

France



Outlook

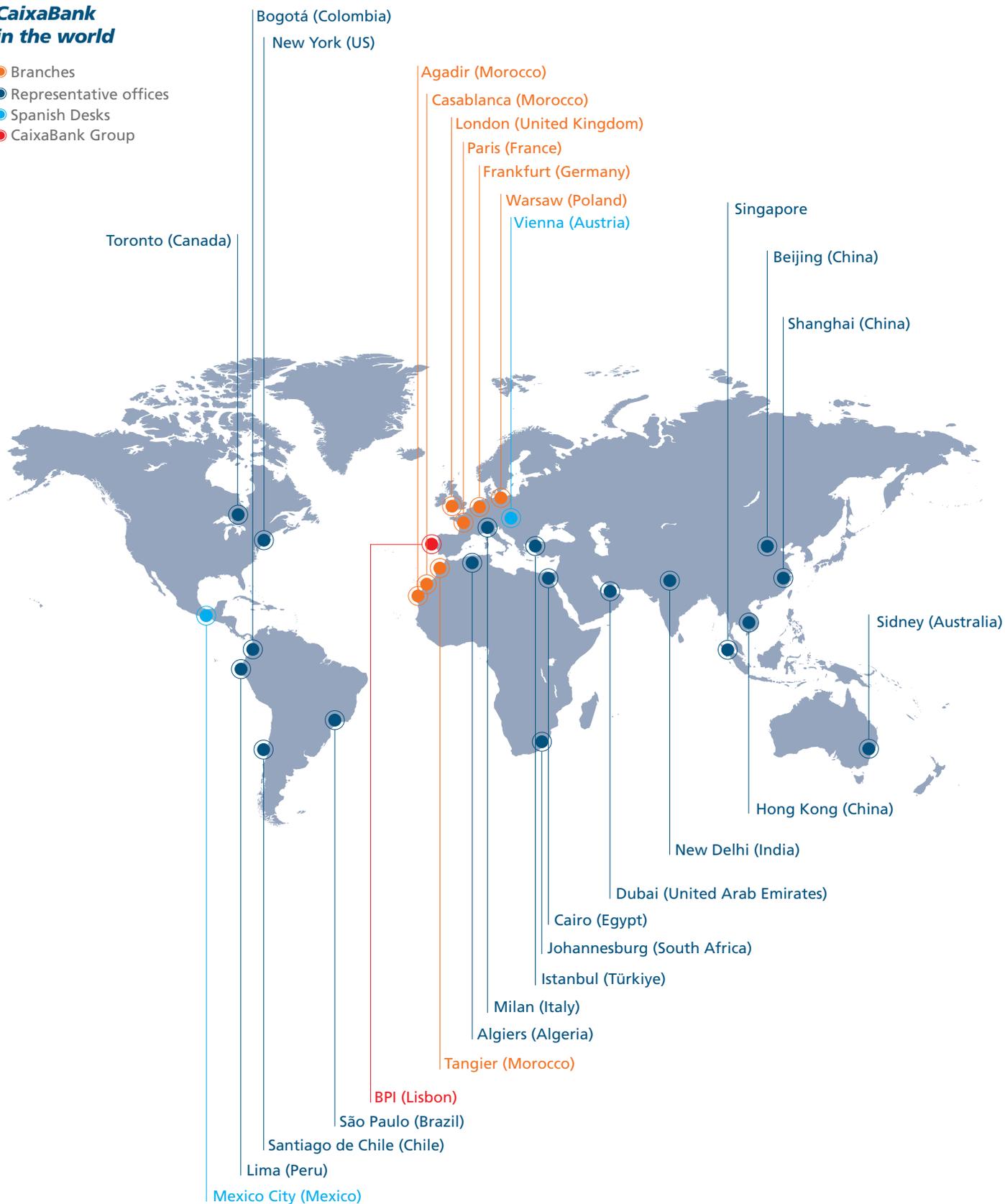
	Average 11-15	2016	2017	2018	2019	2020	2021	Forecasts	
								2022	2023
GDP growth (%)	1.1	1.0	2.4	1.8	1.9	-7.9	6.8	2.5	0.6
CPI Inflation (%)*	1.2	0.3	1.2	2.1	1.3	0.5	2.1	5.9	4.1
Fiscal balance (% of GDP)	-4.3	-3.6	-3.0	-2.3	-3.1	-8.9	-6.5	-4.6	-3.2
Primary fiscal balance (% of GDP)	-2.0	-1.8	-1.2	-0.6	-1.6	-7.6	-5.1	-3.2	-1.7
Public debt (% of GDP)	92.5	98.0	98.1	97.8	97.4	114.6	112.9	111.2	109.1
Reference rate (%)*	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.6	2.2
Current balance (% of GDP)	-1.0	-0.6	-0.7	-0.7	-0.7	-2.6	-0.8	-3.0	-2.0

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 surprised us positively in Q2 2022.** It grew 0.5% quarter-on-quarter, compared to the expected stagnation, thanks to the boost from foreign demand and the recovery shown by household consumption. However, the notable deterioration seen in consumer confidence, which in September was even below the lows recorded during the “Great Lockdown”, points to a significant loss of momentum in private consumption. High inflation, the tightening of financial conditions and the increase in uncertainty caused by the war in Ukraine explain the pessimism of French households.
- **The future evolution of the French economy will largely be determined by the development of the war in Ukraine** and its impact on the price of natural gas and other commodities. To prepare for a possible total disruption in the supply of Russian gas, the accumulation of gas reserves for the winter reached 97% in September, hitting the 90% target established by the Commission as a level to be reached in November two months ahead of schedule. In addition, its dependence on gas is one of the lowest among the major EU economies. Gas consumption represents around 20% of final energy consumption and barely 7% of gas is used in electricity generation (compared to 48% in Italy or 17% in Germany), while nuclear energy generates nearly 67% of electricity.
- This data appears to indicate **that France would, in theory, be one of the economies least affected by a disruption in the gas supply from Russia.** However, nuclear power generation is facing hard times right now. On the one hand, France is suffering its worst drought since the 1960s, which is putting the cooling of nuclear reactors at risk, an essential factor for the operation of nuclear power plants. On the other, almost 50% of their nuclear power plants are out of operation, either due to planned closures for maintenance tasks or due to problems in the reactors. As a result, France’s dependence on Russian gas has increased in recent months, although it is still far from the levels of Italy and Germany.
- In short, **the prospects for economic growth for the coming months have deteriorated significantly** and the risk that activity may decline in Q1 2023 has increased considerably. The high degree of uncertainty also introduces significant downside risks to growth, especially in 2023, and surprise upward movements in inflation cannot be ruled out in the coming months either.

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