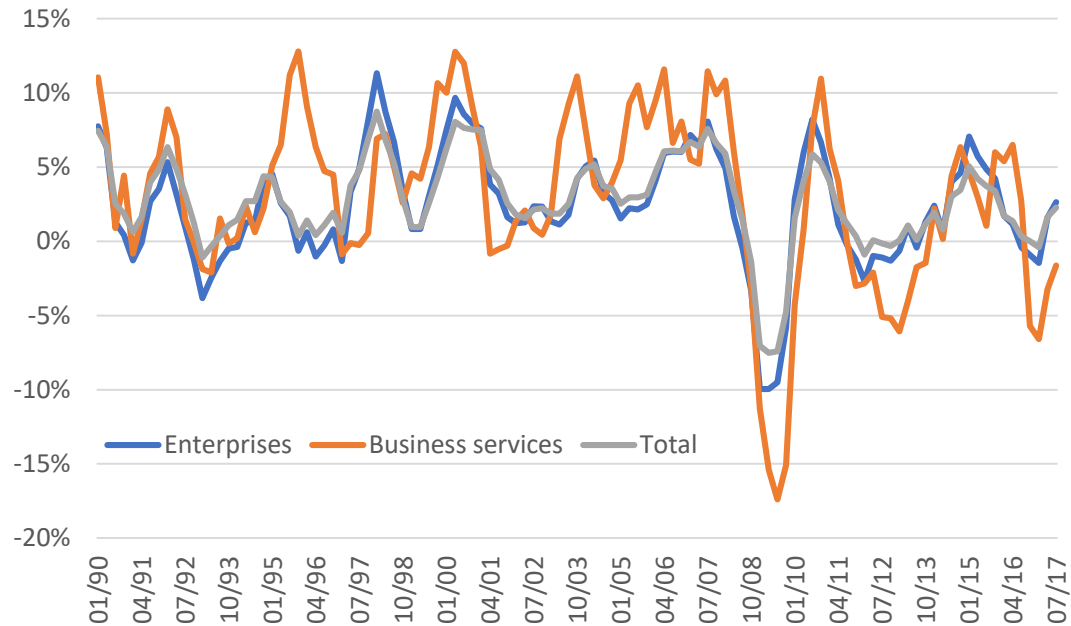
Eurozone: leading indicators point to a robust recovery



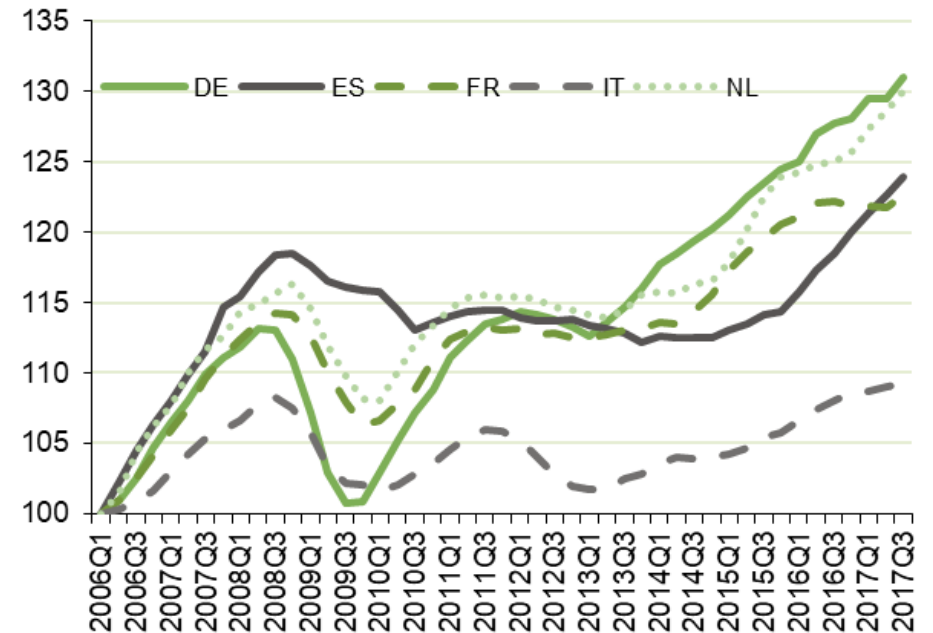
Sources: Macrobond on EC survey data, ADA Economics

Convergence: France is ahead, for how long?

Profits: rebounding but not super strong, YOY



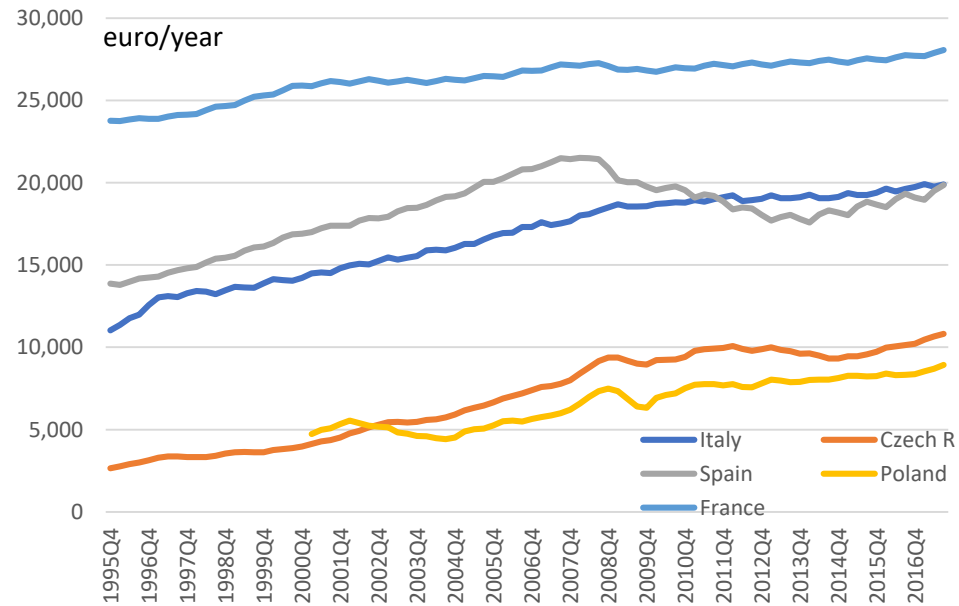
Gross profits 2006Q1=100, France is not doing too badly



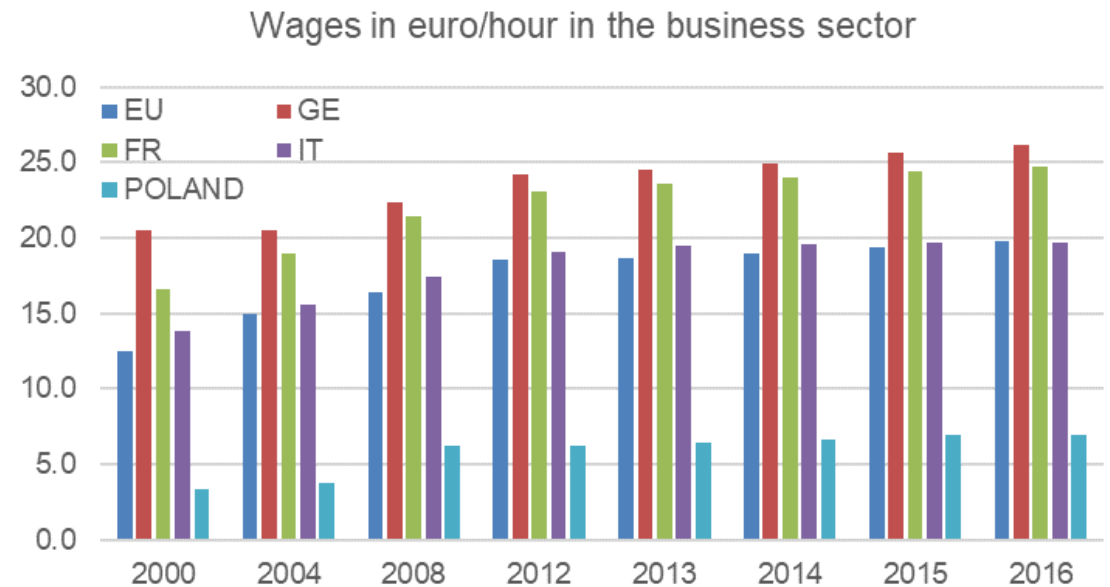
Sources: Macrobond on EC survey data, ADA Economics

Convergence: France is ahead, for how long?

Wage per employee is well ahead most, but the rise is not very steep



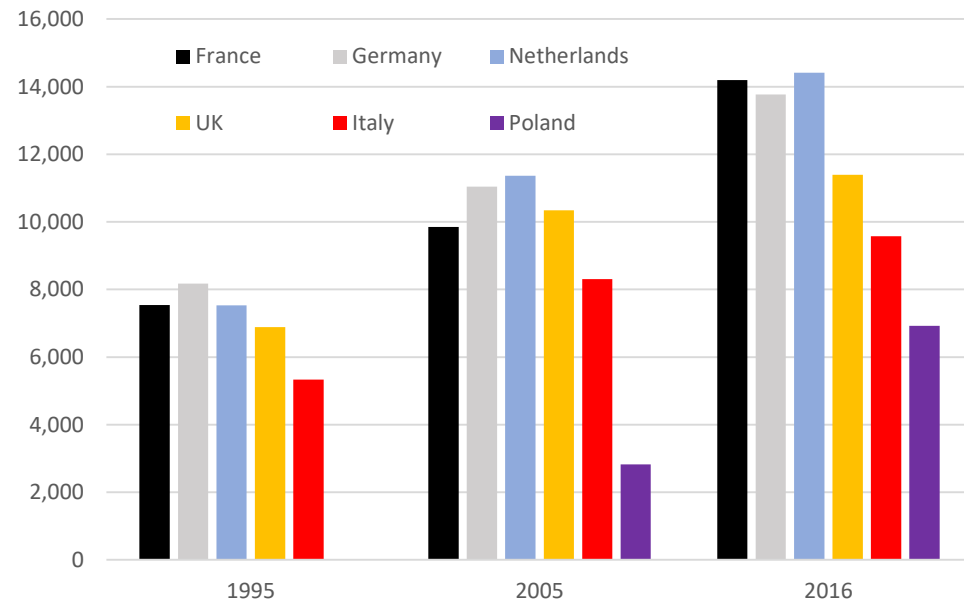
Labour costs: it appears that the convergence gap is still large



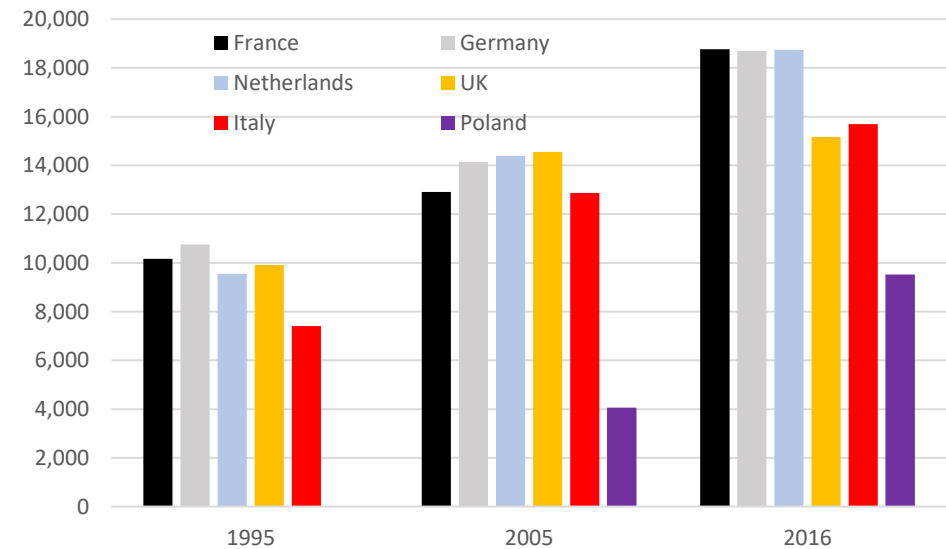
Sources: Eurostat data, ADA Economics analysis

Convergence: France is ahead, for how long?

Upper income threshold for the poorest quintile, in PPS terms (disposable income per person euros a year)



Upper income threshold for the 2nd poorest quintile, in PPS terms (disposable income per person euros a year)

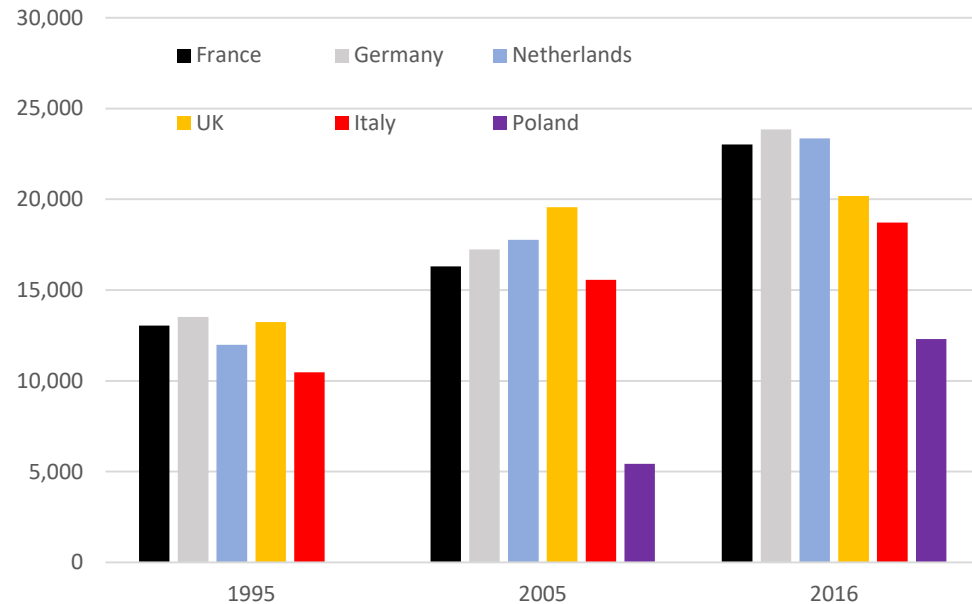


Sources: Eurostat data: the upper threshold of the 1st quintile represents the maximum disposable income a year earned by the poorest 20% of the population of a country. PPS = purchasing power standards.

