

# France

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## Macroeconomic overview

The French economy entered the year 2009 with the unfavourable carry-over effect from Q4 2008, during which the worst economic crisis since 1929 started. The French GDP fell by 2.2% in real terms, following the slowdown of growth recorded in 2008 (0.4%).

The poor performance of the French economy was caused by the fall which took place in each segment of the private business sector, a strong decline in private investment (-8% in 2009 compared to 2008), a massive reduction in stocks and a decrease both in exports (-12.4%) and imports (-10.7%).

Contrary to firms' demand, final household consumption continued to increase, albeit moderately (0.6% in 2009 compared to 0.5% in 2008). This was due to a continued increase of 1.6% in household income in 2009 against 0.4% in 2008, and because of the inflation rate reaching a mere 0.1 % in 2009.

The number of employed in France decreased by 1%. Most of this decline in employment was recorded in the first half of the year, and the unemployment rate rose to 10% at the end of 2009 (9.5% on yearly average), against 8.2% at the end of 2008 (7.8% on yearly average).

## Housing and mortgage markets

The number of building permits decreased by 17% (after a decline of 16% in 2008). The drop in building activity was heavier for apartments than for single-family houses; 299,000 dwelling units started is not probably sufficient to meet population growth, on the other hand rents were stable during the year and no remarkable rise was recorded as a result of this housing shortage.

The combination of economic crisis, rising unemployment and foreseen price decreases all contributed to the slowdown of the French housing market. The number of transactions for existing homes dropped by 12% (after a decrease of 14% in 2008) while the decrease in average national house prices in 2009 faced a 4.4% decrease (notably 5.6% in the Ile-de-France and 3.7% in the rest of the country).

In order to recover from the housing market downturn, at the end of 2008 the Government decided to help reduce the number of unsold homes, by supporting households wishing to buy a new dwelling (for rent or for personal occupation). The Government thus authorised the social housing firms to buy 30,000 dwellings from real estate developers.

As a result of this policy on the one hand and of the ECB interest rates' cut on the other, throughout the year of 2009 the number of sales of new dwellings increased by 34% compared to 2008 and the number of unsold dwellings for sale sharply decreased to 69,000 units from 111,000 recorded at the end of 2008. House prices started to rise again, concerning new apartments by 4.5% compared to 2008 and by 7% as regards new single family houses.

Gross residential lending fell by 15% (after a decrease of 17% in 2008) amounting to EUR 104 billion. However, on a quarterly basis the issuance of new mortgage loans followed a recovery trend for three consecutive quarters (from Q2 to Q4 2009).

The value of outstanding residential loans increased by 3.9% on the previous year (slowing down from the 8.9% growth recorded in 2008), resulting in EUR 738 billion.

## Funding

On October the 30<sup>th</sup>, 2008, the European Commission authorised the French government to temporarily create a state-owned company (SFEF) which would have supported banks' funding up to a maximum total amount of EUR 265 billion.

At the end of the summer of 2009, when the SFEF closed its activity, the SFEF issuance amounted to EUR 77 billion.

	EU27, 2009	France, 2009	France, 2008
GDP growth (%)	-4.2	-2.2	0.4
Unemployment rate (%)	8.9	9.5	7.8
Inflation (%)	1.0	0.1	3.2
% owner occupied	68.2	57.4	57.4
Residential Mortgage Loans as % GDP	51.9	38.0	36.4
Residential Mortgage Loans per capita, EUR thousand	12.37	11.46	11.14
Total value of residential loans, EUR million	6,125,727	737,600	710,000
Annual % house price growth	-6.8	-4.4	-2.9
Typical mortgage rate (euro area), %	2.71	4.60	5.20
Outstanding Covered Bonds as % outstanding residential lending	23.2	23.9	22.5

Source: EMF, Eurostat, ECB, Banque de France

### Notes:

- Typical mortgage rate in the euro area refers to the APRC (Source: ECB)
- EU owner occupation rate average derived from EMF calculations based on latest available data.

France= 2007