

International economic outlook and detailed forecasts for la France

Since the start of the year, US protectionism has put pressure on world trade

World trade soared in Q1 2025 (+1.3%) before stalling in Q2 (-0.3%), reflecting the volatility of US imports. These surged in Q1 (+8.4%), as companies anticipated the introduction of the new customs barriers, then fell sharply in Q2 (-8.5%). However, the effect of these US jolts on world trade was partly offset by the unexpected intensification of intra-Asian trade, reflecting the ability of Chinese manufacturers to diversify their outlets rapidly. At the same time, optimisation and avoidance strategies quickly emerged, temporarily boosting trade: in Vietnam, for example, imports from China and exports to the United States increased significantly, reflecting a reallocation of trade flows via certain other countries (► **Figure 1**). These reallocations are helping to soften the immediate impact of customs barriers on world trade, the effects of which are likely to be felt more widely over time. After the three-month extension of the US tariff truce with China in early August, an agreement reached at the end of July with the European Union increased duties on many products from the Old Continent by 15%, while increases were introduced over the summer with regard to other countries. Together, these measures brought the average effective customs duty rate to nearly 18% (*Yale Budget Lab*, August 2025). This US protectionism is expected to slow growth in trade, but the negative effect will be limited by avoidance strategies and the relative recovery of investment in Europe: world trade

is expected to grow by +0.4% per quarter in H2. In the autumn, it is therefore likely to progress by +1.9% year on year, with this growth having reduced by around one percentage point due to the introduction of customs barriers, i.e. one third of the expected long-term effect (► **Box** from International synthesis sheet, *Economic outlook*, March 2025 and ► **Focus** from *Economic outlook*, June 2025).

Commodity prices ease

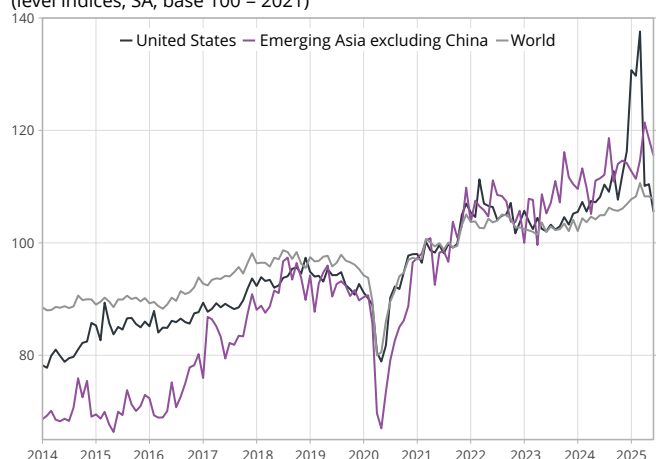
Pressure continues to ease on commodity markets, despite some turbulence, as resurgent trade tensions and the persistent weakness of the Chinese economy weigh on demand prospects. Since June, oil prices have been highly volatile: after peaking in June due to the twelve-day conflict between Iran and Israel, the price of a barrel of Brent fell below \$70 following the ceasefire (► **Figure 2**). Thus, assuming a set price forecast of \$65 per barrel from September onwards, the average price for Q3 2025 should be \$68. The price of gas, meanwhile, remains below €35/MWh, down 15% on the previous year.

A cycle of monetary easing with limited effects

In the Eurozone, the European Central Bank (ECB) has already reduced interest rates eight times since June 2024: over this period, the deposit facility rate has fallen from 4.0% to 2.0%. Inflation has fallen sharply to stand

► 1. Trends in import volume indices in the United States, emerging Asian countries and worldwide

(level indices, SA, base 100 = 2021)



Last point: June 2025.

How to read it: the CPB index of import volumes in the United States was 6 points above its 2021 average in June 2025, compared with 16 points for emerging Asian countries excluding China and 8 points worldwide.

Source: CPB, INSEE calculations.

► 2. World oil prices and natural gas prices in Europe

(oil in € per barrel, gas in €/MWh)



Last point: 1st September 2025.

How to read it: Brent stood at 58.8 euros per barrel on 1st September 2025 and the TTF at 31.9 euros per MWh.

Source: Commodity Research Bureau, ICE Futures Europe.

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at 2.1% in August, compared with over 10% three years earlier. In particular, inflation in services has fallen sharply since the beginning of the year, a sign that wage pressures are easing. The ECB is therefore expected to pursue its monetary easing policy until the end of the year. In the United States, the approach to monetary policy is more uncertain: caught between resurgent inflation linked to trade policy and the slowdown in the labour market, the Federal Reserve once again left interest rates unchanged at its July meeting. It is expected to ease its policy slightly between now and December, while maintaining interest rates at a significantly higher level than in Europe.

Furthermore, the transmission of monetary easing to private agents is weakened by the reduction in the size of central bank balance sheets and the abundance of government debt: rates for private agents are falling less sharply than base rates, limiting the pace of recovery in investment.

In 2025, economic activity is likely to slow in the United States, and the labour market is expected to grind to a standstill

In the United States, activity grew by +0.8% in Q2 2025, after -0.1% at the beginning of the year, mirroring the decline in imports after their sharp rise at the beginning of the year. Underlying this, private domestic demand excluding inventories remains fairly vigorous (+0.5% per quarter in H1). While activity is holding up, the labour market appears to be taking a downturn (► **Figure 3**): job creation and the ISM employment indices have fallen in both industry and services, and labour turnover is at a low level, indicating that employers have greater bargaining power. This decline in employment is partly due to the slowdown in the active population, in the wake of the restrictive migration policy implemented by the new government, and has not been

accompanied by a marked increase in the unemployment rate. It is likely to gradually weigh on household income and therefore on consumption. In the short term, growth is expected to remain buoyed by continued robust demand in Q3 (+0.5%), stimulated by advance purchases of electric vehicles ahead of the withdrawal of federal subsidies scheduled for the end of September as part of the new administration's budget. Nevertheless, the slowdown in employment and the resurgence of inflation caused by the introduction of tariff barriers are likely to stall activity at the end of the year: growth is expected to fall to +0.3% in Q4, reaching +1.9% for 2025 as a whole, after +2.8% in 2024.

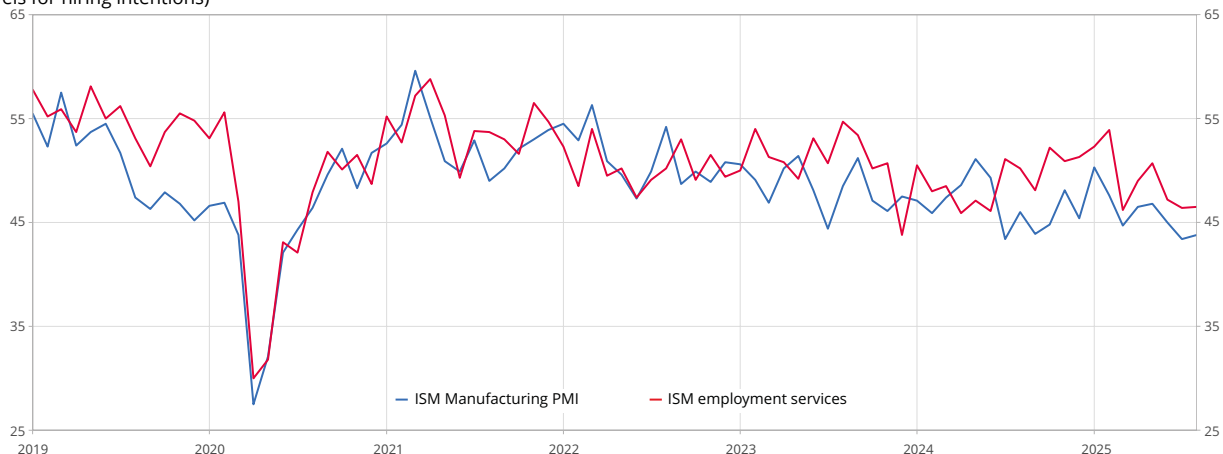
In the Eurozone, a faint glimmer of hope for investment and persistent cyclical divergences

In Q2 2025, Eurozone activity grew only slightly (+0.1%), adversely affected by the downturn in GDP in economies whose production had been boosted over the winter by deliveries to the United States before the introduction of customs duties: this was particularly the case in Germany (-0.3% in Q2, after +0.3% in Q1) and Italy (-0.1% after +0.3%). Conversely, Spain maintained its momentum (+0.7% after +0.6%), driven by private consumption and sustained investment, with no significant impact on imports. In France, growth held up well (+0.3% in Q2), buoyed by the aeronautical industry and tourism. Outside the Eurozone, the United Kingdom showed unexpected momentum in Q1 2025 (+0.3% in Q2 after +0.7% in Q1), driven by public spending and a positive contribution from exports, particularly services.

