

France: When construction goes well, so does the economy

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Paris, May 18th, 2017



Growth is accelerating and drivers are broadening: In 2018, investment should post its better growth (+3.2%) since 2007.

Domestic demand will accelerate gradually. But net exports cut overall growth figures (by -0.9pp in 2017)

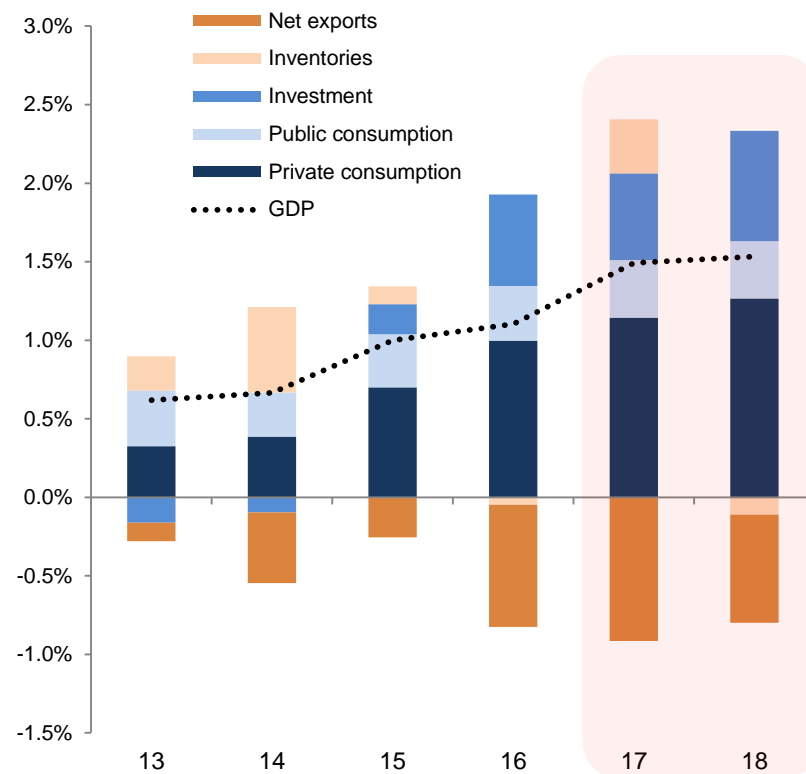
Key indicators	2015	2016	2017	2018	
GDP	1.0	1.1	1.5	1.5	
Consumer spending	1.4	1.8	2.1	2.3	
Public spending	1.1	1.3	1.5	1.5	
Investment	1.0	2.8	2.5	3.2	
Stocks	*	0.3	-0.2	0.3	-0.1
Exports	4.3	1.8	3.1	5.4	
Imports	5.7	4.2	5.5	6.8	
Net exports	*	-0.5	-0.8	-0.9	-0.7
Current account	**	-4.5	-21.1	-38.6	-50.2
<i>Current account (% of GDP)</i>		-0.2	-0.9	-1.7	-2.1
Unemployment rate	10.4	10.0	9.7	9.3	
Inflation	0.0	0.2	1.1	1.5	
General government balance	**	-78.7	-75.7	-74.4	-74.6
<i>General government balance (% of GDP)</i>		-3.6	-3.4	-3.3	-3.2
Public debt (% of GDP)		95.6	96.3	96.5	96.4
Nominal GDP	**	2194	2229	2284	2341

Change other the period, unless otherwise indicated * contribution to GDP growth

**euro billions

Sources: IHS, Euler Hermes

GDP Growth and demand drivers (%)

