Household savings at a peak

Economic outlook

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Measuring, understanding

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Household savings at a peak

Household savings at a peak

A "Trump effect" on the global economy from Q1 2025

The arrival of the new US administration has turned the world economy upside down since the beginning of 2025. Anticipating a massive increase in customs duties, manufacturers the world over rushed to ship goods. World trade surged by 1.7%, driven by an impressive rise in imports from the United States (+9.3%), which led to a contraction in the US economy in accounting terms (-0.1%). Conversely, Europe saw a revival in activity, particularly in the UK (+0.7%), Germany (+0.4%) and Italy (+0.3%), as did China, where 50% of growth is now reliant on foreign trade. The US announcements have also amplified divergences in monetary policy: on the one hand, fears of a resurgence in inflation have prompted the Fed to put its easing on hold, while on the other, the ECB has cut rates seven times over the last nine months, with the drop in oil prices and the appreciation of the euro limiting price rises in the zone.

In the spring, world trade has taken a downturn, with US customs duties at an unprecedented level

The upturn in world trade is clearly not expected to last. Despite the pause in the "reciprocal tariffs" announced on 2 April, and even if it remains difficult to predict future decisions, US customs duties have already risen since 1st April, to a level not seen since the Second World War. Preliminary data has confirmed a collapse in US imports in the spring: world trade is expected to edge down in Q2 (-0.7%) and then to continue to be held back in the second half of the year (+0.4% per quarter). US domestic demand is also likely to begin to slow: consumer confidence is faltering, public spending is stalling and the outlook for businesses surveyed in the business tendency surveys is gloomier. Overall, the US economy is set to slow in 2025 (+1.8% after +2.8% in 2024). The downturn in sales is likely to harm activity in the countries that are the largest exporters to the United States, starting with China, where growth is expected to fall below 5% by 2025.

Investment slowly perks up on the Old Continent

The Eurozone is slowly emerging from its torpor, despite the upheaval in world trade. The internal momentum is building, slowly but surely. Throughout the zone, and especially in Germany, manufacturers are slightly less pessimistic about their business prospects and investment is picking up, benefiting from interest rate cuts. In the construction sector, European funding under the stimulus plan launched in 2021 continues to nurture Italian and Spanish construction projects. In addition, households are consuming some of the purchasing power gains obtained due to the decline in inflation. After being boosted in 2024 by the indexing of certain incomes against past inflation, purchasing power is likely to slow down significantly in 2025, but households are expected to reduce their savings ratio slightly. All in all, activity in the Eurozone should come to a standstill in Q2 (+0.1% after +0.6%) due to a backlash effect, and then progress slightly in H2 (+0.2% per quarter). Over the year as a whole, activity looks set to accelerate (+1.3% after +0.8%). Disparities between countries remain substantial, but are narrowing: year on year at the end of the year, German growth (+0.7%) is likely to exceed that of Italy (+0.5%), while remaining well below that of Spain (+2.1%). The revival of European investment is rekindling intra-regional trade: despite US policy, world demand for French goods is set to accelerate sharply in 2025 (+2.7% after +1.5% in 2024), outpacing growth in world trade.

France has slowed down in 2025, bucking the European trend

The French economy does not appear to be in tune with the rest of the continent. In Q1, it failed to benefit from the surge in trade: activity barely grew (+0.1%) and exports, which are dependent on the ups and downs of the aeronautical and shipbuilding sectors, plummeted (-1.8%). While French activity had held up somewhat better than in the other European countries in 2023 and 2024 (+1.6% and +1.1% respectively), the economic drivers in France are now running out of steam: public spending is slowing and exports are disappointing despite the return of demand for French goods. Investment is picking up less strongly than elsewhere in Europe. Burdened by their debt, French companies have suffered from the rise in financing costs between 2022 and 2024, which has reduced their room for manoeuvre. On the consumption side, although their purchasing power has held up better than elsewhere, French households are spending sparingly: health crisis aside, their savings rate reached a 45-year high in Q1. Business activity is likely to remain weakish until the end of the year, but without stalling (+0.2% per quarter). The majority of companies questioned in business tendency surveys still consider their order books to be below normal, and the business climate remains significantly below its long-term average. Unlike its neighbours, France has only just begun to consolidate its budget in 2025, which is hampering economic activity. Over the year as a whole, growth is expected to reach +0.6%, a marked slowdown compared with 2024 (+1.1%), somewhat in contrast to the European trend.

Inflation is low but consumption is not gathering pace

French households should continue to benefit from persistently lower inflation than in the rest of Europe: down to +0.7% in May, it is expected to stand at around +1% by the end of the year. France stands out for its belated transmission of the drop in electricity prices compared with other countries, and for strong price-driven competition in the telecommunications sector. This low inflation is unlikely to prevent a sharp slowdown in purchasing power (+0.7% after +2.5% in 2024). In 2024, the purchasing power of French households improved, boosted by indexing against past inflation, notably for pensions, but consumption failed to keep pace (+1.0%) and the savings ratio rose again. There are several reasons for this wait-and-see attitude. In addition to uncertainties about economic policy, perceived inflation is still high, the automobile market is in transition, and the share of income from wealth in total income has risen sharply as a result of rate rises. Another phenomenon occurred in 2024, with benefits rising twice as fast as earned income without pensioners' consumption reacting to the strong boost to their income. The effect of the massive pension increase at the beginning of 2024 (around 5%) on activity would therefore appear to have been cancelled out.

However, the household savings ratio appears to have peaked at the start of 2025, and is expected to start falling by the end of the year. Households smooth out fluctuations in their income, which should decline in H2, as the balance of income tax is expected to rebound sharply, and with income from wealth likely to be eroded by the reduction in interest rates. On average over the year, consumption is only expected to keep pace with purchasing power (+0.7%) and the savings ratio should remain stable, whereas it is expected to fall elsewhere in Europe.

Investment is struggling to pick up, hampered by the difficult financial situation for enterprises

For enterprises, the signals are mixed: capital goods purchases seem to have bottomed out, but the resilience of spending on services, particularly IT services, is expected to weaken significantly. In 2025, corporate margins are expected to deteriorate in the energy and transport services sectors, due to the decline in electricity and sea freight prices, but should remain stable for the rest of the business sector thanks to the drop in oil prices. Despite these sound operating results, the financial situation of French enterprises is likely to keep deteriorating in 2025. They are suffering from higher interest rates on new loans than on those expiring, and the largest enterprises will also be hit at the end of the year by the exceptional tax levy introduced by the Finance Law for 2025.

New housing is recovering but the maintenance-improvement and existing housing markets have stalled

After two years of sharp decline, the construction of new homes seems to have bottomed out and there are increasing signs of recovery: the numbers of housing starts and building permits are increasing and developers are considering new projects. Conversely, the maintenance-improvement component, which was keeping activity afloat, seems to have been weakened, especially since the suspension of the main public support scheme for renovation (MaPrimeRenov'). Real estate transactions in existing properties have picked up sharply over the last two quarters, encouraged by the drop in interest rates and temporarily boosted by anticipation of the increase in property transfer duties decided in the Finance Law for 2025 and implemented from spring onwards. By the end of the year, however, they are likely to fall sharply, especially as far fewer households say they are considering buying a home in the business tendency surveys. All in all, household investment is expected to edge down again in 2025 (-0.6%), though less sharply than in 2024 (-5.6%) and 2023 (-7.7%).

