

# France



## Outlook

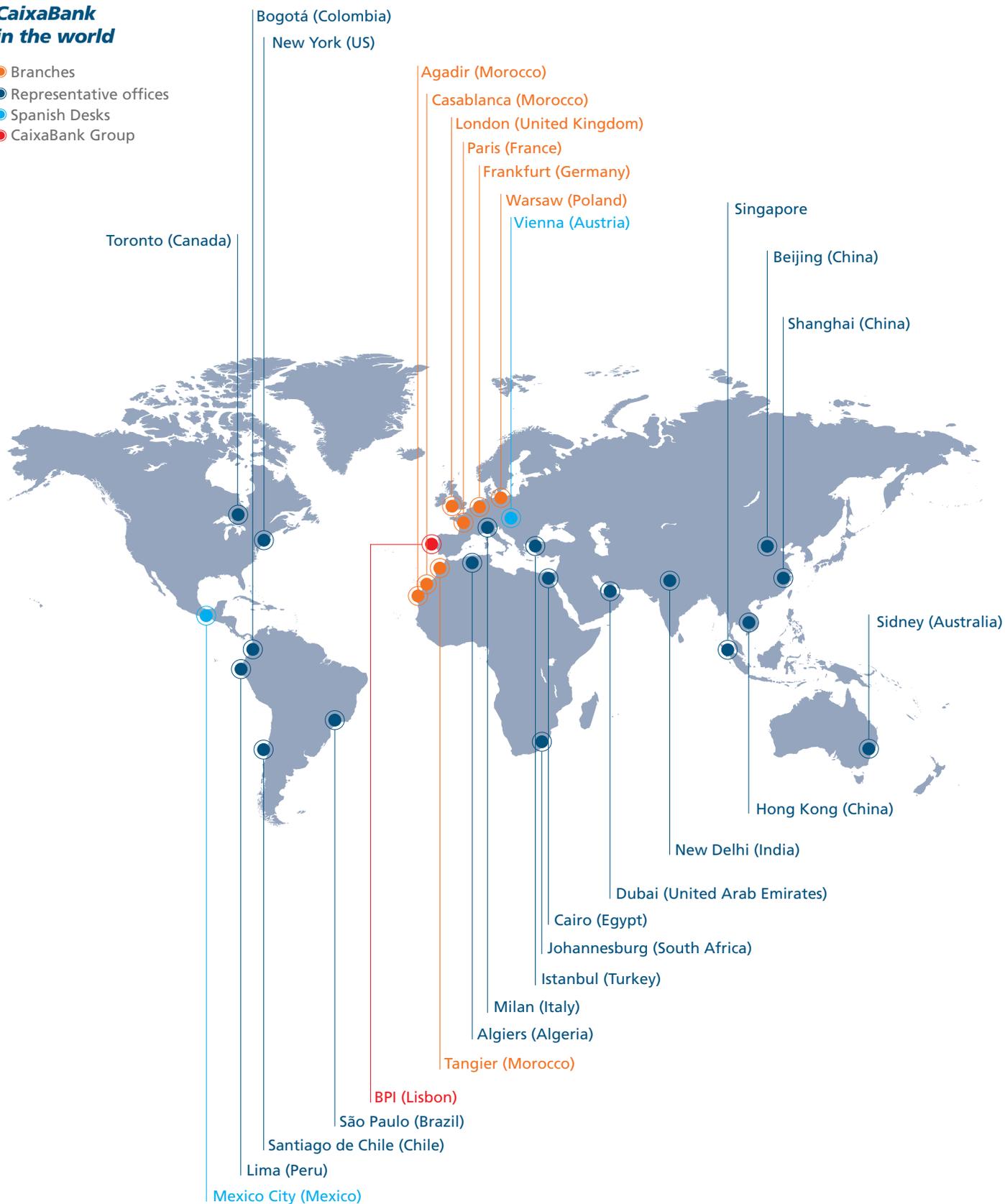
	Average 11-15	2016	2017	2018	2019	2020	2021	Forecasts	
								2022	2023
GDP growth (%)	1.0	1.0	2.4	1.8	1.8	-8.0	7.0	2.9	2.3
CPI Inflation (%)*	1.2	0.3	1.2	2.1	1.3	0.5	2.1	2.8	1.4
Fiscal balance (% of GDP)	-4.3	-3.6	-3.0	-2.3	-3.1	-8.9	-6.5	-5.3	-3.5
Primary fiscal balance (% of GDP)	-2.0	-1.8	-1.2	-0.6	-1.6	-7.8	-6.9	-4.2	-2.5
Public debt (% of GDP)	92.5	98.0	98.1	97.8	97.5	115.0	114.6	113.7	112.9
Reference rate (%)*	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.9
Current balance (% of GDP)	-1.0	-0.6	-0.7	-0.9	-0.8	-2.6	-0.8	-2.2	-1.0

Note: \* Annual average. CaixaBank Research forecast for GDP, CPI and interest rates; other variables, AMECO  
Source: CaixaBank Research, based on data from AMECO, the INSEE and the ECB (via Refinitiv).

- The French economy performed worse than expected in Q1 2022.** At the start of the year, the economy stalled (0.0% quarter-on-quarter versus the 0.2% that was forecast) due to the decline in private consumption, down 1.9 pp from Q4 2021. Previously, the French economy had seemed to be better positioned to overcome the effects of the war in Ukraine than the German or Italian economies, as less than 17% of its gas is imported from Russia (compared to an average of 34% in the euro area), and almost 70% of its electricity is produced in nuclear plants (versus the 26% average in the euro area). However, the figures from Q1 2022 have exposed the vulnerability of household spending to rising uncertainty, as can be seen in the drop in consumer confidence, which recorded its biggest fall in March since records began, even bigger than the shock caused by the outbreak of the pandemic in 2020.
- The short- and medium-term outlooks will be determined by how the military conflict unfolds.** Assuming that the uncertainty of the current scenario will remain at unusually high levels over the coming months, we expect variables such as household spending and investment to be negatively affected. Additionally, the continuing bottlenecks in global supply chains, which may worsen more than anticipated due to another series of lockdowns in some of China's industrial regions, may be a key factor in the performance of France's industrial activity.
- Furthermore, April's presidential elections gave **Emmanuel Macron a second-round victory**, thus ensuring the continuation of a pro-European policy aimed at furthering European unity at all levels, strengthening the Franco-German axis. However, the presidential elections revealed that populist and anti-system parties of all stripes, with 52.3% of the votes in the first round, are capitalising on the loss of voters suffered by traditional centre-right and centre-left parties, which only received 7.0% of the votes in the first round. This voting trend serves as a warning that the parliament may be highly fragmented after the elections in June, with a political make-up that could hinder Macron's ability to govern during his next term in office, which would open a period of political instability in the euro's second largest economy given the problems that Macron would have implementing his agenda.
- In short, the uncertainty around the current situation is much higher than usual**, which poses significant downside risks to our current growth forecast of 2.9% for the whole of 2022.

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