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Review of the French Government's Economic Forecasts for 2024

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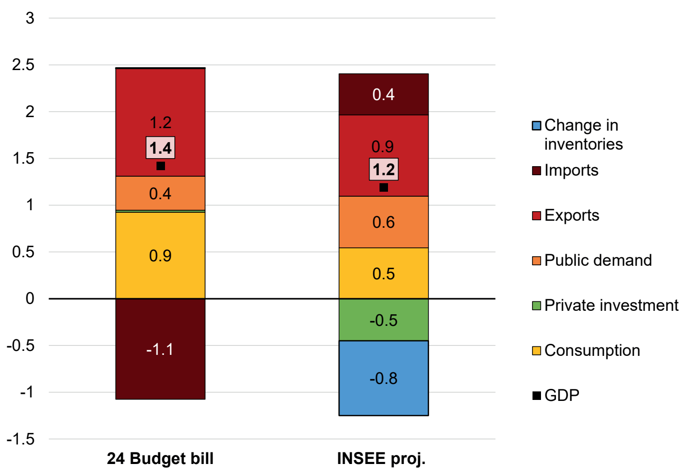
- When drawing up the macroeconomic scenario for the 2024 Budget Bill presented in September 2023, we expected that 2024 would see a gradual cushioning of the shocks that had hit the economy. As such, expectations focused on an upswing in growth bolstered by a ramp-up in household consumption. The main contingency identified in the forecast concerned the pace and extent to which monetary tightening would affect both real GDP and the financial sphere.
- GDP growth in 2024 (up 1.2% according to INSEE's annual accounts published in May 2025) fell short of the 2024 Budget Bill forecast of 1.4% and broke down differently than expected due to a fresh wave of shocks that were largely unforeseeable in autumn 2023.
- The deterioration in the international environment, particularly the second consecutive year of recession in Germany, curbed French exports. Meanwhile, uncertainties at both international (tension in the Middle East in particular) and national level (dissolution of the French National Assembly) put a drag on investment. The catch-up following productivity losses since the COVID-19 pandemic has been faster than anticipated, leading to a more pronounced slowdown in employment. Lastly, the faster-than-anticipated drop in inflation failed to boost consumption due to the less favourable breakdown of purchasing power gains.
- Nevertheless, some of these negative shocks were absorbed by a fall in imports, partly replaced by inventory rundowns, and by rising public demand, mainly concerning local authorities and healthcare spending. Despite the adverse impact on the government deficit, increased public demand naturally buoyed up economic activity.

Contributions to GDP growth in 2024
Forecast and actual figures



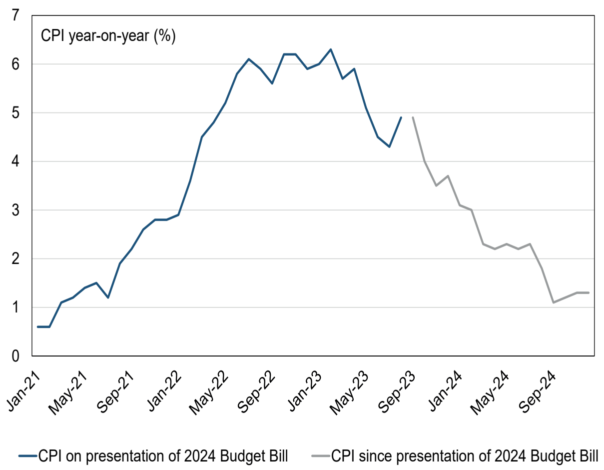
Sources: DG Trésor, INSEE.

1. In the 2024 Budget Bill submitted in September 2023, the government forecast growth of 1.4% in 2024

1.1 The 2024 Budget Bill was drawn up amid the post-COVID return to economic normalcy

The growth forecast for 2024 underlying the 2024 Budget Bill was drawn up in September 2023. The gradual cushioning of a number of shocks that had disrupted the economy was expected to pave the way for an upswing in growth in 2024. In particular, the negative effects on business resulting from the inflationary shock coupled with supply constraints triggered by the COVID-19 pandemic were gradually dissipating. This trend already seemed to be in motion, with strong GDP growth recorded in the second quarter of 2023, then estimated at 0.5%[1] – the last avai As such, a number of growth drivers were already in place. Firstly, the continuing decline in inflation since spring 2023, following a plateau at around 6% since June 2022 (see Chart 1), augured well for a recovery in household consumption. Secondly, the more buoyant international environment marked by a recovery in world trade, along with the return to regular activity across supply chains (see Chart 2), fuelled expectations of an upswing in exports. lable data point for the 2024 Budget Bill forecast.

