

## France: We're expecting weak and below-consensus growth numbers

The French economy is likely to remain very sluggish at the start of 2024, before picking up a little more momentum in the second half of the year. We expect growth to be weak and below the consensus forecasts



What a lovely looking baguette! President Macron and his impressed wife, Brigitte

### The stagnation continues

The best we can say about the outlook for France this year is that it'll be moderate. The economy appears to be stabilising, but activity is subdued. And that means the country will probably escape a prolonged recession. There are few signs of a dynamic recovery in the short run. On the contrary, persistently high inflation (3.7% in December), the very negative impact of restrictive monetary policy on investment and the construction sector, the slowdown in the global economy and the geopolitical risks weighing on confidence will continue to be a drag on the French economy. Weak growth of 0.1% is expected for the first quarter.

2023 marked the end of France's post-pandemic recovery. The year's final quarter was disappointing, although slightly better indicators for December give us hope that the country has avoided a further contraction in activity. Over 2023 as a whole, French GDP will have grown by around 0.8% after the dynamic recovery of 2022 (+2.5% over the year).

## Consumption expected to pick up in the second half

Inflation should continue to fall in 2024, although not as quickly as in other European countries. Indeed, despite lower energy prices on commodities markets, household energy bills are likely to continue rising in France, albeit at a slower rate than last year due to the end of various government support mechanisms. It should ease in the second half of the year, to end the year close to 2%.

---

### *Consumption should contribute more to French economic growth*

---

As inflation falls, we expect real purchasing power to pick up again, with wages expected to rise more strongly than prices. This will enable consumption to contribute more to French economic growth than in 2023, leading us to expect growth to accelerate from the spring and during the second half of the year. Although it will compensate more for inflation, nominal wage growth should nevertheless slow during 2024 due to the expected slowdown in the labour market.

As a result of weaker demand, job losses and a moderate rise in unemployment are expected over the coming quarters, which will limit the pace of the recovery. Against this backdrop, the savings rate is likely to remain historically high. A slight boost from the Olympic Games in the third quarter will be welcomed. By 2025, growth should benefit from an improvement in investment, as the effect of tighter financial conditions will peter out. We expect GDP growth to be on the weak side in 2024, averaging 0.5%. In 2025, growth should pick up to around 1.3% for the year.

## Public finances still in a very poor state

Public finances are set to remain troublesome over the next few quarters, against a backdrop of a still expansionary fiscal policy. However, it will be less noticeable than in recent years. The public deficit is set to fall slightly over the next two years but will remain well above 4% of GDP, which will not allow the public debt ratio to be reduced as a percentage of GDP. In fact, because of the higher interest burden, the debt ratio could start to rise again and be close to 113% in 2025, while at the same time other European countries could be seeing their debt ratio decline.

## The French economy in a nutshell

	2022	2023F	2024F	2025F
<b>Demand and output</b>				
GDP	2.5	0.8	0.5	1.3
Private consumption	2.3	0.6	1.0	1.6
Investment	2.3	1.3	-0.4	1.4
Government spending	2.5	0.5	0.8	0.7
Net trade contribution (% points of contribution to GDP)	-0.6	0.3	-0.2	-0.1
<b>Labour market</b>				
Unemployment rate (% eop, Eurostat)	7.3	7.3	7.8	8.0
<b>Government finances</b>				
Budget balance as a % of GDP	-4.7	-5.0	-4.8	-4.8
Government debt as a % of GDP	112	111	111	113
<b>Prices</b>				
Inflation (HCPI)	5.9	5.7	3.2	1.9

Source: Refintiv Datastream, ING forecasts

### Author

#### Charlotte de Montpellier

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).