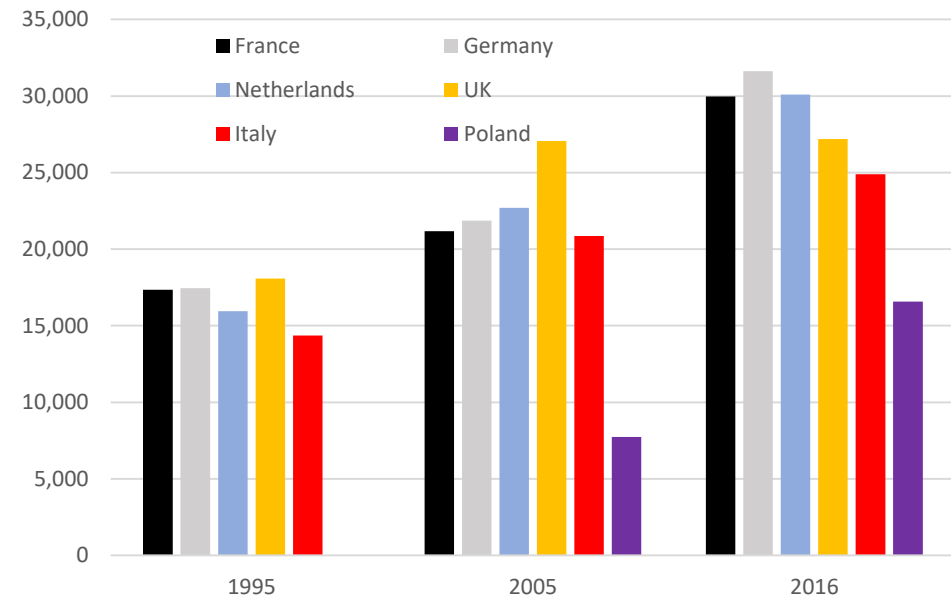
ADA Economics calculations

Convergence: France is ahead, for how long?

Upper income threshold for the 3rd quintile,
ie the middle class in PPS terms
(disposable income per person euros a year)



Upper income threshold for the 4th quintile,
ie the middle class in PPS terms
(disposable income per person euros a year)

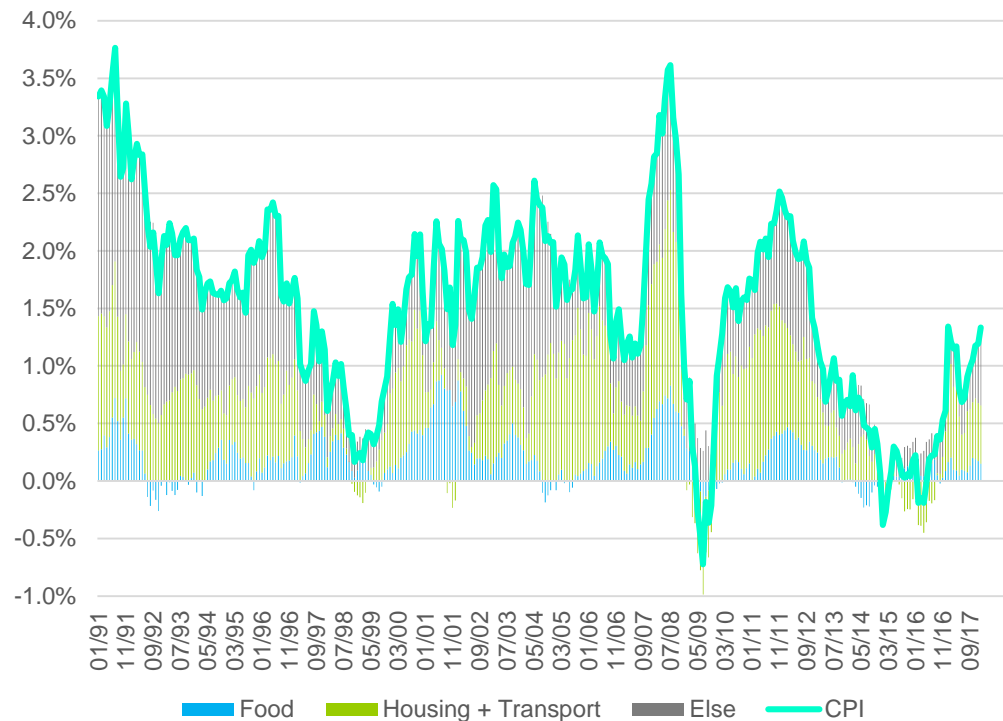


Sources: Eurostat data: the upper threshold of the 3rd -4th quintiles represent the maximum disposable income a year earned by the 40% of the population in the middle of the income distribution of a country.

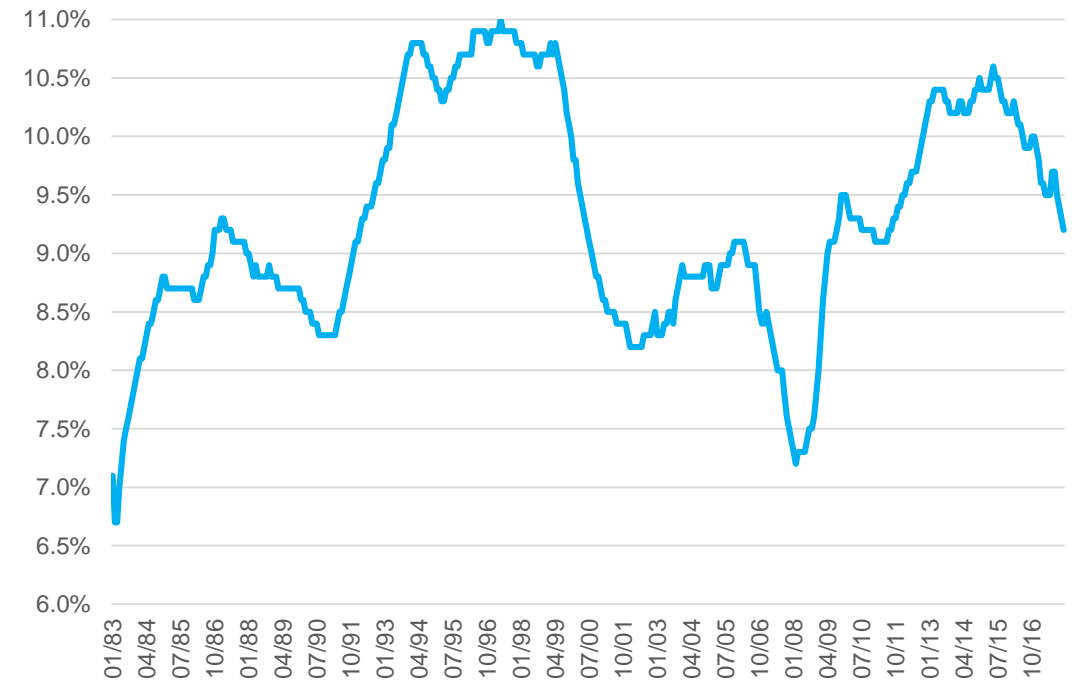
PPS = purchasing power standards. ADA Economics calculations.

Inflation and labour market

YoY CPI change



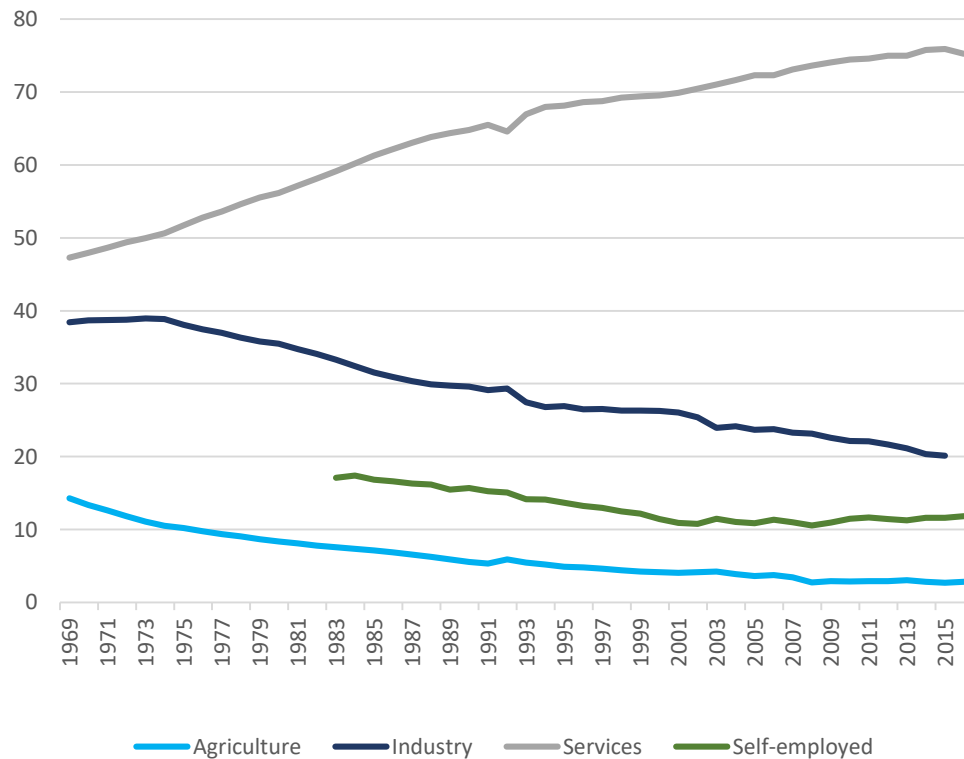
Unemployment Rate



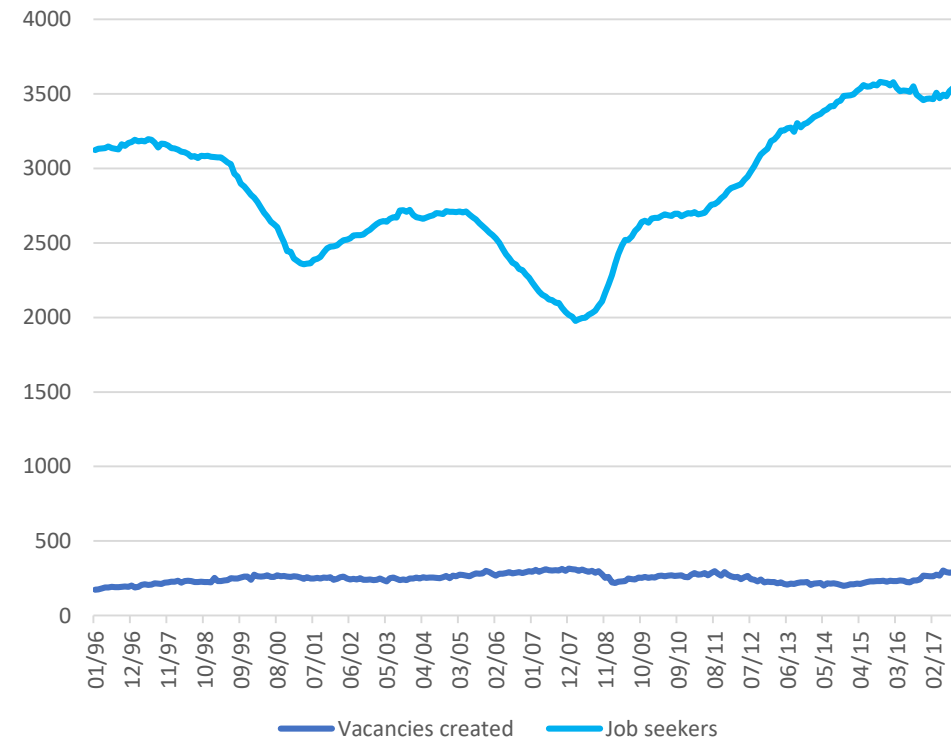
Sources: CEIC, ADA Economics

Labour market

% of total employment



Vacancies v.s. job seekers (in 1000 persons)



Sources: CEIC, ADA Economics

Employment forecasts

Despite a reduction in non-market sector employment due to less subsidized jobs:

- **Non-market sector employment** should slow its progression in 2017, and decrease in 2018 (reduction of subsidized jobs)
- **Total employment** is expected to increase by 270 000 and 135 000 in annual average respectively in 2017 and 2018 .

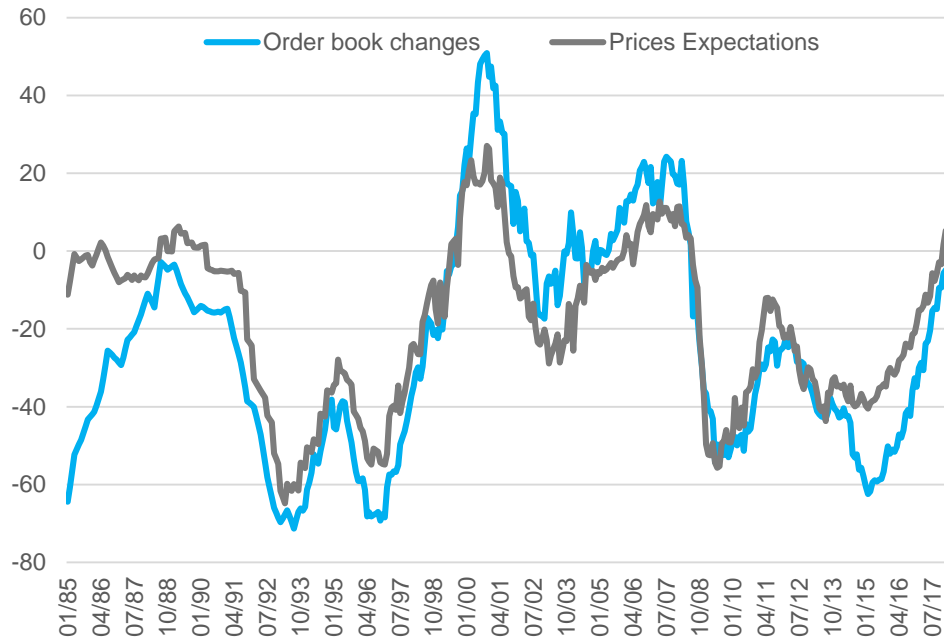
Variation in annual average (in 1000s)

	2016	2017	2018
Private employment	170	235	160
Non-market sector employment	40	35	-45
Farm employment	5	0	5
Self-employment	-5	0	15
TOTAL	210	270	135