For the end of the year, business tendency surveys confirm the continuing divergence between European economies, with Germany still lagging behind, while Spain and, to a lesser extent, Italy are benefiting from a more favourable economic outlook (► **Figure 4**). In Spain, growth should remain strong in H2 2025

► 3. In the United States, the labour market is faltering

(PMI levels for hiring intentions)



Last point: August 2025.

How to read it: In United States, in August 2025, the ISM employment PMI for the manufacturing sector was 44.

Source : ISM.

(+0.6% per quarter). The country is benefiting from a favourable supply shock due to the continued arrival of relatively skilled immigrants from South America and, in terms of demand, from the support of the European recovery plan. This virtuous circle is therefore likely to continue: employment is growing strongly, fuelling gains in purchasing power and buoyant consumption, while investment in both construction and equipment continues to surge. At the same time, exporters are not losing market share and the country is benefiting from the expansion of tourism. In Italy, activity is expected to remain moderate (+0.2% in Q3, as in Q4): investment in equipment is picking up, but investment in construction is expected to start to decline as the favourable effects of the Superbonus wear off (► **Focus** from *Economic outlook*, June 2025). Germany is slowly picking itself up (+0.1% in Q3, +0.2% in Q4): private consumption and investment are gradually recovering, but the contribution of foreign trade remains negative, reflecting persistent losses in market share. In France, despite low morale among consumers and service companies, activity should hold up (+0.3% in Q3 and +0.2% in Q4), occasionally buoyed by a few sectors that are bucking the general sluggishness (energy, agriculture, aeronautics, real estate and tourism). Finally, in the United Kingdom, growth is expected to weaken (+0.2% per quarter), driven by private consumption but adversely affected by the decline in public investment after a peak at the start of the year.

Wage moderation variable across Europe

In 2025, wages are slowing in the Eurozone, reflecting the delayed impact of disinflation, but are still growing at significantly different rates across countries (► **Figure 5**). In Germany and Spain, nominal wage growth remains strong (around 4% year on year), fuelling inflation that

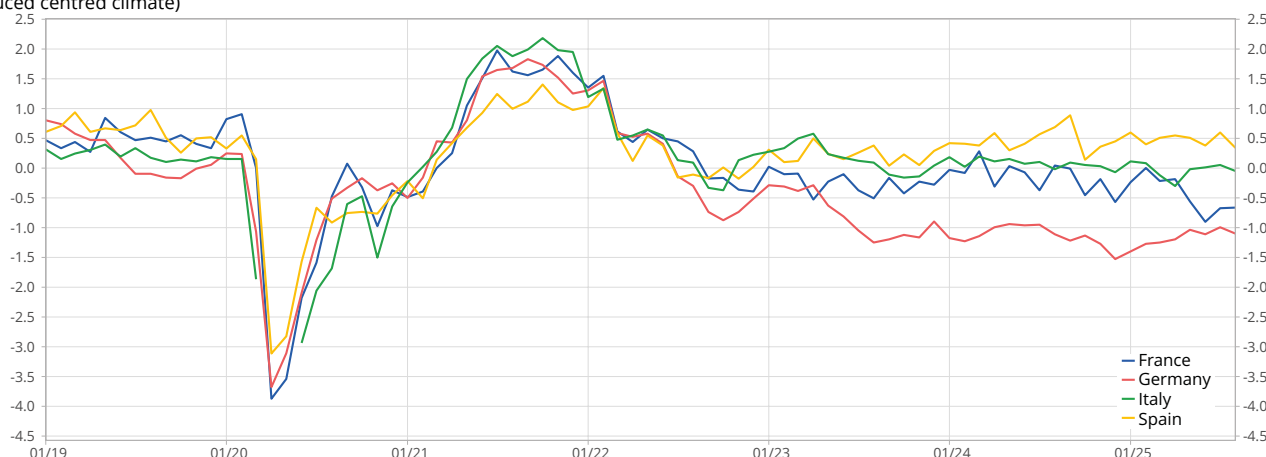
is slightly higher than elsewhere. The United Kingdom shows a similar pattern, with sustained wage growth, but partly offset by persistent inflation. In Italy and France, nominal wages are rising more moderately, at a rate of around +2%, and inflation is lower. However, in most countries, the catch-up after the inflationary shock is fading, with real wages having exceeded or approaching their 2021 levels. After a sharp increase in 2024 (+2.4%), purchasing power in the Eurozone should decelerate in 2025 (+1.1%). Households in the Eurozone, on the other hand, have smoothed out these fluctuations in their consumption, which remains stable in 2025 (+1.2%), and the savings ratio is falling in most European countries (except France), after having increased in 2024.

Activity is expected to barely accelerate in Europe in 2025, with European exporters suffering from the appreciation of the euro

All in all, while economic activity is expected to pick up in 2025 in the Eurozone (+1.4% after +0.8% in 2024), this momentum will not extend to the Eurozone's four largest economies, which, taken together, will maintain more or less the same growth rate as in 2024. Domestic demand in the region is expected to increase moderately, driven by a recovery in investment and strong household consumption, particularly in Germany and Spain. As a result, global demand for French goods is expected to grow by 3.1% in 2025, substantially more dynamic than global trade, which is mainly being hampered by the slowdown in flows to the United States, with which France has weaker trade links.

Nevertheless, like other European exporters, French companies are likely to suffer from the appreciation of the single currency, particularly against the dollar: buoyed by expectations that the ECB's monetary cycle is coming to an

► 4. The economic climate indicator (businesses and households) in the four main Eurozone economies (reduced centred climate)



Last point: August 2025.

How to read it: in August 2025, the economic climate indicator was 0.3 standard deviations above its long-term average level (average over the period January 2005 to May 2025).

Source: surveys DGEFCIN, INSEE calculations.

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end, the euro stabilised at around \$1.16/€ in mid-August. This increase has led to higher prices for exporters from the Old Continent compared to their competitors in other regions of the world: export prices have soared in the Eurozone, while they remain at significantly lower levels in the United States and especially in China (► **Figure 6**). As a result, foreign trade is expected to weigh down on growth in the Eurozone in 2025.

