

France: Only a slight improvement

Business climate: weak, but improving. The INSEE business climate rose to 96 in February from 94 in December. However, it remains below its level of 98 in September (before it fell) and its long-term average (100). This level and momentum are consistent with GDP growth that should be only slightly positive in Q1, but which is expected to strengthen.

Households: opportunity to save at its peak. Household confidence rebounded from 89 in December to 93 in February (95 in September, 100 on long-term average). The balance of opinion on past price trends, at -5 in February, reached its lowest level since July 2021. On the other hand, the balance of opinion on fears of unemployment rose again in February (+55, compared with +29 in September), fuelling the opportunity to save (all-time high, see chart).

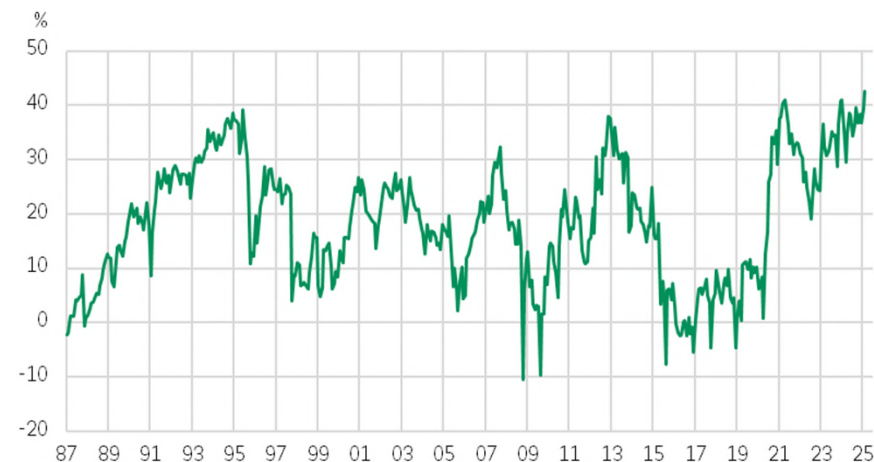
Labour market: deteriorating. 90,000 net salaried jobs were destroyed in Q4, compared with 97,000 cumulative net jobs created between Q1 and Q3. INSEE's employment climate deteriorated sharply in February, to 94 (98 in January, long-term average of 100), its lowest level since January 2015. The slight fall in the unemployment rate in Q4 (7.3% compared with 7.4% in Q3, therefore wiping out the increase in this rate) is due to the fall in the activity rate among young people. We expect unemployment to rise to 8.5% by the end of 2025.

Disinflation is continuing and spreading. Harmonised inflation fell sharply, from 1.8% y/y in January to 0.9% in February (3.4% in January 2024), due to the 15% cut in the regulated electricity tariff. Although less rapid in services, disinflation is spreading: harmonised core inflation fell below 2% in February for the first time since January 2022.

Stable nowcast for Q1 2025, at 0.1% q/q (identical to our growth forecast for Q1). However, growth is set to accelerate in Q2. In addition to the decline in the Banque de France's uncertainty indicator, the implementation of the 2025 budget should result in an increase in public consumption (particularly in terms of defence).

Stéphane Colliac, article completed on 14/03/2025

Household survey, balance of opinions on the opportunity to save



Source: Insee, BNP Paribas

GDP GROWTH (q/q) : observed, carry-over, forecast

Actual				Carry-over	Nowcast	Forecast			Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0.1	0.3	0.4	-0.1	0.2	0.1	0.1	0.2	0.2	1.1	0.7	0.9

See the Nowcast methodology. Contact: Tarik Rharrab

Source: Refinitiv, BNP Paribas