

**THE WORLD WITH COMMANDERS' AREAS OF RESPONSIBILITY**



# ***CAPSTONE 20-1 Europe Field Study***

<b>Subject</b>	<b>Page</b>
France.....	3
Spain.....	43
Lithuania.....	91
Combatant Command .....	123
National Security Strategy.....	157

*This page intentionally blank*



## ***France***

<b>Subject</b>	<b>Page</b>
Ambassador Jamie McCourt .....	5
US Relations with France .....	7
Economist Intelligence Unit Country Report .....	9
BBC Timeline.....	33

*This page intentionally blank*

**Jamie D. McCourt**

**U.S. Ambassador to the French Republic and Principality of Monaco**



Jamie D. McCourt, of California, was confirmed by the Senate and sworn in on November 2, 2017, as the U.S. Ambassador to the French Republic and Principality of Monaco.

Ambassador McCourt is a former Owner, President, and CEO of the Los Angeles Dodgers, where under her leadership from 2004 to 2012, the Dodgers set club attendance records, won back-to-back division titles for the first time in 30 years, and returned to profitability. She is the founder and CEO of Jamie Enterprises, an entrepreneur, angel investor, real estate developer, educator, art collector, food and wine connoisseur and philanthropist, whose business and legal background, boundless energy and proficiency in identifying talent and opportunity has been the foundation for an accomplished career journey.

As an avid supporter of the L.A. art community, Ambassador McCourt served for years on the Board of Trustees and the Finance Committee of the Los Angeles County Museum of Art, and the Board and Executive Committee of the Centre Pompidou Foundation. Additionally, she served on the Board of Trustees and various committees on The Museum of Contemporary Art. Ambassador McCourt was also appointed to the Board of Directors of the Wallis Annenberg Center for the Performing Arts.

As a passionate supporter of financial self-sufficiency, Ambassador McCourt utilizes her unique experiences to engage young women in discussions about financial independence at institutions including Harvard, MIT and other top graduate business schools. From 2005 to 2011, she taught the first accredited graduate level leadership course specifically designed for women at a leading business school, with her class “The Pursuit of Leadership: A Female Perspective” at UCLA Anderson School of Management. As an advocate for education, she served on UCLA Anderson School of Management’s Board of Advisors as well as the Americas Board at the MIT Sloan School of Management.

She studied comparative law at the Hebrew University in Jerusalem and received the Scopus award, the highest humanitarian honor given by the American Friends of the Hebrew University. As a former member of UNICEF’s Southern California Regional Board, she previously traveled

with the US Fund for UNICEF to the Middle East and visited the Jordanian Za'atari refugee camp.

Ambassador McCourt received a diploma from the Sorbonne. Furthermore, she studied gastronomy in Aix-en-Provence and has since channeled her passion for food and wine into several culinary ventures, including the purchase of a Napa Valley vineyard and the writing of a cookbook, "Jamie's Road: Cooking in a Crowded Life."

She received her B.S. from Georgetown University, a J.D. from the University of Maryland School Of Law, and a M.S. in management from the MIT Sloan School of Management. The Ambassador has four adult sons who she often calls her best "start-ups."

---

# U.S. Department of State

## Diplomacy in Action

### U.S. Relations With France

Bilateral Relations Fact Sheet

BUREAU OF EUROPEAN AND EURASIAN AFFAIRS

APRIL 4, 2019

#### **U.S.-FRANCE RELATIONS**

The United States and France established diplomatic relations in 1778 following the United States' declaration of independence from Great Britain, and France provided key assistance to the United States as an ally during its war of independence. The Vichy Government of France severed diplomatic relations with the United States in 1942 during World War II; relations were normalized in 1944. The United States and France are among the five permanent members of the UN Security Council (P5).

Relations between the United States and France are active and friendly. The two countries share common values and have parallel policies on most political, economic, and security issues. Differences are discussed frankly and have not generally been allowed to impair the pattern of close cooperation that characterizes relations between the two countries. Ambassador Jamie D. McCourt arrived at Embassy Paris in December 2017.

The U.S. and France work closely on many issues, most notably in combating terrorism, efforts to stem the proliferation of weapons of mass destruction, and on regional problems, including in Africa, the Middle East, the Balkans, and Central Asia. As one of the P5+1 powers and as a leader of the European Union, France is working to prevent Iran from developing nuclear weapons. France is a major contributor to the Defeat-ISIL Coalition. In the Israeli-Palestinian conflict, France supports U.S. engagement in the peace process. France is one of the North Atlantic Treaty Organization's (NATO) top five troop contributors. The French support NATO modernization efforts and are leading contributors to the NATO Response Force. France also closely collaborates with the U.S. on international public health threats like Ebola.

#### **U.S. Assistance to France**

The United States provides no development assistance to France.

#### **Bilateral Economic Relations**

France is a member of the European Union and is the United States' third-largest trading partner in Europe (after Germany and the U.K.). Trade and investment between the United States and France are strong. On average, over \$1 billion in commercial transactions, including sales of U.S. and French foreign affiliates, take place every day. U.S. exports to France include industrial chemicals, aircraft and engines, electronic components, telecommunications, computer software, computers and peripherals, analytical and scientific instrumentation, medical instruments and supplies, and broadcasting equipment. The United States is the top destination for French investment and the United States is the largest foreign investor in France. The United States and France have a bilateral convention on investment and a bilateral tax treaty addressing, among other things, double taxation and tax evasion.

#### **France's Membership in International Organizations**

France and the United States belong to a number of the same international organizations, including the United Nations, North Atlantic Treaty Organization, Euro-Atlantic Partnership Council, Organization for Security and Cooperation in Europe, G-20, G-7, Organization for Economic Cooperation and Development, International Monetary Fund, World Bank, and World Trade Organization. France also is an observer to the Organization of American States.

**Bilateral Representation**

The U.S. Ambassador to France is Jamie D. McCourt; other principal embassy officials are listed in the Department's Key Officers List.

France maintains an embassy in the United States at 4101 Reservoir Rd. NW, Washington, DC 20007 (tel. 202-944-6000).



---

## Country Report

# France

**Generated on September 16th 2019**

Economist Intelligence Unit  
20 Cabot Square  
London E14 4QW  
United Kingdom

---

## **The Economist Intelligence Unit**

The Economist Intelligence Unit is a specialist publisher serving companies establishing and managing operations across national borders. For 60 years it has been a source of information on business developments, economic and political trends, government regulations and corporate practice worldwide. The Economist Intelligence Unit delivers its information in four ways: through its digital portfolio, where the latest analysis is updated daily; through printed subscription products ranging from newsletters to annual reference works; through research reports; and by organising seminars and presentations. The firm is a member of The Economist Group.

### **London**

The Economist Intelligence Unit  
20 Cabot Square  
London  
E14 4QW  
United Kingdom  
Tel: +44 (0) 20 7576 8181  
Fax: +44 (0) 20 7576 8476  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

### **New York**

The Economist Intelligence Unit  
The Economist Group  
750 Third Avenue  
5th Floor  
New York, NY 10017, US  
Tel: +1 212 541 0500  
Fax: +1 212 586 0248  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

### **Hong Kong**

The Economist Intelligence Unit  
1301 Cityplaza Four  
12 Taikoo Wan Road  
Taikoo Shing  
Hong Kong  
Tel: +852 2585 3888  
Fax: +852 2802 7638  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

### **Geneva**

The Economist Intelligence Unit  
Rue de l'Athénée 32  
1206 Geneva  
Switzerland  
Tel: +41 22 566 24 70  
Fax: +41 22 346 93 47  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

This report can be accessed electronically as soon as it is published by visiting [store.eiu.com](http://store.eiu.com) or by contacting a local sales representative.

The whole report may be viewed in PDF format, or can be navigated section-by-section by using the HTML links. In addition, the full archive of previous reports can be accessed in HTML or PDF format, and our search engine can be used to find content of interest quickly. Our automatic alerting service will send a notification via e-mail when new reports become available.

## **Copyright**

© 2019 The Economist Intelligence Unit Limited. All rights reserved. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of The Economist Intelligence Unit Limited.

All information in this report is verified to the best of the author's and the publisher's ability. However, the Economist Intelligence Unit does not accept responsibility for any loss arising from reliance on it.

ISSN 2047-4016

## **Symbols for tables**

"0 or 0.0" means nil or negligible; "n/a" means not available; "-" means not applicable

# France

## Summary

2 [Briefing sheet](#)

## Outlook for 2019-23

4 [Political stability](#)  
5 [Election watch](#)  
5 [International relations](#)  
6 [Policy trends](#)  
6 [Fiscal policy](#)  
7 [Monetary policy](#)  
7 [International assumptions](#)  
8 [Economic growth](#)  
8 [Inflation](#)  
9 [Exchange rates](#)  
9 [External sector](#)  
9 [Forecast summary](#)  
10 [Quarterly forecasts](#)

## Data and charts

11 [Annual data and forecast](#)  
12 [Quarterly data](#)  
12 [Monthly data](#)  
14 [Annual trends charts](#)  
15 [Quarterly trends charts](#)  
16 [Monthly trends charts](#)  
17 [Comparative economic indicators](#)

## Summary

17 [Basic data](#)  
19 [Political structure](#)

## Recent analysis

### Economy

22 [Forecast updates](#)

# Briefing sheet

Editor: **Agnese Ortolani**

Forecast Closing Date: **September 9, 2019**

## Political and economic outlook

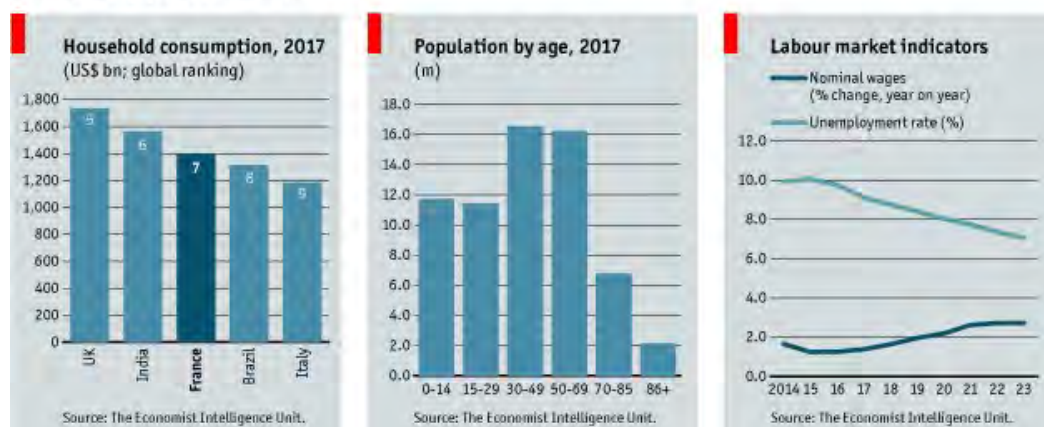
- La République en marche (LRM), the party of the president, Emmanuel Macron, has a comfortable majority in the National Assembly (the lower house of parliament) with its centrist ally, Mouvement démocrate (MoDem).
- Protests in 2018-19 have complicated the implementation of Mr Macron's ambitious reform agenda, which includes liberalising the labour market, building a Nordic-style welfare system, streamlining public spending and reasserting France's role globally.
- The Economist Intelligence Unit expects reasonable legislative progress by the end of Mr Macron's term in 2022, given the fragmented state of political opposition. Foreign investor perceptions will improve during our forecast period (2019-23), but only slowly.
- We expect a slowdown to 1.2% real GDP growth in 2019, from 1.7% in 2018, following a deterioration of euro zone industrial output and sentiment indicators. We forecast annual average growth of 1.6% in 2020-23 as external demand strengthens gradually.
- After the budget deficit shrank to 2.5% of GDP in 2018, we forecast that the shortfall will expand to 3.3% in 2019. We expect a return to deficit reduction thereafter as Mr Macron implements delayed spending cuts, with the shortfall narrowing to 2.9% of GDP in 2023.
- We forecast annual current-account deficits of about 0.9% of GDP in our forecast period. A gradual liberalisation of the labour market and lower taxes will boost competitiveness, but the inefficiencies contributing to the external imbalance will be slow to change.

