

# Inflation rekindled and growth weakened

Economic outlook

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# Inflation rekindled and growth weakened

In 2025, the global economy proved fairly resilient to the concerns sparked by the new US customs policy. Buoyed by vigorous intra-Asian trade, world trade has defied forecasts, growing by an average of +3.6% annually, following a +3.3% increase in 2024. Despite a sluggish labour market, the US economy continued to grow (+2.1% after +2.8%), driven by massive investment in artificial intelligence and soaring valuations of companies in the sector, which have fuelled household consumption through wealth effects. In Europe, despite the headwinds caused by rising US tariffs and competition from China, economies managed, for better or worse, to kick-start a recovery in 2025. The ECB's successive easing measures bore fruit, and investment emerged from its slumber, offsetting the negative impact of foreign trade, although significant disparities remained between the Spanish hare and the German tortoise. Inflation in the euro area eased through to February 2026, (+1.9% year on year), returning to the ECB's target level. Overall, growth reached +0.9% in 2025 in the four major euro area economies (up from +0.7%), and the business tendency surveys conducted through to February suggest that this positive momentum continued into Q1 2026, with manufacturers reporting that their order books are filling up, particularly in the defence sector.

However, the outbreak of war in the Middle East has caused fuel prices to soar. The surge in oil prices, approaching \$100 (compared with an average of \$63 at end-2025), along with rising gas prices, is expected to push inflation above 3% by June in both the euro area and the United States. Although the United States is an oil-producing economy, US households are set to face a sharp decline in their purchasing power this spring, and their consumption – already hampered by a faltering labour market – is likely to weaken. For Europe, which imports massive quantities of oil and gas, a rise in supply costs of this magnitude, at the time of writing this *Economic Outlook*, would subtract more than 0.5 percentage points from GDP if it were to persist. Household purchasing power and corporate profit margins would be squeezed, thereby undermining the ongoing recovery. However, the impact on economic activity should not be immediate. In the very short term, robust investment and the German fiscal stimulus are expected to maintain euro area growth at +0.3% followed by +0.2% per quarter in H1 2026. However, as in the United States, European consumers are expected to start scaling back their spending from the spring onwards. Ultimately, the mid-year growth overhang in 2026 is projected to reach +1.8% in the United States and +0.8% in the euro area, but the carry-over effect in household purchasing power is likely to be significantly lower (at +0.1% and -0.1% respectively), reflecting the negative impact of soaring fuel prices.

Despite political uncertainties, the French economy is benefiting from the European recovery. Growth reached +0.9% in 2025, almost matching its 2024 level (+1.1%). Domestic demand in France is slightly weaker than in other European countries, as both enterprises and, even more so, households are more cautious than elsewhere, with the household savings ratio stabilising at over 18%. In addition, the French labour market stands out from the rest of Europe: unemployment is rising (7.9% at end-2025, up 0.6 points year on year), whilst it remains stable or is falling in other major European countries, and recruitment difficulties are less acute in France than elsewhere. As a result, wage growth is significantly weaker and, in February, inflation in France (+0.9% year on year) was around one point lower than in the rest of the euro area. Conversely, foreign trade weighs less on economic activity in France than elsewhere in Europe. The sectoral focus (aerospace, luxury goods, tourism) and the geographical orientation of French sales abroad (less focused on the United States than the sales of German and Italian exporters) are assets in the current climate, whilst the prolonged sluggishness of prices and wages in France is beginning to make French products more affordable than those of their European competitors. In addition, as elsewhere in Europe, business tendency surveys up to February indicated a degree of optimism among manufacturers, suggesting a promising Q1 2026.

However, the surge in hydrocarbon prices is expected to lead to a sharp rise in inflation in France, as elsewhere in the world, with inflation set to exceed 2% during the spring. This sharp rise is likely to stem mainly from the direct effects on petrol and heating gas prices and is not yet expected to spill over into other sectors over the forecasting period, except in the aviation sector, where kerosene accounts for a significant share of costs. In particular, by June, the resurgence of inflation is unlikely to have been factored into sectoral and enterprise-level wage negotiations, and nominal wages are likely to remain sluggish, reflecting weakened bargaining power among employees. The threshold for the automatic increase in the minimum wage should be reached in the spring, but its full effects are unlikely to be felt until H2 2026. Consequently, household purchasing power looks set to decline, and its mid-year growth overhang for 2026 should stand at -0.2%.

However, an immediate downward effect on household consumption is unlikely, as households are expected to mitigate the short-term impact of this inflationary shock on their spending by drawing on their savings. The year 2025 ended on a fairly positive note for consumption, with automobile purchases boosted by social leasing schemes and food expenditure benefiting from the end of downtrading behaviours which had weighed heavily on spending between 2022 and 2024. In early 2026, consumption is expected to slow significantly (+0.1% in Q1 after +0.4%), mainly due to the mild winter, which reduced heating needs. In Q2, the recovery looks set to be modest (+0.2%), as households begin to curb their discretionary spending in response to rising inflation, particularly on accommodation and food services and transport. Ultimately, the mid-year growth overhang of consumption for 2026 is expected to reach +0.6%, after +0.4% for 2025 as a whole.

On the corporate side, investment came to a standstill at the end of 2025 (-0.1%) following four quarters of recovery. Initial data suggests that this sluggishness should persist into early 2026, notably due to limited renewals of corporate vehicle fleets, but investment is expected to bounce back in the spring (+0.3%). Overall, the mid-year growth overhang of investment for 2026 should stand at +0.8%, following +0.2% for 2025 as a whole. The impact of rising energy costs on corporate profit margins should scarcely be felt until mid-2026, as enterprises are expected to benefit from improved productivity and declining real wages.

Public final demand has accounted for around half of French growth over the past three years, but this support is set to weaken slightly between now and mid-2026. On the one hand, the Initial Finance Law, passed in February 2026 following two months of operating under a provisional budget regime ("services votés"), implies tighter budgetary control over operating expenditure; on the other hand, local public investment is expected to contract, as is customary in municipal election years.

Foreign trade is likely to be the main driver of French growth. In business tendency surveys, manufacturers claim to be optimistic about foreign demand and their export order books are relatively well filled. Following a record-breaking end to 2025 in terms of aircraft deliveries, exports are expected to dip temporarily at the start of 2026, but should regain momentum in the spring, as the annual targets of the major manufacturers in the sector are set significantly higher. Overall, the mid-year growth overhang of exports for 2026 is expected to reach +1.9%.

All in all, although weakened, French growth should remain resilient in H1 2026, with a quarterly increase of +0.2% and a mid-year growth overhang of +0.9% – already matching the figure for 2025 as a whole. The drivers of economic activity should change to a limited extent, with somewhat stronger private demand, slightly lower public demand and clear external support. However, this nascent recovery is expected to be overshadowed by a sudden deterioration in the terms of trade, driven by higher energy prices.

