Flash Economics

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France: when did the drop-out start and why?

We compare France with the euro zone as a whole, in terms of trends since 1999:

- Public spending, tax burden and fiscal deficit ;
- The weight of industry in the economy ;
- The rate of business investment (total and in new technologies), labour productivity, and corporate R&D spending;
- The employment rate, the unemployment rate (for young people, the over-60s, the population as a whole);
- The skills of young people and adults;
- The trade balance.

We can see that France is falling behind all the countries in the euro zone, more often than not since 2008.

There are several reasons for this:

- since 2008, the fall in productivity and the decline in corporate research and development ;
- since 2012, the increase in the tax burden on businesses;
- since 2008, the decline in the weight of industry;
- since 2015, the fall in the employment rate relative to other euro zone countries, which can be linked to the decline in the skills of young people and adults;
- since 2006 or 2010, the deterioration in the trade balance.

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When did France start to fall behind the euro zone as a whole?

Numerous comparisons (the Draghi Report, the Letta Report) have been made between the United States and the European Union. Here we want to ask **whether France has fallen behind the euro zone as a whole**, in the same way that the European Union has fallen behind the United States.

To do this, we examine:

- the weight of public spending, the tax burden and the fiscal deficit;
- the weight of industry in the economy;
- the rate of investment (total and in new technologies), labour productivity and corporate R&D spending;
- the employment rate (for different age groups), the unemployment rate;
- the skills of young people and adults.

Public spending, tax burden and fiscal deficit

Public spending, the tax burden and fiscal deficits have been higher in France since the early 2000s (**Charts 1a, b, c, d**). **The public debt ratio** has been **higher in France** than in the rest of the euro zone since 2014 (**Chart 1e**). **The tax burden** on corporates **has been rising in France since 2012** (**Chart 1c**).

Chart 1A
Public spending (as % of nominal GDP)

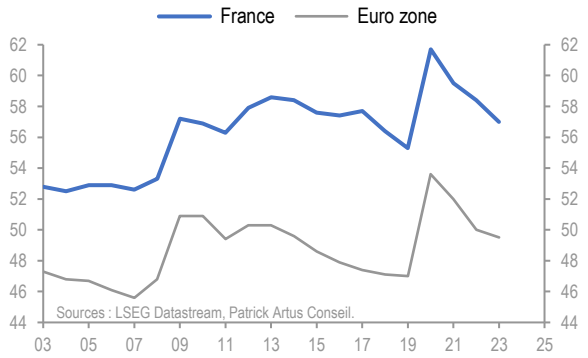


Chart 1B
Tax burden (as % of nominal GDP)

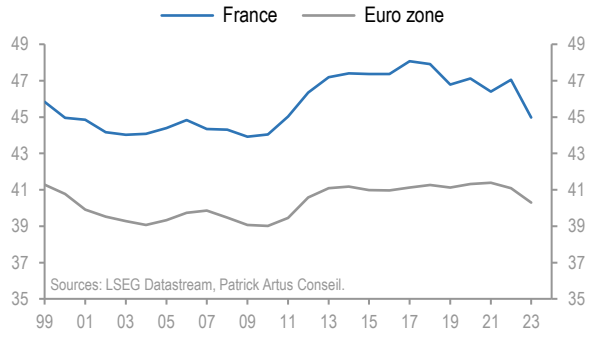


Chart 1C
Employer's social contributions, taxes on production and taxes on income paid by corporations (as % of nominal GDP)

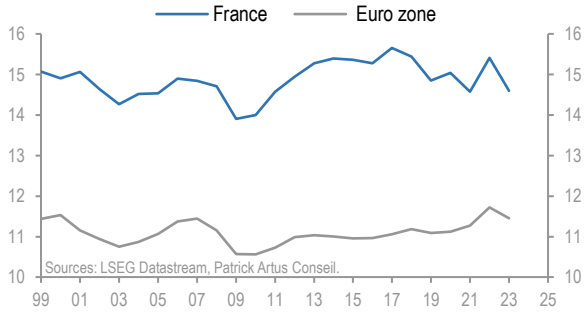


Chart 1D
Fiscal deficit (as % of nominal GDP)