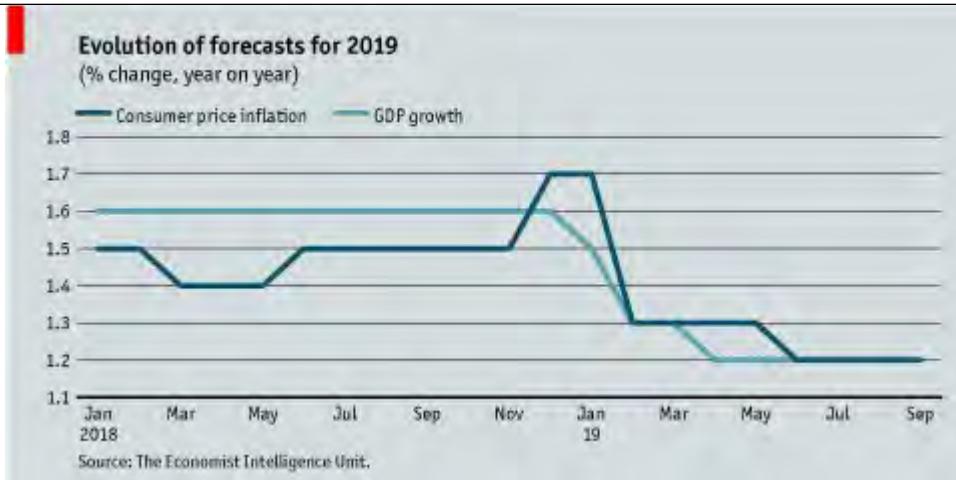
### Key indicators

	2018 <sup>a</sup>	2019 <sup>b</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>
Real GDP growth (%)	1.7	1.2	1.5	1.5	1.6	1.6
Consumer price inflation (av; %)	2.1	1.2	1.4	1.7	1.8	1.8
Government balance (% of GDP)	-2.5	-3.3	-3.2	-3.1	-3.0	-2.9
Current-account balance (% of GDP)	-0.7	-0.9	-0.8	-1.0	-1.0	-0.9
Money market rate (av; %)	-0.3	-0.3	-0.4	-0.2	0.1	0.2
Unemployment rate (%)	8.8	8.4	8.0	7.7	7.4	7.1
Exchange rate US\$:€ (av)	1.18	1.12	1.15	1.19	1.23	1.24

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit forecasts.

### Market opportunities





## Key changes since August 5th

- On August 2nd the EU finance ministers nominated Kristalina Georgieva, a Bulgarian economist, to replace Christine Lagarde as managing director of the IMF. The nomination can be viewed as a win for France, as Mr Macron was one of her strongest supporters.
- Mr Macron was also able to boast a number of achievements following the G7 summit in Biarritz on August 24th-26th, including partial progress on easing US-Iran tensions and an agreement with the US about a controversial digital tax.
- The US is no longer threatening retaliatory tariffs, providing that France removes its digital revenue sales tax (introduced in July) once an international framework to tax digital companies is agreed, and refunds any over-payments back to technology companies.
- On September 4th the government began negotiations with labour unions over plans to reform pensions legislation. The government will remain conciliatory in order to prevent a resurgence of social unrest. We expect the pensions reform to pass, but not until 2021.

## The month ahead

- **Ongoing—US-EU trade negotiations:** The long-standing dispute over subsidies between Boeing (US) and Airbus (France) has escalated. This runs alongside US deliberations about imposing tariffs on EU car exports (the decision on which has been pushed back by six months, to November).
- **September—Reforms to be debated:** The government's array of new policy measures will be discussed in the National Assembly in September, before the 2020 budget is agreed. The plans to reform unemployment benefits and the pension system will evoke particular opposition from the public, and the unions are planning demonstrations.
- **September 12th—Monetary policy meeting of the European Central Bank (ECB):** We expect the ECB to present a stimulus package that is likely to include a cut to the deposit rate, a change to its forward guidance, the announcement of another round of quantitative easing and the introduction of a deposit-tiering system.

## Major risks to our forecast

Scenarios, Q2 2019	Probability	Impact	Intensity
"No-deal" Brexit results in significantly lowered French trade volumes	High	Very high	20
A global trade war hits European exports	High	High	16
State intervention is scaled back	Very high	Moderate	15
Growth momentum evaporates	High	Moderate	12
Islamist terrorists succeed in staging another large-scale attack in France	High	Moderate	12

Note. Scenarios and scores are taken from our Risk Briefing product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: The Economist Intelligence Unit.

## Outlook for 2019-23

### Political stability

In May 2017 Emmanuel Macron, the leader of the centrist La République en marche (LRM) party, began a five-year term as president. He succeeded François Hollande of the centre-left Parti socialiste (PS), under whom he had served as minister of the economy in 2014-16. Mr Macron promised a policy programme that was "both left and right", and his government reflects this. The prime minister, Édouard Philippe, is from the main centre-right party, Les Républicains, and leads a post-partisan government with several figures from the private sector. LRM and its centrist ally, François Bayrou's Mouvement démocrate (MoDem), have a comfortable majority in the National Assembly (the lower house of parliament), with their parliamentary groups holding 413 of the 577 seats. The government also benefits from informal support from a small "constructive group" of 35 deputies from Les Républicains and its ally, Union des démocrates et indépendants (UDI). The opposition is fragmented and generally ineffective.

The Economist Intelligence Unit expects reasonable legislative progress and political stability as a result of Mr Macron's solid support in the National Assembly. Maintaining public support is, however, much less straightforward. As is traditionally the case in France, Mr Macron's popularity has declined since he took office. There are three main reasons for this. First, there was an unusually high abstention rate in the 2017 election, with many people voting for him primarily to keep out the far right. Second, the president's centrist stance means that he cannot fully please voters on either the right or the left. Third, since taking office he has pursued unpopular reforms, making tough changes in the hope of seeing results within his five-year term.

Mr Macron made rapid progress in implementing his campaign agenda in 2017-18, starting with his flagship liberalising labour market reform in September 2017. However, weekly protests by the "Gilets Jaunes" in late 2018-early 2019 forced him to rethink his plans. These protests began in response to a proposed tax rise on fuel that would have hit rural commuters the hardest, but struck a chord more generally with people frustrated by stagnant wages, who view Mr Macron as the "president of the rich". In response, Mr Macron pledged €10bn in concessions to the protesters in December 2018 and held a national debate in January-March 2019 that resulted in a new package of reforms that will make up "Act II" of his presidency.

The debate was in part a way of calming the social unrest, and in part a way of reconnecting with voters who had grievances to express, but felt that they lacked legitimate and effective channels to do so. More than 2m people took part in the debate, and the protests eased in intensity, with Mr Macron's approval ratings stabilising at about 30% from February. Although there has been no overall change in the government's policy direction, a range of new legislative measures has been announced, with an easing of the tax burden, a rise in pensions and a boost to public service provision being among the most frequently cited demands. Mr Macron will continue to face vocal opposition, but he seems to have successfully displayed that he has listened to the protesters' concerns and is responding accordingly.

## Election watch

European Parliament elections were held in France in late May. The far-right Rassemblement national (RN, previously the Front national), led by Marine Le Pen, secured 23.3% of the vote, and the ruling LRM came a close second, with 22.4%.

Meanwhile the traditional parties, both on the centre right and the centre left, performed extremely poorly, with Les Républicains winning 8.5% of the vote (down from 20.8% in 2014) and the PS winning just 6.2% (down from 16.9%). Neither party has recovered from a disappointing performance in the 2017 presidential election, with both suffering from internal divisions and a fracturing of their long-standing voter bases. Laurent Wauquiez resigned as leader of Les Républicains in response to the results of the European Parliament elections.

The next French presidential and parliamentary elections will be held in 2022. Our core forecast is that Mr Macron will secure re-election, albeit with his party winning a smaller majority in the National Assembly.

## International relations

Since his election Mr Macron has brought new energy to the Franco-German partnership. Euro zone reform plans have been scaled down from his initial grand proposals, but a small euro zone budget to improve convergence has been agreed upon. France and Germany are also co-operating on industrial policy, pushing for greater state intervention in industry and for an overhaul of EU competition law, more funding for innovation, and tighter rules on foreign direct investment (FDI) into the EU. The appointment of Christine Lagarde, a former French minister of finance, to be the next president of the European Central Bank (ECB), was one of the results of a package of top EU jobs agreed in July.

As a nuclear power and—once the UK leaves the bloc—the EU's only standing permanent member of the UN Security Council, France will continue to play a leading role in questions of European diplomacy and defence. Co-operation with the UK on security and defence will continue, regardless of the outcome of the Brexit negotiations, but France will take a tough stance towards the UK otherwise.

In meetings with Donald Trump and Vladimir Putin, the respective US and Russian presidents, Mr Macron has sought to present himself as a strong and assertive leader. Mr Trump's withdrawal from the Paris climate change agreement and the Iran nuclear deal, as well as his decision to impose tariffs on European steel and aluminium, and his threat to enforce tariffs on European cars, has caused more friction in the France-US dynamic. At the G7 summit in late August Mr Macron was able to boast a number of achievements that will appease US-France relations in the near term. He eased tensions with Mr Trump over a digital revenue sales tax introduced by France in July, and brokered some new developments in the US-Iranian relationship, with Mr Macron inviting Iran's foreign minister to attend the summit and Mr Trump agreeing to meet the Iranian president "under the right circumstances". Relations with Russia will remain frosty, having deteriorated sharply since that country's illegal annexation of Crimea in March 2014. We expect the EU sanctions, which affect international financing for Russia's defence, energy and financial sectors, to be maintained in the medium term. However, Mr Macron has managed to uphold better ties with Russia than the majority of Western countries have. Consequently, France will continue to position itself as a mediator between the US and Russia on the global scene, for instance in the Syrian conflict and regarding Iran.

