

## Stagnation continues in France

French GDP stagnated in the fourth quarter of 2023, following an upwardly revised flat third quarter. The country therefore narrowly avoids a technical recession, but the details are weak, suggesting little improvement in the first quarter



### Stagnation, but weak details

As expected, French GDP stagnated in the fourth quarter of 2023 (0% quarter-on-quarter), following stagnation in the third quarter (figures revised upwards from -0.1 to 0%). France therefore narrowly avoids a technical recession, but the details are weak. Over 2023, GDP growth was 0.9%, compared with 2.5% in 2022.

In detail, INSEE reports that final domestic demand excluding inventories made a negative contribution to growth (-0.1 points), due to a slight fall in household consumption (-0.1% compared with -0.5% in Q3), but above all to a sharp fall in investment (-0.7% over the quarter after +0.2% in the third quarter). Household investment fell once again, and business investment dropped for the first time (-0.6% over the quarter). Imports fell sharply (-3.1% over the quarter) while exports declined only slightly (-0.1%), enabling foreign trade to make a very positive contribution to quarterly growth (+1.2 points). Inventories again made a negative contribution (-1.1 points).

What this data tells us is that the French economy remained weak at the end of 2023, with all the components of GDP declining over the quarter with the exception of public spending. Despite a second quarter of stagnation in GDP, the component figures suggest that domestic economic momentum actually slowed in the fourth quarter compared with the summer. The fall in GDP was avoided only because French exports contracted less sharply than in the third quarter. In particular, the sharp fall in both household and business investment and the fall in consumption indicate that the French economy continues to suffer from high interest rates, high inflation, pressure on purchasing power and weak actual and expected demand from businesses.

## A similar pattern to follow in 2024 before a gradual recovery

Looking ahead, there are few indicators that suggest the economy will pick up strongly in the first quarter of 2024. In fact, we expect stagnation to persist. We expect the French economy to recover only gradually in the course of 2024, with growth picking up slightly in the second quarter and then accelerating in the second half of the year.

This recovery should take place thanks to more dynamic consumption against a backdrop of falling inflation and slightly improved purchasing power. Added to this will be the impact of a tight labour market. We expect growth to be even weaker in 2024 than in 2023, at 0.5% compared to 0.8%.

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