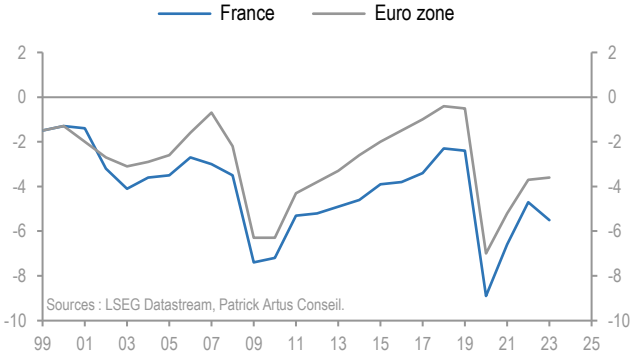
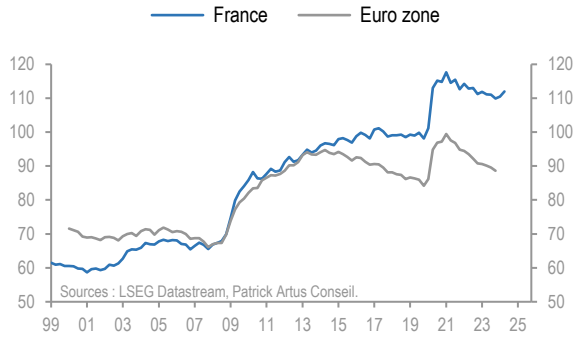


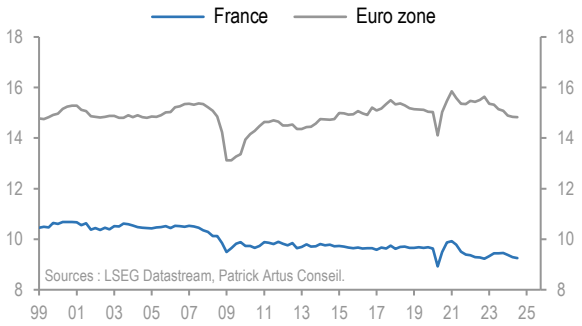
Chart 1E
Public debt (as % of nominal GDP)



Weight of industry in the economy

Chart 2 shows the weight of the manufacturing industry in GDP (in volume).

Chart 2
Real value added in manufacturing
(as % of real GDP)



This chart shows that the weight of industry has been stable on average in the euro zone since the end of the 1990s, whereas it has been falling in France since 2008.

Investment, productivity and R&D

Chart 3a shows the rate of corporate investment in value as a percentage of GDP, Chart 3b shows the rate of investment in new technologies excluding software as a percentage of GDP, Chart 3c shows labour productivity, and Chart 3d shows the level of corporate R&D expenditure as a percentage of GDP.

Chart 3A
Investment of non-financial corporations in value terms (as % of nominal GDP)

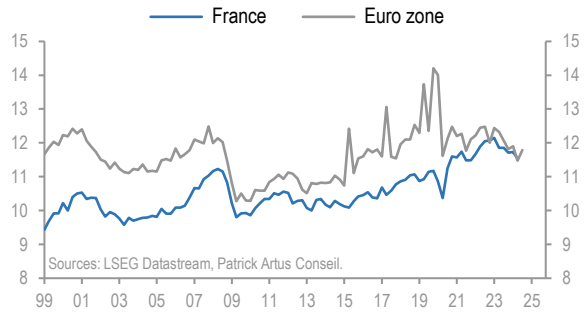


Chart 3B
Investment in information and communication technologies excluding software
(in value terms, as % of nominal GDP)

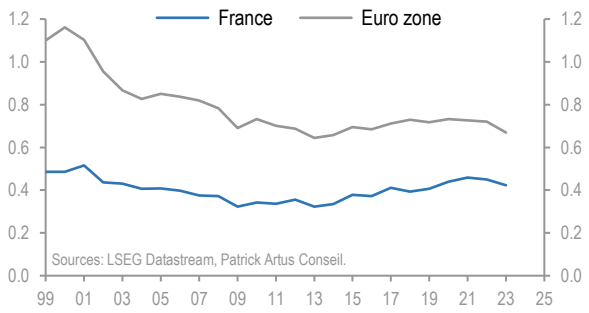


Chart 3C
France: Productivity per head (1999.Q1 = 100)

