

# French GDP contracts in the last quarter of 2024, with a grim outlook for 2025

France ended 2024 with a contraction in its GDP and 2025 got off to a weak start too



The economic outlook for France in 2025 is gloomy

## A contraction to finish the year

As we predicted, French GDP contracted by 0.1% in the fourth quarter, after growth of 0.4% in the third quarter of 2024. This contraction was partly due to the aftermath of the Olympic Games, but political uncertainty and a less favourable international environment also played a role.

As a result, domestic demand slowed in the fourth quarter, with household consumption slightly less dynamic (+0.4% compared with +0.6% in the third quarter) and investment still falling (-0.1% compared with -0.3%), as did exports (-0.2% compared with -0.8%). International trade and inventories made a negative contribution to growth.

## French growth in 2024 was driven by public consumption and public investment

Ultimately, over 2024 as a whole, French GDP grew by 1.1%, matching the growth rate of 2023. Investment fell sharply, particularly household investment, which declined by 6% year-on-year (after an 8.2% drop in 2023) due to high interest rates and low confidence. Business investment,

which had remained buoyant in 2023, fell by 1.6% over the year on the back of low capacity utilisation and a subdued demand outlook.

In 2024, French growth was driven by public consumption (+2.1% over the year) and public investment (+3.3% over the year), which bodes ill for 2025, as budgetary constraints are bound to lead to less dynamic public spending. In terms of production, services drove French growth in 2024 (+2.5% for market services, +2.3% for non-market services). The production of goods contracted by 0.1% over the year, after +0.9% in 2023, while production in the construction sector fell by 2.3% compared with an increase of 0.2% in 2023.

Overall, the details point to a more deteriorated economic situation than the overall figures suggest. The French economy slowed during the year and the end of 2024 was particularly weak.

## GDP growth is expected to be weaker in 2025

Ending 2024 with a contraction in GDP means a weak carry-over effect for 2025 and the government's forecast of 0.9% GDP growth over 2025 as a whole will be very difficult to achieve. The first indicators published for 2025 also point to a weak first quarter.

The uncertainty surrounding the 2025 budget and the possible fall of the Bayrou government continue to weigh on domestic demand, and this is likely to persist over the coming months. Household consumption growth is unlikely to accelerate. 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 low potential for long-term rate decline on the markets also mean that household and business investment is likely to remain weak in 2025. Although the 2025 budget has not yet been voted on, and many uncertainties remain over fiscal policy for this year, the need to reduce the public deficit, which reached 6.1% of GDP in 2024, will weigh on GDP growth.

With exports likely to be hit by renewed trade tensions, there is every reason to believe that industrial activity in France will be very subdued over the coming months. The services sector should continue to fare better than industry, but a slowdown is also expected. In January, order books were still down in the construction sector, which is likely to have another difficult year.

We expect very weak growth in the first quarter, at best 0.1% quarter-on-quarter. Over 2025 as a whole, GDP is expected to grow by just 0.6%. 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).