## Policy trends

The main policy challenges are to lower the stubbornly high rate of unemployment (especially among young people), increase competitiveness, improve the public finances and tackle foreign investors' negative views of the French labour market. Mr Macron outlined a plan to achieve these goals in his campaign agenda, and—owing to LRM's solid parliamentary majority—made rapid progress on their implementation in 2017-18. The main elements passed so far include:

- labour market reforms that include measures to cap dismissal costs, enable greater wage negotiation at the company (rather than industry) level and ease certain restrictions on making workers redundant; and
- fiscal reforms, including reducing the corporate tax rate from 33.3% in 2017 to 25% by 2022, suppressing one of the housing taxes to reduce the personal tax burden and introducing a pay-as-you-earn income tax system.

At the top of the agenda for 2019 were plans to build a Nordic-style social welfare system (in which increased unemployment benefits offset greater labour market flexibility) and to simplify the complex pension system.

New legislative measures were announced following the national debate in early 2019. These include plans to cut the two lowest income tax brackets from January 2020, eradicate an annual property tax, re-index pensions to inflation and raise the minimum state pension, and improve the provision of public services. Nonetheless, reforms with some controversial aspects, such as the pensions bill, will be implemented only gradually in order to prevent a resurgence of social unrest. Overall, we continue to expect a gradual improvement in the investment and operating environment—although long-standing structural rigidities and foreign investors' (mostly negative) perceptions will be slow to change.

## Fiscal policy

For several years the government has been working to ease the tax burden, and cut spending to bring the fiscal deficit and public debt ratios under control. In 2017 the deficit narrowed to within the EU's 3% of GDP limit for the first time in a decade and in 2018 contracted further, to 2.5%. The EU's excessive-deficit procedure (EDP) against France was lifted in June 2018.

We forecast that the deficit will widen again in 2019, to 3.3% of GDP, as a consequence of the concessions pledged to the Gilets Jaunes protesters in December 2018. The allowances include the cancellation of a proposed increase in sales tax on petrol and diesel, a €100 per month cash transfer to families on the minimum wage, the removal of tax on overtime pay and on a few end-of-year bonuses, and the cancellation of a planned tax rise on pensions of less than €2,000 per month. We do not expect the European Commission to reinstate an EDP in 2019, given the exceptional circumstances of the social unrest and the reforms achieved in 2017-18. We believe that the deficit will narrow again steadily from 2020, returning to the EU-mandated threshold of 3% of GDP in 2022.

Owing to the expected widening of the fiscal deficit in 2019, public debt will increase slowly, reaching 100% in 2021 (up from 98.3% in 2018). Funding costs will remain low.



## Monetary policy

We believe that the ECB will announce an easing package at its next meeting, on September 12th. This is likely to include a small cut to the deposit rate, an adjustment to the ECB's forward guidance and the announcement of another round of quantitative easing (QE2), which we expect will last 12 months, starting in December 2019. The introduction of a deposit-tiering system (in which some bank deposits at the ECB are charged at different rates) is also a possibility. At its last meeting in July the ECB sent a strong signal of its readiness to intervene; in its communication it firmly underlined its intolerance towards both "realised and projected" weak inflation, and reaffirmed its commitment to symmetry in its inflation goal of "below, but close to, 2%". Crucially, the ECB announced that it had tasked "the relevant Eurosystem committees with examining options" for further stimulus in what represented the first concrete step towards a substantial stimulus.

The bank is taking pre-emptive action against rising deflation risk and a deteriorating economic outlook in the euro zone, mostly driven by global trade tensions. This means that, together with another round of targeted longer-term refinancing operations (TLTROs-III), to be started in September, funding conditions will remain ultra-loose in the medium term. Details of the size and scale of the QE2 programme have not been announced, and the ECB will have to overcome at least one of its self-imposed constraints. However, we expect it to announce monthly net asset purchases of about €50bn that should last for 12 months. The nomination of Christine Lagarde, the IMF director, for the ECB presidency, is unlikely to lead to a significant change in the ECB's monetary policy strategy.

## International assumptions

	2018	2019	2020	2021	2022	2023
<b>Economic growth (%)</b>						
US GDP	2.9	2.2	1.7	1.9	2.0	1.8
OECD GDP	2.2	1.6	1.6	1.9	1.9	1.8
EU28 GDP	2.0	1.4	1.5	1.8	1.8	1.7
World GDP	2.9	2.4	2.5	2.9	2.9	2.9
World trade	4.4	2.9	3.4	3.7	3.9	4.0
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	2.4	2.0	1.4	2.2	2.1	1.8
OECD CPI	2.5	2.1	1.9	2.1	2.1	2.1
EU28 CPI	1.9	1.6	1.7	1.9	2.0	1.9
Manufactures (measured in US\$)	5.1	0.9	3.1	2.9	3.6	3.3
Oil (Brent; US\$/b)	71.1	67.7	62.0	67.0	73.2	75.0
Non-oil commodities (measured in US\$)	1.8	-4.7	4.0	3.5	1.4	0.7
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	2.0	2.4	1.7	1.7	2.2	2.5
€ 3-month interbank rate (av; %)	-0.3	-0.3	-0.4	-0.2	0.1	0.2
US\$:€ (av)	1.18	1.12	1.15	1.19	1.23	1.24
¥:€ (av)	130.47	121.38	123.35	124.28	123.07	119.13

## Economic growth

France's recovery from its slump in 2012 was slow by European standards, with growth recovering to its 2008 rate only in 2017, supported by a cyclical upswing in the euro zone. After real GDP growth of 2.4% in 2017, growth eased to 1.7% in 2018. We forecast a sharper slowdown, to 1.2%, in 2019—although this figure is relatively robust in the regional context (we forecast 2019 real GDP growth of 1.1% for the UK, 0.5% for Germany and 0.1% for Italy). In 2020-23 we expect annual average growth of 1.6% as recent reforms to the business environment start to bear fruit and (from 2021) external demand picks up.

We expect private consumption to be the strongest driver of growth throughout the 2019-23 forecast period, adding an annual average of 0.8 percentage points to real GDP growth and rising by an average of 1.5% per year. We expect household spending growth to strengthen in the second half of 2019 as real wage growth turns positive and employment ticks up. Meanwhile government consumption will grow at a steady rate of 1.3% per year on average in 2019-23, accounting for 0.3 percentage points of annual growth in each year of the forecast period.

Gross fixed capital formation growth began to bounce back in 2016 after four years of growth at less than 1% (and a contraction in 2013), and investment eventually surpassed its 2008 level at end-2017. Growth will remain robust in 2019, supported by pent-up investment demand in the private sector; capacity utilisation is at its highest rate since 2008. The Macron administration's reform efforts have already resulted in a sharp rise in FDI, and in 2020-23 we expect changes to the tax code to support further private-sector capital spending.

Productivity is high by international standards, but external competitiveness is a weakness. Unit labour costs rose sharply in the early 2000s, and—although wage growth has eased since 2008—exporters remain disadvantaged. We expect recent labour market reforms to improve competitiveness, but only slowly. Meanwhile the external environment has become less supportive, with slowing growth in the euro zone exacerbated by concerns about global trade tensions and geopolitics. An increase in US tariffs on car imports from the EU is the greatest downside risk to our forecast; a disorderly Brexit would also harm the French economy.

### Economic growth

%	2018 <sup>a</sup>	2019 <sup>b</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>
GDP	1.7	1.2	1.5	1.5	1.6	1.6
Private consumption	0.9	1.3	1.6	1.5	1.6	1.6
Government consumption	0.8	1.3	1.3	1.3	1.4	1.3
Gross fixed investment	2.8	2.6	2.2	1.9	1.9	1.9
Exports of goods & services	3.5	2.6	2.4	2.9	3.0	3.5
Imports of goods & services	1.2	3.3	2.8	2.7	2.9	3.3
Domestic demand	1.0	1.5	1.7	1.5	1.6	1.6
Agriculture	3.4	1.8	1.4	1.4	1.4	1.4
Industry	0.1	1.3	1.3	1.4	1.4	1.4
Services	2.1	1.2	1.6	1.6	1.7	1.7

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit forecasts.

## Inflation

Consumer price growth peaked at 2.6% in July 2018 as rising global oil prices pushed up transport and utility bills, but eased to slightly less than 2% by end-2018 as oil prices declined. Annual inflation registered 1.2% in August 2019, and we forecast that price growth will average 1.2% this year. This reflects energy costs remaining mainly weaker than their year-earlier levels, along with still weak demand-side price pressures as concerns about the slowing euro zone economy and a variety of external risks keep consumers cautious. We forecast annual average inflation of 1.7% in 2020-23 as domestic demand pressures pick up gradually and oil prices stage a partial recovery from 2021.

## Exchange rates

The euro has depreciated against the US dollar since peaking at almost US\$1.25:€1 in February 2018, partly owing to monetary tightening in the US last year. Since the start of 2019 the euro has weakened further, mostly hovering at about US\$1.11:€1-US\$1.13:€1, as high-frequency data and soft indicators continue to disappoint market expectations and point to a weak euro zone outlook. We expect the euro to remain broadly stable in the coming months and to average US\$1.12:€1 in 2019. Next year it will appreciate to an average of US\$1.15:€1 as the Federal Reserve (the US central bank) further eases policy. The euro should recover more pronouncedly from 2021 on the back of the ECB's policy tightening as growth in the region accelerates, which, together with the euro zone's large current-account surplus, should lift it to US\$1.24:€1 by end-2023.

## External sector

France typically records a substantial primary income surplus—reflecting extensive French investments abroad—and a smaller services surplus, offset by substantial deficits on the goods and secondary income accounts. The bulk of the variation on the current account in recent years has originated from the goods and services balances, which mostly depend on deliveries of planes and large cruise ships, as well as tourism trends. We expect this pattern to continue.

We forecast the current-account deficit to widen slightly, to 0.9% of GDP in 2019, from 0.7% of GDP in 2018, with this percentage remaining broadly stable in 2019-23. We expect a gradual improvement in the structural factors that have been keeping the external balance in deficit—notably France's inflexible labour market and high tax burden—but do not anticipate a move into surplus.

## Forecast summary

### Forecast summary

(% unless otherwise indicated)

	2018 <sup>a</sup>	2019 <sup>b</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>
Real GDP growth	1.7	1.2	1.5	1.5	1.6	1.6
Industrial production growth	0.2	1.0	1.4	1.6	1.5	1.5
Unemployment rate (av)	8.8	8.4	8.0	7.7	7.4	7.1
Unemployment rate (av; EU/OECD standardised measure)	9.1	8.8	8.4	8.1	7.8	7.5
Consumer price inflation (av; EU harmonised measure)	2.1	1.2	1.4	1.7	1.8	1.8
Money market rate (av)	-0.3	-0.3	-0.4	-0.2	0.1	0.2
General government balance (% of GDP)	-2.5	-3.3	-3.2	-3.1	-3.0	-2.9
Exports of goods fob (US\$ bn)	611.1	607.9	641.2	692.4	747.0	798.6
Imports of goods fob (US\$ bn)	669.7	673.4	706.0	755.7	808.7	859.9
Current-account balance (US\$ bn)	-19.0	-24.3	-23.8	-28.9	-31.6	-31.2
Current-account balance (% of GDP)	-0.7	-0.9	-0.8	-1.0	-1.0	-0.9
Exchange rate US\$:€ (av)	1.181	1.122	1.145	1.185	1.225	1.240
Exchange rate US\$:€ (end-period)	1.145	1.125	1.165	1.205	1.240	1.240
Exchange rate ¥100:€ (av)	1.305	1.214	1.233	1.243	1.231	1.191
Exchange rate €:£ (av)	1.131	1.118	1.150	1.150	1.173	1.180

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit forecasts.