Chart 1: Inflation in France between 2021 and 2024

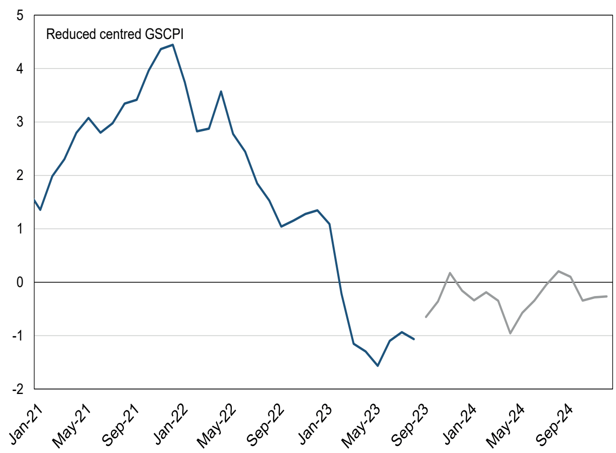


Source: INSEE.

As such, a number of growth drivers were already in place. Firstly, the continuing decline in inflation since spring 2023, following a plateau at around 6% since June 2022 (see Chart 1), augured well for a recovery in household consumption. Secondly, the more buoyant international environment marked by a recovery in world trade, along with the return to regular activity across supply chains (see Chart 2), fuelled expectations of an upswing in exports.

However, the recovery was likely to be slowed by persistently high interest rates, curbing business and household investment, against a backdrop of uncertainty regarding the extent and timing of any interest rate cuts. In September 2023, when the forecast was drawn up, commercial interest rates were still on the rise: rates on loans to households and businesses continued to increase towards the year-end.[2]

Chart 2: Global Supply Chain Pressure Index (GSCPI), New York Fed



Source: New York Fed.

(1) Quarterly national accounts – detailed figure estimates – Brief overview", August 2023, INSEE.
(2) Rates on housing loans to households rose from 3.7% in September 2023 to 4.0% in December 2023, while rates on business loans rose from 4.6% to 4.9%.

1.2 The 2024 Budget Bill was based on a growth recovery scenario

For the 2024 Budget Bill, the government forecast GDP growth of 1.4%, following expected 1.0% growth for 2023,[3] underpinned by an acceleration in household consumption. Household consumption was projected to increase faster than purchasing power, assuming a gradual normalisation of the savings rate, which had remained well above the historical average. At the time, all forecasters, especially the *Banque de France*[4] and the European Commission,[5] agreed on the temporary nature of this phenomenon. The high savings rate could be attributed to high inflation and rising interest rates.

It was also projected that the improvement in the foreign trade balance would bolster growth, with exports driven by buoyant global demand and a recovery in the production of complex manufactured goods, particularly in the aeronautics sector, which would allow France to catch up in terms of its export performance.

Conversely, growth would be dragged down by sluggish private investment. Investment by NFCs would slow, while household investment would continue to decline due to tighter financing conditions, following a sharp drop in 2023. It was estimated that past increases in key interest rates would gradually be passed on to commercial rates, affecting investment more heavily in 2024 than in 2023.

This growth forecast was higher than the Consensus Forecast (0.8%) but came close to those of the IMF (1.3%), European Commission (1.2%) and certain private institutions (Goldman Sachs and Natixis predicted 1.3% growth in September 2023).

In line with the decline observed between March and August 2023, a sharp fall in inflation to 2.6% was expected in 2024, while it was still high at 4.9% year-on-year in August 2023. This forecast was at the lower end of the scale compared to other forecasters, below the September Consensus Forecast (2.7%) and the June OECD forecast (3.1%) but slightly above the April IMF forecast (2.5%).

2. Growth in 2024 fell short of the 2024 Budget Bill forecast due to a series of new shocks that hampered recovery

2.1 Overall growth was weaker than expected

Growth reached 1.2% in 2024, 0.2 percentage points below the government's September 2023 forecast serving as the basis for the 2024 Budget Bill (1.4%).[6]

Due to a deteriorated international environment, notably as a result of tensions in the Red Sea and a further year of recession in Germany, exports were less buoyant than expected (up 2.5% vs. the expected 3.5% increase).

