

Inflation Outlook

The disinflation process is expected to continue through 2025:

2024 inflation forecast: 2.4-2.5%

2025 inflation forecast: 1.7-2.2%

2026 inflation forecast: 1.7-2.0%

This decline is driven by lower inflation for food, energy, and manufactured goods¹³. Core inflation (HICP excluding energy and food) is projected to decrease sharply to 2.4% in 2024, before settling at 2.2% and 1.9% in 2025 and 2026, respectively⁵.

Labor Market Dynamics

While the labor market has shown resilience, some challenges are expected:

Unemployment rate forecast to rise slightly to 7.7-7.8% in 2024-2025³⁵

Employment is expected to drop temporarily in 2024 and 2025

Nominal wages are projected to increase but at a slower pace than previously anticipated⁵

Investment Trends

Investment is expected to face headwinds in the short term but recover gradually:

2024 forecast: -1.4% decrease in overall investment

Business investment: -0.9% in 2024, rebounding to +1.1% in 2025

Household investment: -5.7% in 2024, slight recovery to +0.6% in 2025⁴

The recovery in investment is expected to be driven by easing financial conditions and lower inflation.

External Trade

France's external trade position is projected to improve:

Current account deficit expected to narrow from -2.2% of GDP in 2023 to -1.4% in 2024 and 2025³

Net exports are forecast to contribute positively to growth in 2024, driven by strong export momentum, especially in sectors like aeronautics¹³

Public Finances

France's public finances remain a significant concern:

Public deficit forecast:

2024: 5.3-6.1% of GDP

2025: 5.0-5.5% of GDP

Public debt projections:

2024: 112.4-112.5% of GDP

2025: 113.8-114% of GDP³⁴

The government aims to reduce the deficit, but significant fiscal consolidation efforts will be required to bring it below 3% of GDP by 2027.

Key Economic Drivers and Risks

Household Consumption: Expected to be a primary driver of growth, supported by increasing real wages and continued disinflation¹⁴.

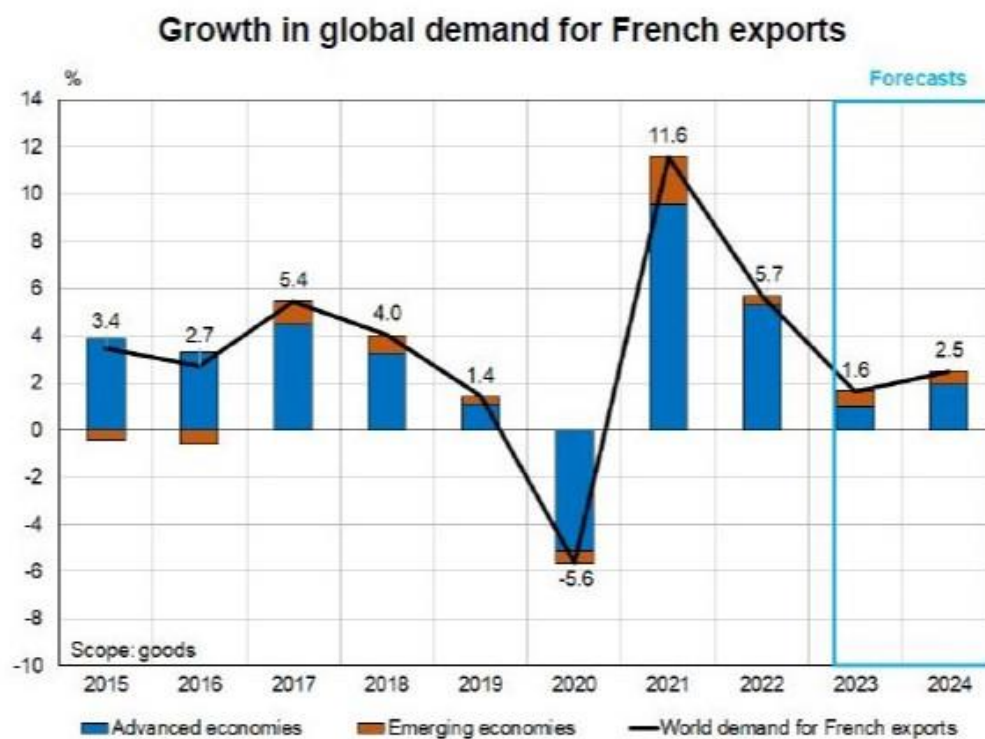
Monetary Policy: The anticipated easing of financial conditions is expected to support economic recovery, particularly in 2025 and 2026⁵.

Public Spending: Government measures to reduce the deficit could affect economic growth.

External Factors: Geopolitical risks and international developments pose potential downside risks to economic activity⁴.

Olympic and Paralympic Games: Expected to provide a temporary boost to economic activity in Q3 2024 (estimated impact of +0.2 percentage points)⁴.

In conclusion, France's economic outlook for 2024-2026 suggests a gradual recovery, with growth expected to accelerate from 0.8-0.9% in 2024 to 1.3-1.7% by 2026. However, this recovery faces challenges from public finance constraints, temporary labor market pressures, and ongoing global uncertainties. The government's ability to balance fiscal consolidation with growth-supporting measures will be crucial in shaping France's economic trajectory in the coming years.



Source: DG Trésor.