Sources: Agence France Trésor, ADA Economics

Construction Sentiment

Confidence and expectations



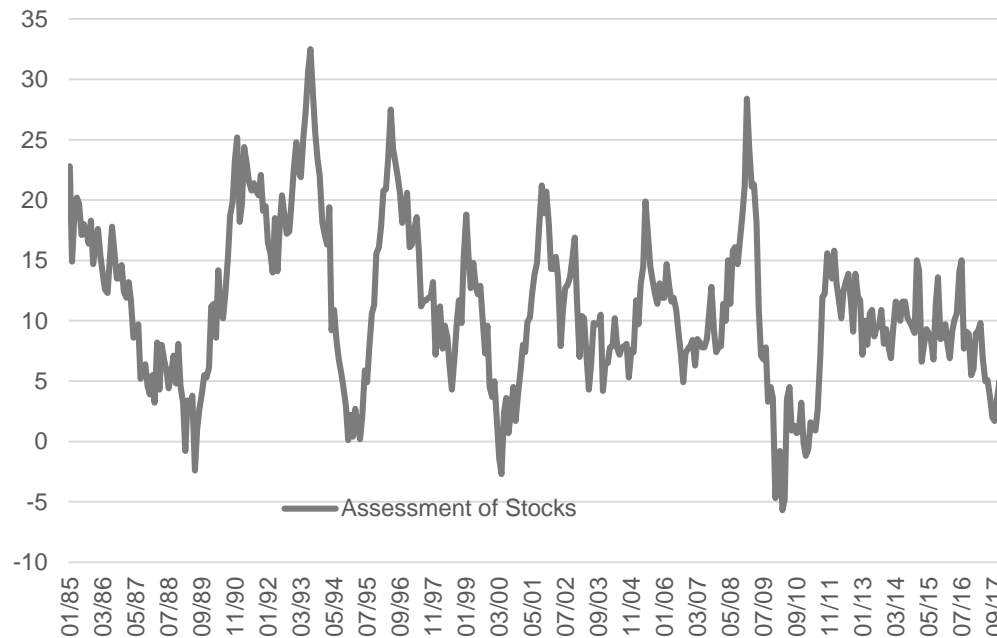
Hiring appetite



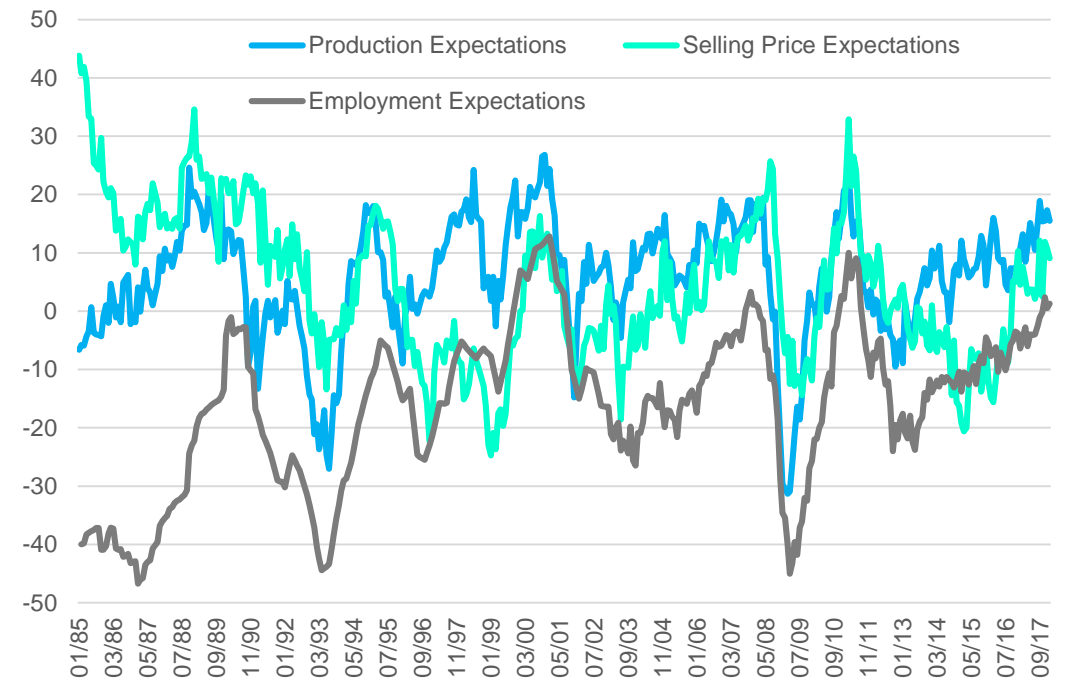
Sources: CEIC, ADA Economics

Industrial Sentiment

Perceived inventories levels appear low despite a 17-year high inventory level reported in GDP



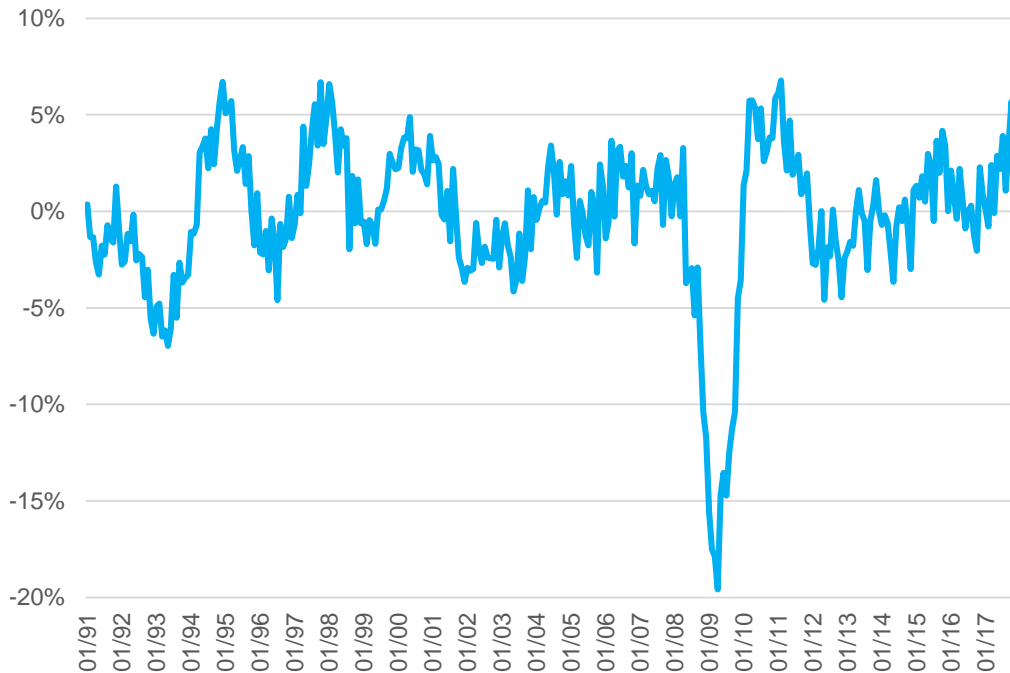
Expectations



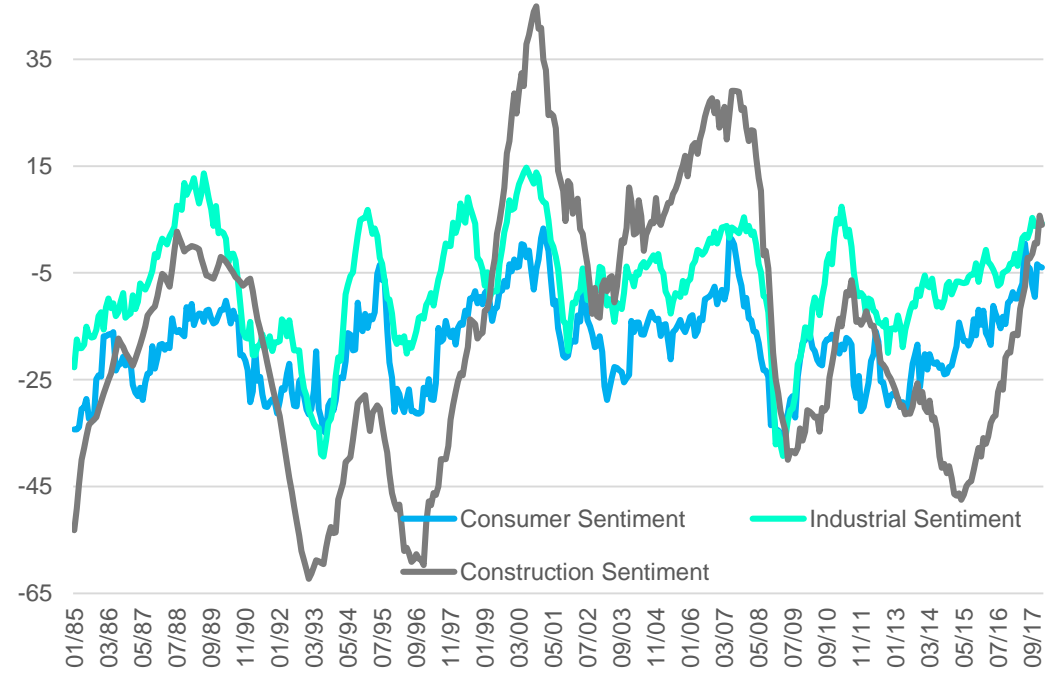
Sources: CEIC, ADA Economics

Industrial Sector

YoY change Industrial Production



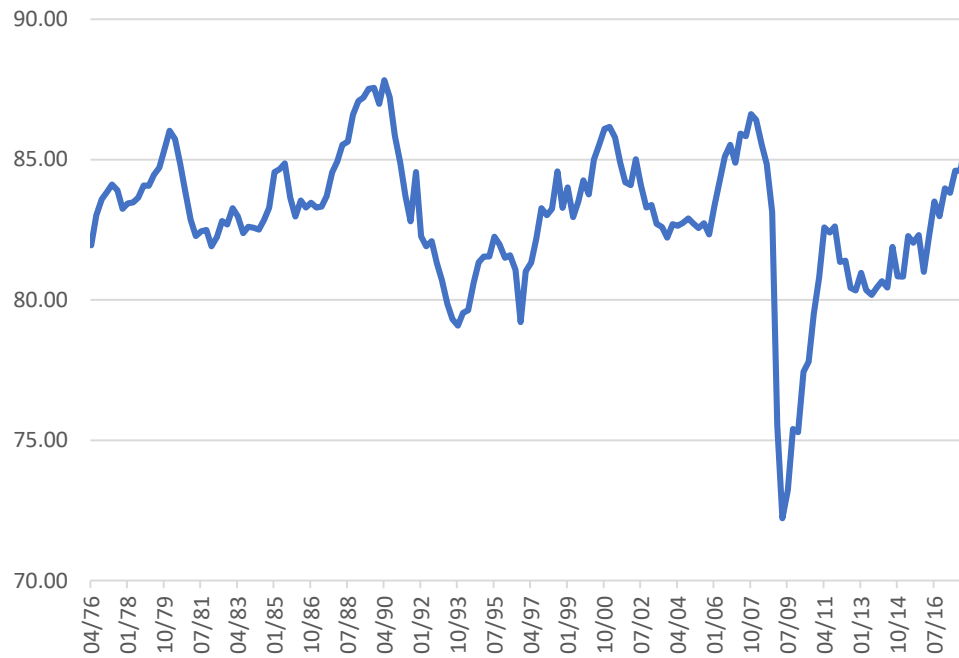
Confidence Indicators



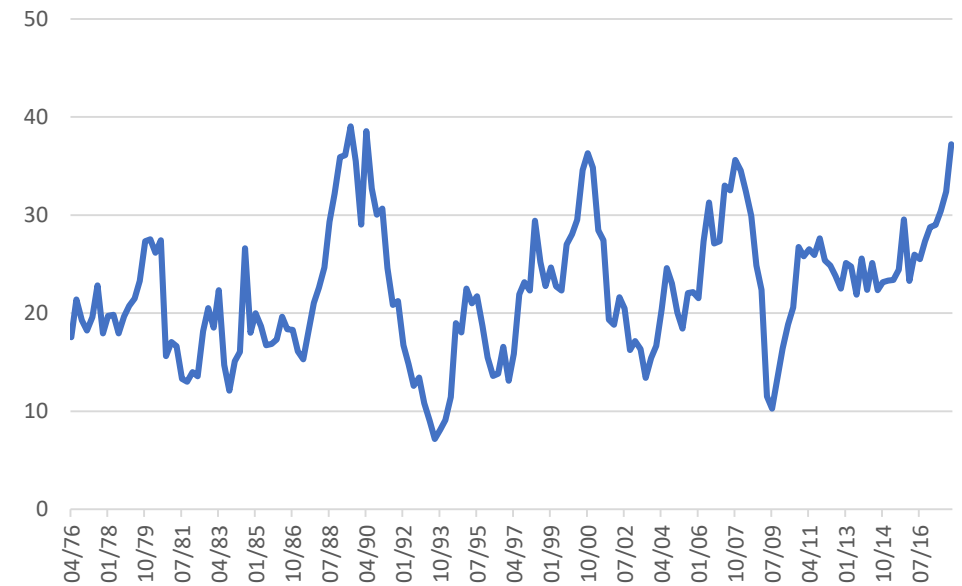
Sources: CEIC, ADA Economics

Industrial Sector

Productive Capacity Utilization Rate %



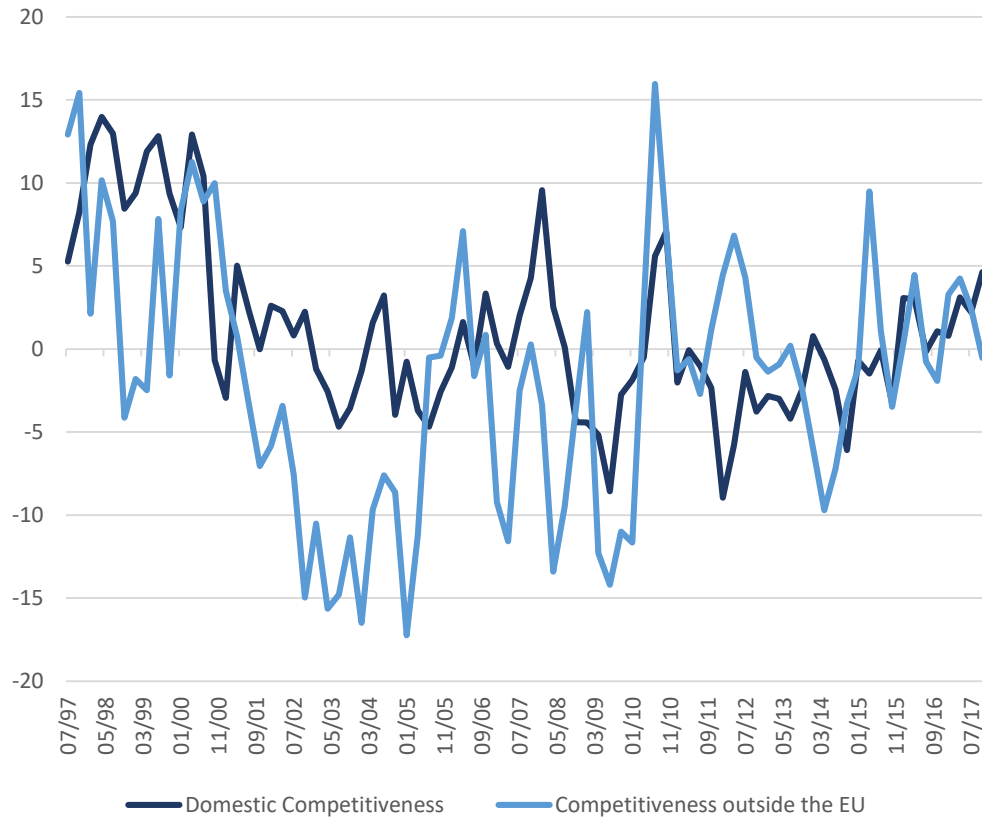
Share of Firms Producing at Full Capacity %