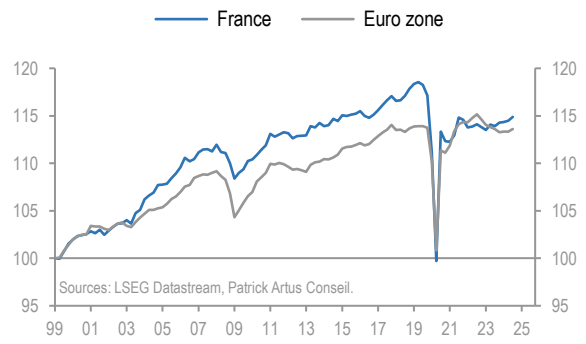
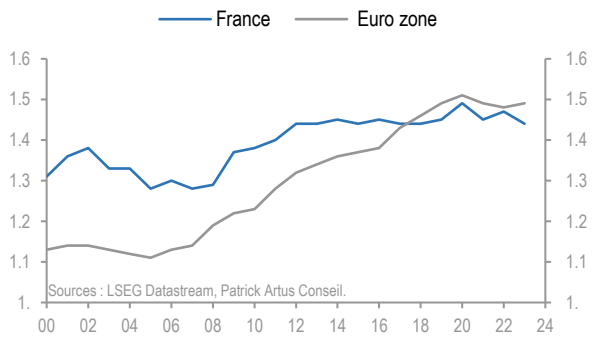


Chart 3D
Corporate R&D spending (as % of nominal GDP)



We can see that relative to the rest of the euro zone, **the rate of investment, R&D spending and labour productivity have been falling since 2008**. The rate of investment in new technologies is consistently lower in France than in the rest of the euro zone.

Employment and unemployment rates

Chart 4a shows the employment rate of the population aged 15 to 64 in France and the euro zone, **Chart 4b** the employment rate of the population aged 15 to 24, **Chart 4c** the employment rate of the population aged 25 to 29 and **Chart 4d** the employment rate of the population aged 60 to 64.

Chart 4A
Employment rate of population aged 15 to 64 (as %)

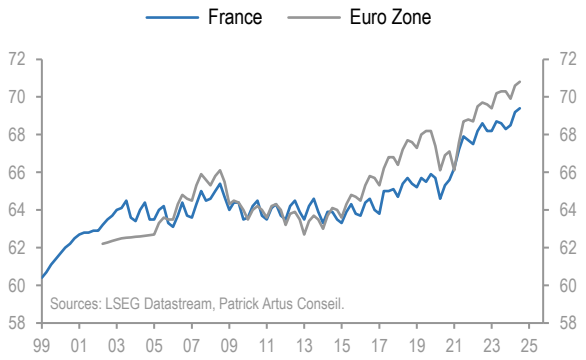


Chart 4B
Employment rate of population aged 15 to 24 (as %)

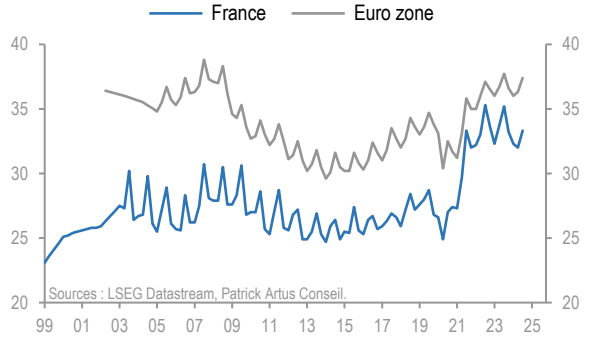


Chart 4C
Employment rate of population aged 25 to 29 (as %)

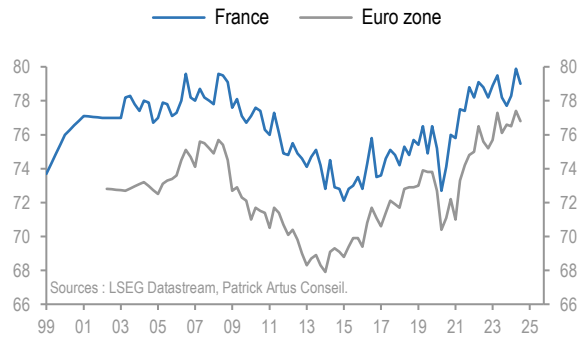


Chart 4D
Employment rate of population aged 60 to 64 (as %)

