Enterprises exposed to public procurement continued to bolster activity in 2025

French government procurement is subject to the budgetary constraints of various public bodies, and is largely driven by local authorities, whose gross savings fell in 2023 and 2024. Concerning central government, against a backdrop where the use of special laws in the early weeks of 2025 and then 2026, along with the finance laws eventually enacted for those two years, confirmed a tightening of certain operating expenditure, political uncertainty has generally increased since the dissolution of the National Assembly in the summer of 2024.

The monthly business tendency surveys conducted by INSEE gauge the optimism among companies reliant on government procurement. According to their responses, companies in the services, construction and civil engineering sectors do not appear to have been adversely affected by the rise in political uncertainty since mid-2024, nor by any potential slowdown in domestic demand. In fact, they are even more optimistic than their counterparts focused on private demand. This observation appears to be broadly consistent with national accounting data: over the past three years, government demand has grown at roughly twice the rate of private demand. However, payment times for public-sector customers in the construction sector have been lengthening markedly since mid-2024, which is not the case for private-sector customers, indicating a gradual deterioration in payment terms for public-sector customers.

Julie Kiren

Government procurement in France is estimated to account for between 6% and 10% of GDP

Government procurement encompasses all purchases of goods and services made by general government from private companies. Depending on the scope of the definition used, it is estimated to account for between 6% and 10% of GDP. The economic census conducted by the Economic Observatory for Government Procurement (**►EOGP, 2023**) lists the values of various public contracts and thus provides a lower estimate for government procurement, indicating total expenditure of €170 billion in 2023, or 6% of GDP. Around half comes from local authorities, with the remainder shared between central government, the hospital sector and private operators. Around 40% of purchases relate to services, 32% to supplies and 28% to construction work or building maintenance and renovation.[1]

National accounting provides a broader estimate of government procurement as it includes all government purchases, regardless of whether they are made through a public tender process, i.e. their intermediate consumptions and their investment. This total accounted for 10% of GDP in 2024, just under half of which was attributable to local government. In national accounting, government purchases from private-sector suppliers is divided equally between goods, construction and services. Lastly, the OECD provides an intermediate estimate, suggesting that French government procurement accounted for 8% of GDP in 2025 (**►EOGP, 2025**).

This analysis does not cover purchases of goods, as, firstly, a large proportion of purchases relate to energy and military equipment and, secondly, orders for other goods are sometimes channelled through wholesalers. Only the services and construction sectors, which account for around two thirds of government procurement, are examined here.

Business tendency surveys provide a picture of how companies reliant on government procurement are faring

Government procurement reflects the fiscal policy choices made by decision-makers and may therefore differ from the investment cycle of the rest of the economy. In local authorities, it depends on the electoral cycle (**►Beatriz M., 2019**), but also on their self-financing capacity. In recent years, local authority savings fell in 2023 and 2024 (**►*La Banque Postale*, 2025**); in particular, revenue from the duty on transfer for valuable consideration (DMTO), which feeds into departmental budgets, fell sharply between 2022 and 2024, before rebounding in 2025. With regard to central government, political uncertainty has increased since mid-2024 (**►Focus**, *Economic outlook*, October 2024) and, in the absence of a Finance Law passed by Parliament, expenditure was subject to strict controls via special legislation between 1st January 2025 and 14 February 2025, and again between 1st January 2026 and 19 February 2026. In this context, the monthly business tendency surveys in the services, construction and civil engineering sectors

1 Data excluding amendments and subcontracting agreements; contract values of €25,000 or more excluding VAT, except for local authorities.

can help to gauge the impact of these fluctuations on order books, as perceived by companies heavily reliant on government procurement.

In construction and civil engineering, government demand follows the electoral cycle, but payment times for public-sector customers have lengthened significantly

INSEE conducts a monthly business tendency survey among some 2,500 construction companies[2] to gauge the recent and future trends in their businesses, hiring plans and the challenges they may face. Questions on past and forecast business activity and payment times are asked quarterly and distinguish between public[3] and private construction projects, allowing trends in government procurement and private demand to be tracked separately.