The labour market, for its part, is unlikely to benefit from this modest upturn. In the business tendency surveys, even before the outbreak of war in the Middle East, the pessimism of enterprises concerning recruitment contrasted sharply with their relative optimism about orders. After already losing 60,000 private-sector salaried jobs in 2025, the French economy is set to shed a further 22,000 by June. The creation of micro-enterprises should continue to drive growth in self-employment (+36,000 in six months), but these jobs generate significantly less income for households. Ultimately, total employment is likely to grow only slightly by the middle of the year, which would be insufficient to absorb the substantial increase in the labour force, driven by the ramping up of the pension reform (its suspension having no effect before the end of 2026). The unemployment rate is expected to rise further to 8.1% in the spring.

The main uncertainty in the forecast scenario concerns the duration and intensity of the conflict between the United States and Israel on the one hand and Iran on the other. This *Economic Outlook* assumes that oil prices will remain around \$100 until June: if the conflict were to end quickly, excess supply would once again dominate the market and prices would plummet, reigniting the European recovery. Conversely, an escalation of the conflict – particularly involving the destruction of production capacity in the Gulf states – could drive hydrocarbon prices even higher, further eroding household purchasing power. Beyond oil, a prolonged conflict in the Middle East could cause more significant disruptions to world trade and trigger supply shortages. The speed at which private agents adapt their behaviour will also be crucial. This *Economic Outlook* anticipates a moderate short-term pass-through for France, since the current shock – confined to hydrocarbon prices – does not, at this stage, fully resemble that of 2022. However, the previous inflationary wave showed that, on the corporate side, manufacturers and retailers could pass on rising input costs to consumer prices very quickly, and, on the household side, that households could quickly scale back their spending. ●

# French economic Outlook



# Economic activity

In Q4 2025, activity slowed in France (+0.2% after +0.5%; ► **Figure 1**). Domestic demand bolstered growth by +0.3 percentage points (after +0.4 percentage points), driven by a sharp acceleration in household consumption (+0.4% after +0.1% in Q3), while general government consumption slowed (+0.2% after +0.6%), as did investment (+0.3% after +0.8%). Corporate investment came to a standstill (-0.1%) following a remarkable performance in Q3 (+1.1%), but household investment picked up (+1.0% after +0.5%), driven by buoyancy in transactions for existing homes (► **Figure 2**). Despite the slowdown in exports (+1.0% after +3.1%), foreign trade once again made a significant contribution to growth (+0.7 percentage points after +0.5 percentage points), as imports fell sharply (-1.1% after +1.4%). Meanwhile, businesses once again drew down from their inventories (the contribution of changes in inventories to growth was -0.8 percentage points, after -0.4 percentage points).

On the supply side, activity slowed in manufacturing industry: value added fell by 0.2%, after +0.7% in Q3 (► **Figure 3**). Output fell again in capital goods (-1.1% after -0.1%) and in the manufacture of “other industrial products” (-0.5% after +0.9%), but bounced back in the agrifood industry (+0.8% after -0.8%) and remained virtually stable in transport equipment: aeronautical activity picked up again towards the end of the year, whilst the automobile sector was adversely affected by production stoppages against a backdrop of subdued demand, despite the strong performance of the domestic industry in the assembly of electric vehicles (► **Focus** on the production of electric vehicles). Activity in the construction sector slowed (+0.2% after +0.4%). Activity in market services also slowed in Q4 (+0.2% after +0.5%), adversely affected by transport services (-0.9%), particularly road freight.

On average for 2025, GDP (adjusted for working days) rose by 0.9% (+0.8% gross), marking a slight slowdown compared with 2024 (+1.1% when adjusted for working days; ► **Figure 4**). Public demand remained buoyant, accounting for more than half of growth for the second consecutive year (► **Focus** on companies exposed to government orders): general government consumption accelerated (+1.7% after +1.4%) and public investment remained robust, although it slowed in the run-up to the municipal elections (+2.2% after +4.7%). Private domestic demand grew modestly in 2025 after stagnating in 2024. Household consumption was disappointing, rising by just +0.4% (after +1.0%): in addition to the automatic backlash associated with the recording in 2024 of ticket sales for the Paris Olympic and Paralympic Games (-0.1 percentage points), households continued to save a higher proportion of their income than before the health crisis. Conversely, corporate investment picked up (+0.2% after -2.4%), as did household investment (+0.8% after -5.6%), thanks

## ► 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				2026		2024	2025	2026 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
<b>Gross domestic product</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.5</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>
Imports	-0.6	0.4	0.4	1.1	0.2	1.7	1.4	-1.1	0.1	0.5	-1.3	3.0	0.8
Total resources	0.0	0.3	0.3	0.2	0.2	0.5	0.9	0.0	0.2	0.3	0.6	1.4	1.0
Household consumption expenditure	0.2	0.0	0.9	0.1	-0.3	0.0	0.1	0.4	0.1	0.2	1.0	0.4	0.6
General government consumption expenditure*	0.3	0.2	0.4	0.5	0.3	0.5	0.6	0.2	0.3	0.3	1.4	1.7	1.2
of which individual general government expenditure	0.2	0.2	0.4	0.5	0.3	0.5	0.7	0.1	0.4	0.4	1.3	1.6	1.3
of which collective general government expenditure	0.6	0.1	0.4	0.5	0.5	0.5	0.6	0.3	0.2	0.2	1.6	1.8	1.0
Gross fixed capital formation (GFCF)	-0.7	0.4	-0.9	0.2	0.2	0.4	0.8	0.3	0.2	0.2	-1.3	0.8	1.0
of which Non-financial enterprises (NFE)	-1.2	0.2	-1.7	0.3	0.1	0.3	1.1	-0.1	0.0	0.3	-2.4	0.2	0.8
Households	-2.1	-1.1	-0.4	0.7	0.4	-0.1	0.5	1.0	0.5	0.5	-5.6	0.8	1.8
General government	1.4	2.1	0.2	-0.4	0.4	1.3	0.5	0.6	0.2	-0.4	4.7	2.2	0.9
Exports	0.5	1.7	-1.3	1.1	-1.3	0.4	3.1	1.0	-1.5	1.3	2.4	1.4	1.9
Contributions (in points)													
Domestic demand excluding inventory**	0.0	0.1	0.3	0.2	0.0	0.2	0.4	0.3	0.2	0.3	0.6	0.8	0.8
Changes in inventories**	-0.2	-0.4	0.7	-0.3	0.6	0.5	-0.4	-0.8	0.6	-0.3	-0.8	0.7	-0.3
Foreign trade	0.3	0.5	-0.6	0.0	-0.5	-0.4	0.5	0.7	-0.6	0.3	1.3	-0.6	0.3

■ 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 Q4 2025, the imports fell by 1.1%.

