

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.

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