The balances of opinion on expected activity for public and private construction projects over the next three months have followed similar trends since the health crisis (►Figure 1), illustrating the parallel nature of private demand and government procurement over this period. Nevertheless, since Q4 2024, activity forecasts for public construction projects have appeared to deteriorate further, in contrast to the rebound in those for private construction projects. This may indicate either a slowdown in government procurement or, more likely, a downturn linked to the local electoral cycle as the municipal elections approached.

In addition, since mid-2024, contractors have reported a more pronounced increase in payment times for public-sector customers than for private-sector customers (►Figure 2): while the balances of opinion on payment times for government and private-sector orders had been trending at similar levels since 2014, the gap between them began to widen from Q2 2024. This gap first peaked in Q1 2025, when it reached its highest level since late 2012 – excluding the pandemic period – and set a new record in early 2026.

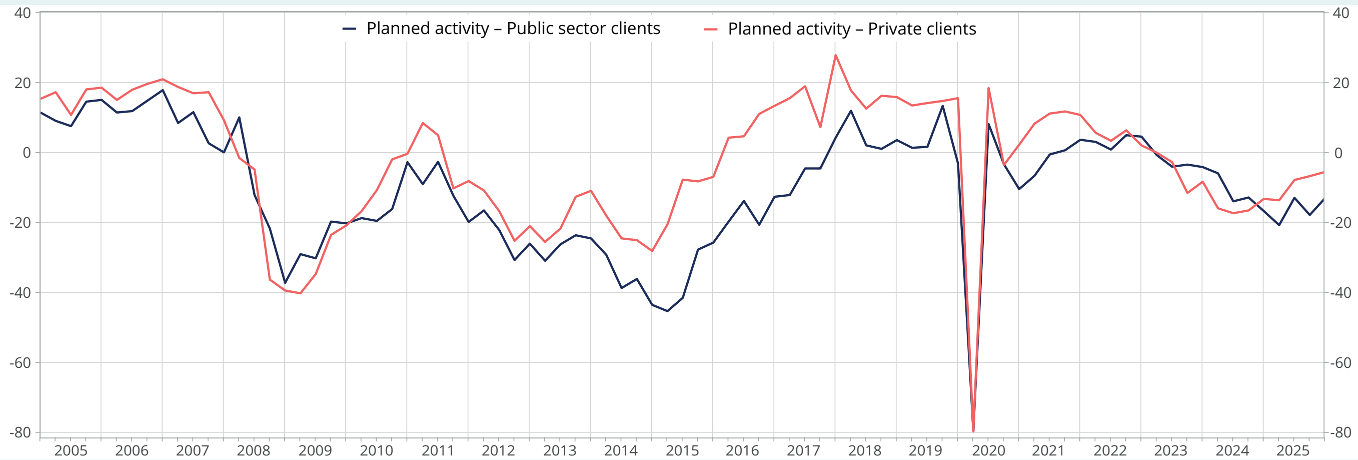
The quarterly business tendency survey in the civil engineering sector also distinguishes between activity forecasts relating to public-sector customers (central government and local authorities) and those relating to private-sector customers (public-sector enterprises and private customers). Overall, the balances of opinion on expected activity followed similar trends for both private- and public-sector customers (from 2011 to 2024). However, in early 2026, a more pronounced deterioration in the public sector can be observed, which appears to be consistent with the local election cycle. Furthermore, the balance of opinion on payment times between public-sector and private-sector customers has been widening since the end of 2024: as in the construction sector, companies report a more pronounced increase in payment times for public-sector customers.

In services, balances of opinion can be recalculated by distinguishing between companies reliant on government procurement and others

Each month, the services sector business tendency survey polls around 4,500 services-sector companies to gather information on recent and future trends in their business activity, demand, workforce and challenges. Some companies rely on government procurement, but unlike in the construction sector, the survey does

2 Business tendency surveys survey legal units, which is to say public or private legal entities. The word “companies” refers to legal units hereafter.
3 A construction project is considered to be public if the customer is a public body (central government, local authorities, national enterprises) or if the customer is a private entity but the project is partly funded by central government.