Foreign trade no longer underpinning growth

France's greatest disappointment for the year as a whole is likely to concern foreign trade. The vagaries of the weather are likely to lead to a decline in the balance of trade in electricity and agricultural products in 2025, as these two segments made a significant contribution to France's performance last year. Similarly, trade in services is expected to suffer as an after-effect of the Paris Olympic and Paralympic Games. Exports of manufactured goods, excluding the aerospace and shipbuilding sectors, should remain flat (-0.2% after +0.3% in 2024), reflecting further losses in market share by French manufacturers. Expected deliveries of aircraft and ships, heavily concentrated in the last three quarters, will partly offset this decline, but over 2025 as a whole, foreign trade is expected to reduce growth by 0.7 points, whereas it had made a positive contribution over the previous two years. Meanwhile, enterprises are rebuilding their inventories for the time being, which will safeguard growth (contribution of +0.8 points after -0.8 points in 2024 and -0.3 points in 2023).

Unemployment is rising due to a downturn in the labour market

On the labour market, payroll employment declined sharply over the last two quarters, with the French economy shedding more than 120,000 payroll jobs. In the business tendency surveys, the prevailing optimism since the health crisis has finally disappeared: the employment climate has been below its long-term average since the summer of 2024, and has deteriorated again since the start of 2025, as enterprises regain their productivity. At the same time, employment-policy-related subsidies are being reduced, both for apprenticeship-support schemes and subsidised employment allocations. As a result, payroll employment looks set to decline by an additional 90,000 jobs between now and the end of the year, with two thirds of these jobs being held by employees on work-study schemes. In all, around 210,000 payroll jobs are expected to be lost over five quarters. Combined with the increase in the working population caused by the introduction of pension reform, this decline in employment should push the unemployment rate up to 7.7% by the end of 2025.

Uncertainties: unpredictability in the Oval Office, tensions in the Middle East, household and business confidence in France

This forecast is subject to a number of uncertainties. First and foremost, the international situation remains highly uncertain. This *Economic Outlook* assumes that US customs duties will broadly stabilise at their current level over the forecasting period, but the numerous shifts in the US administration's position on this subject since early April constitute a major uncertainty with both upside and downside risks. In addition, the price of oil surged on 13 June due to the tensions in the Middle East: conventionally, this *Economic Outlook*, finalised a few days before this date, assumed a constant price of around \$65. If it were to stabilise at around \$10 higher, inflation would rise (by around 0.1 points at the end of the year), margins would be lower and this would further slow down activity. In Europe, the pace of Germany's recovery is a factor of uncertainty. Despite being surprisingly strong in the past, the structural factors of sluggishness (Chinese competition and energy costs, in particular) call for caution. In France, the budget consolidation trajectory for the coming years remains unknown, leaving private players in a potentially uncomfortable position. In particular, the announcements expected at the beginning of July could change the behaviour of agents, leading to renewed confidence or, conversely, to greater sluggishness. ●

Economic activity

In Q1 2025, activity progressed slightly (+0.1% after -0.1%; ►Figure 1), at a somewhat slower pace than the trend observed since the start of 2024 (excluding the Paris Olympic and Paralympic Games, which left their mark on quarterly growth in activity in H2 2024). Domestic demand declined (contribution to growth of -0.1 point after +0.2 points), penalised by a downturn in household consumption (-0.2% after +0.1%), while investment remained stable (+0.0%, as in the previous quarter) and government consumption slowed (+0.2% after +0.4%; ►Figure 2). Foreign trade hampered growth by 0.8 points, due to the sharp downturn in exports (-1.8% after +0.7%) following the collapse in aircraft deliveries and despite the sale of an ocean liner in March. Conversely, changes in inventories gave a clear boost to growth (+1.0 point).

On the supply side, activity picked up in manufacturing (+0.6% after -0.6%), notably in the agri-food, pharmaceuticals and transport equipment industries, while it edged down in capital goods and continued to decline in the energy-intensive industries. Construction activity declined again. At the same time, activity increased moderately in all market services (+0.2% after -0.1%), mainly in services to businesses and information-communications, while it contracted in accommodation and food services, as well as in transport.

According to the business tendency surveys, the situation in the spring of 2025 remained gloomy, without stalling. The composite business climate indicator stood at 96 in May and has remained below its long-term average for over a year, as has the employment climate, measured at 95 (►Figure 3). Household confidence is waning: after recovering slightly at the start of the year, it deteriorated again in May and remains well below its long-term average, at 88.

Against this unpromising backdrop, activity is expected to increase slightly in Q2 2025 (+0.2% after +0.1% at the start of the year; ►Figure 4). Activity in market services is expected to pick up slightly (+0.3% after +0.2%), driven by a rebound in transport as well as in accommodation and food services. Business growth should be underpinned once again by the buoyancy of the agricultural sector, which has continued to bounce back after the poor harvests of 2024 (+3.1% in Q2 after +2.8% in Q1). However, after rebounding at the start of the year, activity in the manufacturing industry is likely to slip back again (-0.1% after +0.6%), as shown by manufacturers' expectations, which have deteriorated quite sharply, particularly in the "other manufacturing industries" branch. In addition, industrial activity is expected to be held back by slumps in the automotive sector, maintenance shutdowns in the metallurgy and petrochemicals industries and, in May, by the timing of public holidays.

►1. Goods and services: resources-uses balance at chain-linked prices for the previous year, in quarterly and annual change

(quarterly and annual changes, in %; seasonally adjusted data - YTD)

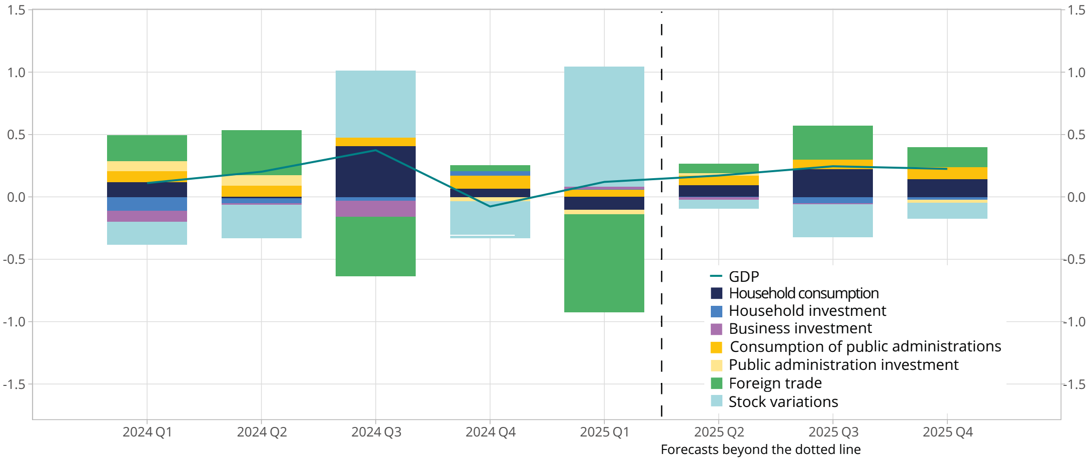
	2024				2025				2023	2024	2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross domestic product	**0.1**	**0.2**	**0.4**	**-0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**1.6**	**1.1**	**0.6**
Imports	-0.6	0.6	0.4	0.6	0.5	0.9	0.1	0.4	0.1	-1.3	2.1
Total resources	0.0	0.3	0.3	0.1	0.2	0.3	0.2	0.2	1.6	0.6	0.9
Household consumption expenditure	0.2	0.0	0.8	0.1	-0.2	0.2	0.4	0.3	0.7	1.0	0.7
General government consumption expenditure*	0.3	0.3	0.3	0.4	0.2	0.3	0.3	0.3	1.5	1.4	1.2
of which individual general government expenditure	0.2	0.4	0.3	0.3	0.0	0.4	0.3	*0.4*	*1.0*	*1.3*	*1.0*
of which collective general government expenditure	0.6	0.3	0.1	0.6	0.5	0.2	0.2	*0.2*	*2.3*	*1.6*	*1.4*
Gross fixed capital formation (GFCF)	-0.6	0.1	-0.7	0.0	0.0	0.0	-0.3	-0.2	0.7	-1.3	-0.5
of which Non-financial enterprises (NFE)	-1.0	-0.3	-1.1	-0.1	0.2	-0.2	-0.1	*-0.1*	*2.8*	*-2.4*	*-0.8*
Households	-2.3	-0.8	-0.6	0.8	0.1	0.0	-1.1	*-0.4*	*-7.7*	*-5.6*	*-0.6*
General government	1.7	1.8	0.0	-0.6	-0.7	0.4	0.0	*-0.5*	*5.7*	*4.7*	*-0.6*
Exports	0.2	1.7	-1.0	0.7	-1.8	1.1	0.9	0.9	2.8	2.4	0.2
Contributions (in points)											
Domestic demand excluding inventory**	0.1	0.1	0.3	0.2	-0.1	0.2	0.2	*0.2*	*1.0*	*0.6*	*0.5*
Changes in inventories**	-0.2	-0.3	0.5	-0.3	1.0	-0.1	-0.3	*-0.1*	*-0.3*	*-0.8*	*0.8*
Foreign trade	0.2	0.4	-0.5	0.0	-0.8	0.1	0.3	*0.2*	*1.0*	*1.3*	*-0.7*

