

France



						Forecasts		
	2020	2021	2022	2023	2024	2025	2026	2027
GDP growth (%)	-7.6	6.8	2.8	1.6	1.1	0.6	0.7	1.2
CPI inflation (%)*	0.5	2.1	5.9	5.7	2.3	1.1	1.7	1.8
Fiscal balance (% of GDP)	-8.9	-6.6	-4.7	-5.4	-5.8	-5.4	-5.8	-6.2
Primary fiscal balance (% of GDP)	-7.7	-5.2	-2.8	-2.9	-3.7	-3.4	-3.6	-3.7
Public debt (% of GDP)	114.9	112.8	111.4	109.8	109.6	116.5	119.6	122.1
Reference rate (<i>depo</i>) (%)*	-0.5	-0.5	0.1	3.3	3.7	2.2	2.0	2.0
Exchange rate (EUR/USD)	1.14	1.18	1.05	1.08	1.08	1.14	1.20	1.2
Current balance (% of GDP)	-1.9	-2.0	0.3	-1.4	-1.0	-0.1	-0.2	---

Notes: * Annual average. CaixaBank Research forecast for GDP, CPI, interest rates and exchange rates. All others from the IMF.
Source: CaixaBank Research, based on data from AMECO, the IMF, the INSEE and the ECB (via Refinitiv).

Outlook

France appears to be performing strongly despite being in the midst of a political crisis. The growth recorded by the French economy up to Q3 2025 is attributable to patterns that are either unsustainable (such as high inventory accumulation in Q2) or temporary in nature (strong export momentum in Q3 due to orders for aeronautical equipment), which mask the underlying weakness of the French economy. In fact, a rather sluggish final quarter of the year is to be expected, as reflected by various industrial climate and business confidence indicators. In fact, as of Q4, the PMI has been below the 50 threshold (indicating positive growth) for more than a year now, while household confidence surveys show that consumers are opting to save (the savings rate in Q2 2025 is now 18.7% of their disposable income, 4.5 pp higher than its pre-pandemic average), at the expense of reducing their spending intentions.

A drawn-out political crisis. The political situation in France has been rather fragile since the July 2024 elections, which produced a very fragmented Parliament, with significant representation from parties at the extremes of the political spectrum. This is making it extremely difficult to reach a consensus to approve the 2025 budget (at the time of writing, it was still being debated), and has already led to the resignation of as many as three prime ministers in less than a year. Such a turnover has not been seen since the Fifth Republic was established in 1958, which gives a measure of the extent of the country's political decline. This high uncertainty has been constraining household spending decisions and, above all, business investment decisions. In Q3 2025, year-on-year growth in household spending was only 0.2%, while fixed capital investment fell by 1.6%, compared to long-term average growth rates of around 1.5% in both cases.

Economic policies

Fiscal metrics need to be shifted towards more sustainable benchmarks. The decline in France's fiscal accounts since the pandemic prompted Brussels to launch an Excessive Deficit Procedure in July 2024. This means that it must implement expenditure cuts to reduce the structural deficit by at least 0.5% of GDP per year in order to bring the fiscal deficit to the 3.0% target. France could end 2025 with a fiscal deficit of around 5.4% of GDP and 116% of debt. Prime Minister François Bayrou's aggressive proposal to cut the 2026 budget by 44 billion euros (more than 1.5% of GDP) prompted a vote of no confidence that led to his resignation in September this year.

His successor, Sébastien Lecornu, lowered his budget cut targets to 35 billion euros (1.0%), which was still the tightest budget in over a decade. However, in order to garner the necessary support to stave off another vote of no confidence, he agreed to delay the entry into force of the pension reform approved in 2023 until 2028, resulting in an increase in spending of almost 3 billion euros up to 2027. At the time of writing, budget negotiations were still ongoing and may continue until the end of December, so it cannot be ruled out that the fiscal deficit target for 2026 will eventually be less ambitious and closer to 5.0%, which will further limit any reversal of debt dynamics. The worsening of the fiscal outlook has led to a significant widening of risk premia on French sovereign debt relative to German sovereign debt, a trend that has deepened with the government crisis.