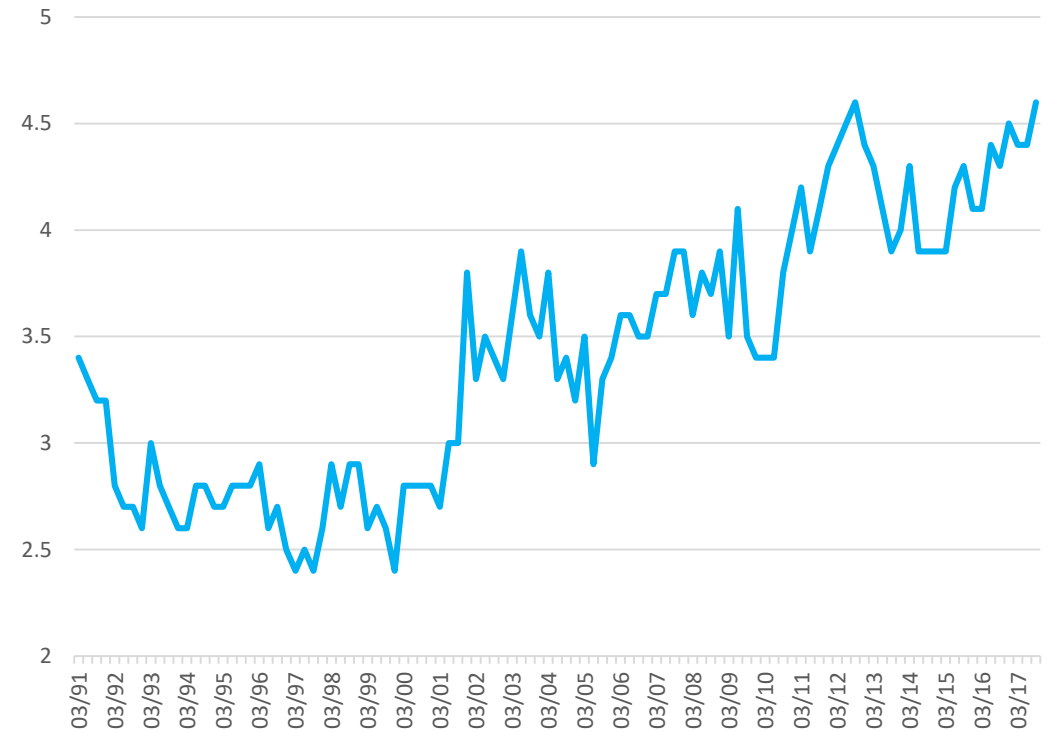
Sources: CEIC, ADA Economics

Industrial Sector

Competitiveness



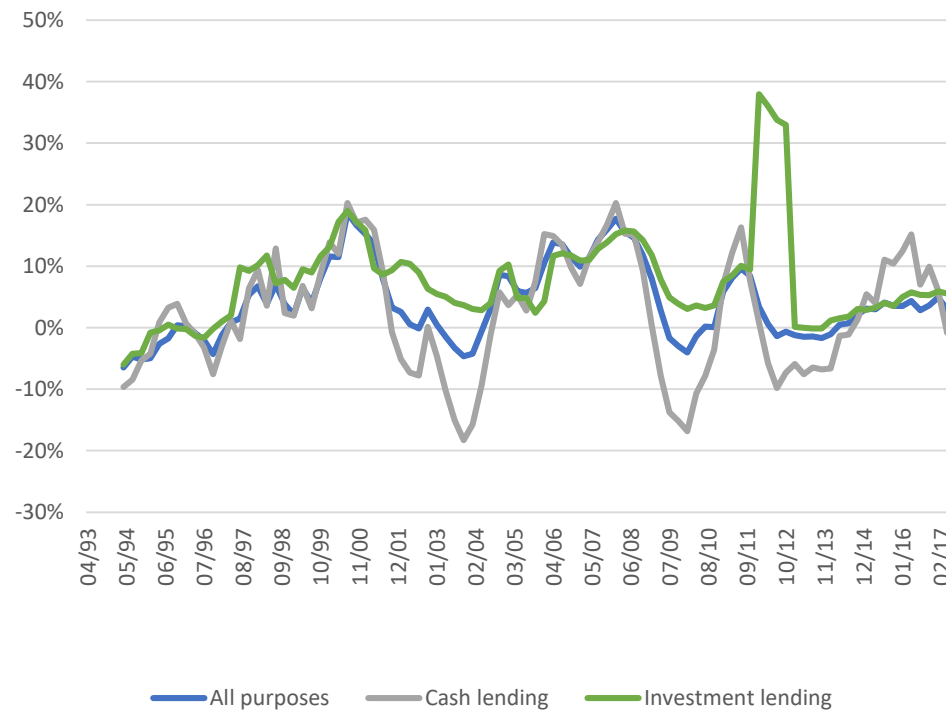
Duration of Current order



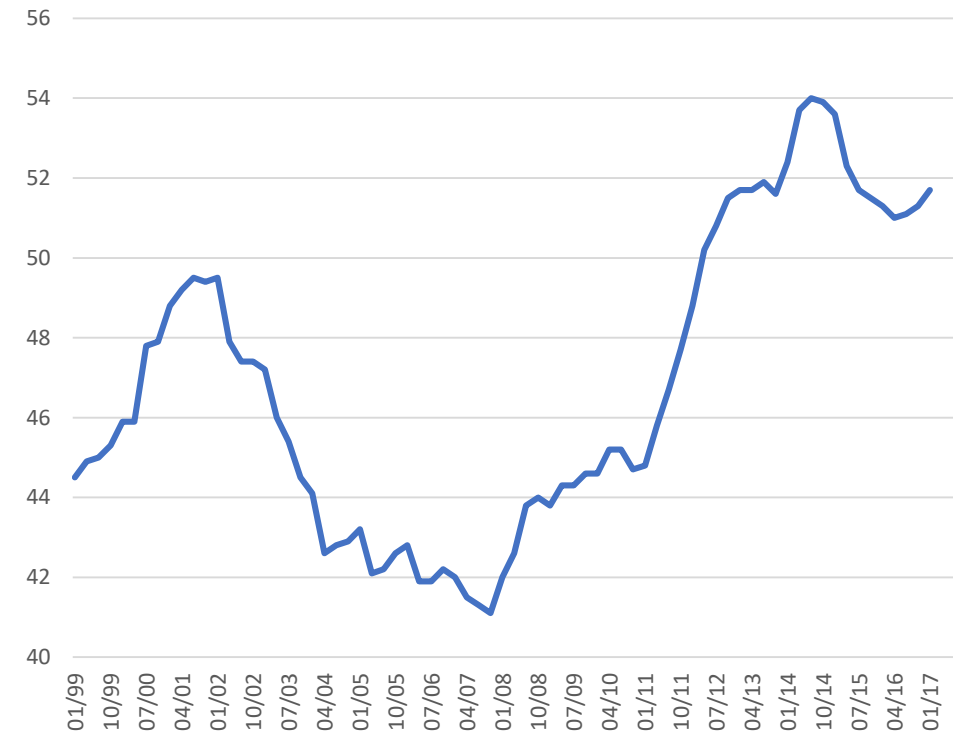
Sources: CEIC, ADA Economics

Loans to NFCs

Loans to NFCs, YoY



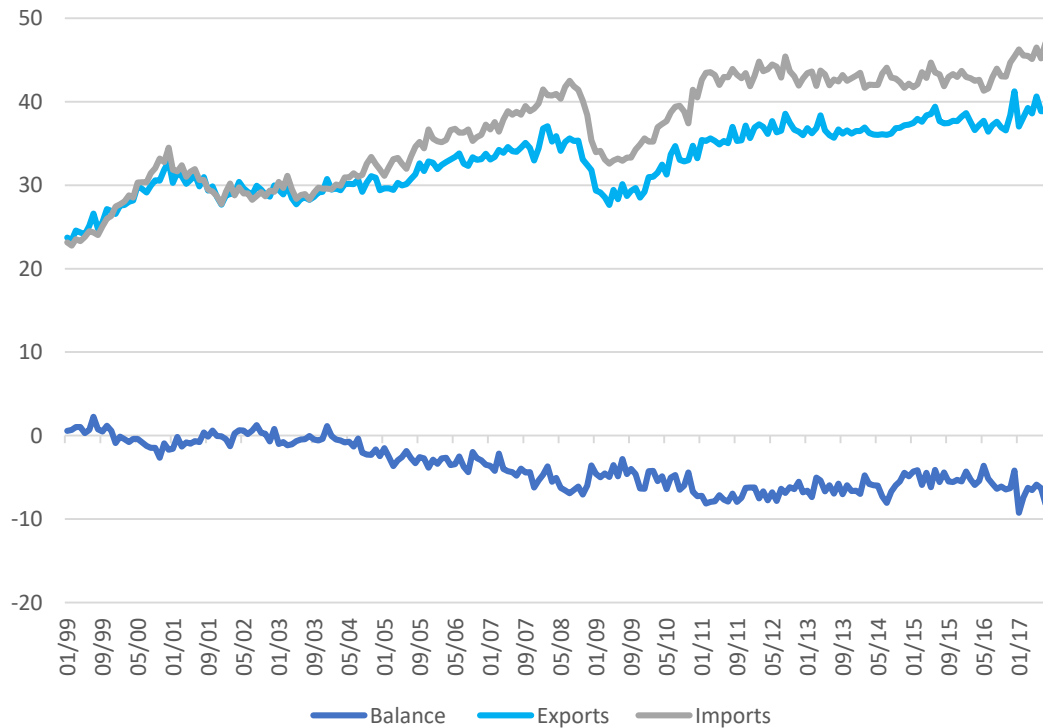
Debt service ratios, as a share of income