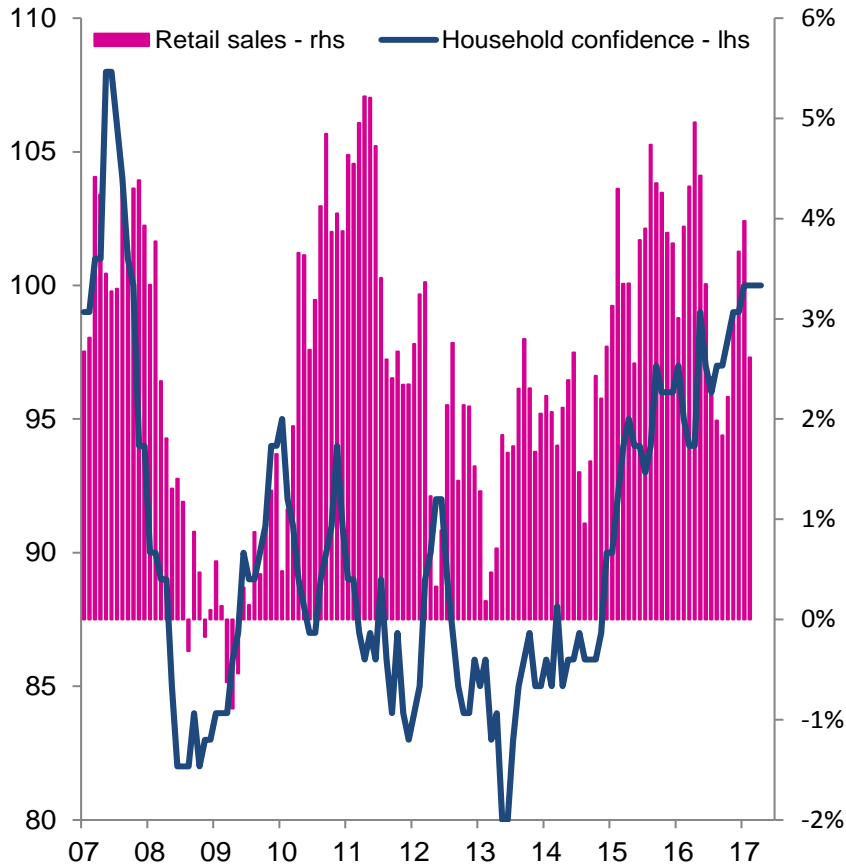


Sources: IHS, Euler Hermes

Converting private sector confidence to spending decisions? Needed and it should come

Consumer confidence increased to its better level since 2007, but retail sales did not accelerated accordingly.

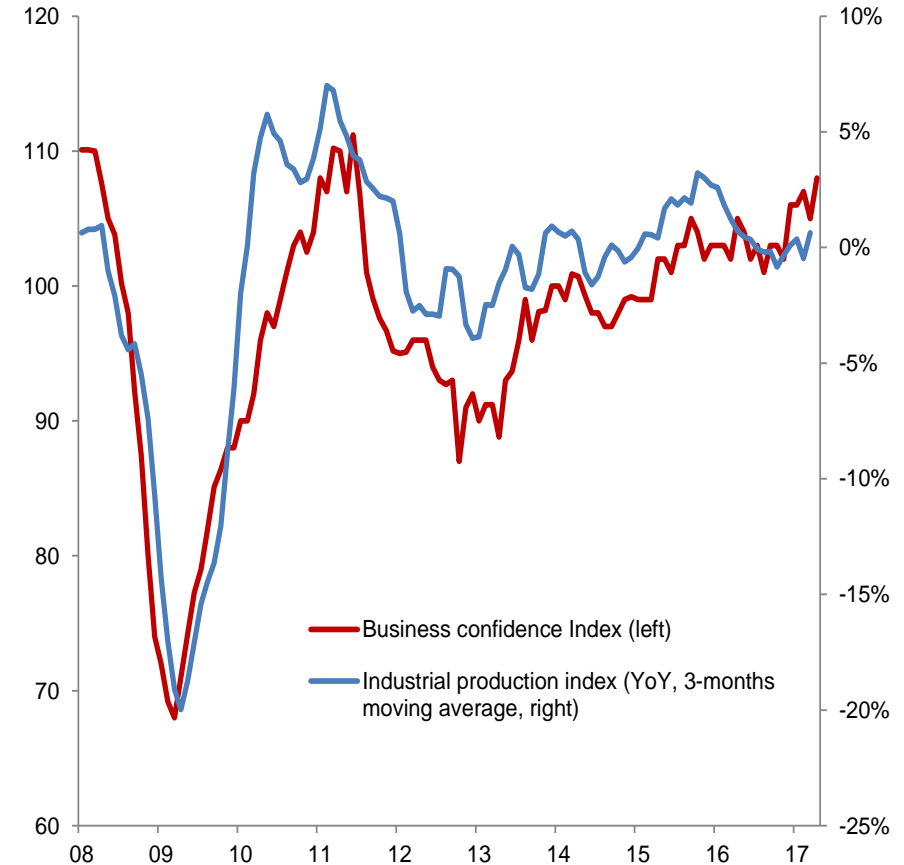
Consumer confidence vs Retail sales growth (Y/Y)



