

EcoBrief

French growth in Q4: investment a driver, consumption a constraint

GDP growth surprisingly increased in the 4th quarter, reaching +0.1% q/q (after +0.2% q/q in the 3rd quarter), compared with -0.2% based on our forecast. Corporate investment was one of the factors behind this relative resilience, with a further rise of 1.2% q/q (having already grown by 3.8% q/q in the 3rd quarter). Conversely, consumer spending was undoubtedly the weak link in demand, with a drop of 0.9% q/q.

On 31 January Insee published the first estimate of GDP growth in the 4th quarter of 2022 which reached +0.1% q/q, a positive surprise compared to our forecast, which was -0.2% q/q. The published data was structured around two key figures, explaining both this positive surprise while confirming the general backdrop of a slowdown in the economy:

- Corporate investment once again provided a positive surprise. The relative reduction in the supply problems that were limiting the increase in manufacturing production helped the latter to improve, for example in the automotive sector, which enabled demand to be better met particularly with the transition in car fleets to electric vehicles. This latent investment therefore became more tangible in the 2nd half of the year than in the 1st six months, supporting French growth;
- On the other hand, consumer spending fell much more than expected (-0.9% q/q compared with -0.4% q/q expected). The drop in the consumption of energy was one of the driving factors behind this fall (-5.5% q/q) with, in particular, food consumption which also fell sharply by 2.8% q/q (-7.4% y/y). After a strong impact in the 4th quarter, consumption is likely to continue to be adversely affected by high inflation in the 1st quarter (published inflation at 6% y/y in January, following 5.9% y/y in December).

Stéphane Colliac
Senior Economist, France