





# Beyond the urgency, we need to broaden our horizon, now more than ever

Letter submitted to  
the President of the French Republic,  
the President of the Senate and  
the President of the National Assembly

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# SUMMARY

This 2026 *Letter* takes an innovative approach by bringing together two time horizons. Once again, it comes at a time of exceptionally high uncertainty: this time, the conflict in the Middle East is driving the urgency. But we cannot limit our economic outlook to simply moving from one crisis to another. Therefore, this *Letter* also takes a longer-term view, examining the performance of the French economy over the past fifteen years and since the onset of the current era of crises. How is France's economy faring in this new world?

Given the considerable uncertainty surrounding the duration and scale of the shock, it is wise to prepare for each of the three scenarios published by the European Central Bank (ECB) and the Banque de France, and not only for the most favourable one. This is clearly a negative supply shock leading to lower growth and higher inflation across the board, as is already evident from the initial estimates of French economic activity for the first quarter and the rise in prices in April. Our March projections remain valid: France is expected to maintain slow but positive growth, while inflation, following a potentially significant spike in 2026, is expected to return to below the 2% target thereafter.

In light of this situation, monetary policy must be cautious but vigilant: ready to act without hesitation to prevent rising energy costs from spreading through second-round effects; but having gathered sufficient data on these spillover risks. Fiscal support measures, which are often called for, have in practice proved to be costly, piecemeal and even counterproductive, as they fuel demand for oil and thus drive up prices. Any measures taken must therefore be temporary and extremely targeted, particularly in France, which has no fiscal leeway and must imperatively reduce its public deficit. The best response to the current crisis is to speed up the energy transition, which will reduce our dependence on oil products and the Middle East. More generally, that is Europe's agenda for economic and financial sovereignty that is only just beginning to be implemented following the Letta and Draghi reports.

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To broaden the time horizon, this 2026 *Letter* also aims to provide a factual snapshot. Some forty indicators, divided into five chapters, trace France's economic performance since 2010, a period that began with the European financial crisis and saw a succession of severe shocks. The charts also compare France's economic performance to other similar European countries; the *comparative* performance is, of course, the most significant.

Overall, over a fifteen-year period, France has registered an intermediate performance, often close to the euro area average, which itself is significantly lower than that of the United States: annual growth in France has averaged 1.1%, compared with 1.2% in the euro area, and 2.3% in the United States. As France's population growth has been significantly higher, its GDP per capita has increased less. Household purchasing power, meanwhile, rose at the same rate as in the euro area as a whole, at 0.7% per year. This is largely due to fiscal and social transfers, which have contributed to the deterioration in public finances. France now has almost the highest levels of public spending and deficit in the euro area, and since 2010 its public debt has risen by almost 30 percentage points of GDP, compared with near stability elsewhere in Europe.

Conversely, France has significantly improved its performance in what was its previous black spot, employment. The unemployment rate has fallen, and the employment rate has improved – particularly among older people – whilst remaining below the European average.

Inflation in France has averaged 1.9% since 2010, one of the lowest rates in the euro area. This achievement has made it possible to balance the protection of purchasing power with improvements in cost competitiveness.

If we look more closely at the situation of businesses and households, France has sound private finances despite its poor public finances. It performs well in the areas of health and decarbonisation, but less well in education and private research and development. It has improved its competitiveness, but has not yet managed to durably restore its external accounts.

The countries of Northern Europe, particularly the Netherlands, Sweden and Denmark, appear to perform best overall in Europe. The big picture of our economy is that we have some real strengths but we have to improve our game collectively. To achieve this, improvements need to be made in three areas:

- First, the general government component (central government, as well as local authorities and social services). Our country can maintain a social model similar to that of its neighbours, whilst significantly enhancing the efficiency of its public spending. But until we have at least stabilised total expenditure in real terms, we must stop dreaming about unfunded tax cuts;
- Second, consideration for future generations. France must stop constantly passing on its deficits, as well as the burden

of debt and pensions, to them. Young people, like everywhere else, are also facing a mounting array of other challenges: the housing crisis, climate change, and so on. If our country continues to make gerontocratic choices, it will not be able to prepare properly for the future;

- And lastly, the overall volume of work and, above all, its quality. France can achieve greater growth if, collectively, it works harder – particularly through higher employment among older people – and even more so if it works more efficiently. Achieving greater productivity gains requires addressing a qualitative challenge in the areas of research and innovation, as well as professional skills.

To put it simply, France, together with Europe, holds many of the keys to its economic destiny in this fragmented world; within less than ten years, it could return to a potential growth rate of around 1.5% per year, compared with just over 1% today, and that would make a world of difference. Beyond the numerous controversies of the moment, our collective debate can only benefit from taking into account our neighbours more closely, grounding our analyses more firmly, and drawing from them medium-term goals that we must pursue with persistence.

This 2026 *Letter* takes an innovative approach by bringing together two time horizons. It is once again being published against a backdrop of exceptionally high uncertainty: following the US administration’s protectionist decisions in April 2025, the conflict in the Middle East is now driving the urgency. But our economic outlook cannot be limited to moving from one crisis to another, and this year we also wish to broaden our outlook by examining the performance of the French economy since 2010 and the onset of the current era of crises. Even looking beyond the current war, we must now acknowledge that we have entered a new world, marked by greater geopolitical and economic fragmentation. What is the state of France’s economy in the face of this durably more unstable environment?

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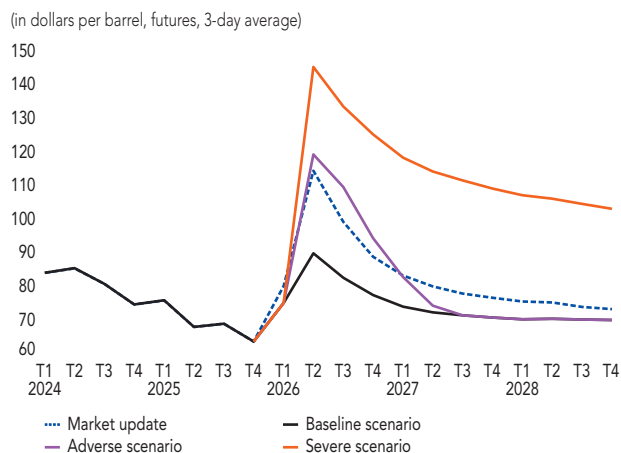
## Addressing the urgency

### Unprecedented uncertainty

The economic impact of the conflict in the Middle East that broke out on 28 February will obviously depend on its length and intensity. This is what led the European Central Bank (ECB), along with the Banque de France and the International Monetary Fund (IMF), to adopt a scenario-based approach, publishing three scenarios.

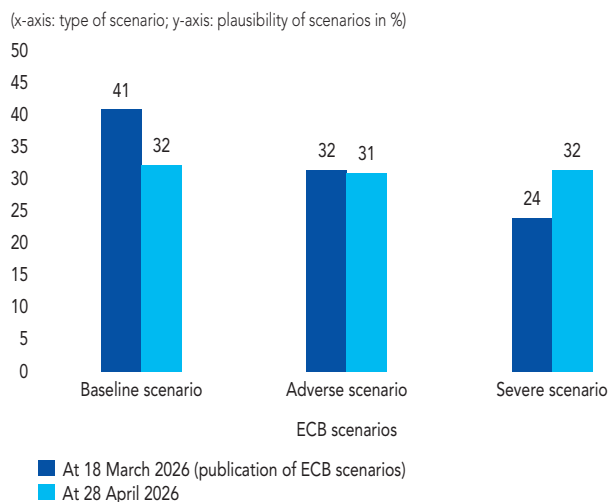
Financial market expectations need to be put into perspective. In the view of both the International Energy Agency (IEA) and the Gulf oil producing countries (Saudi Arabia, the United Arab Emirates, etc.), a lasting ceasefire, or better still stable peace, would not lead to the immediate reopening of the Strait of Hormuz (this would take several weeks), and certainly not a return to full capacity for oil production (several months) and even less so regarding gas production in Qatar (several years). According to the IEA, global production is currently falling short by 13 million barrels per day, or around 13% of total capacity. It is therefore wise to prepare for each of the three scenarios, and not just the baseline scenario. Based on analyses of market-implied inflation and growth forecasts, the Banque de France has outlined a possible estimate of the probability of each scenario; this probability varies quite significantly depending on the day, news about the conflict, and the level of oil prices. The most adverse scenarios could lead to quantitative restrictions in Asia, and even in Europe.

Chart 1 Three oil price scenarios



Sources: ECB, Refinitiv.  
Note: Last updated on 28 April 2026.

Chart 2 A possible estimate of the probabilities of the various scenarios



Sources: Banque de France calculations, based on a methodology detailed in Adrian, Giannone, Luciani, and West (2025), “Scenario Synthesis and Macroeconomic Risk”, *IMF Working Paper*, No. 2025/105.  
Notes: The baseline distribution for inflation is based on inflation option prices. For GDP growth, it is based on the distribution of GDP growth in 2026 from the ECB’s *Survey of Professional Forecasters* (SPF), reweighted using an estimate of GDP growth in 2026 derived from dividend futures data. The weights across the three scenarios do not add up to 100 because the methodology also includes an “other” scenario to cover all possibilities.

Certain financial stability risks must be emphasised. Even prior to the conflict in the Middle East, the financial markets presented several pockets of risk, identified in particular in our January *Financial Stability Report*:<sup>1</sup> high equity valuations, an accumulation of public debt weighing on bond markets, private credit, and crypto-assets. The current economic shock, which has led to higher market interest rates and

weaker growth, could trigger significant financial turbulence, be it local or more widespread in some of these segments. The utmost vigilance must therefore be maintained, especially given the temptations to deregulate the financial sector in the United States.

### Higher inflation and lower growth

There is a clear consensus on the direction of the economic effects. This is a negative supply shock that impacts the global economy, as well as the European and French economies, in the form of lower growth and higher inflation. In our view, the projections<sup>2</sup> published by the Banque de France on 25 March remain valid and we are unable to favour the baseline scenario alone.

These figures call for three observations:

- The situation at the beginning of the year was favourable. Prior to the onset of the conflict in the Middle East, the Banque de France was about to slightly raise its growth forecast and to lower its inflation forecast.
- Estimates published by INSEE on 30 April already point to zero growth for the French economy in the first quarter of 2026. This stagnation is largely due to a 3.8% downward surprise in exports. Meanwhile, HICP inflation in April is reported to have risen to 2.5%, after 1.1% in February and 2.0% in March. This acceleration is almost entirely due to energy prices, with core inflation (excluding energy and food) remaining very moderate (1.4%).

- Nevertheless, based on our current forecasts, France should continue to record slower albeit positive annual growth and avoid recession for each of the three years from 2026 to 2028. As regards inflation, following a rise that could be significant on average in 2026, price increases should steadily fall back below the 2% target.

Inflation in France should also remain significantly lower than that of the euro area, on account of a lower starting point, but also thanks to two more structural advantages: the share of nuclear-generated electricity, which mitigates the impact of the oil shock; and the moderation of nominal wages, which are currently increasing by an average annual rate of about 2%.

### A monetary policy response that is cautious yet vigilant

Faced with this negative supply shock, the responsibility of monetary policy is clear. The central bank obviously can neither control energy prices, nor, more broadly, the “first-round” effects of price increases for certain energy-related goods and services (such as transportation). However, it must prevent “second-round” effects, which would pass these price increases on to all goods and services and cause inflation to persist over time. A few figures are worth noting: in France’s consumer price index, total energy (including electricity) currently accounts for 9%, food for 18%, and “core” inflation excluding energy and food thus represents 73% of the total: close to 50% for services, including rents, and 24% for manufactured goods.

## Key projections for France

		2026	2027	2028
<b>Baseline scenario</b>				
	Real GDP	0.9	0.8	1.2
		-0.1	-0.2	0.1
	HICP inflation	1.7	1.4	1.6
		0.4	0.1	-0.2
	HICP excluding energy and food	1.2	1.7	1.6
		-0.4	0.1	-0.1
<b>Adverse scenario</b>				
	Real GDP	0.6	0.8	1.2
	HICP	2.5	0.9	1.3
<b>Severe scenario</b>				
	Real GDP	0.3	0.4	1.5
	HICP	3.3	1.7	0.9

Source: Banque de France (2026), *Macroeconomic interim projections – France*, March.

Notes: HICP, Harmonised Index of Consumer Prices. Revisions to the December 2025 forecast are shown in italics, calculated in percentage points and rounded figures. Projections are based on the quarterly accounts at 27 February 2026 and prepared based on technical assumptions established at 11 March 2026 for the baseline scenario.

It is essential, in order to prevent inflation from spreading, that inflation expectations among both households and businesses remain firmly anchored over the medium term. In other words, economic players must be sufficiently confident that the central bank will, following a temporary spike in inflation, bring it back to the 2% target fairly rapidly. This “expectations channel,” combined with the central bank’s credibility and independence, has become essential in modern monetary policy conduct.<sup>3</sup> Starting in 2022, decisive action by the ECB, as well as by the US Federal Reserve, helped ensure that disinflation was relatively rapid and did not lead to a recession. A vigilant monetary policy, ready to act without hesitation, is also needed today.

That said, monetary policy must also be cautious. The European Central Bank, whilst showing its determination, kept its interest rates unchanged at its meeting on 30 April; indeed, before a possible tightening of monetary policy, it is necessary to have gathered a critical mass of data on two key elements:

- The actual risks of inflation spreading, which are assessed based on core inflation itself, wage trends, and inflation expectations of households and businesses. The latter are harder to measure than market expectations, but the key point is that they remain “anchored” over the medium term, i.e. over a three-year horizon.
- Conversely, the current shock may have a dampening effect on demand and growth, which in turn mitigates inflation.

### Speeding up medium-term structural reforms rather than providing fiscal support

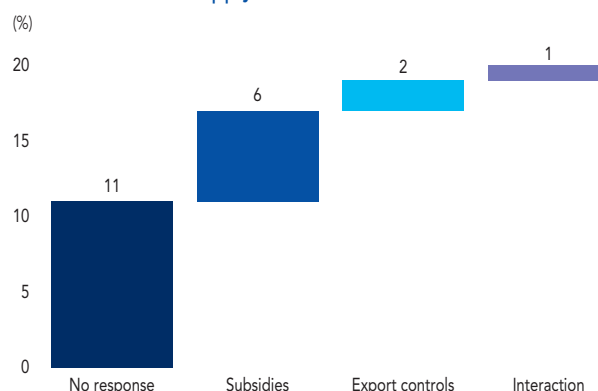
In France, as in other European countries, the sharp rise in oil prices is fuelling calls both from households and certain professionals and businesses for fiscal support. While oil products account for only 4% on average of the consumer price index for the French population, their rise undoubtedly has a greater impact on those who drive a great deal and certain professionals. Nevertheless, the results of the exceptional support measures adopted after 2022 remain somewhat unconvincing.<sup>4</sup> In all European countries, these measures have been costly in budgetary terms, difficult to phase out, and insufficiently targeted at those who needed them most. The IMF, in its latest April 2026 publications, therefore strongly advocates that any measures be transitory and targeted. It adds that by supporting demand, these measures have the perverse effect of driving up oil prices, even beyond the initial shock. Thus, a 5% supply restriction

would spontaneously result in an 11% increase in global oil prices, but the rise could reach 20% following the introduction of fiscal subsidies or even export restrictions.

In the case of France, two additional factors call for even greater restraint. French inflation is lower than elsewhere, and fiscal leeway is more limited. If France were to fail to meet its 2026 budget deficit target of 5% of GDP or less, and of 3% of GDP by 2029, it would very clearly face a further widening of the yield spread with Germany; this spread has already risen to 66 basis points [on 29 April]. This widening automatically increases the cost of financing for the entire French economy, including for households through their housing loans and for businesses through their investment loans, and thus weighs on growth.

However, the current crisis calls for speeding up the transition to end our dependence on fossil fuels. This is a relative strength for France and Europe: it is better to invest in the energy transition – nuclear and renewable energy – rather than spending ever more on costly and rather illusory protections. The European Green Deal, which relies heavily on electrification, must therefore be upheld now more than ever. It is integral to the European economic sovereignty envisaged by the Letta<sup>5</sup> and Draghi<sup>6</sup> reports published in 2024. The structural recommendations of our *2025 Letter*, “From stupefaction to a general mobilisation”,<sup>7</sup> remain entirely relevant here. Fortunately, the Letta and Draghi reports have begun to be implemented. But the necessary reforms must be scaled up around three imperatives, three “i”s: *further integrating* the single market; *investing better*, by promoting a genuine Savings and Investment Union (SIU); *innovating faster*, and, to do so, daring to take risks and simplifying. In this world of shocks and conflicts, Europe must

Chart 3 IMF estimate of the response of global fuel prices to a 5% decline in supply



Source: IMF, April 2026.

reduce its dependencies and rely more on its own strengths. Nearly thirty years after the introduction of the euro, which established Europe's monetary sovereignty, now is the time, if ever, to build its economic and financial sovereignty.

## 2

### Assessing the French economy over the long term and within the European space

To broaden our horizon beyond the immediate crisis, this 2026 *Letter* also aims to provide a factual snapshot that may serve as a shared "economic overview of France" for public debate.

Some forty indicators are presented in charts appended to this *Letter*. They are grouped into five chapters: an overview of growth, employment and inflation (Chapter 1); the three major players in the economy, i.e. businesses, households and general government (Chapters 2, 3 and 4); and finally the external accounts (Chapter 5). The indicators place the French economy in a historical context, dating back to 2010. This period transcends political cycles but corresponds to economic cycles and the onset of the more challenging period of crises:<sup>8</sup> economic players, from government officials to businesses and households, have had to face, in succession, the great European financial crisis, the pandemic, the Russian war in Ukraine and the wave of inflation, followed by the current high levels of uncertainty.

These same indicators then compare the French economy with other European countries, the United Kingdom and the United States; they also highlight the best-performing countries within the European Union.<sup>9</sup>

#### A brief snapshot

Overall, over a fifteen-year period, France has registered an intermediate performance, often close to the euro area average, which itself lags significantly behind that of the United States: annual French growth has thus averaged 1.1%, compared with 1.2% in the euro area, but 2.3% in the United States. Given France's strong population growth, GDP per capita has risen at a slower rate than in the euro area as a whole (at 0.7% per year, compared with 1%).

Household purchasing power, measured by disposable income per capita, has grown at the same rate as in the

euro area as a whole, averaging 0.7% per year. This result may come as a surprise: it corresponds neither to our smaller increase in GDP per capita nor to the French population's negative perception. It is largely due to fiscal and social transfers, which have significantly contributed to the deterioration of public finances. France now displays the highest public expenditure – alongside Finland – and the highest deficit – alongside Belgium – in the euro area, and since 2010 its public debt has risen by almost 30 percentage points of GDP, compared with near-stability in Europe (and a fall of nearly 20 percentage points in Germany).

Conversely, France has significantly improved its performance in the area that was previously its black spot: employment. The unemployment rate has markedly declined in France; the employment rate, meanwhile, has improved – particularly for older people – whilst remaining below the European average. This has come at the cost of lower productivity growth, although French productivity remains among the highest in Europe.

Although it has fluctuated due to the successive shocks, inflation in France has averaged 1.9% over the 2010-25 period, a rate close to the central bank's 2% target and one of the lowest in the euro area. Thanks to this low inflation rate, it has been possible to safeguard purchasing power while achieving gains in cost competitiveness.

#### Taking a closer look

##### Businesses: a stable financial situation

The French productive sector – that of **businesses** – is characterised by two key features: a large share of market services, with a steady decline in industry; and a significant number of large, internationally active companies, compared to Germany and Italy.

Overall, the financial situation of French businesses has been very stable over the period: profit margins have held steady, with a relatively high investment rate – albeit insufficiently targeted at innovation – and satisfactory self-financing. The aggregate level of equity capital is close to the European average – albeit well below that of the United States – and debt financing is higher, mainly on account of large companies.

From a more qualitative perspective, the French productive sector is lagging behind in terms of private research and development. The French economy, however, is ahead in terms of decarbonisation and nuclear power, which is an advantage in the face of the current energy crisis.

## Households: purchasing power of total income growing faster than that of the average wage, and high savings

Meanwhile, the purchasing power of French **households'** average disposable income has increased by 12% over the 2010-25 period, in line with the European average (see above). While the total wage bill has risen significantly thanks to job creation, the real average per capita wage, which has increased by 2.7% in France cumulatively over the 2010-25 period, is now growing more slowly than in the euro area (4.3% up to 2024), and even more so than in Germany (12%). This trend in real average wage per capita should be considered in light of the weak productivity gains over the period. Income inequality has remained broadly stable over the past fifteen years, close to the European average, and significantly lower than in the United States.

The French household saving ratio is one of the highest in Europe, as is their recourse to housing loans, with borrowing costs among the most favourable. Nevertheless, the housing crisis, which is affecting all major Western economies, is also being felt in France.

We also attempt to compare the relative quality of a few key public services that are essential to citizens' well-being. Education appears to be lagging behind – as in many European countries –; conversely, health has continued to perform better than the average; and pension benefits are among the most generous – although this contributes to the widening of the public deficit.

## Poor public finances, but sound private finances

France therefore has **poor public finances, but sound private finances**, with strong household financing capacity. Its financial sector is the largest in Europe, featuring major banks; banking intermediation costs are among the lowest.

## Increased competitiveness, but still no durable recovery in the external accounts

A paradox remains. Over the past fifteen years, the French economy has become more competitive thanks to moderate inflation and wage growth: in particular, since 2019 it has gained 9% in cost competitiveness relative to Germany, and 5% relative to the euro area average; it is more attractive to foreign investment. However, it has not yet managed to sufficiently recover its export market share, nor restore its **external accounts**. This imbalance is linked to the size of budget deficits, and no doubt to more qualitative factors relating to sectoral specialisation and professional skills.

## Lessons from the Nordic countries: social cohesion, human capital, retirement savings and fiscal discipline

Finally, it is striking that among the best-performing European countries – starting with economic growth – we very often find **Nordic countries**, in particular the Netherlands, Sweden and Denmark. Two out of three are de jure or de facto<sup>10</sup> members of the euro area. All share greater social cohesion in labour relations and lower levels of inequality, better education and professional qualification, long-term fiscal discipline, and partly private funding of pensions through pension funds – which also promotes equity financing and innovation. Conversely, among the southern European countries that suffered heavily from the 2008-12 financial crisis, Spain, Portugal and even Greece have recovered significantly. Italy, however, continues to lag significantly behind in terms of growth and productivity.

## A few possible conclusions

Each of these indicators is, of course, open to debate and requires further examination; however, the assessment seems to point towards a number of overarching conclusions.

## Real economic strengths, but a need to improve our game collectively

While a sense of decline is often widespread, output has risen by 19% cumulatively over fifteen years, business investment, real household income and the wealth of private actors have all continued to increase on average. If there is a decline, it is *relative*, and essentially concerns the European economy as a whole when compared to the United States and, even more so, to the major emerging economies. The French economy retains many strengths: sound businesses of all sizes, from international firms to start-ups; an abundant and active workforce; high levels of private savings and a robust financial sector; a more decarbonised energy sector, with strong electricity and transport infrastructure. What we collectively lack is self-confidence and the ability to harness these strengths. To put it simply, France's individual performance remains of a very high standard; but its collective performance is inadequate.