►1. Balances of opinion on expected activity in the construction sector for public- and private-sector customers
(SA quarterly balances of opinion)



Last point: Q1 2026.
How to read it: in Q3 2025, the balance of opinion on expected activity in the construction sector for public-sector customers stands at -12.6 points, while that for private-sector customers stands at -7.5 points.
Source: Construction Business Survey, INSEE.

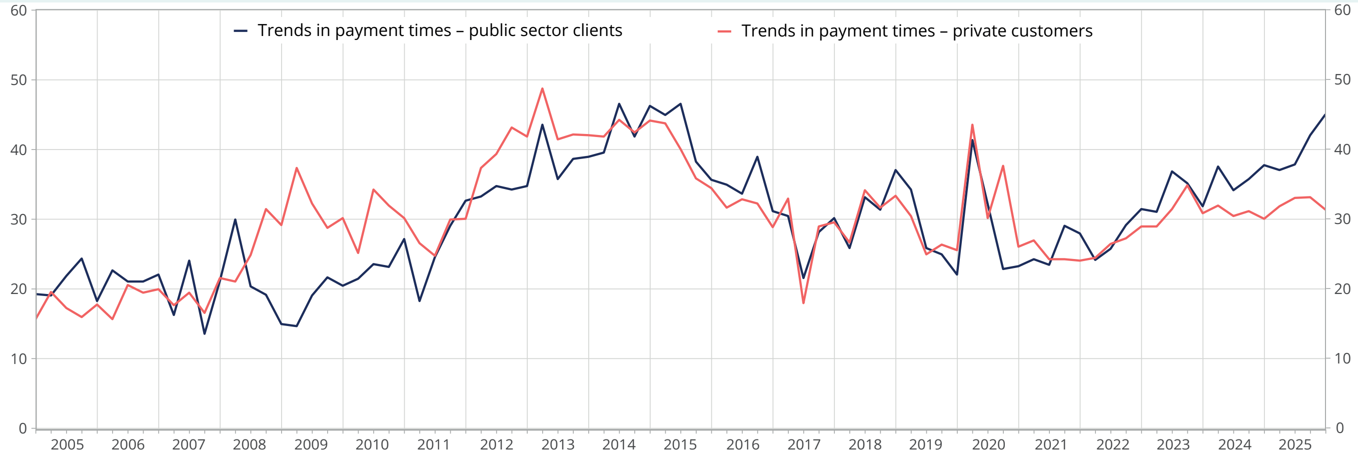
not ask companies directly about their customer base. However, it is possible to use data from INSEE's Annual Sectoral Survey (ESA) to estimate the extent to which each company relies on government procurement, based on the proportion of turnover they report as coming from public-sector customers. Once the companies most reliant on government procurement have been identified using the ESA, cross-referencing them with the business tendency survey data makes it possible to recalculate the balances of opinion by distinguishing between companies reliant on government procurement and those that are not, thereby tracking the effects of government procurement on the economic fabric (► **Box**). Companies reliant on government procurement are mainly found in certain service sub-sectors (information and communication, and services to businesses). In the accommodation and food services sector and the road transport sector, almost no companies are heavily reliant on government procurement. To limit the analysis to comparable companies, we restrict it to the information and communication and services to businesses sub-sectors (J, M and N of the 2008 NAF rev. 2 classification) where companies reliant and not reliant on government procurement coexist.