The year 2024 was characterised by uncertainty at both national (dissolution of the French National Assembly) and international level (tension in the Middle East in particular). This uncertainty curbed investment: while a slight increase was expected (0.3%), overall investment actually fell by 1.1%. The impact of high interest rates on investment was also greater than expected when the Budget Bill was drawn up.

Household consumption also rose significantly less than expected (up 1.0% vs. 1.8%). In addition to the prevailing uncertainty, household consumption was also penalised by the fact that gross disposable income (GDI) was mostly driven by income profiles with a lower propensity to consume.

(3) "Publication du Rapport Économique, Social et Financier – PLF pour 2024", *DG Trésor* (in French only).
(4) Macroeconomic projections, September 2023, Banque de France. The Banque de France expected the savings rate to drop by 0.8 percentage points, compared to a 0.4-percentage-point drop according to the government.
(5) European Economic Forecast, September 2023, European Commission. "*Private consumption remains weak as households maintained an exceptionally high saving rate. Over the next quarters, consumption is expected to pick up as inflationary pressures progressively dissipate, and as the households' saving rate gradually returns to its historical average*."
(6) Data from INSEE's annual accounts is expressed on a gross basis, while the government's forecasts are adjusted for business days in line with the quarterly national accounts. The correction had a negative impact in 2023 (-0.2 pp contribution to GDP growth) versus a positive impact in 2024 (+0.1 pp).

Box 1: Impact of the Olympic and Paralympic Games on business

Growth in France in 2024 was boosted by the hosting of the Olympic and Paralympic Games, which accounted for a 0.2-percentage-point increase in third-quarter business, equating to a 0.05-percentage-point rise on an annual average basis (the effect was non-material during the other three quarters). The production of sporting events and the event broadcasting sector were particularly bolstered, although the total impact was dampened by the crowding-out effects on usual (non-sports-related) tourist demand.

In the third quarter of 2024, INSEE recorded ticket sales of €1.2bn, made since 2023, while earnings from international TV broadcasting rights came to €0.7bn.[a] This effect is similar to that of the 2012 London Games[b] and mainly concerned foreign trade (TV rights, non-resident ticket purchases) and consumption (resident tickets).

The impact was partly dampened by crowding-out effects: the organisation of major sporting events can lead to the cancellation or postponement of activities that would normally have taken place in the absence of the competition (crowding-out) or result in transfers of consumption to other sectors without an increase in overall spending (substitution). Consumption in the accommodation and catering sector slowed in the third quarter (up 0.3% following 1.0% growth), while the provision of art and entertainment services fell (down 3.2%; excluding the impact of the Olympic Games). These crowding-out effects could be seen in tourist flows. Although tourism exports in terms of the national accounts rose over the quarter (up 1.7% in real terms), they would have posted a decline when excluding the contribution of tickets[c] sold to non-residents.

a. "The Impact of the Paris Olympic Games on Third-Quarter 2024 Economic Activity and Payments", *Banque de France Bulletin*, 3 December 2024, *Banque de France*. The *Banque de France* estimates this increase in economic activity at 0.25 percentage points in the third quarter, with a comparable contraction in the fourth quarter.
b. Office for National Statistics, Gross Domestic Product, nationalarchives.gov.uk. The ONS announced that Olympics ticket sales contributed 0.2 percentage points to UK GDP growth in Q3 2012.
c. Growth, Games and Unknown Factors", *Economic outlook*, 9 July 2024, INSEE. INSEE estimated that these ticket sales totalled around €400m, representing 2.5 percentage points of tourism exports.

Nevertheless, imports fell 1.2% due to weaker domestic demand, whereas the 2024 Budget Bill had forecast a 3.1% increase. As such, the decline in imports mitigated the adverse impact of these various shocks, difficult to anticipate, on French growth.

Despite the adverse impact on the government deficit, increased public demand naturally spurred economic activity.[7]

In terms of business sectors, 2024 economic activity was driven by market and non-market services, and energy production. Conversely, it was dampened by falling output in the agricultural and construction sectors and, to a lesser extent, manufacturing (see Box 4).