## Three areas for improvement

This collective challenge facing the French economy is not primarily about the traditional debate over the sharing of value added between businesses and employees, or, in other words, whether to prioritise supply or demand. Rather, it concerns three areas for improvement:

- Firstly, **working with the “third agent”, i.e. general government**. It is too often perceived either as an almost limitless resource, or conversely as a burden to be borne by households and businesses. It should be neither; yet a European comparison shows that our country can maintain a social model similar to that of its neighbours whilst significantly improving the efficiency of its public spending and better controlling its social expenditure, notably pensions. It is essential to reduce the deficit to no more than 3% of GDP by 2029; to achieve this, it would be necessary – and sufficient – to at least stabilise total public expenditure (central government, local authorities, social protection) in real terms over the 2025-29 period. But until we have actually done so, we must stop dreaming about unfunded tax cuts.
- This is how our country will stop constantly passing on deficits and the debt burden to young people and future generations. **Intergenerational solidarity** is therefore our second challenge. Young people today are facing a growing amount of other difficulties: the housing crisis, climate change, the inefficiency of spending on education, etc. Conversely, our collective choices have so far favoured older people: spending on pensions and healthcare, and deficit financing, etc. If our country continues to make such gerontocratic choices, it will not be able to prepare properly for the future.
- Finally, improving **the quantity and quality of work**. If France wishes to grow more, it can do so by collectively working harder – particularly by increasing senior employment – and, above all, by working more efficiently. The sharp rise in our employment rate has come partly at the expense of lower productivity gains. Our country still has a relatively high level of hourly productivity, but faces a challenge as regards research and innovation, and the quality of its education system and professional skills, particularly when compared to Northern Europe. This is the prerequisite for continuing to catch up in terms of employment rates while achieving a lasting acceleration in productivity. The advent of artificial intelligence may represent an opportunity here; however, it will make efforts in research and development, and investment in training men and women, even more crucial.

With these three levers, together with the European mobilisation mentioned earlier in this *Letter*, France holds many of the keys to its economic destiny. The French economy could, within less than ten years, return to a potential growth rate of around 1.5% per year, compared to just over 1% today, and this would make a significant

difference in terms of purchasing power, public finances, and employment. The question remains whether this is what we truly want, and whether we are able to move beyond crisis management and the many current domestic controversies. Our collective debate can only benefit from taking into account our neighbours more closely, grounding our analyses more firmly, and drawing from them medium-term goals that we must pursue with persistence. May this *Letter* contribute to that.

- 1 Banque de France (2026), *Financial Stability Report – December 2025*, 20 January.
- 2 Banque de France (2026), *Macroeconomic interim projections – March 2026*, March.
- 3 Villeroy de Galhau (F.) (2023), "How France and Europe will defeat inflation", *Letter to the President of the Republic*, 27 April.
- 4 Banque de France (2024), "The energy crisis: what emergency measures did the European Union introduce in response?", *Banque de France Bulletin*, No. 253/6, August.
- 5 Letta (E.) (2024), *Much more than a market*, April.
- 6 Draghi (M.) (2024), *The future of European competitiveness*, September.
- 7 Villeroy de Galhau (F.) (2025), "From stupefaction to a general mobilisation. How to respond to America's policy shift", *Letter to the President of the Republic*, 10 April.
- 8 2010 also marked the beginning of unconventional monetary policy and the divergence of French fiscal policy from the European average.
- 9 We have chosen to include the "historic" members of the euro area, plus Denmark and Sweden, but not the countries of Central and Eastern Europe, which are still catching up, nor, with a few exceptions, Ireland, which is highly atypical given the concentration of US multinationals there.
- 10 The Netherlands is a founding member of the euro area. Denmark, for its part, can be considered a de facto member of the euro area: the Danish krone is pegged to the euro under the European Exchange Rate Mechanism II (ERM II).

# GLOSSARY

## Average wage per capita (AWP)

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Ratio of the gross wage bill paid by all employers to the number of employees (in physical persons).

## Carbon intensity of GDP

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The ratio of territorial carbon dioxide emissions (excluding emissions from the “land use, land-use change and forestry” category) to gross domestic product (GDP).

## Common Equity Tier 1 capital ratio (CET1)

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Bank solvency ratio, calculated as the ratio of CET1 capital to risk-weighted assets.

## Competitiveness

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A country’s ability to win market share in exports or to meet its domestic demand. It depends both on domestic production costs and on so-called “non-cost” factors, such as the quality of the goods and services produced.

## Current account

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Balance of payments account that records flows of goods, services and primary and secondary income between residents and the rest of the world. The current account balance is the difference between exports and income receivable by residents, on the one hand, and imports and income payable by residents, on the other.

## Direct investment

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Investments covering transactions by investors resident in one economy to acquire, increase or dispose of a lasting interest in an enterprise resident in another economy, and to hold (or dispose of) influence over the way the enterprise is managed.

## Efficiency frontier

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A graphical representation illustrating the optimal returns-to-expenditure ratios. The efficiency frontier approach aims to compare public expenditures with the expected returns from the public policies they fund, as measured by outcome or performance indicators.

## Employment rate

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Share of the total working age population that is in work, expressed as a percentage.

## Equity holdings

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Direct holdings of shares or equity interests in a company.

## Export performance

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The ratio of a country’s exports of goods and services (in volume terms) to its weighted imports (by their share of the country’s exports) of its main trading partners. A ratio above 100 indicates a gain in market share, whilst a ratio below 100 indicates a loss.

## Gini index

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A composite indicator used to measure the level of inequality for a given variable and population. It ranges from 0 (perfect equality) to 1 (extreme inequality). Between 0 and 1, inequality increases as the Gini index rises.

## Gross domestic product (GDP)

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A measure of the wealth created by all economic agents, both private and public, within a country over a given period.

## Gross fixed capital formation (GFCF)

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The difference between acquisitions and disposals of fixed assets by resident producers. Fixed assets are tangible or intangible assets resulting from production processes and used repeatedly or continuously in other production processes for at least one year.

## Hourly labour productivity

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The ratio of gross domestic product (GDP) to hours worked.

## Household gross disposable income (GDI)

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The total income of all households (including social benefits) minus taxes and social security contributions.

## Household saving ratio

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The share of disposable income not consumed by households.

## Inflation

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A lasting and generalised rise in the price of goods and services. Inflation is measured based on changes in the prices of a basket of goods and services that is representative of household consumption. In France, the *Institut national de la statistique et des études économiques* (National Institute of Statistics and Economic Studies – INSEE) calculates the Consumer Price Index (CPI) and the Harmonised Index of Consumer Prices (HICP). The main difference between these two indices is how health services and products are taken into account: the HICP tracks prices net of social security reimbursements, whereas the CPI tracks gross prices. The HICP allows comparisons to be made between countries and is used by Eurostat, the European statistics agency.

## Interest expenses

---

Total expenditure by general government on interest payments on its debt.

## Margin rate

---

A measure of the level of profitability of a company or sector. In national accounting, it is the ratio of gross operating surplus to value added.

## Net international investment position

---

The difference between the external assets held by a country's residents vis-à-vis the rest of the world and the external liabilities held by non-residents vis-à-vis that country. It therefore represents a country's net financial wealth vis-à-vis the rest of the world, and changes in line with the aggregation of current account balances and fluctuations in the valuation of assets and liabilities (including the exchange rate effect).

## Net lending position

---

The difference between the savings and investment of businesses, households and the general government. A positive net lending position indicates that these agents have surplus resources that they can lend to the rest of the economy.

## Non-financial corporations (NFCs)

---

Entities whose principal activity is the production of market goods or non-financial services, and whose distribution and financial transactions are separate from those of their owners.

## Potential growth

---

The rate of growth of gross domestic product (GDP) that an economy can theoretically achieve by fully utilising its production capacity without creating inflationary pressures.

## Productive investment

---

Gross fixed capital formation (GFCF) excluding construction (housing and non-residential buildings), i.e. equipment (machinery, transport) and intangible assets (research and development, software, intellectual property).

## Purchasing power

---

The amount of goods and services that can be purchased with income; it therefore depends on both the level of income and the level of prices.

### **Purchasing power parity (PPP)**

---

A currency conversion rate that expresses the purchasing power of different currencies in a common unit. This rate reflects the ratio between the number of currency units required in different countries to purchase the same “basket” of goods and services.

### **Return on assets (ROA) for banks**

---

A measure of the return on a bank’s assets, calculated by dividing the annual net profit by the total assets recorded in the balance sheet.

### **Unemployment rate**

---

Share of unemployed people in the labour force (employed and unemployed persons).

### **Unit labour cost (ULC)**

---

The ratio of labour cost per employee to labour productivity.

### **Wage bill**

---

The total amount of wages paid in wages to employees.

# Letter to the President of the Republic **2026**

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Key indicators



Key indicator	Performance	Page
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● Performance above the European average		
● Performance in line with the European average		
● Performance below the European average		

Key indicator	Performance	Page
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# CHAPTER 1: GROWTH, EMPLOYMENT AND INFLATION

## Key performance indicators

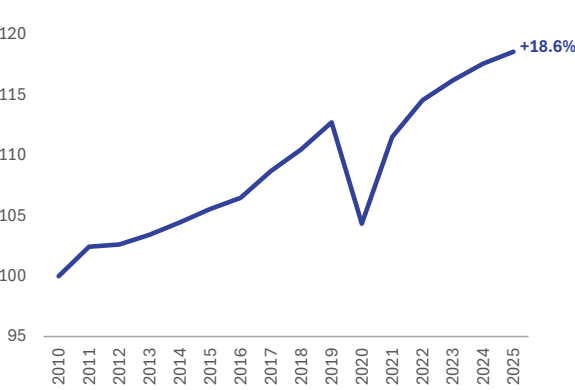
GDP growth	●	Increase in total employment	●
Population growth	●	Employment rate	●
GDP per capita growth	●	Unemployment rate (trend)	●
GDP per capita at PPP	●	Inflation rate	●
Hourly productivity	●		

### Key

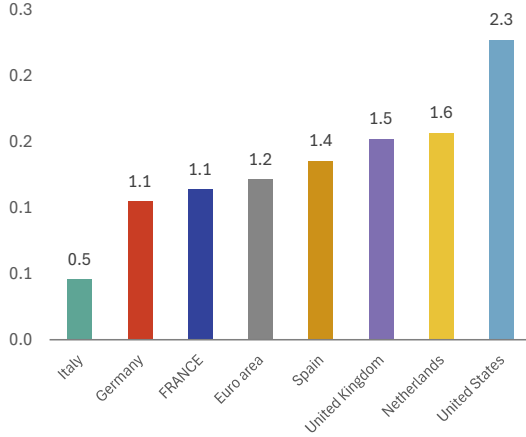
- Performance above the European average
- Performance in line with the European average
- Performance below the European average

# FRANCE HAS WITNESSED GDP GROWTH CLOSE TO THAT OF THE EURO AREA, WHICH HAS EXPERIENCED LOWER GROWTH THAN THE UNITED STATES

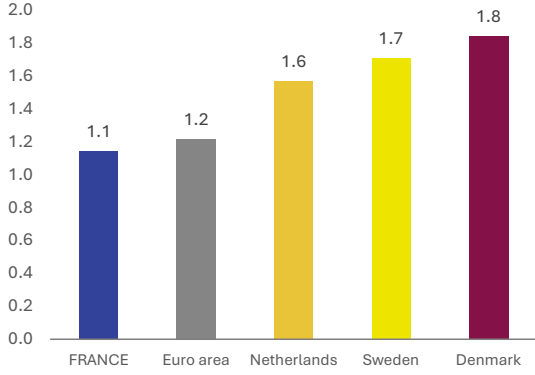
France's real GDP since 2010  
(2010 = 100)



Real GDP of major advanced economies  
(average annual growth, 2010-24, %)



Real GDP: France's position relative to the best-performing European economies  
(average annual growth rate, 2010-24, %)



Source: Eurostat.  
Note: Real GDP (volume), most recent value: Q4 2025.

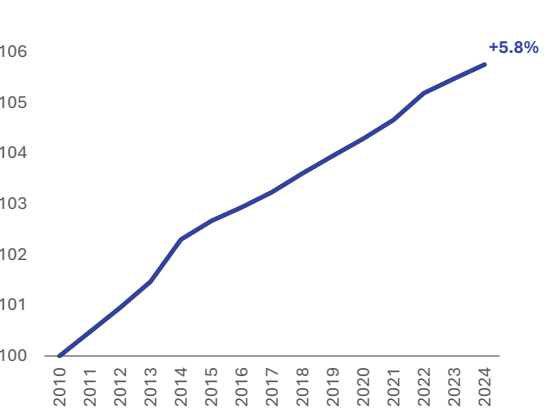
Source: European Commission (AMECO database for the United Kingdom and the United States, Eurostat for European countries).  
Note: Average annual growth rate: average annual speed of growth, as if the economy were growing at the same pace every year throughout the period.  
Key: On average since 2010, Germany's real GDP has grown by 1.1% per year.

- Since 2010, France has experienced total GDP growth of approximately 19% in real terms, representing an average annual growth rate of 1.1%, which is close to that of the euro area. The United States, with growth of 2.3%, is clearly ahead of the rest of the major advanced economies, particularly since the Covid pandemic.
- The most dynamic European countries in our selection are Denmark, Sweden and the Netherlands, characterised by strong productivity, a high level of innovation and a high degree of openness to international trade. The gap observed with France reflects

different drivers of growth: Denmark and Sweden have benefited from a more favourable sectoral positioning – notably in the pharmaceutical industry for the former, and in the technology sector (high-tech industrial goods, software) for the latter. In both Nordic countries, as well as in the Netherlands, a more marked rise in employment rates has also broadly supported growth over the period.

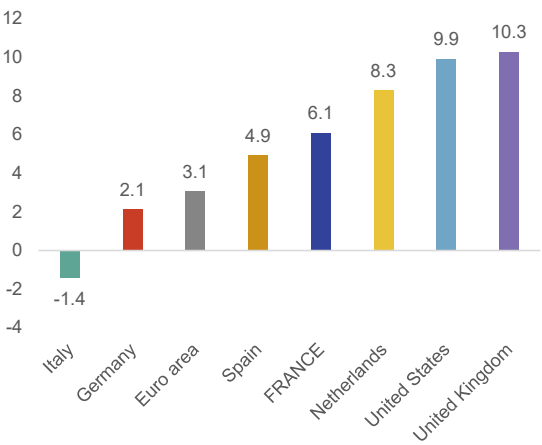
# ALTHOUGH THE FRENCH POPULATION GROWTH RATE HAS SLOWED, IT HAS REMAINED WELL ABOVE THE EUROPEAN AVERAGE

**French population growth since 2010 (2010 = 100)**



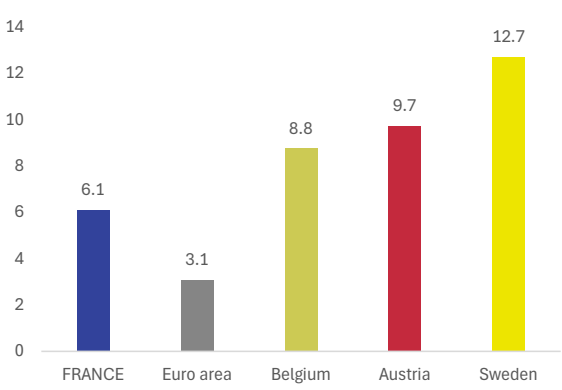
Source: Eurostat.

**Population trends in the major advanced economies between 2010 and 2024 (%)**



Sources: Eurostat, World Bank.

**Population: France's position relative to European countries with the highest population growth between 2010 and 2024 (%)**



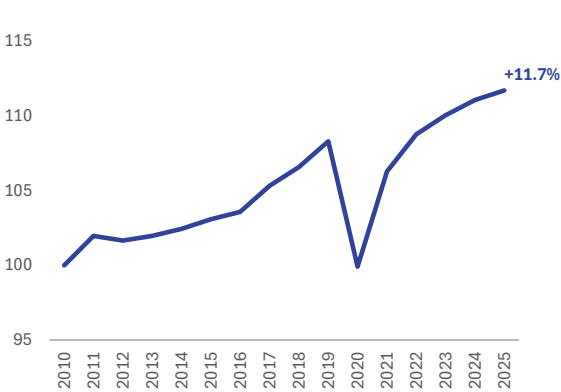
Source: Eurostat.

- Population growth in France has slowed since 2010 due to a decline in births (-20% between 2010 and 2023), combined with an increase in the number of deaths linked to the ageing of the population. The natural increase (births minus deaths) nevertheless remained positive until 2024 and accounted for around 70% of the population increase between 2010 and 2024. The remainder was attributable to net migration.
- Although it has dropped, the French fertility rate, at 1.6 children per woman, is the highest among the major advanced economies, comparable to that of the United States, and 0.25 points higher than the euro area average. This high rate is partly explained by family policy (child and housing benefits, family quotient, etc.), as well

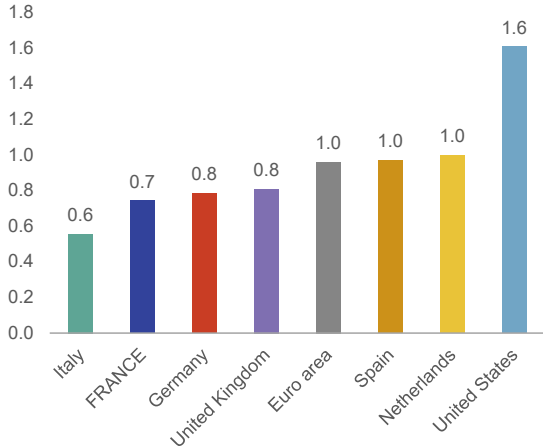
- as by measures to enhance work-life balance (free and early schooling, a dense network of childcare facilities, including nurseries).
- French population growth has remained well above that of the euro area and, in particular, that of other major European countries. Italy is an outlier as its population actually declined since 2010. Conversely, the Netherlands and other European countries (Austria, Belgium, Sweden) have experienced strong population growth, with a significant contribution from net migration.

# FRANCE'S GDP PER CAPITA HAS GROWN BY SLIGHTLY LESS THAN THAT OF THE EURO AREA

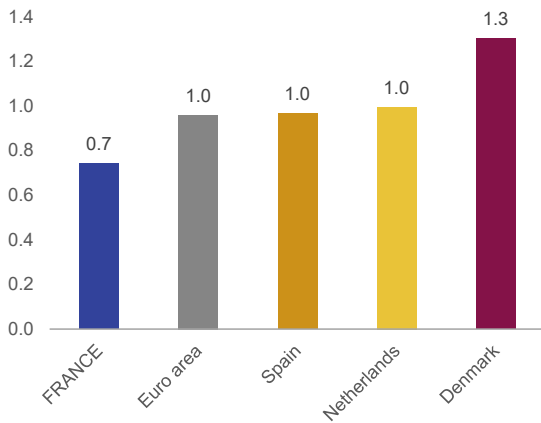
**Real GDP per capita in France since 2010**  
(2010 = 100)



**Real GDP per capita in the major advanced economies**  
(average annual growth rate 2010-24, %)



**Real GDP per capita: France's position relative to the best-performing European economies**  
(average annual growth rate 2010-24, %)



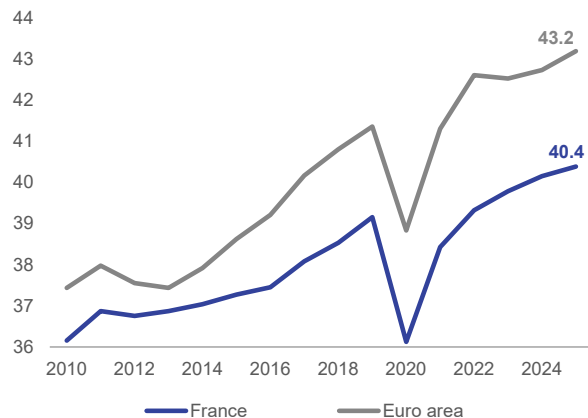
Source: Eurostat.  
Note: Real GDP (volume), most recent value: Q4 2025.

Source: European Commission (AMECO database for the United Kingdom and the United States, Eurostat database for European countries).  
Note: Average annual growth rate: average annual speed of growth, as if the economy were growing at the same pace every year throughout the period.  
Key: On average since 2010, Germany's GDP per capita has grown by 0.8% per year.

- Since 2010, factoring in population growth, France has recorded average annual growth in GDP per capita of 0.7%, compared with 1.0% in the euro area, and 1.6% in the United States. The latter stands out, as its growth has remained more robust, particularly since the pandemic.
- In Europe, Denmark, the Netherlands and Spain are the most dynamic economies in our selection (as was the case for GDP growth). However, Spain's situation partly reflects a catch-up effect following the economic crisis it suffered at the beginning of the 2010s.

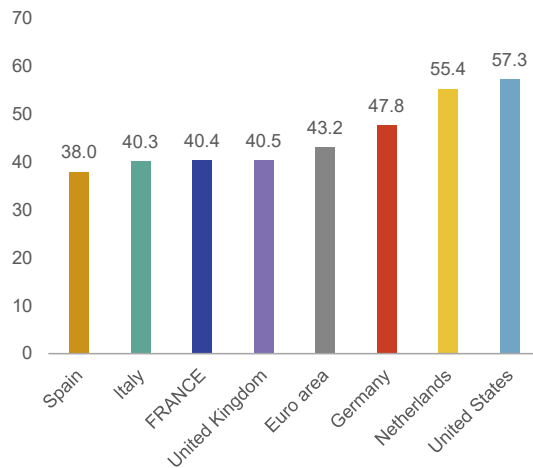
## ... AND FRENCH GDP PER CAPITA AT PURCHASING POWER PARITY (PPP) HAS GROWN MORE SLOWLY THAN THE EURO AREA AVERAGE

**French GDP per capita at PPP since 2010**  
(constant 2025 prices, in EUR thousands PPS)



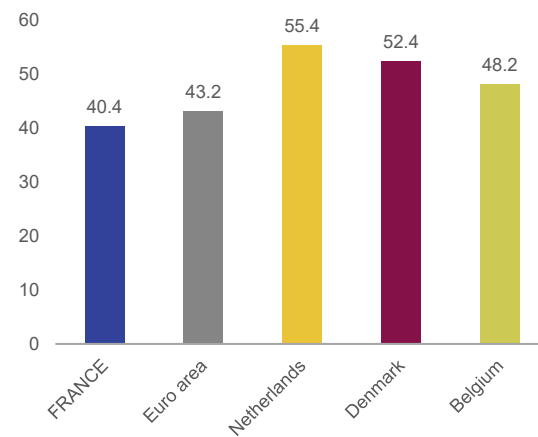
Sources: European Commission (AMECO, Eurostat).  
Key: In 2025, according to AMECO data, French GDP per capita at PPP was EUR 40,400 (EUR PPS).

**GDP per capita at PPP for the main advanced economies in 2025**



Source: European Commission (AMECO database).  
Key: In 2025, according to AMECO data, French GDP per capita at PPP was EUR 40,400 (EUR PPS).

**GDP per capita at PPP: France's position relative to a panel of high-performing European economies in 2025**

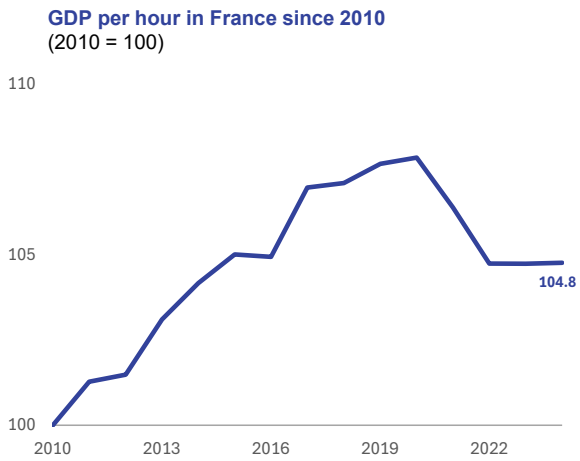


Source: European Commission (AMECO database).  
Key: In 2025, according to AMECO data, French GDP per capita at PPP was EUR 40,400 (EUR PPS).

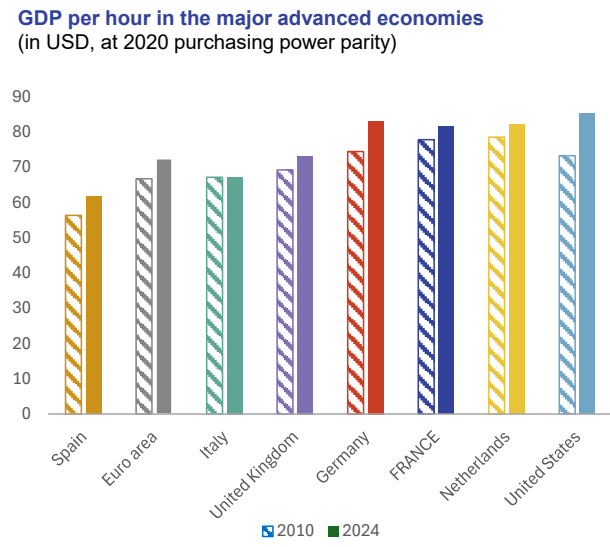
- Measured at constant 2025 prices, France's GDP per capita at PPP grew by 12% between 2010 and 2025, compared with 15% for the euro area as a whole over the same period.
- This relative gap is explained by the recovery of Spain and Italy. Their GDP per capita at PPP had fallen sharply in the 2010s, but has picked up since 2019, driven by tourism, the European recovery plan and favourable employment trends.