In France, activity was slightly more dynamic than expected in the spring

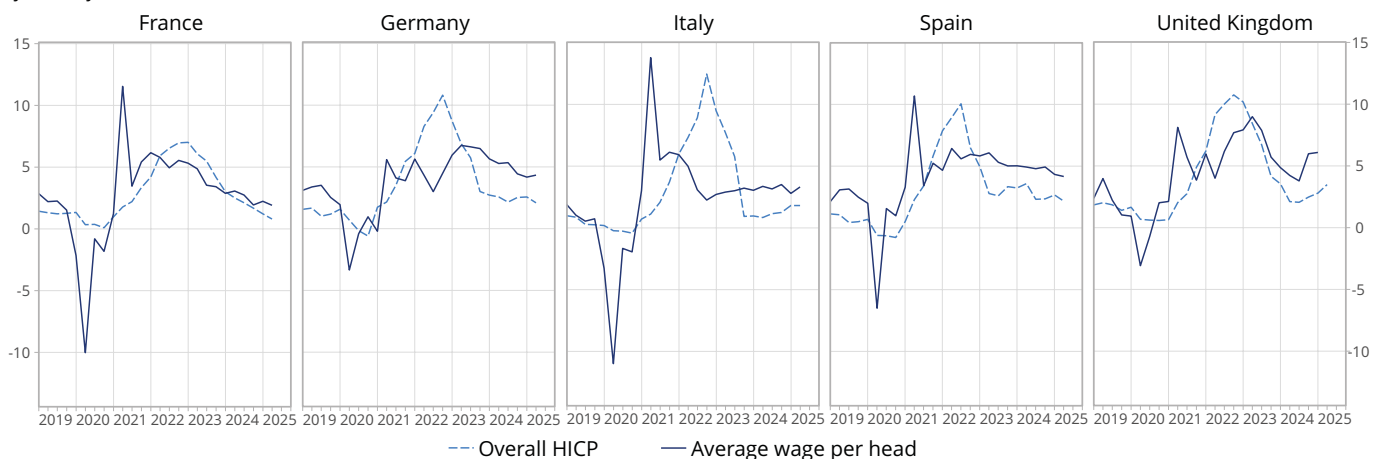
In France, GDP growth in Q2 2025 stood at +0.3%, slightly higher than forecast in the *Economic Outlook* of 18 June 2025 (+0.2%). This surprise stems mainly from the exceptional buoyancy of manufacturing output in

June, particularly in aeronautics (► **Focus** on the bottom-up method of growth forecasting), and the continued increase in the tourism balance.

Final domestic demand gave a slight boost to growth in activity (contribution of +0.1 percentage points), but resident household consumption remained stable and once again disappointed. On the other hand, domestic consumption, driven by tourist spending, particularly on accommodation and food services, performed well (+0.3%). Consumption of manufactured goods was buoyant (+0.8%) thanks to a rebound in food consumption and an increase in fuel purchases, stimulated by lower prices at the pump. Conversely, housing energy consumption fell due to the mild temperatures at the beginning of spring (-4.7%). Household investment rose

► 5. Average wage per capita and headline inflation (within the meaning of the HICP) in the main Eurozone economies and in the United Kingdom

(year-on-year, in %)



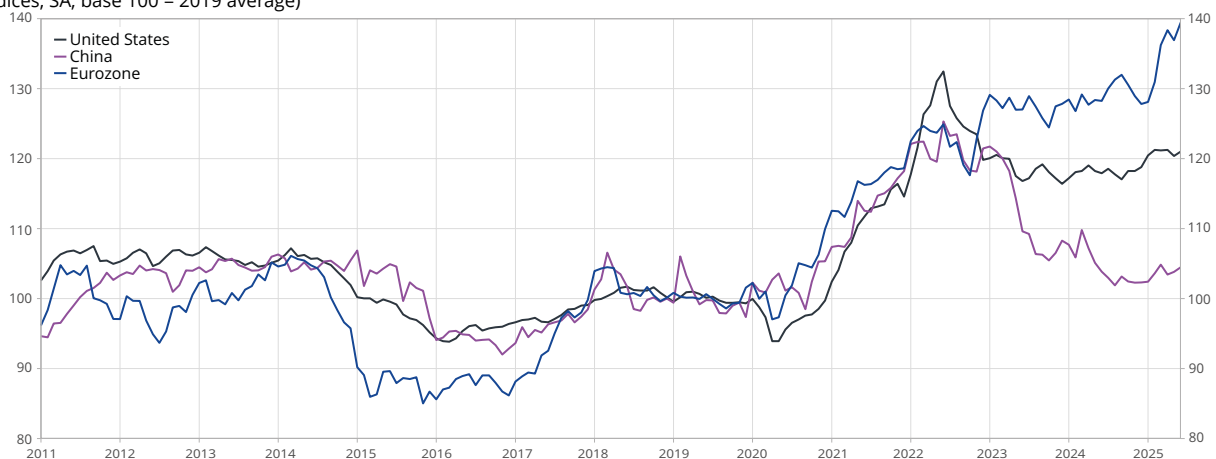
Last point: Q2 2025 and Q1 2025 for average per capita income in United Kingdom.

How to read it: in Q2 2025, in Germany, in Q2 2025, average wages per capita in Germany rose by 4.3% year on year, compared with 2.1% for the harmonised consumer price index.

Source: Eurostat, ONS, INSEE calculations.

► 6. Export prices for goods in China, the Eurozone and the United States

(level indices, SA, base 100 = 2019 average)



Last point: June 2025.

Note: free on board price (excluding customs duties), in dollars

How to read it: according to the CPB, the export price index is 21 points above its 2019 average in the United States in June 2025, compared with 5 points for China and 40 points for the Eurozone.

Source: CPB, INSEE calculations.

again (+0.4%): residential investment almost stabilised (-0.1%), and investment in services, consisting of notary and agency fees, continued to climb (+2.3%) despite the increase in property transaction taxes by most departments in the spring. Corporate investment, on the other hand, is still in recovery (-0.2%): investment in services slowed, while investment in goods and construction continued to decline.

Foreign trade dampened growth by -0.3 points. Exports of manufactured goods did not increase, particularly due to disappointing deliveries in the aeronautical sector in June, while imports of manufactured goods bounced back significantly (+2.1%). Meanwhile, changes in inventories once again gave a clear boost to growth in Q2 2025 (+0.5 percentage points after +0.7 percentage points): these inventories mainly consist of aeronautical equipment that has already been produced or imported but not yet assembled or exported (► Figure 7).

The heatwaves of 2025 are not likely to have a significant immediate impact on activity in France

According to Météo France, France has experienced two intense heatwaves over the last three months: the first from 19 June to 4 July, and the second from 8 to 18 August (► Focus on the heatwaves of 2025). While such periods are theoretically likely to have negative effects on short-term activity, the first of these two waves does not appear to have hampered growth in Q2, either in France or elsewhere in Europe. The available data suggests that the same will be true for Q3. In fact, unlike in 2003, agricultural production is expected to bounce back in 2025, particularly for arable crops, after a particularly poor year in 2024. Furthermore, the two heatwaves led to

an increase in electricity consumption, but only the June episode had an impact on national electricity production. The rebound in agricultural production is therefore likely to bolster economic activity in 2025, contributing +0.1 percentage points to annual growth.

The business climate remains bleak

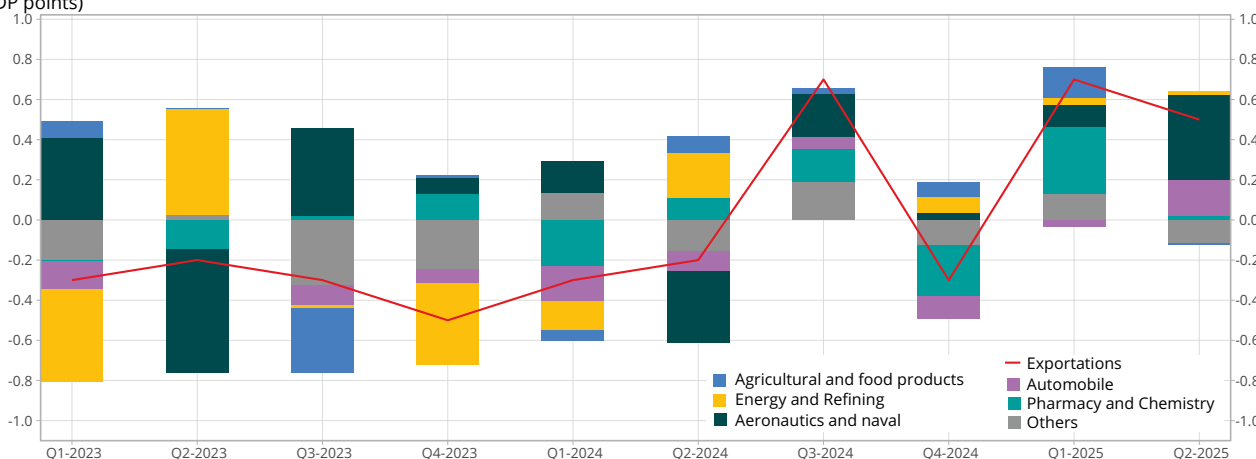
However, the short-term situation remains bleak. Since June, the business climate has been stable at 96 and has now been below its long-term average for over a year (► Figure 8). The short-term situation is broadly similar in industry and services, where business climate indicators have remained virtually stable since the beginning of the summer, below their long-term average. Conversely, the business climate is brightening up in the construction sector and approaching its long-term average: contractors in the sector are notably much more optimistic in August than at the start of the year about their business prospects.

