

French inflation rebounds in February but remains contained

Inflation in February rebounded a bit more than the market expected, but inflationary pressures remain moderate, while the labour market stabilises



Inflation in France should remain subdued in the months ahead

Inflation rises, but solely due to energy

As expected, French inflation increased in February, reaching 1.0% (1.1% for the harmonised index), up from 0.3% in January (0.4% harmonised). Although the figures are slightly higher than the consensus forecast, this rise was expected on our side: it is mainly explained by less favourable base effects. In February 2025, regulated gas tariffs had been cut by 15% following a government decision. That decrease has now dropped out of the price index calculation, as regulated gas tariffs have since remained stable. This mechanically contributes to the rise in the inflation rate. In addition, energy prices on global markets have edged up slightly. Overall, energy inflation is now down only 3% year-on-year, compared with a 7.6% fall in January.

Beyond these energy-related base effects, inflationary pressures remain moderate. Services inflation is still contained at 1.8% year-on-year, following 1.7% in January, whereas Insee was still

expecting a rate close to 2% for February in its December forecast. This moderation in services prices helps to limit the overall increase in inflation. Prices of manufactured goods are falling year-on-year (-0.3%), but the decline is less pronounced than in January (-1.2%), notably due to a different timing of the sales period.

In the coming months, a further small rise in headline inflation is likely, as energy base effects gradually become less favourable. Energy inflation should therefore move back into positive territory. This does not, however, signal a marked resurgence in inflationary pressures. On the contrary, inflation in France should remain subdued in the months ahead and fluctuate within a range of 1% to 1.5%. France should therefore continue to be among the countries with the lowest inflation rates in the euro area.

The labour market lacks momentum

In addition, Insee today published employment data for the fourth quarter of 2025, showing a slight decline in salaried employment (-0.1% quarter on quarter, i.e. 40,100 jobs lost), following stability in the third quarter. Salaried employment is now down 0.2% year-on-year (-45,900 jobs), while remaining well above its pre-pandemic level (+4.9%, or +1.3 million jobs). Data on self-employment, which is generally more dynamic, has not yet been published.

Overall, the French labour market therefore remains relatively resilient, with limited job losses. Nevertheless, the lack of momentum is evident, and the likelihood of a turnaround with strongly positive net job creation remains low in the coming months. The employment climate, as measured by the Insee survey, deteriorated further in February, with business leaders showing increased caution regarding hiring. It is therefore likely that France will continue to record slight job losses in the coming months, even though we do not expect a collapse in the labour market.

Overall, economic growth should remain positive but moderate in the absence of a genuine short-term growth driver. We are forecasting GDP growth of 1.0% in 2026, after 0.9% in 2025.

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