

France



	2020	2021	2022	2023	2024	2025	Forecast	
							2026	2027
GDP growth (%)	-7.6	6.8	2.8	1.8	1.4	0.9	0.5	0.9
CPI inflation (%)	0.5	2.1	5.9	5.7	2.3	0.9	2.4	2.2
Fiscal balance (% of GDP)	-8.9	-6.6	-4.7	-5.4	-5.8	-5.1	-5.4	-5.2
Primary fiscal balance (% of GDP)	-7.7	-5.2	-2.9	-3.7	-3.9	-3.0	-2.9	-2.5
Public debt (% of GDP)	114.9	112.8	111.4	109.5	112.6	115.5	118.5	120.4
10-year bond yield	-0.1	0.0	1.7	3.0	3.0	3.4	3.9	4.0
Reference rate (depo) (%)*	-0.5	-0.5	0.1	3.3	3.7	2.3	2.2	2.7
Exchange rate (EUR/USD)	1.14	1.18	1.05	1.08	1.08	1.13	1.16	1.17
Current balance (% of GDP)	-2.1	0.3	-1.4	-0.9	-0.3	-0.4	-0.7	-0.2

Notes: *Annual average across all variables. CaixaBank Research forecast for GDP, CPI, the depo rate and the exchange rate. All other figures: the IMF, WEO October 2026. Forecast for the 10-year bond yield, Bloomberg, as at 14 October 2026.

Source: CaixaBank Research, based on data from AMECO, the IMF, Bloomberg and the ECB.

Outlook

France has once again proven to be the weakest of the four major economies in the euro area. While the euro area as a whole recorded growth of almost 0.6% (0.3% excluding Ireland) in the first half of 2026, France contracted by more than 0.1%, with public expenditure being the sole driver of economic activity (growth of almost 0.7%), but this was unable to offset virtually stagnant private consumption and the decline in fixed capital investment (-1.0%) against a backdrop of sluggish exports. The outlook for the remainder of the year is fairly subdued, and no substantial recovery in economic activity is to be expected. In fact, despite the recovery recorded in September, the trend in PMIs throughout the third quarter points to near-stagnant activity, mainly due to expected weakness in the services sector. We believe it is unlikely that France will grow by more than 0.5% in 2026 and estimate that growth will remain below 1.0% in 2027.

The state of its public finances remains very precarious. This climate of sluggish growth is hampering the necessary process of consolidating public accounts. The fiscal deficit could hit 5.5% of GDP in 2026, whilst public debt is set to reach 118% of GDP – a ratio that will continue to rise in the coming years. The market has been keeping a close eye on France for some time now, given the various scenarios that could unfold following the 2027 presidential elections. Against this backdrop, the risk premium has reached its highest level since the summer of 2012 and is approaching 150 bp, above that of Italy and Greece and more than double that of Spain. Investors' concerns are also reflected in the performance of the equity market. So far this year, the French stock market has posted losses, compared with gains of around 7.0% for the Eurostoxx and over 10% in Italy, Spain and Portugal. Since July 2024, France has been subject to an excessive deficit procedure, which sets out a number of milestones for reducing the deficit to 3.0% by 2029. The current government is drawing up a budget that includes significant spending cuts (equivalent to 1.8% of GDP), through which it aims to reduce the fiscal deficit to 5.0% by 2027. However, the fragmented nature of Parliament may make it difficult to approve the budget, potentially leading to a motion of no confidence at a politically delicate time.

France is set to hold a presidential election in 2027. The first round will take place on 18 April and, if no candidate secures an absolute majority, the second round will be held on 2 May. The winner of the second round will succeed Macron, whose second term ends on 13 May. At the time of writing, the polls show a clear lead for Marine Le Pen of the far-right National Rally (RN) party, although not enough to avoid a second round run-off. In second and third place are Jean-Luc Mélenchon of the left-wing LFI party and the centrist Édouard Philippe, both with similar levels of voter support. The most important factor is not so much who wins these

elections, but who is able to secure a sufficient majority to push through the measures needed by the country in a highly fragmented Parliament. We cannot rule out the new president who is elected on 2 May dissolving Parliament before the summer. The current Parliament was formed in 2024 for a five-year term. The aim would be to try to secure a stable parliamentary majority that would allow budgets to be passed.

The 2027 elections pose a risk to the public accounts. These elections will not only pit different ideological camps against one another, but also contrasting strategies for tackling the serious crisis in public finances. As such, centre and centre-right parties are advocating measures to enable a gradual fiscal adjustment, whilst undertaking structural reforms (for example, maintaining the pension reform already proposed by Macron, which is currently on *hold*). Meanwhile, left-wing and far-right parties are proposing measures that would further worsen fiscal indicators and, in some cases, raise the risk of confrontation with European institutions (Mélenchon proposes cancelling part of France's public debt held on the ECB's balance sheet).