Risks

Risks to the French economy are skewed to the downside, with the main issues being as follows:

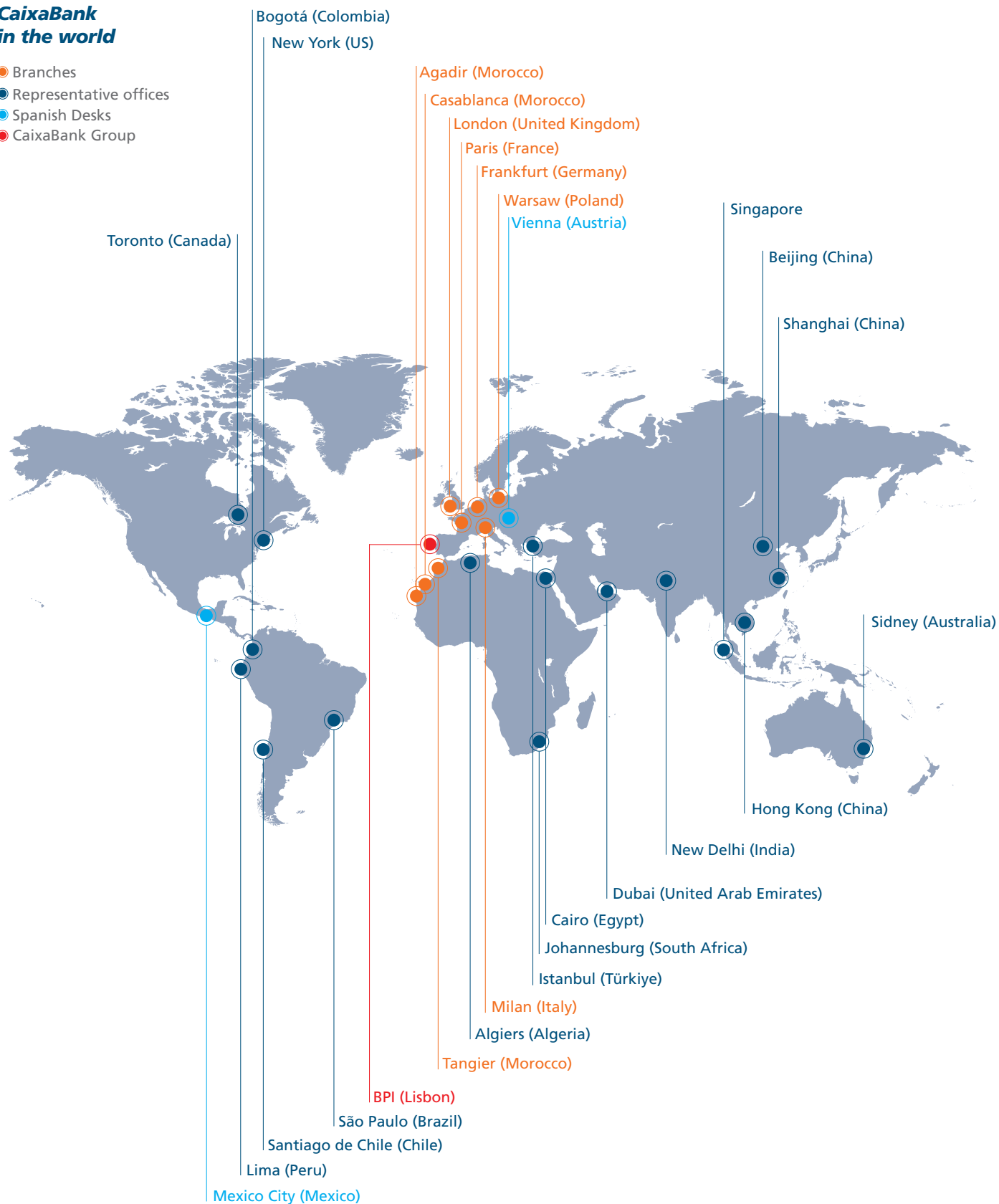
- **Political risk.** Political fragmentation and the rise of parties at the extremes of the political spectrum pose a threat to the country's political stability, as recent months have proven. This uncertainty is not only constraining the investment decisions of businesses and households, it is also hindering the approval of consensus budgets to tackle the decline in public finances without undermining growth.
- **Fiscal risk.** This political instability is increasing the likelihood that the fiscal effort for 2026 will be fairly modest and inadequate. The fiscal deficit ratio would remain at around 5.0% of GDP in the coming years, which would raise debt ratios to around 130% of GDP in 2030, according to IMF estimates. This persistent decline in public finances is reflected in the rise in risk premia on French sovereign debt, which are now almost equal to those of Italian sovereign debt, and it explains the downgrades that the main credit rating agencies have made since the summer.
- **Financial.** If no credible fiscal consolidation budgets are approved, the market may respond with further increases in its risk premium, leading to instability that could spill over to other economies in a fragile fiscal position (Italy, Belgium or Spain). The ECB has the option of activating the Transmission Protection Instrument (TPI), an instrument to buy sovereign debt if risk premia spiral out of control, provided that the rise in premia does not reflect a decline in the country's economic fundamentals.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD & POOR'S	A+	17/10/25	Stable	17/10/25
MOODY'S	Aa3	14/12/24	Negative	24/10/25
FitchRatings	A+	12/09/25	Stable	12/09/25

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

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