2.2 The international environment was less buoyant than expected

The deterioration in the international situation was the first major shock to the growth forecast: foreign demand was weaker than expected (up 1.6% vs. a forecast 3.0% increase). Several factors led to a marked worsening of the international environment. Firstly, the 7 October attack and its geopolitical repercussions rekindled tensions in the Red Sea. The Suez Canal was almost paralysed, disrupting global logistics chains. This shock revived economic uncertainty and reinforced global reticence. Secondly, the expected economic recovery in Germany, France's main trading partner, failed to materialise. Economic activity in Germany declined for the second year running (down 0.5% vs. a forecast 1.1% increase),[8] in the wake of the German Federal Constitutional Court's November 2023 ruling whereby it refused to allow the reallocation of budget funds to deal with the COVID-19 pandemic, leading to considerable political and fiscal uncertainty in early 2024. German industrial production also dipped slightly (down 0.1%) under the influence of persistently high energy prices and sluggish Chinese demand.

In the 2024 Budget Bill, French exports were expected to grow at a slightly higher rate than that of global demand for French goods (3.5% growth vs. 3.0%). The difference is due to France catching up on

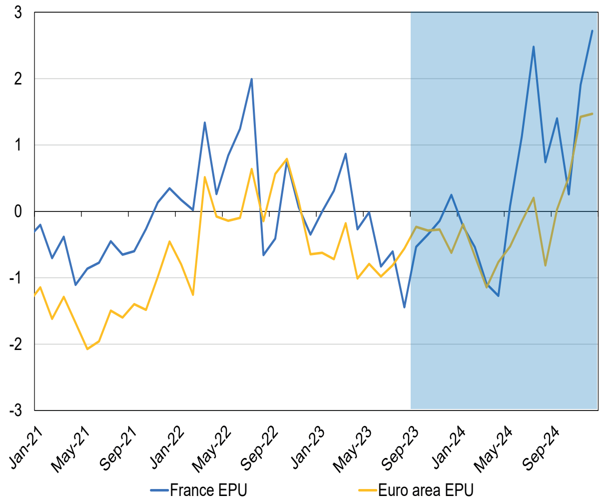
(7) L. Janin and C. Toussaint (2025), "Review of Public Finance Forecasts for 2023 and 2024", *Trésor-Economics*, No. 356.
(8) R. Beaujeu et al. (2023), "World Economic Outlook in Autumn 2023: The Economy is Holding Out Against Rising Interest Rates", *Trésor-Economics*, No. 332. By way of comparison, the OECD and IMF forecasted growth of 1.3% in June and July 2023, respectively.

prior performance losses, mainly due to the upturn in aeronautical exports. In the end, French exports increased by 2.5%, effectively outpacing foreign demand for French exports (up 1.6%). This confirms a catch-up in export market share, albeit with a more limited contribution to growth (+0.9 pp vs. the +1.2 pp initially forecast).

2.3 Investment penalised by renewed uncertainty and high interest rates

Geopolitical tensions, particularly in the Middle East, coincided with a rise in international uncertainty. The mid-year dissolution of the French National Assembly and the ensuing general election, which left a further dent in the government's minority, increased national uncertainty (see Chart 3). Having eased in October when the Barnier government presented its Budget Bill, uncertainty was rekindled again towards the end of the year after the no-confidence vote.

Chart 3: Trends in the EPU index for France and the euro area



Sources: Reduced centred EPU indices for France and the euro area, DG Trésor calculations.*

* The EPU index for the euro area is constructed as a GDP-weighted average of the EPU indices for France, Germany, Italy and Spain.

How to read this chart: The EPU (Economic Policy Uncertainty) index measures economic policy uncertainty based on the frequency of use of certain keywords in the media, the number of tax provisions set to expire and disagreement among economic forecasters.

Uncertainty surrounding the reduction of interest rates and inflation also curbed investment and prompted reticence, while high interest rates represented a greater drag on investment than anticipated at the time the Budget Bill was drawn up. The impact of interest rates on loan production was stronger than expected: in September 2023, the French High Council for Financial Stability[9] expected the number of real estate loans granted to stabilise following a drop in response to the rise in interest rates. However, the number continued to fall until early 2024, after which it began to slowly rise again. Tighter credit conditions prompted businesses to postpone their investments.

The renewed uncertainty and high interest rates severely penalised business investment (down 2.2% vs. an expected increase of 0.9%)[10] and household investment (down 5.4% vs. the projected 2.2% drop). These factors notably led to a further decline in new-builds, whereas the indicators available in summer 2023 suggested that figures were stabilising. Overall, the downturn in private investment resulted in a 0.5-percentage-point dip in growth (versus the expected zero impact).