Despite political upheavals, companies in the services sector reliant on government procurement have been faring better than their counterparts since the end of 2023

A comparison of the activity forecasts for the two groups as constructed (► **Figure 3**) shows that the rise in political uncertainty since mid-2024 does not appear to be having a specific negative impact on services-sector companies

► 2. Balances of opinion on payment times in the construction sector for public- and private-sector customers

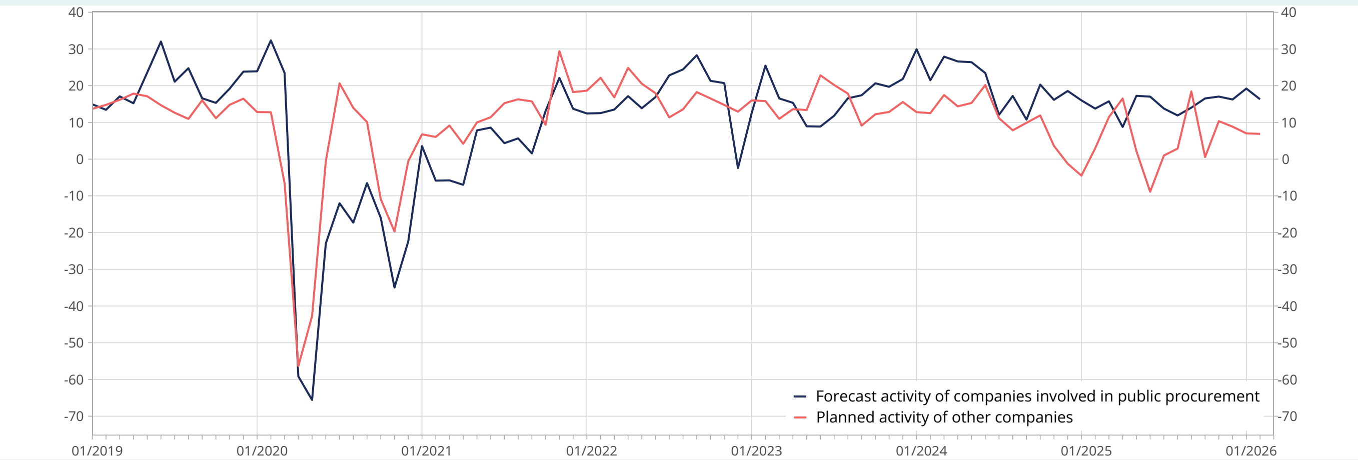
(SA quarterly balances of opinion)



Last point: Q1 2026.
How to read it: in Q3 2025, the balance of opinion on payment times for public-sector customers in the construction sector stands at 37.8 points, while that for private-sector customers stands at 33.0 points.
Source: construction sector survey, INSEE.

► 3. Balances of opinion on expected activity for services-sector companies reliant on public-sector customers and others

(SA monthly balances of opinion)



Last point: February 2026.
How to read it: in January 2026, the balance of opinion on expected activity in services-sector companies reliant on government procurement stands at +19.2 points, compared with +7.0 points for other companies.
Scope: the information and communications sector and the business services sector.
Source: Monthly Business Survey in the Services Sector and the Annual Structural Survey (2023), INSEE.

reliant on government procurement. On the contrary, these companies have appeared more optimistic than others since the summer of 2023, and this gap has never really closed since then, except for occasional bursts of optimism among other companies. Even when adjusting for the size effect of companies (►**Box**), those reliant on government procurement appeared more optimistic than the others.

