

## France: a less favorable economic conjuncture for the legislative elections

The first round of the French legislative elections is being held this weekend. President of the Republic Emmanuel Macron, freshly re-elected, may not have a clear majority. One of the possible reasons, beyond the purely political aspects of the electoral campaign, would be the confirmation of a less favorable economic situation. Indeed, since the presidential election, the economic situation has deteriorated, and the figures now fully include the first impacts of the war in Ukraine.

**A worse than expected first quarter.** In the first quarter of 2022, GDP was eventually revised downwards, with a slight decline over the quarter (-0.2% compared to Q4-2022) ( Chart 1) and the purchasing power of household gross disposable income per consumption unit fell sharply (-1.9% over the same period). Household consumption thus declined significantly over the quarter (graph 2), while business investment picked up, driven in particular by investment in IT, information-communication services and in capital goods. Finally, foreign trade, although slowing, continued to grow, with a more marked increase in exports than in imports.

**And a second quarter that should be affected.** In parallel with these less favorable than expected activity figures, inflation continued to surprise on the upside, at 5.8% over one year in May. This inflation, mainly in energy and food prices, is having a strong impact on household confidence and should continue to weigh on consumption. In addition, monetary and financial conditions have tightened in the wake of less accommodating central bank rhetoric and policies. Nevertheless, business confidence remains fairly high, consistent with slightly positive economic growth in the second quarter.

**Supporting factors that should not be overlooked.** We believe that without further pressure on energy prices, inflation should start to moderate gradually as of this autumn. On the activity side, we expect the sharp slowdown to continue, but we believe that a number of supporting factors will help avoid a major recession. Indeed, labor markets remain well oriented, corporate and household balance sheets are generally healthy, and the post-Covid normalization of activity in services is favorable, particularly for France where they represent more than 70%, of GDP.

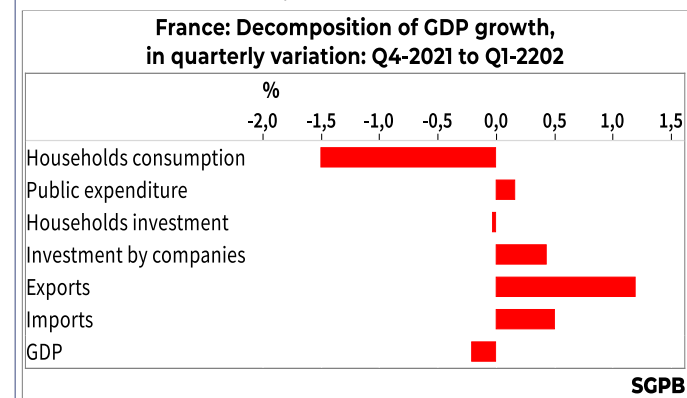
Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg, Macrobond, (10/06/2022). In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document. CA012/H1/2021



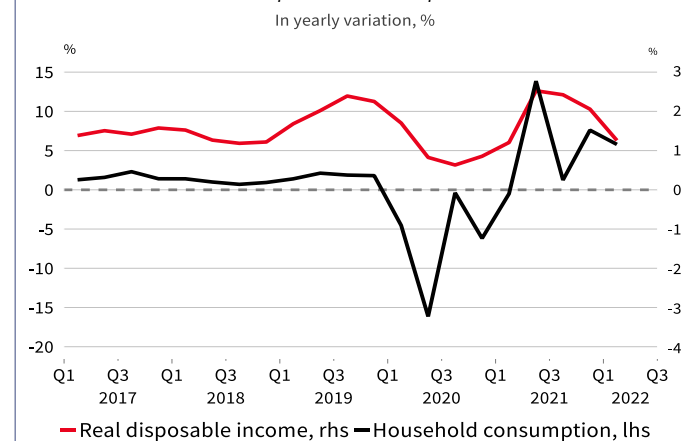
### A reduction in French GDP in the first quarter of 2022 due to the drop in household consumption

France: GDP Growth decomposition, Q4-2021 to Q1-2022



### As well as consumption, real household disposable income in France shrinks in Q1 2022

France: Household consumption and real disposable income



# OUR MACRO COMMENTS

## Events of the week



Following its monetary policy meeting, the European Central Bank confirmed on Thursday that a series of key rate hikes is planned. A first increase of 25 basis points is announced for July. An increase is also announced for September; however, its magnitude is not yet known – it will be between 25 and 50 basis points, depending on the inflationary situation in the Euro area.



The Organization for Economic Cooperation and Development (OECD) published this Wednesday its new economic forecasts. Predicted at 4.5% last December, the world economic growth is now only expected at 3% for the year 2022. Global inflation is now projected at 9% in 2022, which is nearly twice as much as previously expected by the OECD economists.

