

EcoFlash

France: one-off factors largely account for zero growth in Q1

French growth was lower than expected in the first quarter, at 0% QoQ, mainly hampered by exceptional factors, mostly aeronautics deliveries and public investment. These factors explain why this figure is significantly lower than our nowcast and that of the Banque de France, which estimated that growth had reached 0.3% in Q1, based on production indicators in industry and services. This lead taken by production is reflected in a strongly positive contribution from changes in inventories (+0.8 percentage points), driven mainly by transport equipment.

French GDP stagnated in the first quarter, mainly held back by aeronautics exports. Exports fell by 3.8% QoQ (a negative contribution of 1.2 percentage points to growth), a decline linked to very subdued aircraft deliveries (114 aircraft in Q1 2026, compared with 136 in Q1 2025 and 286 in Q4 2025). However, this weakness in deliveries was not driven by a decline in the production of transport equipment. Production of transport equipment rose by 1.5% QoQ in Q1 2026. Furthermore, changes in inventories contributed positively to first-quarter growth (by 0.8 percentage points), and this increase in inventories is largely attributable to transport equipment. We estimate that this exceptional factor (delayed aircraft deliveries) would have dampened first-quarter growth by 0.3 percentage points and is likely to be recouped subsequently. Indeed, production in the sector shows no signs of slowing down and the order book is full. A rebound in exports is therefore plausible, but would be spread over the coming quarters, as ramp-up typically takes time.

An upside risk to our forecast for the second quarter, despite uncertainties that are likely to weigh on the outlook. We recently revised our growth forecast for the second quarter to 0% QoQ, since accelerating inflation (2.5% y/y in April according to the harmonised index) should lead to a decline in household consumption, a view we maintain. Household confidence fell by 5 points mom in April 2026, with a sizeable decline in the opportunity to make major purchases. Following a decrease by 0.1% QoQ in the first quarter, we expect consumption to contract by 0.3% QoQ in Q2 according to our forecasts and to stagnate in 2026. However, the likely rebound in exports introduces an upside risk to our forecast. Growth could therefore be slightly positive in both second and third quarters, and France would thus avoid recession.

Investment: cautious optimism, despite a poor first quarter and uncertainty. Investment took a hit in the first quarter of 2026, with a decline in business and household construction investment (which had strengthened in the second half of 2025) and a fall in public investment (due to the local election cycle and the late adoption of the 2026 Finance Act). Recent data, notably including an increase in housing starts observed over the last three months, nevertheless show that the trend towards improvement remains intact. Furthermore, structural trends, such as business investment in digital technology, continue to support growth and have led to a sharp rise in business creations (+14% y/y in Q1). Uncertainty surrounding the conflict in Iran and the scale of the monetary policy response (which will determine the extent of the ECB's rate hikes, +50 basis points in our scenario for 2026) is likely to weigh on investment intentions in the coming quarters. However, we expect investment growth to continue, albeit at a more moderate pace than in 2025 (+0.5% in 2026, compared with +0.8% in 2025).

Stéphane Colliac

Head of the 'Advanced Economies' team, France Economist
stephane.colliac@bnpparibas.com