Growth is expected to continue in H2, nevertheless

Despite this gloomy outlook, growth is expected to remain resilient in H2, with activity increasing by 0.3% in Q3 and 0.2% in the Q4. At the sectoral level, activity is expected to continue to grow in the manufacturing industry in Q3 (+0.2%), before stabilising in Q4. Over the year, aeronautical production is expected to increase by 7%, with most of this growth achieved by the end of spring. After two quarters of sharp decline, activity in the energy sector is expected to bounce back (+2.6%) and then remain virtually stable, assuming a return to normal temperatures. Over the year as a whole, it is expected

► 7. Contributions of changes in inventories to quarterly GDP growth and breakdown by product

(in GDP points)



Last point: Q2 2025.

How to read it: in Q2 2025, changes in inventories contributed +0.5 percentage points to quarterly GDP growth, including +0.4 percentage points for changes in inventories of aeronautical and naval equipment.

Source: INSEE, national accounts.

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to decline due to the mild weather at the beginning of the year. In construction, activity is expected to decline slightly in Q3 (-0.2%) before almost stabilising in the autumn. Finally, in market services, activity is expected to be sluggish, reflecting weak domestic demand (+0.3% in Q3 and +0.2% in Q4).

Employment holding up better than expected

In Q2 2025, payroll employment was surprisingly high compared to the forecast in the June *Economic Outlook*, both in the private sector (+43,000 jobs after -28,000 at the start of the year) and in the public sector (+9,000 jobs). In particular, the number of work-study jobs continued to rise in H1 despite the reduction in government incentives, and the tourism boom boosted recruitment in accommodation and food services.

However, the mood summarising the responses of companies on employment has dropped below its long-term average (► [Figure 9](#)): at 95, it remains close to its lowest level since the end of the pandemic, reached last February. The effect of tighter employment policies is likely to materialise at the end of the year: work-study jobs, for which most hiring takes place in September, are expected to decline by the end of the year, with 65,000 work-study positions lost in six months. As a result, employment in the private sector is expected to decline in 2025 (by 51,000 over the year as a whole), particularly due to work-study jobs. Public-sector employment, meanwhile, is expected to stabilise after rising steadily every year since 2019, due to the increasing scarcity of subsidised employment. All in all, by the end of 2025, total payroll employment should edge down year on year (-0.1%, or -34,000 jobs), mainly in the

private sector. Considering the anticipated increase in its non-payroll component, employment should remain virtually stable in Q2. Year on year, total employment is expected to slow down at the end of 2025 (+0.1%, or +36,000 jobs, after +0.3% in 2024).

Unemployment barely increasing

In Q2 2025, the ILO unemployment rate stood at 7.5% of the active population, 0.2 points up on the previous year. France has gained 140,000 more people in the labour force in one year, mainly as a result of pension reform. The active population is likely to slow down again in H2 (+20,000 per quarter): given the decline in the number of jobs on work-study programmes, the majority of students are likely to choose to continue their initial training rather than entering the labour force. Given the near stabilisation of employment, the unemployment rate is expected to rise slightly at the end of 2025, to 7.6% of the active population (► [Figure 10](#)). This forecast is shrouded in uncertainty due to the effects of the law on full employment, which provides since the beginning of 2025 for the automatic registration with France Travail (French employment agency) of “all persons without employment”, especially those receiving the earned income supplement (RSA). The ultimate aim of this reform is to bring these people back into employment and hence increase their labour force participation rate, as a large proportion of the target population is currently inactive (► [INSEE analyses](#) n°108, April 2025). However, the effects of this reform on the indicators within the meaning of the ILO are both indirect and uncertain, and may also take a long time to be felt in significant proportions (► [Box](#) from Employment sheet, *Economic outlook*, December 2024). Consequently, in H1

► 8. Business climate in France, in industry, services and construction

(business climate indicators normalised with a mean of 100 and a standard deviation of 10)



Last point: August 2025.

How to read it: the business climate in the industry stood at 96 in August 2025.

Source: INSEE, business surveys.

2025, beneficiaries of the earned income supplement and young people registered with France Travail did not contribute significantly to changes in the overall employment and unemployment rates (► **Box** from *Informations Rapides* n°198, August 2025 of Q2 2025). For the remainder of 2025, no effect on the unemployment rate is expected as a result of this law.

Inflation is likely to remain contained until the end of the year

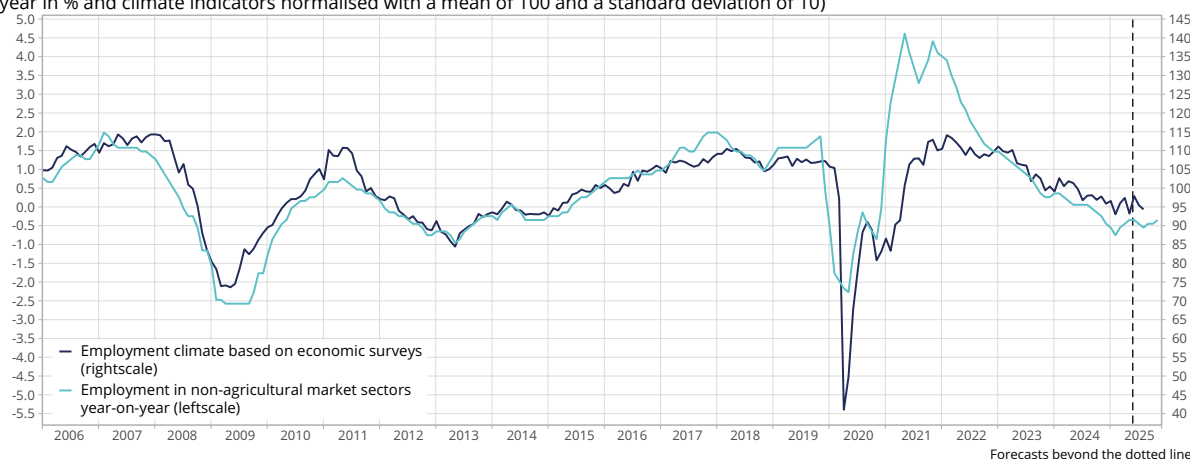
Inflation in France fell sharply in February 2025 and is now well below that of other European countries, due to lower electricity prices and falling telecommunications prices caused by fierce competition between operators. In August, the year-on-year change in consumer prices stood at +0.9% (according to the provisional estimate),

after +1.0% in July (► **Figure 11**). Against a backdrop of euro appreciation and moderate oil prices, inflation is expected to remain modest until the end of the year, although it may rise slightly from September onwards with the end of the price war between telephone operators.

Energy prices fell by 6.2% year on year in August, due to the year-on-year decline in oil prices and electricity tariffs, while gas prices rose. By the end of the year, this downturn is expected to intensify slightly, in line with Brent and gas prices: in December, energy prices are likely to fall back by 7.0% on the previous year, assuming a price of \$65 per barrel. Food prices, particularly coffee, chocolate, eggs and meat, are expected to continue accelerating on the back of past price increases, from +1.6% year on year in August to +2.3% in December.

