

## French growth hopes weaken as business confidence declines

The business climate has deteriorated in almost all sectors, reducing the likelihood of an acceleration in growth in early 2026



The business climate in France is below its long-term average

### The numbers

The business climate in France deteriorated again in February, falling by two points to 97, a level below its long term average. This decline affects all sectors except construction, where the indicator remained stable. The deterioration is particularly worrying in services: all sub indices fell over the month and, at 95, the business climate is now clearly below its long term average. Opinions regarding future activity and demand have weakened sharply. The decline in confidence is visible across all service sub sectors. Moreover, firms in the sector are anticipating weaker hiring momentum, which is weighing significantly on the employment climate in France. The latter fell by a further point and has reached its lowest level since March 2021.

In industry, the business climate also declined, although it remains above its long term average. The deterioration is especially pronounced in chemicals and metallurgy, while conditions remain very favourable in the production of transport equipment (excluding automobiles). For industry as a whole, however, the weakening of order books and production prospects nevertheless constitutes a negative signal for the months ahead.

## What they mean for growth

Overall, the February business climate has deteriorated more than expected and suggests an economic environment that is less resilient than anticipated. Despite the first signs of an industrial recovery in Europe, supported in particular by the German stimulus plan, the French economy doesn't seem to be accelerating, with domestic demand showing signs of fatigue. Despite very low inflation and a decline in households' willingness to save, consumption is still struggling to strengthen. The data published today therefore suggests that GDP growth in the first quarter would have difficulty exceeding the 0.2% recorded in the fourth quarter of 2025, and a slower pace cannot be ruled out.

For the rest of the year, however, the outlook remains moderately favourable, with GDP growth expected to be around 1%. French industry should continue to benefit from the German stimulus plan and higher defence spending. The expected increase in real wages could support household consumption and investment, provided confidence holds up. Risks nonetheless remain numerous. The strong external exposure of certain key sectors makes the French economy sensitive to developments in global trade and the euro exchange rate. Conversely, a more dynamic global and European economic environment than anticipated could lead to a recovery in order books and support production. Domestically, confidence remains fragile: any further deterioration could quickly undermine hopes of a recovery in consumption. For 2027, we expect growth to reach 1.1%, but political and fiscal risks remain high.

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