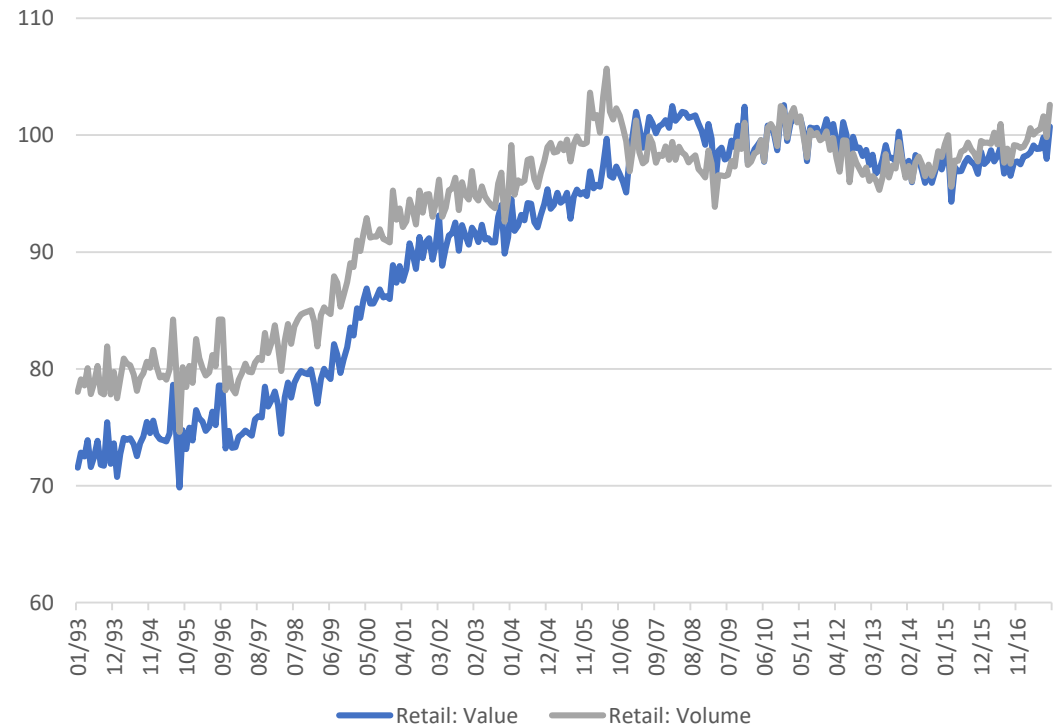
Sources: CEIC, ADA Economics

Trade

Exports and imports dynamics, in EUR bn



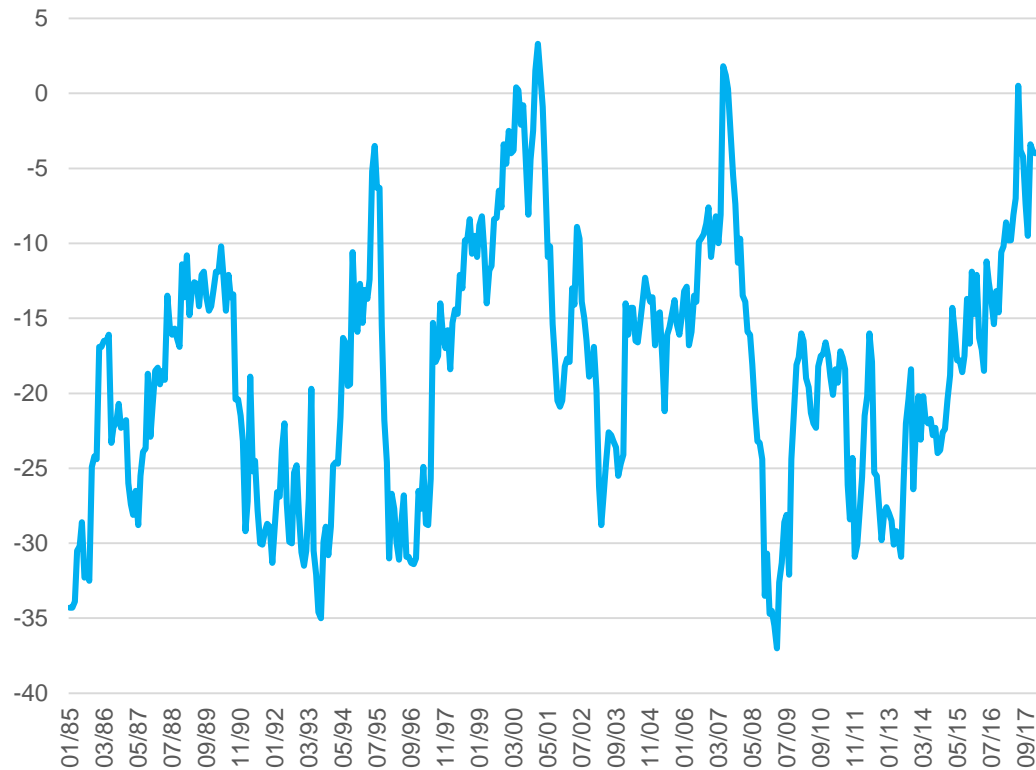
Retail Trade



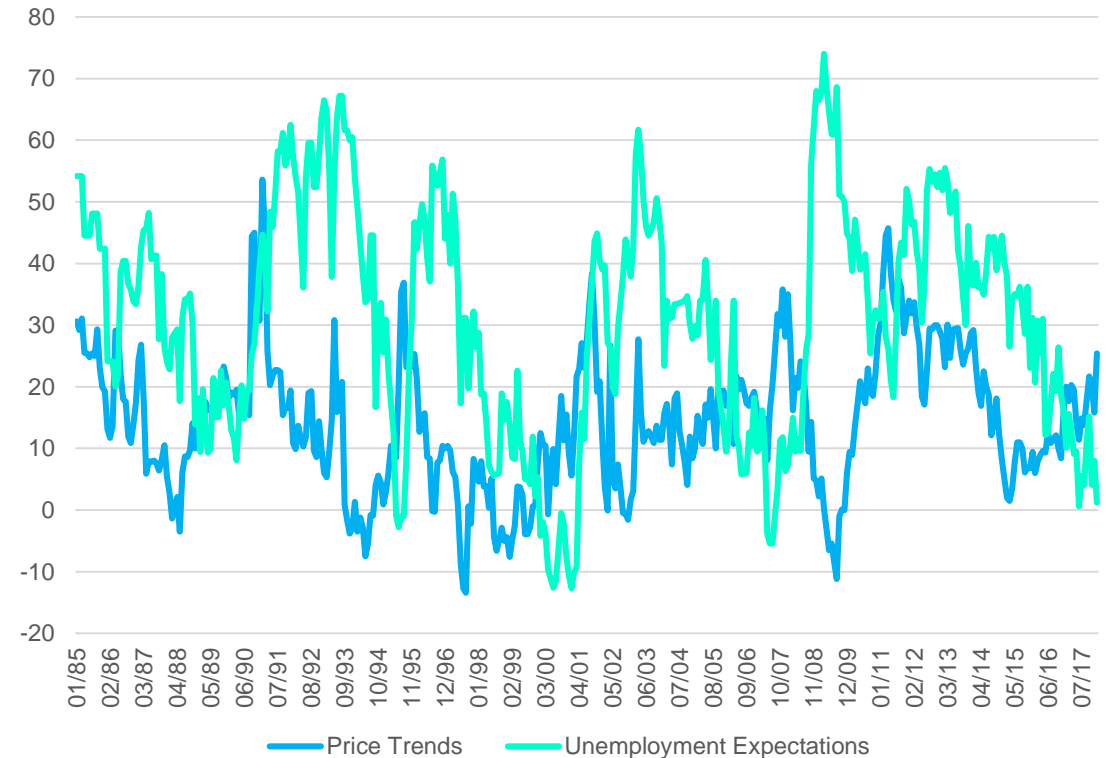
Sources: CEIC, ADA Economics

Consumer Sentiment

Total Balance



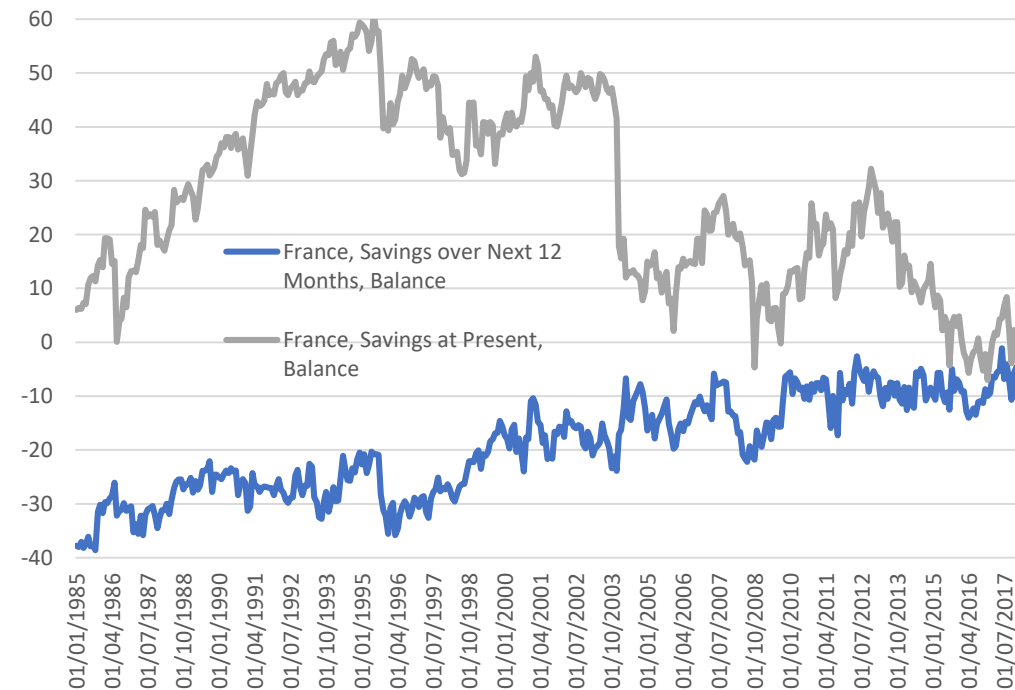
Indicators



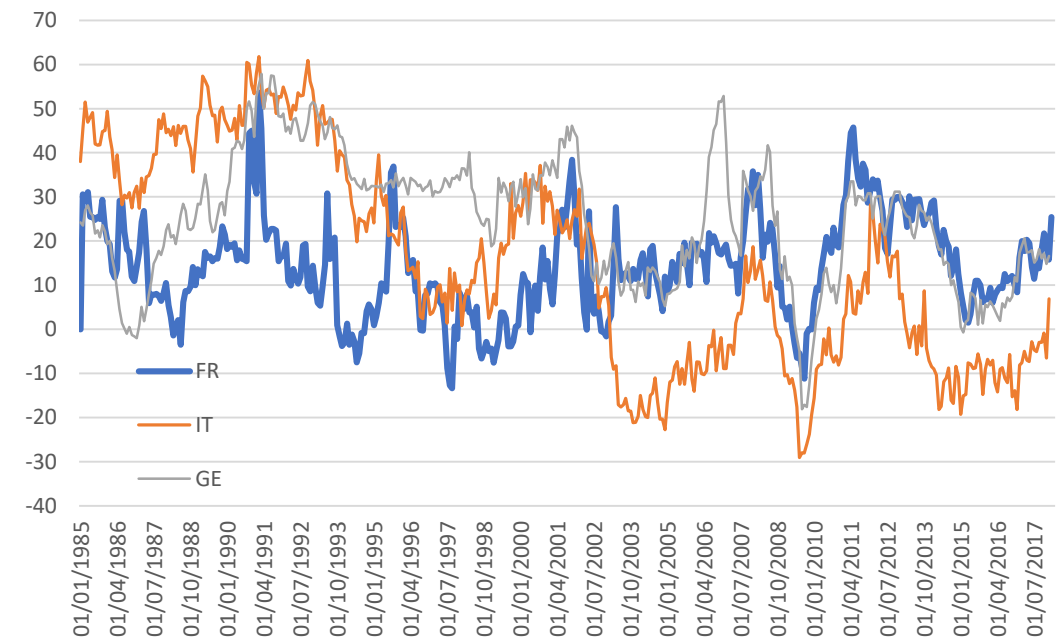
Sources: CEIC, ADA Economics

Households' concerns:

Appetite for future savings is rising



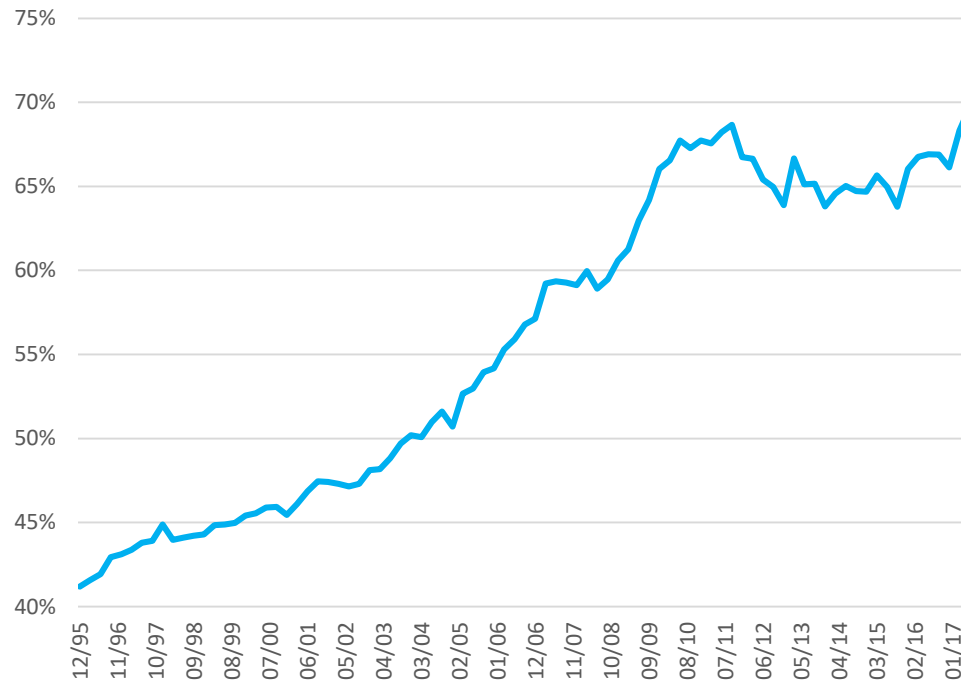
Inflation concerns are comparable to those of German households despite slower growth in France



