The economies of France and Germany are on an expanding path …

Both the French and German economies are currently enjoying good growth in 2017.

Quarterly GDP Growth

Quarter-on-quarter % change

France Germany

The Conference Board Leading Economic Index shows that both countries have a favorable momentum to continue their expansionary trajectory, with both LEI’s converging.

Note: 6-months percent change, i.e. growth from December 2016 to June 2017.

Source: The Conference Board

Germany is facing increased labor shortage pressures due to labor market tightness and population ageing, whereas the unemployment rate is still elevated in France even if there are early signs of an improving situation as more people are returning to the labor market.

Source: Eurostat

Tight labor markets are a bigger constraint for Germany than for France. But Germany has already made up for it through faster productivity growth whereas France needs to double down.

France Germany

GDP Growth

Post-crisis growth has been disappointing in France as productivity contracted and job creation declined.

Germany enjoyed a robust post-crisis expansion, with better growth in jobs, and continued improvements in productivity.

As Germany is more affected by an aging workforce, most German businesses already shifted to sustainable qualitative growth sources. France needs to double down on productivity.

Potential growth for the coming decade is higher in France than in Germany, as France benefits from faster labor force growth, especially driven by faster population growth.

Pre-crisis GDP growth was somewhat stronger in France than in Germany, partly because French companies boosted their payroll numbers much more than their German counterparts. This is shown in the chart as the quantity part. Still, both countries enjoyed similar rates of efficiency increases highlighted by qualitative improvements.

France Germany

Post-crisis Pre-crisis

Potential growth for the coming decade is higher in France than in Germany, as France benefits from faster labor force growth, especially driven by faster population growth.

Note: GDP Growth

Quality (e.g. human capital, digitization and productivity, etc.)

Quantity (e.g. number of workers, buildings, etc.)

GDP Growth

Germany (Right-hand scale) France (Left-hand scale)

Unemployment rate

As a percent of the labor force

France Germany

France (Left-hand scale) Germany (Right-hand scale)

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