**Source:** INSEE.

## French economic outlook

to lower interest rates. Foreign trade hampered growth (contribution of -0.6 percentage points, after +1.3 percentage points) due to a slowdown in exports and a rebound in imports, which resulted in a positive contribution from changes in inventories (+0.7 percentage points, after -0.8 percentage points). On the supply side, manufacturing value added slowed in 2025 (+0.6%, after +2.2% in 2024), as did that of market services (+1.0% after +1.7%), while activity in the energy sector declined in 2025 (-3.5% after +7.1%). Construction activity declined again (-0.9% after -0.8%). Agricultural value added bounced back (+7.0% after -14.8%) following the poor harvests of 2024 (► [Focus](#) on agricultural production in 2024, *Economic outlook*, December 2024).

According to the February business tendency surveys, which were conducted before the outbreak of the war involving the United States and Israel against Iran, the situation has deteriorated compared with previous months. Following a brief upturn during which the business climate rose to 99 in December 2025 and January 2026, its highest level since June 2024 (► [Figure 5](#)), it fell to 97 in February, moving further away from its average level. Meanwhile, the employment climate continues to deteriorate: it stood at 93 in February, well below its long-term average and at its lowest level since the end of 2013 (excluding the health crisis). Companies' opinions of the economic situation thus appear to be mixed: whilst optimism remained prevalent in industry in February, the gloom in the services sector was evident. Household pessimism persists, but confidence rose slightly in February: at 91, the indicator remains well below its average level, but is nonetheless at its highest since April 2025. The first quantitative indicators available for January and February confirm the sector's resilience, driven mainly by the aeronautical industry and defence-related companies, while energy expenditure is thought to have been reduced by the mild winter.

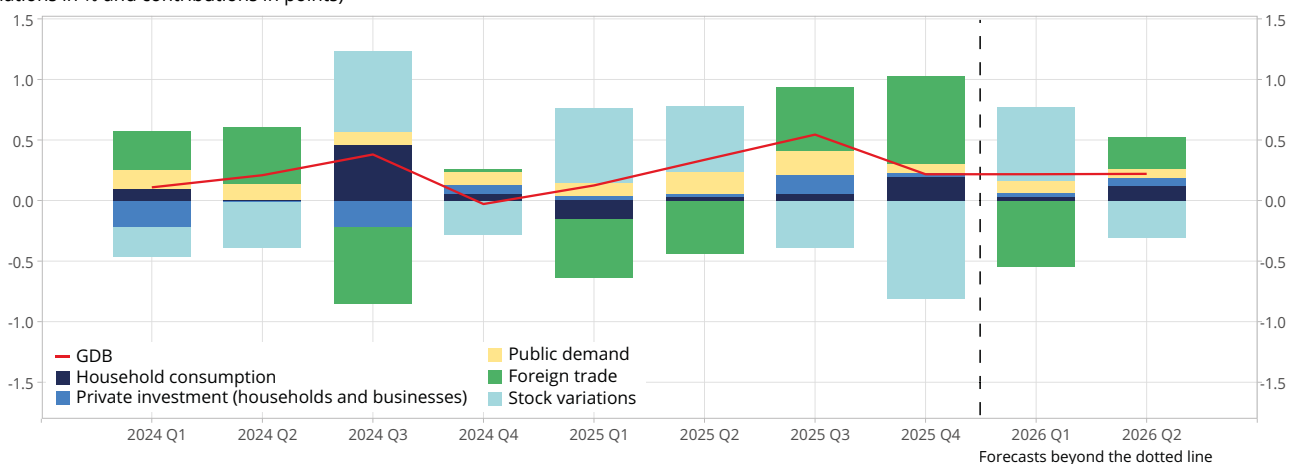
These initial figures, which relate to periods prior to the outbreak of war in the Middle East, thus paint a picture of a recovery that is somewhat more hesitant than at the end of last year, and which is, moreover, threatened by a sharp rise in energy prices that is likely to erode household purchasing power in the spring (► [Sheet Household income](#)).

All in all, activity is expected to continue growing at a moderate pace in H1 2026 (+0.2% per quarter): it is likely to be held back in the winter by a decline in electricity generation due to mild temperatures, and growth is not expected to pick up in the spring, as the wave of inflation triggered by the conflict in the Middle East begins to hamper economic activity.

In Q1 2026, domestic demand is expected to contribute slightly to growth (+0.2 percentage points). Household consumption is expected to slow down (+0.1% after +0.4%), hampered by a decline in consumption of goods, particularly in housing energy, vehicle purchases and oil products. Corporate investment is expected to remain stable at the start of the year (after -0.1%): investment in services is likely to remain sluggish, while investment in goods is set to fall again, hampered by a reluctance to renew vehicle fleets. Household investment is expected to slow but remain robust (+0.5% after +1.0%): in the new housing sector, the recent momentum in housing starts is expected to result in deliveries in early 2026, while investment in services is set to remain buoyant, with the existing housing market continuing to benefit somewhat from the recent fall in interest rates. General government investment is expected to slow down (+0.2% after +0.6%), due to the anticipated halt in construction investment in the run-up to the municipal elections, while purchases of military equipment are expected to remain robust. Consumption by general government is expected to remain at a pace similar to that seen at the end of 2025 (+0.3% after +0.2%), marking a slowdown compared with the previous two years, with the government operating under special law and the budget adopted for 2026 limiting operating expenditure.

### ► 2. Quarterly variations in GDP and contributions of main demand items

(variations in % and contributions in points)



**How to read it:** in Q1 2026, GDP is expected to increase on the Q4 2025 (+0.2%); general government consumption contributed around -0.6 points.

**Source:** INSEE.

Foreign trade is expected to hamper growth by -0.6 percentage points: exports are set to fall sharply (-1.5% after +1.0%), largely due to a decline in aeronautical and shipbuilding deliveries at the start of the year, while imports are expected to remain virtually unchanged (+0.1% after -1.1%). Consequently, businesses are expected to rebuild their inventories (contributing +0.6 percentage points) following two quarters of significant destocking. On the supply side, activity in the energy sector is expected to be affected by the mild winter (-1.4% after +0.9%), with an anticipated decline in electricity generation. The rebound in the manufacturing industry is expected to be modest (+0.2% in Q1, after -0.2%): the automobile industry is likely to continue to suffer from a sluggish market, while the aeronautical industry is expected to continue the turnaround that began in the summer of 2025. Activity in market services is expected to pick up only slightly (+0.3% after +0.2%), hampered by the modest growth in corporate investment in services. Activity in the construction sector is expected to remain stable in Q1 (after +0.2%), as is activity in the agricultural sector (after +1.7%).