## Quarterly forecasts

### Quarterly forecasts

	2018			2019			2020					
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	Qtr 1	Qtr 2	Qtr 3	Qtr 4
<b>GDP</b>												
% change, quarter on quarter	0.2	0.2	0.3	0.4	0.3	0.3	0.2	0.2	0.5	0.4	0.4	0.5
% change, year on year	2.4	1.9	1.5	1.2	1.3	1.4	1.3	1.0	1.2	1.3	1.5	1.8
<b>Private consumption</b>												
% change, quarter on quarter	0.2	-0.2	0.4	0.4	0.3	0.2	0.5	0.3	0.5	0.4	0.4	0.5
% change, year on year	1.3	0.8	0.6	0.8	0.9	1.3	1.4	1.3	1.5	1.7	1.6	1.8
<b>Government consumption</b>												
% change, quarter on quarter	0.0	0.2	0.1	0.5	0.0	0.4	0.7	0.3	0.4	0.3	0.3	0.4
% change, year on year	1.2	0.9	0.4	0.7	0.8	0.9	1.5	1.3	1.7	1.6	1.3	1.4
<b>Gross fixed investment</b>												
% change, quarter on quarter	0.0	0.9	1.0	0.6	0.5	0.9	0.3	0.5	0.6	0.5	0.5	0.6
% change, year on year	3.1	2.9	2.7	2.5	3.0	3.1	2.3	2.2	2.3	1.9	2.2	2.3
<b>Exports of goods &amp; services</b>												
% change, quarter on quarter	-0.4	0.7	0.6	1.8	0.1	0.0	0.8	0.2	0.8	0.8	0.8	0.8
% change, year on year	5.0	3.2	3.0	2.7	3.2	2.5	2.7	1.2	1.9	2.7	2.7	3.3
<b>Imports of goods &amp; services</b>												
% change, quarter on quarter	-0.6	0.8	-0.2	1.0	1.1	-0.2	2.0	0.9	0.6	0.5	0.5	0.6
% change, year on year	1.1	2.1	0.5	1.0	2.7	1.7	3.9	3.7	3.3	4.0	2.6	2.3
<b>Domestic demand</b>												
% change, quarter on quarter	0.1	0.3	0.0	0.2	0.7	0.5	0.1	0.1	0.9	0.6	0.1	0.3
% change, year on year	1.2	1.5	0.7	0.6	1.2	1.5	1.6	1.5	1.7	1.7	1.7	1.8
<b>EU harmonised consumer prices</b>												
% change, quarter on quarter	0.8	0.6	0.6	0.2	0.0	0.5	0.2	0.1	0.4	0.5	0.6	0.6
% change, year on year	1.5	2.1	2.6	2.2	1.4	1.3	0.9	0.8	1.2	1.2	1.6	2.0
<b>Producer prices</b>												
% change, quarter on quarter	1.2	0.5	1.1	-0.2	0.2	0.4	0.2	0.2	0.3	0.4	0.4	0.6
% change, year on year	1.6	2.8	3.8	2.6	1.7	1.5	0.5	0.9	1.0	1.0	1.3	1.7
<b>Exchange rate €:US\$</b>												
Average	0.81	0.84	0.86	0.88	0.88	0.89	0.90	0.89	0.88	0.88	0.87	0.86
End-period	0.81	0.86	0.86	0.87	0.89	0.88	0.90	0.89	0.88	0.87	0.87	0.86
<b>Interest rates (%; av)</b>												
Money market rate	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4
Long-term bond yield	0.9	0.8	0.7	0.8	0.5	0.3	0.0	0.0	0.2	0.4	0.5	0.6

# Data and charts

## Annual data and forecast

	2014 <sup>a</sup>	2015 <sup>a</sup>	2016 <sup>a</sup>	2017 <sup>a</sup>	2018 <sup>a</sup>	2019 <sup>b</sup>	2020 <sup>b</sup>
<b>GDP</b>							
Nominal GDP (US\$ bn)	2,859	2,439	2,471	2,593	2,782	2,712	2,849
Nominal GDP (€ bn)	2,151	2,198	2,233	2,297	2,354	2,416	2,488
Real GDP growth (%)	1.0	1.0	1.0	2.4	1.7	1.2	1.5
<b>Expenditure on GDP (% real change)</b>							
Private consumption	0.8	1.4	1.6	1.6	0.9	1.3	1.6
Government consumption	1.3	1.0	1.4	1.5	0.8	1.3	1.3
Gross fixed investment	0.0	0.9	2.5	5.0	2.8	2.6	2.2
Exports of goods & services	3.3	4.5	1.8	4.0	3.5	2.6	2.4
Imports of goods & services	4.9	5.7	3.0	4.1	1.2	3.3	2.8
<b>Origin of GDP (% real change)</b>							
Agriculture	14.7	0.1	-12.4	9.2	3.4	1.8	1.4
Industry	-0.4	0.0	-0.1	1.6	0.1	1.3	1.3
Services	1.3	1.0	1.5	2.3	2.1	1.2	1.6
<b>Population and income</b>							
Population (m)	64.2	64.5	64.7	64.8	65.0	65.1	65.3
GDP per head (US\$ at PPP)	41,494	42,187	43,448	45,664	46,764	48,227	49,785
Recorded unemployment (av; %)	9.9	10.1	9.8	9.1	8.8	8.4	8.0
<b>Fiscal indicators (% of GDP)</b>							
General government budget revenue	53.3	53.2	53.1	53.6	53.5	52.9	52.6
General government budget expenditure	57.2	56.8	56.6	56.3	56.0	56.2	55.8
General government budget balance	-3.9	-3.6	-3.5	-2.8	-2.5	-3.3	-3.2
Gross public debt	94.8	95.6	98.0	98.4	98.3	99.3	99.7
<b>Prices and financial indicators</b>							
Exchange rate US\$:€ (av)	1.33	1.11	1.11	1.13	1.18	1.12	1.15
Exchange rate US\$:€ (end-period)	1.21	1.09	1.05	1.20	1.15	1.13	1.17
Consumer prices (av; %, EU harmonised measure)	0.6	0.1	0.3	1.2	2.1	1.2	1.4
Producer prices (av; %)	-1.3	-2.2	-2.3	2.4	2.7	1.1	1.3
Lending interest rate (av; %)	2.6	1.9	1.6	1.3	1.2	1.2	1.6
<b>Current account (US\$ m)</b>							
Trade balance	-56.5	-32.1	-35.7	-50.4	-58.7	-65.5	-64.8
Goods: exports fob	580.4	521.8	521.1	559.3	611.1	607.9	641.2
Goods: imports fob	-636.9	-553.8	-556.8	-609.7	-669.7	-673.4	-706.0
Services balance	20.3	22.2	22.5	23.2	27.9	25.5	28.1
Primary income balance	62.9	50.7	53.3	59.8	68.2	70.0	69.9
Secondary income balance	-64.0	-50.0	-52.3	-49.1	-56.5	-54.3	-57.0
Current-account balance	-37.4	-9.1	-12.2	-16.5	-19.0	-24.3	-23.8
<b>International reserves (US\$ bn)</b>							
Total international reserves	143.4	138.2	146.8	156.4	166.6	—	—

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit forecasts.

Sources: IMF, International Financial Statistics; INSEE; European Central Bank; UN; Eurostat; OECD.

## Quarterly data

	2017		2018			2019				
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	
<b>Output (2010=100)<sup>a</sup></b>										
Industrial production index <sup>b</sup>	103.2	104.9	103.4	102.7	103.4	103.0	104.1	104.4		
Investment goods	105.6	108.7	105.8	106.6	107.7	107.5	109.4	108.1		
Durable consumer goods	104.1	104.7	102.5	100.4	97.5	96.7	n/a	n/a		
Non-durable consumer goods	100.3	102.8	100.9	101.9	101.9	102.7	n/a	n/a		
Automotive industry	113.3	122.3	119.2	118.2	115.9	120.3	125.1	122.2		
Construction	102.4	103.8	100.8	102.2	103.7	103.2	105.2	103.8		
Intermediate goods	104.3	105.3	102.8	102.7	101.9	101.6	103.4	102.1		
Electricity, gas, water	101.0	101.0	103.7	97.8	100.9	99.1	98.7	103.2		
<b>Employment, wages and prices</b>										
Registered unemployed, ILO ('000) <sup>a</sup>	2,695	2,500	2,586	2,553	2,561	2,460	2,432	2,366		
EU harmonised unemployment rate (% of the labour force) <sup>a</sup>	9.5	9.1	9.2	9.1	9.0	8.9	8.7	8.5		
Statutory national minimum wage (€/hour)	9.76	9.76	9.76	9.76	9.76	9.76	9.76	n/a		
Average hourly earnings in industry (4 Qtr 2008=100) <sup>d</sup>	101.2	101.6	102.4	102.9	103.4	103.6	103.7	104.1		
Hourly wage rates, all sectors (end-period; 2010=100)	102.9	103.0	103.7	104.2	104.6	104.8	105.8	n/a		
EU harmonised consumer prices (2015=100) <sup>e</sup>	101.4	102.0	102.8	103.4	104.0	104.2	104.2	104.7		
EU harmonised consumer prices (% change, year on year)	0.9	1.2	1.5	2.1	2.6	2.2	1.4	1.3		
<b>Financial indicators</b>										
Exchange rate US\$:€ (av)	1.174	1.178	1.229	1.192	1.163	1.141	1.136	1.124		
Exchange rate US\$:€ (end-period)	1.181	1.199	1.232	1.166	1.158	1.145	1.124	1.138		
3-month Euribor rate (av; %)	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3		
10-year government bond yield (av; %)	0.7	0.7	0.9	0.8	0.7	0.8	0.5	0.3		
CAC-40 stockmarket index (end-period; Dec 31st 1987=1,000)	5,330	5,313	5,167	5,324	5,493	4,731	5,351	5,539		
<b>Sectoral trends</b>										
Residential permits issued ('000)	134.9	121.3	110.7	111.8	121.7	112.1	100.4	110.1		
Retail sales volume (% change, year on year)	4.6	3.7	3.2	3.3	2.4	2.6	2.3	2.9		
Retail sales volume, excl motor vehicles (2015=100) <sup>a</sup>	107.5	108.1	108.9	109.3	110.1	110.9	111.4	112.5		
<b>Foreign trade (€ bn)<sup>a</sup></b>										
Exports fob	111.4	125.0	121.7	122.6	116.7	130.6	127.7	129.9		
Imports cif	125.5	137.3	137.8	139.5	131.6	141.9	142.6	142.8		
Trade balance	-14.1	-12.3	-16.1	-16.9	-14.9	-11.3	-14.9	-12.9		
<b>Balance of payments (US\$ bn)</b>										
Merchandise trade balance fob-fob	-14.9	-6.5	-21.1	-15.6	-14.1	-7.9	-19.5	n/a		
Services balance	9.9	6.3	3.5	6.5	10.3	7.5	2.5	n/a		
Primary income balance	21.7	18.3	11.5	22.3	13.5	20.9	17.0	n/a		
Net transfer payments	-11.9	-11.6	-18.3	-11.8	-12.8	-13.5	-18.1	n/a		
Current-account balance	4.9	6.5	-24.4	1.4	-3.1	7.0	-18.1	n/a		

<sup>a</sup> Seasonally adjusted. <sup>b</sup> Excluding construction. <sup>c</sup> Average of end-of-month figures. <sup>d</sup> Figures for the first month of the quarter. <sup>e</sup> France métropolitaine and overseas departments (DOM).