Among the major economies of the euro area, France is slightly ahead of Italy and Spain but lags behind Germany and the Netherlands.

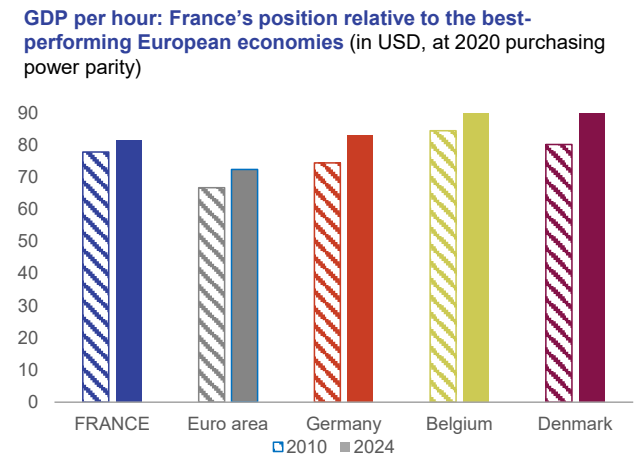
# HOURLY PRODUCTIVITY GROWTH HAS BEEN RELATIVELY WEAK IN FRANCE, BUT REMAINS HIGHER THAN IN THE EURO AREA



Source: OECD.  
Note: Most recent value: 2024.



Source: OECD.



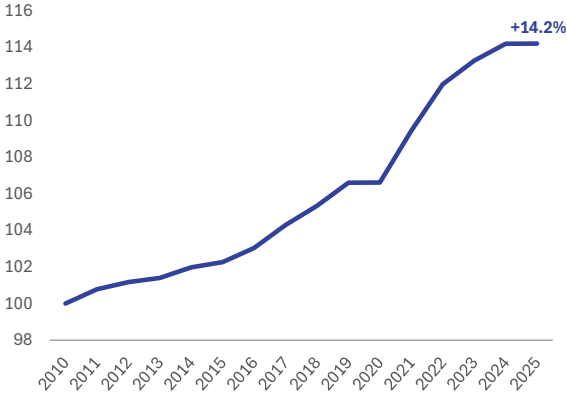
Sources: OECD, Eurostat.

- Hourly productivity in France has grown by around 0.3% per year since 2010, compared with 0.6% for the euro area and 1.0% per year for the United States. However, in level terms, French hourly productivity remains significantly higher than that of the euro area and close to that of Germany.
- This slower growth is partly due to the decline in French productivity since the Covid crisis (2020-21), which has not yet been recovered. More specifically, it is attributable to certain welcome factors such as the expansion of apprenticeship programmes and the entry into the labour market of less-skilled workers, against a backdrop of rising employment rates.
- The countries with the highest hourly productivity rates are Denmark, which has

- benefited in particular from its pharmaceutical sector for a number of years, Belgium and Germany (with average annual growth of 0.8% over the period).
- Significant disparities in human capital persist across Europe, particularly in terms of skills distribution. According to the OECD, in 2024, France had a proportion of higher education graduates of 43%, close to that of Denmark (45.1%) and above the EU-25 average (39%). Southern Europe continues to lag behind, particularly Italy and Spain, where a third of the population has no qualifications. An Anglo-Saxon and Nordic trio clearly dominates: in Ireland, the United States and Sweden over 50% of the population have higher education qualifications and there are very low proportions of unqualified people.

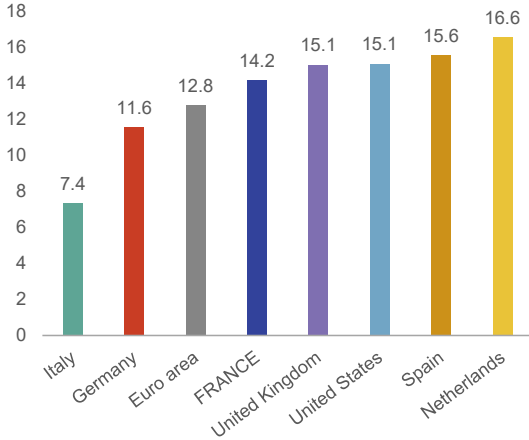
# SINCE THE MID-2010s, FRANCE HAS ENJOYED STRONG GROWTH IN TOTAL EMPLOYMENT

**Total employment in France since 2010**  
(2010 = 100)



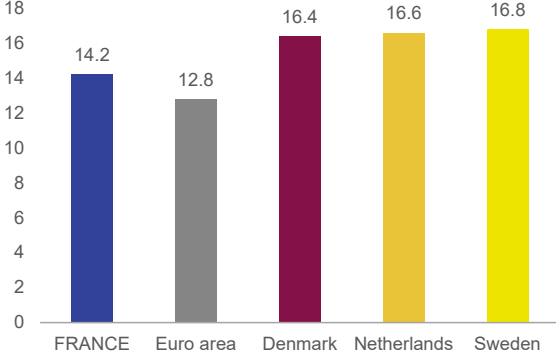
Source: European Commission (AMECO database).

**Total employment in the major advanced economies**  
(cumulative change 2010-25, %)



Source: European Commission (AMECO base).  
Key: The Netherlands grew its employment rate by 16.6% between 2010 and 2025.

**Total employment: France's position relative to the best-performing European economies**  
(cumulative change 2010-25, %)



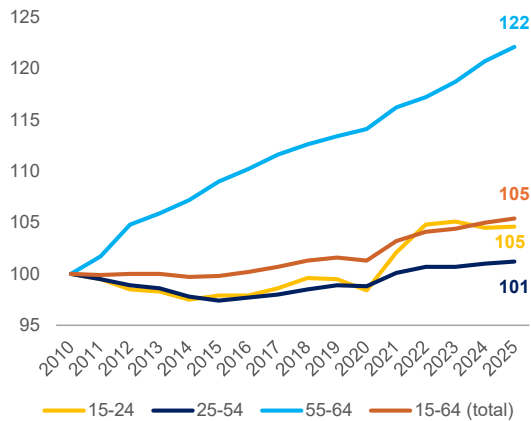
Source: European Commission (AMECO database).  
Key: The employment rate of the Netherlands grew by 16.6% between 2010 and 2025.

- Since 2010, total employment has risen by 14.2% in France, which is more than in the euro area (12.8%) or in Germany (11.6%). An initial acceleration occurred during the second half of the previous decade, followed by a second acceleration from 2021 onwards. Since 2010, 3.9 million net jobs have been created, including 3.3 million since 2014. France has grown its total employment from 27 million jobs to 31 million jobs in 15 years.
- Most major economies have created a large number of jobs over the period, albeit with varying trajectories. Spain, in particular, is in partial catch-up mode following the significant job losses at the start of the period in the wake of the financial crisis. Conversely, in other

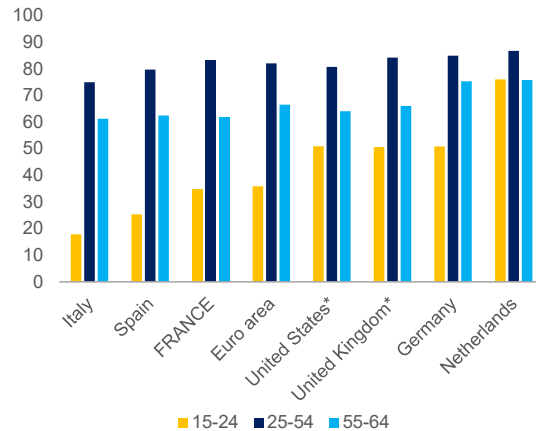
countries, employment growth appears steadier throughout the period. Within our European sample, Sweden, the Netherlands and Denmark stand out. Their performance appears to be linked to labour market features conducive to a high level of employment, notably a higher labour force participation rate among the working-age population and, in some cases, to policies more focused on encouraging unemployed people to return to work.

# THE FRENCH EMPLOYMENT RATE HAS RISEN SIGNIFICANTLY, BUT REMAINS BELOW MAJOR ADVANCED ECONOMIES, ESPECIALLY FOR YOUNG PEOPLE AND OLDER PEOPLE

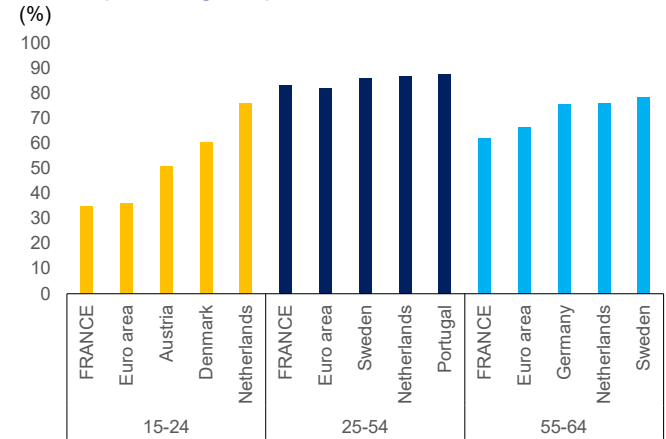
**French employment rates by age group since 2010 (2010 = 100)**



**Employment rates by age group in the major advanced economies in 2025 (%)**



**Employment rates by age group: France's position relative to the best-performing European economies in 2025 (%)**



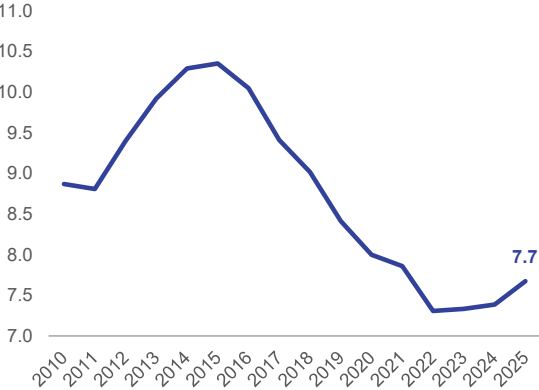
Source: Eurostat for euro area countries, \*OECD, Labour Force Statistics database for the United States and the United Kingdom (most recent value: 2024).

Notes: In the left-hand chart, the series are expressed as an index with a base of 100 (base year = 2010). A change in the index corresponds to a change in percentage points in the employment rate compared with the base year. In the middle chart, countries are ranked in ascending order of the employment rate for those aged 15-64. Employment rate as defined by the International Labour Organisation (ILO), annual data: proportion of the population in employment. Anyone who worked for at least one hour during the reference week is deemed to be in employment.

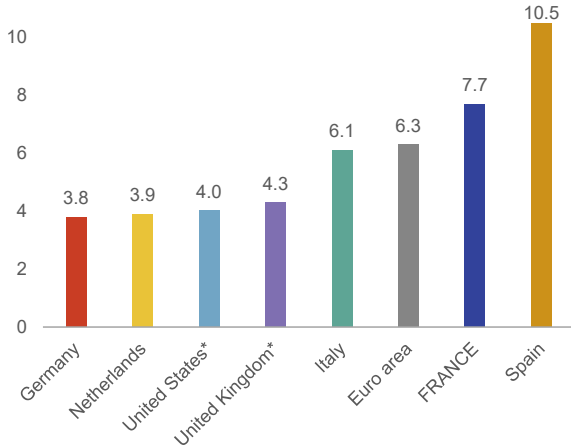
- The French employment rate (among 15-64 year olds) has risen significantly, accelerating since the early 2020s to reach its highest level (69.5%) since 1975 in 2025.
- The rise in the French employment rate has mainly been driven by older people (aged 55-64), notably by the effect of pension reforms (Woerth, 2010; Touraine, 2014; Borne 2023). Euro area countries have witnessed a similar trend in the employment of older people. The employment rate for 25-54-year-olds has remained broadly stable, while that for 15-24-year-olds has only risen more recently, buoyed in particular by the reform of apprenticeship programmes.
- By way of international comparison, France ranks in the middle for those aged 25-54, but lags behind in terms of youth and senior employment.
- The best European performers have differing profiles depending on the age group:
  - The Netherlands and Denmark are characterised by their high youth employment rates; the Netherlands has a youth employment rate twice that of France. The difference is largely due to the prevalence of part-time student work;
  - Sweden, the Netherlands and Germany have particularly high employment rates among older people. The common factor is an effective retirement age that is significantly higher than in France (see slide 40). Part-time employment is also more prevalent in the Netherlands and Germany.

# THE UNEMPLOYMENT RATE HAS FALLEN SIGNIFICANTLY SINCE 2015, WHILE REMAINING ABOVE THE EURO AREA AVERAGE

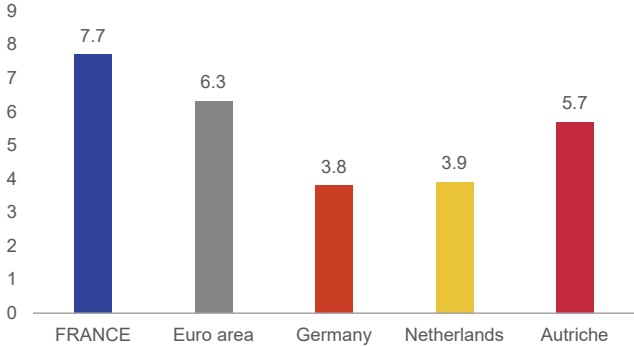
Unemployment rate in France since 2010 (%)



Unemployment rates in the major advanced economies in 2025 (%)



Unemployment rate: France's position relative to the best-performing European economies in 2025 (%)



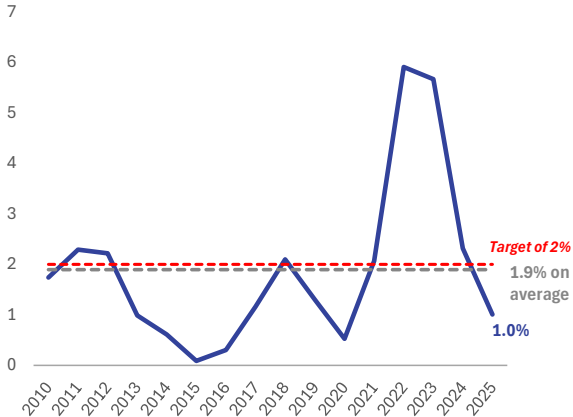
Sources: INSEE (national accounts – initial results 2025), Eurostat for euro area countries, \*OECD, Labour Force Statistics database for the United States and the United Kingdom (most recent value: 2024).  
 Notes: Annual data. Unemployment rate as defined by the International Labour Organisation (ILO), corresponding to the proportion of unemployed people in the labour force. A person is considered unemployed if they are without work, available for work and actively seeking employment. In the comparative charts (centre and right), the most recent value for most countries is 2025.

- The unemployment rate in France has fallen significantly following a peak in the mid-2010s, standing at 7.7% in 2025, although it has risen slightly recently.
- This decline is not solely due to economic conditions: between 2015 and 2025, structural unemployment fell by around 1.3 percentage points. Part of this drop is due to labour market reforms (notably the 2012 Competitiveness Pact, the 2016-17 labour law reforms (the El Khomri Law and Pénicaud Order), reforms to unemployment insurance, and the 2018 apprenticeship reform).
- The gap has narrowed since 2015, but the French unemployment rate remains higher

than that of the euro area, and more specifically than that of Germany, the Netherlands and Austria. These differences partly reflect differences in employment patterns, notably a higher prevalence of part-time work in these three countries, which can facilitate access to employment and help certain groups, such as young people (aged 15-24) and seniors (aged 55-64), to remain in work.

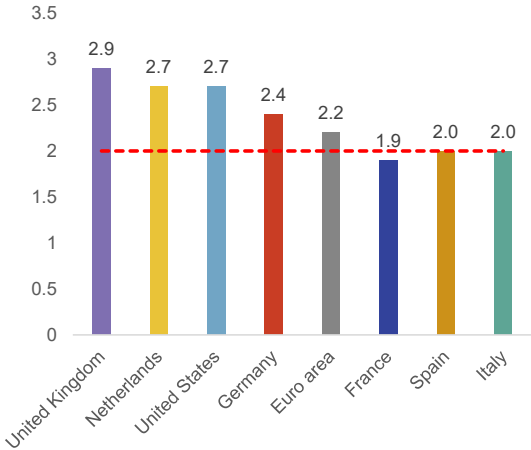
# HEADLINE INFLATION IN FRANCE AVERAGED 1.9% BETWEEN 2010 AND 2025, ONE OF THE LOWEST RATES IN THE EURO AREA

**Inflation rate in France since 2010**  
(annual averages, %)



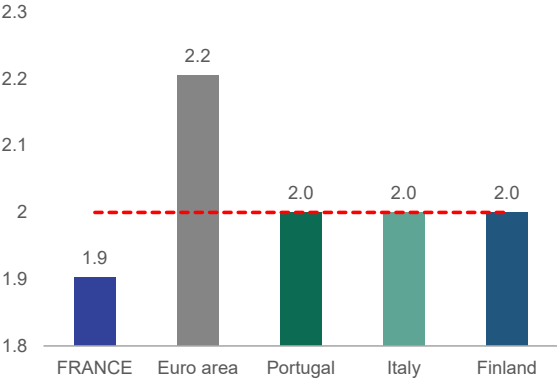
Source: European Commission (AMECO database).  
Note: HICP (Harmonised Index of Consumer Prices) inflation

**Inflation rate in the main advanced economies since 2010**  
(annual averages 2010-25, %)



Source: European Commission (AMECO database).  
Note: HICP inflation and CPI inflation for the United States and the United Kingdom.

**Inflation rate: France's position relative to European countries closest to the 2% target**  
(annual averages 2010-25, %)



Source: European Commission (AMECO database).  
Note: HICP inflation. The best-performing countries are those whose average inflation was closest to the 2% target.

- Inflation in France, as in the euro area as a whole, has gone through several phases: it remained well below 2% until 2020, before rising to nearly 6% in 2022-23 following the Covid-19 pandemic and the invasion of Ukraine, before falling back to 1% in 2025.
- On average, over the 2010-25 period, French inflation was lower than that of other major economies. The United Kingdom and the Netherlands, meanwhile, experienced particularly high inflation in 2022-24.
- France is the best performer in the euro area in this regard. A large number of Member States recorded average inflation close to the ECB's 2% target, notably Portugal, Italy, Finland and Spain.

# CHAPTER 2: BUSINESSES AND FINANCING

## Key performance indicators

### 2.1 Economic aggregates

Corporate margin rate (trend)	●
Productive investment rate	●
R&D expenditure	●
Carbon intensity of GDP	●
Share of industry in value added	●

### 2.2 Financing

Equity financing	●
Corporate debt ratio	●
Cost of credit for businesses	●
Bank capitalisation	●
Bank profitability	●

Key

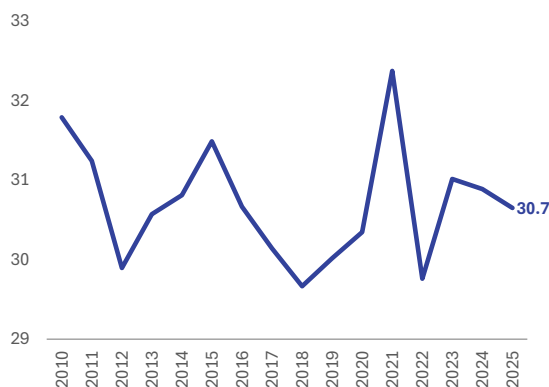
- Performance above the European average
- Performance in line with the European average
- Performance below the European average

Note: In this Chapter 2, the key indicators are presented in level terms, unless otherwise stated.

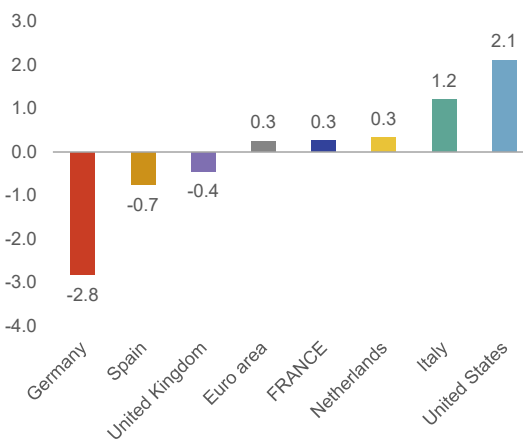
## **2.1 ECONOMIC AGGREGATES**

# CORPORATE PROFIT MARGINS HAVE REMAINED BROADLY STABLE IN FRANCE AND IN MOST OTHER COUNTRIES

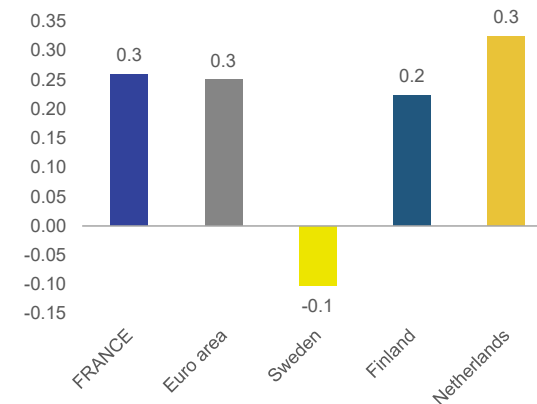
Profit margin of non-financial corporations in France since 2010 (%)



Profit margin of non-financial corporations between 2024 and the 2010-19 period for the major advanced economies (%)



Profit margins: France's position relative to the most stable European economies between 2024 and the 2010-19 period (%)



Source: European Commission (AMECO database).

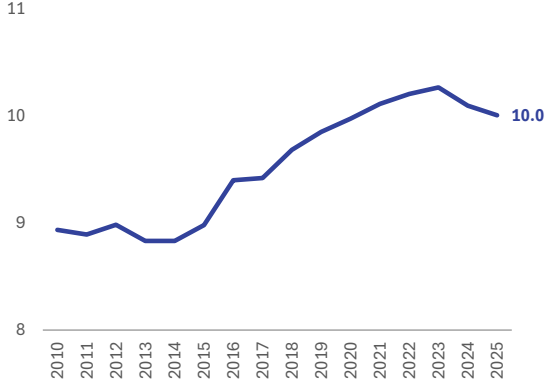
Note: The profit margin measures the share of value added (VA) of non-financial corporations remaining after payment of wages and social security contributions: it is the gross operating surplus (GOS) relative to gross value added (GVA). It is interpreted as a macroeconomic measure of the return on capital before depreciation, amortisation and financial charges. However, cross-country comparisons should be treated with caution, as they may be affected by differences in sectoral structure, the proportion of self-employed workers (the 'labour/capital' mix) and accounting standards.

- In France, the profit margin of non-financial corporations has remained broadly stable since 2010. However, this stability masks upward volatility in 2021 with the post-Covid recovery, followed by downward volatility in 2022 due to the energy shock.
- Overall, most European economies have also experienced relatively stable profit margins since 2010; Germany is an outlier with a significantly steeper decline in recent years. The 2022 energy shock had a greater impact there, in an economy more exposed to industry, which has been heavily impacted by structural challenges.
- On a comparative basis, France comes in below the euro area average and most of the major advanced economies included in the comparison. However, this gap needs to be

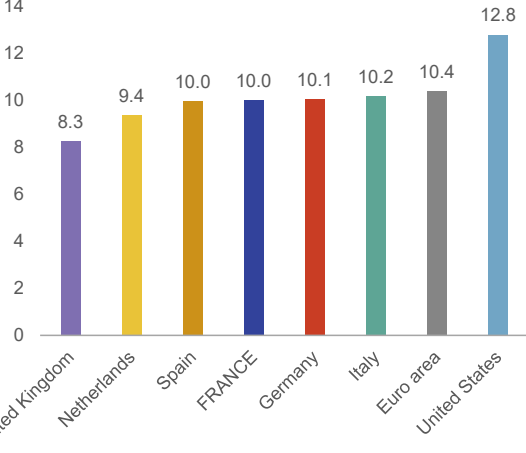
interpreted with caution: it reflects differences in the distribution of value added, sectoral structure, the weight of employer contributions and accounting standards. It is therefore not a homogeneous measure of profitability across countries.