■ Forecast.
* Consumption expenditure of general government and non-profit institutions serving households (NPISH).
** Changes in inventories include acquisitions net of valuable items.

How to read it: in Q1 2025, the imports increased by 0.5%.
Source: INSEE.

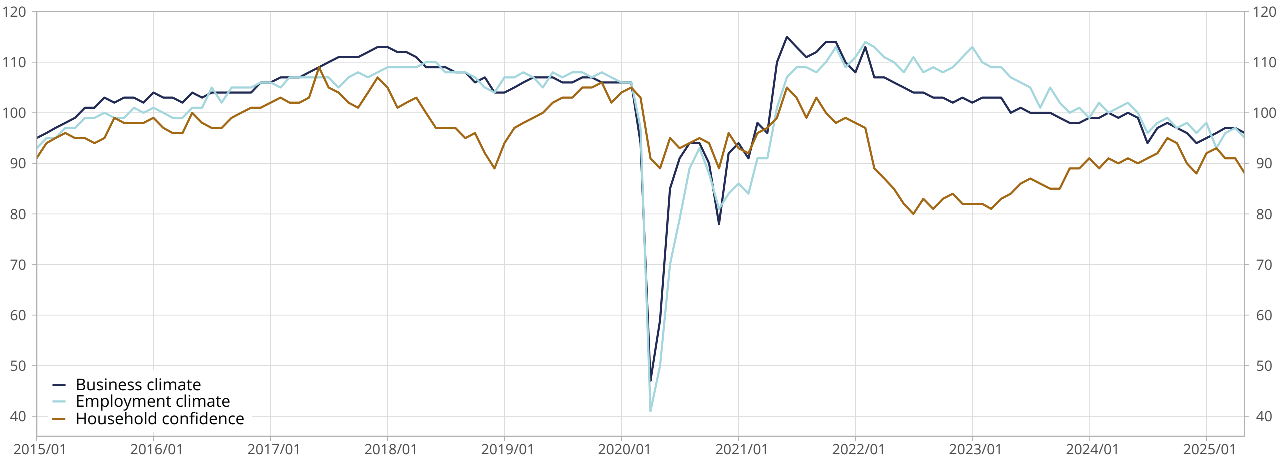
Amongst the main demand items, household consumption should regain some momentum in Q2 (+0.2% after -0.2%). Consumption of services looks set to maintain the same pace as in the winter (+0.3%), purchases of goods should stop falling (+0.0% after -0.5%) and food consumption, in particular, is expected to bounce back after its winter downturn. Conversely, spending on energy for housing should fall due to the particularly mild temperatures in April. Household investment in construction is expected to slip back less sharply than in previous quarters (-0.3% after -0.8%). The balances of opinion among enterprises in the new housing sector have been improving since April, while building permits and housing starts are beginning to recover after several years of decline. For enterprises, investment is set to fall back slightly (-0.2% after +0.2%). Investment in manufactured goods is expected to decline again and investment in services is likely to rise slightly, at well below its trend rate, while investment in construction should continue to fall, albeit more moderately than in Q1. Finally, the contribution of foreign trade to activity should be slightly positive in Q2 (+0.1 point): exports are expected to rebound (+1.1% after -1.8%), particularly in aeronautics, while imports are likely to accelerate more slowly (+0.9% after +0.5%).

►2. Quarterly variations in GDP and contributions of main demand items
(variations in % and contributions in points)



How to read it: in Q2 2025, GDP is expected to increase by 0.2% compared with the first quarter; the contribution of household consumption contributing around +0.1 points.
Source: INSEE.

►3. Business climate, employment climate and household confidence in France
(normalized with mean 100 and standard deviation 10)



Last point: May 2025.
How to read it: in May 2025, business climate in France stands at 96, below its long-term average of 100.
Source: business and consumer surveys, INSEE.

In H2 2025, activity is expected to maintain the slower pace seen in the spring (+0.2% per quarter). In particular, manufacturing value added is likely to remain stable between now and the end of the year in a context of relatively unpromising personal production prospects and overall order book levels in the business tendency surveys. On the demand side, household consumption is expected to accelerate for a limited time in the summer (+0.4% after +0.2%), with a return to seasonal norms in household energy spending, before slowing slightly at the end of the year (+0.3%). Over the year, consumption is expected to grow by 0.7%, not exceeding growth in purchasing power, with the savings ratio therefore expected to remain stable at a high level (18.2%). In quarterly terms, the savings ratio should remain very high in Q2 (18.7% after 18.8% in Q1 2025), before dropping sharply in H2 2025, reaching 17.3% at the end of the year, due to the timing of income tax, which is expected to rise sharply.

Household investment in services, which includes notary and agency fees, is likely to stall in H2 (-4.0% in the summer and then -2.0% at the end of the year) with the tax hikes on property transactions coming into effect, and against a backdrop of weakening home purchasing intentions since the start of the year. Household investment in construction (-0.2% in the summer, followed by +0.0% at the end of the year) is expected to hamper growth less and less, in the wake of previous building permits and housing starts. Corporate investment looks set to remain at a standstill (-0.1% per quarter), while general government investment in construction is expected to decline as a result of the “electoral cycle”. It is likely to start falling at the end of the year (-0.9% after +0.0% in Q3) in the run-up to the 2026 municipal elections. Foreign trade should once again bolster growth in H2 2025 (+0.3 points in Q3, followed by +0.2 points), as a result of aeronautical and shipbuilding deliveries, offset by a negative contribution from changes in inventories (-0.3 points and then -0.1 point). Exports are expected to grow by 0.9% per quarter, while imports should slow in the summer (+0.1%), in the wake of imports of manufactured goods, before picking up again at the end of the year (+0.4%).