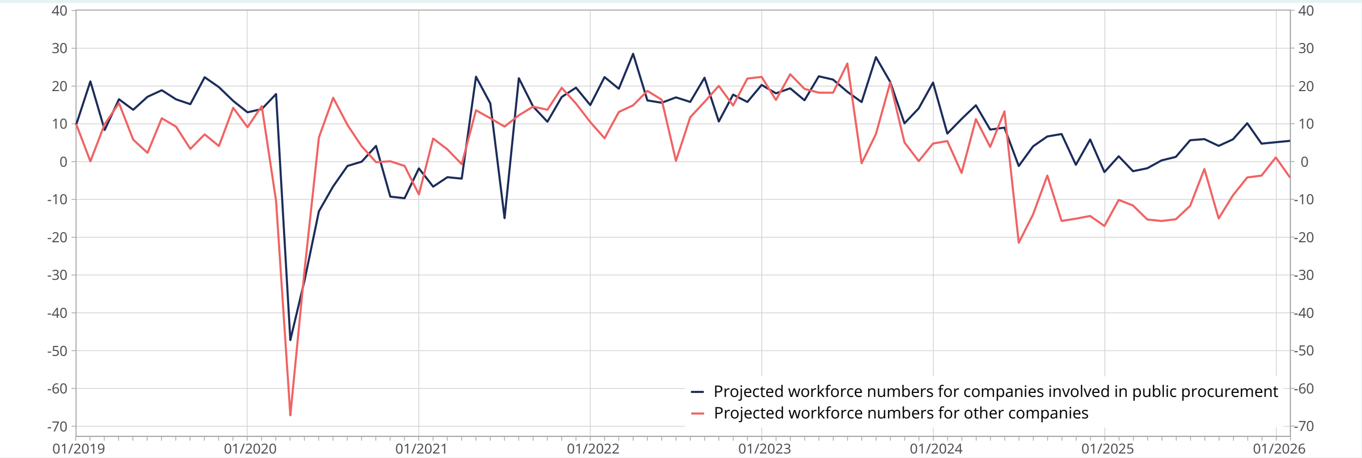
This finding is also reflected in workforce expectations: before the pandemic, business leaders in services that rely on government procurement were slightly more optimistic about their workforce than others (►**Figure 4**). The gap then narrowed between early 2020 and mid-2024, after which companies not reliant on government procurement became significantly more pessimistic. When adjusted for the size effect (►**Box**), companies reliant on government procurement remain more optimistic than others throughout the period. Up until February 2026, responses from companies in the services sector suggest that government demand continues to outpace private demand. However, with the downturn due to the electoral cycle and the expected slowdown in government consumption, particularly by central government as a result of the 2026 Finance Law, the two balances of opinion could gradually converge, particularly as private demand appears to be picking up.

National accounting data confirms that government procurement is still a key driver of French growth

Despite the special laws and fiscal instability at the start of the year, government procurement is still expected to remain buoyant in the short term, according to the business tendency surveys. This observation appears to be broadly consistent with national accounting data: since 2022, government domestic demand[4] has been growing faster than private demand[5] (►**Figure 5**) and accounts for around half of growth. ●

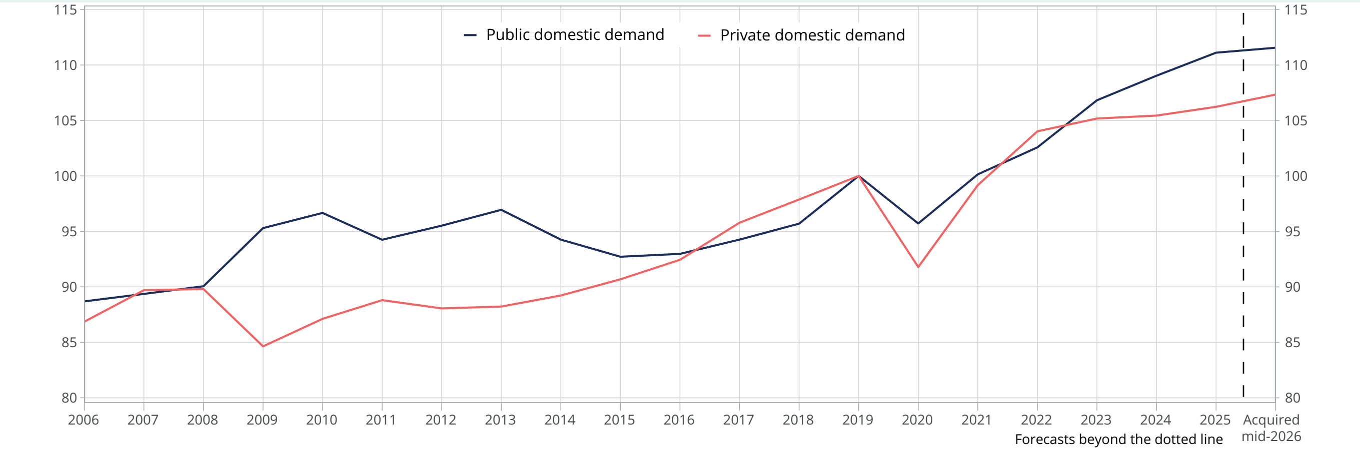
4 To better reflect government procurement, the wage component of general government expenditure is excluded. In ►**Figure 5**, government domestic demand comprises general government's intermediate consumptions and its investment expenditure.
5 In ►**Figure 5**, private domestic demand from households and businesses comprises intermediate consumptions by non-agricultural market sectors (excluding real estate and financial services) – a proxy for intermediate consumptions by non-financial enterprises – and final consumption expenditure by households and investment by households and businesses.