Sources: IHS, Euler Hermes

The business climate improved. Industrial production did not: the cost of (political) uncertainty. It should normalize now.

Business climate vs. industrial production

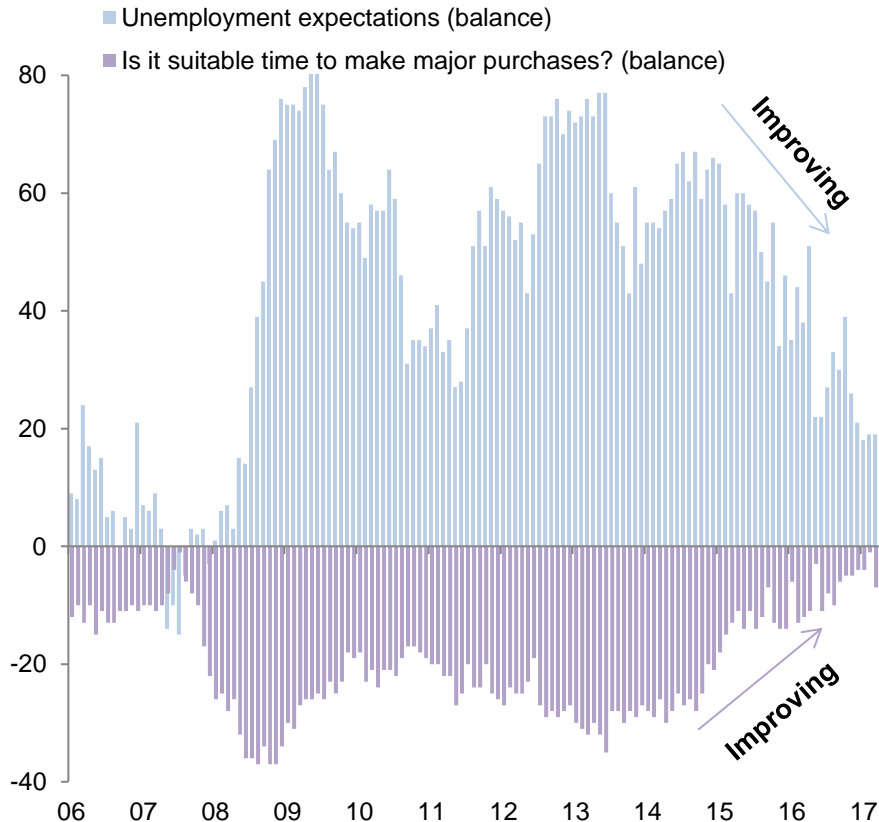


Sources: IHS, Euler Hermes

The Consumer: Structurally confident

Households plans to make major purchases and unemployment fears returned to past brighter levels