In Q2, activity is expected to remain sluggish (+0.2%), hampered by the wave of inflation caused by the outbreak of war involving the United States and Israel against Iran, which is beginning to take effect. Domestic demand is expected to pick up slightly (contributing +0.3 percentage points, after +0.2 percentage points). Household consumption is expected to rise only slightly (+0.2%) as household energy spending returns to normal levels, while government consumption is expected to remain at the same rate as in the previous quarter (+0.3%). Corporate investment is expected to pick up slightly (+0.3%), while general government investment is likely to fall (-0.4%), due to the expected decline in construction investment following the municipal elections. Household investment is expected to remain steady (+0.5%) solely due to new housing. However, it is no longer expected to be driven by investment in services: transactions in existing housing are likely to stagnate in Q2, due to potential tightening of financing conditions in the wake of the rise in bond yields resulting from the war in the Middle East. Growth is expected to be buoyed by foreign trade in Q2 (contribution of +0.3 percentage points): exports are expected to rebound (+1.3%) as aeronautical deliveries take off again following the slump at the start of the year. Imports are expected to rise modestly (+0.5%), meaning that businesses are likely to destock in the spring (contribution to growth from changes in inventories: -0.3 percentage points). On the supply side, manufacturing output is expected to remain stable, as is output in the transport services sector, due to the anticipated slowdown in air traffic caused by the conflict in the Middle East. Activity is expected to pick up only slightly in the energy sector (+0.3%), remain modest in market services (+0.3%) and stay virtually unchanged in construction (+0.1%).

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

Branch	weight in %	2024				2025				2026		2024	2025	2026 ovhg
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
<b>Agriculture, forestry and fishing</b>	<b>1.9</b>	<b>-6.8</b>	<b>-4.7</b>	<b>-1.7</b>	<b>1.5</b>	<b>3.6</b>	<b>3.5</b>	<b>2.3</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>-14.8</b>	<b>7.0</b>	<b>3.3</b>
<b>Industry</b>	<b>12.1</b>	<b>-0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>-0.6</b>	<b>-0.3</b>	<b>-0.7</b>	<b>1.5</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>3.4</b>	<b>-0.3</b>	<b>0.5</b>
<b>Manufacturing industry</b>	<b>10.4</b>	<b>0.8</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-0.3</b>	<b>0.5</b>	<b>0.2</b>	<b>0.7</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>2.2</b>	<b>0.6</b>	<b>0.5</b>
Manufacture of food products, beverages and tobacco-based products	1.7	5.0	0.4	1.1	-0.3	1.4	-2.9	-0.8	0.8	0.0		6.8	-0.7	
Coke and refined petroleum	0.1	62.0	29.0	9.2	9.4	79.5	-3.0	22.9	16.3	-2.0		144.2	140.1	
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1.4	-0.4	-0.4	-0.5	0.1	-0.4	-0.1	-0.1	-1.1	0.7		-1.4	-1.1	
Manufacture of transport equipment	1.3	-5.3	-2.8	-2.1	0.6	1.8	5.7	2.9	-0.1	0.7		-5.4	6.2	
Manufacture of other industrial products	5.9	1.1	-0.1	0.0	-0.7	0.2	0.1	0.9	-0.5	0.0		2.8	-0.1	
Extractive industries, energy, water, waste treatment and decontamination	<b>1.7</b>	<b>-5.7</b>	<b>2.5</b>	<b>1.3</b>	<b>-1.5</b>	<b>-3.0</b>	<b>-4.1</b>	<b>4.6</b>	<b>0.9</b>	<b>-1.4</b>	<b>0.3</b>	<b>7.1</b>	<b>-3.5</b>	<b>0.6</b>
<b>Construction</b>	<b>5.5</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-0.7</b>	<b>-0.6</b>	<b>0.2</b>	<b>0.4</b>	<b>0.2</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.8</b>	<b>-0.9</b>	<b>0.5</b>
<b>Mainly market services</b>	<b>58.4</b>	<b>0.5</b>	<b>0.3</b>	<b>0.6</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>1.7</b>	<b>1.0</b>	<b>1.0</b>
Trade; repair of automobiles and motorcycles	9.8	0.2	-0.4	-0.9	0.1	-0.9	0.4	0.5	-0.1	0.1		-0.1	-0.8	
Transport and storage	5.7	1.2	-0.2	0.7	0.3	-0.7	0.0	-0.7	-0.9	0.3		0.5	-0.8	
Financial and insurance activities	3.7	1.7	0.9	0.6	0.8	0.3	0.1	-0.1	0.2	0.5		2.1	1.5	
Real estate activities	13.7	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.3		0.5	1.1	
Accommodation and catering	2.3	1.8	1.3	1.2	0.4	-0.7	1.7	-0.7	0.0	0.4		4.9	1.4	
Information and communication	5.6	0.5	0.9	1.2	-0.2	0.4	0.2	1.4	0.4	0.7		3.2	2.1	
Scientific and technical activities; administrative and support services	14.5	0.1	0.6	0.7	-0.3	0.6	0.7	1.0	0.8	-0.3		2.7	2.1	
Other service activities	3.0	1.0	0.8	4.8	-3.5	0.1	0.1	0.2	-0.4	0.3		3.6	0.0	
<b>Mainly non-market services</b>	<b>22.0</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>1.5</b>	<b>0.8</b>	<b>0.6</b>
<b>Total VA</b>	<b>100.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.6</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>1.5</b>	<b>0.8</b>	<b>0.9</b>

■ Forecast

**How to read it:** in Q4 2025, value added in the transport equipment manufacturing branch fell by 0.1%. It is expected to rise by 0.7% in Q1 2026.

