



ECONOMIC DEVELOPMENTS IN FRANCE AND THE EURO AREA

Banque de France

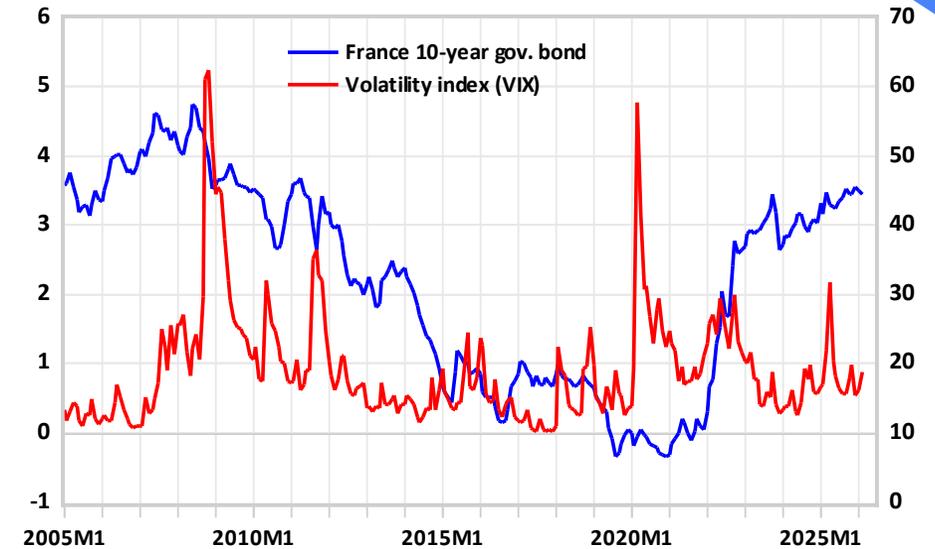
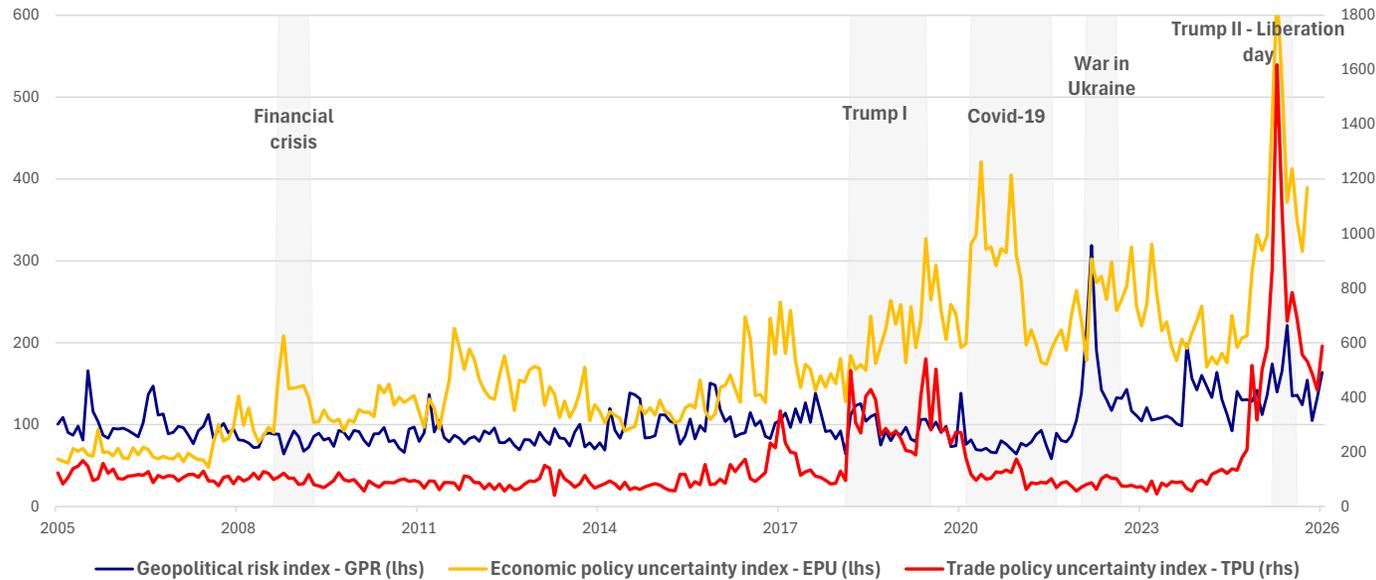
Denis Beau, First Deputy Governor

