

# France



## Outlook

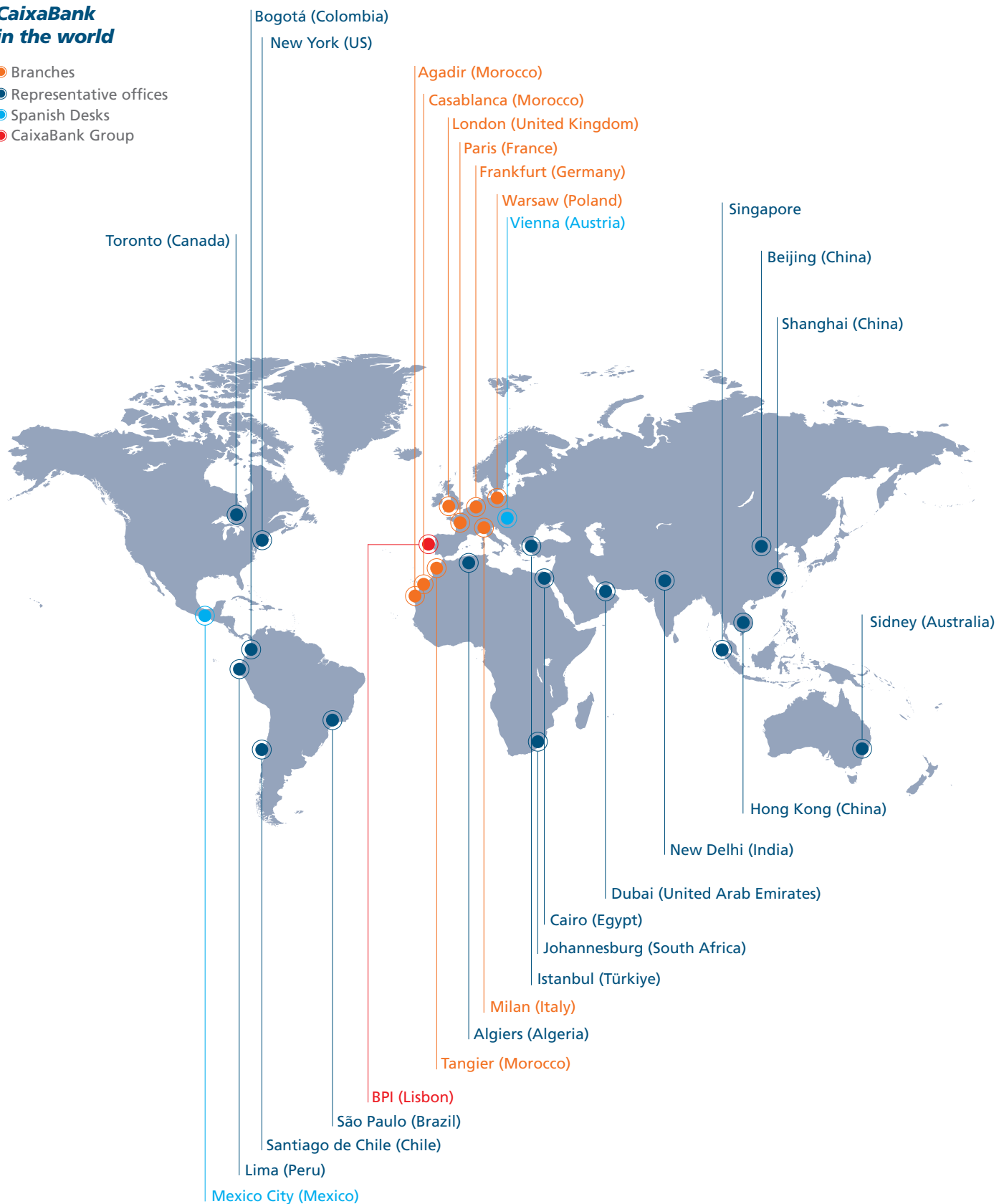
	Average 13-17	2018	2019	2020	2021	2022	2023	Forecast	
								2024	2025
GDP growth (%)	1.2	1.8	1.9	-7.7	6.4	2.5	0.9	0.9	1.3
CPI inflation (%)*	0.6	2.1	1.3	0.5	2.1	5.9	5.7	2.5	2.0
Fiscal balance (% of GDP)	-4.1	-2.3	-2.4	-8.9	-6.6	-4.8	-5.5	-5.3	-5.0
Primary fiscal balance (% of GDP)	-2.1	-0.5	-0.9	-7.7	-5.2	-2.8	-3.8	-3.3	-2.7
Public debt (% of GDP)	96.9	98.2	97.9	114.9	113.0	111.9	110.6	112.4	113.8
Reference rate (refi) (%)*	0.2	0.0	0.0	0.0	0.0	0.6	3.8	4.0	2.8
Current balance (% of GDP)	-0.8	-0.7	-0.7	-3.4	-1.5	-4.0	-2.2	-1.4	-1.4

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).

- **France started the year with slightly higher growth than expected.** After weak growth in H2 2023 (barely 0.1% quarter-on-quarter), GDP grew by 0.2% quarter-on-quarter in Q1 2024, thanks to an upturn in household consumption (0.4% quarter-on-quarter vs. 0.2% previously) and, above all, in fixed investment (0.3% vs. -0.9% previously). However, the main business confidence surveys suggest that **growth will be somewhat subdued in the coming months**, due to the continuing decline of the industrial sector at a time when the services sector is struggling to drive the economy forward again. Therefore, we do not expect growth to exceed 0.3% quarter-on-quarter for the remainder of the year, which would bring growth back to 0.9% for the whole of 2024.
- Indeed, **industrial orders are continuing to fall** and are well below their 10-year average, with finished goods inventory levels close to their highest levels over the last year. The situation is not much better in the construction sector, where both used and, above all, new building orders continue to fall. **The outlook for the industry is fairly muted in the short term**, but could improve in the medium term if the introduction of a new green economy investment tax credit (March 2024) accelerates the implementation of the *France 2030* plan. In October 2021, 30 billion euros was approved in key areas such as the green transition, technological sovereignty and industrial competitiveness.
- **The biggest challenge facing the French economy is to bring the fiscal accounts back to normal.** Like its other European partners, France has been hit by the reimposition of fiscal rules that set limits for deficits and public debt, 3.0% and 60% of GDP respectively. The results at the end of 2023 were rather poor, with the fiscal deficit standing at 5.5% of GDP, compared to the 4.9% expected by the government. This means that France will have to start from a fairly weak position, requiring a stronger fiscal adjustment than initially anticipated. The latest forecasts by the European Commission do not foresee a correction of these imbalances and suggest that in 2025 the public deficit will still stand at 5.0%, with a primary fiscal deficit (excluding interest payments) of 2.7%, just 1 pp less of GDP than at present. As a result, the public debt ratio will continue rising to almost 114% of GDP in 2024, the third highest, behind only Greece and Italy (both above 140%). This steady decline in the public accounts is reflected in the risk premia on French sovereign debt, which have almost doubled since 2021 and are currently trading at around 50 bp; and this explains why S&P has cut France's credit rating by one notch from AA to AA-, with a stable outlook.

**CaixaBank  
in the world**

- Branches
- Representative offices
- Spanish Desks
- CaixaBank Group



**Paris branch**

2 Rue de Goethe,  
75116 Paris  
France

Director: Víctor Granero  
Tel. +33 145 019 611