►4. Balances of opinion on workforce expectations for services-sector companies reliant on public-sector customers and others
(SA monthly balances of opinion)



Last point: February 2026.
How to read it: in January 2026, the balance of opinion on workforce expectations in services-sector companies reliant on government procurement stands at +5.2 points, compared with +1.2 points for others.
Scope: the information and communications sector and the business services sector.
Source: the monthly business survey for the services sector and the Annual Structural Survey (2023), INSEE.

►5. Domestic demand from general government and private agents (households and businesses)
(base 100 in 2019)



Last point: 2025 (forecasts for the acquis as at mid-2026).
Source: INSEE, National accounts.

Calculation of balances of opinion in services either reliant or not reliant on government procurement, based on ESA data, by aggregating responses from companies participating in the INSEE business tendency surveys

To distinguish companies in the services sector according to the extent they rely on government procurement, balances of opinion are reconstructed retrospectively for the subset of companies reliant on it. This method builds on previous work carried out on the French defence industry (**►Focus**, *Economic outlook*, July 2024).

A one-to-one match between companies in the business tendency surveys and the services sector is carried out using INSEE's 2023 Annual Sectoral Survey (ESA). In this survey, companies break down their turnover by customer type, separating government bodies and local authorities from other clients.

The scope of companies reliant on government procurement is defined as those that generate more than 15% of their turnover from government bodies. Companies reporting that less than 50% of their turnover is generated in France are excluded from the analysis so that the focus is solely on French government procurement. Following the matching process, 260 companies reliant on government procurement were identified in the monthly business tendency survey for the services sector; 60% of these provide services to businesses and 30% are information and communication companies. When considering the entire sample from the business tendency survey for the services sector, including both companies involved in government procurement and others, 40% are in the services to businesses sub-sector and 20% in the information and communication sub-sector. To ensure that only comparable companies are included, the analysis is restricted to these sub-sectors.

Not all companies in this sample that rely on government procurement respond to the business tendency survey every month, but their response rate is around 70% (and around 40% at the height of the pandemic). It is estimated that the balances of opinion recalculated for this population fall within a confidence interval of 7 points: differences of more than 7 points are therefore considered significant.

All in all, the companies that responded to the business tendency survey accounted for nearly €8 billion in government procurement turnover in 2023, out of the €55 billion recorded in the ESA for that year.

To recalculate the main balances of opinion for companies reliant on government procurement, the individual responses are aggregated and weighted according to their turnover from government procurement. Similarly, the balances of opinion for other companies are calculated by weighting individual responses according to their turnover generated from private or foreign entities. The balances of opinion on workforce expectations are weighted by staff numbers using the same procedure. All balances of opinion are then seasonally adjusted using the standard procedure (Census X13).

To test the robustness of the results with respect to the size of the companies concerned, the balances of opinion were also calculated without applying any weighting. This showed that the size effect accounts for some of the differences between companies reliant on government procurement and those that are not. In particular, the strong economic performance in 2022 and 2023 of companies not reliant on government procurement, followed by a slowdown in 2023 and 2024, is attributable to large companies. When adjusted for the size effect, it appears that companies reliant on government procurement have been more optimistic since 2022 than those not reliant on it.

Finally, regardless of the method used, the balances of opinion recalculated here are not directly comparable with those in the monthly publication on the business climate in the services sector. In particular, no secondary weighting is applied in this analysis, as these balances of opinion are not intended to be representative of the entire services sector in France. ●

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