2.4 The slowdown in employment was stronger than expected as businesses caught up on productivity losses since the end of the COVID-19 pandemic

Employment soared at the end of the pandemic, with a total of almost 1.4 million jobs created by the 2022 year-end compared to two years earlier. However, this recovery coincided with a fall in labour productivity, as employment grew faster than business activity over the period. Employment slowed from mid-2023 onwards, mainly in the non-agricultural market sector thanks to labour productivity picking up. The employment forecast in the 2024 Budget Bill included a further slowdown in the creation of salaried jobs in the non-agricultural market sector (0.5% annual average increase in 2024, after a 1.3% increase forecast for 2023 in the 2024 Budget Bill),[11] in line with the initial

(9) Annual Report 2023, September 2023, French High Council for Financial Stability. "La production de crédit immobilier se normalise en reaction à la hausse de taux", p.13 (in French only).
(10) To a lesser extent, the deviation from the forecast reflects the effect of a change in the basis of INSEE's national accounts: a portion of digital investment, which has been particularly buoyant in recent years, has been reclassified as intermediate business consumption.
(11) In 2023, salaried employment in the non-agricultural market sector ultimately grew by an annual average of 1.1%. However, the deviation from the 2024 Budget Bill employment forecast is mainly due to a downward revision of salaried employment for the first half of 2023 in INSEE's detailed estimates of salaried employment for the second quarter of 2024, which were published on 30 August 2024 almost a year after the 2024 Budget Bill was drawn up.

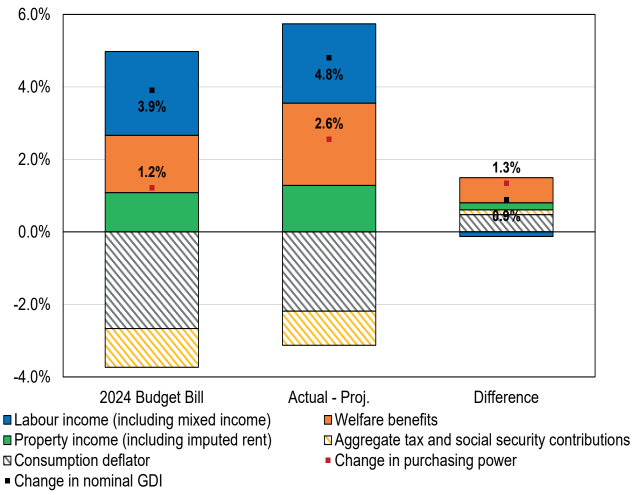
adverse economic indicators[12] observed in mid-2023 and the assumption of a continued partial catch-up on productivity losses. A reduction in labour hoarding was anticipated in certain sectors.[13] However, the slowdown in salaried employment in the non-agricultural market sector in 2024 was more pronounced than anticipated (0.2% increase), against a highly uncertain backdrop that is hardly conducive to hiring (see above). In particular, the scale of the decline in employment over the fourth quarter of 2024 came as a surprise: 90,100 salaried jobs were lost, the biggest quarterly decline since the second quarter of 2020.

2.5 The sharp rise in purchasing power underpinned by falling inflation failed to spur a recovery in consumption

The drop in inflation was stronger than expected by all forecasters, thereby bolstering household purchasing power. In September 2023, the government forecast a decline to 2.6%, at the lower end of the range estimated by forecasters (see above). Inflation averaged 2.0% year-on-year: energy prices in particular rose more slowly than expected, especially oil product prices.[14] The slowdown in all other price increases[15] was also more pronounced than the 2024 Budget Bill forecast.

As such, the increase in purchasing power exceeded the 2024 Budget Bill forecast (see Chart 4) as a result of lower inflation and higher gross disposable income (up 4.8% vs. the 4.0% increase projected in the 2024 Budget Bill). However, this strong growth in purchasing power did not lead to increased consumption. This apparently surprising finding can be explained in part by the breakdown of household disposable income: earned income, which is consumed to a greater extent, increased less than expected, mainly as a result of the sharper-than-expected slowdown in employment. Conversely, capital income and, above all, welfare benefits rose more than expected[16], boosted by the 5.2% increase in basic pensions effective 1 January 2024, whereas on average pensions are consumed to a lesser extent.[17] Lastly, national uncertainty in the second half of the year prompted conservative behaviour and the postponement of purchasing decisions. Consequently, the savings rate, which was already at an unusually high level, rose by 1.2 percentage points between 2023 and 2024 to 18.2% (see Box 2).

Chart 4: Difference between actual figures and 2024 Budget Bill projections regarding contributions to purchasing power growth



Sources: DG Trésor, INSEE.

