

France



Outlook

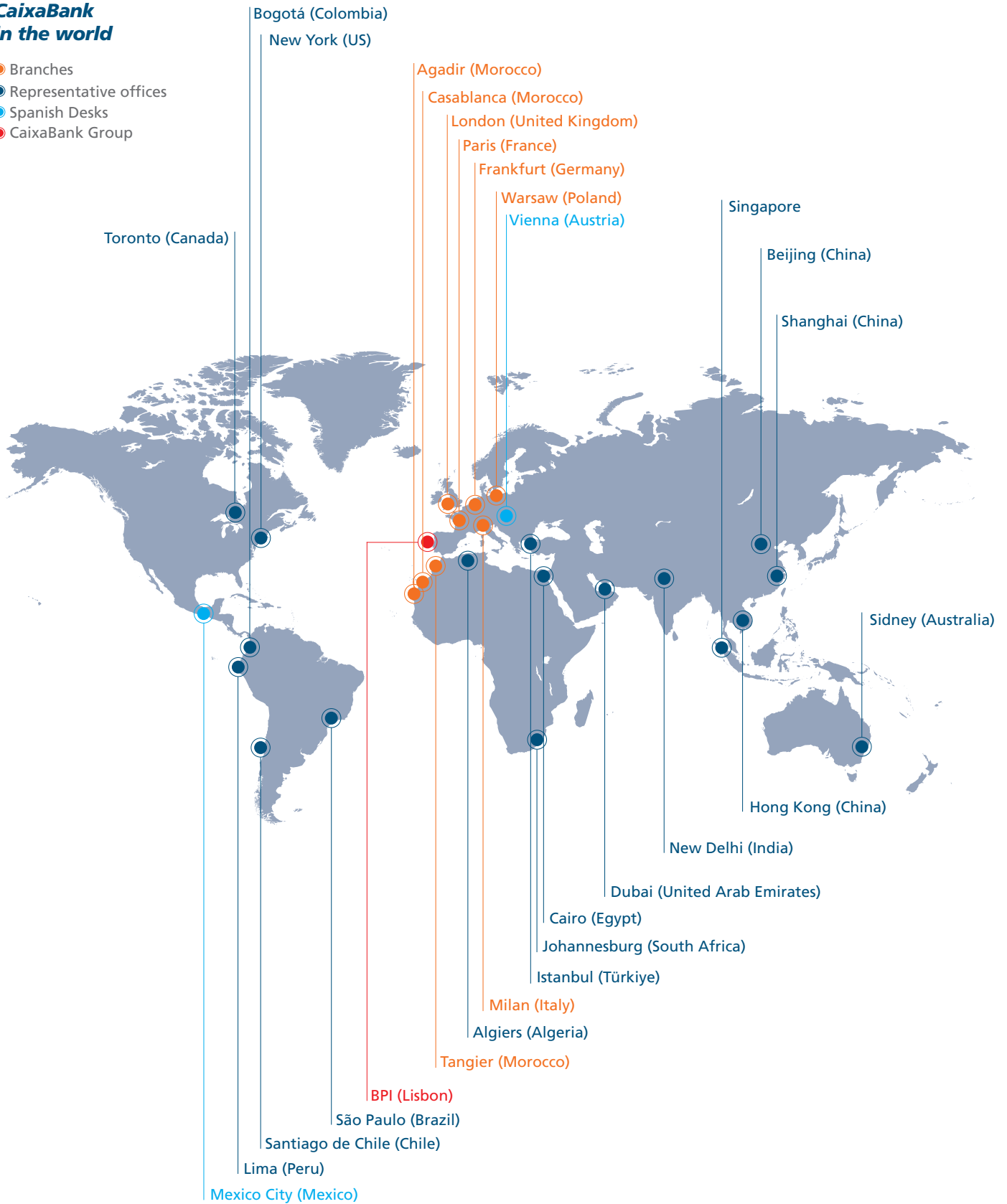
	Average 13-17	2018	2019	2020	2021	2022	2023	Forecast	
								2024	2025
GDP growth (%)	1.2	1.8	1.9	-7.7	6.4	2.5	0.9	0.6	1.4
CPI inflation (%)*	0.6	2.1	1.3	0.5	2.1	5.9	5.7	2.4	2.0
Fiscal balance (% of GDP)	-3.6	-2.3	-3.1	-9.0	-6.5	-4.8	-5.3	-4.4	-4.3
Primary fiscal balance (% of GDP)	-1.6	-0.6	-1.6	-7.7	-5.1	-2.9	-3.1	-2.4	-2.0
Public debt (% of GDP)	96.0	97.8	97.4	114.6	112.9	111.8	109.6	109.5	110.0
Reference rate (refi) (%)*	0.2	0.0	0.0	0.0	0.0	0.6	3.8	4.1	3.1
Current balance (% of GDP)	-0.8	-0.7	-0.7	-3.4	-1.5	-4.0	-2.4	-2.4	-2.4

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

- **France had a very sluggish second half of 2023.** The French economy experienced a significant slowdown and virtually stagnated during the second half of last year: 0.0% quarter-on-quarter in Q3 and 0.1% in Q4. As a result, average growth was 0.9% in 2023, the lowest since 2013 (excluding 2020). This slowdown stems from the loss of momentum in all components of domestic demand, which only contributed 0.7 pp to growth in 2023 (2.4 pp in 2022). Meanwhile, thanks to a sharp correction in imports, foreign demand contributed 0.5 pp, after shaving 0.6 pp off growth in 2022.
- **The start of 2024 will be fairly muted, especially in industry.** Business climate surveys suggest that industry remains quite fragile at the start of 2024. Manufacturing output fell by 1.1% month-on-month in January and the manufacturing PMI has remained at recessionary levels (below 50) since June 2022, so a recovery in the sector is not expected in the short term. In fact, this weakness in industry is one of the main reasons why the French statistics office has revised its growth forecast for Q1 2024 downwards to 0.0% (0.2% initially forecast), which is in line with our projection.
- **Fiscal policy will be less expansionary than in previous years.** Pending confirmation of the figure, it is expected that 2023 ended with a fiscal deficit of 5.3% of GDP, above the target of 4.9%. The government has already announced spending cuts equivalent to 0.3% of GDP and it is likely that further cuts will be necessary to meet the government's fiscal deficit target of 4.4% of GDP this year. Further fiscal consolidation is needed to ensure the medium-term sustainability of public debt, which reached almost 110% of GDP in 2023.
- **France will be one of the economies that benefits least from cheaper oil and natural gas.** In France, nuclear power accounts for a very high proportion of combined-cycle power generation, standing at 62% of the total, compared to an EU average of 22%. Additionally, in 2022, the French government introduced a major package of measures to mitigate the impact of rising energy prices on businesses and households. Therefore, both factors explain why the projected decline in fossil fuel prices will not have a significant impact on activity. In fact, we expect quarter-on-quarter GDP growth to remain below 0.4% throughout the year, which was the long-term average growth rate before the pandemic. There could be a positive surprise in Q3 2024, if the Olympics in Paris have a greater impact than expected in July.

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