Flash Economics

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What are France's comparative advantages?

To identify a country's comparative advantages, we need to examine:

- The structure of its trade balance;
- The structure of its production.

The goods or services for which a country has a comparative advantage are normally those for which it has a trade balance surplus and which account for a high proportion of the country's production.

When we apply this type of analysis to France, we conclude that France's comparative advantages lie in the production of tourism, financial services, business services, luxury goods, aeronautics and pharmaceuticals, and not in the production of capital goods, automobiles or food industry products.

Taken as a whole, the manufacturing industry is showing growing trade deficits and a declining weight in the economy. This is hardly surprising, given the low skill levels of young people and adults, particularly in science and mathematics.

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Structure of France's trade balance

We look at France's trade balance by product (Charts 1A/B/C/D/E).

Chart 1A
Trade balance (monthly data, EUR Million)

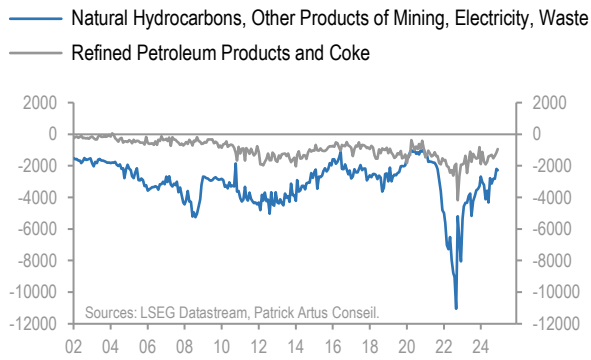


Chart 1B
Trade balance (monthly data, EUR Million)

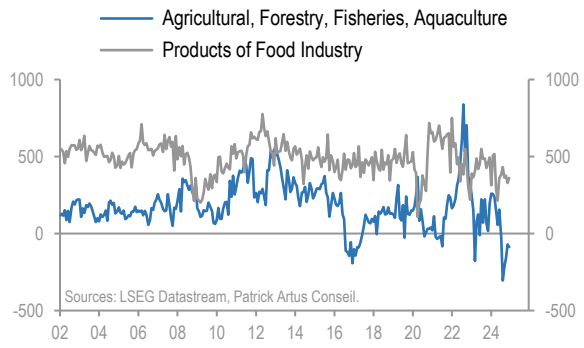


Chart 1C
Trade balance (monthly data, EUR million)



Chart 1D
Trade balance (monthly data, EUR million)

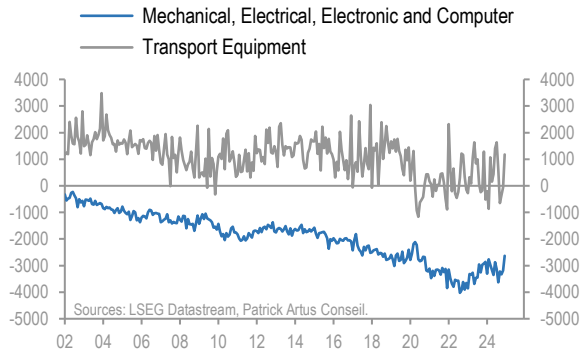
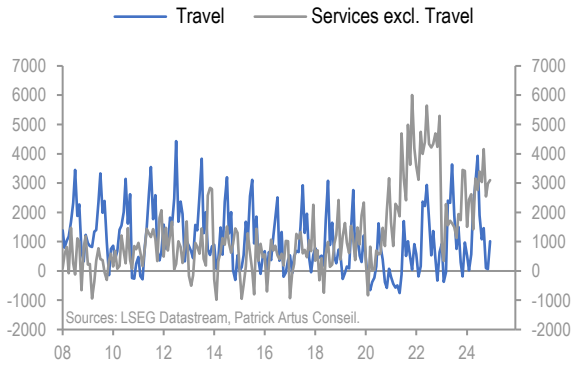


Chart 1E
Trade balance (monthly data, EUR million)



We can see (Charts 1A/B/C/D/E):

- **A trade surplus** in agri-food products, consumer goods, tourism and other services; in consumer goods, the balance of foreign trade is due to the surplus in luxury goods (perfumes, cosmetics - Chart 1B - , textiles, clothing and leather). The trade surplus in agricultural products and the agri-food industry has disappeared in recent years;
- **A trade deficit** in energy and capital goods;
- **A dispersal of the external surplus** for transport equipment and the agri-food industries.

Production structure

Charts 2A/B/C show:

- That the sectors whose weight in GDP has increased are scientific and business support activities, information and communication, finance and insurance, and recreational activities;
- That the sectors whose weight in GDP has fallen are manufacturing, agriculture, construction, trade, transport and accommodation.