## Figures of the week



- GDP (in quarter on quarter variation, Q1)
- Policy interest rate

Current		Consensus	Previous
0,6%	↑	0,3%	0,3%
-0,5%	→	-0,5%	-0,5%



- Inflation (in year on year variation, May)
- Core inflation (in year on year variation, May)

8,6%	↑	8,3%	8,3%
6%	↓	5,9%	6,2%



- Caixin Services PMI (May)
- Inflation (in year on year variation, May)

41,4	↑	47,3	36,2
2,1%	→	2,2%	2,1%



- GDP (in quarter on quarter variation, Q1)

-0,1%	↑	-0,3%	-0,2%
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## The week ahead

### Tuesday ,



Unemployment (April)



Inflation (May)

### Wednesday



Retail sales (May)



Policy interest rate

### Thursday



Policy interest rate

### Friday



Inflation (May)



Policy interest rate

Sources: Bloomberg, on June 10<sup>th</sup>, 2022.

# MARKETS PERFORMANCE

Interbank rate	Last.	-1W	-3M	YTD	-12M
€STER O/N	-0,58	-0,58	-0,58	-0,59	-0,56
USD SOFR O/N	0,30	0,80	0,05	0,05	0,01
JPY TONAR O/N	-0,04	-0,03	-0,01	-0,02	-0,03
GBP SONIA O/N	0,94	0,94	0,44	0,19	0,05
CHF O/N	-0,78	-0,78	-0,78	-0,78	-0,80

Long term sov. rates	Last.	-1W	-3M	YTD	-12M
10Y OAT	1,86	1,68	0,65	0,20	0,04
10Y Bund	1,32	1,12	0,17	-0,21	-0,24
10Y BTP	3,36	3,16	1,68	1,17	0,82
10Y JGB	0,24	0,23	0,16	0,07	0,07
10Y Bonos	2,47	2,27	1,14	0,56	0,39
10Y Swiss	1,04	0,87	0,25	-0,13	-0,17
10Y Gilt	2,23	2,13	1,56	1,02	0,85
10Y USNote	3,03	2,94	1,94	1,52	1,50

Credit & EM	Last.	-1W	-3M	YTD	-12M
EUR Corporate Aaa	2,04	1,88	1,00	0,33	0,18
EUR Corporate Baa	2,90	2,73	1,60	0,66	0,45
GBP Corporate Baa	3,04	2,97	2,43	1,52	1,15
USD Corporate Aaa	3,73	3,61	2,91	2,13	2,04
USD Corporate Baa	4,72	4,61	3,67	2,60	2,35
USD EM aggregate	6,49	6,38	5,64	4,33	3,80

Commodities	Last.	-1W	-3M	YTD	-12M
Brent, USD/BL	123,65	6,8%	10,4%	56,4%	71,6%
Or, USD/oz	1 853	0,3%	-7,0%	1,3%	-1,9%
Copper, USD/metric ton	9 690	2,5%	-3,7%	0,1%	-2,2%
Platinum, USD/onz	1 010	3,6%	-9,4%	4,4%	-12,7%
Palladium, USD/onz	1 972	-2,0%	-34,7%	-0,3%	-29,4%
Silver, USD/onz	21,92	1,4%	-16,3%	-5,0%	-20,5%

FX rates	Last.	-1W	-3M	YTD	-12M
EUR/USD	1,07	0,3%	-2,3%	-5,2%	-11,9%
EUR/CHF	1,05	1,7%	2,2%	0,9%	-4,2%
USD/GBP	0,80	-0,4%	4,8%	7,9%	12,6%
USD/JPY	133,84	3,0%	15,6%	16,2%	22,1%
USD/BRL	4,87	1,6%	-2,5%	-12,6%	-3,7%
USD/CNY	6,68	0,0%	5,8%	5,2%	4,6%
USD/RUB	60,30	-5,1%	-49,7%	-19,6%	-16,4%

Equity indices	Last.	-1W	-3M	YTD	-12M
MSCI AC World (USD)	1 101	0,0%	0,0%	-5,2%	-3,3%
Eurostoxx 50	3 789	0,8%	0,6%	-11,9%	-7,5%
Dax 40	14 446	0,7%	4,3%	-9,1%	-7,3%
CAC 40	6 449	0,5%	1,0%	-9,8%	-1,7%
FTSE 100	7 593	0,8%	5,6%	2,8%	7,2%
SMI	11 467	-0,2%	-0,2%	-10,9%	-2,7%
SP500	4 116	0,4%	-3,8%	-13,6%	-2,5%
TOPIX	1 970	1,6%	12,0%	-1,1%	0,7%
iBovespa	108 368	-2,7%	-4,9%	3,4%	-16,6%
Hang Seng	22 015	3,4%	6,7%	-5,9%	-23,4%
Sensex 30	54 892	-0,9%	0,4%	-5,8%	5,7%
MOEX	-	-	-	-	-
CSI 300	4 220	3,3%	-0,2%	-14,6%	-19,4%

Source: Macrobond, on June 10<sup>th</sup>, 2022.

1wk = 1-week change, 3mth = 3-month change, 12mth = 12-month change, YTD = year-to-date change, YoY = year-on-year change, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = emerging markets. \* Price return for MICEX equity index. Equities; total return in local currency. Government bonds = 3-7-year returns. Figures are rounded.

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