Sources: OECD, Main Economic Indicators; Institut national de la statistique et des études économiques (INSEE), Bulletin mensuel de la statistique; Informations Rapides; NYSE Euronext.

## Monthly data

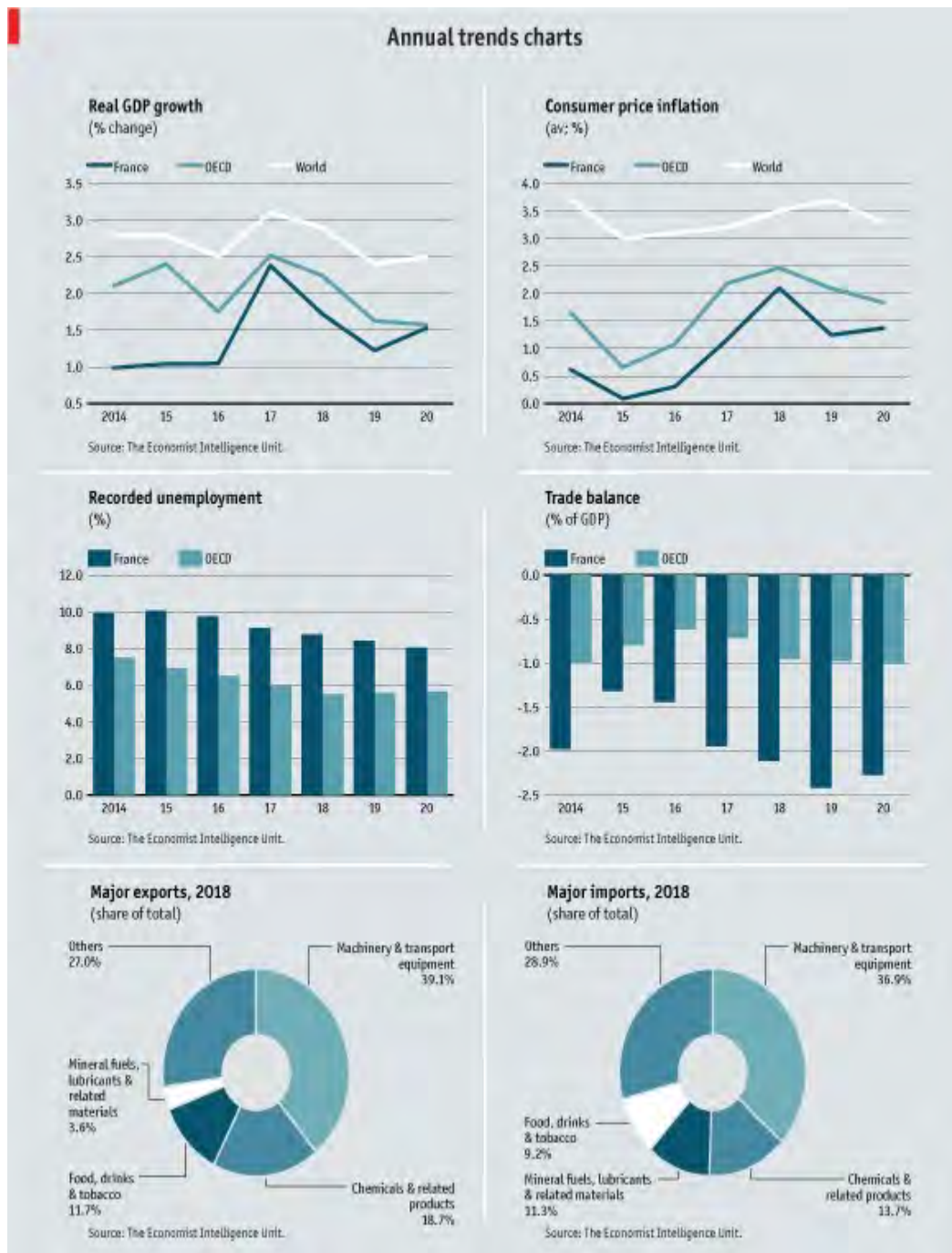
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exchange rate US\$:€ (av)</b>												
2017	1.06	1.06	1.07	1.07	1.11	1.12	1.15	1.18	1.19	1.18	1.17	1.18
2018	1.22	1.23	1.23	1.23	1.18	1.17	1.17	1.15	1.17	1.15	1.14	1.14
2019	1.14	1.14	1.13	1.12	1.12	1.13	1.12	1.11	n/a	n/a	n/a	n/a
<b>Exchange rate US\$:€ (end-period)</b>												
2017	1.08	1.06	1.07	1.09	1.12	1.14	1.17	1.18	1.18	1.16	1.18	1.20
2018	1.25	1.22	1.23	1.21	1.17	1.17	1.17	1.17	1.16	1.13	1.14	1.15
2019	1.15	1.14	1.12	1.12	1.12	1.14	1.12	1.10	n/a	n/a	n/a	n/a
<b>Real effective exchange rate (2010=100; CPI-based)</b>												
2017	92.1	91.7	91.9	91.6	92.7	93.1	93.9	94.7	94.7	94.6	94.7	94.8
2018	95.4	95.4	95.7	95.7	95.0	94.8	95.5	95.7	96.2	95.4	94.9	94.9

## France

2019	94.5	94.0	93.7	93.6	93.8	94.1	93.8	n/a	n/a	n/a	n/a	n/a
<b>Central government budget revenue (€ bn)</b>												
2017	25.4	25.3	27.6	21.9	27.6	32.3	21.6	19.8	36.8	21.8	20.4	33.1
2018	21.6	27.4	27.3	21.9	34.4	26.9	22.7	15.6	34.2	22.2	18.2	41.6
2019	19.3	17.3	29.0	23.1	21.1	34.0	15.5	n/a	n/a	n/a	n/a	n/a
<b>Central government budget expenditure (€ bn)</b>												
2017	33.4	29.3	25.7	46.1	32.8	34.2	35.4	25.5	25.5	40.4	26.9	31.7
2018	29.5	33.8	25.3	44.6	31.5	35.2	39.2	24.6	27.3	41.4	28.7	29.6
2019	31.6	32.5	26.8	43.7	36.6	33.2	39.6	n/a	n/a	n/a	n/a	n/a
<b>Central government budget balance (€ bn)</b>												
2017	-8.0	-4.0	1.9	-24.1	-5.2	-1.9	-13.8	-5.7	11.3	-18.6	-6.5	1.4
2018	-8.0	-6.4	2.0	-22.7	2.8	-8.3	-16.5	-9.0	6.9	-19.2	-10.5	12.0
2019	-12.3	-15.2	2.3	-22.3	-13.9	0.8	-24.1	n/a	n/a	n/a	n/a	n/a
<b>Household deposit rate (%)</b>												
2017	1.3	1.3	1.3	1.2	1.1	1.1	1.0	1.0	1.0	1.0	0.9	0.9
2018	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
2019	0.8	0.9	0.8	0.9	0.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Household lending rate (%)</b>												
2017	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
2018	1.2	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
2019	1.2	1.2	1.2	1.2	1.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Industrial production (% change, year on year)</b>												
2017	-0.6	-0.2	1.3	0.3	3.6	3.1	3.4	1.6	3.9	4.5	2.3	4.6
2018	1.0	3.4	2.7	1.2	-1.4	1.1	0.7	0.9	-1.2	-0.8	-2.0	-2.5
2019	2.1	0.7	-0.8	1.1	3.9	0.0	n/a	n/a	n/a	n/a	n/a	n/a
<b>Retail sales volume (% change, year on year)</b>												
2017	2.5	3.5	3.4	3.5	3.4	3.3	4.2	3.4	6.1	1.2	5.6	4.3
2018	2.6	2.7	4.4	2.5	3.1	4.3	2.1	4.5	0.7	4.8	1.2	1.8
2019	2.6	3.2	1.1	4.1	2.4	2.3	n/a	n/a	n/a	n/a	n/a	n/a
<b>EU harmonised unemployment rate (seasonally adjusted; %)</b>												
2017	9.7	9.6	9.5	9.5	9.5	9.5	9.6	9.6	9.4	9.2	9.0	9.1
2018	9.2	9.2	9.2	9.2	9.1	9.0	9.0	9.0	9.0	9.0	8.9	8.9
2019	8.8	8.6	8.6	8.5	8.5	8.5	8.5	n/a	n/a	n/a	n/a	n/a
<b>CAC 40 stockmarket index (end-period; Dec 31st 1987=1,000)</b>												
2017	4,749	4,859	5,123	5,267	5,284	5,121	5,094	5,086	5,330	5,503	5,373	5,313
2018	5,482	5,320	5,167	5,521	5,398	5,324	5,511	5,407	5,493	5,093	5,004	4,731
2019	4,993	5,241	5,351	5,586	5,208	5,539	5,519	5,480	n/a	n/a	n/a	n/a
<b>EU harmonised consumer prices (av; % change, year on year)</b>												
2017	1.6	1.5	1.4	1.4	0.9	0.8	0.8	1.0	1.1	1.1	1.3	1.3
2018	1.5	1.3	1.7	1.8	2.3	2.3	2.6	2.6	2.5	2.5	2.2	1.9
2019	1.4	1.6	1.3	1.4	1.1	1.4	1.3	1.2	n/a	n/a	n/a	n/a
<b>Producer prices (av; % change, year on year)</b>												
2017	3.5	3.7	3.2	3.2	2.2	1.5	1.5	1.9	2.2	1.6	2.6	2.1
2018	1.2	1.5	2.0	1.9	3.0	3.4	3.9	3.7	3.8	3.9	2.7	1.4
2019	1.7	2.1	2.1	1.6	0.9	0.2	0.0	n/a	n/a	n/a	n/a	n/a
<b>Total exports fob, seasonally adjusted (US\$ bn)</b>												
2017	37.6	39.5	47.6	39.4	45.5	47.2	43.9	38.7	48.3	49.4	49.8	48.0
2018	47.1	47.8	54.7	49.4	45.9	50.9	50.7	39.2	45.9	53.9	49.7	45.5
2019	46.4	47.0	51.6	48.3	50.1	47.6	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total imports cif, seasonally adjusted (US\$ bn)</b>												
2017	47.6	45.3	52.0	44.2	50.6	51.0	49.9	44.5	53.0	55.2	56.8	49.5
2018	56.7	53.7	59.0	55.4	54.4	56.4	54.9	46.1	52.1	58.6	55.0	48.4
2019	53.6	51.7	56.6	53.5	54.5	52.5	n/a	n/a	n/a	n/a	n/a	n/a
<b>Trade balance, seasonally adjusted fob-cif (US\$ bn)</b>												
2017	-10.0	-5.9	-4.4	-4.8	-5.2	-3.8	-6.0	-5.9	-4.7	-5.9	-7.0	-1.6
2018	-9.6	-5.9	-4.2	-6.0	-8.5	-5.6	-4.2	-6.9	-6.2	-4.8	-5.3	-2.9
2019	-7.3	-4.7	-5.0	-5.2	-4.3	-5.0	n/a	n/a	n/a	n/a	n/a	n/a