Sources: Macrobond on EC survey data, ADA Economics

Household sector balance sheet

Debt-to-GDP



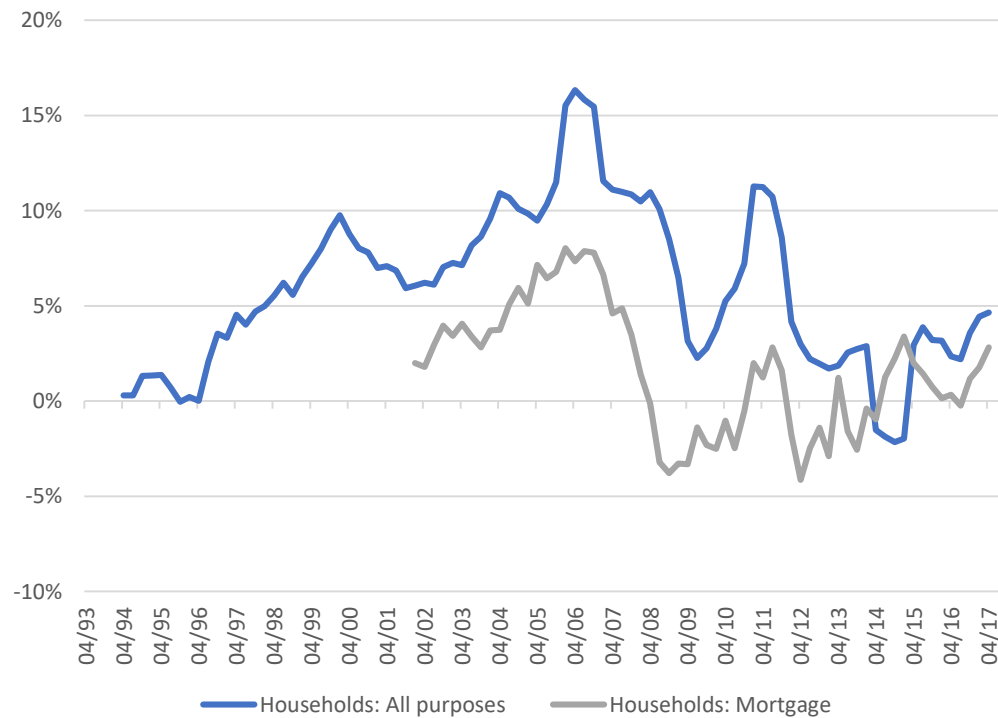
Net assets-to-GDP



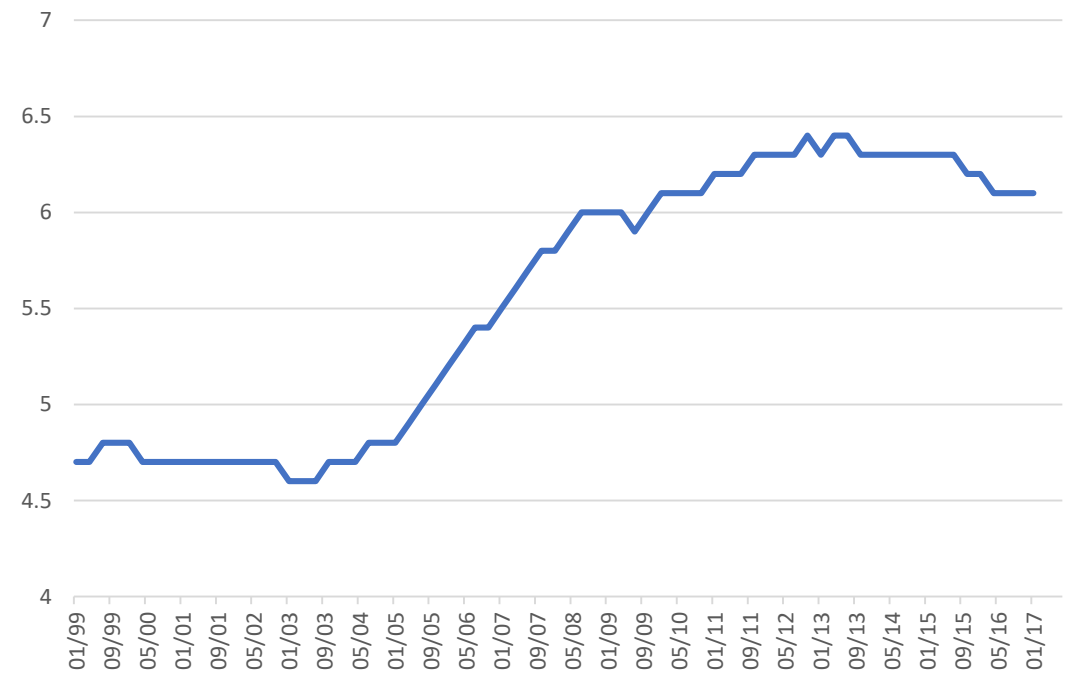
Sources: CEIC, ADA Economics

Loans to Households

Loans to households, YoY



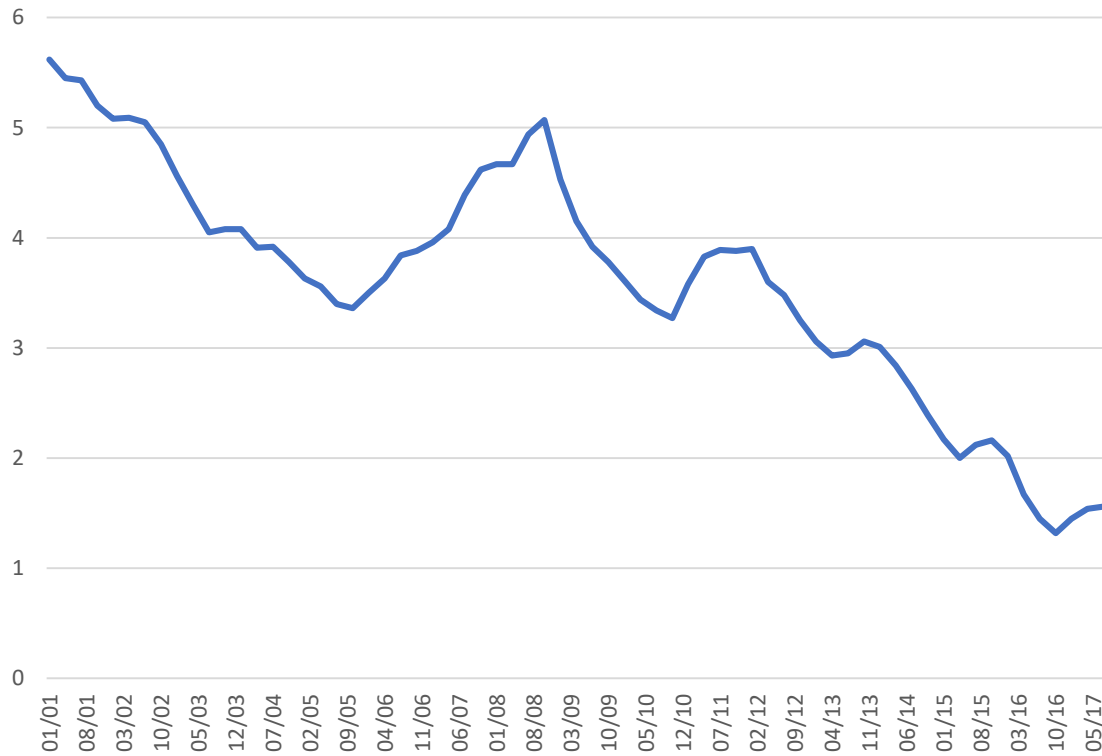
Debt service ratios, as a share of income