# THE PRODUCTIVE INVESTMENT RATE HAS GROWN AND IS CLOSE TO THAT OF OTHER MAJOR EURO AREA COUNTRIES, BUT REMAINS BELOW THAT OF THE UNITED STATES

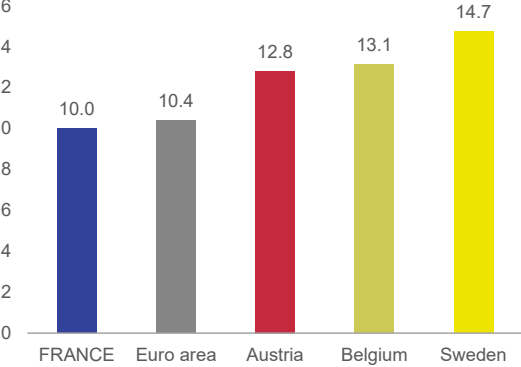
Productive investment rate in France since 2010 (% of GDP)



Productive investment rate among the major advanced economies in 2025 (% of GDP)



Productive investment rate: France's position relative to the best-performing European economies in 2025 (% of GDP)



Source: European Commission (AMECO database).  
 Note: International comparisons need to be interpreted with caution. The indicator used (gross fixed capital formation (GFCF) in machinery and equipment and intellectual property as a percentage of GDP) is a good proxy for productive investment, however it remains sensitive to differences in scope, measurement and accounting treatment, particularly for intangible assets. Therefore, a higher rate in itself does not always reflect a strictly comparable "real" productive investment rate from one country to another.

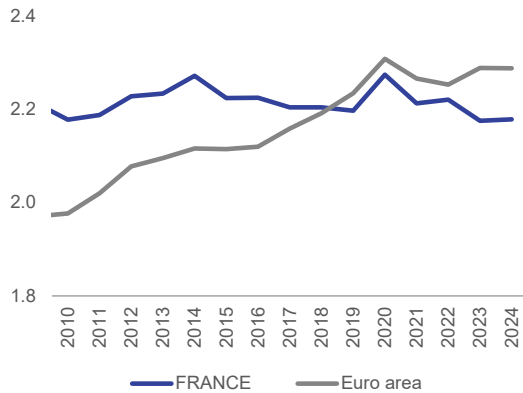
- Productive investment here refers to the gross fixed capital formation (GFCF), primarily of businesses, excluding construction (housing and non-residential buildings), i.e. equipment (machinery, transport) and intangible assets (R&D, software, intellectual property). In France, it has risen from just under 9% to around 10% of GDP since 2010, bringing it into line with other major euro area countries, but still significantly lower than the United States (12.8%).
- In terms of total investment (GFCF including construction), the gap with the United States disappears: France has a rate of 21.8% of GDP compared with 21.4% for the

United States. The greater weight of construction in France accounts for the difference. France's lag therefore relates specifically to equipment and intangible assets, not to overall investment levels.

- Among the European countries investing the most (Sweden, 14.7%; Belgium, 13.1%; Austria, 12.8%), the difference with France is attributable mainly to investment in equipment, which accounts for 7% to 8% of GDP in these countries, compared with less than 5% in France.

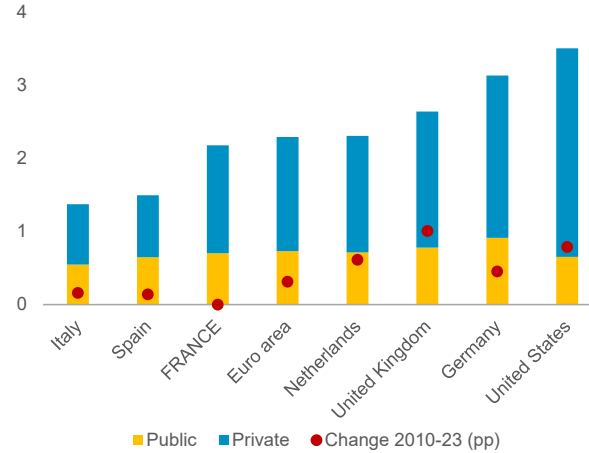
# AN INTERMEDIATE LEVEL OF R&D EXPENDITURE, WITH A SMALLER PRIVATE SECTOR COMPONENT

**R&D in France and the euro area since 2010**  
(% of GDP)



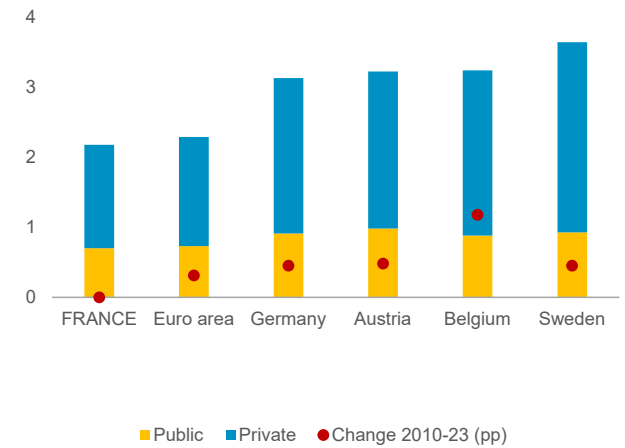
Source: OECD.  
Note: Most recent value: 2024.

**Breakdown of R&D in the major advanced economies in 2023**  
(% of GDP)



Source: OECD.  
Note: pp, percentage points.

**R&D: France's position relative to the best-performing European economies in 2023**  
(% of GDP)



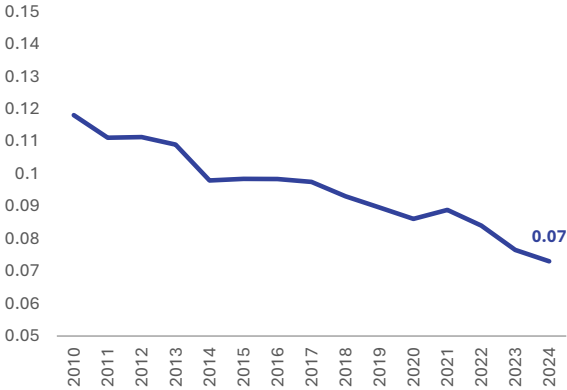
Sources: OECD, Eurostat.  
Note: pp, percentage points.

- France is characterised by an intermediate and stable level of R&D expenditure as a percentage of GDP, at around 2.2%, comparable to the euro area average, which has nevertheless exceeded this level in recent years.
- Among advanced economies, most differences in expenditure levels are explained by the scale of private R&D, with the public component generally ranging between 0.7% and 0.9% of GDP.
- The best-performing European economies (Sweden, Belgium, Austria and Germany)

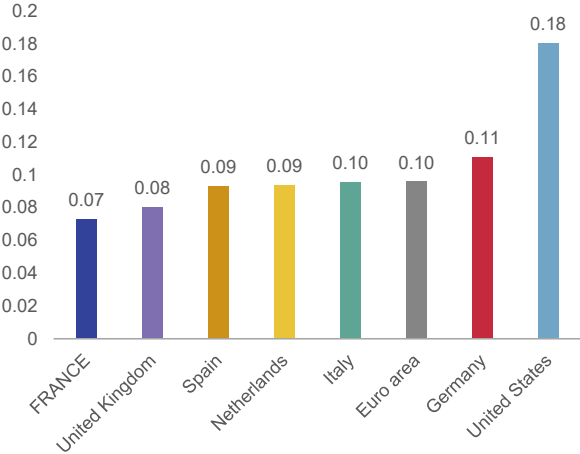
are close to the United States, with more than 3% of their GDP invested in R&D. These high rates are mainly driven by the private sector, with sometimes significant increases since 2010 (up 1.2 percentage points in Belgium, driven by multinationals, albeit with disappointing results in terms of patents; up 0.5 percentage points in Austria and Sweden, with the latter benefiting from a favourable financial ecosystem).

# FRANCE IS AMONG THE MOST DECARBONISED ECONOMIES IN THE DEVELOPED WORLD

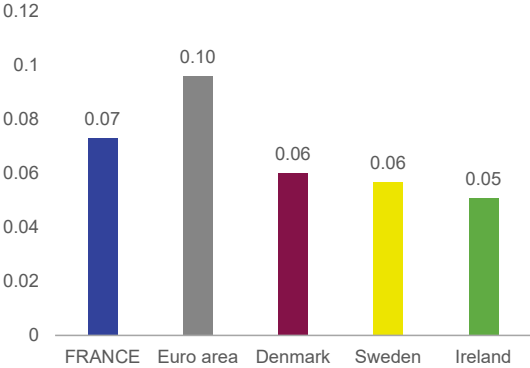
Carbon intensity of French GDP since 2010



Carbon intensity of GDP among the major advanced economies in 2024



Carbon intensity of GDP: France's position relative to the European economies with the lowest carbon intensity in 2024

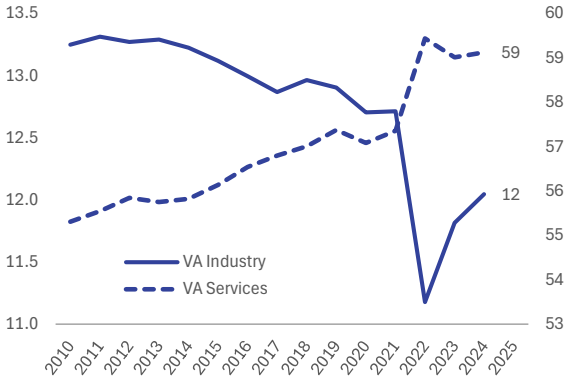


Source: World Bank.  
 Note: GDP carbon intensity is the ratio of territorial carbon dioxide emissions to gross domestic product (GDP). Data are expressed in kilograms of CO<sub>2</sub>e per unit of GDP in dollars, at 2021 purchasing power parity.

- The carbon intensity of the French economy has decreased, and has long been one of the least carbon-intensive economies due to the significant role of nuclear power in the electricity mix and the recent rise of renewable energies.
- There is no single decarbonisation model: France has opted for a model based on nuclear power, supplemented by renewable energy sources constituting a minority of the energy mix. Other countries, such as Sweden and Denmark, are more focused on renewable energy.
- The decarbonisation of the French and European economies is not yet complete: nearly 50% of the French energy mix (70% for the EU) still comes from fossil fuels (source: Eurostat).

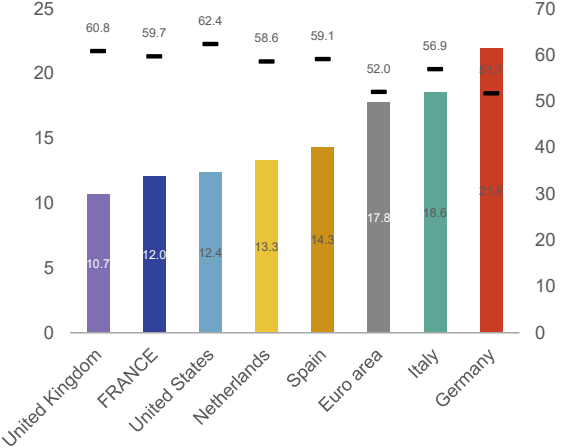
# A DECLINE IN THE SHARE OF INDUSTRY AND A HIGH SHARE OF MARKET SERVICES IN VALUE ADDED

Share of industry and market services in value added (VA) in France since 2010 (%)



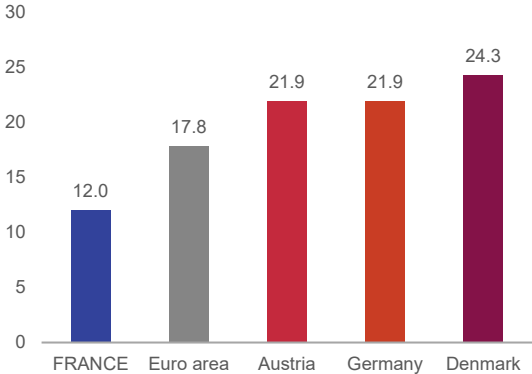
Source: European Commission (AMECO database).  
 Note: Ratio of industrial value added (VA) to total value added (in volume). The share of VA from market services is shown on the right-hand scale.

Share of industry and market services in VA in 2024 in the main advanced economies (%)



Sources: European Commission (AMECO database), BEA and ONS for market services in the UK and the US.  
 Note: Ratio of industrial value added (VA) to total value added (in volume) in 2024. The share of market services VA is shown on the right-hand scale.

Share of industrial VA in 2024: France's position relative to the most industrialised European economies (%)



Source: European Commission (AMECO database).  
 Note: Ratio of industrial value added to total value added (in volume) in 2024.

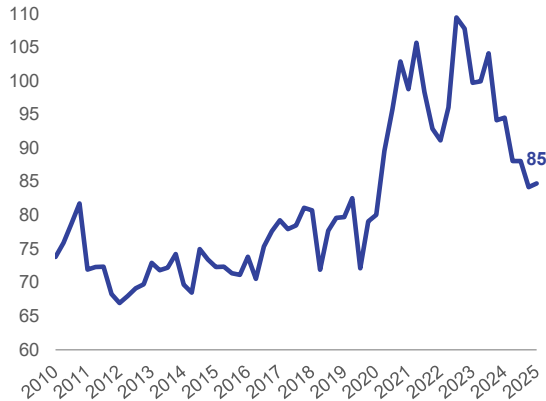
- As in most advanced economies, the share of industry in value added has been declining in France since 2010, whilst that of market services has been rising. With industry accounting for around 12% of value added – close to the US figure and higher than the UK figure – France now ranks among the most service-oriented economies. Italy and Germany appear to be outliers among the major economies.
- This positioning also reflects a more marked specialisation in market services. The shift towards the service sector partly corresponds to a shift in value added towards business services, intangible functions and segments with higher value added.

- Furthermore, the boundary between industry and services has become more porous.
- The contrast with countries such as Germany or Italy is mainly attributable to different production specialisation. The maintenance of a higher share of industry in value added in these countries reflects economies that are more focused on manufacturing and exports, but also means that economic activity is more exposed to the industrial cycle.

## 2.2 FINANCING

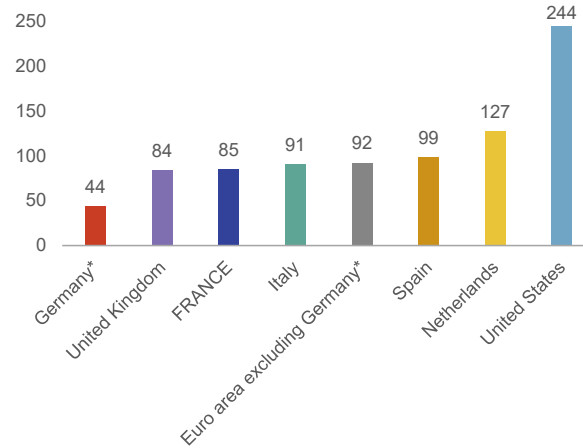
# THE PROPORTION OF EQUITY FINANCING IN FRENCH COMPANIES HAS INCREASED AND IS CLOSE TO THE EURO AREA AVERAGE

**Equity capital of French non-financial corporations (NFCs) since 2010**  
(% of GDP)



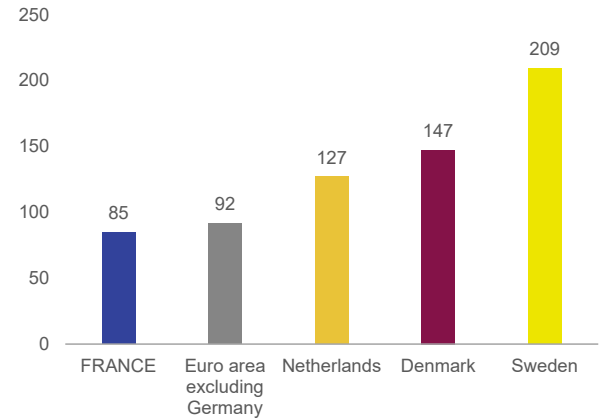
Sources: ECB, Eurostat.  
Note: Equity corresponds to shares and other net investments, at market value.

**Equity capital of NFCs in the major advanced economies**  
(% of GDP, Q3 2025)



Sources: ECB, Eurostat, Fed, BEA, OECD, ONS.  
Note: Equity corresponds to shares and other net investments, at market value.  
\*The equity-to-GDP ratio in Germany is particularly low, partly due to the method of recording unlisted shares.

**Equity capital of NFCs: France's position relative to European economies where equity financing is most developed**  
(% of GDP, Q3 2025)



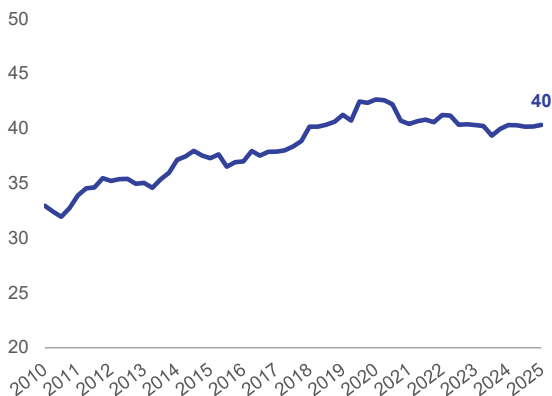
Sources: ECB, Eurostat.  
Note: Equity corresponds to shares and other net investments, at market value.

- After peaking in 2023 at 109% of GDP, the equity capital of French non-financial corporations (NFCs) stood at 85% of GDP in 2025, a ratio significantly higher than that of the previous decade (74% of GDP on average). The rise and subsequent decline in equity financing in France are largely attributable to valuation effects resulting from stock market fluctuations.
- The level of equity capital in French NFCs is close to the euro area average excluding Germany, although this average masks highly contrasting situations across countries:
  - It is significantly higher in the Netherlands (127% of GDP), Denmark (147%

- In the United States, the level of equity capital held by NFCs is very high (244% of GDP), reflecting both the significant reliance of NFCs on equity financing and the high valuations of technology companies.

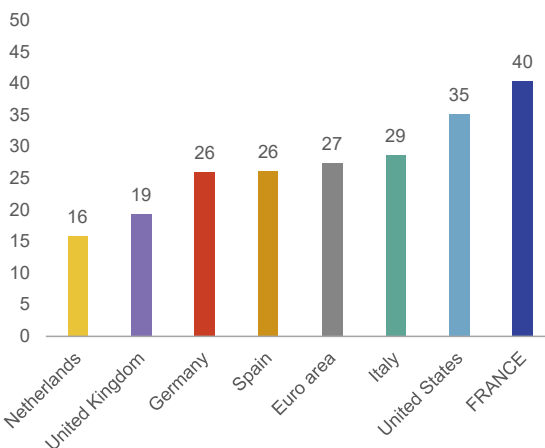
# THE CORPORATE DEBT RATIO HAS STABILISED BUT REMAINS SIGNIFICANTLY HIGHER THAN IN OTHER ECONOMIES

**Consolidated debt ratio net of cash of French non-financial corporations (NFCs)**  
(% of GDP)



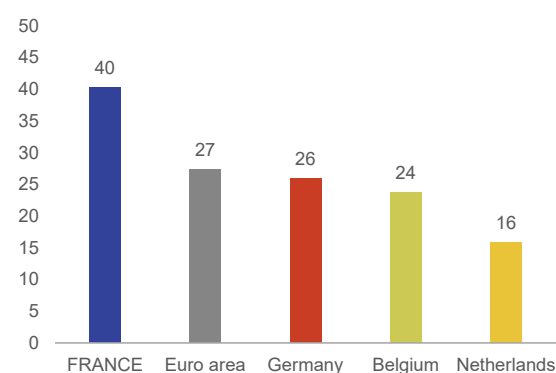
Sources: ECB, Eurostat; Banque de France calculations.

**Consolidated debt ratio net of cash of NFCs in the major advanced economies**  
(% of GDP, Q3 2025)



Sources: ECB, Eurostat, ONS (United Kingdom), BEA and Fed (United States); Banque de France calculations.

**Consolidated debt ratio net of cash of NFCs: France's position relative to the best-performing European economies**  
(% of GDP, Q3 2025)



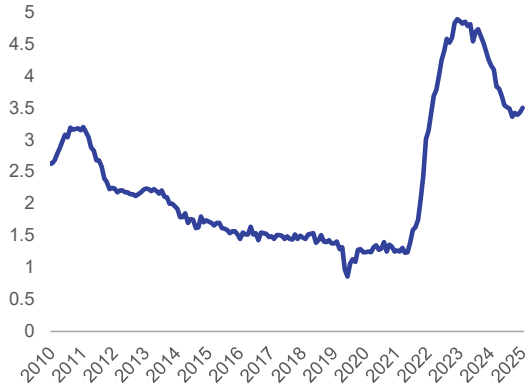
Sources: ECB, Eurostat; Banque de France calculations.

- After peaking in 2020 at 43% of GDP, largely due to the use of state-guaranteed loans during the Covid crisis, the debt ratio net of cash of French NFCs has fallen slightly to 40% of GDP in 2025.
- Despite this post-Covid deleveraging phase, French NFCs have a higher debt ratio than in other advanced economies, due to the high proportion of large companies.

Germany has a lower debt ratio (26%) than France: many German firms favour self-financing. NFC debt is also lower in Belgium (24%) and the Netherlands (16%). Belgian and Dutch firms have accumulated cash reserves, which reduces their net debt.

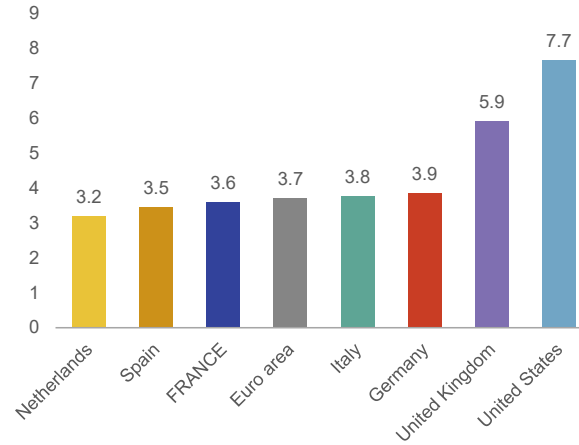
# THE COST OF BORROWING FOR BUSINESSES IS AMONG THE LOWEST

Average interest rate on new loans to non-financial corporations (NFCs) in France since 2010 (%)



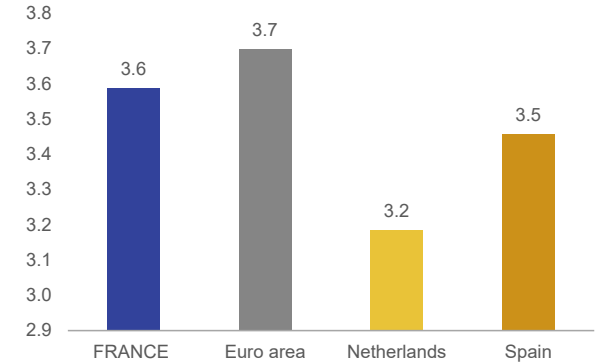
Source: Banque de France (MIR).

Average interest rate on new loans to NFCs in the major advanced economies in 2025 (%)



Sources: ECB (MIR), Lending Survey – Federal Reserve Bank of Kansas City (Small Business; most recent value: Sept. 2025), Bank of England (private NFC).  
Note: Average for the whole of 2025.