►4. Quarterly changes in economic activity by industry
(quarterly changes in %)

Branch	weight in %	2024				2025				2023	2024	2025
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Agriculture, forestry and fishing	**1.6**	**-6.7**	**-4.7**	**-2.0**	**1.0**	**2.8**	**3.1**	**3.1**	**3.0**	**1.4**	**-14.8**	**6.0**
Industry	**13.4**	**-0.5**	**0.3**	**0.6**	**-0.8**	**-0.5**	**-0.5**	**0.1**	**0.0**	**8.2**	**3.4**	**-1.0**
Manufacturing industry	**11.2**	**0.6**	**-0.3**	**0.2**	**-0.6**	**0.6**	**-0.1**	**0.0**	**0.0**	**3.2**	**2.2**	**0.1**
Manufacture of food products, beverages and tobacco-based products	1.9	4.9	0.4	0.7	0.5	2.2	0.0			-8.1	6.8	
Coke and refined petroleum	0.1	59.7	27.4	11.2	10.8	75.9	-5.0			45.9	144.2	
Manufacture of electrical, electronic. computer quipment; manufacture of machinery	1.5	-0.4	-0.6	0.0	0.0	-1.2	0.1			2.9	-1.3	
Manufacture of transport equipment	1.7	-6.2	-2.1	-1.4	-0.3	0.9	0.6			16.6	-5.4	
Manufacture of other industrial products	6.1	1.2	-0.2	0.3	-1.3	0.5	-0.3			3.1	2.8	
Extractive industries, energy. water, waste treatment and decontamination	2.2	-6.0	2.1	1.7	-1.2	-4.1	-2.1	0.5	-0.1	38.6	7.1	-5.0
Construction	**5.7**	**-0.9**	**-0.5**	**0.0**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.4**	**4.4**	**-0.8**	**-0.8**
Mainly market services	**57.5**	**0.5**	**0.3**	**0.6**	**-0.1**	**0.2**	**0.3**	**0.2**	**0.3**	**1.4**	**1.6**	**0.9**
Trade; repair of automobiles and motorcycles	10.2	0.2	-0.4	-0.9	0.2	-0.4	0.2			-0.1	-0.1	
Transport and storage	4.4	1.0	0.0	0.4	0.4	-0.5	0.5			-3.0	0.5	
Financial and insurance activities	3.6	1.8	0.9	0.6	0.7	-0.3	0.4			-3.9	2.1	
Real estate activities	14.0	0.3	0.2	0.2	0.3	0.3	0.3			0.9	0.5	
Accomodation and catering	2.4	1.8	1.6	0.9	0.5	-0.6	0.3			11.5	4.9	
Information and communication	5.5	0.6	0.2	1.9	0.0	1.3	0.5			5.2	3.2	
Scientific and technical activities; administrative and support services	14.5	0.2	0.6	0.5	-0.2	0.5	0.1			2.4	2.7	
Other service activities	3.0	1.1	0.8	4.8	-3.7	0.3	0.0			4.5	3.6	
Mainly non-market services	**21.7**	**0.4**	**0.6**	**0.3**	**0.2**	**0.1**	**0.2**	**0.2**	**0.3**	**0.3**	**1.5**	**0.9**
Total VA	**100.0**	**0.2**	**0.3**	**0.5**	**-0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**2.2**	**1.5**	**0.6**

■ Forecast

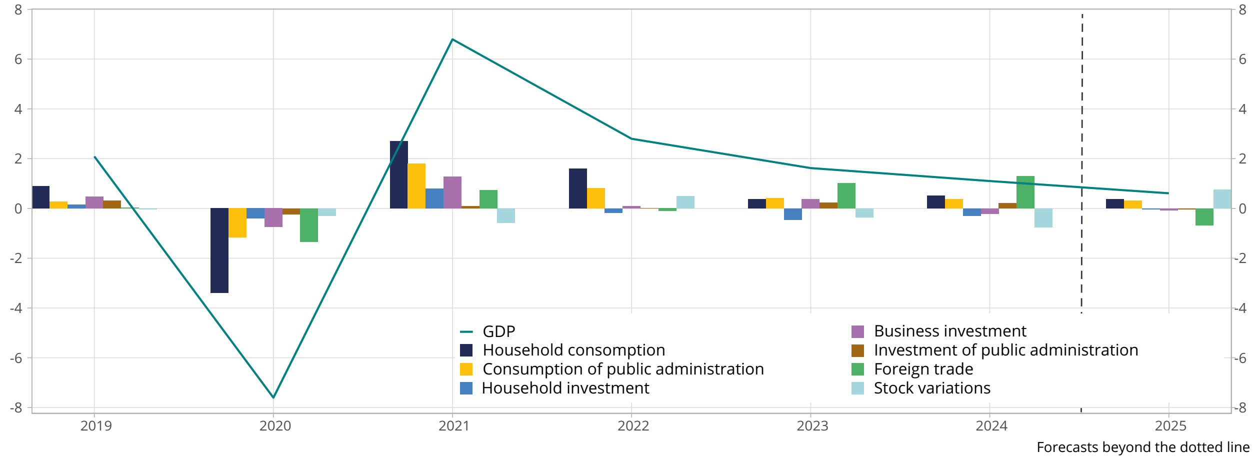
How to read it: in Q1 2025, value added in the transport equipment manufacturing branch increase by 0.9%. It is expected to rise by 0.6% in Q2 2025.
Source: INSEE.

All in all, growth is expected to slow to an annual average of +0.6% in 2025, after +1.1% in 2024 (►**Figure 5**). The contribution of domestic demand should slow slightly (+0.5 points after +0.6 points). This slowdown should affect household consumption, as well as that of general government. Investment is expected to keep deteriorating, although less sharply than in 2024 (-0.5% after -1.3%), due to a smaller downturn in household and corporate investment, while government investment should begin to falter. Foreign trade is likely to make a highly negative contribution to growth (-0.7 points in 2025, after +1.3 points). On the one hand, exports are expected to be sluggish (+0.2%), despite the clear upturn in demand from consumers, reflecting further losses in market share by French manufacturers, and on the other hand, imports are expected to rise again (+2.1%). The main support for activity is set to come from the inventory cycle: after two years of destocking, companies are expected to start rebuilding their inventories somewhat (contribution of changes in inventories to growth of +0.8 points, after -0.8 points in 2024 and -0.3 points in 2023).

Weak growth should promote a drop in greenhouse gas emissions, which are expected to fall by 1.3%, i.e. slightly more than in 2024 (-0.9%), almost exclusively as a result of the poor economic conditions in GHG-emitting industries (chemicals, metallurgy, cement manufacturing, etc.). Consequently, manufacturing industry should contribute 0.8 points to the reduction in emissions in 2025 (►**Focus** on greenhouse gas emission forecasts). Conversely, household emissions are likely to remain stable: the drop in oil prices is expected to boost demand, particularly for fuels, and this year should wipe out the trend reductions in emissions linked to the decarbonisation of boiler and vehicle fleets.

►5. Annual variations in GDP and contributions of main demand items

(annual variations in %; contributions in points)



Note: general government consumption also includes consumption by non-profit institutions serving households (NPISH).
How to read it: in 2024, GDP would increase by 1.1%; the contribution of household consumption amounted to +1.3 points.
Source: INSEE.