► 9. Employment climate and change in market payroll employment

(year-on-year in % and climate indicators normalised with a mean of 100 and a standard deviation of 10)



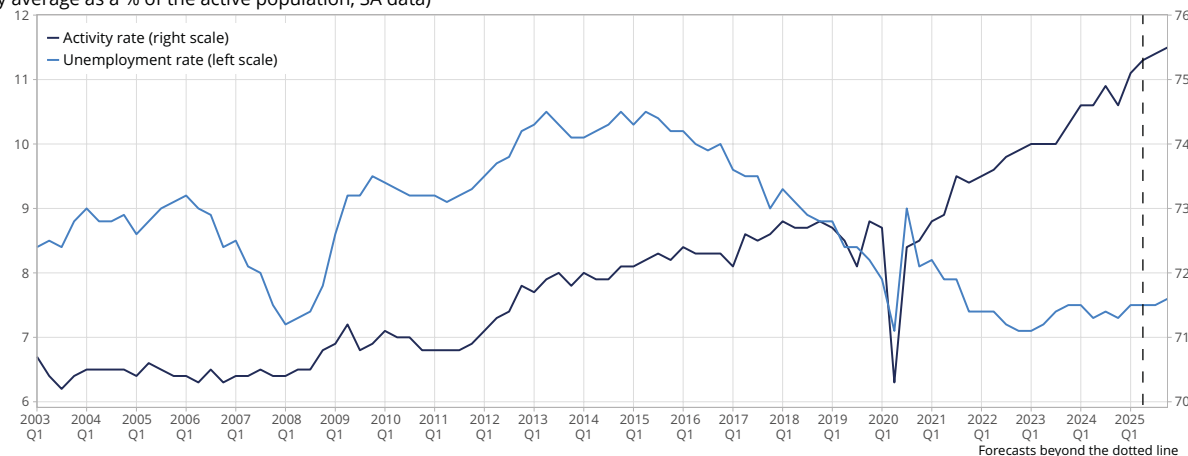
Last point: August 2025, for the employment climate, Q2 2025 for the year-on-year variation in employment in the non-agricultural market sectors (the last two quarters are forecasts).

How to read it: in August 2025, the employment climate stood at 95 points, below its long-term average; for Q2 2025, non-agricultural market sector employment is 0.3% below its level of one year previously.

Source: INSEE, business surveys and DARES-INSEE-URSSAF, quarterly employment estimates, INSEE forecasts.

► 10. Activity rate and unemployment rate and according to the ILO definition

(quarterly average as a % of the active population, SA data)



Scope: France (excluding Mayotte), persons aged 15 or over living in ordinary housing for the unemployment rate; persons aged 15 to 64 for the labour force participation rate.

Source: INSEE, Employment survey.

Economic outlook

The drop in prices for manufactured goods (-0.3% year on year in August) is expected to accelerate by the end of the year (-0.7% in December 2025), driven by the appreciation of the euro. Service prices are expected to accelerate over the forecasting period, reaching +2.8% in December 2025, after +2.1% in August, as the price war in telecommunications comes to an end. 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).

All in all, inflation is expected to be +1.2% year on year in December 2025, with core inflation at +1.5%, slightly up from August (respectively +0.9% and +1.3%). As an annual average, consumer prices are expected to rise by 1.0% in 2025, continuing their slowdown after increases of +5.2% in 2022, +4.9% in 2023 and +2.0% in 2024; this would be the lowest annual increase since 2020.

In 2025, real wages are expected to recover three quarters of the ground lost in 2022 and 2023

In 2025, in a context of low inflation, nominal wage growth is expected to remain at around +0.4% per quarter for the SMB (► [Figure 12](#)). The average wage per capita (SMPT) is expected to increase slightly faster than the basic monthly wage (SMB) in H2 (+0.4% in Q3 and +0.5% in Q4) due to a composition effect: the reduction in the amounts of subsidies for work-study programmes should lead to a reduction in the numbers of employees on these programmes at the start of the next academic year, and their wages are significantly lower than those of other employees, on average.

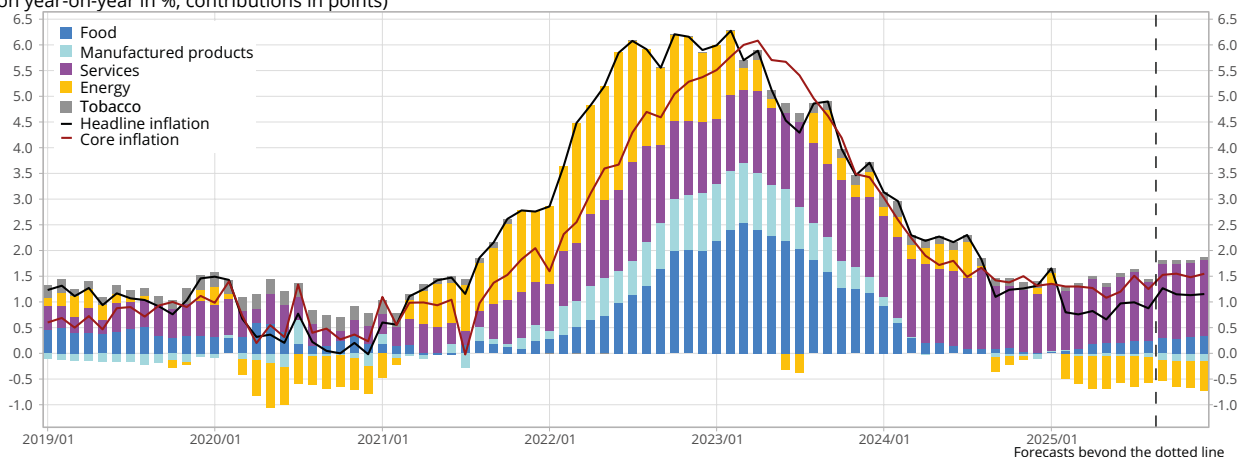
On an annual average basis, nominal wages are set to keep slowing in 2025: +2.1% for the SMPT (after +2.6% in 2024) and +1.8% for the SMB (after +2.9%). This slowdown in nominal wages in 2025 is expected to be slightly less pronounced than the slowdown in prices, with the result that real SMPT should increase by +1.0% as an annual average (+0.8% for the SMB). Cumulatively over 2024 and 2025, real wages in the non-agricultural market sectors would seem to have recovered around three quarters of the losses incurred in 2022 and 2023 (+1.8% recovery in 2024-2025, after a loss of -2.4% in 2022-2023 for the SMB, and +1.7% after -2.5% for the SMPT).

Household purchasing power is expected to increase by 0.8% in 2025

After moderate growth in Q1 and Q2 2025 (+0.1% in winter and +0.4% in spring), the purchasing power of household gross disposable income (GDI) should fall back significantly in H2 (-0.1% in Q3 and -0.7% in Q4). Household GDI in constant euros is expected to continue increasing in the summer before declining in the autumn (+0.2% in Q3, then -0.5% at the end of the year, excluding the effect of FISIM), while household consumption prices are expected to rise moderately. Earned income is expected to grow slightly (+0.3% in Q3 and +0.2% in Q4), while social security benefits are expected to remain relatively vigorous. The drop in income in H2 should be largely due to the downturn in property income and the timing of tax payments. As far as tax contributions are concerned, the payment of the exceptional contribution on high incomes is scheduled for the end of the year, on the one hand, and the income tax yield is expected to recover automatically, on the other. Taxable incomes

► 11. Headline inflation and contributions by item

(inflation year-on-year in %, contributions in points)



Last point: August 2025, CPI preliminary estimate.

How to read it: in August 2025, headline inflation was at +0.9%, according to the provisional estimate. Energy contributes around -0.5 points to this figure with services contributing +1.2 points.

Source: INSEE.

in 2024 rose by more than the consumer price index against which the scale is indexed, the balance of tax paid by households in H2 should be more dynamic than last year. In addition, the rate of withholding tax should increase in September 2025, reflecting the increase in actual tax revenues in 2024.

On average over 2025, household GDI is likely to slow (+1.7% excluding the effect of FISIM, after +4.8% in 2024), exceeding household consumer prices, which should lead to a marked slowdown in the purchasing power of GDI (+0.8%, after +2.5% in 2024).

In real terms, social benefits, particularly retirement pensions, are likely to be the main contributor to household purchasing power gains in 2025 (+0.9 points after +1.5 points in 2024), while earned income should make only a modest contribution (+0.4 points after +0.7 points). For the second year running, benefits are set to rise more than twice as fast as earned income (► [Figure 13](#)). The buoyancy of social security contributions and taxes is expected to reduce purchasing power by -1.0 point, while income from wealth, which has buoyed up purchasing power since 2021, should almost stop contributing to it in 2025.