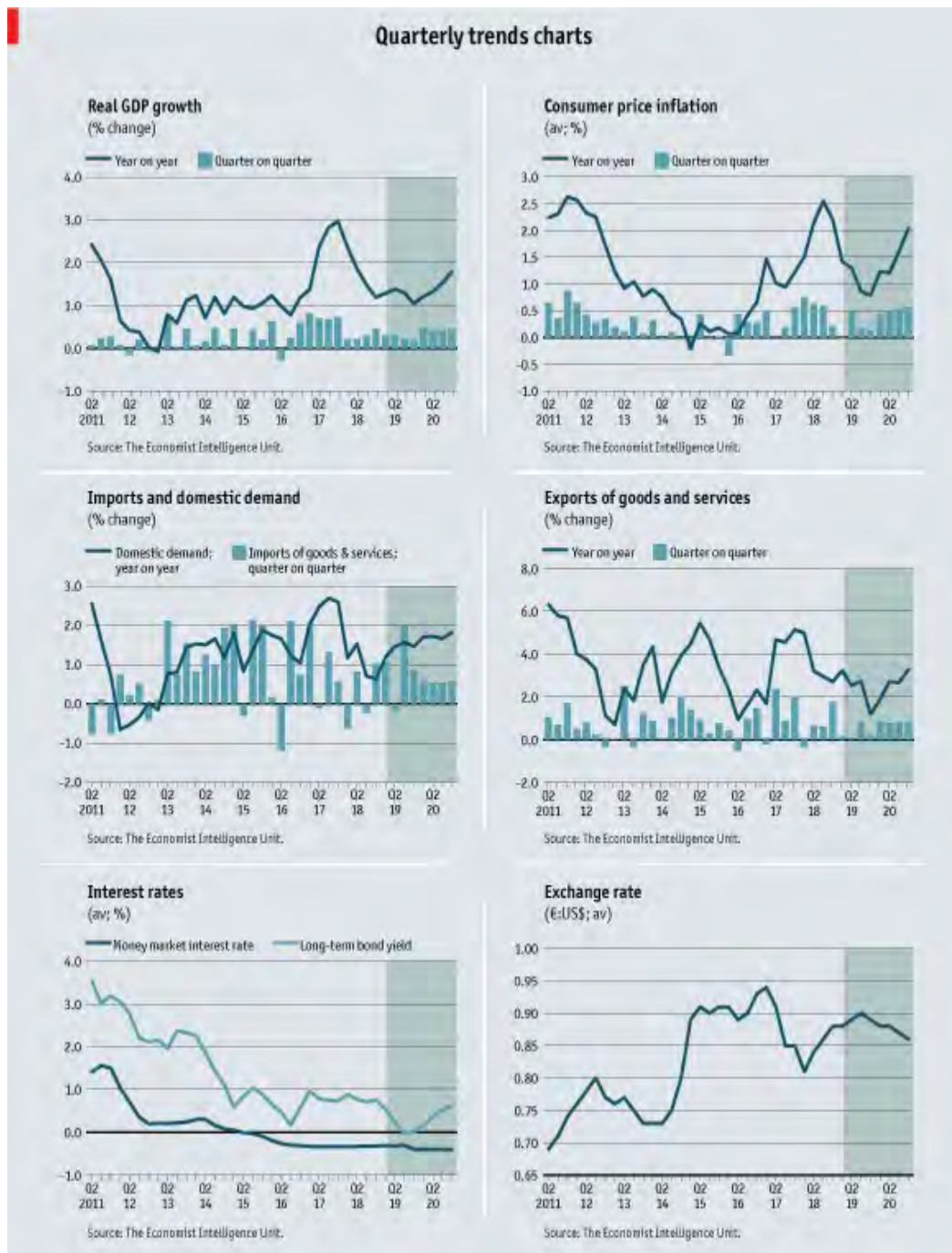
Sources: IMF, International Financial Statistics; Haver Analytics.

