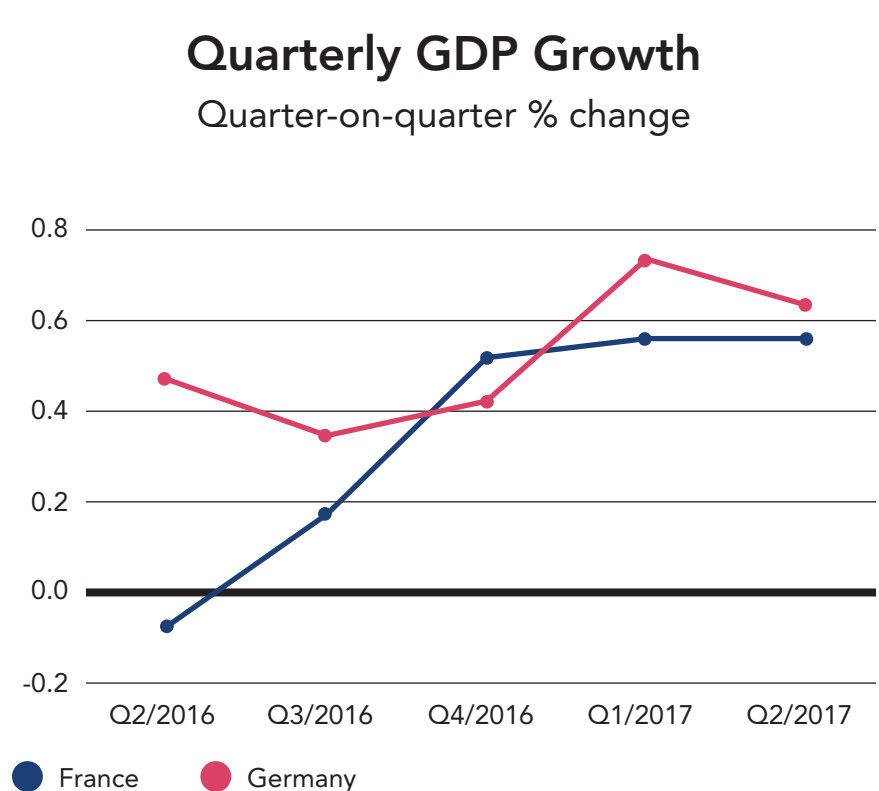


THE CONFERENCE BOARD  
GLOBAL ECONOMIC OUTLOOK 2017

The Franco-German growth engine is running again, but Germany's engine has greater durability

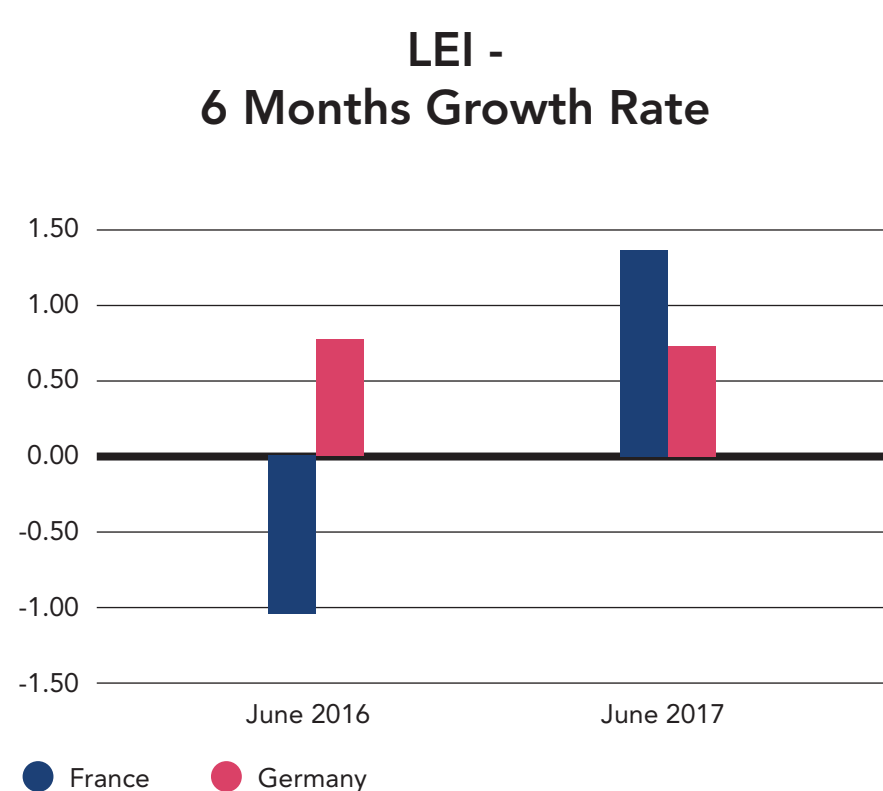
The economies of France and Germany are on an expanding path ...