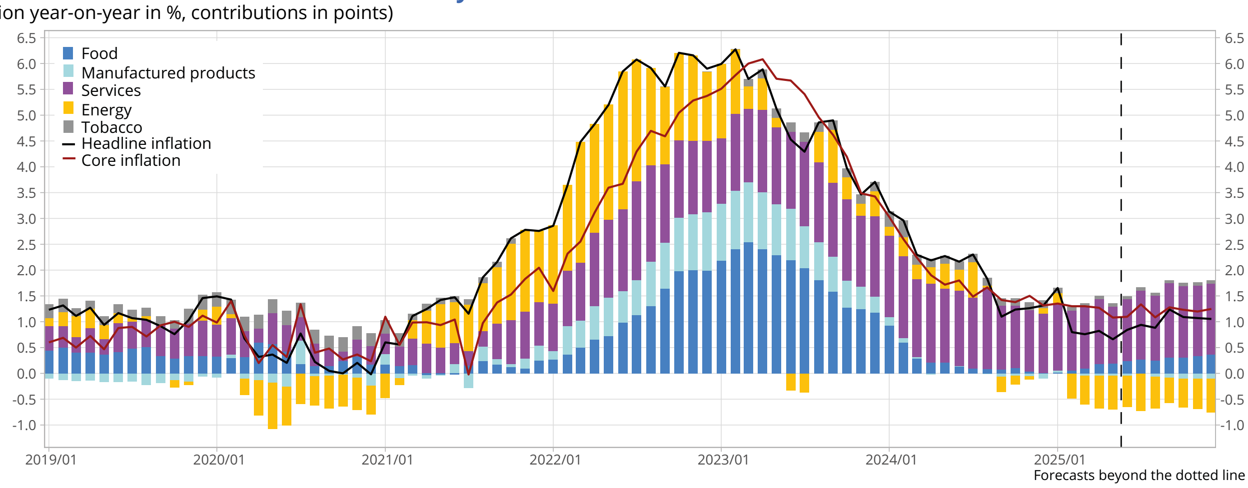
Consumer prices

Year-on-year change in consumer prices in France has fallen back sharply over the past two years, from over 6% at the start of 2023 to less than 1% since February 2025 (►Figure 1). Inflation stood at +0.7% year on year in May. As in all the advanced economies, the drop in the price of oil per barrel (►Sheet Energy and commodities) has contributed to the decline in the prices of oil products (-9.7% year on year in May). However, inflation is now significantly lower in France than in other European countries. Wages in France have been less buoyant, holding back prices of services. The timing of the setting of administered electricity prices led to a sharp fall starting in February 2025, and competition between operators has caused telecommunication prices to plummet (-15.5% year on year in May). Food inflation, which had been below 1% since the summer of 2024, has nevertheless begun to rise since the start of 2025, and stood at +1.3% year on year in May, driven by the introduction in March of the tax on sugar-sweetened beverages in the financial laws for 2025, and by the passing on of the recent surge in tropical commodity prices to consumer prices.

Over the forecasting period, inflation is set to pick up slightly to +1.1% year on year in December 2025, assuming that the price per barrel of crude oil remains unchanged at €57.50 (i.e. $65, and assuming an exchange rate of $1.13/€). This rise should be driven by prices in food and services. In the food sector, advance indicators (producer prices and price outlook in business surveys) suggest that prices will continue to rise in H2 2025. In services, the price war between telephone operators is gradually coming to an end. With regard to manufactured goods, the year-on-year fall in prices is likely to be accentuated slightly by the rise of the euro against the dollar. Finally, energy prices are expected to continue to fall year on year in December, at a rate comparable to that seen in May.

Over the forecasting period, the year-on-year decline in the prices of energy products is likely to continue at a similar pace to that seen in May, i.e. at -8.0% in December (►Figure 2). The price of oil products is expected to remain stable: after falling throughout H2 2024, its year-on-year decline is expected to ease by December (-6.2% forecast for December 2025, after -9.7% in May). However, this smaller decline is likely to be offset by the stabilisation of gas prices in the summer, with the result that in December, the year-on-year rise in gas prices should fall back to +2.5% after reaching +22.3% in May. Tariffs look set to fall in June 2025 in the wake of the drop in market prices, whereas they had been following a generally upward trend in H2 2024. The forecast incorporates the expected increase in the gas distribution tariff (ATRD) in July, which takes account of the supply, transport and storage costs borne by gas suppliers, and is much lower than last year. Lastly, electricity prices are expected to stabilise at their May level, down 14.3% year on year, in the absence of any planned increase in the regulated sales tariff (TRV) this summer. The effect of the VAT increase on gas and electricity contracts in August (from +5.5% to +20%) is likely to be fully offset by a reduction in excise duty, and should therefore not affect their prices.

►1. Headline inflation and contributions by item
(inflation year-on-year in %, contributions in points)



Last point: May 2025, final CPI.
How to read it: in May 2025, headline inflation is expected to rise by +0.7%. Energy contributed -0.7 points, while services contributed +1.1 points.
Source: INSEE.

Food inflation is set to rise over the forecasting period, from +1.3% year on year in May to +2.5% in December. Food prices excluding fresh produce are expected to be more buoyant than last year on a month-on-month basis, with the result that their year-on-year rise should reach +2.4% in December 2025, after +1.3% in May, against a backdrop of the end of trade negotiations in the spring and a rebound in producer prices in the agri-food industries, especially for meat and eggs since the start of 2025 (► **Figure 3**). The balances relating to expected prices in the spring 2025 business tendency surveys for the agri-food industry and food retail trade also remain significantly higher than last year. In addition, the surge in tropical commodity prices, particularly cocoa and coffee, is set to keep working through (► **Focus** on consumer prices for coffee- and cocoa-based products). Prices of fresh produce should also gather pace as a result of the base effect, rising from +1.5% in May to +3.1% in December.

► 2. Headline inflation, past and forecast

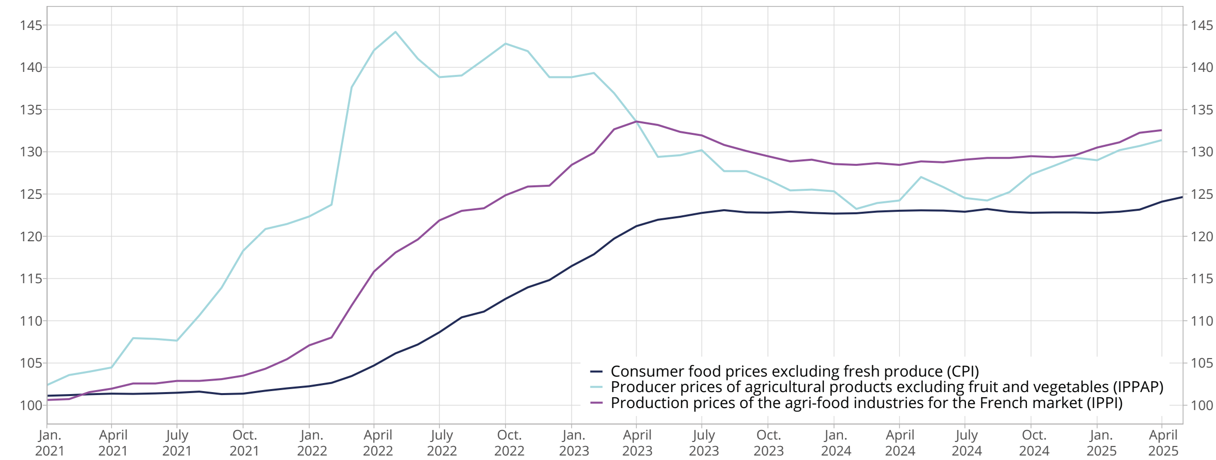
(change in %, contributions in points)