# Annual trends charts

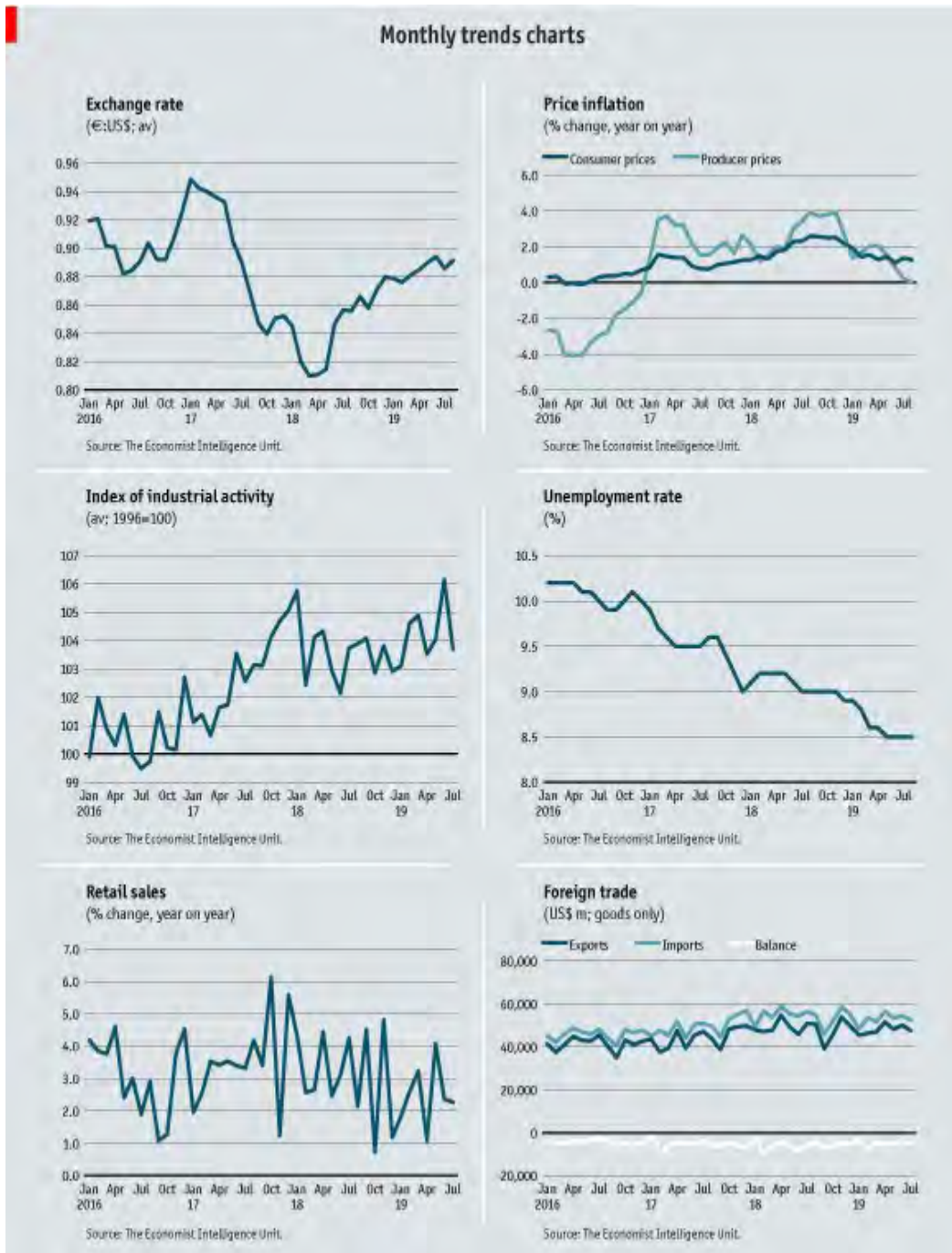




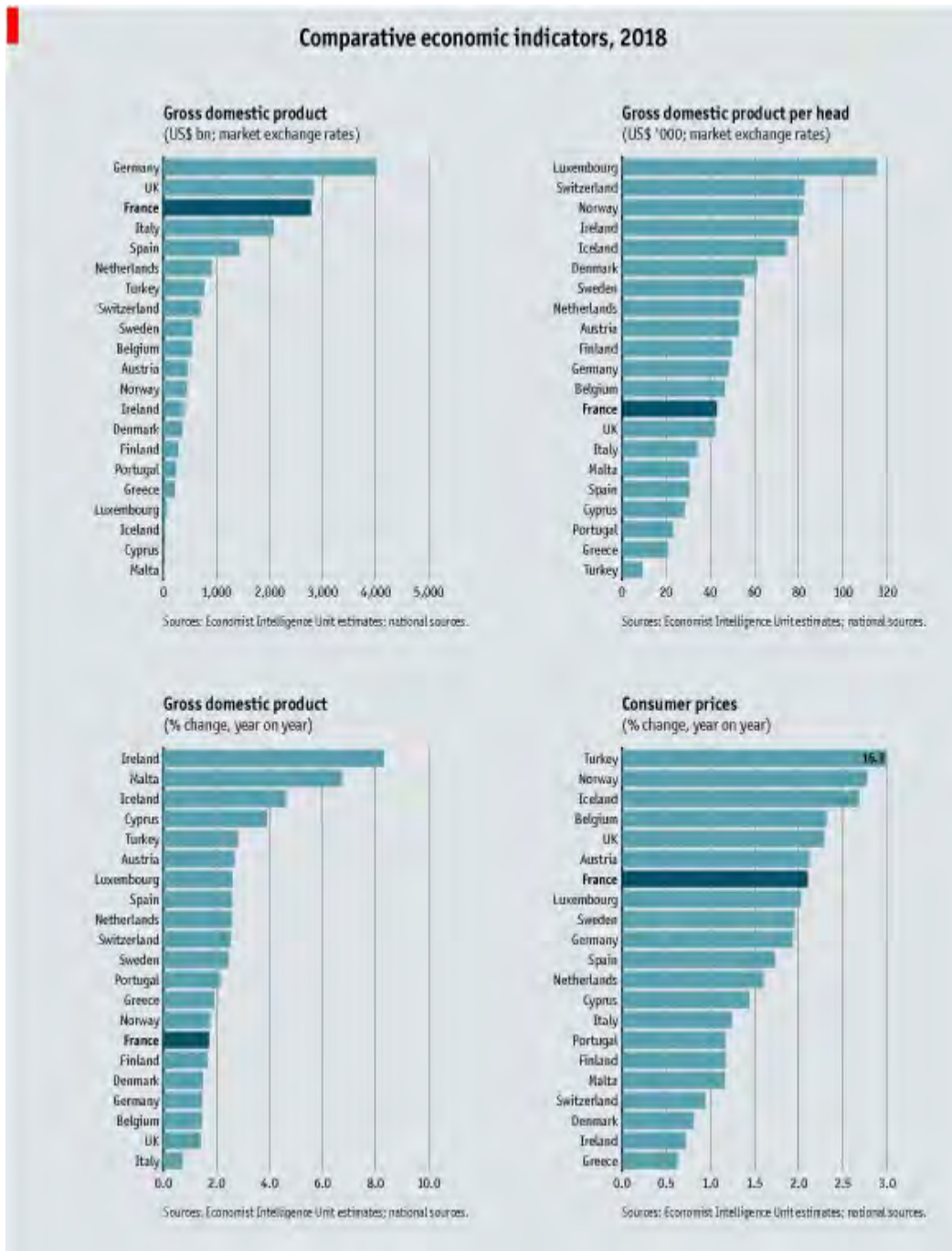
# Quarterly trends charts



# Monthly trends charts



# Comparative economic indicators



## Basic data

### Total area

Metropolitan France, 543,965 sq km; including 51.4% used for agriculture and 27% woods or forests; excludes overseas territories and departments

### Population

65m (population for metropolitan France, June 2018, INSEE)

## Main towns

Population of urban areas in '000 (2010)

Paris (capital): 12,223

Lyon: 2,166

Marseille/Aix-en-Provence: 1,718

Toulouse: 1,232

Lille: 1,158

Bordeaux: 1,128

Nice: 1,001

Nantes: 873

Strasbourg: 761

Toulon: 672

Grenoble: 670

## Climate

Temperate, oceanic in the west, continental in the east, Mediterranean in the south

## Weather

Average weather conditions at Météo France weather stations (based on 1999-2008 data):  
maximum average temperature, 19.8°C at Perpignan, minimum, 6.4°C at Dijon-Longvic; maximum  
average rainfall, 984 mm at Bordeaux-Merignac, minimum, 547 mm at Perpignan

## Languages

French and, regionally, Alsatian, Basque, Breton, Catalan, Occitan, Provençal

## Measures

Metric system

## Currency

Euro (€) = 100 cents

## Time

1 hour ahead of GMT

## Public holidays

January 1st (New Year's Day), April 22nd (Easter Monday), May 1st (May Day), May 8th (Victory  
in Europe Day), May 30th (Ascension), June 10th (Whit Monday), July 14th (Bastille Day),  
August 15th (Assumption), November 1st (All Saints' Day), November 11th (Remembrance Day),  
December 25th (Christmas Day)



## Political structure

### Official name

French Republic

### Legal system

Codified Roman law system; constitution of 1958

## National legislature

Bicameral: Senate of 348 members indirectly elected by local councils for a period of six years, with one-half retiring every three years; National Assembly (the lower house of parliament) of 577 members directly elected from individual constituencies by a two-ballot system for a period of five years; may be dissolved by the president

## Electoral system

Universal suffrage; two-round voting system for the National Assembly

## National elections

Last presidential election in April-May 2017; next presidential election due in 2022. Last legislative election June 2017; next legislative election due in 2022

## Head of state

President, directly elected for a five-year term, currently Emmanuel Macron (La République en marche), elected in May 2017

## National government

There is a clear separation of executive and legislative power; constitutionally, the locus of executive power is the Council of Ministers, which is chaired by the president. The prime minister is appointed by the president, who must consider whether the government can obtain the necessary majority in parliament; according to the constitution, the prime minister hands his resignation to the president, but in practice prime ministers have been dismissed by the president. Ministers are similarly appointed and dismissed, but on the prime minister's suggestion; they do not have to be members of parliament. The current government was appointed in May 2017 and includes both independents and party members from the left and the right, as well as non-politicians from civil society

## Main political parties

La République en marche (LRM); Mouvement démocrate (MoDem); Les Républicains (previously named Union pour un mouvement populaire—UMP); Union des démocrates et indépendants (UDI); Parti socialiste (PS); Rassemblement national (RN; previously named Front national—FN); La France insoumise; Nouveau centre (NC); Europe écologie les verts (EELV); Parti radical de gauche (PRG); Parti communiste français (PCF)

Prime minister: Édouard Philippe (Les Républicains)

## Senior ministers

Agriculture & food: Didier Guillaume (PS)

Armed forces: Florence Parly (PS)

Culture: Franck Riester (Les Républicains)

Ecological transition: François de Rugy (LRM)

Economy: Bruno Le Maire (Les Républicains)

Europe & foreign affairs: Jean-Yves Le Drian (PS)

Higher education, research & innovation: Frédérique Vidal

Interior: Christophe Castaner

Justice: Nicole Belloubet

Labour: Muriel Pénicaud

National education: Jean-Michel Blanquer

Overseas France: Annick Girardin (PRG)

Public action & accounts: Gérald Darmanin

Solidarity & health: Agnès Buzyn

Sport: Roxana Maracineanu

Territorial cohesion: Jacqueline Gourault (MoDem)

## **Central bank governor**

François Villeroy de Galhau

# Recent analysis

Generated on September 16th 2019

The following articles have been written in response to events occurring since our most recent forecast was released, and indicate how we expect these events to affect our next forecast.

## Economy

### Forecast updates

#### ECB goes big on stimulus policy package

September 13, 2019: Monetary policy outlook

#### Event

On September 12th the European Central Bank (ECB) announced a substantial stimulus package that includes a cut to the deposit rate, enhanced forward guidance, another round of quantitative easing (QE2) and more favourable terms for the third round of cheap loans, known as targeted longer-term refinancing operations (TLTROs).

#### Analysis

The ECB's monetary policy stance has been significantly eased. The deposit rate was cut by 10 basis points, to  $-0.5\%$ . The forward guidance was adjusted, with the ECB governor, Mario Draghi, emphasising that rates will remain low until the inflation outlook converges to the target of "close to, but below,  $2\%$ ", in line with the ECB's mandate—rather than until mid-2020, as previously stated. The QE2 programme will start in November, at a monthly €20bn, and will run "for as long as necessary", until shortly before the ECB starts raising rates.

The QE2 monthly volume is below what we were expecting, but the programme's open-ended nature makes it an extremely dovish move. The ECB also introduced a two-tiered deposit system, whereby a portion of banks' excess reserves held at the ECB is exempt from paying the  $-0.5\%$  rate. The terms of the TLTROs-III—to start this month—were also modified: interest rates can now go as low as  $-0.5\%$  if the bank engages in sufficient lending activity, and the loan maturity was increased to three years, from two previously.

We believe that the package is good news for the euro zone's economic and institutional outlook. First, the introduction of a numerical inflation figure in the ECB's forward guidance, instead of a specific time horizon, boosts the bank's credibility. Second, the QE2 design sends a strong signal to governments that rates will remain ultra-low until at least 2021—the ECB forecasts inflation to average  $1\%$  in 2020 and  $1.5\%$  in 2021—which should incentivise governments to increase their fiscal spending.

Two other technical points are important. The two-tier deposit system—a long-time demand from more hawkish member states, such as Germany—will temper political opposition to a negative deposit rate, as it mitigates the hit to banks' profitability. Such a system opens the way for a "low for longer" situation and for additional rate cuts in future. The more favourable TLTRO-III terms will mostly benefit south European countries, ensuring that funding remains extremely favourable for these nations' impaired banking systems.

#### Impact on the forecast

We maintain our forecast that rates will remain on hold until at least mid-2021.



# France profile - Timeline

7 February 2019

## A chronology of key events:

**1789** - French Revolution ends rule of monarchy going back to 9th century; followed by establishment of the First Republic.

## Napoleon

---



Napoleon Bonaparte was renowned for his military victories across Europe

- Born in 1769 in Corsica
- Defeated twice by British forces - at Trafalgar and Waterloo

**1799** - Napoleon Bonaparte leads coup to overthrow government; consolidates position with new constitution.

**1804-1814** - Napoleon crowns himself emperor of First French Empire; series of military successes brings most of continental Europe under his control.

**1815** - Napoleon defeated in Battle of Waterloo; monarchy re-established.

**1848** - Fall of King Louis-Philippe; Louis-Napoleon, nephew of Napoleon Bonaparte, proclaimed president of Second Republic.

**1852-1870** - Louis-Napoleon takes title of Napoleon III in Second Empire.

**1870-71** - Franco-Prussian War, ending in French defeat, loss of Alsace-Lorraine and end of the Second Empire; Third Republic lasts until 1940.

**1877** - Republicans win general elections, ending hopes of a monarchist revival.

**1914-18** World War I - Massive casualties in trenches in north-east France; 1.3 million Frenchmen are killed and many more wounded by the end of the war.



French capital has inspired artists, thinkers

- Named after Parisii, Celtic tribe who lived on site
- Nicknamed "City of Light"
- City planner Baron Haussmann laid out much of modern Paris in 19th century

**1918** - Anglo-French offensive - backed by fresh American troops - forces Germany to an armistice on 11 November.

**1919** - Peace Treaty of Versailles. France regains Alsace-Lorraine; Germany agrees to reparations.

**1936-38** - Rise of the Popular Front, an alliance of left-wing forces.

**1939-45** - World War II - Germany occupies much of France. Vichy regime in unoccupied south collaborates with Nazis. General de Gaulle, undersecretary of war, establishes government-in-exile in London and, later, Algiers. Rise of French Resistance.

## **Liberation**

**1944** - Allied forces land at Normandy leading to liberation of France. De Gaulle sets up provisional government. Purge against former collaborators.

## **Charles de Gaulle**

---



General De Gaulle formed a wartime government-in-exile and later became president

### **BBC History: Charles de Gaulle**

**1946** - De Gaulle resigns as provisional president, replaced by Socialist Felix Gouin.

**1946-58** - Fourth Republic is marked by economic reconstruction and the start of the process of independence for many of France's colonies.

**1951** - France joins West Germany and other European nations in the European Coal and Steel Community (ECSC) - leading to the formation in 1957 of the European Economic Community (EEC).

**1954** First Indochina War ends - French defeated at Battle of Dien Bien Phu in north-west Vietnam. Algerian War of Independence begins.

**1956** - Colonial rule ends in Morocco and Tunisia.

## **Fifth Republic**

**1958** - De Gaulle returns to power on back of Algerian crisis and founds the Fifth Republic, with a stronger presidency.