(12) In particular, job losses in the temping sector from the first quarter of 2023 onwards, along with the decline in the composite indicator for the employment sector throughout 2023.

(13) See Askenazy, Cupillard et al. (2024), "À la Recherche des Gains de Productivité Perdus Depuis la Crise Sanitaire" blog post, INSEE (in French only). Labour hoarding phenomena can be observed in certain sectors facing what is deemed as a temporary shock, with companies retaining their staff in order to meet a future increase in demand. This was the case in the aeronautics sector, for instance, where production in 2023 was still well below pre-COVID levels (by around 15%) without employment following a similar trend, against a backdrop of severe supply difficulties for the sector and despite order books seemingly exceeding normal figures. The retail industry also made a significant contribution to the loss of productivity, partly as a result of ongoing structural transformations in the sector (redirection of household demand, e-commerce, decline in product quality), although it could also be explained in part by labour hoarding. As these phenomena were deemed temporary, the 2024 Budget Bill forecast a gradual reduction in these productivity-loss factors in 2024, thus tempering the projected employment trend..

(14) The price of oil averaged $80.5 per barrel over the year, while the 2024 Budget Bill was based on the assumption that the price would be frozen at the level observed in August 2023, i.e. $86.

(15) The prices of food, manufactured goods and services rose more slowly than anticipated in the 2024 Budget Bill. Only tobacco inflation was higher than forecast.

(16) This increase is mainly due to the rise in unemployment insurance expenditure, the buoyancy of outpatient care, including that of daily allowances, and the effect of an increase in supplementary pension benefits outpacing inflation.

(17) In its June 2025 Economic Outlook, INSEE shed light on the situation, using anonymised banking data from La Banque Postale customers. INSEE used this data to establish the income and expenditure of a representative panel of households and thereby determine their savings rate. In 2024, we observed a widespread increase in the savings rate, regardless of household income or age. However, two-thirds of the overall rise in the panel's savings rate may be attributed to additional savings set aside by people aged over 65. Pensioners' incomes have risen more than those of the labour force, and this increase in income has not been consumed.

Box 2: What factors could explain the high savings rate in France?

Several factors help to explain households' unusual savings behaviour since the COVID-19 pandemic:

- Positive impacts on real household income result in a temporary surge in savings due to consumption smoothing. In most macroeconometric models, including the Opale model used by *DG Trésor* for its forecasts, the consumption equation incorporates a delay in the adjustment of consumption following an increase in gross disposable income (GDI). A 1-percentage-point rise in real GDI thus translates into an increase in consumption of just 0.54 percentage points after four quarters, with the remainder of the additional income being consumed later. The surge in purchasing power in 2024 (up 2.6% vs. an average 1.0% rise over the 2010-2019 period) may therefore partly explain the increase in the savings rate.
- The breakdown of purchasing power gains may have weighed on consumption. Between 2019 and 2024, the income structure shifted in favour of property income, reflecting rising interest rates and buoyant corporate dividends. However, this income is rarely consumed. Some empirical studies consider the marginal propensity to consume financial income to be almost zero.[a] This can be explained not only by the lower liquidity of financial income, but also by its concentration among higher-income households, whose marginal propensity to consume is lower than the rest of the population.
- Consumption and saving behaviours were also disrupted by the inflationary shock in addition to its effect on purchasing power. Firstly, the sharp rise in inflation may have prompted households to save more in order to maintain the real value of their financial assets (their "real cash balances"); while such an effect has not been identified in econometric studies,[b] these relate to periods without comparable inflationary episodes. Secondly, the inflationary shock may have accentuated conservative behaviour given the unusually intense nature of this episode, which was unprecedented since the 1980s. Lastly, households have felt the impact of inflation more strongly and for longer than measured by statistics. The gap between measured and perceived inflation in the euro area remained substantial in 2024, reaching 15.6 percentage points between perceived inflation (European Commission) and measured inflation (2.6% in HICP terms) in the first quarter of 2024, compared with an average gap of 5.3 percentage points between 2010 and 2019.
- Rising economic uncertainty since mid-2024 has also boosted precautionary savings. Uncertainty linked to the political context following the dissolution of the French National Assembly contributed to the sharp drop in consumer confidence in autumn 2024. This may have fuelled consumer reticence and contributed to savings bouncing back in 2024.

a. *Banque de France* (2020), "The structure of income helps to understand changes in the household saving ratio in France", *Bulletin.*

b. For instance, see (i) A. Daubaire, G. Lefebvre and O. Meslin (2017), "La Maquette de Prévision Opale 2017", *DG Trésor* Working Paper, 2017/06 (in French only), (ii) A-S Dufernez et al. (2017), "Le Modèle Macroéconométrique Mésange: Réestimation et Nouveautés", *DG Trésor* Working Paper 2017/04 (in French only), (iii) OFCE (2002), "Le modèle France de l'OFCE, la nouvelle version : e-mod.fr" OFCE review (in French only).