CPI groups* (2025 weightings)	April 2025	May 2025	June 2025	September 2025	December 2025	Annual averages 2023	2024	2025
Food (14.6%)	**1.2**	**1.3**	**1.6**	**2.1**	**2.5**	**11.8**	**1.4**	**1.5**
fresh food (1.7%)	4.0	1.5	1.9	2.9	3.1	9.6	1.9	2.2
other food product (12.9%)	0.9	1.3	1.6	2.0	2.4	12.2	1.3	1.4
Tabacco (1.6%)	**4.1**	**4.1**	**4.1**	**4.1**	**4.0**	**8.0**	**10.3**	**4.3**
Manufactured products (22.8%)	**-0.2**	**-0.2**	**-0.2**	**-0.4**	**-0.4**	**3.5**	**0.0**	**-0.2**
clothing and footwear (3.3%)	0.1	0.0	0.0	-0.4	-0.4	2.5	0.4	0.1
medical products (4.1%)	-1.2	-0.9	-0.9	-0.9	-0.6	-0.7	-1.2	-1.0
other manufactured products (15.4%)	0.0	-0.1	0.0	-0.2	-0.4	4.7	0.2	-0.1
Energy (8.1%)	**-7.8**	**-8.0**	**-7.7**	**-6.2**	**-8.0**	**5.6**	**2.3**	**-6.5**
oil products (3.8%)	-10.4	-9.7	-8.2	-3.7	-6.2	-1.7	-4.7	-6.5
Services (52.8%)	**2.4**	**2.1**	**2.3**	**2.7**	**2.6**	**3.0**	**2.7**	**2.4**
rent, water, refuse collection (8.0%)	2.7	2.7	2.6	2.6	2.2	2.8	2.8	2.5
health services (6.4%)	1.4	0.8	1.5	3.7	3.2	-0.2	0.6	2.2
transport (3.1%)	3.9	1.2	1.9	0.2	0.1	6.3	2.5	1.0
communications (1.8%)	-11.8	-15.5	-12.4	-6.6	-5.2	-3.6	-8.1	-10.5
other services (33.5%)	3.2	3.3	3.2	3.3	3.2	3.9	3.9	3.3
including accommodation and catering (9.0%)	1.9	2.0	2.0	2.1	2.4	5.3	3.1	2.3
including social protection (5.0%)	4.5	4.4	4.7	4.8	4.9	4.2	3.5	4.6
including insurance (3.5%)	8.9	10.2	9.5	9.2	7.6	3.4	8.0	9.2
All (100%)	**0.8**	**0.7**	**0.8**	**1.2**	**1.1**	**4.9**	**2.0**	**1.0**
All excluding energy (91.9%)	1.6	1.4	1.6	1.9	1.9	4.8	2.0	1.6
All excluding tabacco (98.4%)	0.8	0.6	0.8	1.2	1.0	4.8	1.8	0.9
Core inflation (61.4%)**	**1.3**	**1.1**	**1.1**	**1.3**	**1.2**	**5.1**	**1.8**	**1.2**

■ Forecast.
* Consumer price index (CPI).
** Index excluding public tariffs and products with volatile prices, corrected for tax measures.
How to read it: in May 2025, headline inflation over the year stood at +0.7%. Year on year, food prices rose by 1.3%.
Source: INSEE.

►3. Variation in prices along the food production chain

(in level, base=100 in 2019)



Last point: April 2025 for IPPA and IPPI, May 2025 for CPI.
How to read it: in April 2025, compared to their 2019 average, consumer food prices excluding fresh produce increased by 24.1%, agrifood industry producer prices for the French market by 32.6% and agricultural producer prices (excluding fruit and vegetables) by 31.4%.
Source: INSEE.

Prices of manufactured goods are set to continue their slight decline over the forecasting period: their year-on-year fall is expected to reach -0.4% in December 2025, after -0.2% in May. Prices of manufactured goods are likely to be driven down by the rise in the euro against the dollar and Asian currencies, and by the recent drop in sea freight prices.

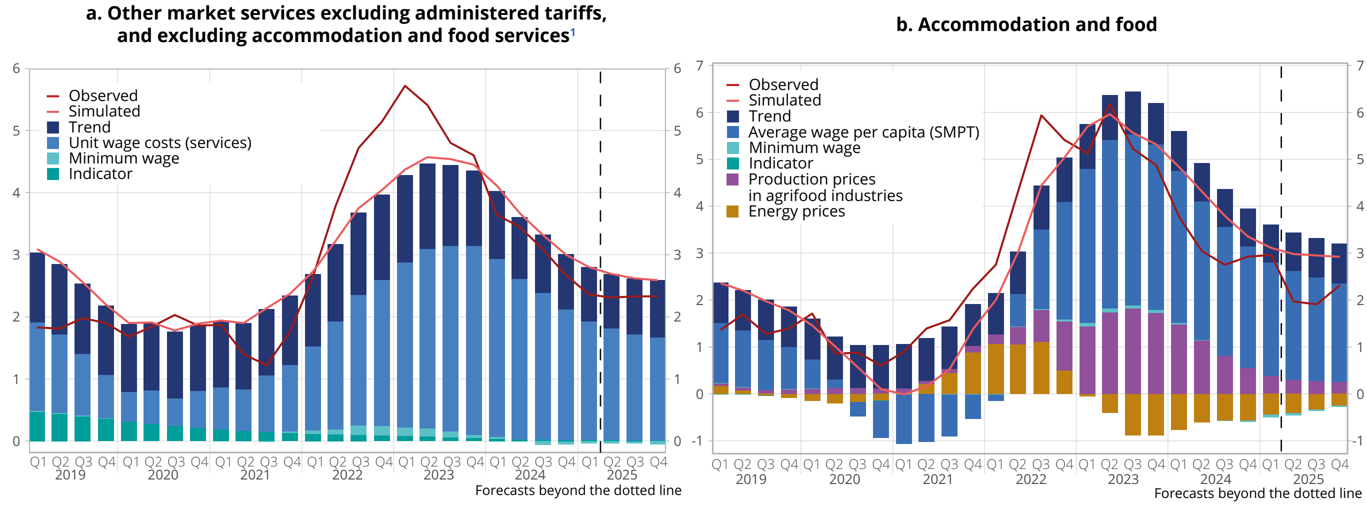
Prices of services look set to accelerate over the forecasting period, reaching +2.6% in December after +2.1% in May. Services should therefore remain the main contributors to headline inflation throughout the forecasting period, due to their significant weight in total consumption (around half of the basket). This increase in inflation in services has essentially been due to the end of the price reductions in communication services: their year-on-year decline is expected to ease gradually, reaching -5.2% in December after -15.5% in May. Prices of healthcare services should gather pace, rising by 3.2% year on year in December, after +0.8% in May. On the one hand, the drop in the prices of healthcare laboratory analyses in September 2024 is likely to fall outside the year-on-year variation due to a base effect, and on the other hand, an increase in the prices of consultations with paramedical professionals and certain medical specialists is expected in July 2025. Prices of transport services, which are expected to rise by 0.1% year on year in December, after +1.2% in May, should continue their slowdown which began in the winter, particularly in air transport, with the drop in the price of kerosene being passed on to consumers. Inflation in "other services" to households (+3.3% in May) is likely to dip very slightly (+3.2% in December). The slowdown in wages observed since the end of 2023 should be passed on to the prices of market services, albeit slowly (▶**Figures 4a** and **4b**). In addition, social protection prices, which rose sharply with the increases in daycare fees in January and childminders' fees in April, are set to rise further until the end of the year as a result of the decision to allow certain categories of private nursing homes for elderly dependent people (EHPADs) to adjust their prices.

