

## Inflation falls sharply in France as consumer spending contracts

This is the first time since February 2021 that French inflation has been below 1%



While inflation no longer poses a threat to the French economy, the same can't be said for the weakness we're currently seeing in activity

Consumer price inflation stood at just 0.8% in France in February, down sharply from 1.7% in January. This is the first time since February 2021 that French inflation has been below 1%.

The fall in inflation is mainly due to the 15% fall in regulated electricity prices, which pushed energy inflation down by 5.7% in February 2025 compared with February 2024. Other price categories are more stable. Food inflation picked up slightly by +0.3% year-on-year, compared with 0.1% in February 2024; the price of manufactured goods remained stable, and services inflation continued to slow to 2.1% YoY, compared with 2.5% in January and 3.2% in December.

Generally speaking, inflationary pressures are currently extremely weak in France and inflation is unlikely to rebound significantly in the coming months, which should reassure the European Central Bank. The weakness of inflation, and in particular the marked slowdown in growth in the price of services, points to a weak French economy where demand is very sluggish. This was confirmed once again this morning by the January consumer data, which showed a 0.5% fall in household spending on goods over the month in volume terms, following the 0.7% rise over the month seen in December. Despite the sales period, purchases of clothing and durable goods fell

sharply over the month (-1.7% and -3.9% respectively).

The first quarter has therefore gotten off to a poor start. After a contraction of 0.1% in the fourth quarter, the risk of a further contraction in the first quarter cannot be ruled out. Nevertheless, the slight improvement in business sentiment in February could point to a slightly better month than January. If this were to continue in March, GDP could stabilise in the first quarter and avoid a further contraction.

Overall, the economic situation in France remains very poor. While inflation is clearly no longer a problem for the French economy, the weakness in activity is a very clear one. At this stage, there is little sign of a real recovery for the rest of the year. The marked deterioration in the employment climate – which has reached its lowest point since March 2015 as a result of the deterioration in business hiring prospects – is a very clear sign that economic momentum will remain weak in the coming quarters. We are expecting GDP to grow by 0.6% in 2025, after 1.1% in 2024.

## 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).