Average interest rate on new loans to NFCs: France's position relative to the leading European economies in 2025 (%)



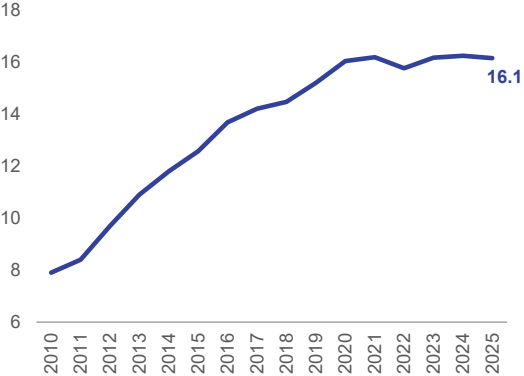
Source: ECB (MIR).  
Note: Average rate for the whole of 2025.

- Following a significant inflation-fuelled rise in 2022-23, the average interest rate on new loans to NFCs continued to fall in France in 2025.
- In 2025, the cost of new loans in France (3.6%) was among the lowest in the euro area, behind the Netherlands and Spain. It is much lower than in the United

Kingdom or the United States, reflecting less costly banking intermediation.

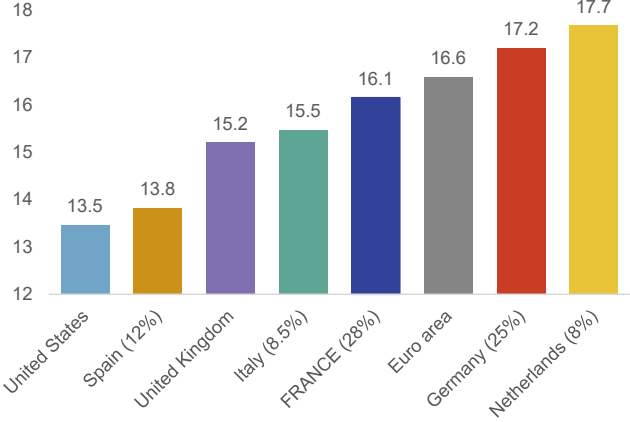
# FRENCH BANKS ARE WELL CAPITALISED FOLLOWING THE STRENGTHENING OF THEIR CAPITAL OVER THE PAST DECADE...

**Common Equity Tier 1 (CET1) ratio of French banks since 2010 (% of risk-weighted assets)**



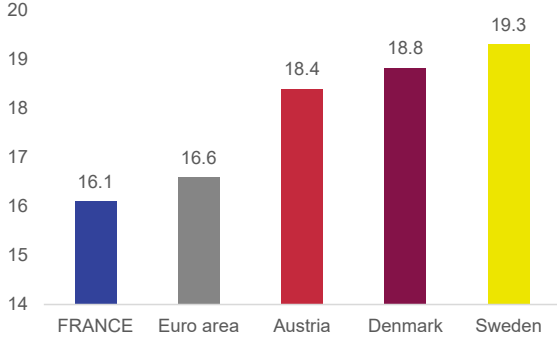
Source: European Central Bank (CBD database).  
Note: CET1, Common Equity Tier 1. Most recent value: Q3 2025.

**CET1 ratio of banks in the major advanced economies (%; in brackets, weight within the euro area as a whole)**



Sources: European Central Bank (CBD database), BIS, Bank of England.

**CET1 ratio: positioning of French banks relative to the most highly capitalised European economies (%; Q3 2025)**

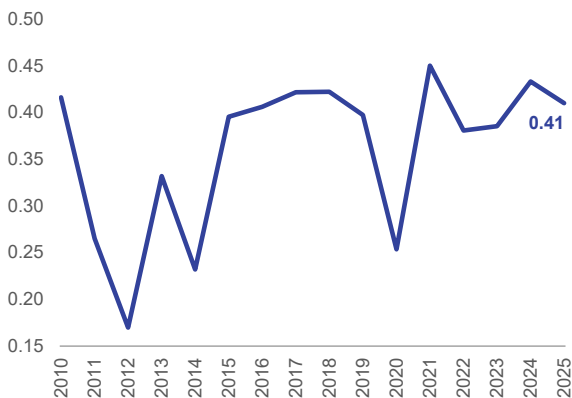


Source: European Central Bank (CBD database).

- The CET1 ratio of French banks has more than doubled since 2010 and has risen significantly over the last 10 years (by 430 basis points, compared with increases of 290 points in Germany, 200 points in Spain or 420 points in Italy). Most of this increase occurred between 2010 and 2020 due to tighter post-financial crisis regulations (Basel III).
- Internationally, French banks are in line with European and US standards.

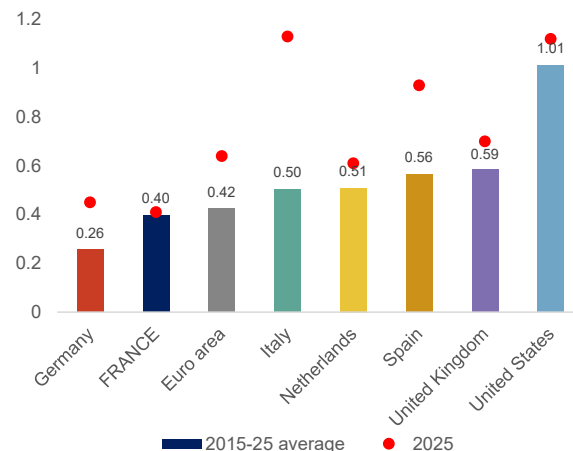
## ... BUT THEIR RETURN ON ASSETS HAS BENEFITED LESS FROM THE RECENT MONETARY CYCLE

**ROA of French banks since 2010**  
(% of assets)



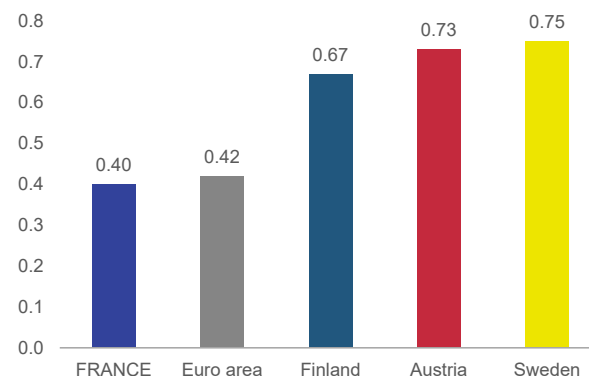
Source: European Central Bank (CBD database).  
Note: ROA, return on assets. Most recent value: Q3 2025, annualised data.

**ROA of banks in the major advanced economies**  
(% of assets, Q3 2025, annualised data)



Sources: European Central Bank (CBD database), Fed, Bank of England; ACPR calculations.  
Note: For the United States, the annualised ROA of the Top 8 was 0.91% in Q3 2025, with the lowest ROAs observed for Citigroup (0.57%) and Goldman Sachs (0.91%).

**ROA of banks: positioning of French banks relative to the best-performing European economies**  
(% of assets, 2015-25 average)



Source: European Central Bank (CBD database).

- Compared to US banks, European banks in general are penalised by the universal banking model, which is heavily focused on loans. In the United States, banks generate more revenue from commission income, trading activities and asset management, which are more profitable. Also, fees and commissions are more regulated and lower than in the United States.
- Moreover, the vast majority of loans are at fixed rates. French banks have therefore benefited less from the recent monetary cycle (rise in short-term rates since 2022), contrary to Italian and Spanish banks. Over the longer 2015-25 period, they have

posted a return on assets in line with the euro area average. In France, this is also explained by the weight of regulated savings. Only Dutch banks are in a similar situation. Conversely, this reflects low financial intermediation costs in France, which are therefore favourable to businesses and households.

# CHAPTER 3: HOUSEHOLDS

## Key performance indicators

### 3.1 Economic aggregates

Increase in total household purchasing power	●
Increase in the real wage bill	●
Household saving ratio	●
Household debt ratio	●
Income inequality	●

### 3.2 Some major sectors and services

Housing investment rate	●
Housing loan rate	●
Education	●
Effectiveness of education spending	●
Life expectancy	●
Effectiveness of healthcare spending	●
Relative income of seniors	●
Effective retirement age	●
Weight of public and total pensions	●

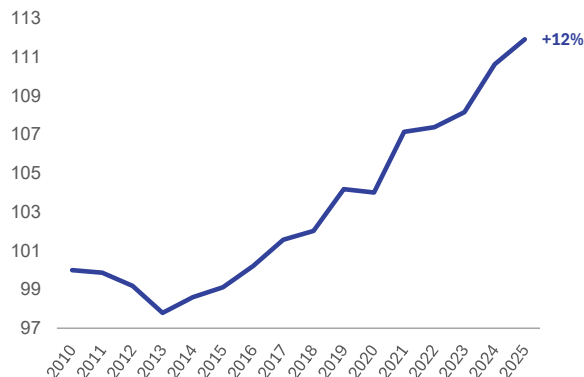
#### Key

- Performance above the European average
- Performance in line with the European average
- Performance below the European average

## **3.1 ECONOMIC AGGREGATES**

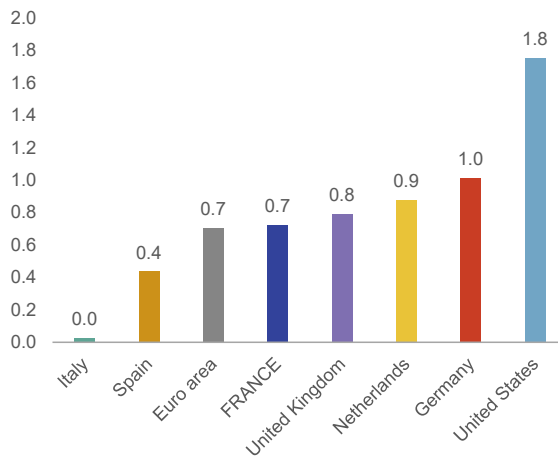
# AN INCREASE IN TOTAL HOUSEHOLD PURCHASING POWER IN LINE WITH THE REST OF THE EURO AREA

**Real household gross disposable income (GDI) per capita in France since 2010**  
(2010 = 100)



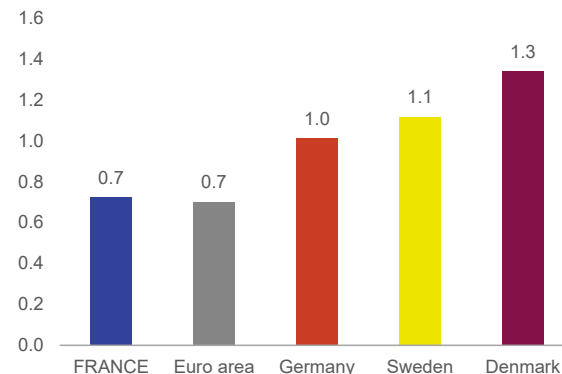
Source: European Commission (AMECO database).  
Note: Household GDI is deflated by the consumption deflator.

**Real GDI in the major advanced economies**  
(average annual growth rate 2010-24, %)



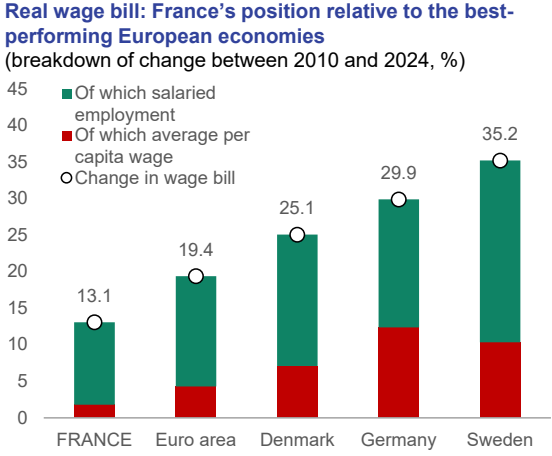
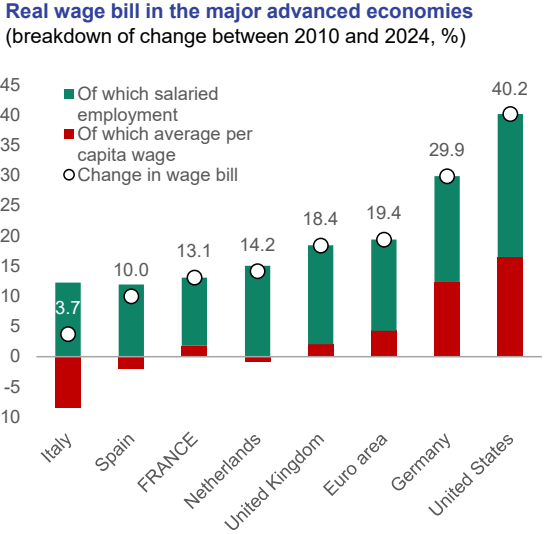
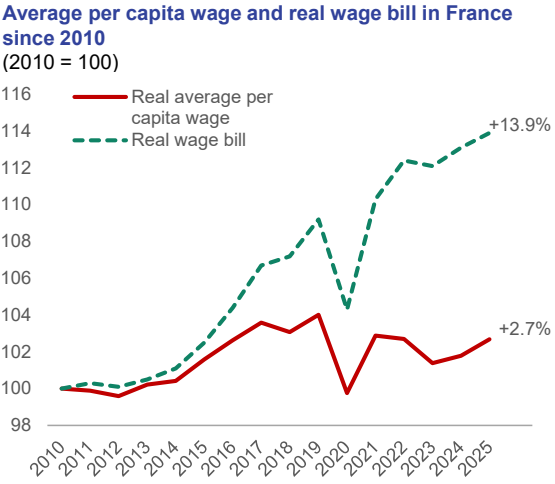
Sources: European Commission (AMECO database) and BEA for the United States.  
Note: Household GDI is deflated by the consumption deflator. The comparison ends in 2024 due to a lack of data for certain countries.

**Real GDI: France's position relative to the best-performing European economies**  
(average annual growth rate 2010-24, %)



- The purchasing power of gross disposable income (GDI) per capita has risen steadily since the mid-2010s and has held up well during periods of crisis or economic strain thanks to automatic stabilisers and fiscal support measures. During the inflationary surge of 2022-23, the energy price shield and an uprating of welfare benefits protected purchasing power more effectively than in neighbouring countries, at the expense of the public finances.
- Over the long term, however, purchasing power per capita has grown more in the countries of Northern Europe, where it has been boosted by rising labour income.

# A SMALLER INCREASE IN THE REAL WAGE BILL THAN IN THE REST OF THE EURO AREA

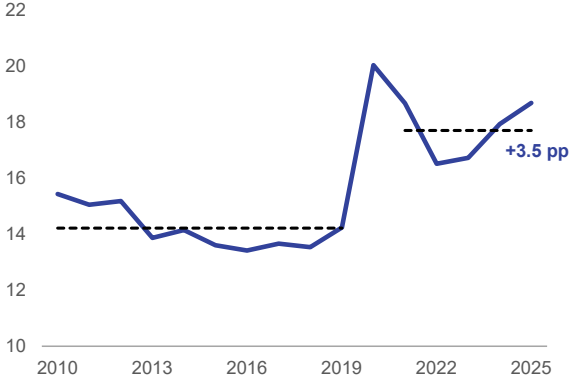


Source: European Commission (AMECO database).  
 Notes: Most recent value = 2025 for France, and 2024 for international comparisons.  
 Average per capita wage corresponds to "gross wages and salaries" (line D11 in the national accounts) per employee, deflated by the Harmonised Index of Consumer Prices (HICP) or the CPI (for the United Kingdom and the United States).  
 The real wage bill is the average per capita wage multiplied by the number of employees. The data are not adjusted for short-time work during the Covid pandemic.

- Since 2010, the real average per capita wage has risen by 2.7% in France, a moderate increase consistent with the low productivity gains over the period. The trend was severely affected by the 2020 shock linked to short-time working, followed in part by a recovery.
- The growth in the real wage bill (+13% in France between 2010 and 2024) has mainly been driven by employment (+11%) rather than by individual salaries (+2%). This observation applies to most countries: in Italy, Spain and the Netherlands, the wage bill has increased despite stagnation or even a decline in average wages, thanks to job creation.
- Only Germany and the United States stand out with a sharp increase in real average wages (up 12% and 17% respectively), which contributes as much as employment to the increase in the wage bill. In Germany, this reflects a catch-up following a long period of wage moderation, as well as a labour market close to full employment; in the United States, tightness in the labour market has pushed up wages.

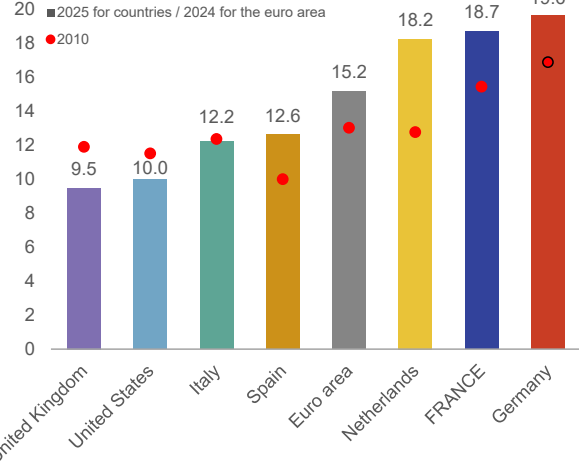
# A HOUSEHOLD SAVING RATIO THAT HAS REMAINED PARTICULARLY HIGH IN THE WAKE OF COVID

Household saving ratio in France since 2010 (%)



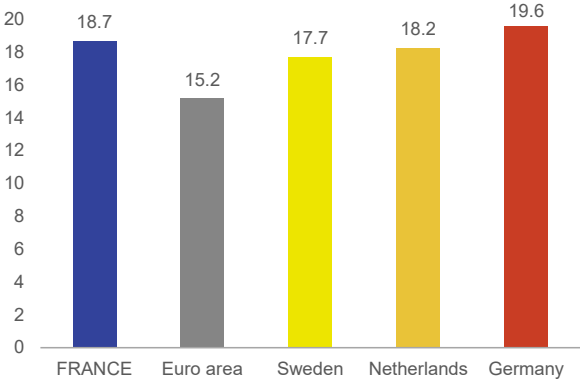
Sources: European Commission (AMECO database), Eurostat; Banque de France calculations.  
 Notes: pp, percentage points. The household saving ratio is the proportion of disposable income not spent by households. International comparisons should be treated with caution.

Household saving ratio in the main advanced economies (%)



Source: European Commission (AMECO database).

Household saving ratio: France's position among European economies with the highest household saving ratios (%)



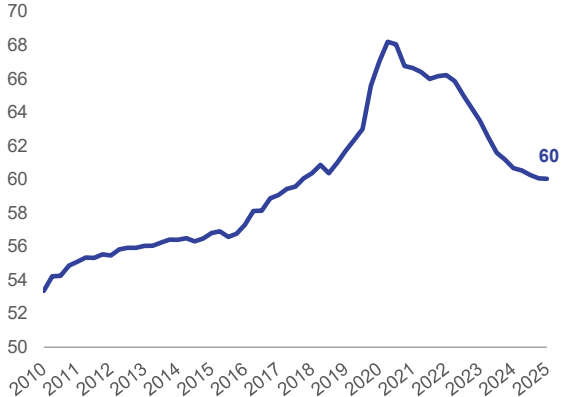
Source: European Commission (AMECO database).  
 Note: 2025 data for countries and 2024 data for the euro area.

- The household saving ratio remains above its pre-Covid level. Following the reduction in forced savings, it remains more than 3.5 percentage points above its previous level. Indeed, consumption has rebounded more slowly than income, and, for a period, changes in the structure of income encouraged further saving (more dynamic growth in income from assets, more of which is saved).
- In an international comparison, France ranks among the countries with a

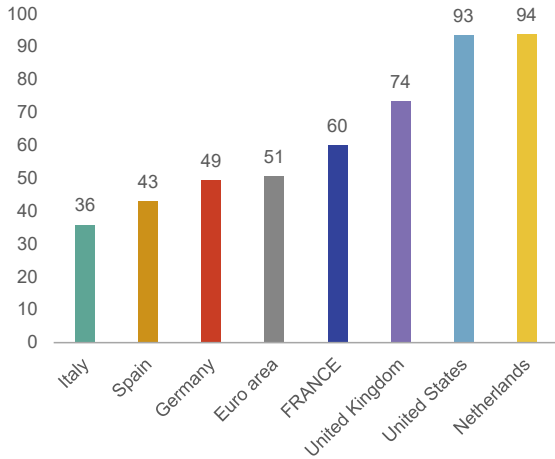
structurally high saving ratio. However, comparisons between ratios should be interpreted with caution, particularly with the United States, as national accounting standards and the weight of funded pension schemes affect the measurement.

# THE VOLUME OF HOUSING LOANS AND THEREFORE THE FRENCH HOUSEHOLD DEBT RATIO REMAINS HIGHER THAN IN THE REST OF THE EURO AREA

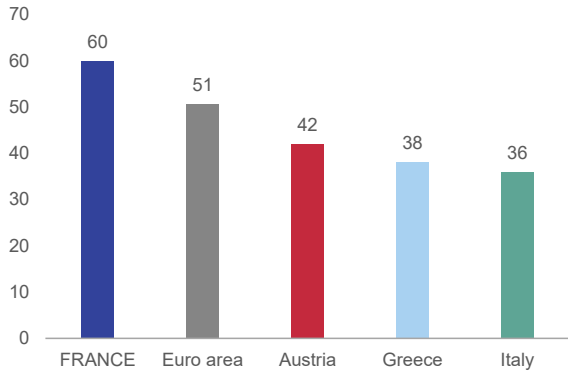
Household debt ratio in France since 2010 (% of GDP)



Household debt ratio in the major advanced economies (% of GDP, Q3 2025)



Household debt ratio: France's position relative to European economies with the lowest household debt (% of GDP, Q3 2025)



Sources: ECB, Eurostat; Banque de France calculations.

Sources: ECB, Eurostat, ONS (United Kingdom), BEA and Fed (United States); calculations by the Banque de France.

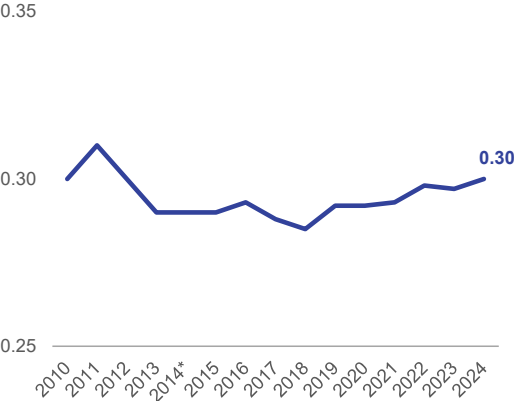
Sources: ECB, Eurostat; Banque de France calculations.

- After peaking at 68% of GDP in 2020, the household debt ratio (primarily housing loans) has been falling steadily. It stood at 60% in 2025. Over the past fifteen years, housing loan volumes have risen sharply in France.
- Dutch and US households appear to be the most indebted, with debt-to-GDP ratios of 94% and 93% respectively. The Netherlands allows for the tax deductibility of mortgage interest, which encourages borrowers to defer repayment of the principal.

- The use of consumer credit and student loans is more common in the United States.
- Austrian households are among the least indebted in the European Union (42% of GDP). Greek (38% of GDP) and Italian households (36% of GDP) also have lower levels of debt, relying on family self-financing.

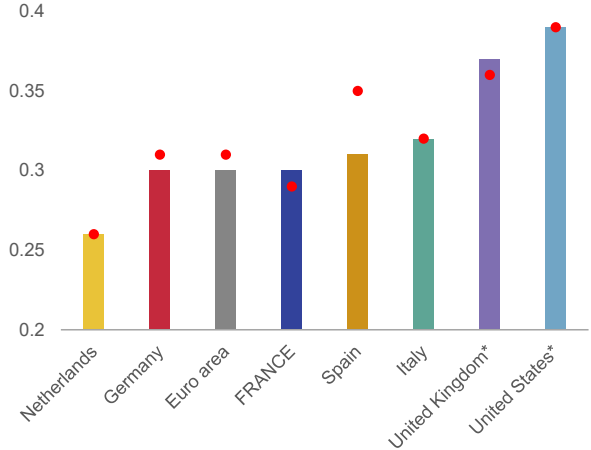
# INCOME INEQUALITY IS STABLE AND CLOSE TO THE EURO AREA AVERAGE

**Income inequality in France since 2010**  
(Gini index)



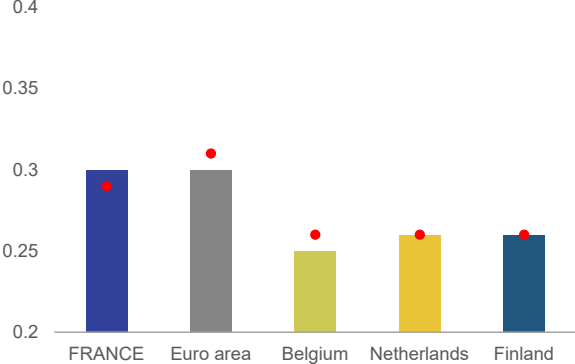
Sources: INSEE, \*Eurostat from 2014 onwards.  
Scope: Total population.