**Source:** INSEE.

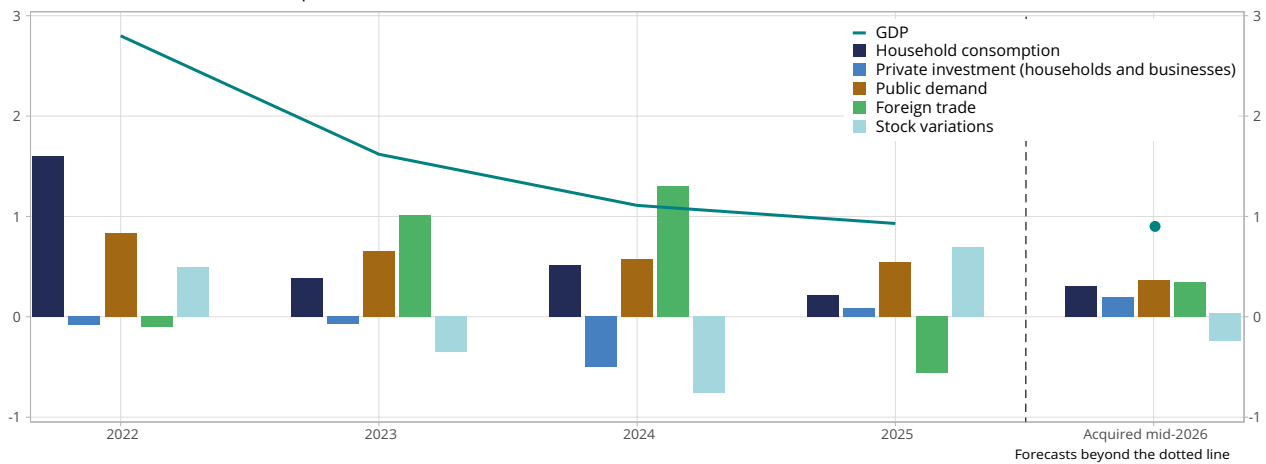
# French economic outlook

The 2026 mid-year growth rate carried over is already on track to match the total growth for 2025, which stood at +0.9%. Private demand is expected to pick up, driven by all its components: consumption (carry-over effect of +0.6% after +0.4%), household investment (+1.8%, after +0.8%) and corporate investment (+0.8%, after +0.2%). Conversely, public demand is expected to slow down. The contribution of foreign trade to the growth rate carried over is expected to be clearly positive (+0.3 percentage points), driven in particular by the aeronautical industry, though this is partly offset by a destocking trend (-0.3 percentage points).

This forecast is, of course, subject to uncertainty regarding the geopolitical context and the reaction of private agents in France. It assumes that oil and gas prices will remain at their current levels until June. A swift end to the conflict could lead to an oil counter-shock. Conversely, an escalation of the conflict, for example through the destruction of hydrocarbon production capacity in the Gulf states, would lead to an even sharper rise in prices. In France, the scenario assumes a gradual adjustment in household and business spending, which is therefore expected to be fairly limited in Q2 2026, with the bulk of the effects anticipated in the second half of the year. ●

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

(annual variations in %; contributions in points)

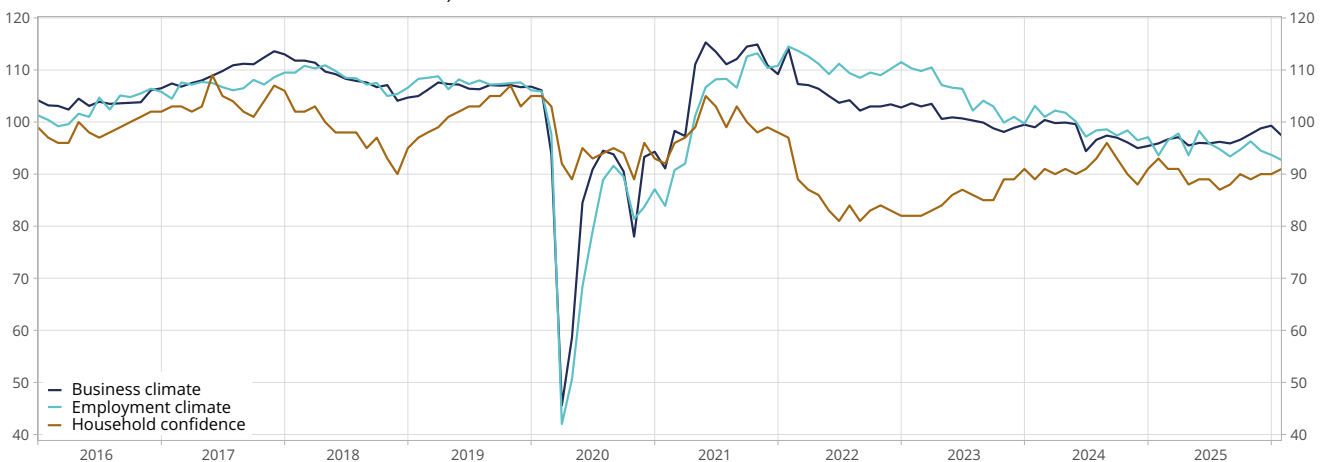


**How to read it:** in 2025, GDP rose by 0.9% adjusted for working days, with foreign trade contributing -0.6 points.

**Source:** INSEE.

## ► 5. Business climate, employment climate and household confidence in France

(normalised with mean 100 and standard deviation 10)



**Last point:** February 2026.

**How to read it:** in February 2026, business climate in France stands at 97, below its long-term average of 100.

**Source:** business and consumer surveys, INSEE.

# Consumer prices

Since January 2026, the Consumer Price Index (CPI) has been calculated using 2025 as the base year. This change of base has been accompanied by changes in methodology and classification (► [Method Box](#) on the CPI base change).

The year-on-year change in consumer prices in France has declined markedly over the past three years, dropping from over +6% at the start of 2023 to less than +1% in February 2025. Since then, inflation has fluctuated between +0.7% and +1.2% year on year, with the exception of January 2026, when it temporarily dropped to +0.3%, due to the timing of sales periods differing from the previous year (► [Figure 1](#)). In February 2026, it stood at +0.9%.

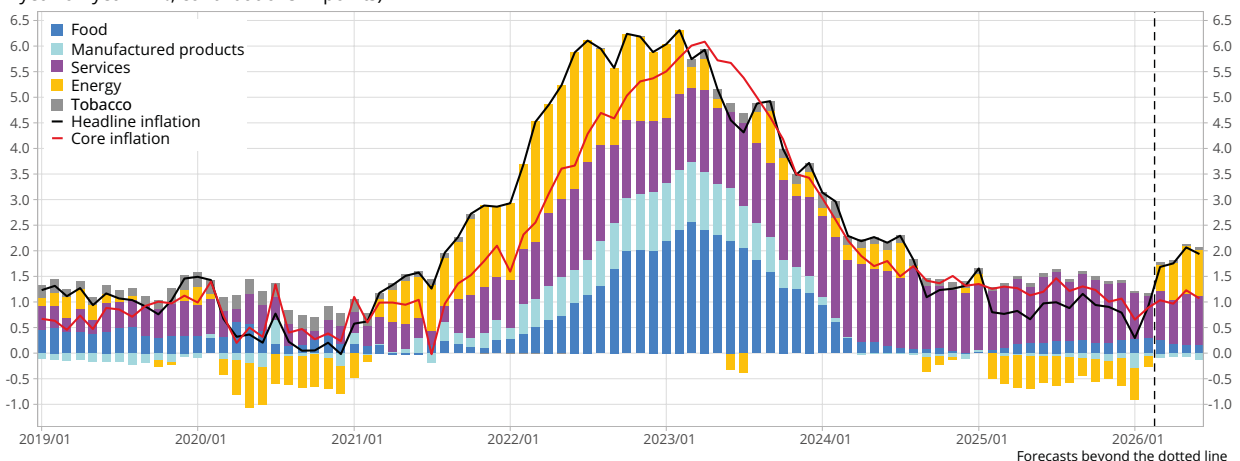
Consequently, for more than a year, inflation has remained significantly lower in France than in other European countries. Three factors have contributed to this relative weakness. Firstly, wage growth has been less pronounced in France, holding back service prices (► [Sheet Euro area](#)). Secondly, the timetable for setting regulated electricity tariffs led to a significant decline in prices starting in February 2025 (► [Figure 2](#)). Finally, price competition between telecommunications operators led to a sharp decline in prices during 2025, on a scale comparable to that observed when the fourth major operator entered the market in the 2010s.

