

## Economic activity remains very weak in France

Following a sluggish end to 2024, the beginning of 2025 shows no signs of accelerating economic activity in France. GDP growth is expected to average just 0.6% for the year



It has been a gloomy start to the year for the French economy

The year is not off to a good start for the French economy, following a very weak end to 2024. The business climate remained almost stable in France in January, at 95, a level below its long-term average. Business sentiment was stable in the services sector, but below its long-term average in almost all service sub-sectors, except for real estate activities. According to business leaders in the services sector, perceived uncertainty is once again on the rise.

Business sentiment is also stable in the construction and retail sectors, but order books are shrinking. In industry, the business climate is deteriorating due to a sharp fall in order books, which are at their lowest level since 2014. In wholesale trade, the business climate is deteriorating again.

Collectively, these data point to a weak start to 2025, following negative fourth-quarter growth due to political and budgetary uncertainty, the aftermath of the Olympic Games and a less buoyant international environment.

The uncertainty surrounding the 2025 budget continues to weigh on domestic demand, which is

likely to persist over the coming months. In particular, household consumption is likely to remain very subdued. Despite falling inflation and rising real wages, increased fears about unemployment and uncertainty are likely to lead to a further rise in the household savings rate. Uncertainty and the limited potential for a fall in long-term interest rates also mean that investment by households and businesses will remain subpar in 2025.

With exports likely to be hit by renewed trade tensions, there is every reason to believe that industrial activity in France will be very modest over the coming months. The service sector, meanwhile, should continue to fare better than industry, but a slowdown is also expected. Today's data indicate that order books are still falling in the construction sector, which is likely to have another difficult year.

The business climate data confirms our forecast of very weak growth in the first quarter, of around 0.1% quarter-on-quarter, compared with -0.1% in the fourth quarter of 2024. This weak start to the year means that GDP growth is likely to be just 0.6% in 2025, compared with 1.1% in 2024 and 2023, lower than the 0.9% expected by the government. A recovery should take place in 2026, but in a difficult international environment and with a restrictive French fiscal policy, it could remain limited to 1%.

## Author

### Charlotte de Montpellier

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).