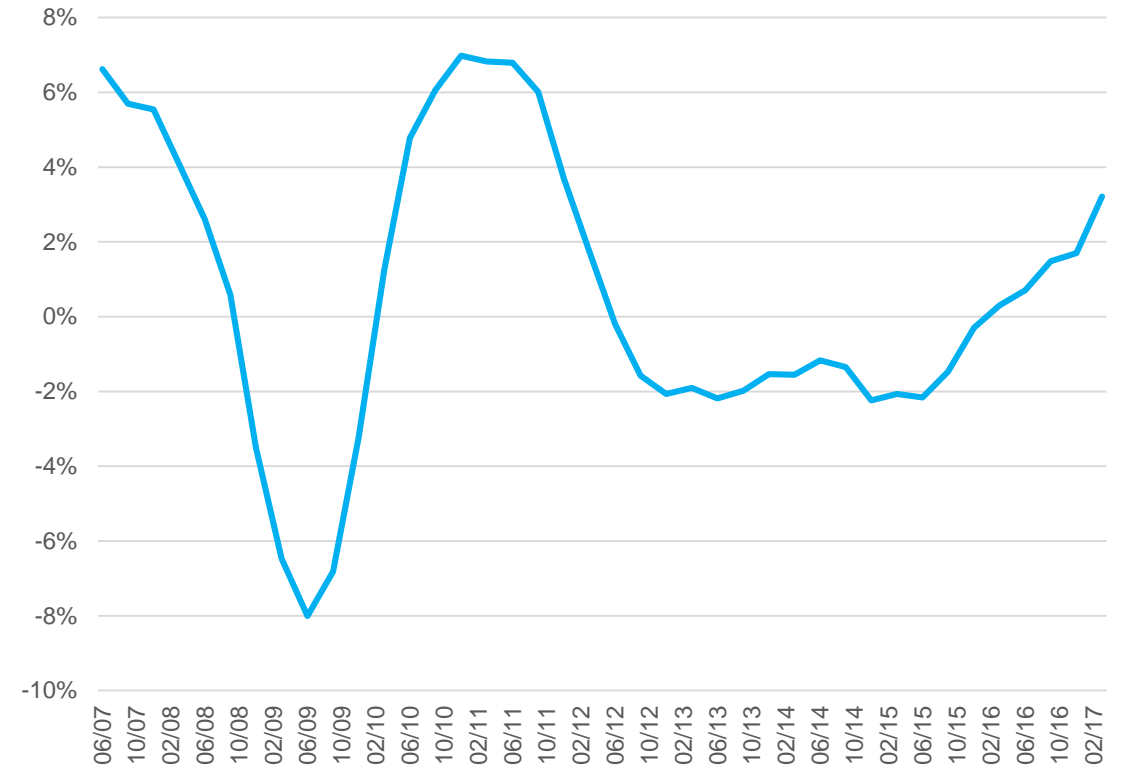
Sources: CEIC, ADA Economics

House Prices

Average interest rate on mortgages



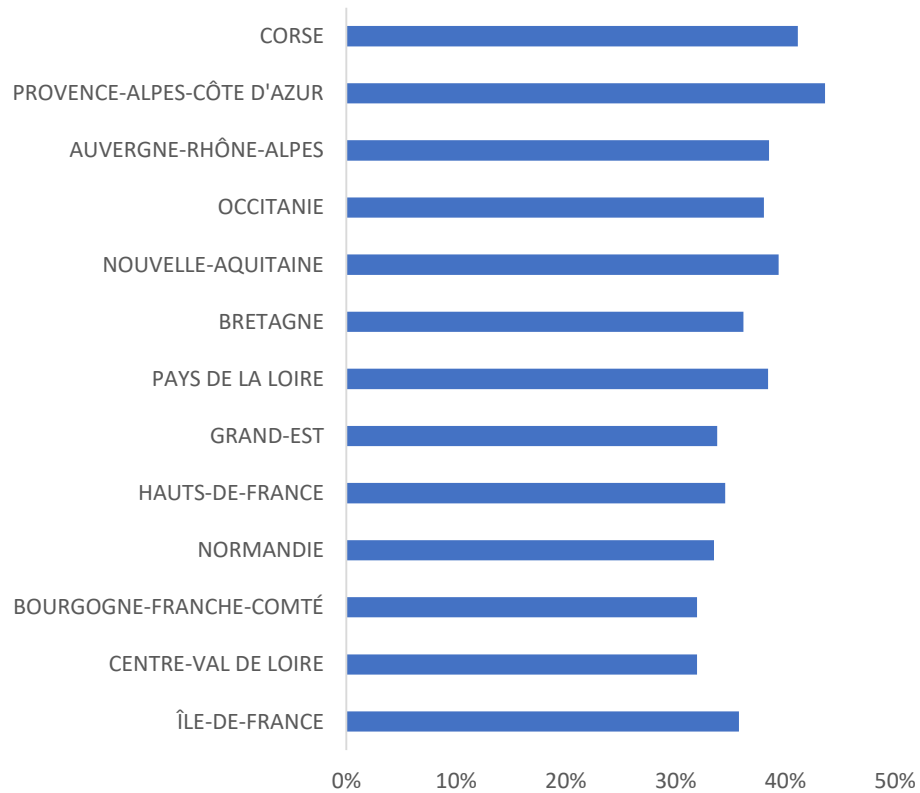
YoY House Price Change



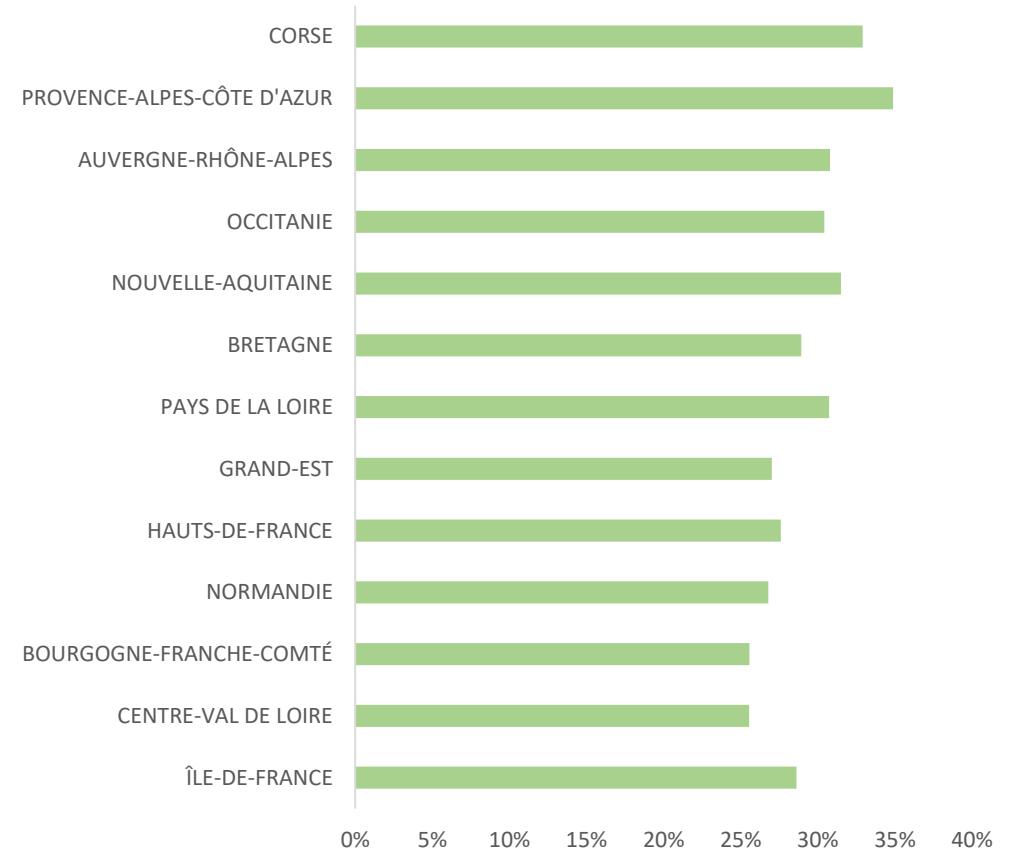
Sources: CEIC, ADA Economics

Debt servicing costs, by region

For 60m squares, 100% LTV

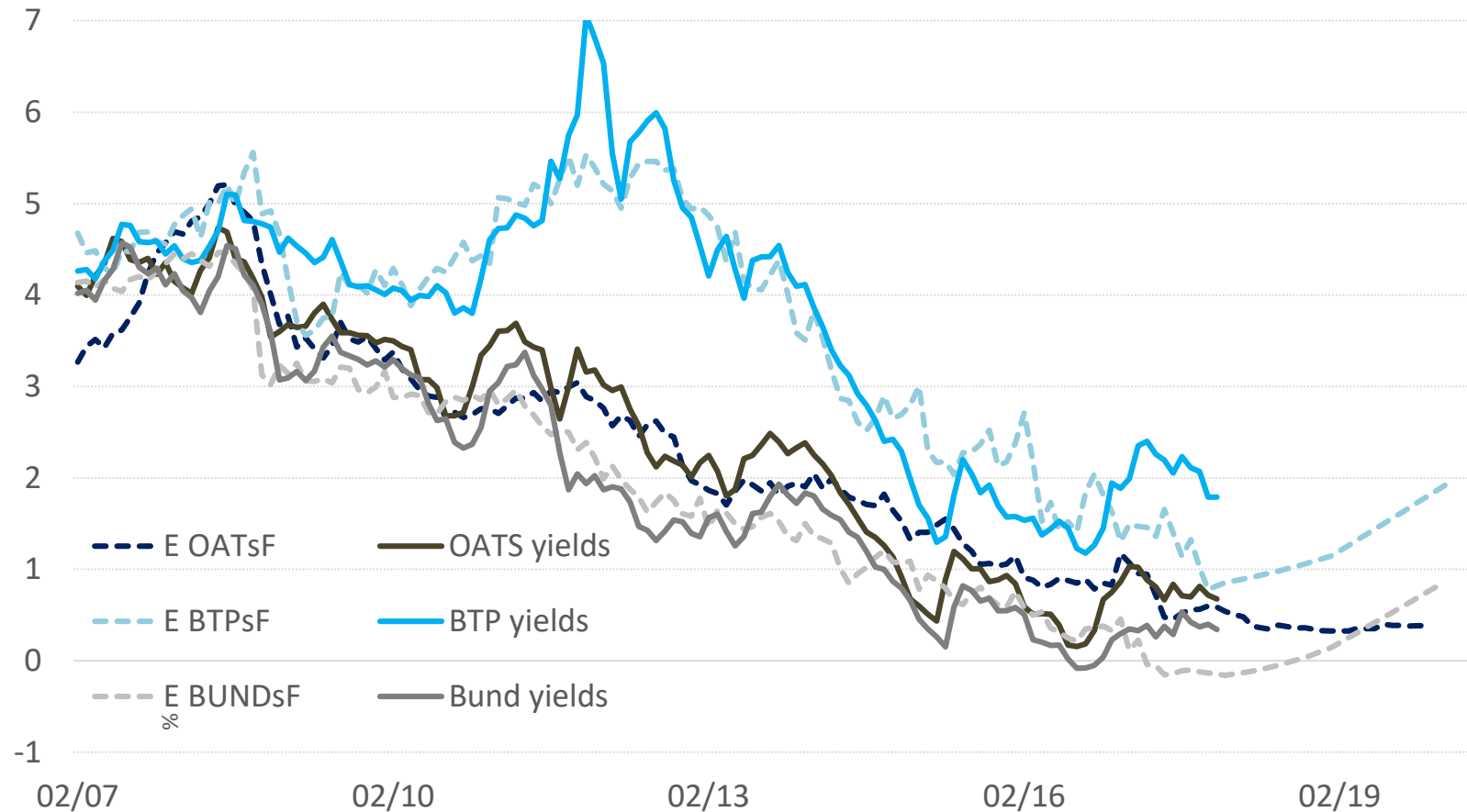


For 60m squares, 80% LTV



Sources: CEIC, ADA Economics

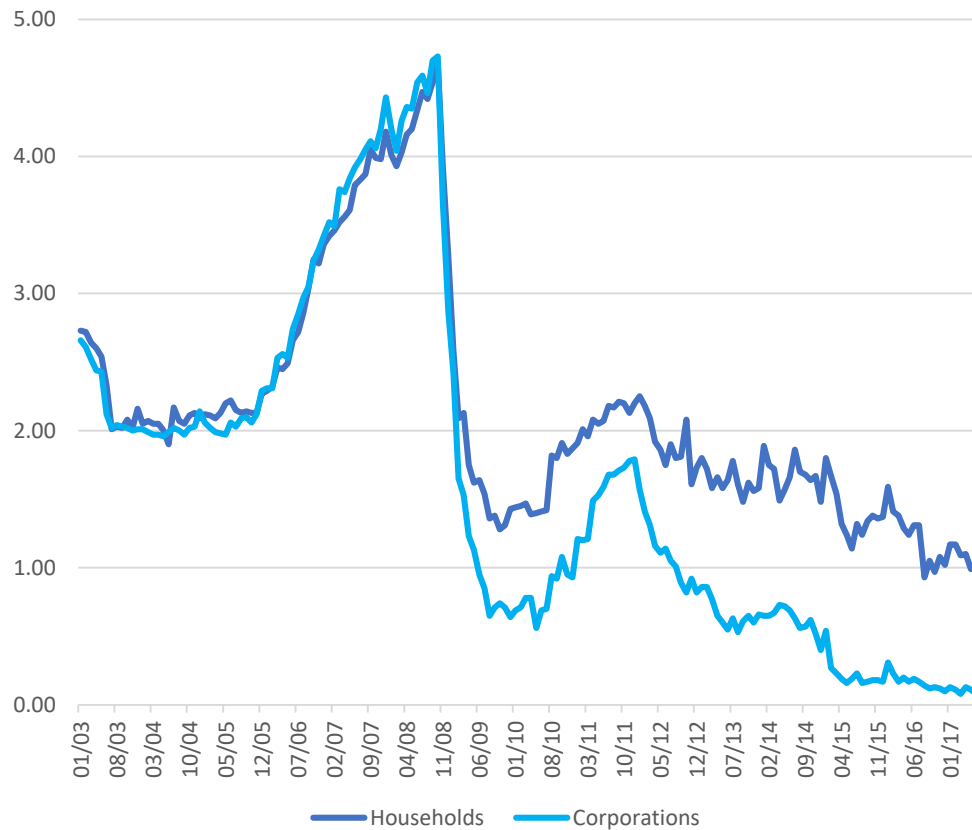
Our bond yields models (10yr) part of the curve suggest stability



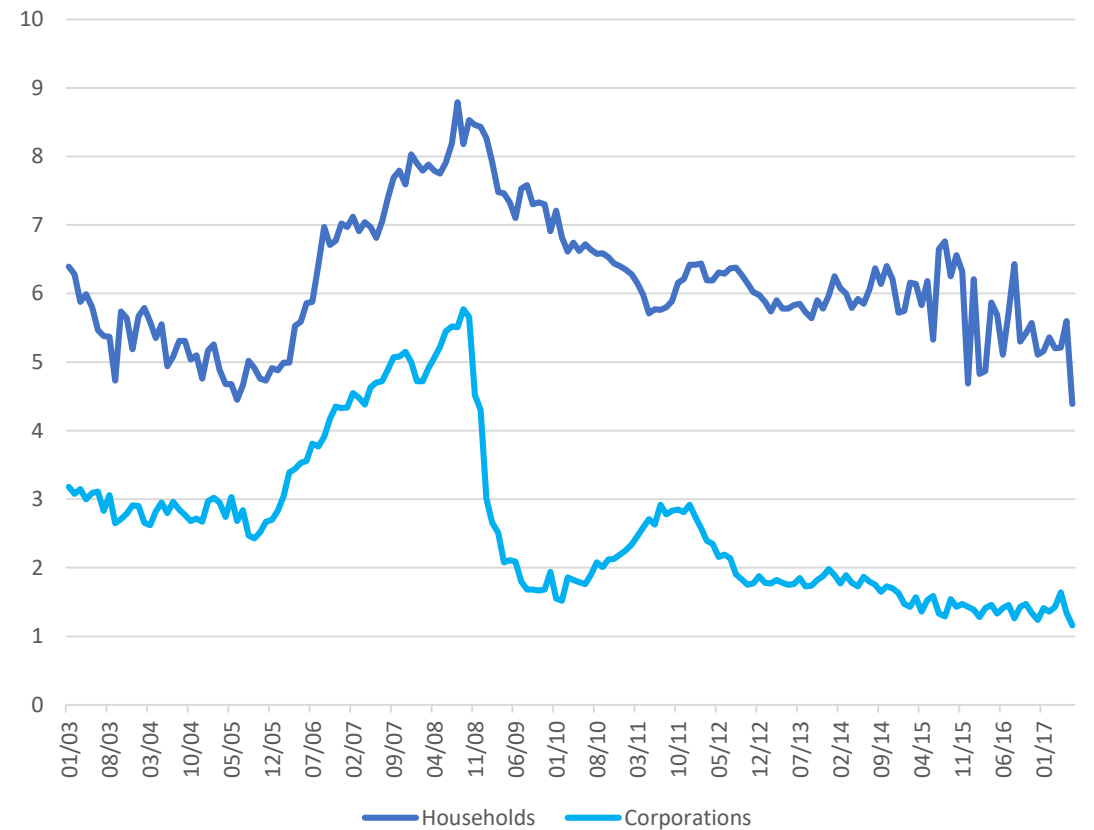
Sources: CEIC, ADA Economics

Retail borrowing costs (%)

Deposit rates, %, up to 1 year, new business



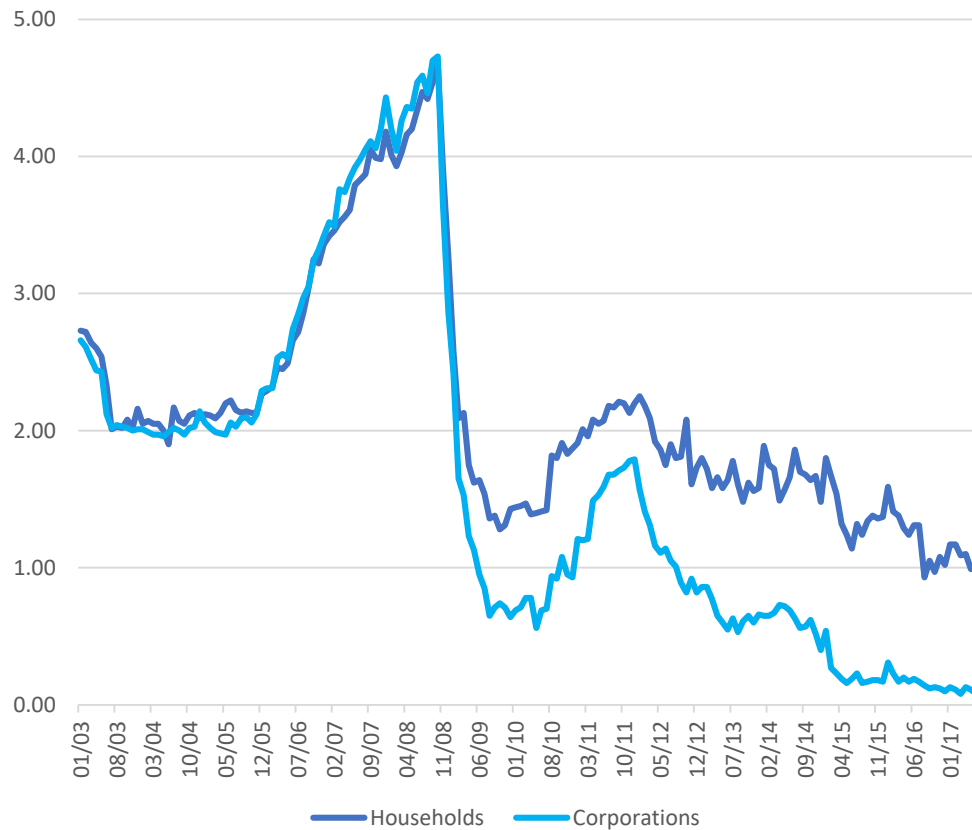
Lending rates, %, floating and up to 1 year, new business



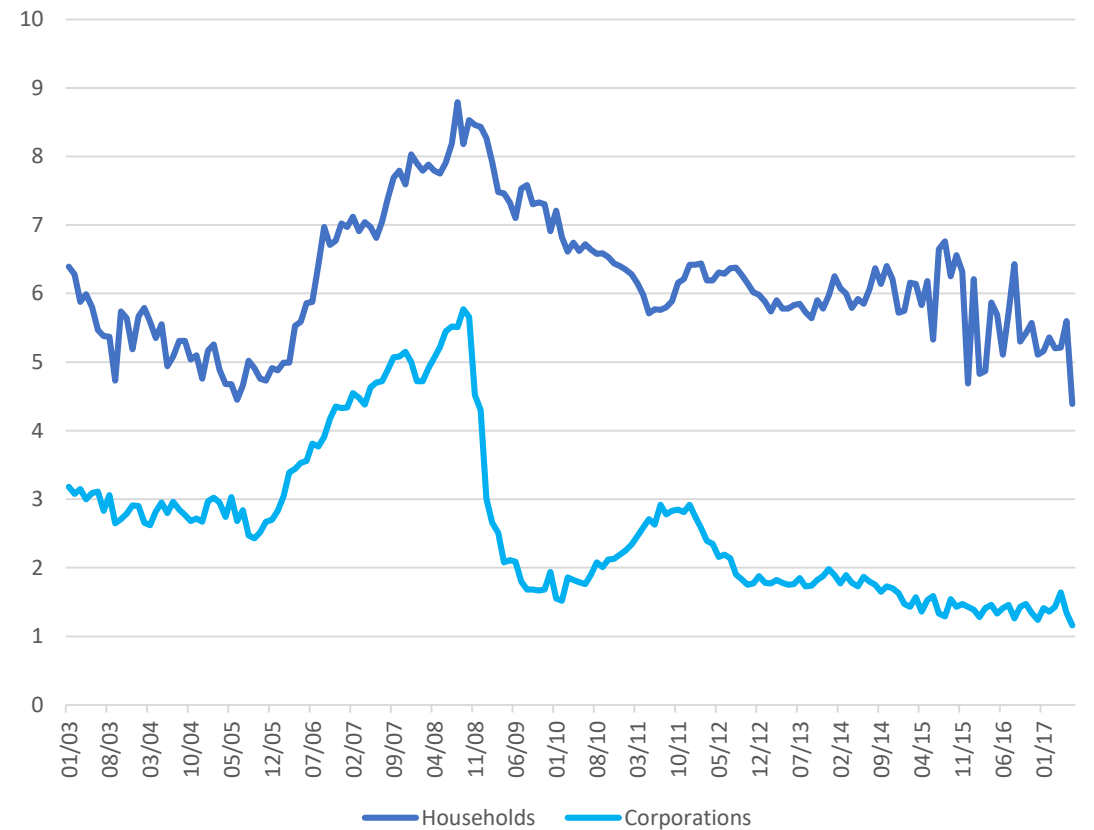
Sources: CEIC, ADA Economics

Retail borrowing costs (%)

