

## French GDP grows faster than expected

GDP growth in France was faster than expected at 0.2% for the quarter. That said, growth is unlikely to accelerate in the coming months



### Stronger-than-expected growth

Quarterly GDP growth in France came in at 0.2% in the first quarter, slightly better than expected, following an increase of 0.1% in the fourth quarter of 2023. GDP growth was driven by a recovery in final domestic demand, notably household consumption, which rose by 0.4% over the quarter thanks to higher consumption of food, energy and services. Investment was also up for companies (+0.5% vs. -0.8% in the previous quarter), thanks in particular to investment in information and communications and for public authorities (+1.5% vs. +0.4%). Household investment, on the other hand, continued to fall sharply by 1.5% over the quarter, following a 6.9% drop in 2023.

Taken together, the various components of domestic demand contributed 0.4 points to GDP growth, compared with zero in the previous quarter. On the other hand, the contribution of foreign trade became nil after having made a strong contribution to growth in 2023, as imports picked up again (0.2% over the quarter, compared with a 2.3% fall in the fourth quarter). Once again, inventories made a negative contribution to growth by -0.2 points.

In terms of sectors, it was unsurprisingly services that drove growth over the quarter, with output

rising by 0.8%. Manufacturing output fell slightly by 0.1%, while construction output remained stable.

The French economy therefore got off to a more dynamic start than expected. In addition, growth was revised upwards in the third quarter of 2023. All of this means that the carry-over effect achieved at the end of the first quarter is higher than anticipated at 0.5%. In turn, the government's growth forecast of 1% for the year will be easier to achieve than expected, even if this forecast remains ambitious.

## No acceleration in growth in sight

Looking ahead, the indicators do not point to a strong acceleration in growth. Quite the contrary. Business sentiment worsened in April in industry, services and construction. Business leaders are much less confident about future activity. Consumer confidence fell back in April, to ten points below its historic average. The French seem to be more pessimistic about their future financial situation and are more likely to want to save. These initial figures for the second quarter indicate that economic growth is unlikely to accelerate strongly during the spring and will probably remain moderate. The upturn could come from the international context, and in turn from exports, as the German economy appears to be emerging from its cyclical trough. Quarterly growth of between 0.1% and 0.2% in the second quarter is likely.

Slightly more dynamic growth could make itself felt in the second half of the year as lower inflation enables households to gain purchasing power, which would be beneficial to consumption if consumer confidence does not deteriorate further. Lower interest rates could boost household investment, even if the more restrictive fiscal policy limits the expected acceleration. Ultimately, we expect GDP to grow by 0.8% in 2024 after 0.9% in 2023. For 2025, we forecast growth of 1.3%.

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