EUROPEAN ECONOMICS AND FINANCIAL CENTRE

27 FEBRUARY 2026

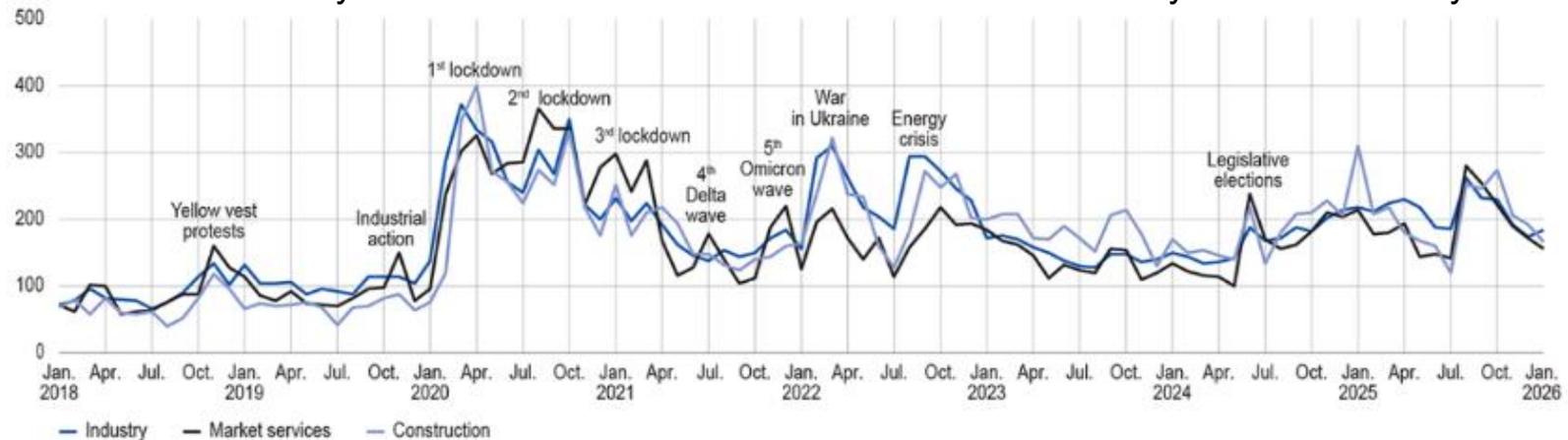


UNCERTAINTY INDICATORS HIGHER STILL BUT LOW MARKET VOLATILITY



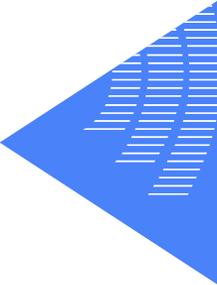
Sources: S. R. Baker, N. Bloom and S. J. Davis (2016), "Measuring economic policy uncertainty," Quarterly Journal of Economics. Last observation: October 2025 ; D. Caldara and M. Iacoviello (2022), "Measuring geopolitical risk," American Economic Review. Last observation: January 2026 ; D. Caldara, M. Iacoviello, P. Molligo, A. Prestipino and A. Raffo (2020), "The economic effects of trade policy uncertainty," Journal of Monetary Economics. Last observation: January 2026.