The year-on-year rise in tobacco prices, which reached +4.1% in May, is expected to remain virtually stable until December, at +4.0%.

Underlying inflation, which does not include volatile prices such as energy, tropical foodstuffs, meat, eggs, or administered medical and social tariffs, is expected to rise only slightly to +1.2% in December year on year, after +1.1% in May. Headline inflation excluding energy looks set to rise more sharply to +1.9% in December, after +1.4% in May, due to the expected increases in the prices of food and healthcare services. Inflation within the meaning of the Harmonised Index of Consumer Prices, (HICP), which differs in its method of accounting for prices of goods and healthcare services, was slightly lower than inflation within the meaning of the Consumer Price Index (CPI) in May (+0.6% year on year versus +0.7%), and the gap is expected to widen slightly by December (+0.7% versus +1.1%) (▶**Box** on differences between the CPI and HICP). ●

▶4. Modelling of prices for other market services and accommodation and food services

(year-on-year, % change)



1 "other market services" includes the "other services" item, subtracted from the prices of accommodation and food services, which are modelled separately, as well as administered, regulated or excessively volatile prices. For more details on modelling, see ▶**Benchekara and Roulleau, 2023**.

Last point: Q4 2025 (forecast from Q2 2025).
How to read it: in Q1 2025, The simulated year-on-year change in the prices of accommodation and food services stands at +3.1%, with a contribution of +2.4 points from the average wage per capita (SMPT) in market services. The year-on-year change in these prices stood at +3.0%.
Source: INSEE.

After being more vigorous since 2021, HIPC inflation should be slightly lower than CPI inflation in 2025

Paul Aventin et Gaston Vermersch

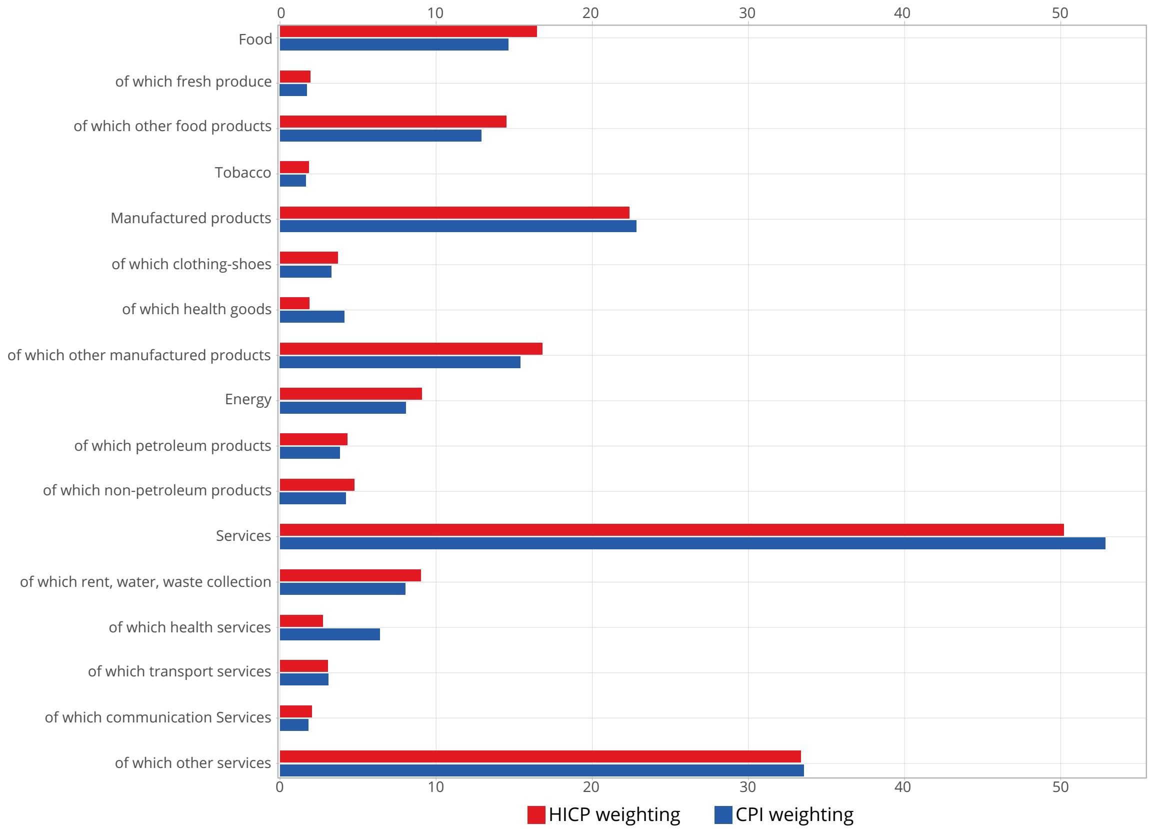
Since its creation, INSEE has been calculating the monthly consumer price index (CPI), which is used as the basis for measuring inflation. In the 1990s, with a view to monetary integration, the European countries defined a harmonised index, with the same scope and concepts for all countries. Consequently, INSEE also calculates the "harmonised" consumer price index (HICP) on a monthly basis, which is used as a benchmark for comparing inflation in Eurozone member countries (►**Daubaire, 2022**).

The scope of the Consumer Price Index (CPI) is based on actual household consumption, paid either directly by households or indirectly by general government on behalf of households: the prices considered in this index are "gross prices", corresponding to the total prices of goods and services consumed. In contrast, the scope of the Harmonised Index of Consumer Prices (HICP) is based solely on household consumption expenditure, i.e. on the out-of-pocket expenditure of households after any general government reimbursements have been taken into account. The prices considered in this index are "net prices" in the health, social protection and education sectors.

For example, the CPI and HICP weightings differ for consumption items that include general government reimbursements, such as healthcare goods and services. For these products, the CPI uses the "gross price", i.e. before social security reimbursements, while the HICP uses the own contribution of households, net of social security reimbursements (but before any reimbursements by mutual insurance companies). The weighting of healthcare goods and services is therefore higher in the CPI (10.5% in 2025) than in the HICP (4.7%; ►**Figure A**), and the weighting of other consumption items is lower: for example, energy is weighted at 8.1% in the CPI compared with 9.1% in the HICP in 2025.

►A. CPI and HICP consumer product weightings in 2025

(in %)



How to read it: in 2025, health services are weighted at 2.7% within the meaning of the HICP, compared with 6.4% in the CPI.
Source : INSEE.

Therefore, even in the absence of changes in methods of reimbursement of healthcare products by general government, this difference in weighting may explain the difference between HICP and CPI inflation. For example, an energy inflation shock, such as that observed in 2021-2022, has a greater impact on the year-on-year variation in the HICP, in which energy has a higher weighting than in the CPI. In addition, given the different weighting of healthcare goods, a drop in the prices of medicines makes a much more negative contribution to the CPI than to the HICP.

In addition to this first source of divergence, changes in the reimbursement of healthcare products by general government affect the CPI and the HICP differently, and therefore constitute a second potential source of divergence between these two indices. For example, the increase in medical deductibles in spring 2024 had no effect on the CPI but contributed to the increase in the HICP.