**Income inequality in the major advanced economies**  
(Gini index)



Sources: Eurostat (2024), \*OECD (2023, most recent year available).  
Scope: Total population.  
Note: Red dots represent 2014.

**Income inequality: France's position relative to the best-performing European economies**  
(Gini index, 2024)



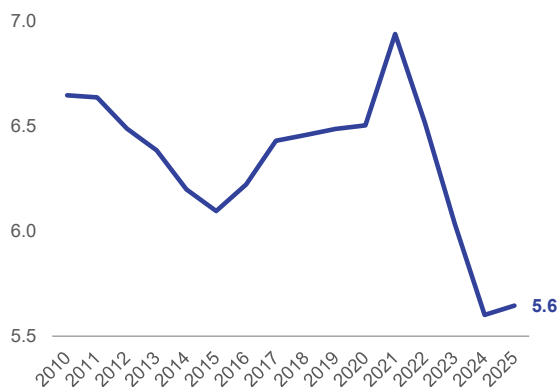
Source: Eurostat.  
Scope: Total population.  
Note: Red dots represent 2014.

- The Gini index is calculated based on disposable income after tax and welfare benefits, i.e. after redistribution. It ranges from 0, corresponding to equal income, to 1, meaning extreme inequality.
- Inequality in France remained stable over the 2010-24 period, at a level close to the euro area average. It is higher in the United States and the United Kingdom. It is also higher in certain southern euro area countries (Italy, Spain), albeit to a lesser extent.
- The strong performance of Belgium, the Netherlands and Finland in terms of income equality can be partly explained by a relatively low level of inequality before redistribution (i.e. primary income), which is below that observed in France.

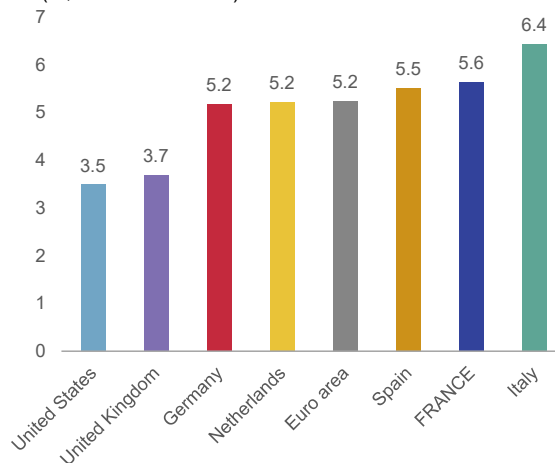
## **3.2 SOME MAJOR SECTORS AND SERVICES**

## REAL ESTATE – FRANCE’S RATE OF INVESTMENT IN HOUSING REMAINS AMONG THE HIGHEST DESPITE ITS RECENT DECLINE

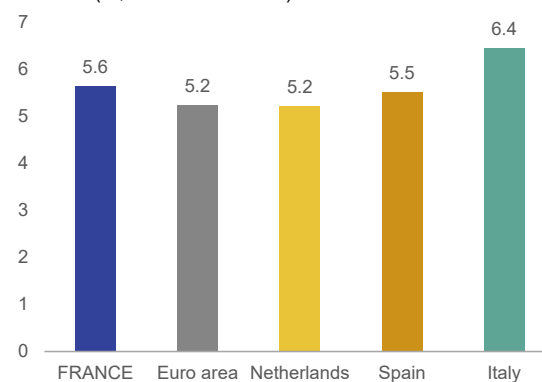
GFCF in housing as a percentage of GDP in France since 2010 (% based on volume)



GFCF in housing as a percentage of GDP in the main advanced economies in 2025 (% based on volume)



GFCF in housing: France’s position compared with European countries with the highest investment rates in 2025 (% based on volume)



Source: European Commission (AMECO database).

Note: Gross fixed capital formation (GFCF) in housing measures housing investment as defined by the national accounts, i.e. primarily in the construction of new housing and major renovation or improvements to the existing housing stock. It is expressed here in volume terms (constant 2020 prices) and as a percentage of GDP (again in volume terms).

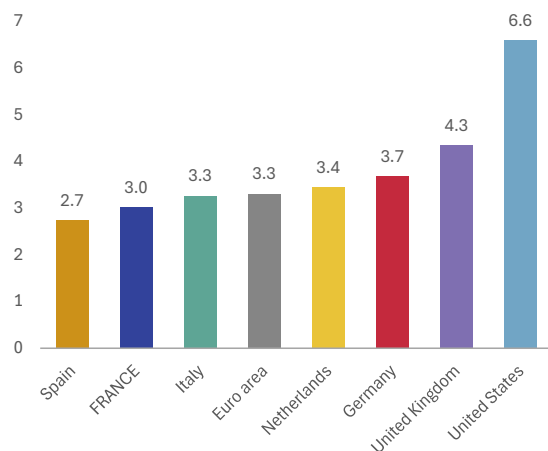
- Housing investment in France, which includes both the construction of new housing and renovation of the existing stock, has fallen by one percentage point of GDP since 2022 from 6.6% to 5.6% of GDP in volume terms, and moved towards the euro area average (5.2%). This decline, the sharpest among the major European countries, reflects the impact of rising interest rates on demand for housing loans and house building starts.
- Italy has followed the opposite trend (from 5.4% to 6.4%), driven by exceptional tax incentives for renovation (the Superbonus scheme). The Netherlands has also witnessed an increase (from 4.1% to 5.2%), driven by a catch-up effect on its structural construction deficit.
- France nevertheless remains above the United Kingdom (3.7%) and the United States (3.5%), where the weight of housing in total investment is structurally lower.

# REAL ESTATE – INTEREST RATES ON HOUSING LOANS WERE AMONG THE LOWEST IN DEVELOPED COUNTRIES IN 2025

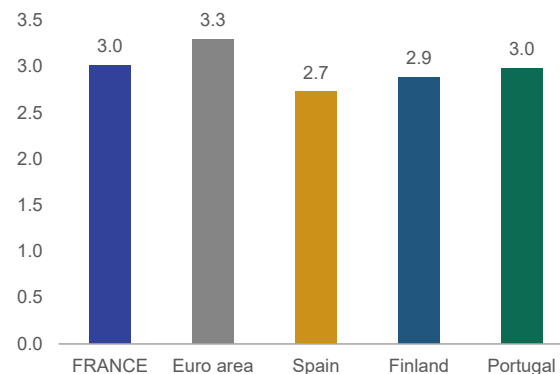
**Average interest rate on new housing loans in France since 2010 (%)**



**Average interest rate on new housing loans in the main advanced economies in 2025 (%)**



**Average interest rate on new housing loans: France's position compared with European countries with the lowest housing loan rates in 2025 (%)**



Source: Banque de France (MIR).  
Note: Narrowly defined effective rates (NDER), i.e. excluding fees and insurance.

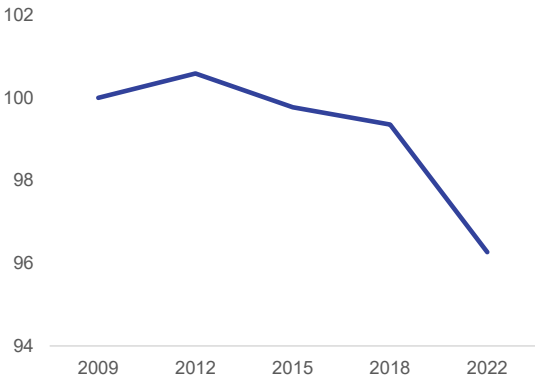
Sources: ECB (MIR), Fed (30-Year Fixed Rate Mortgage Average), Bank of England (loans secured on dwellings).  
Notes: Average interest rate for the whole of 2025. The average maturity of new housing loans in France was 22.4 years in 2025, according to Banque de France calculations.

Source: ECB (MIR).  
Note: Average interest rate for the whole of 2025.

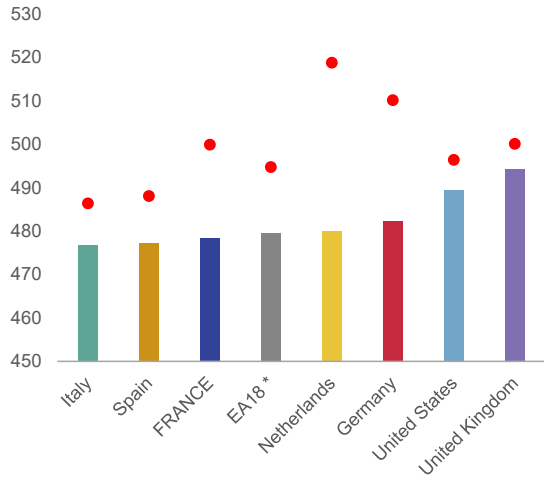
- The average interest rate on new housing loans in France underwent three major phases of change, linked to euro area inflation and monetary policy: a continuous and significant decline between 2010 and 2021, a sharp rise in 2022-23 during the inflationary surge, and then a drop and stabilisation at 3% in 2025, thus returning to its 2014 level.
- On average for the whole of 2025, the cost of new housing loans in France was among the lowest in the advanced economies (3.0%) and around 30 basis points below the euro area average.
- The French housing loan market is almost exclusively fixed-rate (accounting for 99% of outstanding loans), whereas in Spain loans are mostly made at a variable rate.

# EDUCATION – DESPITE A DOWNWARD TREND, FRANCE REMAINS IN LINE WITH THE AVERAGE FOR EURO AREA COUNTRIES IN TERMS OF EDUCATIONAL ATTAINMENT

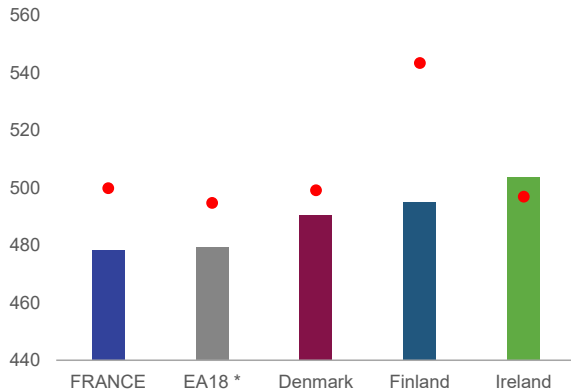
Aggregate PISA score for France since 2009 (base 100 = 2009)



Aggregate PISA scores for the main advanced economies in 2022



Aggregate PISA score: France's position compared with the top-performing European countries in 2022



Source: OECD.  
 Notes: PISA is the OECD's Programme for International Student Assessment study. Data are available every three years (2009, 2012, 2015, 2018 and 2022). The assessment measures 15-year-olds' skills in reading, mathematics and science knowledge. The score shown is a simple arithmetic mean of the three scores. Countries are ranked in ascending order of total score (middle and right-hand graphs). The red dot represents the level in 2009.  
 \* EA18, the 18-country euro area, excludes Bulgaria, Cyprus and Luxembourg. The euro area average is calculated using a simple arithmetic mean.

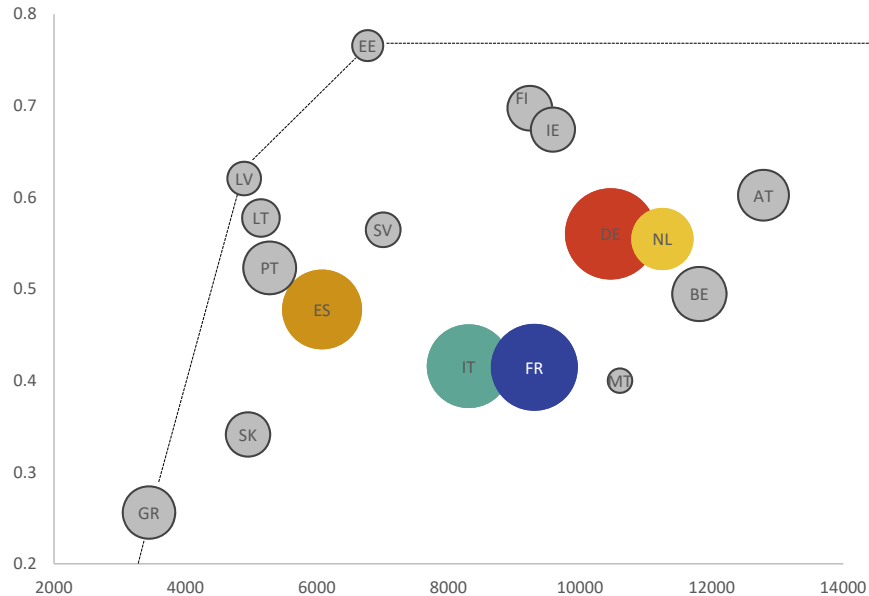
- France's aggregate PISA score has been trending downwards, driven particularly by mathematics and reading skills. The sharper decline observed in 2022 is common to most OECD countries and is linked to the pandemic.
- France, which was above euro area average in 2009, was slightly below the average for euro area countries in 2022, and well behind the top-performing education systems. The best education systems in Europe have low educational inequality and offer

teachers relatively high levels of pay, qualifications and expectations compared with the OECD average. They also typically feature a greater degree of pedagogical autonomy. Countries such as Estonia, Finland and Ireland appear to be close to the efficiency frontier between spending levels and educational attainment (see next slide).

# DECLINING EDUCATIONAL PERFORMANCE DESPITE RELATIVELY HIGH PUBLIC SPENDING PER STUDENT

## Educational performance of a sample of euro area countries, by spending per student

(x-axis, public spending on education per student in 2022, in euro; y-axis, educational performance score, from 0 to 1)



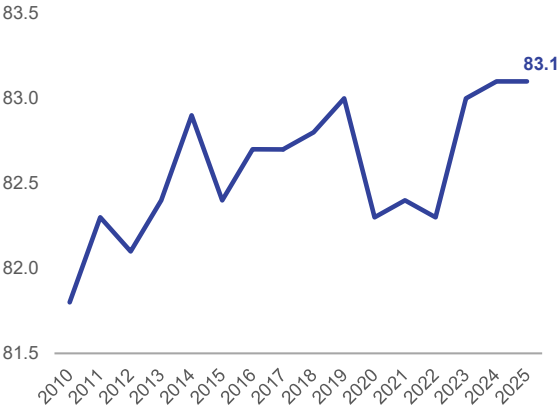
Source: Internal Banque de France study (unpublished).

Methodology: The educational performance score is constructed using 25 international public indicators (PISA 2022, TIMSS 2019, Eurostat), grouped into four equally weighted objectives: average educational attainment, academic excellence, educational equality and school well-being, and integration into working life. It covers 17 euro area countries. For each country, the efficiency frontier compares the level of public spending on education with the results achieved. It connects the countries that achieve the best results observed for a given level of spending. As with any composite indicator, the results depend on the choice of weighting, in other words the relative importance assigned to each of the four objectives. The relative positions of the major countries remain stable, however, under different parameters.

- According to the composite educational performance score (calculated by the Banque de France), France ranks towards the bottom of the European average and forms part of a group of Latin countries (Italy, Spain, Portugal) that has fallen behind the leading group made up of Finland, Ireland and Estonia. It falls short of the average for the reconstructed euro area by around 7 points, despite spending more than the European median at around EUR 9,300 per student per year.
- France's decline is mainly due to poor results in the 2019 Trends in International Mathematics and Science Study (TIMSS). It is also due to a sharp deterioration in the climate at school (students' reported feeling of safety and sense of belonging in the 2022 PISA survey) and in educational mobility (illustrated by the performance gap between advantaged and disadvantaged students).
- Conversely, France remains capable of producing high-achieving students. However, this strength does not offset the overall score.

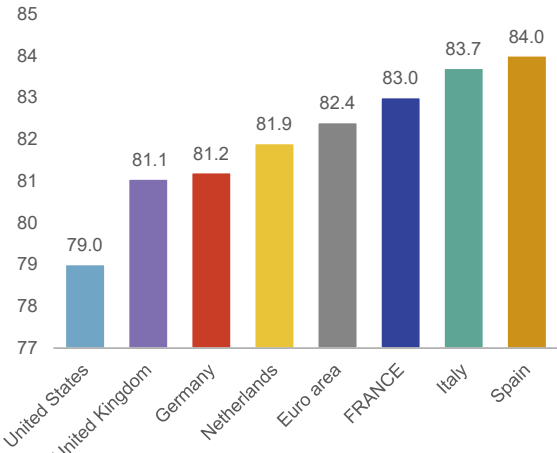
# HEALTH – LIFE EXPECTANCY IS UP AND ABOVE THE EUROPEAN AVERAGE

**Life expectancy at birth in France since 2010**  
(in years)



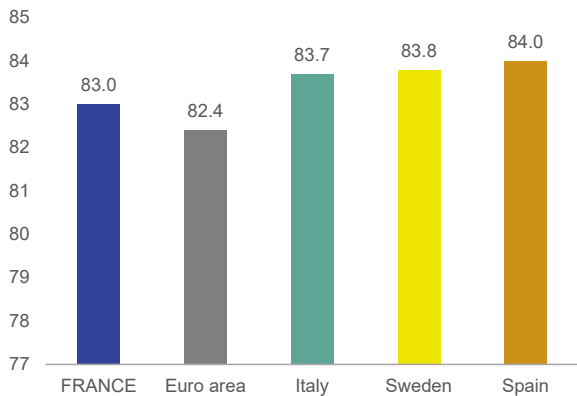
Sources: Eurostat, INSEE (national accounts – preliminary results for 2025).

**Life expectancy at birth in the main advanced economies in 2024** (in years)



Sources: Eurostat, CDC (United States), ONS (United Kingdom).

**Life expectancy at birth: France's position compared with the top-performing European countries in 2024** (in years)



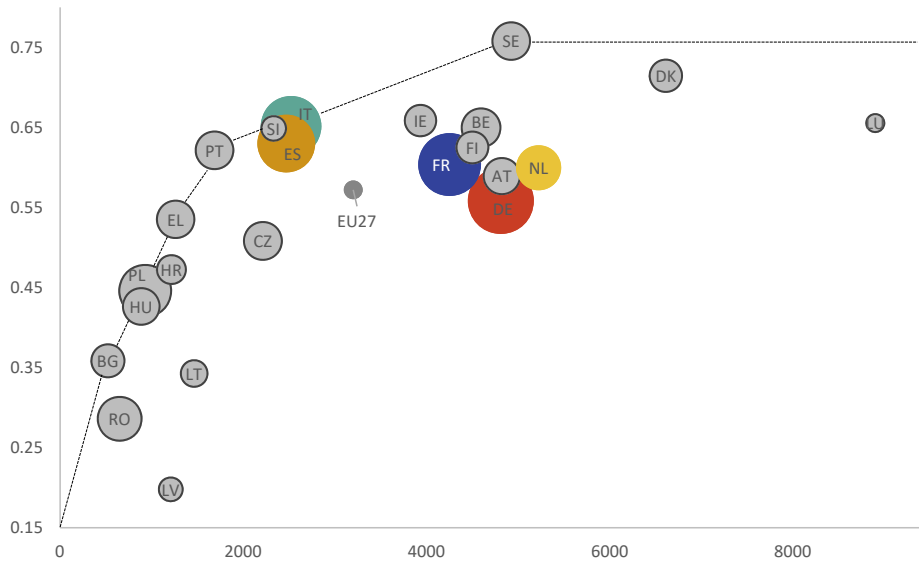
Source: Eurostat.

- In France, life expectancy at birth has increased by more than a year since 2010.
- French life expectancy is comparable to that of the top-performing European countries (Sweden, Spain, Italy) and around six months longer than the euro area average. The

United States is an outlier with life expectancy at birth almost three years shorter than the euro area average.

# HEALTH PERFORMANCE THAT RANKS IN EUROPE'S TOP HALF

Health system performance across a selection of European countries, relative to per capita expenditure (x-axis, public healthcare expenditure per capita in 2022, in euro; y-axis, health performance score, from 0 to 1)



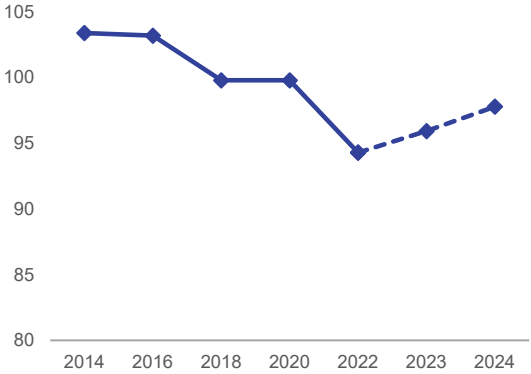
Source: Internal Banque de France study (unpublished).

Methodology: The health performance score is constructed using 26 international public indicators (Eurostat; OECD, *Health at a Glance*; WHO), grouped into four equally weighted objectives: final health outcomes, access to care and financial protection, clinical quality and efficiency, and prevention and resilience. It covers 24 European countries. For each country, the efficiency frontier compares the level of public health expenditure with the results achieved. It connects the countries that no other country simultaneously outperforms in terms of both score and expenditure, i.e. those that achieve the best observed outcomes for a given level of expenditure. As with any composite indicator, the results depend on the choice of weighting choice, in other words the relative importance assigned to each of the four objectives. The relative positions of the major countries remain stable, however, under different parameters.

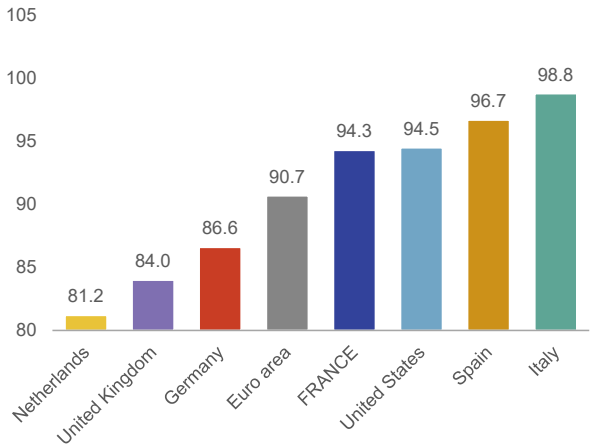
- According to the composite health performance score (calculated by the Banque de France), France ranks in the top half of European countries, with a positive gap of around 4 points compared with a reconstructed European Union average, with per capita public healthcare expenditure of approximately EUR 3,700 in 2022. It ranks below a group of northern European countries (Sweden, Denmark, Ireland, Belgium), on a par with Italy, Spain and Slovenia, and significantly ahead of Germany, Portugal and Central and Eastern Europe in general.
- France's strength lies in particular in life expectancy at birth and at age 65, and so-called "treatable" mortality – that is, deaths that can be prevented through healthcare interventions – where France ranks among the top countries in Europe. Financial protection is among the best in the sample, with particularly low out-of-pocket expenses falling on households. Alongside these positive aspects, France lags behind in terms of clinical quality and efficiency (high antibiotic consumption, relative under-resourcing of advanced imaging) and in terms of effective access to care (medical density, households reporting unmet healthcare requirements).
- When measured against its per capita expenditure, France achieves around 83% of the theoretically achievable score at the European efficiency frontier. It belongs to a group of countries (Germany, the Netherlands, Austria, Denmark) that achieve a comparable score for equivalent or higher expenditure.