...but the French labor market keeps experiencing much unemployment



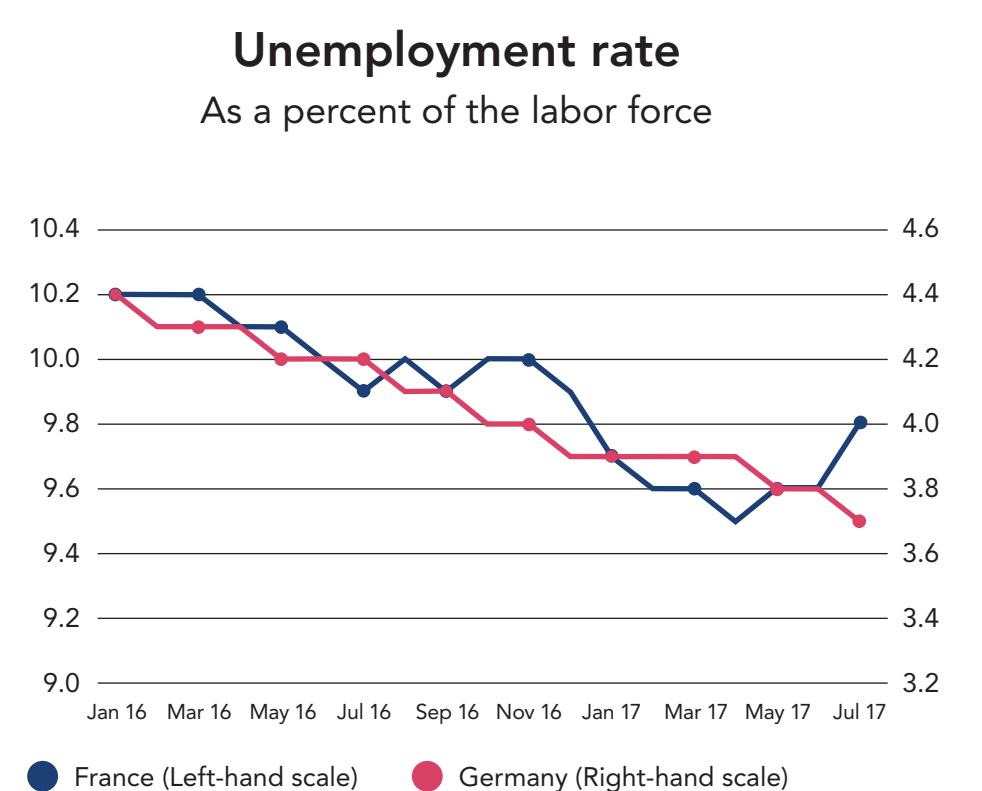
Both the French and German economies are currently enjoying good growth in 2017.