Consumer confidence, details

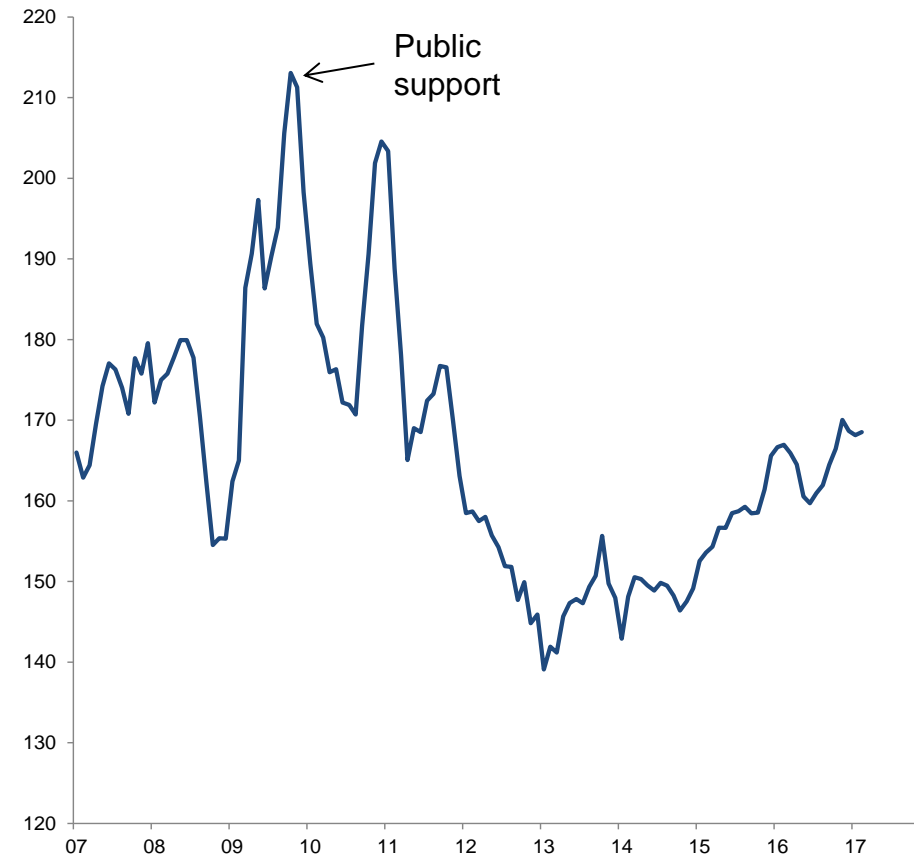


Sources: IHS, Euler Hermes

The automotive sector is benefitting from a stable demand: New car registrations are expected to be up by +3% in 2017.

New car registrations

3-months moving average, thousands



Sources: IHS, Euler Hermes

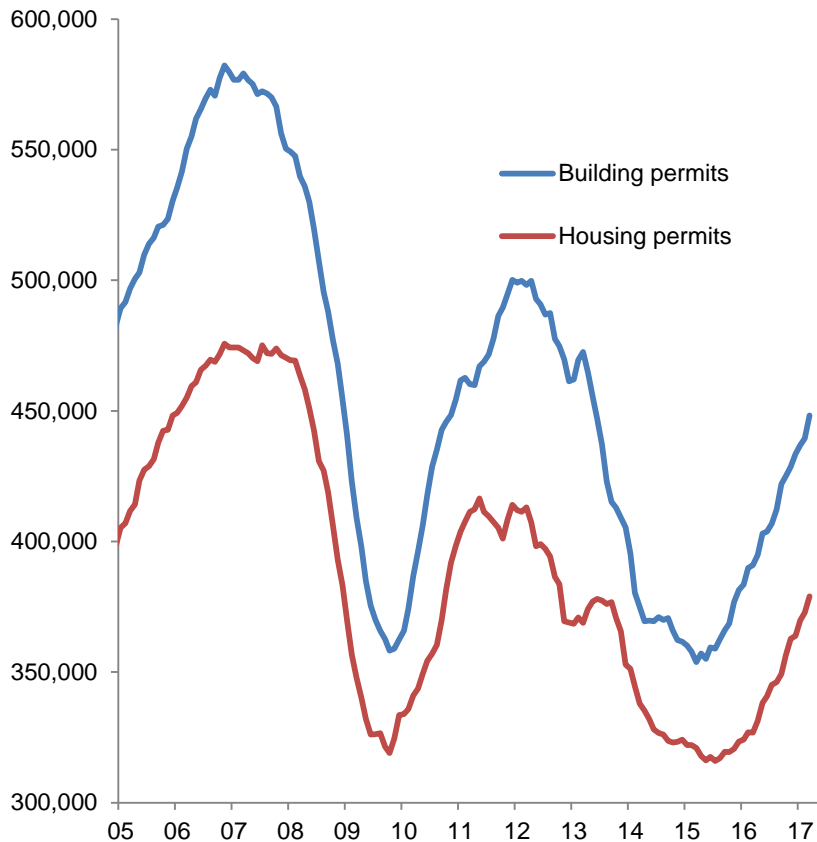
Households: Credit conditions support their investment plans