Deposit rates, %, up to 1 year, new business



Lending rates, %, floating and up to 1 year, new business



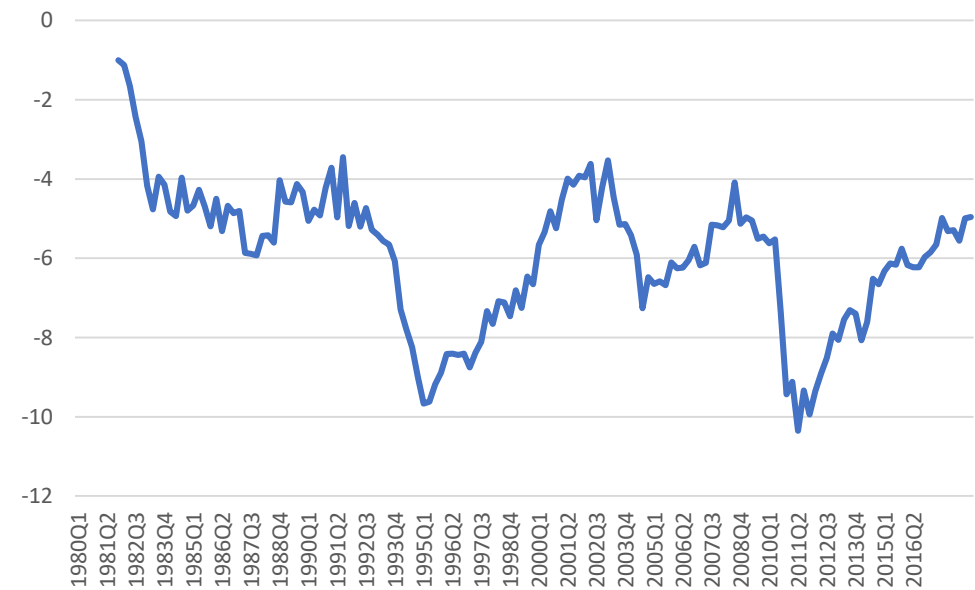
Sources: CEIC, ADA Economics

General government debt and deficit

In % of GDP, deficit on secondary axis



Primary balance, in % of the GDP



Sources: CEIC, ADA Economics

Bank of France projections

YoY growth

	2015	2016	2017	2018	2019	2020
Real GDP	1	1.1	1.8	1.7	1.8	1.6
HICP	0.1	0.3	1.2	1.4	1.2	1.6
GDP Deflator	1.1	0.4	0.6	0.9	1.3	1.5
Domestic demand	1.2	2	1.8	1.6	1.6	1.6
Private consumption	1.3	2.1	1.2	1.5	1.7	1.6
Govt consumption	1.1	1.2	1.5	0.7	0.7	0.7
Total investment	0.9	2.7	3.5	2.8	2.4	2.3
Exports	4	1.9	3.3	5.9	4.3	3.7
Imports	5.5	4.2	4.7	4.7	3.6	3.3
Real HH GDI	0.8	1.8	1.6	1.7	2.5	1.8

Source: Bank of France, ADA Economics

Draft Budget 2018

Economic forecasts for France, annual % change

	2016	2017	2018
Real GDP	1.1	1.7	1.7
Total CPI	0.2	1	1.1
Core inflation	0.6	0.4	0.8
Wages & salaries	2.4	3.3	3.1

Public finances, in % of GDP

	2016	2017	2018
General govt balance	-3.4	-2.9	-2.6
Tax and social contributions	44.4	44.7	44.3
Public expenditure ratio, excluding tax credits	55	54.6	53.9
Debt	96.3	96.8	96.8

Sources: Agence France Trésor, ADA Economics

French State funding table

Borrowing requirements, in € billion

	2017	2018
Redemption of medium- and long-term debt	115.2	120.1
Redemption of other debts	-	-
Deficit to be financed	76.5	82.9
Other cash requirements	0	0.3
TOTAL	191.7	203.3

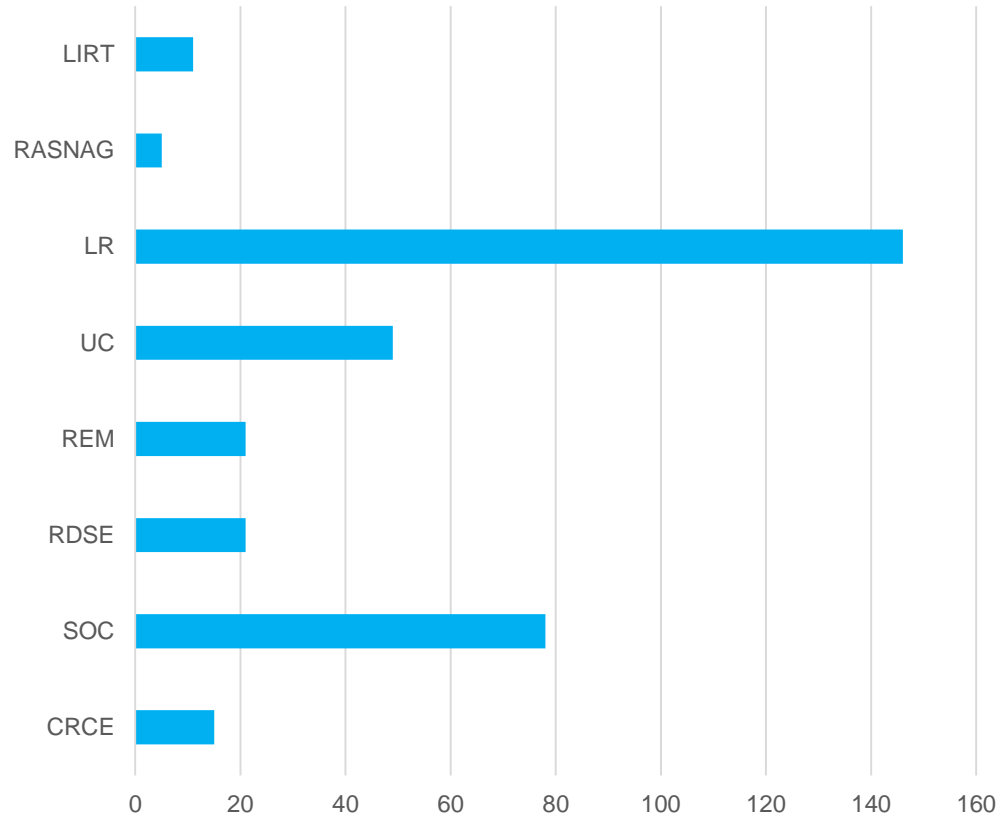
Source: Agence France Trésor, ADA Economics

France Government Setup

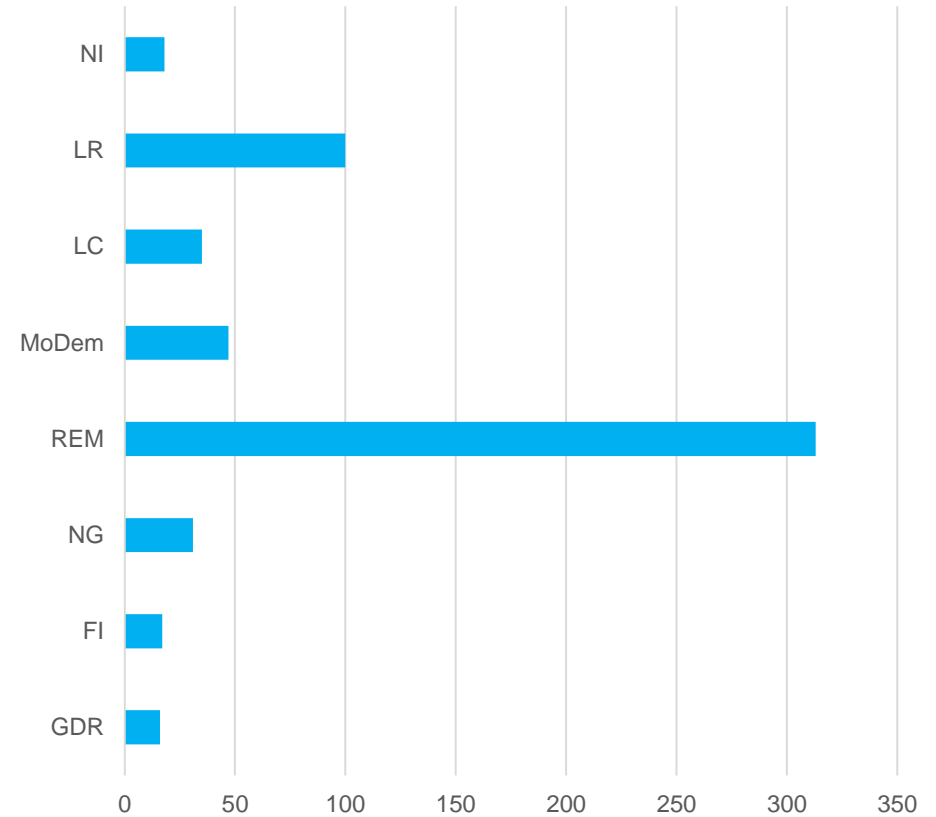
- President: Emmanuel Macron
- Prime Minister: Edouard Philippe
- President of the Senate: Gerard Larcher
- President of the National Assembly

France Parliament Structure

Senate Political Groups



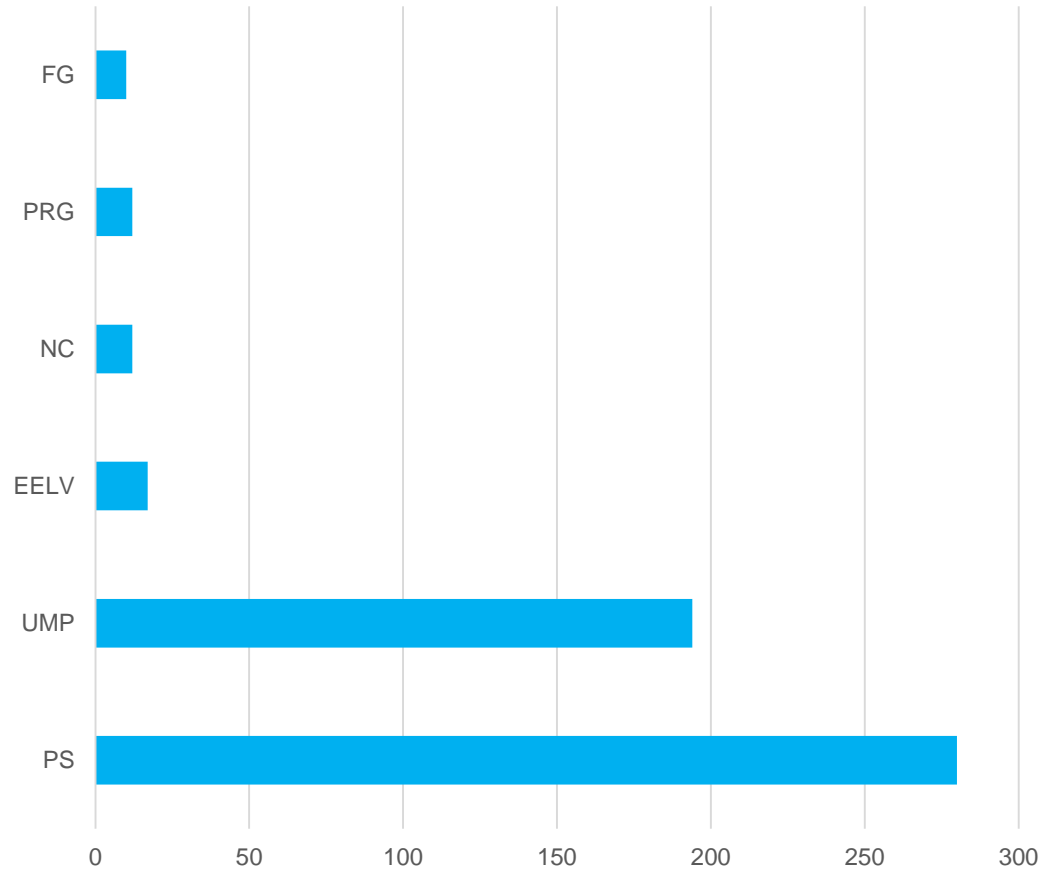
National Assembly Political Groups



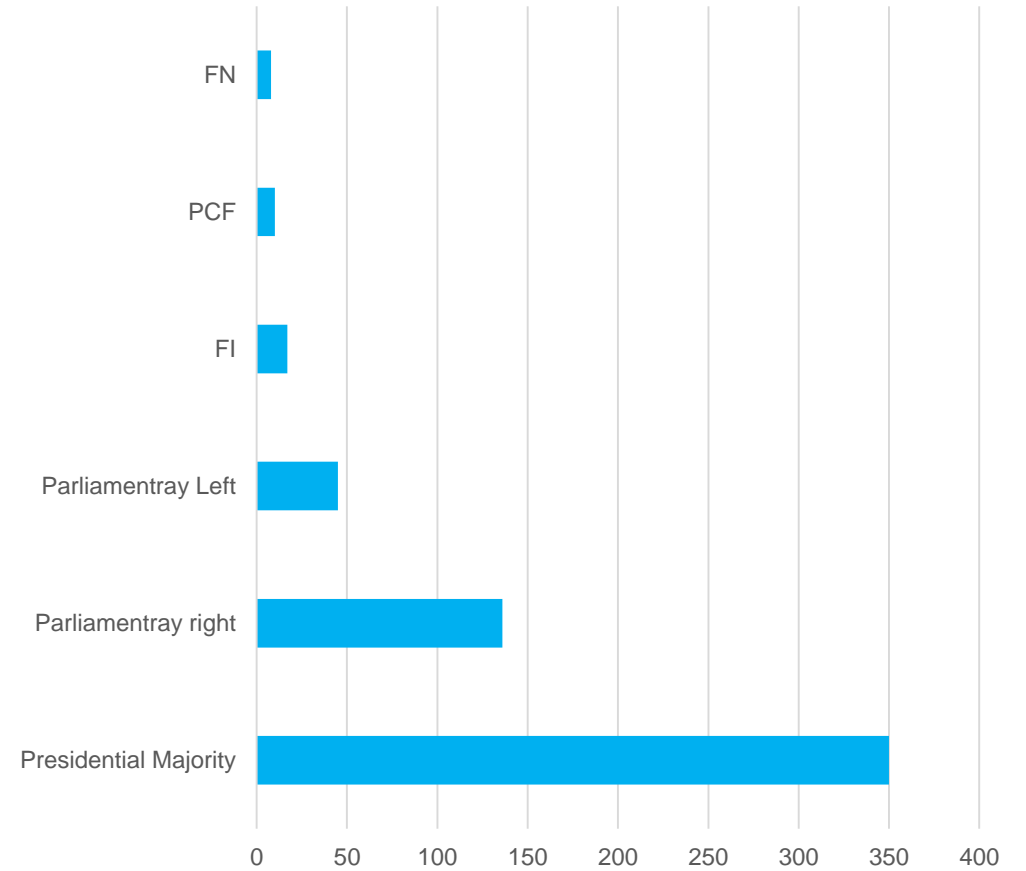
Sources: ADA Economics

France Parliamentary Election

2012 Election



2017 Election



Sources: ADA Economics

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