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PRESS RELEASE

French foreign trade results for the first half of 2022

Olivier Becht, Minister Delegate for Foreign Trade, Economic Attractiveness and French Nationals Abroad, attached to the Minister for Europe and Foreign Affairs, presented the foreign trade results for the first half of 2022, published today, Friday 5 August, by the General Directorate of Customs [and Excise] and the Banque de France.

While boasting excellent results in the services sector and continued economic attractiveness, France nevertheless shares the general deterioration in the trade balance in Europe. This deterioration is essentially due to the increased energy bill in the context of Russia's aggression in Ukraine and the impact of the pandemic on the aerospace and tourism sectors, which are key to our exports. France's global market share, which was stable for about 10 years, thus declined slightly between 2019 and 2021 because of the pandemic, before stabilizing in the first quarter of 2022.

According to Olivier Becht, Minister Delegate attached to the Minister for Europe and Foreign Affairs, "in a world greatly disrupted since Russia's aggression against Ukraine, France is experiencing the same fate as the main countries in the European Union: they've all seen their trade balance deteriorate since the beginning of 2022 as a result of the explosion in energy prices. But at the same time, our economy's resilience has been confirmed: sectoral surpluses are growing stronger, the services surplus is breaking records and France is still Europe's most economically attractive country. The crisis situation is forcing us to make more active efforts to support our export companies, particularly SMEs and mid-caps, thanks to Team France Export. I myself will be doing work on the ground

tomorrow, going from "door to door" country by country, to promote our businesses. My priority will be to guarantee export markets for our strategic industries from the []? outset, and attract to France all the skills and investment we will need. Under the authority of the Minister for Europe and Foreign Affairs, I intend to put this offensive economic diplomacy, which will rely on our diplomatic network and our [economic] operators, at the service of our industrial, digital and energy sovereignty, and thus contribute to the success of France 2030."

Despite dynamic prospects for 2022 in terms of global trade (up 4% according to the IMF), foreign trade is still being *disadvantaged* by an especially unfavourable international context, with a downward revision in trade growth forecasts and an upward revision in inflation forecasts since the beginning of the year. International developments in the first half of 2022 have accentuated supply and market difficulties. The EU is therefore conducting a proactive trade policy to open up foreign markets, secure and diversify our supplies, and protect our businesses against unfair international practices.

In this context, according to the General Directorate of Customs, our goods exports are nevertheless continuing their recovery and were up by €285 billion in the first half of 2022, exceeding their pre-crisis levels by a sizeable margin (up 13% compared to the second half of 2019). The business fabric of our export machinery has shown great dynamism. **Indeed, the number of export businesses was nearly 139,000 at the end of March 2022, breaking the record set in 2021.**

Imports are also very dynamic, at €356 billion (up 26%). **Under the impact of the explosion in energy prices, the energy bill hit a new record, going from €27 billion in the second half of 2021 to €48 billion in the first half of 2022.** This bill led to a severe deterioration in the trade balance in goods, at -€71 billion in the first half of 2022, compared to -€51 billion in the previous six months and -€30 billion in the second half of 2019. By contrast, in products other than energy and military equipment, the balance stabilized at around -€36 billion.

At sectoral level, as we emerged from the crisis exports increased sharply for agricultural and agrifood products (up 24% compared to the second half of 2019), the textile sector (up 26%), and pharmaceutical and chemical products, perfumes and cosmetics (up 22%). However, other major sectors are still at a significant disadvantage, both due to the repercussions of the COVID crisis and as a result of Russia's aggression against Ukraine, which accentuated the disruption of supply chains. Aerospace exports are still significantly below their level in the second half of 2019 (down 34%), as are, to a lesser extent, automobile exports (down 8%).

In the majority of the world's regions, our exports exceeded their pre-crisis level. **The European Union is by far the top contributor to our export recovery** (up 22% between the second half of 2019 and the first half of 2022), showing the resilience of our trade with our European partners. To a lesser extent, our exports also benefited from demand from the United States (up 15%). Finally, as a result of the effectiveness of sanctions against Russia and the gradual diversification of our energy imports, our trade with Russia markedly declined (down by some 30% between February and June 2022).

According to the Banque de France, the services surplus hit an all-time record in the first half of 2022, up €34 billion compared to €23 billion in the previous six months and up €13 billion in the second half of 2019. Services exports increased to €156 billion, i.e. a 13% increase compared to the previous six months and a 17% increase compared to the second half of 2019. They were led by transport services exports (€40 billion, up 20% compared to the previous six months) and travel services (€27 billion, up 32%), which confirmed their upturn by exceeding, since May, their pre-crisis level. Financial services exports also contributed to the services sector surplus (up by €8 billion, or 20%).

Our cost-competitiveness continued to be favourable over the period (up 5.7% between the end of 2017 and beginning of 2022 compared to [other] OECD countries), thanks to measures adopted since the start of the previous five-year term. **2022 marks a continuation of export support for businesses by Team France Export**, a service which is demonstrating its relevance and resilience, with more than 27,000 businesses supported since 2018.

To tackle the crisis, the Government has also implemented specific export support measures, which have proven effective, such as the export component of France Relance [French recovery plan], geared mainly to SMEs and mid-caps and extended until the end of 2022 through the resilience plan. As of 30 June 2022, 12,496 recovery grants [*chèques relance*] and 1,354 international business volunteering recovery grants had been issued, benefiting nearly 8,000 SMEs and mid-caps. The plan also included money to finance digital prospecting tools, such as the creation of sector-based digital hubs on which over 4,100 businesses are listed.

France has been able to make itself increasingly attractive to foreign investors. In 2021, for the third year running, it remained the leading European country for hosting foreign investment projects (latest Ernst & Young ranking). With 1,222 projects recorded in 2021, France has set a new European record on this, in a Europe which has yet to return to its pre-crisis level. **2022 looks very promising, with €6.7 billion already invested and 4,000 long-term jobs.** The France 2030 plan, which has been allocated €54 billion, will help make France more competitive and therefore attractive, and further internationalize our economy.

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