Uncertainty indicator from the comment section of BdF Monthly Business Survey



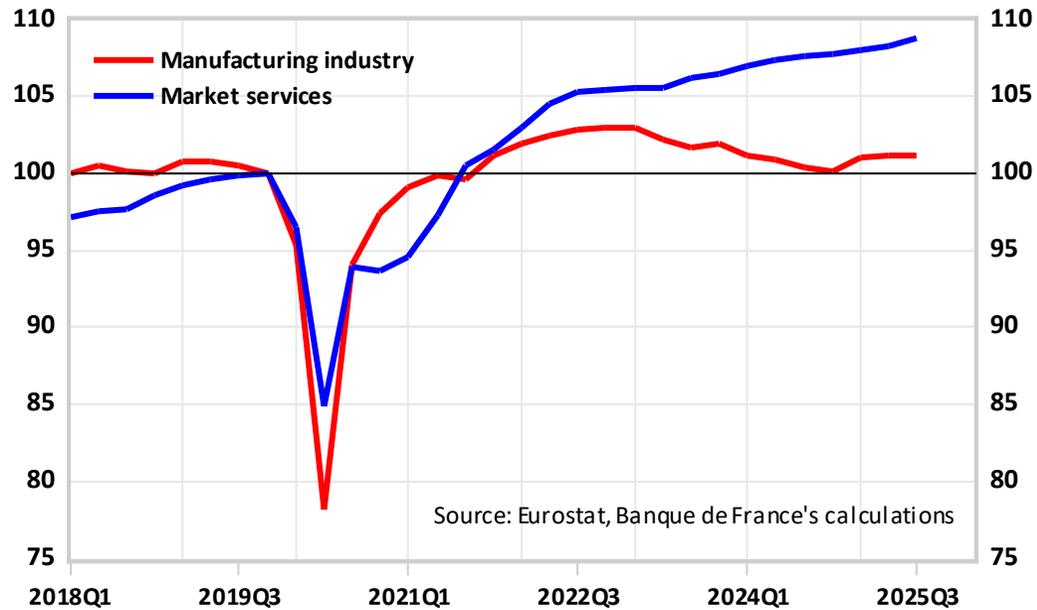
Source: Banque de France's Monthly Business Survey Feb. 2026

K-SHAPE RECOVERY IN FRANCE AND EA



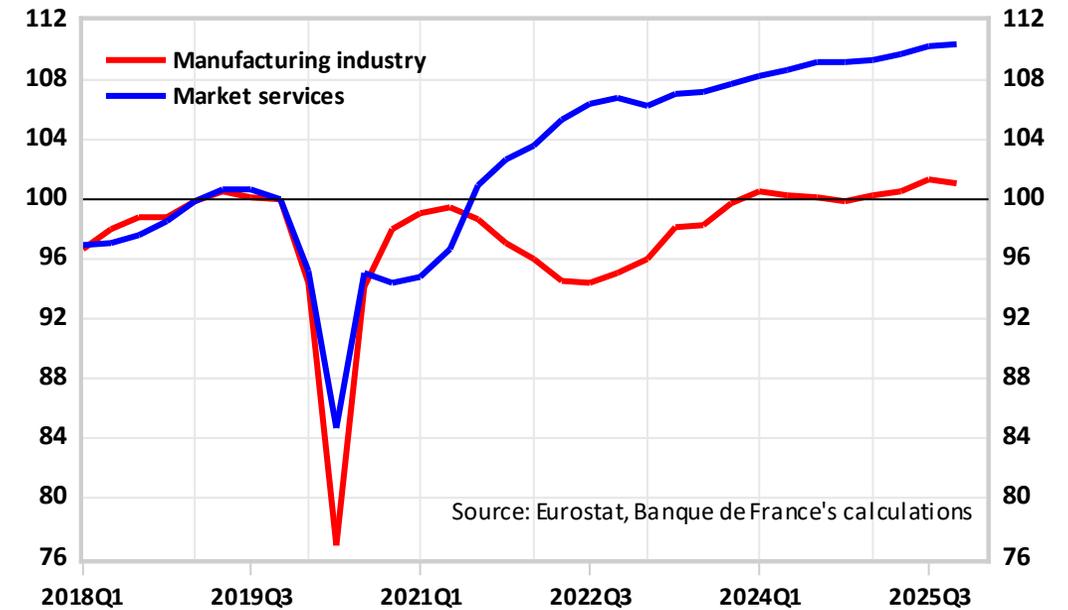
Euro area

Value added (volume, 2019Q4=100)