Household consumption in France continues to disappoint

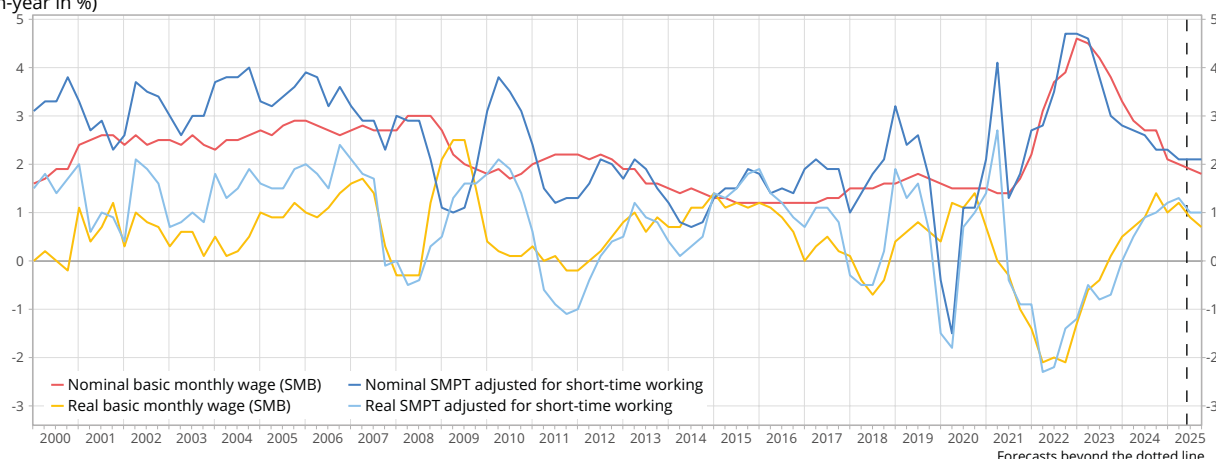
In the spring, household consumption stagnated for the third consecutive quarter, despite further gains in purchasing power, and the household savings ratio continued to climb, representing 18.9% of household income. For the coming quarters, the latest short-term

signals concerning household consumption are hardly encouraging (► [Figure 14](#)). Household confidence has been steadily declining since February and now stands at 87, below its long-term average (100) and at its lowest level in almost two years. Similarly, the business climate deteriorated significantly in retail trade in August, mainly due to the sharp decline in balances of opinion regarding order intentions and the general prospects for activity in the sector. In the automobile trade, the business climate is at its lowest since 2013 (except during the health crisis).

In this context, consumption is expected to increase only moderately in H2 2025 (+0.3% per quarter; ► [Figure 15](#)). However, it is not likely to be adversely affected by the expected decline in purchasing power over the same period: households usually smooth out fluctuations in income tax on their consumption, and income from wealth is not consumed to any great extent. Food purchases are expected to decline in the summer, then increase only slightly in the autumn. Gas and electricity expenditure is expected to bounce back automatically in Q3, after a relatively mild start to the year, returning to its usual level (+4.0%) before stabilising in the autumn, assuming temperatures remain close to seasonal averages. Overall, consumption of goods is expected to accelerate slightly in the summer (+0.4% after +0.1%), then return to a modest pace at the end of the year (+0.2% in Q4). In services, consumption is expected to slow in the summer (+0.3% after +0.5%), in line with spending on accommodation and food services: these sectors were boosted in the spring by strong growth in tourism, which is expected to stabilise in Q3. Household expenditure on services is expected to remain stable at the end of the year (+0.3% in Q4).

► 12. Nominal and real changes* in average wage per capita (SMPT) adjusted for the effect of short-term working, and in basic monthly wage (SMB)

(year-on-year in %)



* within the meaning of the CPI – Consumer Price Index.

Note: here the SMPT is adjusted for short-term working: these payments are not counted as wages, and therefore led to some very wide variations in the SMPT when it was not adjusted during the health crisis (► [blog post](#) on wage indicators).

How to read it: in Q3 2025, year-on-year growth in nominal SMB is expected to be 1.9%.

Scope: non-agricultural market branches.

Source: DARES, INSEE.

Economic outlook

For 2025 as a whole, household consumption is expected to slow significantly after an already sluggish 2024 (+0.5% after +1.0%). Above all, it is expected to rise at a slower pace than their purchasing power (+0.8%): unlike other European countries, the savings ratio in France is expected to continue to increase to 18.5% (from 18.2%), reaching its highest level in 45 years (excluding the two years of the health crisis). In quarterly terms, however, the savings ratio is expected to fall sharply in H2 2025 due to the planned significant increase in income tax, reaching 17.8% by the end of the year.

Household investment set to continue its rebound

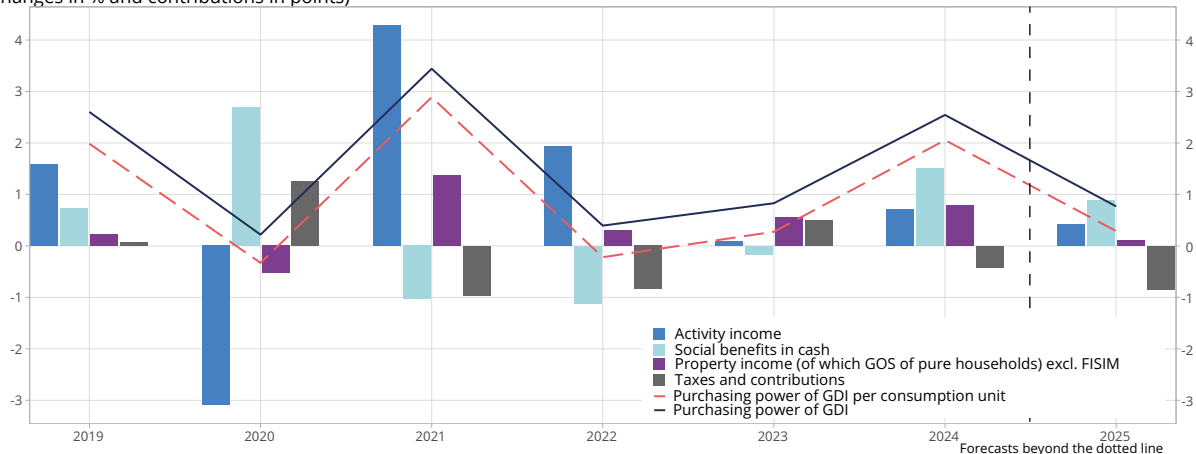
Since the end of 2024, household investment has begun to grow again, mainly due to the recovery of the older property market and, consequently, household spending on agency and notary services. These services are expected to stabilise, despite the recent increase in transaction taxes introduced by most departments

in the spring. Household investment in construction is expected to increase slightly in the summer (+0.2%) and then in the autumn (+0.4%). This upturn is likely to be driven mainly by new housing construction: the balance of opinion regarding the expected activity of construction companies for this type of work has been recovering strongly since the beginning of the year (► **Figure 16**). Expenditure on maintenance and improvement, meanwhile, is hampered by supply constraints: business tendency surveys show that companies with the “Reconnues garanties de l’environnement” (RGE, environmental quality label required to receive public subsidies) appear to be more constrained in terms of production resources, particularly with regard to labour, especially since 2020 (► **Focus** on RGE-certified companies).

All in all, household investment is expected to continue growing in the summer (+0.2%) and autumn (+0.3%).

