Snap | 30 October 2025 FRANCE

French GDP defies expectations

Political turmoil hasn't derailed France's economy in the third quarter. Growth accelerated sharply, though risks remain for the months ahead

Growth saw a sharp pick-up in the third quarter, though uncertainty still lingers for the months ahead

A strong upside surprise

Against all odds, French GDP rose by 0.5% quarter-on-quarter, following 0.3% in the second quarter, while consensus expected just 0.1%. The details are solid. Domestic demand improved thanks to a rebound in investment, particularly from businesses. Household consumption stayed positive (+0.1%), and government spending increased by 0.5%. Overall, final domestic demand contributed +0.3 percentage points to growth.

External trade delivered an exceptional boost (+0.9ppt); exports surged by 2.2%, while imports edged lower. Inventories, however, dragged growth down by -0.6ppt, reversing previous trends.

Production strengthened across most industrial sectors and services. Carry-over growth for this year now stands at 0.8%, making the government's 0.7% target for the year highly achievable.

Uncertain outlook

The outlook for the future is rather uncertain. Political and budgetary uncertainty is likely to weigh on growth momentum. Still, improving business sentiment and consumer confidence in

October suggest the impact could be smaller or delayed. INSEE data shows that household consumption rose 0.3% in September, despite intense political headlines. So far, macroeconomic fallout from the crisis looks limited.

That said, several warning signs persist. Global demand is slowing. Household savings intentions have hit record highs, making a drop in the savings rate unlikely. Business confidence gains are concentrated in a few sectors, notably aerospace. And with budget talks dragging on in parliament, there's no clarity on next year's tax treatment for firms and households.

These factors point to a slowdown in the fourth quarter and a weak start to 2026. Forecast uncertainty is unusually high, but for now, we expect GDP growth of 0.8% in 2025 and 0.9% in 2026.

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