

France



Outlook

	Average 12-16	2017	2018	2019	2020	2021	2022	Forecast	
								2023	2024
GDP growth (%)	0,8	2,5	1,8	1,9	-7,7	6,4	2,5	0,7	1,0
CPI Inflation (%)*	0,8	1,2	2,1	1,3	0,5	2,1	5,9	5,6	2,4
Fiscal balance (% of GDP)	-4,0	-3,0	-2,3	-3,1	-9,0	-6,5	-4,7	-4,7	-4,3
Primary fiscal balance (% of GDP)	-1,9	-1,2	-0,6	-1,6	-7,7	-5,1	-2,8	-2,7	-2,3
Public debt (% of GDP)	94,5	98,1	97,8	97,4	114,6	112,9	111,6	109,6	109,5
Reference rate (%)*	0,3	0,0	0,0	0,0	0,0	0,0	0,0	3,8	4,0
Current balance (% of GDP)	-0,9	-0,7	-0,7	-0,7	-2,5	-0,8	-3,1	-1,5	-1,3

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

- France records positive growth in Q1 2023.** The French economy surprised at the beginning of the year by growing by 0.2% quarter-on-quarter (0.8% year-on-year), after stagnating in Q4 2022. However, the aggregate figure masks a clear “from up to down” trend over the quarter. According to estimates by the Bank of France, social protests over the pension reform proposed by Emmanuel Macron are said to have caused the retail, hotels and restaurants sector to fall by 1.4% in March, which contributed to GDP falling by 0.3% in the month.
- Social rejection of Macron’s proposed pension reform.** Social protests and strikes to reject Macron’s pension reform (which, among other things, raises the retirement age to 64 from the current 62) intensified in March. The French Constitutional Council (the equivalent of our Constitutional Court) endorsed the main points of the reform, giving the green light for it to be approved in mid-April by the French government without passing through Parliament, thanks to a procedure enshrined in the Constitution itself. After its approval, the law will enter into force on 1st September. Despite the rejection it generates, this pension reform is crucial to improve the French economy’s fiscal metrics, one of the weak points of the economy: the primary deficit will rise to 2.7% of GDP in 2023, the highest among the large Eurozone countries, and it is expected to be corrected just in 2024, according to European Commission estimates.
- The poor performance of its public finances is weighing on its credit rating.** In April, the rating agency Fitch cut France’s credit rating by one notch to AA- (from AA) with a stable outlook (the other agencies’ ratings are currently: Aa2 with a stable outlook, according to Moody’s, and AA with a negative outlook, according to S&P). According to Fitch, the public deficit would widen to 5.0% of GDP in 2023 and stand at 4.7% in 2024 (4.7% in 2022), a scenario not far from that published in May by the European Commission in its spring report. These fiscal deficit metrics are considerably worse than the median for the group of AA-rated countries (2.3% in 2023 and 0.9% in 2024), which would justify the downgrade. Public debt now stands at 112% of GDP and, in absolute terms, already exceeds that of Italy. This downgrade comes in the midst of social protests over pension reform and confirms the public’s disaffection with Macron’s government, which could weigh down the four years that remain before the end of his second, and last, term in office. Moreover, it makes it very difficult to undertake new reforms that would make it possible to trust that public finances will return to a sustainable path in the medium term.

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