► 13. Real contributions to changes in the purchasing power of household disposable income

(annual changes in % and contributions in points)



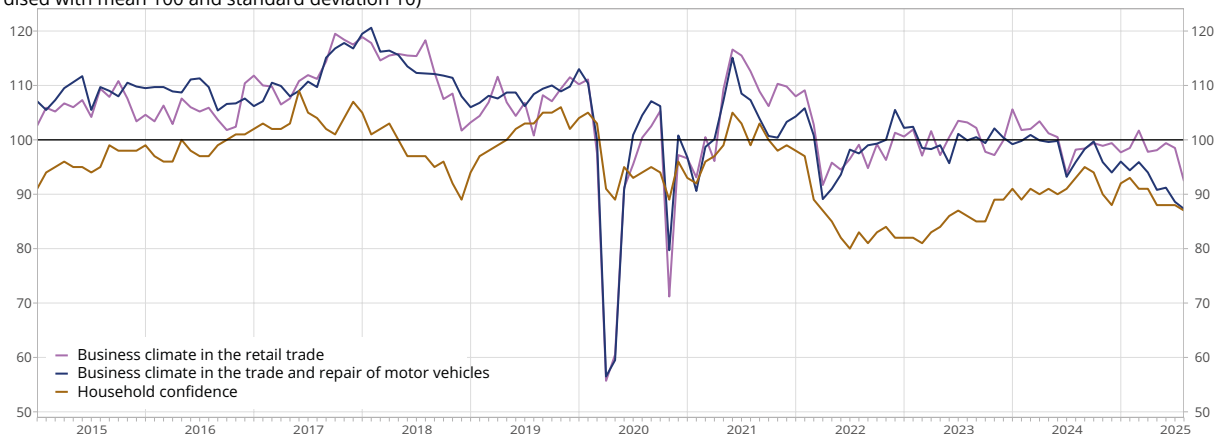
Last point: 2024 (observed), 2025 (forecast).

How to read it: in 2024, household purchasing power increased by 2.5%; social benefits, in real terms, contributed +1.5 percentage points to this increase.

Source: INSEE.

► 14. Business climate indicators in retail trade and household confidence

(standardised with mean 100 and standard deviation 10)



Last point: August 2025.

How to read it: the business climate in retail trade stood at 92 in August 2025.

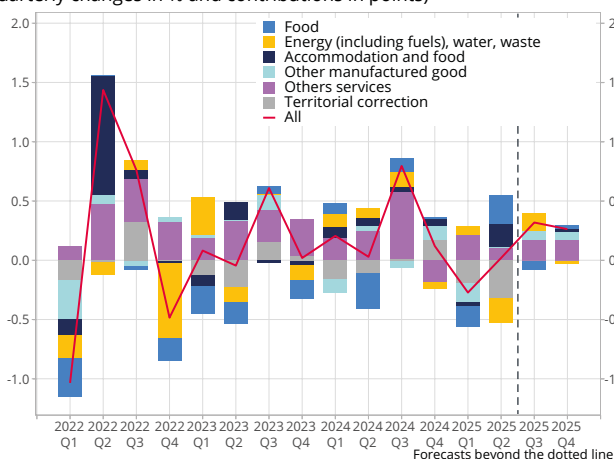
Source: INSEE, business surveys.

Corporate investment on the mend

After falling in 2024 (2.4%), corporate investment has been in recovery for three quarters: it declined slightly in the spring (by 0.2% after rising by 0.1% in Q1). This trend is expected to continue until the end of 2025. Indeed, corporate investment decisions are likely to continue to face headwinds in a context of uncertainty about the global economic environment and the political situation in France. Firstly, past monetary easing is beginning to work through, as elsewhere in Europe. In addition, uncertainty aside, companies are facing a decline in their free operating cash flow as a result of the past increase in interest charges (which, for those with sales in excess of €1 billion, should be exacerbated at the end of 2025 by the corporation tax surcharge provided for in the Finance Law).

Through to the end of the year, spending on capital goods is expected to fare well: the balance of opinion among wholesalers regarding order intentions for this type of goods picked up significantly in July (► [Figure 17](#)). Conversely, dynamic investment in automobiles in the autumn and winter slowed in the spring, with no clear signs of recovery on the horizon. Overall, corporate investment in goods is expected to continue declining through to the end of the year (-0.3% in Q3 and -0.4% in Q4). In the services sector, business tendency surveys also report a slowdown in activity: in particular, the business climate for information and communication companies is at its lowest level in ten years, except during the health crisis. As a result, corporate investment in services is expected to slow down in H2 (+0.3% per quarter), well below its recent average pace. Finally, corporate investment in construction is likely to remain

► **15.a. Past and expected quarterly consumption**
(quarterly changes in % and contributions in points)



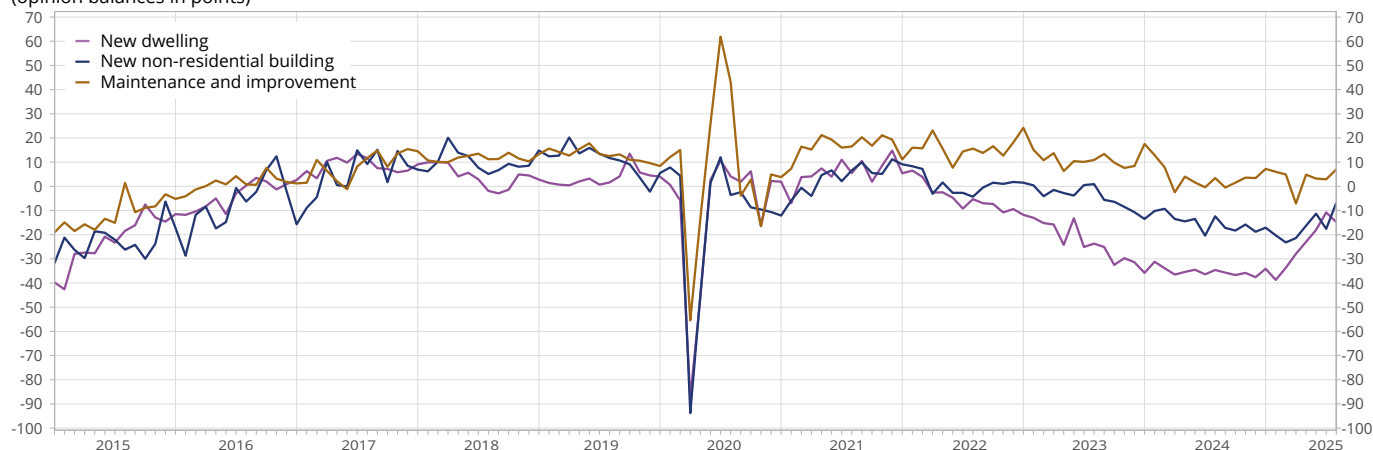
Note: territorial correction represents purchases made by French residents abroad (also counted in imports) minus purchases by non-residents made in France (counted in exports). Other contributions to household consumption (food, energy, etc.) refer exclusively to consumption within the territory.
Source: INSEE.

► **15.b. Household savings ratio**
(in % household disposable income)



Note: the red lines correspond to the average values for the years 2023, 2024 and 2025.
How to read it: in Q2 2025, households' savings ratio stands at 18.9% of their gross disposable income.
Source: INSEE.

► **16. Activity forecast in construction**
(opinion balances in points)



Last point: August 2025.
How to read it: the balance of opinion on activity forecast in new housing stands at -15 in August 2025.
Source: INSEE, business surveys.

Economic outlook

weak, due to structural changes in work organisation and purchasing patterns that are reducing the need for offices and commercial premises. The decline is expected to slow somewhat over the forecasting period (-0.5% in Q3, then -0.3% in Q4): construction professionals are slightly less pessimistic about commercial real estate, and office construction starts have been falling less sharply in recent months.

In 2025, the financial situation of companies is likely to deteriorate

Across the whole of 2025, the margin rate of non-financial corporations stood at 31.0% of their value added, down 1.2 points on the previous year. Gains in productivity (contribution of +0.9 points to change in the margin rate) are expected to compensate the buoyancy of real wages (contribution of -0.8 points). The increase in employers' contributions is likely to reduce the margin rate by -0.4 points, particularly due to the reduction of general tax relief as part of the 2025 Finance Laws, and the expansion of the wage scale, meaning that the spontaneous effect of general tax relief is slower than the effect of payroll. Finally, taxes and subsidies are expected to depress margins slightly (-0.3 points) as support measures are phased out. Terms of trade are expected to depress the margin rate (contribution of -0.5 percentage points), but this negative contribution will be limited to two specific sectors: export prices are falling for electricity and maritime transport companies, while other sectors are benefiting from lower input costs.