Household residential investment is supporting building permits, brightening output expectations of the sector.

Driver: Money for nothing at the ECB spreads into the economy. Low debt costs are fueling credit to households.

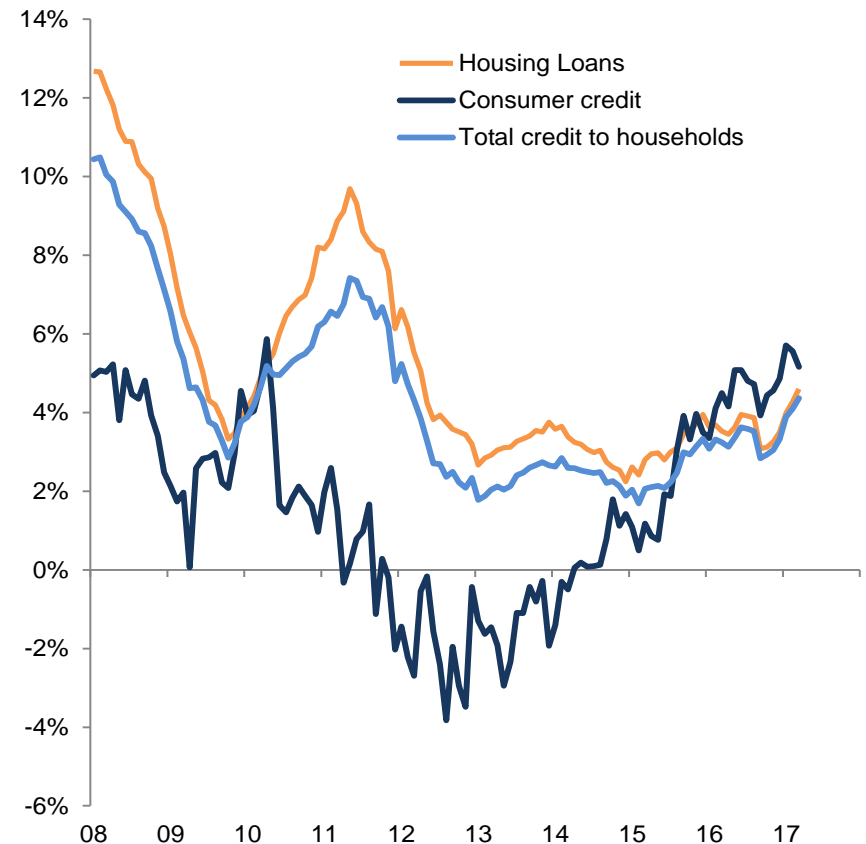
Building permits and housing starts

12 months rolling sum



Sources: IHS, Euler Hermes

Credit to households (Y/Y, % change)