France

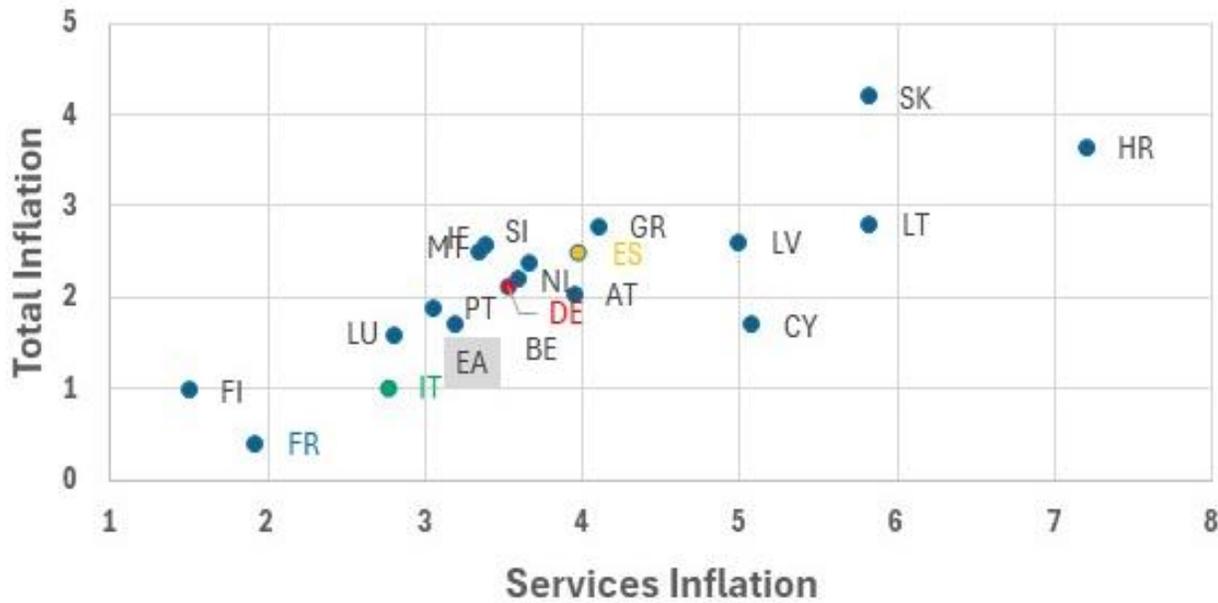
Value added (volume, 2019Q4=100)



