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EcoFlash

France: trade deficit down and current account nearly in balance

The deficit on the trade in goods published by the French Customs authorities on 7 February is likely to have been EUR83 billion for 2024, from EUR100 billion in 2023 (but EUR58 billion in 2019). The improvement in the nominal deficit hides the fall in goods exports. However, the improvement in the balance in volume terms and the strength of services exports are positive factors.

1. The deficit on goods is, and will remain, significant. We estimate that the trade deficit is likely to have shrunk by EUR17 billion in 2024. Imports probably fell by EUR28 billion, including: 1/ a EUR16 billion fall due to lower oil prices; 2/ a EUR8 billion fall linked to lower imports of other goods (including intermediate goods, pharmaceuticals and textiles); and 3/ a EUR6 billion drop in imports of capital goods. The deficit on oil products nevertheless stands at close to EUR40 billion, an increase of nearly EUR10 billion on 2019. However, we are not expecting a fall in oil prices in euro terms given its average level in 2024 (EUR74 / barrel, from EUR57 in 2019), a phenomenon related, in particular, to the weakness of the euro. Against this background, the trade deficit is unlikely to fall significantly in 2025.

2. Goods exports: sluggish. 2024 also saw a drop in exports of EUR11 billion in value terms. This was due to a lack of growth in aeronautics exports (which grew by EUR8 billion in 2023) and falls of around EUR5 billion each in exports from the automotive sector (including car suppliers) and industrial inputs. Broken down by destination, the drop in exports to the rest of Europe was significant (down EUR13 billion, including a EUR5 billion drop in exports to Germany). It is through these same sectors that any shocks, whether current (German industry's loss of vigour) or future (possible US tariffs on Europe) will have their effect on French exports.

3. The balance on services nearly partly offsets that on goods. We estimate that balance of payments data from Banque de France (the scope of which differs from that used by the Customs authorities) will show a deficit of EUR67 billion on goods but a surplus of EUR55 billion on services in 2024. This suggests that, taking account of other items (revenues), the current account is close to being balanced. While France is deindustrialised in relative terms, it has significant competitive advantages in services, which are feeding growth (accounting for nearly the totality in 2024) and generate substantial external surpluses.

4. Volumes that speak volumes. GDP data highlights the extent to which services exports (up 16% by volume between 2019 and 2024) are underpinning French growth. This strength even represents one of the two reasons (the other being the fall in goods imports in 2024) for the return to a surplus on the trade on goods and services (in volume terms) of nearly EUR6 billion in 2024, the first surplus in nine years.

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