# RETIREMENT – THE INCOME OF SENIORS RELATIVE TO THE POPULATION AS A WHOLE IS HIGHER IN FRANCE

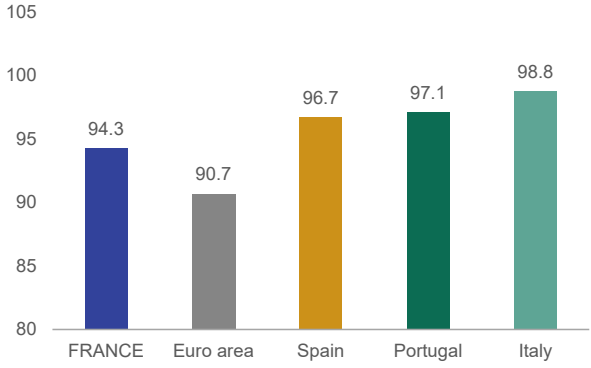
**Relative disposable income of seniors in France since 2014**  
(% of average disposable income)



**Relative disposable income of seniors in the main advanced economies in 2022**  
(% of average disposable income)



**Relative disposable income of seniors: France's position compared with European countries with the highest relative disposable income of seniors in 2022** (% of average disposable income)



Source: OECD (*Pensions at a Glance*), Eurostat.  
Notes: Average disposable income of those aged 66 and over relative to the average disposable income of the total population since 2010. Only the years 2014, 2016, 2018, 2020 and 2022 are shown, as no further data are available. Updated for 2023 and 2024 using Eurostat data.

Source: OECD (*Pensions at a Glance*).  
Notes: Average disposable income of those aged 66 and over relative to the average disposable income of the total population in 2022. For the euro area, weighted average of the euro area countries according to their share of euro area GDP.

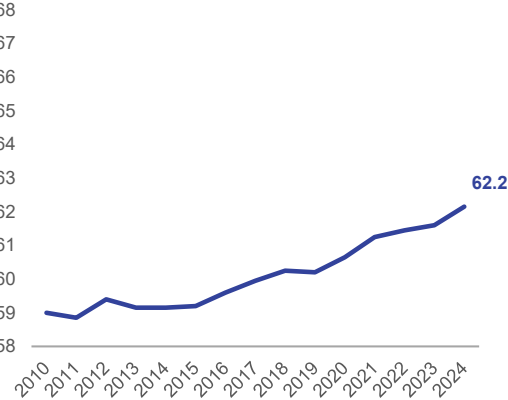
Source: OECD (*Pensions at a Glance*).  
Notes: Average disposable income of people aged 66 and over relative to the average disposable income of the total population in 2022. For the euro area, weighted average of the euro area countries based on their share of euro area GDP.

- Disposable income (adjusted for household size) includes income from paid employment and self-employment, assets and public transfers, net of personal income tax and social security contributions.
- According to the latest report from the *Conseil d'orientation des retraites* (COR, the French Pensions Advisory Council), the decline in the relative income of seniors in France since 2017 is linked in particular to a rise in the income of the working population due to various tax measures (such as the activity bonus) and to the falling unemployment rate. According to the COR, taking imputed rents into account raises

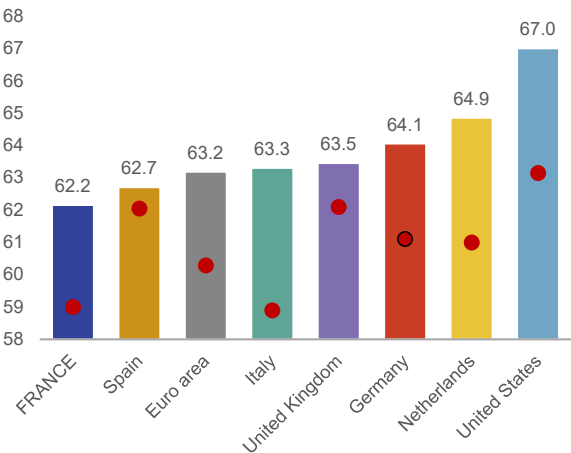
- pensioners standard of living to 105% of the average for the population as a whole.
- The Netherlands, and to a lesser extent the United Kingdom and Germany, are outliers, with lower relative incomes for seniors. The relative income of seniors in France, which is comparable to the United States in this respect (although the latter has a significantly later retirement age), is higher than the European average.

# RETIREMENT – THE EFFECTIVE RETIREMENT AGE HAS RISEN IN FRANCE IN RECENT YEARS BUT IS STILL AMONG THE LOWEST

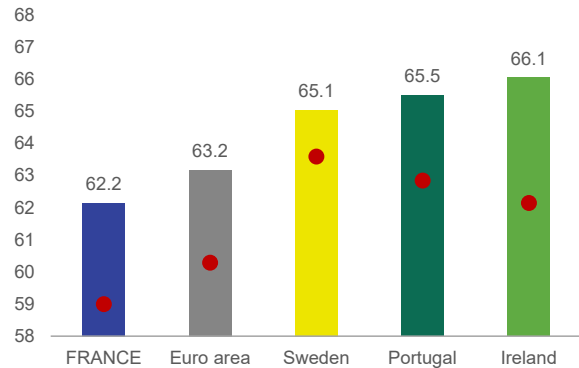
Effective age of exit from the labour market in France since 2010 (in years)



Effective age of exit from the labour market in the main advanced economies in 2024 (in years)



Effective age of exit from the labour market: France's position compared with the highest retirement ages in Europe in 2024 (in years)



Source: OECD (*Pensions at a Glance*).  
Note: Average for men and women.

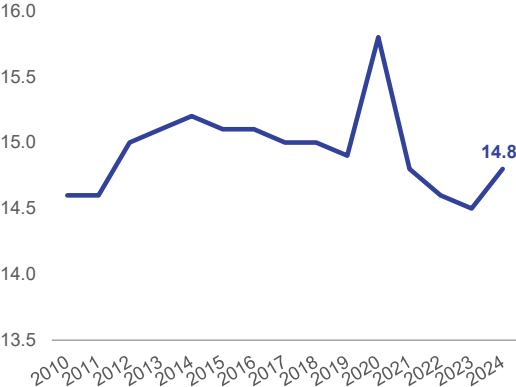
Source: OECD (*Pensions at a Glance*).  
Notes: The red dot represents the level in 2010. For the euro area, weighted average of euro area countries by share of the euro area population.

Source: OECD (*Pensions at a Glance*).  
Notes: The red dot represents the level in 2010. For the euro area, weighted average of euro area countries by share of the euro area population

- Since 2010, the effective age of exit from the labour market in France has risen by around three years (in line with the euro area average). Successive pension reforms in 2003, 2010, 2014, 2023 have gradually raised the effective retirement age, and thus the effective age of exit from the labour market.
- France's effective age of exit from the labour market is one year lower than the euro area average, two years lower than Germany, nearly three years lower than the Netherlands and almost five years lower than the United States.
- Other European countries have notably higher statutory minimum retirement ages than France and/or pension adjustment schemes that provide greater incentives to work longer.

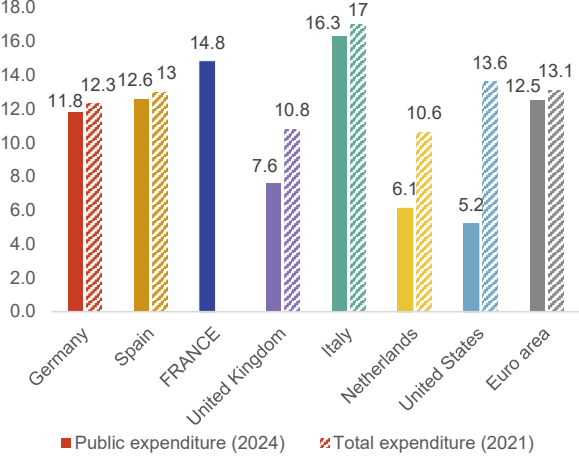
# RETIREMENT – FRANCE STANDS OUT IN TERMS OF ITS HIGH LEVEL OF PENSION EXPENDITURE, CONTRIBUTING TO THE SIGNIFICANT WEIGHT OF PUBLIC EXPENDITURE

Public pension expenditure in France since 2010 (% of GDP)



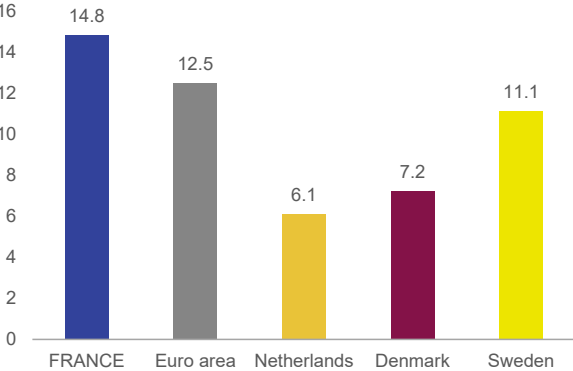
Source: Eurostat.

Public and total pension expenditure in the main advanced economies (% of GDP)



Sources: Eurostat for public pension expenditure for euro area countries in 2024, OECD for total pension expenditure in 2021 and public pension expenditure in the United States and the United Kingdom in 2024.  
 Note: For France, total pension expenditure is very close to public pension expenditure. However, depending on the source used, these data are based on different methods and scopes, and are therefore not comparable. Consequently, total pension expenditure in France in 2021 is not shown.

Public pension expenditure: France's position compared with the top-performing European countries in 2024 (% of GDP)



Source: Eurostat.

- In France, public pension expenditure has exceeded 14% of GDP since 2010. In 2024, public pension expenditure as a percentage of GDP was 2.3 percentage points of GDP higher than the euro area average.
- The European countries with the best pension expenditure performance adjust the statutory retirement age in line with life expectancy; the effective age of retirement in

these countries is now close to 65. Some countries, such as the Netherlands and Denmark, have a dual pension system with a significant private component (funded retirement savings).

# CHAPTER 4: PUBLIC FINANCES

## Key performance indicators

Public debt



Public expenditure



Taxes and social security contributions



Public deficit



### Key



Performance above the European average



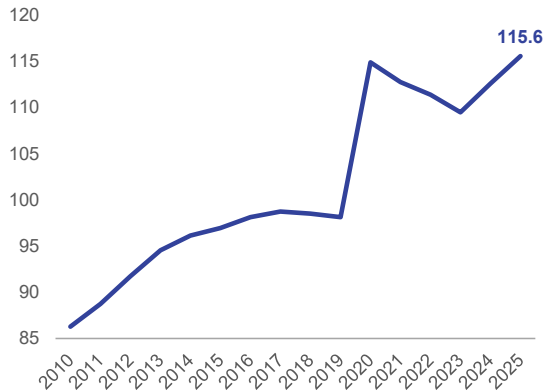
Performance in line with the European average



Performance below the European average

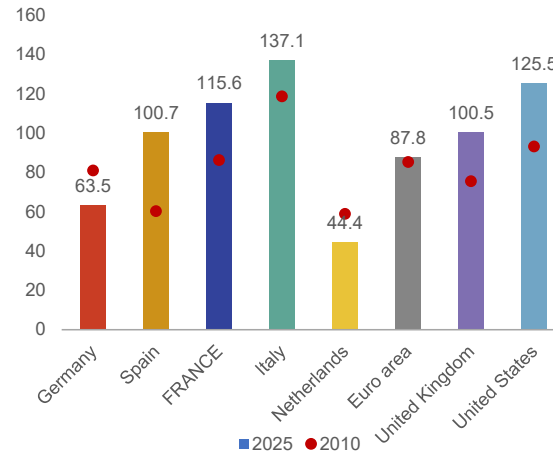
# FRANCE STANDS OUT FOR ITS HIGH AND STILL RISING PUBLIC DEBT RATIO

**Public debt ratio in France since 2010**  
(% of GDP)



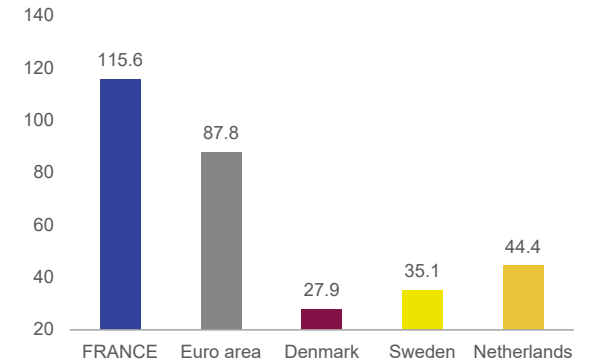
Source: Eurostat.  
Note: Public debt ratio as a percentage of total value added (in value terms).

**Public debt ratio in the main advanced economies in 2025 and 2010**  
(% of GDP)



Sources: Eurostat, OECD for the United States and the United Kingdom.  
Note: Public debt ratio as a percentage of total value added (in value terms).

**Public debt ratio: France's position compared with the top-performing European countries in 2025**  
(% of GDP)



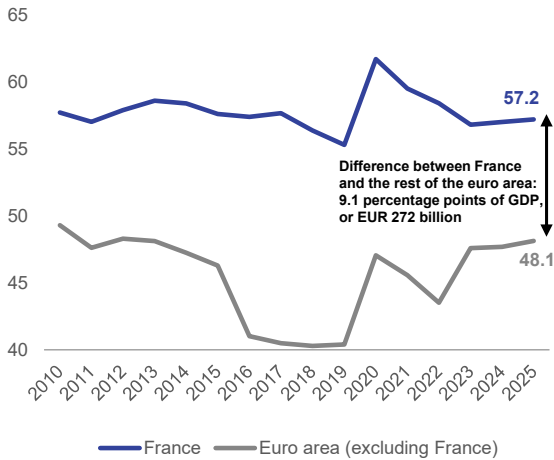
Sources: Eurostat.  
Note: Public debt ratio as a percentage of total value added (in value terms).

- In France, following the peak in 2020 at 115% of GDP, the public debt ratio has fallen slightly but not enough to return to its pre-crisis average level. It has been rising steadily since 2022 and is expected to exceed its 2020 peak in 2025 and reach 115.6% of GDP.
- Whilst the 2010s and 2020s were marked by peaks in public debt across all countries, Germany and the Netherlands managed to reduce their ratios between these two crises, whereas in France, Italy and the United Kingdom public debt ratios have risen steadily. In Spain, the rise in the debt ratio mainly occurred in the early 2010s.
- In the post-Covid period, France stands out from the euro area average by having a

- public debt ratio that is significantly higher in 2025 than in 2019 (up 17.4 percentage points compared with a 4.2 percentage point euro area average).
- Compared with our best-performing neighbours, the sharp rise in our public debt over the last fifteen years can be explained by the accumulation of our primary deficits (excluding the debt interest burden).

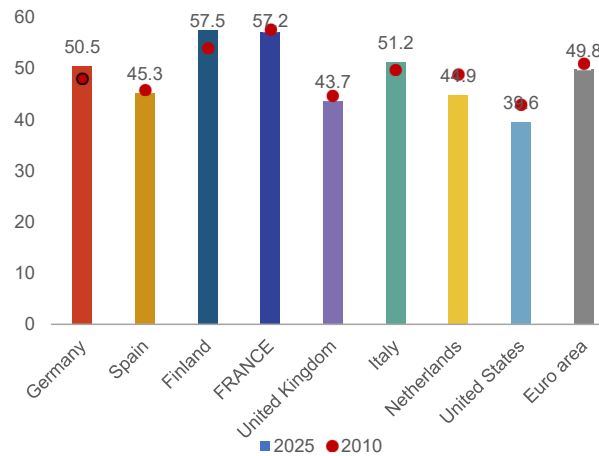
# FRANCE HAS ONE OF THE HIGHEST PUBLIC EXPENDITURE RATIOS IN THE EURO AREA, AND EVEN THE WORLD

Public expenditure ratio in France since 2010 (% of GDP)



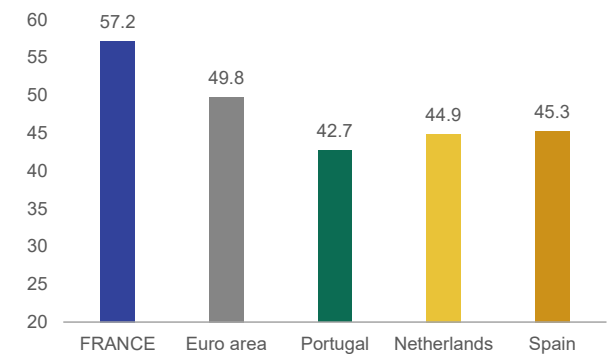
Source: Eurostat.  
Note: Public expenditure-to-GDP ratio.

Public expenditure ratio in the main advanced economies in 2025 and 2010 (% of GDP)



Sources: Eurostat, IMF (World Economic Outlook database) for the United Kingdom, OECD for the United States.  
Note: Public expenditure-to-GDP ratio.

Public expenditure ratio: France's position compared with the top-performing European countries in 2025 (% of GDP)



Source: Eurostat.  
Note: Public expenditure-to-GDP ratio.

- In France, the pandemic halted the initial decline in the public expenditure-to-GDP ratio that had begun before the crisis. The ratio remained at a high level, with France recording the second-highest ratio in the euro area (behind Finland at 57.5%), i.e. 9.1 percentage points of GDP higher than the euro area excluding France.
- Compared with its best-performing neighbours, France spends significantly more on

its pension and healthcare systems, as well as on other expenditure related to social protection and economic affairs.

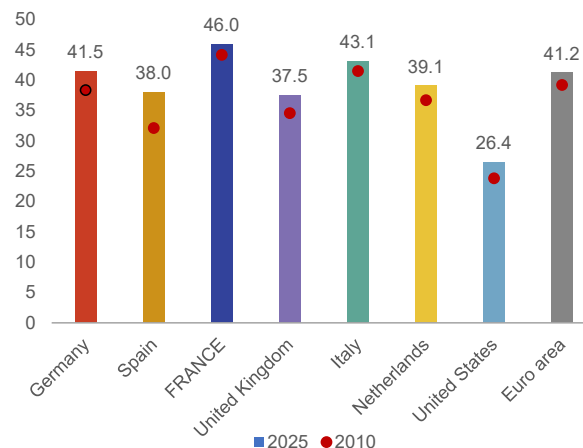
## AMONG THE HIGHEST TAX-TO-GDP RATIOS, DESPITE DECLINING SINCE THE LATE 2010s

Tax-to-GDP ratio in France since 2010



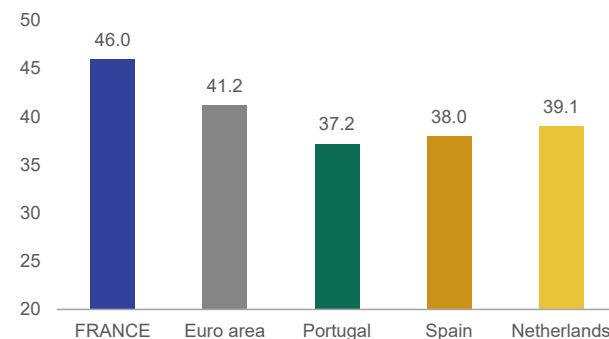
Source: INSEE (national accounts – preliminary results for 2025).  
Note: Tax and social security contributions as a proportion of total value added (in value terms).

Tax-to-GDP ratios in the main advanced economies in 2010 and 2025 (% of GDP)



Source: European Commission (AMECO database – November 2025).  
Note: Taxes and social security contributions are here understood to include imputed social security contributions and tax credits, in contrast to the definition used by INSEE.

Tax-to-GDP ratio: France's position compared with European countries with the lowest ratios in 2025 (% of GDP)



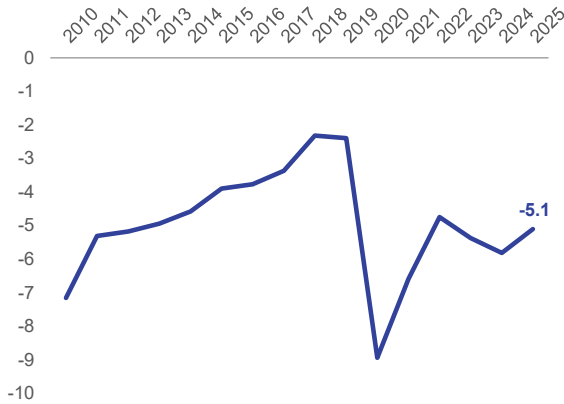
Source: European Commission (AMECO database – November 2025).

- According to INSEE, France's tax-to-GDP ratio peaked in 2017 at over 45% of GDP, and fell back to 43.6% of GDP in 2025, approximately 2 percentage points above its 2010 level.
- Along with its high public expenditure ratio, France has the highest tax and social security contributions rate in the euro area. Here, taxes and social security

- contributions are understood to include imputed social security contributions and tax credits, in contrast to the definition used by INSEE.
- Between 2022 and 2024, the relative decline in tax and social security contributions, combined with the absence of measures to control public expenditure, contributed to the widening deficits.

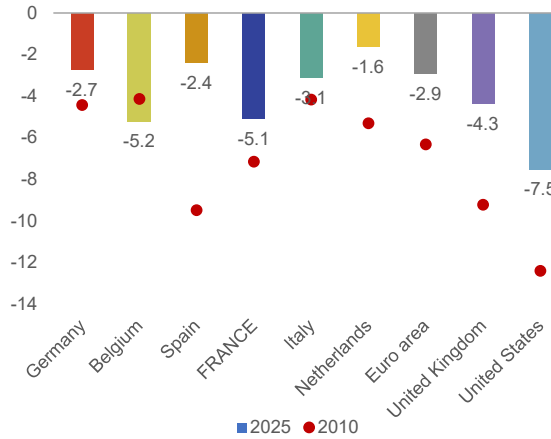
# THE HIGHEST PUBLIC DEFICIT RATIO IN THE EURO AREA TODAY, ALONGSIDE BELGIUM

**France's public deficit since 2010**  
(% of GDP)



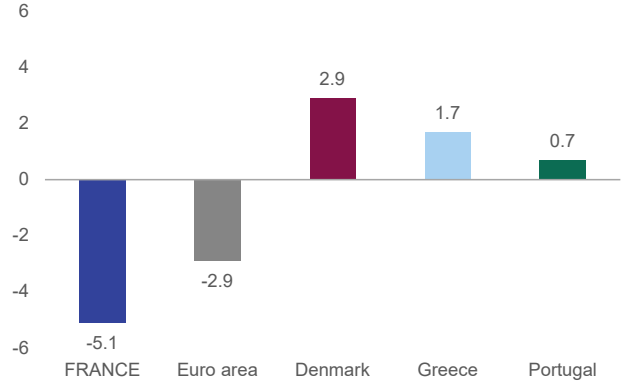
Source: Eurostat.  
Note: Total public deficit as a percentage of total value added (in value terms).

**Public deficits of the main advanced economies in 2010 and 2025**  
(% of GDP)



Sources: Eurostat, OECD for the United States and the United Kingdom.  
Note: Total public deficit as a percentage of total value added (in value terms).

**Public deficits and surpluses: France's position compared with the top-performing European countries in 2025**  
(% of GDP)



Sources: Eurostat.  
Note: Total public deficit as a percentage of total value added (in value terms).

- In 2025, France's public deficit ratio had not returned to its pre-Covid crisis level. It deteriorated in 2023 and 2024, as the energy crisis amplified the scissor effect on public finances, and recovered slightly in 2025 to 5.1% of GDP.
- The euro area countries (Spain, Greece, Ireland, Italy, Portugal) that were hardest hit by the sovereign debt crisis at the start of the previous decade have since significantly reduced their public deficits, and some are now even running surpluses (Greece, Ireland, Portugal).
- France's public deficit for 2025 is further from its 2019 level compared with the euro area average (a widening of 2.7 percentage points versus 2.4 percentage points for the euro area).