2.6 Nevertheless, some of these negative shocks were absorbed by a fall in imports

While demand – both foreign and domestic (see above) – was significantly less brisk than anticipated in the 2024 Budget Bill, part of this effect was cushioned by imports. In accounting terms, the 3.1% increase in imports forecast by the 2024 Budget Bill was expected to curb growth by 1.1 pp; instead, imports fell 1.2%, representing a positive contribution to growth of 0.4 percentage points.

The import downturn reflects a drop in private investment, particularly in capital goods (machinery and tooling) and transport equipment. Private consumption, which was more sluggish than expected, also dampened French demand for imports. Moreover, companies dug deeper into inventories to meet demand in the face of heightened uncertainty, resulting in a substantial negative contribution from changes in inventories (-0.8 pp compared to a forecast zero contribution - see Box 3), possibly as a substitute for imports.

Box 3: Business inventory rundowns in 2024, reflecting sluggish demand and an uncertain recovery

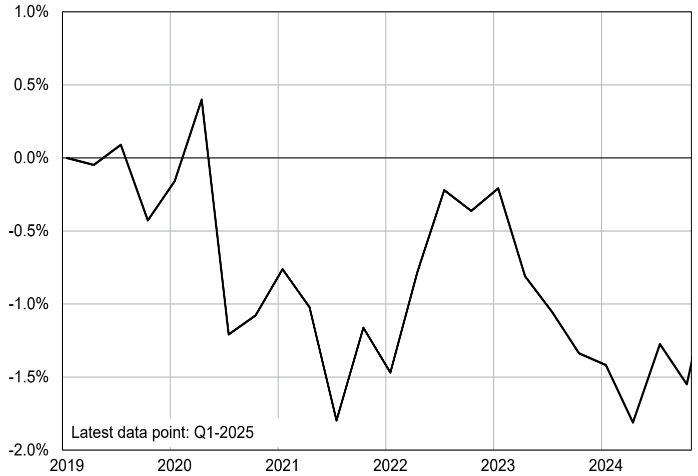
While changes in inventories account for a small proportion of GDP (0.6% on average since 1950), they explain a large proportion of GDP fluctuations. Although their average contribution to growth has been zero since the 1980s, their standard deviation is high: analysis of inventory contributions therefore provides meaningful insight on growth trends.

During the whole of 2024, the economy witnessed significant inventory rundowns in multiple sectors. Rather than bringing production back to full capacity, companies preferred to draw on existing inventories to meet domestic and foreign demand.

This strategy was implemented against a backdrop of lingering uncertainty. Faced with reduced economic visibility, companies adopted a conservative approach, seeking to avoid the build-up of unsold inventories amid an economic and geopolitical environment perceived as unstable. Moreover, the energy crisis that began in 2022-2023 continued to have an impact in 2024. Although energy prices were less volatile than in previous years, they remained high, exerting lasting pressure on production costs. In this context, drawing on inventories also allowed many businesses to limit their expenditure.

As such, changes in inventory made a marked negative contribution (-0.8 pp) to growth in 2024. Ultimately, inventory rundown can also be seen as the corollary of the positive contribution made by imports: during a rundown phase, companies generally reduce their foreign purchases.

Chart 5: Cumulative change in GDP and contributions from changes in inventories (Q1 2019 = 0)



Sources: INSEE, QNA (DF Q1-25), DG Trésor calculations.

Box 4: Which sectors made the largest contribution to 2024 growth?

In 2024, certain sectors had a significant upward or downward impact on growth, in some cases despite their limited weighting in the economy, due to production constraints or specific demand factors.

Energy production was a major growth driver: sector value added rose 7.1% (contributing 0.3 pp to growth) driven by the recovery in electricity production, almost catching up on its 2017-2019 average in 2024 at just 1.3% under, having remained at 10% below this average in 2023. First and foremost, nuclear power generation was bolstered by increased plant availability thanks to the gradual resolution of issues surrounding stress corrosion cracking, while hydroelectric generation benefited from high rainfall. Meanwhile, agricultural value added fell sharply (down 14.8%) due to particularly challenging weather conditions over the year, and dampened growth (-0.2 pp contribution to GDP growth) despite its limited weighting (1.1% of GDP). Field crops and the wine harvest were penalised by heavy rainfall during the spring and summer, which reduced yields.