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

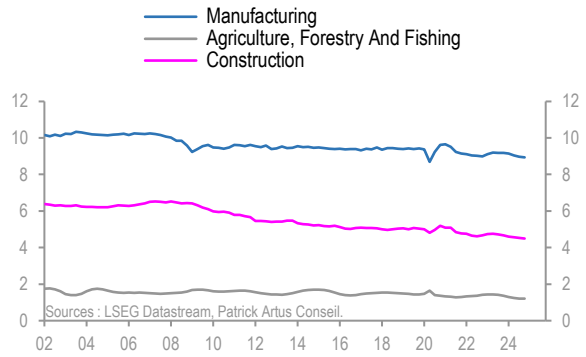


Chart 2B
Real value added (as % of real GDP)

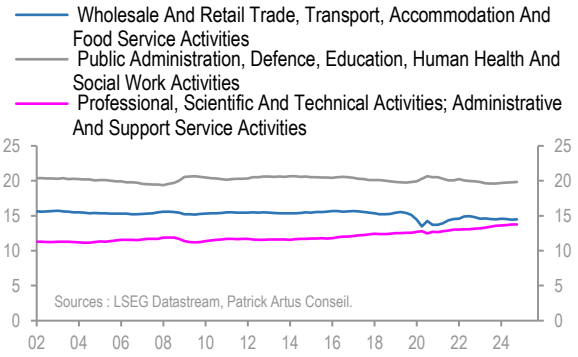
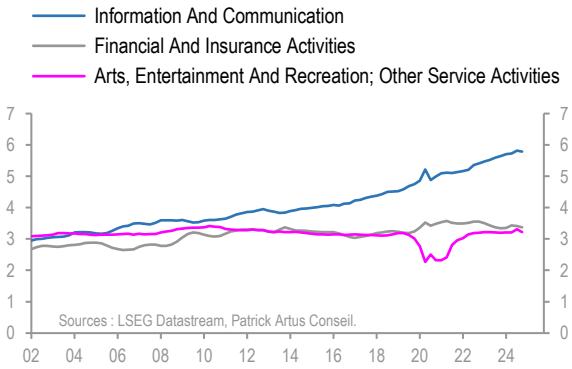


Chart 2C
Real value added (as % of real GDP)



Charts 3A/B/C show that, within manufacturing, there has been an increase in production, since 2002, only in non-durable consumer goods, pharmaceuticals, aeronautics and space.

Chart 3A
France: Manufacturing production (01.01.2002 = 100)

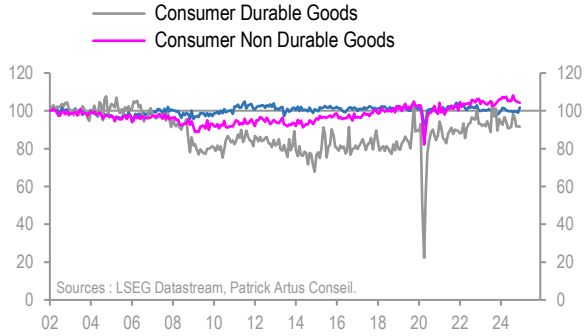


Chart 3B
France: Manufacturing production (01.01.2002 = 100)

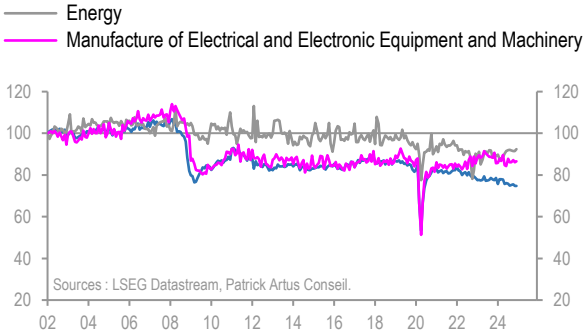
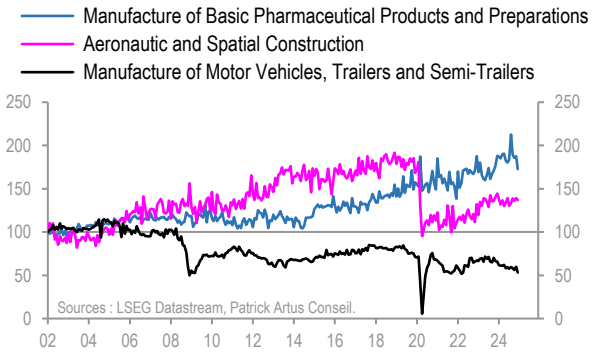


Chart 3C
France: Manufacturing production (01.01.2002 = 100)



Summary: what are France's comparative advantages?

Our starting point is the current trade balance and the structure of production for various goods and services.

We can see that **the activities that are developing in France and generating external surpluses are tourism, business services, financial services, luxury goods, pharmaceuticals, aerospace and space**.

France therefore has comparative advantages in these sectors, but not in capital goods other than aeronautics and space, which includes the automotive industry, and more so in the agricultural and food industries.

When we look at the manufacturing industry as a whole, we see a growing external deficit and a decline in its weight in the economy.

This is not surprising given the low level of skills among young people (Table 1A/B) and the adult population as a whole (Table 2A/B), particularly in scientific subjects.

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

Country	2012	2015	2018	2022
Japan	540	529	520	533
United Kingdom	502	500	503	494
United States	n.d	488	495	489
Germany	515	508	500	482
Netherlands	519	508	502	480
France	500	496	494	478

Source: OECD

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

Country	2012	2015	2018	2022
Japan	536	532	527	536
Netherlands	523	512	519	493
United Kingdom	494	492	502	489
Germany	514	506	500	475
France	495	493	495	474
United States	n.d	470	478	465

Source: OECD

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

Country	2016	2023
Japan	292	285
Netherlands	282	276
Germany	271	267
England (UK)	267	266
France	258	253
United States	261	251

*In 2016, average score in numeracy and literacy

Source: OECD

Table 2B: Results of the OECD PIAAC survey in numeracy (by decreasing score from the 2023 survey)

Country	2016	2023
Japan	288	291
Netherlands	280	284
Germany	272	273
England (UK)	262	268
France	254	257
United States	253	249

Source: OCDE

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