

## 2.7. FRANCE

After rebounding strongly in the third quarter (+3.1%), GDP growth slowed down in the fourth quarter of 2021 (+0.7%) in a context of important supply bottlenecks and rising energy prices, leaving real GDP growth for 2021 as a whole at 7%. The slight tightening of restrictions and the labour absenteeism resulting from the rise in infections are set to impact activity, in particular services, during the beginning of 2022. However, the high vaccination rate should prevent further restrictions, allowing GDP growth to remain slightly positive in the first quarter of 2022 (+0.1%), and to increase as of the second quarter (+0.6%) as the COVID-19 wave gradually subsides. In the second half of the year, activity is expected to accelerate thanks to improving international trade, the recovery of tourism and the deceleration in inflation, before gradually returning to potential growth in 2023. Overall, annual GDP is forecast to increase by 3.6% in 2022 and 2.1% in 2023.

After rebounding in the second half of 2021 to reach its pre-crisis level, private consumption is expected to quasi-stagnate in the first quarter of 2022. It is, however, set to accelerate sharply as from 2022-Q2 thanks to the lifting of the last restrictions and the dynamism of the employment, bringing the saving rate gradually back to its pre-crisis level. Despite being held back by supply disruptions (affecting both construction and equipment) since mid-2021, investment is expected to remain robust over the forecast horizon as it continues to be supported by the RRF and favourable financing conditions. Net exports are forecast to contribute positively to growth throughout 2022 and 2023, supported by the rebound of tourism and the gradual recovery of transport equipment (both aircraft and ships).

HICP sharply accelerated in the last quarter of 2021 (+3.3%), mainly driven by energy prices. In the coming quarters, the increase in regulated electricity prices to households – although capped to +4% as of February, will further feed inflation even in case of decelerating wholesale energy prices. In addition, the delayed transmission of energy prices to firms along the whole value chain and the still important supply shortages are expected to push consumer prices further up. Inflation is forecast to decelerate below 2% only in the fourth quarter of 2022, mainly driven by important base effects coming from energy prices. In 2023, inflation in industrial goods is set to decrease thanks to the easing of supply disruptions. In turn, prices of services are expected to accelerate as a consequence of wage increases supported by past inflation and labour shortages. Overall, HICP is forecast to increase by 2.8% in 2022 and 1.7% in 2023.