**1962** - Algeria granted independence from French colonial rule.

**1968** May - Student revolt against government policies and lack of social reform escalates into national strike.

**1969** - De Gaulle leaves office. Georges Pompidou elected president.

**1970** - De Gaulle dies of stroke.

**1974** - Pompidou dies, succeeded by Valery Giscard d'Estaing.

**1981** - Socialist candidate Francois Mitterrand is elected president.

**1986** - Centre-right victory in legislative elections of 1986 leads to "co-habitation" - a left-wing president and a right-wing prime minister, Jacques Chirac.

**1988** - Mitterrand re-elected.

**1992** - France signs Maastricht Treaty on European union.

**1995** - Jacques Chirac elected president, ending 14 years of Socialist presidency.

France attracts international condemnation by conducting a series of nuclear tests in the Pacific.

**1997** - Lionel Jospin becomes prime minister.

**2000** September - President Chirac embroiled in corruption scandal. He dismisses newspaper allegations.

**2001** June - Compulsory military service abolished.

**2002** January - Euro replaces franc, first minted in 1360.

**2002** May - Jacques Chirac re-elected president, beating National Front leader Jean-Marie Le Pen in the second round of voting. Jean-Marie strong Le Pen's showing in the first round sent shockwaves across France and Europe and prompted mass demonstrations.

Lionel Jospin, the main left-wing presidential contender whom Le Pen knocked out in the first round, resigns the premiership and the Socialist Party leadership.

**2002** June - Landslide victory in legislative elections for centre-right UMP. Jean-Pierre Raffarin's new centre-right government ends the "cohabitation" between President Chirac and Socialist Lionel Jospin.

**2002** November - Widespread public sector strikes over government privatisation plans bring country to a standstill.

**2003** March - Constitution changed to allow devolution to regions and departments of powers over economic development, transport, tourism, culture and further education.

**2003** July - Corsica referendum, first to follow March constitutional amendments, narrowly votes against establishment of unified assembly with limited powers to raise and spend taxes. Paris had hoped that a yes vote would end separatist violence.

Parliament approves controversial reforms to pension system.

**2004** March - President Chirac's UMP routed in regional elections.



Youth riots in impoverished suburbs shook France in 2005

### **French Muslims face job discrimination**

**2004** November - Nicolas Sarkozy takes over as leader of UMP.

**2005** January - Trade unions organise wave of public sector strikes against proposed labour, pension and welfare reforms.

**2005** May - Referendum goes against proposed EU constitution. The result prompts a political shake-up, including the resignation of Prime Minister Raffarin.

**2005** June - International project group says France is to host the world's first experimental nuclear fusion reactor at Cadarache, near Marseille.

## **Urban violence**

**2005** October-November - Largely immigrant communities in north-east Paris are hit by riots after two youths of North African origin are electrocuted in an electricity substation. The authorities deny they were being chased by police. Unrest spreads to other cities. Government introduces emergency measures.

**2006** March-April - New youth employment laws spark mass demonstrations in Paris and other cities across France. As protests continue, the legislation is scrapped.

## Sarkozy becomes president

**2007 May** - Nicolas Sarkozy, the former interior minister and leader of the ruling conservative UMP, wins a decisive victory in the second round of the presidential election.

**2007 June** - The UMP wins parliamentary elections, but with a reduced majority. The party insists it still has a mandate to carry out its proposed reforms.

**2007 November** - Civil servants take to the streets, along with workers from the transport and energy sectors, to protest against Mr Sarkozy's planned cuts in pay and jobs, and reform of pension benefits. There is widespread disruption of public services.

**2008 February** - France formally ratifies Lisbon Treaty on reform of European Union.

## Financial crisis

**2008 October** - European governments pledge up to 1.8 trillion euros as part of co-ordinated plans to shore up their financial sectors, hit hard by the global financial crisis. France says it will inject 10.5bn euros into the country's six largest banks.

## Headscarf ban

---



Ban on religious symbols provoked intense debate

**2010 March** - Ruling UMP suffers heavy defeat in regional elections, losing control of all but one of the 22 regions in mainland France and Corsica.

**2010 June** - Government announces public spending cuts of 45bn euros in effort to reduce high level of public debt.

**2010 July** - Prosecutors launch inquiry into allegations that L'Oreal heiress Liliane Bettencourt made illegal donations to President Sarkozy's 2007 election campaign.

**2010 August** - France begins to dismantle illegal Roma (gypsy) camps and to deport their residents back to Romania and Bulgaria, as part of a package of new security measures.

## Pension protests

**2010 September-October** - Hundreds of thousands turn out in several waves of trade union-led protests against government plans to raise retirement age to 62.

**2010 November** - France concludes military and nuclear accord with UK. Under the terms of the new treaty, the two countries will cooperate in testing nuclear warheads.



Nicolas Sarkozy was a divisive figure as president in 2007-12

### **Profile: Nicolas Sarkozy**

**2011** March - France plays prominent role in imposing and enforcing no-fly zone over Libya.

**2011** April - Face veil ban comes into force.

**2011** May - French political establishment is shaken by arrest of Dominique Strauss-Kahn, who had been tipped as a strong Socialist candidate for the presidency, in New York on sexual assault charges that were later dropped.

**2011** August - Government announces package of austerity measures aimed at reducing public deficit by 12bn euros over two years. In November it announces a further 7bn euros of cuts in 2012 and 11.6bn euros in 2013.

**2011** September - Credit rating agency Moody's downgrades the two biggest French banks, Credit Agricole and Societe Generale, because of their exposure to Greek debt.

**2012** January - France loses its top AAA credit rating from Standard & Poor's.

**2012** February - The Constitutional Council strikes down as violating freedom of expression a new law making it a crime to deny genocide was committed by Ottoman Turks against Armenians during World War I.

**2012** March - French Islamist Mohamed Merah shoots dead seven people, including three Jewish schoolchildren, in Toulouse, before himself being shot dead in a police siege of his flat.

France bans militant Islamist preachers from entering the country, beginning with the Qatari-based Egyptian Yusuf al-Qaradawi.

## **Hollande presidency**

**2012** May - Socialist candidate Francois Hollande beats Nicolas Sarkozy in the run-off presidential election. He appoints close ally Jean-Marc Ayrault as prime minister.

President Hollande announces the withdrawal of combat troops from Afghanistan by the end of 2012, a year earlier than scheduled.

French police detain the last military leader of the Basque separatist group Eta, Oroitx Gurruchaga Gogorza, and his deputy Xabier Aramburu in a joint operation with Spain.



France underlined its military's continuing international role by intervening against jihadist militants in Mali

**2012 June** - Socialists win comfortable majority in parliamentary elections.

**2012 August** - France posts zero growth in the second quarter of 2012, as in the previous two.

**2012 October** - Anti-terror police carry out a series of raids nationwide, arresting 11 suspects, after police shoot dead a man in Strasbourg suspected of targeting a Paris Jewish shop.

**2012 November** - Moody's rating agency downgrades France's credit rating from the top triple-A billing to Aa1, citing weak growth and the eurozone crisis.

## **Intervention in Mali**

**2013 January** - French commando raid to rescue a hostage in Somalia fails. Al-Shabab Islamist rebels later say they executed the man.

French forces intervene in Mali and help government recapture northern regions seized by Islamists. They begin to withdraw in April.

**2013 March** - Budget Minister Jerome Cahuzac - a vocal crusader against overseas tax havens - resigns after belatedly admitting to owning a secret Swiss bank account, in an embarrassing scandal for President Hollande.



A stubbornly high rate of unemployment - "chomage" in French - has fuelled debate over economic reform

- 2013 May** - France enters second recession in four years after the economy shrinks by 0.2% in the first quarter.
- 2013 June** - The International Monetary Fund calls on France to lower its labour costs and halt tax hikes to boost both growth and its competitiveness, or else face a widening gap with its European neighbours.
- 2013 November** - Standard and Poor's (S&P) downgrades France's credit rating further from AA+ to AA, citing high unemployment.
- 2013 December** - France deploys 1,600 troops to the Central African Republic to try to restore order.

## National Front gains

- 2014 March** - Interior minister Manuel Valls replaces Jean-Marc Ayrault as prime minister after the governing Socialists suffer a drubbing in municipal elections. The far-right National Front makes significant gains in the polls.
- 2014 May** - The far-right Front National wins the European elections in France with about a quarter of the vote, pushing President Hollande's Socialists into third place.
- 2014 July** - Ex-President Nicolas Sarkozy is detained and placed under formal investigation over allegations he sought insider information about a probe into illegal campaign funding. He says the move is a plot to stop his return to politics.
- 2014 August** - Manuel Valls forms a new cabinet after three ministers quit their posts in a bitter row over the government's austerity strategy.
- 2014 September** - The National Front wins its first ever seats in the French senate, inflicting a third humiliating electoral defeat on the ruling Socialists and their leftwing allies, who lose their majority in the upper chamber.
- 2014 October** - France publishes a budget for 2015 that includes 21bn euros (£17bn) worth of cuts in public spending, but which still envisages a budget deficit of 4.3% - way above the EU target figure of 3% of GDP.
- 2014 November** - The number of people seeking work climbs to a record high of 3,488,300. President Hollande says he will not seek a second term in office if he fails to deliver on his pledge to bring down joblessness.



## **Islamic State attacks**

**2015** January - Islamist gunmen shoot dead 17 people in Paris - most of them staff at the satirical magazine Charlie Hebdo - before being killed by security forces.

The government announces a range of new security measures following the shootings in Paris. It says more than 2,500 new intelligence personnel will be recruited over the next three years to investigate Islamic extremism.

**2015** September - France launches air strikes against Islamic State group targets in Syria.

**2015** November - Islamic State group claims responsibility for terror attacks in Paris that kill 130 people - deadliest attacks in France since Second World War, and in European Union since 2004 Madrid railway bombings. France announces state of emergency, launches renewed bombing raids in Syria.

**2016** February - Government begins dismantling notorious 'Jungle' migrant camp at Calais on the English Channel.

**2016** May - Following weeks of street protests, government pushes through legislation making France's protective labour laws less restrictive, with the aim of encouraging firms to recruit.

**2016** July - At least 84 people are killed in lorry attack on crowd celebrating Bastille Day in Nice. Islamic State claims responsibility.

**2016** December - President Hollande announces that he will not stand for a second term in 2017.

**2017** April - Islamist kills policeman in attack on Champs-Elysees in Paris.

### **President Macron elected**

**2017** May - Centrist former economy minister Emmanuel Macron decisively beats the far-right National Front's Marine Le Pen in the presidential election. Neither of the two main parties, the Socialists and Republicans, made it into the run-off round.

**2017** June - Mr Macron's La Republique En Marche! movement wins an overall majority in parliamentary elections.

**2017** September - Mr Macron signs into law sweeping changes to the labour code designed to make it easier for companies to hire and fire workers.

**2018** April - Rail workers announce a three-month strike, as the first major challenge to the government's employment reforms.

**2018** November-December - Major nationwide "yellow-vest" protests at attempts to curb fossil fuel use through price hikes turn violent, prompting a partial government climb-down. Protests continue into new year.

**2019** February - France recalls ambassador from Rome after Italian Deputy Prime Minister Luigi Di Maio meets French "yellow-vest" protesters.

*This page intentionally blank*