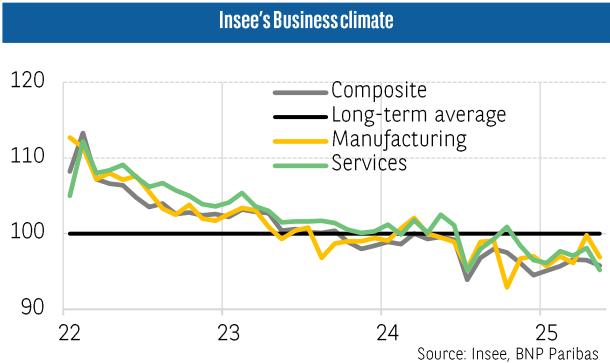
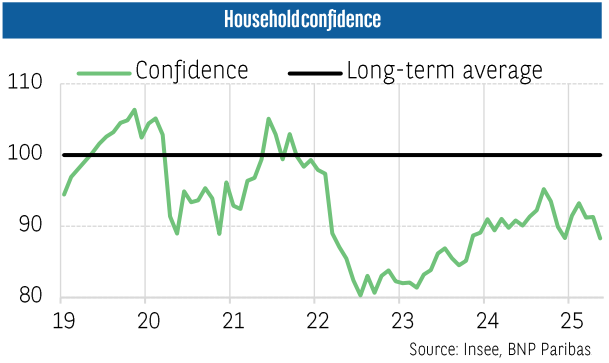


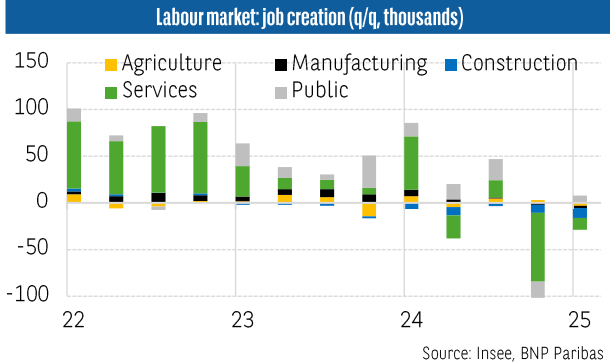
France: Heading towards an improvement?



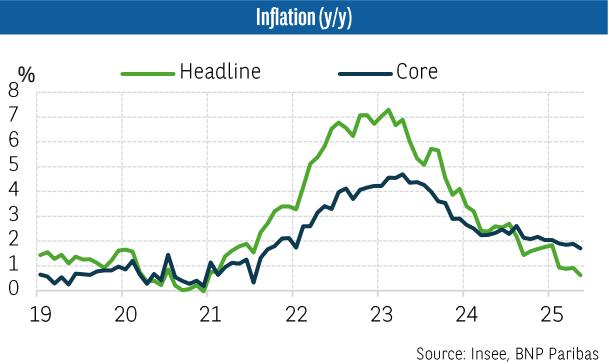
Business climate: improvement confirmed in construction. The business climate continues to be quite low, with 96 in June and in May (97 in March-April). The rebound was moderate in services (from 95 to 96, compared with 98 in April) while the index contracted from 97 to 96 in industry. The construction index has benefitted from a revival of activity in new construction since May 2025 and has thus returned to its long-term average (100) for the past two months (it had been below this average between September 2024 and April 2025).



Household confidence stable at a low level, standing at 88 in June and in May (91 in April). The balances of opinion on the past standard of living (nearly 20 points below its historic average), on the outlook for the standard of living (nearly 30 points below) and on the outlook for unemployment trends (nearly 25 points above) are stable but down.



Moderate deterioration of the labour market. Payroll employment contracted by 0.1% q/q (-0.3% y/y) in the first quarter of 2025, with losses in services and construction, in particular. However, the unemployment rate remains moderate, standing at 7.4% in Q1 2025, the same level as in Q3 2023 and Q3 2024. The employment climate recovered to 97 in June, which is consistent with the continued job losses at a moderate pace in the coming months.



Inflation is low. Harmonised inflation rose to 0.8% y/y in June (from 0.6% y/y in May 2025), as a result of a rebound in services prices (and, therefore, core inflation). Nevertheless, inflation remains very moderate, and three-month price expectations across all sectors (including services) are moderate as well.

| GDP growth q/q: actual, carry-over and forecasts | | | | | | | | | | | |
|--|---------|---------|---------|------------|---------|---------|----------|---------|-----------------------|------|------|
| Actual | | | | Carry-over | Actual | Nowcast | Forecast | | Annual forecasts(y/y) | | |
| Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q4 2024 | Q1 2025 | Q2 2025 | Q2 2025 | Q3 2025 | 2024 (observed) | 2025 | 2026 |
| 0,1 | 0,2 | 0,4 | -0,1 | 0,2 | 0,1 | 0,2 | 0,2 | 0,2 | 1,1 | 0,6 | 1,1 |

See the Nowcast methodology [Contact: Tarik Rharrab](#) Source: Refinitiv, BNP Paribas

A slight improvement in terms of growth in the second quarter? After moderate growth of 0.1% q/q in Q1 2025, our nowcast suggests a slight increase to 0.2% q/q in Q2. The latter is expected to be supported by household investment and public consumption, which was penalised in Q1 by the late adoption of the budget. **Credit developments:** the granting of investment loans to companies accelerated in April 2025, while cash loans declined, mainly due to the repayment of state-guaranteed loans. Housing loans to households are recovering and consumer loans momentum remain rather strong.

Stéphane Colliac and Thomas Humblot (completed on July 4, 2025)