Note: Quarter on quarter growth, percent change.  
Sources: INSEE; DESTATIS



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

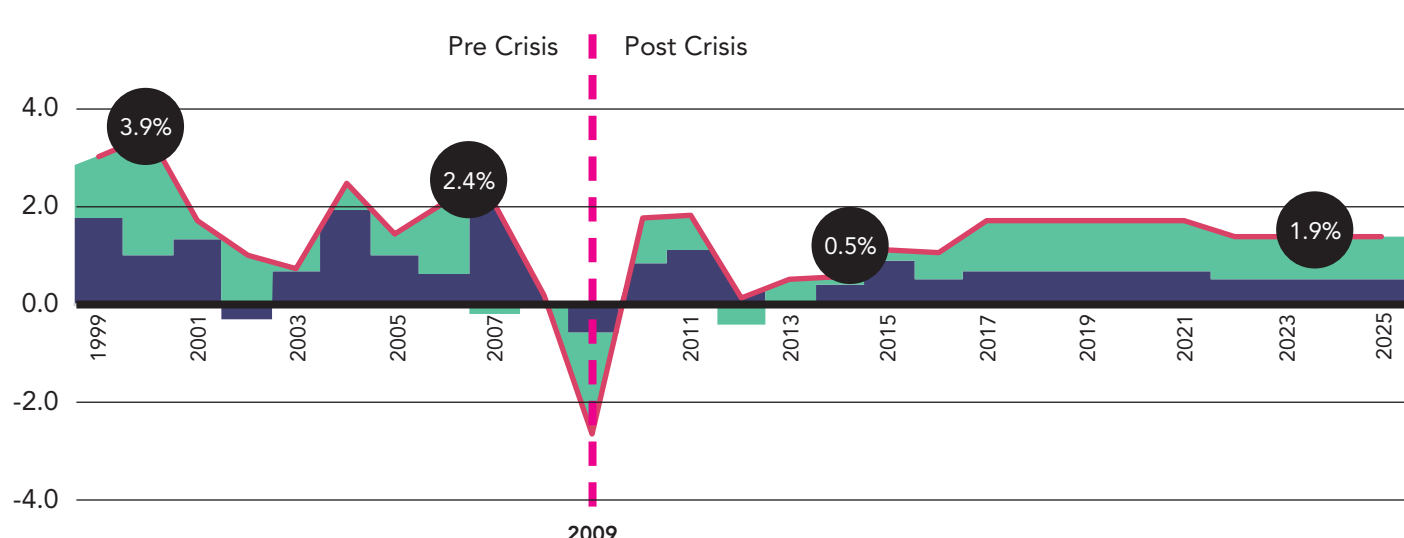


Germany is facing increased labor shortage pressures due to labor market tightness and population ageing, whereas the unemployment rate is still elevated in France even if there are early signs of an improving situation as more people are returning to the labor market.

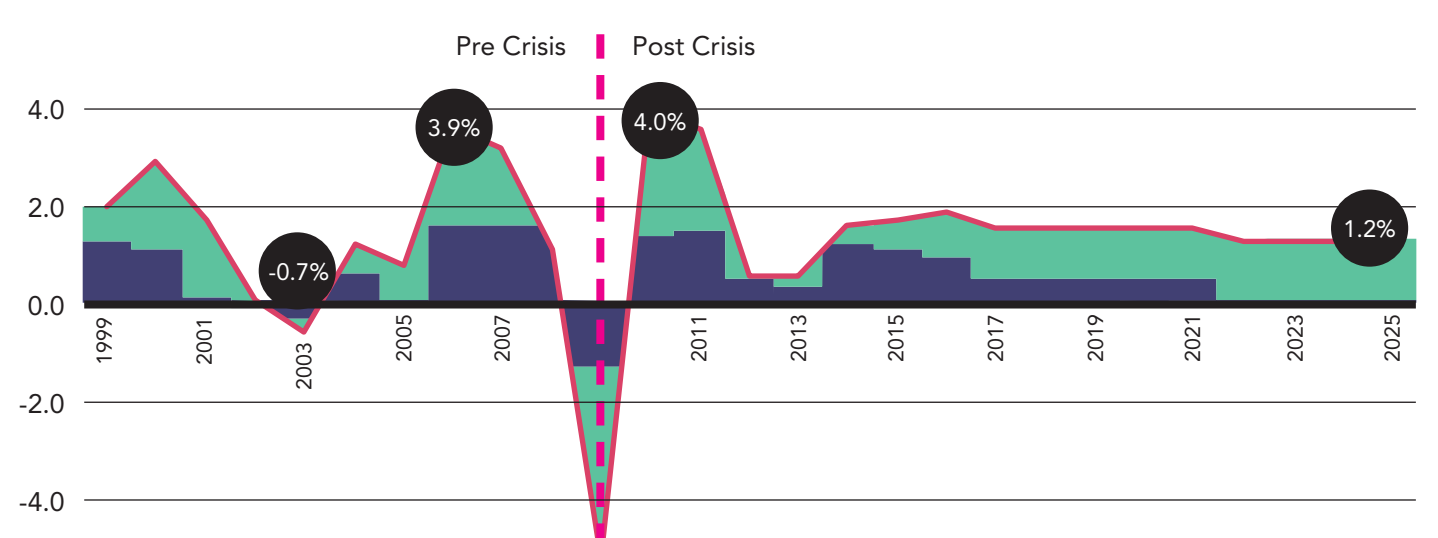
Source: Eurostat

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**  
Growth Contributions



**GERMANY**  
Growth Contributions



● Quantity (e.g. number of workers, buildings, etc.)  
● Quality (e.g. human capital, digitization and productivity, etc.)  
— GDP 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.

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.

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

1.9%  
FRANCE

1.2%  
GERMANY

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.