However, the surge in hydrocarbon prices triggered by the war between the United States and Israel, on the one hand, and Iran, on the other (► [Sheet Energy and commodities](#)) is expected to push inflation up to +1.9% year on year in June 2026, assuming that the price per barrel remains around \$100 (€86.2). Nonetheless, inflation in France should remain lower than elsewhere in Europe. Although strong price competition in the telecommunications sector ended in September 2025 and the reduction in regulated electricity prices at the start of 2025 is no longer affecting year-on-year changes in prices, wages (and therefore service prices) are expected to remain significantly less buoyant in France.

Over the forecasting period, the surge in energy prices is not yet expected to feed through to other components of inflation, with the exception of transport costs, notably air travel. In particular, wage negotiations did not anticipate such a resurgence of inflation, and labour costs are not expected to rise significantly, thereby tempering the upward pressure on service prices. Food inflation is set to ease slightly: after standing at +2.0% year-on-year in February, it is projected to fall to +1.0% in June. Firstly, the tax increase on sugar-sweetened beverages in March 2025 and, secondly, the pass-through to consumer prices, in spring 2025, of the surge in tropical commodity prices, which continue to strongly support the current year-on-year change in prices, should no longer affect inflation by mid-2026. The year-on-year change in the prices of manufactured goods, which stood at -0.2% in February, is expected to decline from March onwards (-0.4%) at a pace similar to that observed in December. The advancement of the sales calendar between 2025 and 2026 should cease to distort the year-on-year change in prices, after pushing it downwards and then upwards over the first two months of 2026. Over the forecasting period, the prices of manufactured goods are expected to keep falling at a similar rate (-0.6% year on year in June 2026), as the euro's past appreciation against the dollar and Asian currencies continues to weigh on the prices of imported goods. Finally, inflation in the services sector is likely to rise slightly between February and June, which should mask contrasting price variations across different products.

## ► 1. Headline inflation and contributions by item

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



**Last point:** February 2026, final CPI.

**How to read it:** in February 2026, headline inflation stood at +0.9%. Energy contributed -0.2 points, while services contributed +0.8 points.

**Source:** INSEE.

## French economic outlook

By June, the year-on-year change in energy prices is expected to rise to +11.8%, whereas it was still negative in February (-2.9%, ► [Figure 3](#)). It is set to rebound sharply in March 2026 (+6.6%), becoming positive for the first time since January 2025. Compared with the situation in 2025, this year-on-year change in energy prices began to increase in February 2026, moving from -7.6% to -2.9%, due to electricity prices. Regulated electricity tariffs (TRV) fell slightly again in February 2026 (by around -1%), but to a much smaller extent than one year earlier (-14% in February 2025). Furthermore, the year-on-year change in oil product prices should increase sharply from March onwards. The sharp rises in the price of a barrel of Brent crude oil observed in early March, following the outbreak of war between the United States, Israel and Iran on 28 February and the closure of the Strait of Hormuz, were quickly passed on to pump prices. Assuming that the price of Brent crude remains stable at €86.2 (or \$100) per barrel, the year-on-year change in oil product prices should rise from -2.2% in February 2026 to +16.5% in March 2026, and then to +22.8% in April.<sup>1</sup> It is expected to maintain this pace in June 2026 (+22.8% year on year). The year-on-year change in gas prices is also expected to rise over the forecasting period, from -4.0% in February to +8.3% year on year in June. This rise in consumer prices is likely to occur in two stages: first in March, reflecting the price rise in January 2026, and then in May, reflecting the sharp rise in prices at the beginning of March following the outbreak of war in the Middle East. This is because the benchmark price set by the French Energy Regulatory Commission (CRE) is largely indexed to gas price fluctuations two months prior, which explains this time lag between market prices and consumer prices.

Food inflation is expected to ease over the forecasting period, falling from +2.0% year on year in February to +1.0% in June. At the start of 2026, the rise in producer prices in the agri-food sector, which began in early 2025, would appear to have been fully passed on to consumer prices (► [Figure 4](#)). Non-fresh food prices look set to slow in Q2. Their year-on-year change is expected to reach +1.0% in June 2026, down from +2.0% in February. This mainly reflects the fading effects, over the forecasting period, of the March 2025 tax hike on sugar-sweetened beverages and the sharp rises in the prices of coffee and cocoa-based products in April and May 2025, driven by tropical commodity prices (► [Focus](#) on the consumer prices of coffee- and cocoa-based products, *Economic outlook*, June 2025).

<sup>1</sup> As a reminder, a \$5 increase in the price of a barrel of Brent crude raises headline inflation by around +0.1 percentage points, all else being equal.

### ► 2. Headline inflation, past and forecast

(change in %, contributions in points)