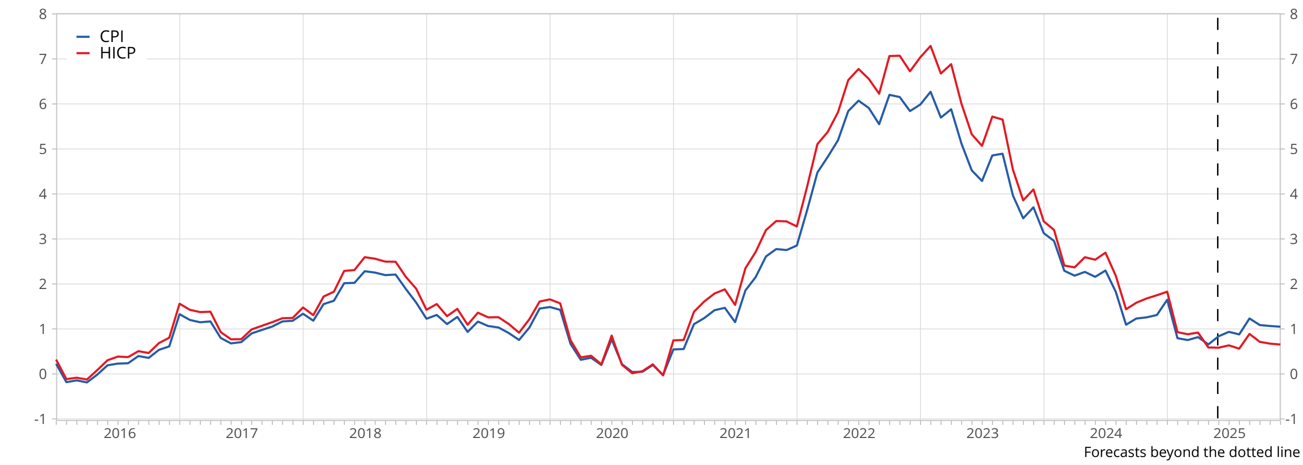
A downward trend has been observed in the prices of medicines measured by the CPI since the end of the 2000s, and a number of measures to increase the own contribution have been introduced over time. The HICP is therefore slightly more dynamic than the CPI, with an average annual difference of around +0.2 points per year between 2008 and 2024 (**▶ Figure B**). In December 2024, the difference between the two indices amounted to 0.4 points: the drop in the gross price of healthcare laboratory analyses in September 2024 had a greater downward impact on the CPI than on the HICP, and the increase in medical deductibles in spring 2024 contributed to raising the HICP but not the CPI.

Conversely, since the start of 2025, the inflation differential between the HICP and the CPI initially narrowed, before being reversed in May (CPI inflation at +0.7% year on year compared with +0.6% within the meaning of the HICP). Over the forecasting period, CPI inflation is likely to remain more dynamic than HICP inflation. A number of factors explain this turnaround in 2025:

- in January 2025, the increase in the gross fees of general practitioners and certain medical specialists affected the year-on-year variation in the CPI more than the HICP (**▶ Figure C**);
- the increase in medical deductibles in spring 2024 dropped out of the year-on-year variation in the HICP in spring 2025;
- in July 2025, the increase in the tariffs of certain specialists and paramedics should have a stronger impact on the CPI than on the HICP;
- the fall in the prices of healthcare laboratory analyses prices in the summer of 2024 will gradually drop out of the year-on-year variation in the CPI in the summer of 2025;
- the decline in energy prices has had a greater impact on the HICP than on the CPI.

▶ B. Year-on-year variation in the CPI and HICP

(in %)

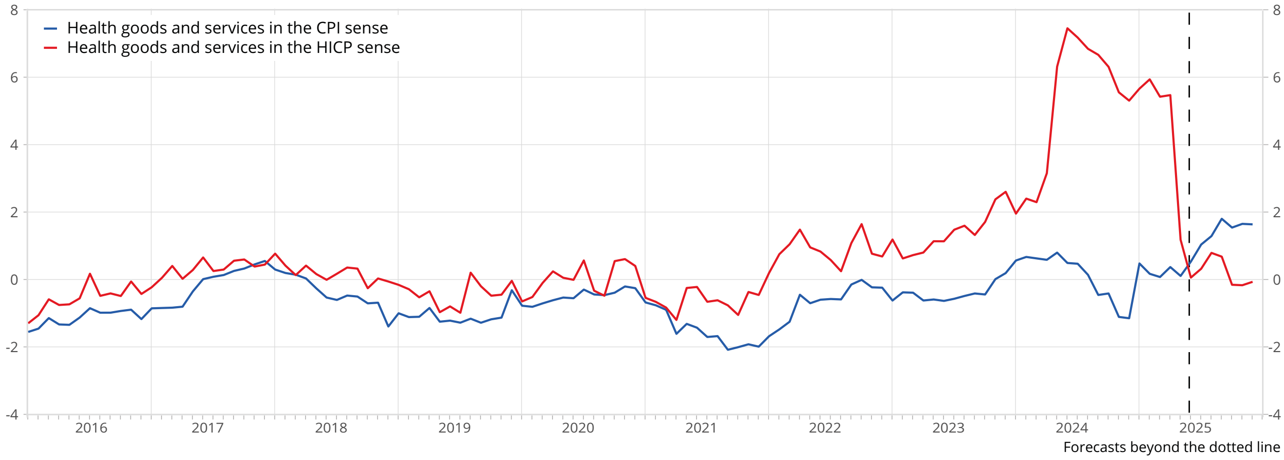


Last point: December 2025 (forecast from June 2025).
How to read it: in May 2025, year-on-year inflation within the meaning of the CPI stands at +0.7%, compared with +0.6% for the HICP.
Source: INSEE.

By the end of 2025, HICP inflation (+0.7%) should therefore be lower than CPI inflation (+1.1%). As an annual average, HICP inflation is likely to stand at +0.8% in 2025, compared with +1.0% for the CPI. However, in cumulative terms from end 2019 to end 2025, the HICP is likely to remain more vigorous than the CPI: cumulative inflation within the meaning of the HICP is expected to rise to +17.6% compared with +15.5% within the meaning of the CPI, for a difference of +2.2 points (► **Figure D**). ●

► C. Year-on-year variation in the prices of healthcare goods and services within the meaning of the CPI and the HICP

(in %)



Last point: December 2025 (forecast from June 2025).
How to read it: in May 2025, the year-on-year variation in healthcare prices within the meaning of the CPI was +0.1%, compared with +1.2% for the HICP.
Source: INSEE.

► D. CPI and HICP inflation since the end of 2019

(year-on-year at the end of the year in %; cumulative in % for the last column)

	December 2020	December 2021	December 2022	December 2023	December 2024	December 2025	Cumulative from end 2019 to end 2025
HICP	0.0	3.4	6.7	4.1	1.8	0.7	17.6
CPI	0.0	2.8	5.9	3.7	1.3	1.1	15.5
HICP-CPI differential	*+0.0*	*+0.6*	*+0.9*	*+0.4*	*+0.4*	*-0.4*	*+2.2*

■ Forecast.

How to read it: in Decembre 2023, HICP inflation rose to +4.1% year on year, compared with +3.7% for the CPI: a four-point difference. Between December 2019 and December 2025, the harmonised consumer price index is expected to have risen by 17.6%. Over the same period, the consumer price index is likely to have risen by only 15.5%: a difference of +2.2 points.
Source: INSEE.