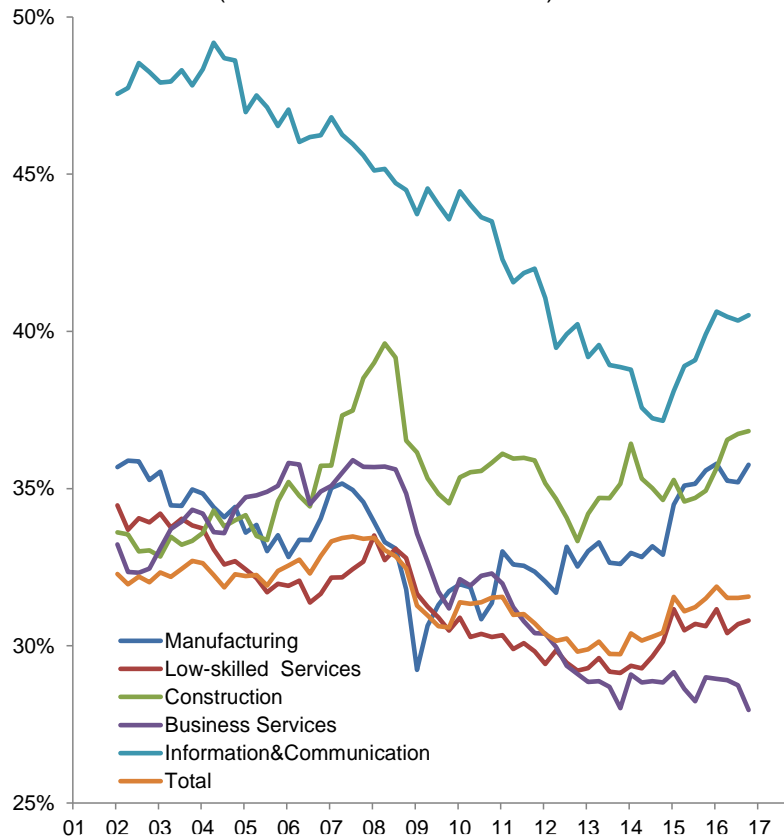
Sources: IHS, Euler Hermes

Corporates: Still some room for improvement

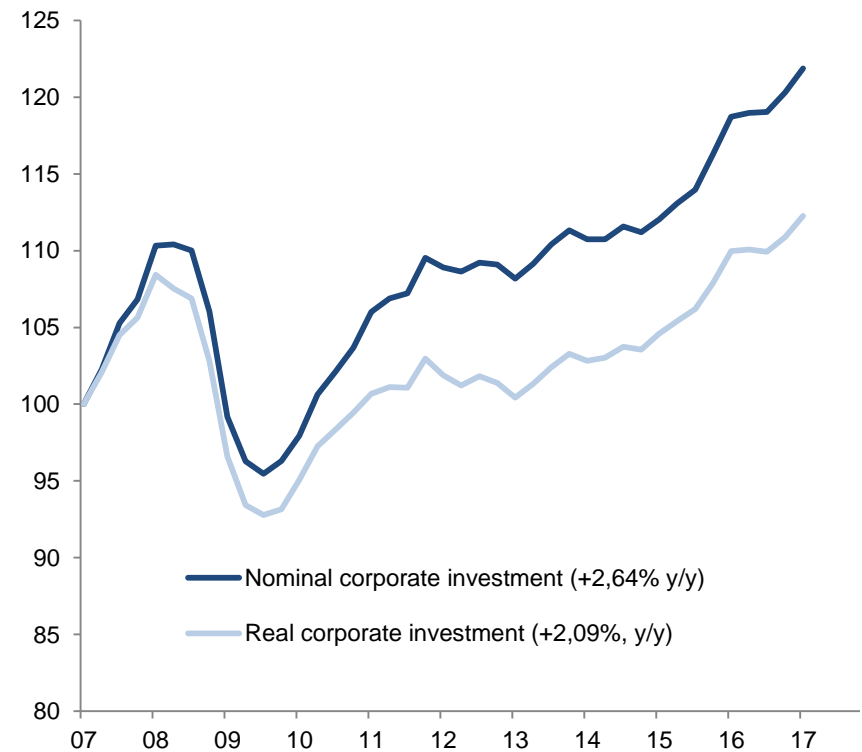
Total profit margins stabilized to 31.4% during the last three quarters. Below pre-crisis average (32.5%).

The symptom of a lost decade: Real corporate investment almost the same than ten years ago. Next? Investment growth should accelerate.

Profit Margins by sectors
(as % of Total Value Added)




Corporate investment: real vs. nominal
(y/y in parenthesis)



Thank for your attention

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