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FRANCE

French business sentiment lifted by services

French business confidence and PMI indicators edged higher in November, driven by renewed optimism in the service sector. This rebound could support growth in the coming months, despite more mixed signals from industry

A view of Paris's business district at La Défense

The French business climate indicator rose to 98 from 97 in October, according to Insee. The improvement is largely due to services, where confidence gained 3 points on more favourable expectations for demand and activity. The PMI survey, also released this morning, confirms the trend: the services index hit its highest level in 15 months, signalling a cyclical rebound.

By contrast, industry is flashing warning signs. The manufacturing PMI fell to its lowest in nine months, and the business climate reflects weaker order books and production prospects. Transport equipment firms are particularly downbeat after a strong growth phase. Momentum in this sector appears to be fading, pointing to a weaker industrial contribution from Q4 onwards and into 2026. While some cyclical improvement in certain industrial sub-sectors is likely, the slowdown in transport will weigh on overall industrial growth. Confidence in retail also slipped slightly but remains well above September levels.

Limited growth expected in 2026

Overall, the French economy looks uneven: industry, notably aerospace, is losing steam, while services benefit from renewed confidence. This uptick, helped by political calm despite the absence of a 2026 budget, could support consumption in the fourth quarter. However, the recovery rests on fragile foundations and may fade quickly.

Fiscal uncertainty will remain a major drag. We expect no budget agreement before year-end, meaning the 2025 budget will roll over into 2026. Fiscal tightening will then be introduced gradually, but it is unlikely the deficit will fall to 4.6% of GDP as promised by the government (5% seems more realistic, after 5.4% in 2025). A more restrictive fiscal stance will cap French growth, which should stay below the eurozone average: we forecast GDP growth of 0.9% in 2026 after 0.8% in 2025, compared with 1.1% for the eurozone (after 1.4% in 2025).

In short, while the rebound in services offers temporary relief, tighter fiscal policy signals a moderate trajectory for the French economy.

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