CPI groups* (2025 weightings)	Jan. 2026	Feb. 2026	Mar. 2026	Apr. 2026	May. 2026	June 2026	Annual averages	
							2024	2025
<b>Food (14.9%)</b>	<b>1.9</b>	<b>2.0</b>	<b>1.7</b>	<b>1.2</b>	<b>1.0</b>	<b>1.0</b>	<b>1.4</b>	<b>1.2</b>
fresh food (1.7%)	1.1	1.8	0.8	0.7	0.8	0.8	1.9	1.0
other food product (13.2%)	2.0	2.0	1.9	1.2	1.0	1.0	1.3	1.2
<b>Tabacco (1.7%)</b>	<b>2.7</b>	<b>2.9</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>10.3</b>	<b>4.3</b>
<b>Manufactured products (23.9%)</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-0.6</b>	<b>0.0</b>	<b>-0.3</b>
clothing and footwear (3.3%)	-2.8	1.5	0.8	1.3	1.4	-0.3	0.4	0.7
medical products (4.0%)	-1.6	-1.9	-2.0	-2.2	-2.4	-2.5	-1.2	-1.7
other manufactured products (16.6%)	-0.8	-0.1	-0.3	-0.2	-0.2	-0.2	0.2	-0.1
<b>Energy (7.6%)</b>	<b>-7.6</b>	<b>-2.9</b>	<b>6.6</b>	<b>9.5</b>	<b>12.4</b>	<b>11.8</b>	<b>2.3</b>	<b>-5.6</b>
oil products (3.7%)	-3.9	-2.2	16.5	22.8	25.0	22.8	-4.7	-4.4
non-petroleum products (3.9%)	-11.0	-3.5	-2.7	-2.8	0.8	1.4	-4.7	-4.4
<b>Services (51.9%)</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>1.7</b>	<b>1.9</b>	<b>1.9</b>	<b>2.7</b>	<b>2.3</b>
rent, water, refuse collection (8.3%)	2.4	1.7	1.7	1.5	1.6	1.6	2.8	2.6
health services (7.8%)	-0.3	-0.1	0.6	0.3	0.8	0.8	0.6	1.7
transport (3.0%)	-0.6	-0.4	0.4	0.7	2.0	2.8	2.5	0.5
communications (1.9%)	-1.8	-0.3	0.9	1.8	6.4	3.9	-8.1	-8.7
other services (30.8%)	2.3	2.2	2.3	2.1	2.1	2.1	3.9	3.1
including accommodation and catering (9.4%)	2.4	2.3	2.4	2.4	2.4	2.3	3.1	2.4
including social protection (3.4%)	2.3	2.2	2.4	1.9	2.0	2.0	3.5	4.1
including insurance (3.1%)	4.9	4.1	4.0	3.8	3.5	3.4	8.0	8.3
<b>All (100%)</b>	<b>0.3</b>	<b>0.9</b>	<b>1.7</b>	<b>1.8</b>	<b>2.1</b>	<b>1.9</b>	<b>2.0</b>	<b>0.9</b>
All excluding energy (92.4%)	1.0	1.2	1.3	1.1	1.2	1.1	2.0	1.5
All excluding tabacco (98.3%)	0.3	0.9	1.7	1.7	2.0	1.9	1.8	0.9
<b>Core inflation** (61.6%)</b>	<b>0.7</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>	<b>1.2</b>	<b>1.1</b>	<b>1.8</b>	<b>1.2</b>
<b>HICP set</b>	<b>0.4</b>	<b>1.1</b>	<b>1.9</b>	<b>2.0</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	<b>0.9</b>

■ Forecast.

\* Consumer price index (CPI).

\*\* Index excluding public tariffs and products with volatile prices, corrected for tax measures.

\*\*\* Harmonised Index of Consumer Prices (HICP).

**How to read it:** in February 2026, headline inflation stands at +0.9%. The year-on-year variation in food prices was +2.0%.

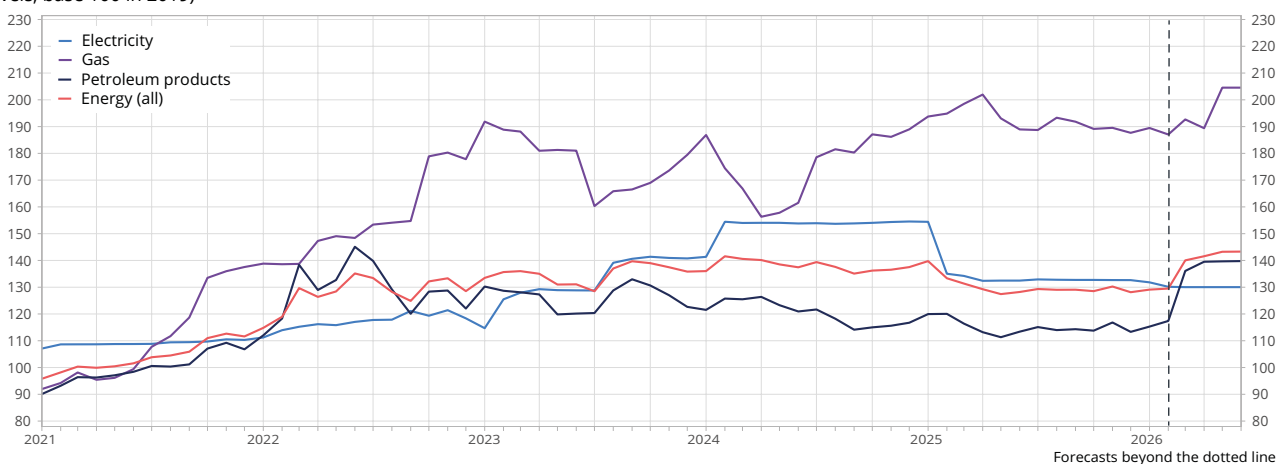
**Source:** INSEE.

Prices of manufactured goods should fall year on year over the forecasting period. Their year-on-year change is projected to reach -0.6% in June 2026, following -0.2% in February. After falling in January and rising in February due to a change in the timing of the sales period compared with last year (with more sales days in January and fewer in February this year), the year-on-year change in manufactured goods prices from March 2026 onwards is expected to return to a pace comparable to that seen at the end of 2025. Manufactured goods prices should therefore continue to decline year on year, with the euro's past appreciation against the dollar and Asian currencies pushing down the prices of imported goods.

Inflation in services is set to rise slightly over the forecasting period. The year-on-year change is expected to reach +1.9% in June 2026, up from +1.6% in February. This rise is likely to be partly driven by communication services, where prices are set to increase. The intense competition between operators in H1 2025 has now ended, which should lead to an increase in inflation in communication services by June (+3.9% year on year, following -0.3% in February). On the one hand, prices are expected to rise from March onwards, and on the other hand, the sharp declines observed in 2025 should gradually cease to affect the year-on-year change. In transport services, prices are likely to rise (+2.8% year on year in June, after -0.4% in February), as energy cost increases are gradually passed on to consumers, particularly in the air transport sector. Inflation in "other household services" (+2.2% in February) is expected to fall back slightly to +2.1% in June. The year-on-year decline is likely to stem from the slowdown in insurance prices (+3.4% in June, down from +4.1% in February), following two years of sharp increases, and in social security contributions (+2.0% in June, down from +2.2% in February), with the rise in the minimum wage being significantly less pronounced this year. The year-on-year change in prices of accommodation and food services is expected to remain stable, in line with wage costs: +2.3% in June, as in February.

### ► 3. Changes in the Consumer Price Index for energy and its components

(in levels, base 100 in 2019)



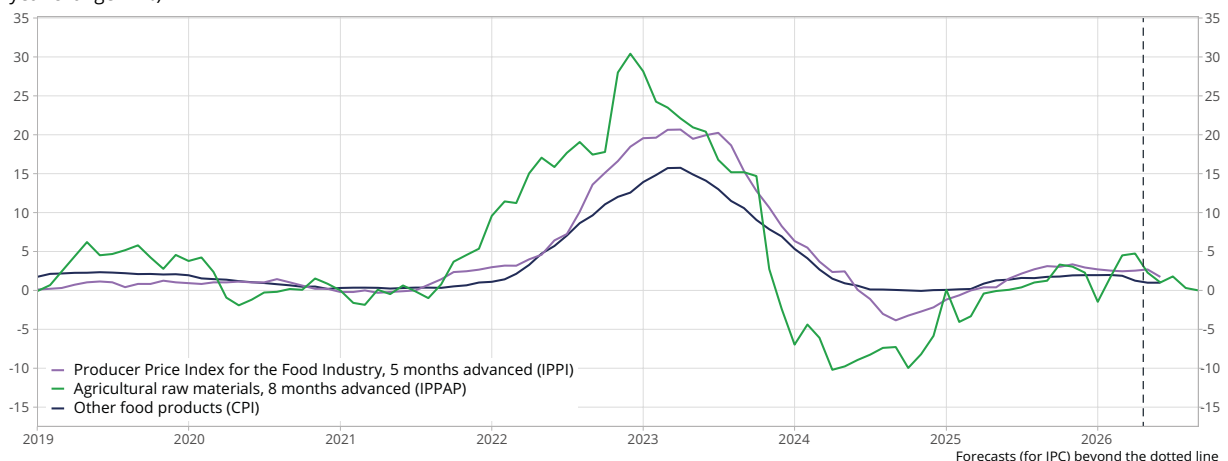
**Last data point:** February 2026, final CPI.