# CHAPTER 5: COMPETITIVENESS AND EXTERNAL ACCOUNTS

## Key performance indicators

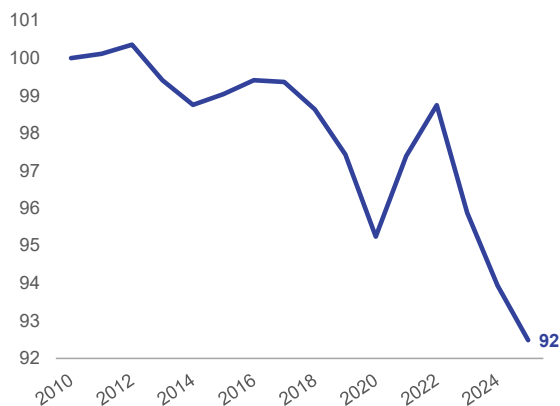
Cost competitiveness	●
Export performance	●
Current account balance	●
Net international investment position	●
Attractiveness	●
Net lending position	●

### Key

- Performance above the European average
- Performance in line with the European average
- Performance below the European average

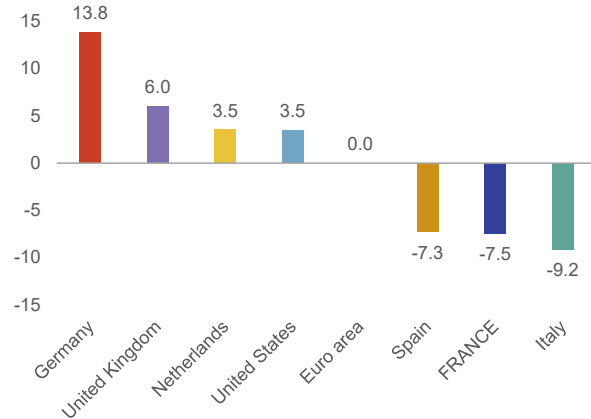
# IMPROVING COST COMPETITIVENESS DUE TO WAGE MODERATION, PARTICULARLY IN RECENT YEARS

**French unit labour cost (ULC) relative to the euro area since 2010**  
(base 100 = 2010)



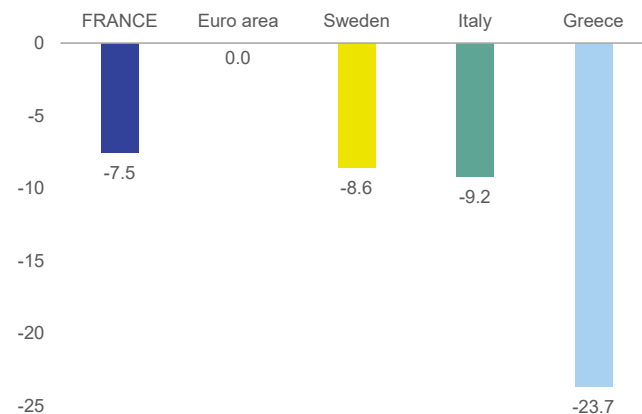
Source: Eurostat, Banque de France calculations.  
Note: Unit labour costs (ULC) are calculated as labour costs per employee relative to labour productivity.

**Cumulative difference in unit labour cost relative to the euro area in the main advanced economies**  
(cumulative change 2010-25, %)



Source: Eurostat, Banque de France calculations.  
Note: Data for the United States and the United Kingdom in local currency.

**Cumulative difference in unit labour cost: France's position compared with the European countries that have gained the most in competitiveness** (cumulative change 2010-25, %)

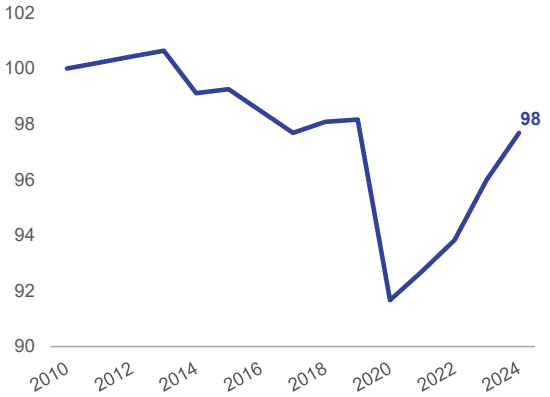


Source: Eurostat, Banque de France calculations.

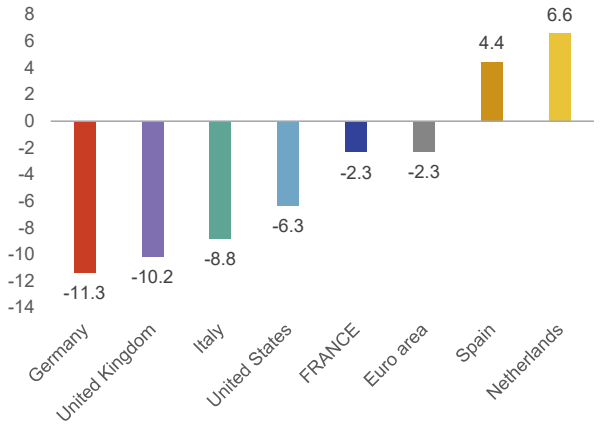
- Between 2010 and 2025, France gained 7.5 percentage points in cost competitiveness relative to the euro area as a whole, thanks to the decrease in its unit labour costs (ULC). This gain was most significant in recent years, notably due to France's lower wage inflation.
- By contrast, Germany, which had become more cost competitive during the 2000s, saw the sharpest rise in its ULC from 2010 onwards.
- The cost competitiveness of South European countries (Spain, Greece, Italy) has recovered since the sovereign debt crises of the 2010s.
- Outside the euro area, Sweden has gained in cost competitiveness through wage moderation, the depreciation of its currency, and the consolidation of high labour productivity.

# THIS HAS ENABLED FRANCE TO CONTAIN THE GENERAL TREND OF GRADUALLY ERODING EXPORT PERFORMANCE MORE EFFECTIVELY

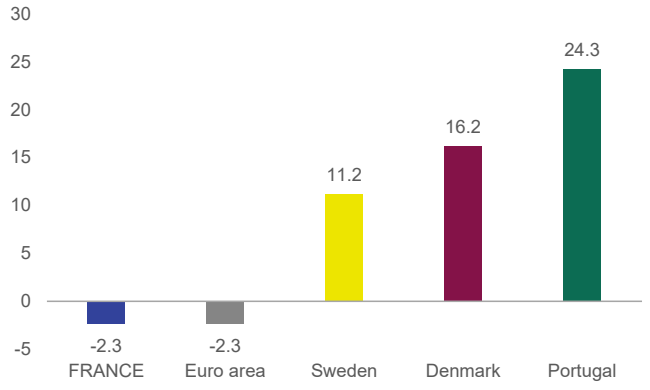
**French export performance since 2010**  
(base 100 = 2010)



**Export performance of the main advanced economies**  
(cumulative change 2010-24, %)



**Export performance: France's position compared with the top-performing European countries**  
(cumulative change 2010-24, %)



Source: European Commission (AMECO database).  
 Note: Export performance is measured as the ratio of a country's exports of goods and services (by volume) to the weighted sum of imports (weight according to their importance in the country's export markets) of its main trading partners. A ratio above 100 indicates a gain in market share, whilst a ratio below 100 indicates a loss. This indicator has the advantage of taking into account the geographical structure of exports.  
 Key: At 98 in 2024, France has lost 2% of market share since 2010.

Source: European Commission (AMECO database).  
 Note: Euro area, arithmetic mean of Germany, France, Italy, Spain and the Netherlands.  
 Key: Germany's export performance deteriorated by 11.3% between 2010 and 2024.

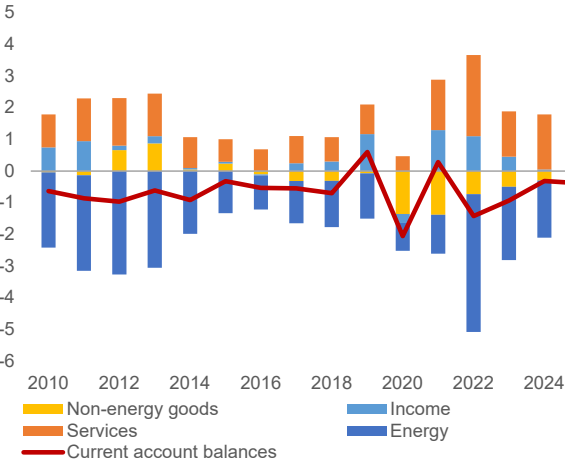
Source: European Commission (AMECO database).  
 Note: Euro area, arithmetic mean of Germany, France, Italy, Spain and the Netherlands.

- Like most other advanced economies, France has experienced a gradual erosion of its export performance since 2010, which even temporarily accelerated during the pandemic. However – consistent with the trend in its cost competitiveness – this decline has been less severe than the euro area average, and in particular, less severe than in Germany and Italy.
- France's deterioration in performance has been significantly less severe than that of

Germany, the United Kingdom or Italy. Conversely, some smaller countries have seen an improvement in their export performance, by combining recoveries in cost competitiveness (Sweden, Portugal during the euro area crisis) with innovation (Sweden and Denmark have developed an ecosystem particularly favourable to innovative firms).

# FRANCE HAS RETURNED TO A NEARLY BALANCED CURRENT ACCOUNT, IN CONTRAST TO LARGE SURPLUSES AMONG OUR EUROPEAN PARTNERS

France's current account since 2010 (% of GDP)



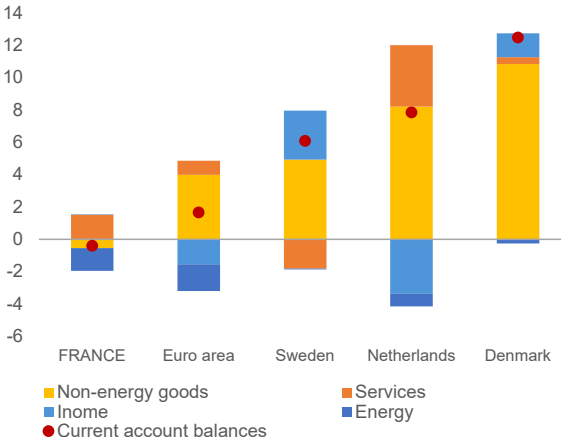
Sources: Banque de France, INSEE (national accounts – preliminary results for 2025).  
 Note: Annualised monthly data (2025). The current account balance is the difference between exports and income receivable and imports and income payable by residents. The income balance is in deficit if income receivable is less than income payable by residents.

Current accounts of the main advanced economies in 2025 (% of GDP)



Sources: OECD, IMF; Banque de France calculations.

Current account: France's position compared with the European countries with the largest surpluses in 2025 (% of GDP)



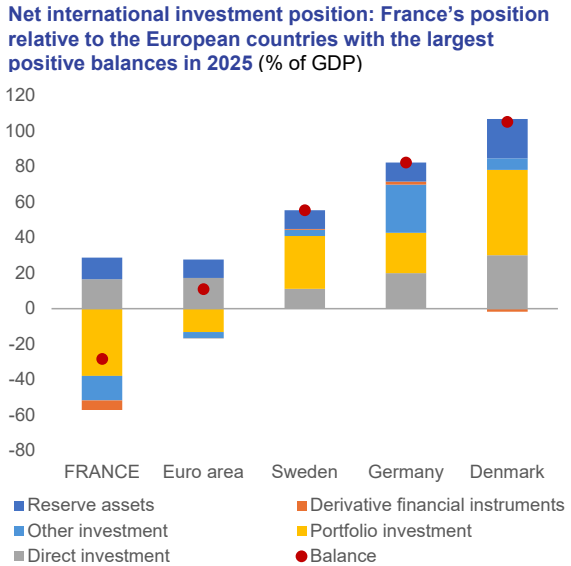
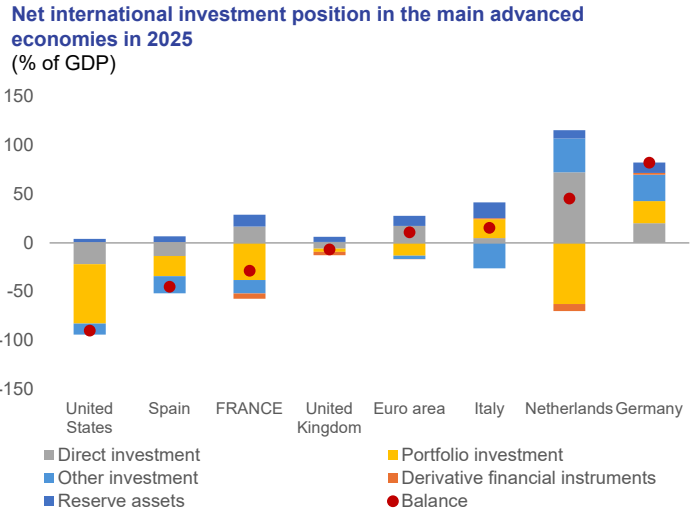
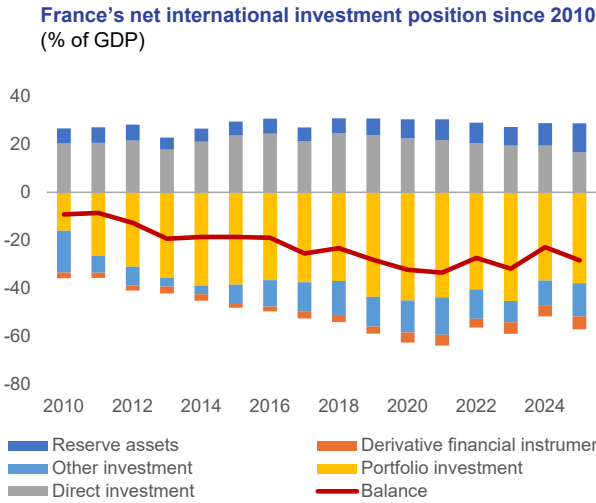
Sources: OECD, IMF; Banque de France calculations.

- Changes in the current account balance mainly reflect changes in the trade balance, to which the income balance is added. France's trade balance was continuously in deficit from 2010 to 2023, before returning to near-equilibrium in 2023-24, thanks to the reduction in the energy deficit and the maintenance of a large services surplus. The balance of goods excluding energy has remained in deficit since 2020. The income balance was almost always in surplus until 2024 but began to record a deficit in 2025 due to a deterioration in investment income caused by relative changes in interest rates between France and the rest of the world.
- Whilst the United States and the United Kingdom run large current account deficits (as a percentage of GDP), the euro area, by contrast, records a substantial surplus (1.8% of GDP). The euro area's trade balance is firmly positive, driven by Germany, the

Netherlands, Spain, Italy and Ireland. Unlike France, Germany and Italy run a surplus in their balance of goods excluding energy and a deficit in services.

- Denmark runs a particularly large surplus thanks to its very substantial exports of high-value products (notably pharmaceuticals) and its maritime activities. The Netherlands' large surplus is due to its role as a hub for re-export and its specialisation in agrochemicals, while Spain's surplus is primarily attributable to its tourism-driven service surpluses. Sweden has a very large surplus because it is a major exporter of high-value manufactured goods (machinery and vehicles), imports relatively little (particularly energy) and receives significant investment income from abroad, driven notably by large public pension funds.

# FRANCE'S NET INTERNATIONAL INVESTMENT POSITION IS STILL NEGATIVE



Sources: Banque de France, INSEE (national accounts – preliminary results for 2025).

Sources: OECD, IMF; Banque de France calculations. Note: Data as at Q3 2025 for the United States and the euro area.

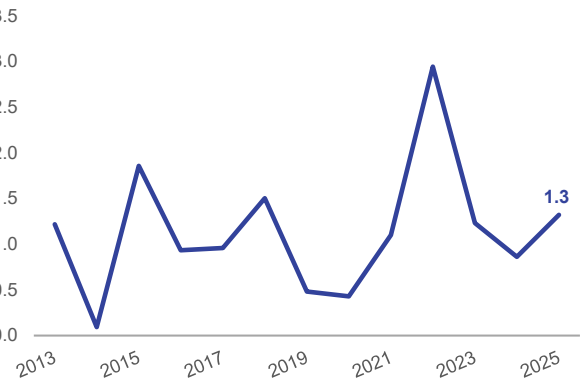
Sources: OECD, IMF; Banque de France calculations. Note: Data as at Q3 2025 for the euro area.

- The net international investment position (NIIP) is the difference between the assets held by a country's residents vis-à-vis the rest of the world and the financial claims held by the rest of the world vis-à-vis that country. It therefore represents a country's net financial wealth vis-à-vis the rest of the world and changes in line with the accumulation of current account balances and changes in the valuation of assets and liabilities (including exchange rate effects). France's position as a percentage of GDP became increasingly negative up to 2021, before improving slightly due mainly to valuation effects. The position is positive for direct investment but largely negative for portfolio investments.
- In 2025, Germany, the Netherlands, and to a much lesser extent Italy (as well as the

- euro area as a whole), recorded a positive NIIP. Despite its current account surpluses, Spain still has a largely negative international investment position, as it started from an excessively degraded position in the early 2010s.
- The US NIIP (close to -90% of GDP) is deteriorating further, as valuation effects are increasingly failing to offset the accumulation of current account deficits.
- Denmark, Germany and Sweden all record surplus positions across all items.

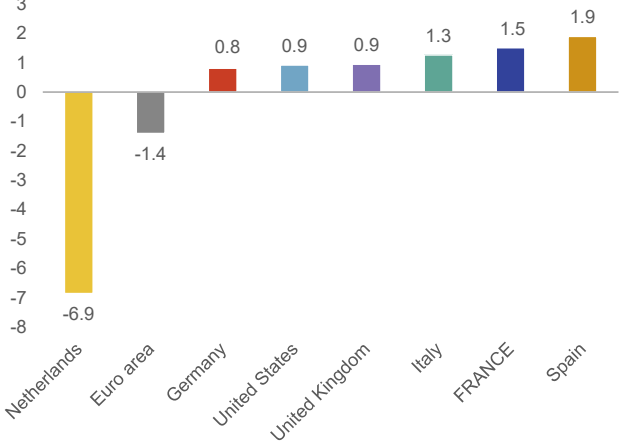
# FRANCE'S ATTRACTIVENESS FOR FOREIGN DIRECT INVESTMENT REMAINS ROBUST

**Net inflows of foreign direct investment into France since 2013**  
(% of GDP)



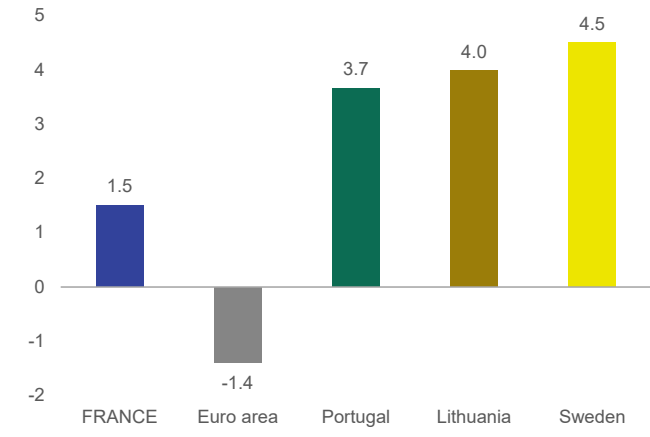
Sources: Banque de France, INSEE; Banque de France calculations.  
Note: For 2025, sum of Q4 2024 to Q3 2025. Series based on the BPM6 classification, available from 2013 onwards. Data exist for periods prior to 2013, but these are based on the previous classification or on back-cast series, with a level of detail and comparability that may differ.

**Net inflows of foreign direct investment into the main advanced economies**  
(3-year average, % of GDP)



Sources: OECD, IMF; Banque de France calculations.  
Note: Annualised average of the last 12 available quarters.

**Net inflows of foreign direct investment: France's position compared with the European countries with the largest positive balances**  
(3-year average, % of GDP)

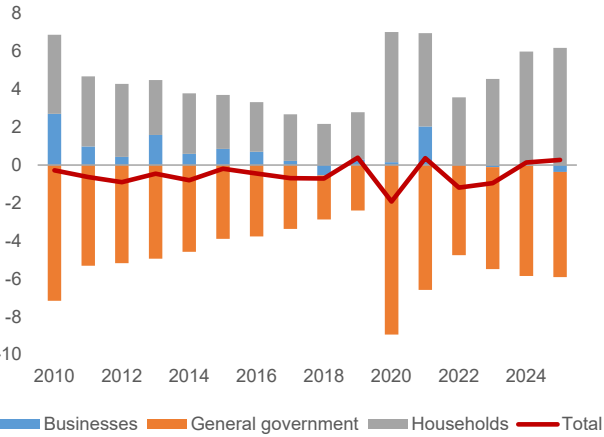


Sources: OECD, IMF; Banque de France calculations.  
Note: Annualised average of the last 12 available quarters.

- Over a three-year average, France ranks very highly in Europe, but remains less attractive than certain countries such as Sweden, Lithuania and Portugal.
- Their better performances are the result of common characteristics: smaller, more open economies, deeply integrated into European networks of multinational groups, with, in some cases, a significant weight of financial services or an already high degree of foreign ownership of capital.
- Furthermore, some countries, such as the Netherlands, may occasionally experience very negative net foreign direct investment (FDI) flows due to intra-group financial restructuring triggered in response to the tax environment.

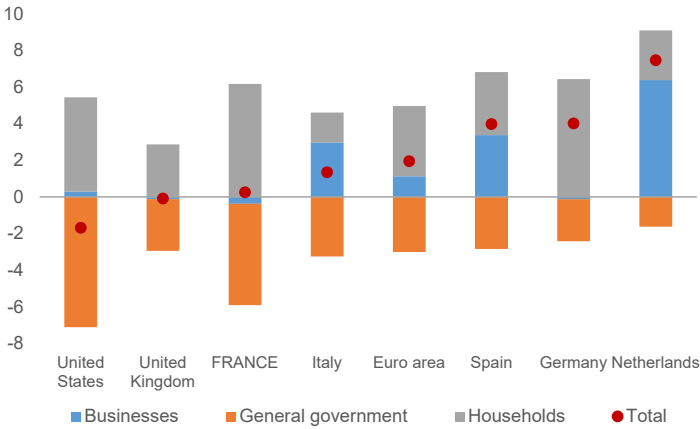
# IN BRIEF, PRIVATE SECTOR FINANCIAL SAVINGS ARE HIGHER THAN THE EUROPEAN AVERAGE, BUT ARE ENTIRELY ABSORBED BY THE PUBLIC DEFICIT

France's net lending position since 2010 (% of GDP)



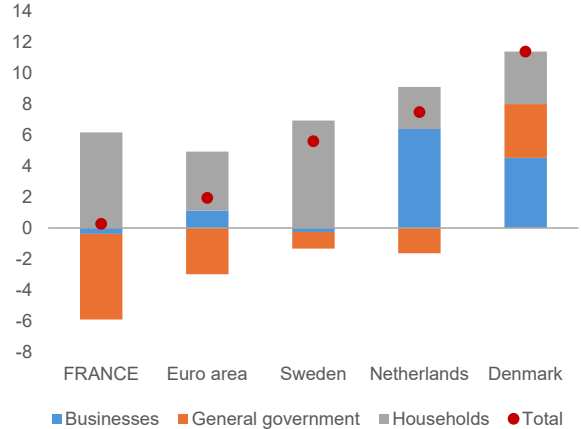
Sources: Eurostat, INSEE (national accounts – preliminary results for 2025).  
Note: For 2025, annualised quarterly data.

Net lending position of the main advanced economies in 2025 (% of GDP)



Sources: Eurostat, IMF; Banque de France calculations.  
Note: Annualised quarterly data.

Net lending position: France's position compared with European countries with the largest capacities in 2025 (% of GDP)



Sources: Eurostat, IMF; Banque de France calculations.  
Note: Annualised quarterly data.

- France's net lending position (or financial savings) represents the balance between the savings and investment of businesses, households and general government.
- France's net lending position was slightly negative or close to zero (barring Covid or energy shocks) between 2010 and 2025. However, this relative stability (as a percentage of GDP) masks two distinct periods: a simultaneous reduction in the private surplus and the public deficit up to 2019, followed by the opposite trend from 2020 onwards.
- France (just like the United States) differs from the euro area countries running a surplus not because of a weaker household net lending position, but because of a

- smaller corporate surplus and, above all, a much larger public deficit.
- The countries with the largest financing capacities have in common low public financing needs and significant savings surpluses among businesses (the Netherlands, Denmark) and/or households (Sweden).

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