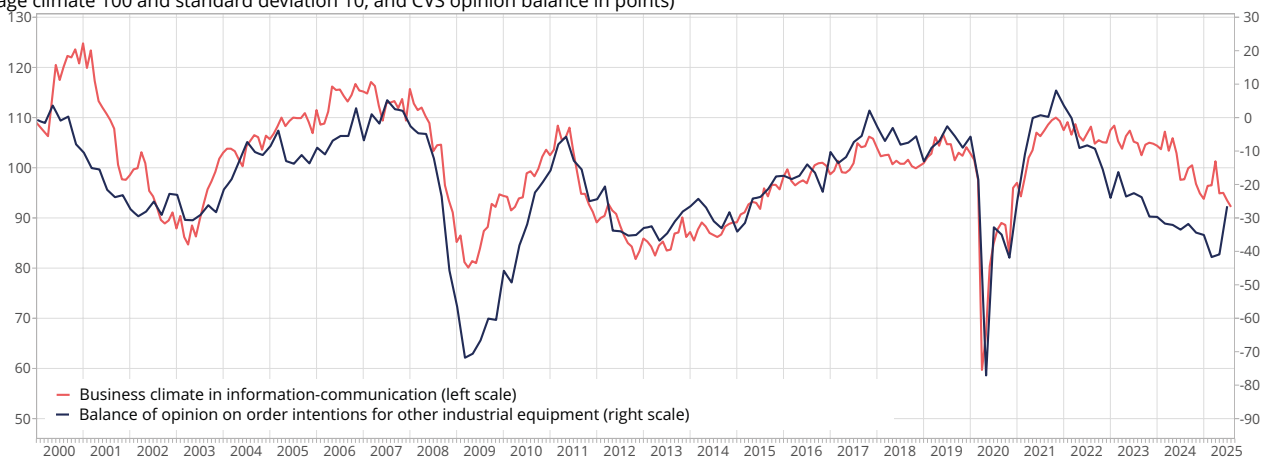
France's foreign trade is expected to see a temporary upturn at the end of the year, due to expected deliveries of aeronautical equipment

After a sluggish H1, exports of manufactured goods are expected to pick up markedly in H2 (+2.0% in Q3 and +4.0% in Q4). Indeed, the end of the year is set to be marked by sizeable deliveries of aeronautical equipment, already produced but not yet sold, as well as the launch of a cruise ship. Excluding aeronautical and naval deliveries, manufacturing exports are expected to grow by +1.0% in Q3 and +0.3% in Q4, slightly more strongly than demand for French goods: French exporters are expected to regain some of the market share they had lost. Once exports of energy, agricultural products and services are taken into account, French exports are expected to increase by 1.4% in Q3 and then by 2.6% in Q4. Imports are expected to grow slightly in the summer (+0.3%) before stabilising in the autumn, suffering from sluggish domestic demand: in particular, manufacturing imports are expected to increase slightly in the summer (+0.5%) before stabilising in the autumn.

Overall, foreign trade is expected to support French growth in Q3 (+0.4 percentage points) and especially in Q4 (+0.9 percentage points), but this contribution will be offset by a destocking trend (contributing -0.2 percentage points and then -0.9 percentage points to growth). Growth is therefore expected to be driven mainly by domestic demand (+0.2 percentage points per quarter).

► 17. Business climate in the information-communications sector and balance of opinion on order intentions for other industrial equipment

(average climate 100 and standard deviation 10, and CVS opinion balance in points)



Last point: August 2025 for the business climate and July 2025 for the balance of order intentions.

How to read it: in August 2025, the business climate in the information-communications sector stood at 92.2 in December 2022, below its long-term average (100). The balance of opinion on order intentions for other industrial equipment reached -26.5 in July 2025.

Source: INSEE, business surveys.

In 2025, economic activity in France is expected to slow down in the wake of sluggish household consumption and a deterioration in foreign trade

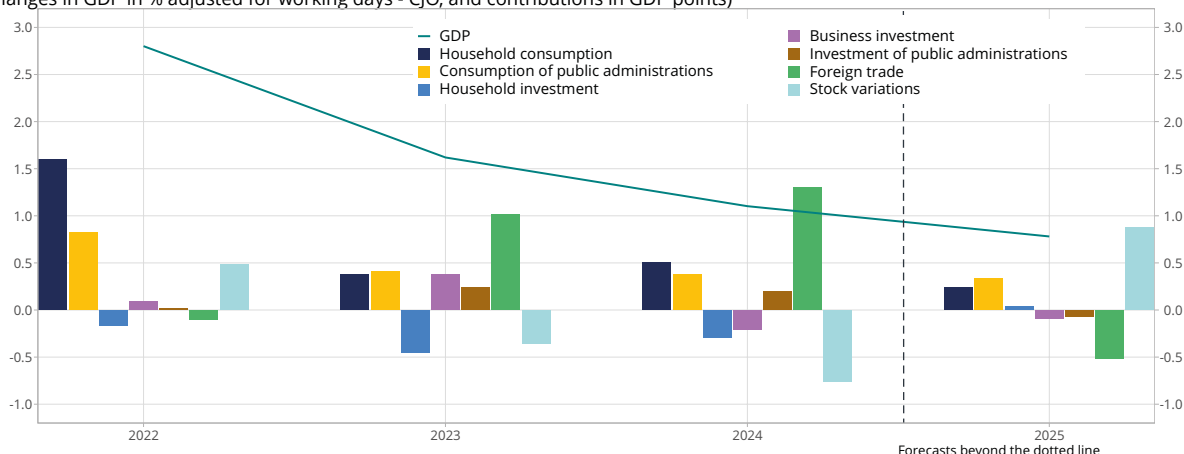
Overall, activity is expected to slow down in 2025: growth adjusted for working days is forecast to average +0.8% for the year, after +1.1% in 2024 (► **Figure 18**), or +0.6% after +1.2% without adjustment for working days. Domestic demand is expected to contribute +0.4 percentage points, after +0.6 percentage points in 2024. In particular, household consumption is expected to slow (+0.5% after +1.0%) in line with purchasing power, without past gains being spent. In addition, general government investment is expected to decline (-1.5% after +4.7%) earlier than usual as municipal elections approach. Other components of domestic demand are expected to fare better than in 2024: government consumption is expected to grow at a rate close to that of last year (+1.3% in 2025, after +1.4% in 2024), household investment is expected to bounce back after three years of decline, and business investment is expected to fall less than in 2024 (-0.9% after -2.4%). Foreign trade is expected to contribute negatively to activity (-0.5 points

after +1.3 points in 2024) and businesses are likely to rebuild their inventories, which were depleted in 2024 (+0.9 points after -0.8 points).

This forecast is subject to a number of uncertainties. Firstly, the international situation remains highly uncertain. Although US customs duties appear to be stabilising, the US administration has made numerous shifts on the issue over the past year or so, and this continues to be a source of uncertainty for world trade. Furthermore, geopolitical uncertainties remain high, whether in terms of future developments in the conflict in Ukraine or tensions in the Middle East, representing a significant risk, upwards or downwards, for commodity prices, particularly energy prices. In France, a rapid upturn in spending behaviour is possible if confidence is restored. However, political uncertainty, which had eased somewhat in H1, returned to the forefront with the fall of the government on 8 September. At the end of August, equity markets fell and French rates once again diverged from German rates, reflecting increased uncertainty, which remains limited for the time being. A return to a wait-and-see attitude cannot therefore be ruled out. ●

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

(annual changes in GDP in % adjusted for working days - CJO, and contributions in GDP points)



Last point: 2024 (observed), 2025 (forecast).

How to read it: in 2024, GDP rose by 1.1% (change adjusted for working days); foreign trade contributed +1.3 percentage points to this growth.

Source: INSEE.