**How to read it:** in February, electricity prices are 30% higher than their average level in 2019.

**Source:** INSEE.

### ► 4. Variation in year-on-year changes along the food supply chain

(year-on-year change in %)



**Last data point:** February 2026, final CPI.

**How to read it:** in February 2026, the year-on-year change in prices of "other food products" is +2.0%.

**Source:** INSEE.

## French economic outlook

The year-on-year change in tobacco prices is set to rise slightly (+3.2% year on year in June 2026, following +2.9% in February), as some producers increase their prices.

Core inflation, which excludes volatile prices such as energy and regulated tariffs, should not be affected by the surge in hydrocarbon prices and is therefore likely to remain subdued over the forecasting period (standing at +1.1% year-on-year in June, after +0.9% in February), reflecting weak wage pressures.

Inflation within the meaning of the Harmonised Index of Consumer Prices (HICP) is expected to be higher than CPI inflation (+2.2% in June 2026), because energy products are weighted more highly in the HICP than in the CPI. ●

### Method Box on the Consumer Price Index base change (2025)

#### The Consumer Price Index base year has changed

Since early 2026, the Consumer Price Index (CPI) and the Harmonised Index of Consumer Prices (HICP) have been published using 2025 as the base year. This comes 10 years after the previous base change, in accordance with European regulations, and applies to all countries in the European Union. This involves, on the one hand, a change in the base year – indices now equal an average of 100 for 2025 – and, on the other hand, a change in the classification system (► [Blog post](#) (in French) "[En janvier 2026, l'indice des prix fait peau neuve!](#)").

The calculation and dissemination of the CPI and HICP are based on a European classification of consumption by purpose. With this base change, a second version of this classification system (known as "eCOICOP v2") is being rolled out across Europe. This is a version of the United Nations Classification of Individual Consumption by Purpose ("COICOP") 2018.

#### Price indices in line with previous figures

The 2025 base change involves the rebasing of indices to an average of 100 for 2025. This is a purely calculative aspect and has no impact on overall index trends.

In addition, the change in classification and the rebasing require the backcasting of indices under the new classification to provide long-term series since 1996. For this backcasting exercise, the constraint of maintaining consistency between the monthly and annual changes in the overall index in both the old and new bases over previous years has been respected. For the HICP, this is a requirement that must be met at both Member State and European level. The same principle applies to the CPI.

Whilst the CPI is calculated using eCOICOPv2, it is also published, for short-term analysis purposes, according to specific groupings useful for economic analysis (food, energy, tobacco, manufactured goods, services, etc.), in line with the approach typically adopted in the *Economic Outlook*. This "short-term" classification is not affected by the base change. Here too, the data has been backcasted to 1996 in such a manner as to preserve trends, with a simple adjustment factor applied to bring the average of these indices to 100 in 2025.

#### Sample changes

The CPI and the HICP are designed to be representative of total consumption within a clearly defined scope, covering all sales channels and the entire territory. For example, coffee can be bought in supermarkets, other shops and online: INSEE therefore tracks price variations across all these different sales channels, collecting price data in the field and online. It also uses administrative and business databases, and conducts rent surveys.

As part of the new database, INSEE has developed an online price monitoring system to reflect the rise in this form of consumption. Some prices are "harvested" from transport and accommodation booking sites (by web scraping), entailing the collection of a huge number of prices every month (2.5 million). Others are collected manually to cover a wide range of products purchased online from nearly 1,600 retail websites. In 2026, the size of this sample was significantly increased, and it will be increased again in 2027, bringing the number of observations from 6,000 to over 10,000 in two years. The aim is twofold: to improve the statistical accuracy of data on products already being monitored and to monitor these products in greater detail.

INSEE is also adapting the data collection carried out in the field by its network of interviewers. In France, price measurement in physical retail outlets is based on a sample of urban areas of varying sizes. This sample has been reduced from 99 to 87 urban areas. As the prices of many products have been tracked via scanner data in the retail sector since 2020, the number of non-supermarket retail outlets had become too small in certain smaller urban areas. The number of items for which on-site price surveys are carried out is being slightly reduced: it will drop from 150,000 to around 140,000 per month over the next two years.

### Changes to weightings

The weightings for the CPI and HICP have been fully updated to reflect the base change. Each consumption purpose in the eCOICOPv2 system is assigned a weight representing its share of national consumption, which enables the aggregation of the indices – calculated at a detailed level – and the production of a representative overall consumer price index. These weights are reviewed annually and calibrated in line with the most recent figures from the national accounts.

The base change also provides an opportunity to incorporate a conversion table to map the transition between the national accounts product classification and the new classification of consumption by purpose. The change in 2026 will be a significant, as the classification of consumption by purpose is being extensively revised. For example, compared with 2025, the weights of services and energy will decline slightly in 2026. Conversely, the weights of manufactured goods and food will rise to a limited extent, with the weight of tobacco remaining stable. ●

#### ► Weights of economic categories in the Consumer Price Index basket in 2025 and 2026

in %

Regrouping of the Consumer Price Index	Base 2015	Base 2025
	2025	2026
<b>Food</b>	<b>14.6</b>	<b>14.9</b>
Fresh food	1.7	1.7
Excluding fresh food	12.9	13.2
<b>Tabacco</b>	<b>1.6</b>	<b>1.7</b>
<b>Manufactured products</b>	<b>22.8</b>	<b>23.9</b>
Clothing and footwear	3.3	3.3
Medical products	4.1	3.9
Other manufactured products	15.4	16.6
<b>Energy</b>	<b>8.1</b>	<b>7.6</b>
Oil products	3.8	3.7
<b>Services</b>	<b>52.9</b>	<b>51.9</b>
Rent, water, refuse collection	8	8.3
health services	6.4	7.8
Transport	3.1	3
Communication services	1.8	1.9
Other services	33.6	30.8
<b>All</b>	<b>100</b>	<b>100</b>