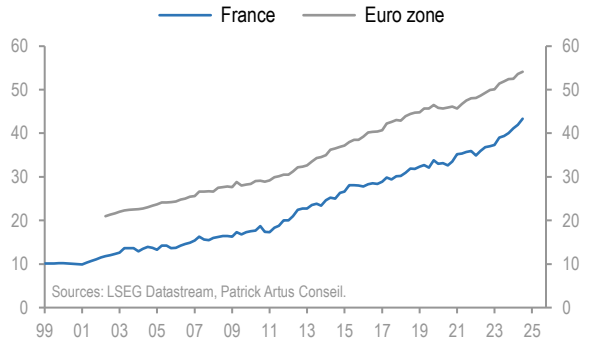
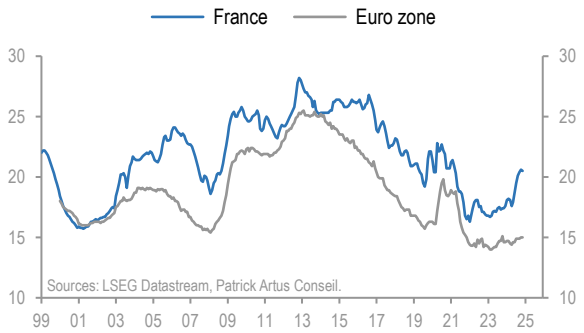


Chart 5 shows the unemployment rate for young people (aged 15 to 24).

Chart 5
Unemployment rate of population aged 15 to 24 (as %)



We can see that the total employment rate (aged 15 to 64) has been falling in France compared with the euro zone since 2015, which is due to the change in the employment rate for the over-60s. France's unemployment rate has been higher than that of the euro zone since 2003 (Chart 5).

Skills of young people and the population as a whole

The skills of young people can be measured by the PISA survey (Table 1), while the skills of adults can be measured by the PIAAC survey (Table 2).

Table 1: Results of OECD PISA surveys (overall score, by decreasing score in the 2022 survey)

Country	2009	2012	2015	2018	2022
Germany	510	515	508	500	482
Netherlands	519	519	508	502	480
France	497	500	496	494	478
Spain	484	490	491	482	477
Italy	486	490	485	477	477

Source: OECD

Table 2: Results of OECD PIAAC surveys (overall score, by decreasing score in the 2023 survey*)

Pays	2016	2023
Allemagne	282	276
Pays-Bas	271	267
France	258	253
Espagne	249	246
Italie	249	240

* In 2016, average score in numeracy and literacy
Source: OECD

We can see that the skills of young people in France will decline from 2015 onwards, and the skills of adults between 2016 and 2023.

Trade balance

Chart 6a shows the trade balance for manufactured goods for France and all euro zone countries, while Chart 6b shows the trade balance for goods and services.

Chart 6A
Trade balance in manufactured goods
(quarterly data, EUR bn)

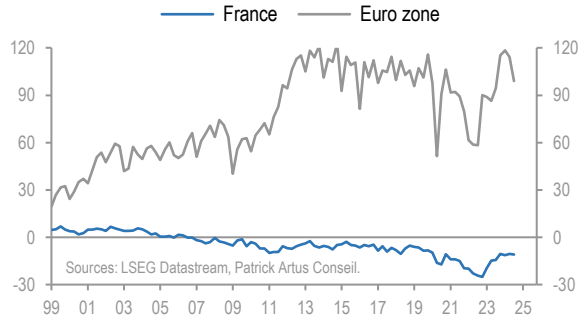
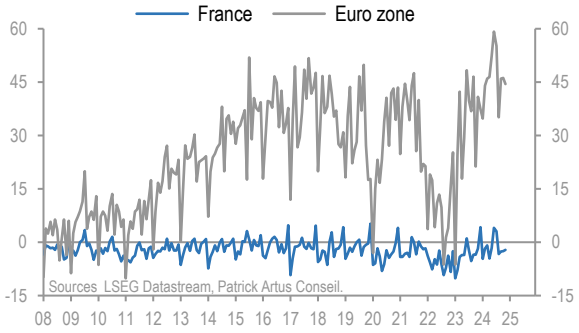


Chart 6B
Trade balance in goods and services
(monthly data, EUR bn)



These two charts show that France's trade balance in manufactured goods and in goods and services deteriorated from 2006 or 2010.

Summary: How has France fallen behind other euro zone countries since 1999?

Europe's falling behind the United States is well documented.

Here we look at the areas in which France has fallen behind the other countries in the euro zone, and when.

We see a weakening of France's position relative to that of the euro zone as a whole, in terms of all the factors analysed: productivity, business R&D effort, investment in new technologies, the weight of industry, the employment rate, the skills of young people and adults, and the trade balance.

In most cases, this weakening in France's relative position dates back to 2008.

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