



## EcoBrief

### French growth: still (slightly) positive?

**According to our forecast, French growth reached 0.1% q/q in Q4 2024, boosted by some favourable sector-based factors (aviation and electricity production). However, overall economic momentum continues to slow, including corporate investment perspectives, impacting the labour market.**

Growth in Q4 2024 remained positive, underpinned by our nowcast. Our nowcast indicates growth of 0.3% q/q, from which the impact of the Olympic Games should be subtracted, which removes from Q4 growth what had been added to Q3 growth (0.2 points), hence an expectation of 0.1% for Q4.

French growth continues to benefit from specific sector-based momentum, in particular its aeronautics and electricity production, which is expected to have boosted growth in Q4. Conversely, business climate indicators - the best summary of the general health of the economy - are below the European average (Composite PMI at 47.5 in France, compared to 49.5 in the euro zone in December).

In addition, the production capacity utilisation rate in the manufacturing sector, which is a good indicator of the cycle, has deteriorated by nearly 1.3 points over the last two months according to the Banque de France, dropping to 73.9%. And the prospect of a rebound in household consumption, encouraged by the disinflation observed (1.8% y/y in December compared to 4.2% a year earlier) and by the improvement in credit access conditions, is adversely affected by the sharp rise in household concerns about unemployment (+24 points in three months, to +53 in December).

In 2025, the economic situation is expected to remain marked by depressed demand. We expect no acceleration in consumption, and a drop of 2% in corporate investment (the balance of opinions of Insee's quarterly survey on the expected change of investments deteriorated from 7 in October to -1 in January). Demand will also be penalised by less support from public spending (particularly spending in support of investment, including France 2030, MaPrimeRenov' and the bonus system for vehicles that emit less CO<sub>2</sub>).

Nevertheless, we still expect positive growth in 2025 (+0.1% q/q in Q1 2025 and 0.8% as an annual average), due to a rebound in production in sectors where growth was penalised by supply constraints (aeronautics) and climate constraints (agriculture), while (moderate) drops in housing prices and interest rates should allow a gradual rebound in second-hand property sales.

However, this growth is expected to be significantly less job-intensive, leading to net losses (of 100,000 jobs in the private sector according to our forecasts, after creation of 110,000 jobs in 2023 and creations estimated at 30,000 in 2024), leading to an unemployment rate of 8.5% by the end of 2025.

**Stéphane Colliac**

Senior Economist, France/Germany