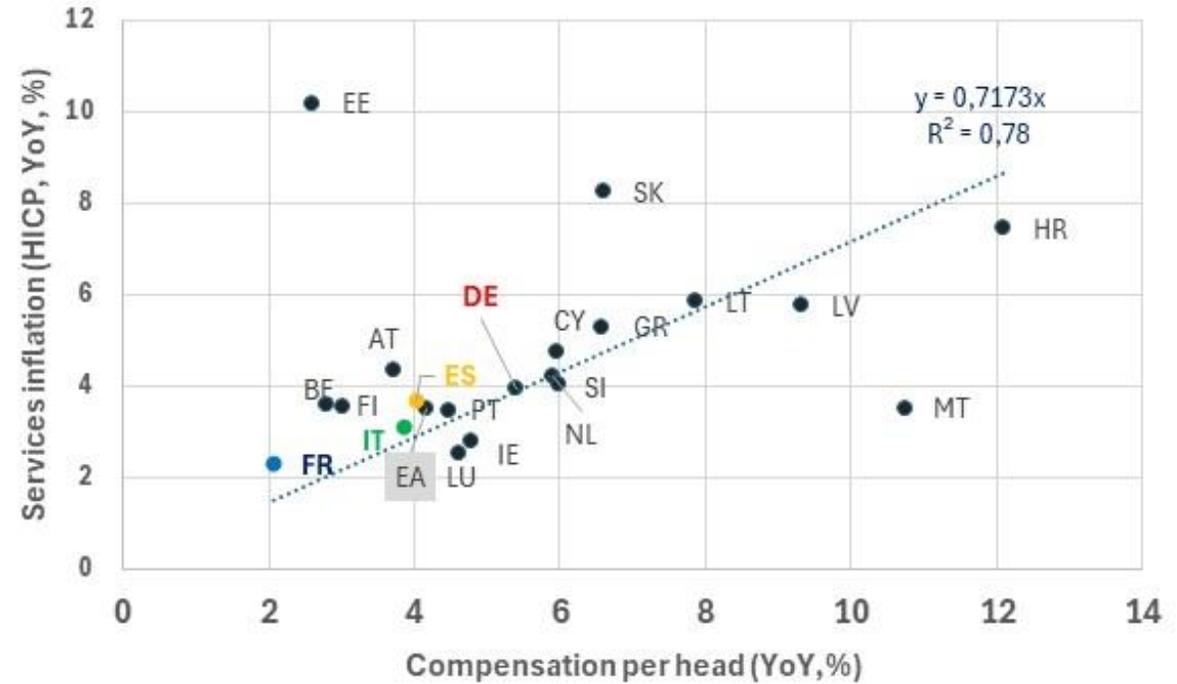
EA HETEROGENEITY FOR INFLATION, PARTLY DUE TO WAGE



Inflation heterogeneity due to services
(last observation: January 2026)

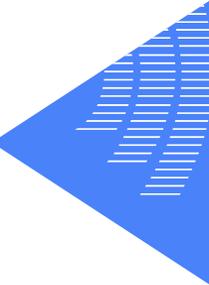


Inflation heterogeneity due to wage
(last observation: Q3 2025)



Source: Eurostat, Banque de France calculations

OUTLOOK IN LINE WITH DECEMBER MACROECONOMIC PROJECTIONS



Euro area

% , annual average	2024	2025	2026	2027	2028
GDP	0,9	1,4	1,2	1,4	1,4
<i>(≠MPE sept.)</i>	0,0	0,2	0,2	0,1	
HICP	2,4	2,1	1,9	1,8	2,0
<i>(≠MPE sept.)</i>	0,0	0,0	0,2	-0,1	
HICP core	2,8	2,4	2,2	1,9	2,0
<i>(≠MPE sept.)</i>	0,0	0,0	0,3	0,1	

France

% , annual average	2024	2025	2026	2027	2028
GDP	1,1	0,8	1,0	1,0	1,1
<i>(≠MPE sept.)</i>	0,0	0,1	0,1	-0,1	
HICP	2,3	0,9	1,3	1,3	1,8
<i>(≠MPE sept.)</i>	0,0	-0,1	0,0	-0,5	
HICP core	2,3	1,6	1,6	1,6	1,7
<i>(≠MPE sept.)</i>	0,0	-0,1	0,0	0,0	

Source: December 2025 Macroeconomic Projections

BALANCE OF RISK FOR FR AND EA

Downside on GDP

- Tightening of financial conditions (long rate, €)
- Geopolitical instability and international trade tensions
- Less impact of DE infrastructure and defense plan (amount, disbursement, large import content) -> EA
- National political and budgetary instability generates uncertainty -> FR

Upside on GDP

- More defense spending with low import content
- Increase in productivity with the adoption of AI
- Increase in confidence and decline in energy prices (resolution of geopolitical tensions)

Downside on inflation

- **Euro appreciation**
- **Intensification of Chinese competition**
- Fall in energy prices (resolution of geopolitical tensions)
- Stronger-than-expected slowdown in wages

Upside on inflation

- Fragmentation of supply chains or a rise in import prices (rare earth)
- Persistence of wage tensions, especially in services -> EA

Note:

In black common risks for FR & EA

In blue specific risk to FR or EA

