

The distributional impact of a Euro's depreciation in France

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Abstract

In this paper, we use a Micro-Macro simulation model to evaluate the distributional effects of a real depreciation of the Euro on the French economy. Our Micro-Macro model consists of a microsimulation model and a CGE model which are integrated using an iterative approach. We find that a 10% real depreciation of the Euro stimulates the aggregate demand by increasing exports and reducing imports, which increases real GDP by 0.7% and reduces the unemployment rate in the economy by 2 percentage points. At the individual level, we find that the macroeconomic shock reduces poverty and, to a lesser extent, income inequality. In particular, the decrease in the equilibrium real wage slightly reduces disposable income for the employed, while the reduction of unemployment substantially increases disposable income of people who find a job, often bringing them out of poverty.