The construction sector curbed growth, with output down 2.0%. The main reason for this drop was the downturn in the building sector, particularly for new builds: high borrowing rates had a lasting impact on demand from households and businesses alike. The new-build sector was hit by the paucity of housing starts (down 23% in 2023 and down a further 6% in 2024) and shrinking surface area of premises under construction (down 15%, then 11%). The decline in sector value added was less significant and its contribution to growth was roughly zero. However, a large proportion (around 80% in 2022, the last year for which this information is available) of the sector's intermediate consumption is domestic, triggering a significant knock-on effect on the rest of the economy, including cement and glass production. On the other hand, civil engineering (roads, tunnels, railways, etc.) was a contributory factor thanks to buoyant government investment.

Non-market services, which include general public services, education and public health services, saw their value added increase by 1.5% (+0.3 pp contribution to GDP growth). This positive contribution should be viewed against the sharp rise in public spending in 2024 (up 3.9% in nominal terms), which contributed to the increase in the government deficit.

Table 1: Economic forecasts for France

	2024 Budget Bill	INSEE proj.	Difference
Transactions in goods and services in real terms			
Gross domestic product	**1.4**	**1.2**	**(-0.2)**
Final household consumption	1.8	1.0	(-0.8)
Final government consumption	1.4	1.4	(0.0)
Gross fixed capital formation (GFCF)	0.3	-1.1	(-1.4)
Of which: non-financial corporations	*0.9*	-2.2	*(-3.1)*
general government	*1.3*	*4.8*	*(3.5)*
households excl. sole proprietorship	*-2.2*	*-5.4*	*(-3.2)*
Imports	3.1	-1.2	(-4.3)
Exports	3.5	2.5	(-1.0)
Contribution to GDP growth in real terms			
Private consumption	1.0	0.6	(-0.4)
Private investment	0.0	-0.5	(-0.5)
Public demand	0.4	0.6	(0.2)
Change in inventories and net acquisition of valuables	0.0	-0.8	(-0.8)
Foreign trade	0.1	1.3	(1.2)
Price and value			
Consumer price index (CPI)	2.6	2.0	(-0.6)
Core inflation index, gross	2.4	1.8	(-0.6)
GDP deflator	2.5	2.1	(-0.4)
Nominal GDP (not adjusted for business days)	4.0	3.3	(-0.7)
Productivity, employment and wages			
Non-agricultural market sectors			
– Labour productivity (in FTEs)	1.2	1.6	(0.4)
– Salaried employment (individuals)*	0.5	0.2	(-0.3)
– Salaried employment (yearly average, in thousands)*	94	33	(-60.5)
– Salaried employment (yoy, in thousands)*	137	-49	(-186.2)
– Average wage per capita (SMPT) (individuals)	3.1	2.6	(-0.4)
– Purchasing power of SMPT (CPI)	0.4	0.6	(0.2)
– Total payroll	3.6	2.8	(-0.7)
Total employment (yearly average)*	0.5	0.7	(0.2)
Total employment (yoy, in thousands)*	193	89	(-104.0)
Unemployment rate (unemployed persons/labour force)	7.0	7.4	(0.4)
Non-financial corporations			
Value added (VA)	3.5	2.2	(-1.3)
Gross operating surplus (GOS)	3.7	0.2	(-3.5)
Profit margin (GOS/VA)	32.7	32.2	(-0.5)
Change in profit margin	0.1	-0.6	(-0.7)
Savings rate (savings/VA)	23.0	20.2	(-2.8)
Investment rate (GFCF/VA)	25.6	21.7	(-3.9)
Self-financing rate (savings/GFCF)	89.9	93.2	(3.2)
Households			
Total payroll	3.4	3.3	(-0.1)
Gross disposable income (GDI)	4.0	4.8	(0.8)
Purchasing power of GDI (as per consumption deflator)	1.3	2.6	(1.3)
Savings rate (savings/GDI)	18.2	18.2	(0.0)
Change in savings rate	-0.4	1.2	(1.6)

Sources: DG Trésor, INSEE.

Data adjusted for business days for the forecast figures, gross data for actual figures.

* Employment as defined by INSEE employment estimates.

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