Risks

The risks facing the French economy are tilted to the downside. The main risks are as follows:

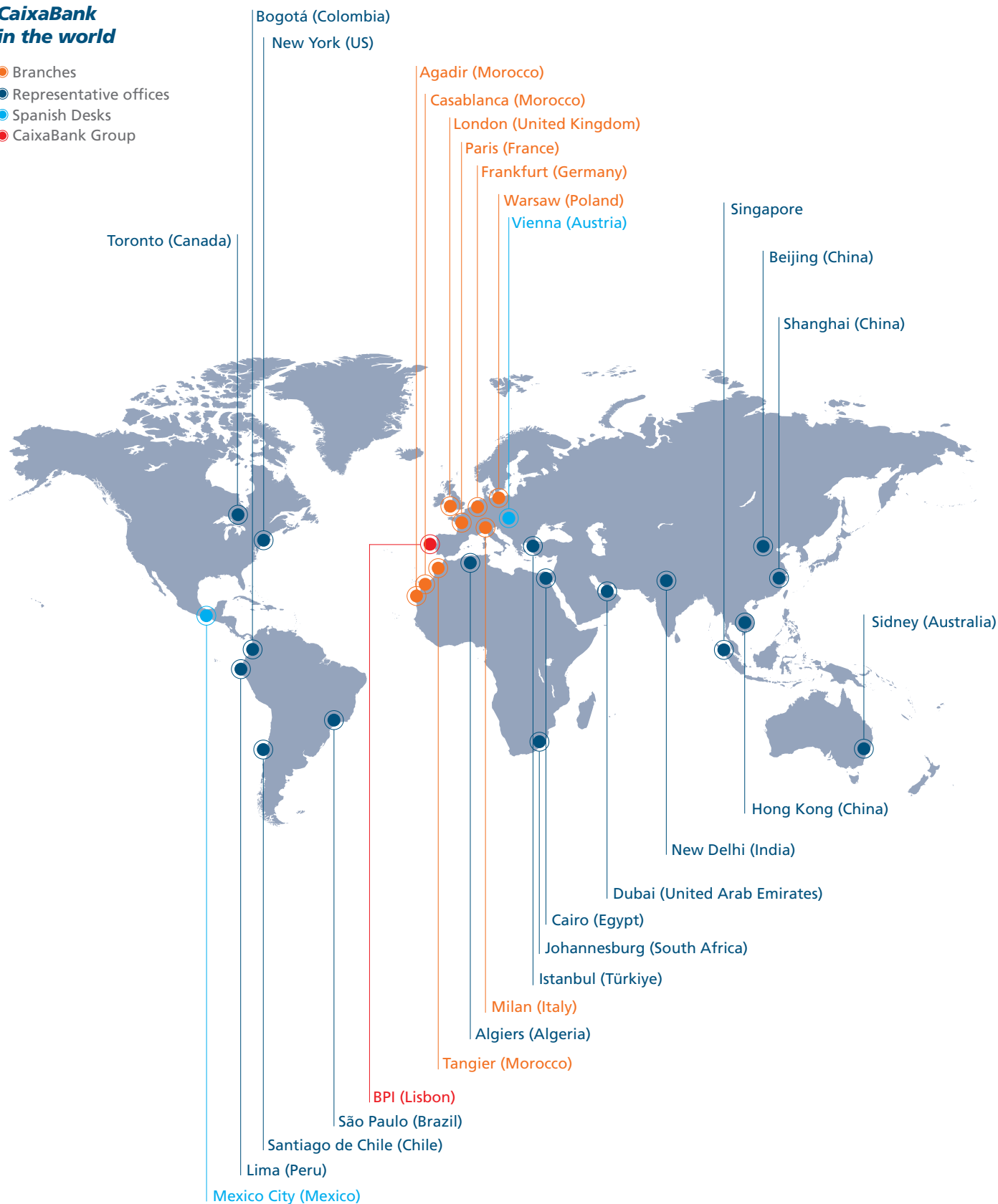
- **Low potential growth.** France is experiencing very modest growth, which is mainly underpinned by high public expenditure (over 50% of GDP). Furthermore, potential growth is expected to continue falling in the coming years to around 1.0% (1.4% in 2021).
- **Political risk.** Heading into the 2027 presidential elections, the strength of candidates at the extremes of the political spectrum, coupled with the fragmentation of the centre, is increasing uncertainty regarding fiscal strategy, relations with the EU and the pace of structural reforms.
- **Fiscal risk.** This political climate could delay fiscal consolidation and increase volatility in French financial markets. Credible measures must be taken to reduce the public deficit – which remains above 5.0% of GDP – to the target of 3.0% as quickly as possible, in order to reverse the current debt trajectory. According to the IMF, this debt is set to continue rising until it exceeds 120% of GDP in 2030. This ongoing decline in the fiscal position explains the significant widening of French risk premia and may lead to *rating* downgrades by the major agencies (Moody's already has a negative outlook).
- **Financial risk.** Against the current backdrop of rising long-term interest rates, France must adopt fiscal consolidation budgets that the market finds credible. Otherwise, we could see further widening of its risk premium, which could spread to economies with 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	28/08/26

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

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