

## THE RISE IN OIL PRICES WILL HAVE A LIMITED IMPACT ON THE ECONOMY IN 2004

- The French economy is much less dependent on oil than it was in the early 70s.
- Over half of oil products are utilised for transport purposes and both the development of road transport and an increased preference for diesel of the passenger car fleet have led to a sharp rise in diesel consumption.
- In the absence of a crisis in a major oil exporting country, the rise in oil prices will not have a significant impact in annual average terms. The extent of the impact in terms of the oil bill as a % of GDP, economic growth and inflation is not likely to exceed 0.1 points.

### Less dependent on oil

Since the early 70s, oil consumption has dropped in France, falling from 121.3 million tonnes of oil equivalent (Mtoe) in 1973 to 92.8 Mtoe in 2003 despite volume GDP growth of 88 %. This is due to a combination of two factors. The first is common to all industrialised countries: the rise in oil prices and the evolution of an industrial economy becoming service-related are leading to a decline in the intensity of energy needed as measured by the level of final consumption of oil (i.e. excluding energy industry consumption). Furthermore, the electronuclear programme has reduced the use of oil for electricity production to very little (1.5 Mtoe in 2003), which helped to further reduce energy intensity at the primary consumption level.

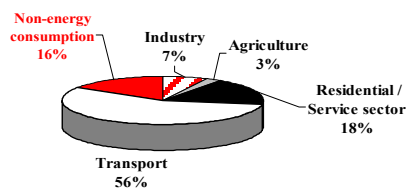
ENERGY INTENSITY IN PETROLEUM PRODUCTS

Base 100 : 1973	1973	1988	1990	2000	2003
Primary consumption	100	75.0	48.7	43.5	40.8
Final consumption	100	78.1	55.7	48.1	45.6

### A major change in consumption habits

Today, over half of final consumption of oil products is used in the transport sector, which, in 2003, was 49 Mtoe out of a total 87.1 Mtoe. Final non-energy consumption (mainly petrochemical commodities, bitumen, lubricants) amounted to 14.1 Mtoe in 2003, just below the consumption level of the residential/commercial sector (15.5 Mtoe); energy requirements in industry amounted to 6.2 Mtoe.

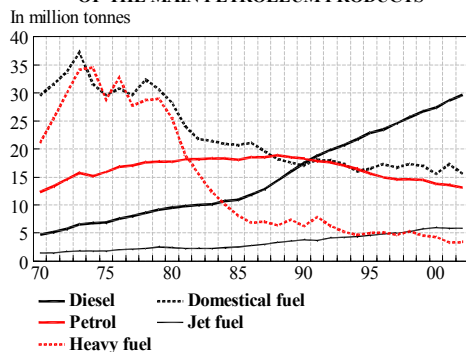
FINAL CONSUMPTION OF OIL PRODUCTS PER SECTOR IN 2003\* (87.1 million toe)



Sources: DGEMP, Energy Observatory

At the same time, the product consumption structure has altered considerably.

CHANGES IN CONSUMPTION OF THE MAIN PETROLEUM PRODUCTS

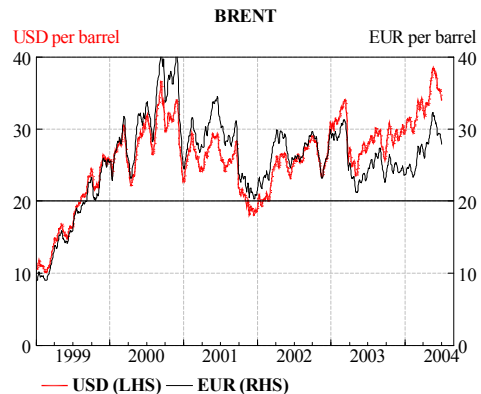


Source: DGEMP

In the 80s, we witnessed a sharp drop in demand for heavy fuel oil and a more gradual decline in domestic fuel (which has been virtually stable since the mid 90s). In contrast, growing demand from the transport sector has led to an impressive rise in diesel consumption and in jet fuel consumption. The dieselisation of the passenger car fleet has led to a drop in petrol consumption since the end of the 80s.

### The rise in oil prices will have a limited impact in 2004

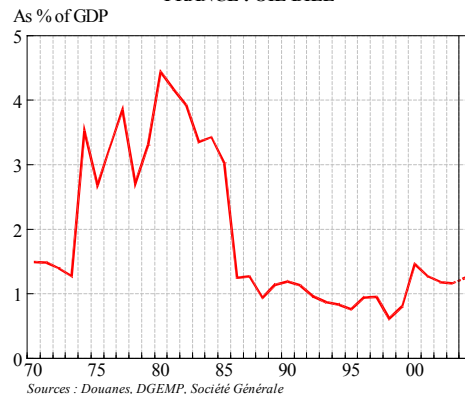
Oil prices have risen considerably in recent months, peaking at USD 38 per barrel of Brent in mid-May. However, in reference to a central scenario based on the price per barrel of Brent fluctuating between USD 32 and 35 between now and the end of the year, the rise in oil prices in euros would be relatively small. In annual average terms, the price per barrel would increase from USD 28.4 to 33.5, which is an increase of 18 %. Based on an 8 % euro appreciation (from USD 1.13 in 2003 to 1.22 this year), the rise in prices per barrel in euros stands at 9.3 %.



Source: Datastream

France's oil bill amounted to 1.2 % of GDP in 2003; with GDP in value expected to rise by around 3.5 % this year the oil bill, based on this figure, will increase by less than 0.1 points of GDP. This is nothing compared to the oil crises of the 70s and even the rise in 1999-2000.

FRANCE : OIL BILL



Sources : Douanes, DGEMP, Société Générale

However, another sharp rise in oil prices could significantly affect growth prospects: according to INSEE, a barrel priced at USD 50 would shave a quarter point off growth in the eurozone at the end of 2004.

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