

**EXECUTIVE  
BOARD  
MEETING**

SM/20/175  
Supplement 3

January 11, 2021

To: Members of the Executive Board

From: The Secretary

Subject: **France—Staff Report for the 2020 Article IV Consultation—Revised Draft Press Release**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
Tentative Board Date:	<b>Wednesday, January 13, 2021</b>
Publication:	Yes*
Additional Information:	The text and the table in the press release have been revised to ensure consistency with staff's economic projections included in staff's supplementary information (SM/20/75, Sup. 2, 1/8/21).
Questions:	Mr. Franks, EUR (ext. 36347) Mr. Gruss, EUR (ext. 37516) Mr. Weber, EUR (ext. 39639) Ms. Patnam, EUR (ext. 30485)

**\*Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the revised draft press release will be published.**





## IMF Executive Board Concludes 2020 Article IV Consultation with France

FOR IMMEDIATE RELEASE

WASHINGTON, DC – January 13, 2021

On January 13, 2021, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with France.

The French economy entered 2020 in a broadly balanced cyclical position, with a largely closed output gap and falling unemployment. However, several long-standing challenges persisted, including high public and private debt, sluggish productivity growth, and inequality of opportunities. The Covid-19 pandemic triggered a health and economic crisis which exacted a heavy health toll, leaving France among the most-affected countries in the world.

To contain the spread of the virus, the government introduced containment measures, including national lockdowns in Spring and Fall. GDP contracted by about 19 percent (y-on-y) in the first half of 2020. A rebound after the economy's first reopening was followed by a new dip under a second lockdown. Overall, growth is expected to have contracted by around 9 percent for the year. Inflation trended down, driven by the fall in oil prices and decelerating core inflation. The financial sector underwent a short period of turbulence in the first quarter of 2020 but has weathered the crisis well since then, supported also by a range of prudential and monetary measures.

To address the crisis, the government put in place a large fiscal package, including an expansion of the short-time work scheme, grants for small firms and self-employed, and public guarantees for bank loans to firms. Additional recovery measures over the coming years are focused on the green and digital transformation of the economy, employment support, and boosting firms' competitiveness.

Growth in 2021 is forecast at 5½ percent, but medium-term output will remain below the pre-crisis trend as impaired balance sheets and higher unemployment weigh on activity. Risks to the forecast are large and dominated by the virus dynamics.

### Executive Board Assessment<sup>2</sup>

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

<sup>2</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings-up can be found here:

<http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

Table 1. France: Selected Economic Indicators, 2018-21

			Projections	
	2018	2019	2020	2021
<b>Real economy (change in percent)</b>				
Real GDP	1.8	1.5	-9.0	5.5
Domestic demand	1.4	1.7	-7.4	5.5
Foreign balance (contr. to GDP growth)	0.4	-0.2	-1.6	-0.1
CPI (year average)	2.1	1.3	0.5	0.7
GDP deflator	1.0	1.2	2.3	0.3
<b>Public finance (percent of GDP)</b>				
General government balance	-2.3	-3.0	-10.6	-7.7
Revenue	53.4	52.6	52.6	52.7
Expenditure	55.7	55.6	63.2	60.3
Primary balance	-0.7	-1.6	-9.3	-6.5
Structural balance (percent of pot. GDP)	-1.7	-2.0	-3.8	-4.7
General government gross debt	98.1	98.1	115.3	117.6
<b>Labor market (percent change)</b>				
Employment	0.6	0.7	-1.3	-1.0
Labor force	0.2	0.0	-1.0	0.9
Unemployment rate (percent)	9.0	8.5	8.7	10.4
<b>Credit and interest rates (percent)</b>				
Growth of credit to the private non-financial sector	5.5	5.3	8.0	3.4
Money market rate (Euro area)	-0.4	-0.4	...	...
Government bond yield, 10-year	0.8	0.1	...	...
<b>Balance of payments (percent of GDP)</b>				
Current account	-0.6	-0.7	-2.1	-1.6
Trade balance of goods and services	-1.0	-1.0	-1.8	-1.7
Exports of goods and services	33.0	32.8	28.0	27.2
Imports of goods and services	-34.0	-33.9	-29.8	-28.9
FDI (net)	2.4	0.2	0.6	0.8
Official reserves (US\$ billion)	66.1	69.7	...	...
<b>Exchange rates</b>				
Euro per U.S. dollar, period average	0.85	0.89	...	...
NEER, ULC-styled (2005=100, +=appreciation)	98.2	97.1	...	...
REER, ULC-based (2005=100, +=appreciation)	92.6	90.4	...	...
<b>Potential output and output gap</b>				
Potential output (change in percent)	1.0	1.0	-4.3	4.0
<i>Memo: per working age person</i>	1.1	1.1	-4.2	4.1
Output gap	-0.5	0.0	-4.9	-3.6

Sources: Haver Analytics, INSEE, Banque de France, and IMF Staff calculations.