

16 June 2026

- These projections were prepared amidst considerable uncertainty dominated by the ongoing conflict in the Middle East that began on 28 February. They do not take account of the announcement on 14 June regarding the possible signing of a framework agreement between the United States and Iran. In this shifting context, we present several scenarios that are consistent with those published by the European Central Bank (ECB) for the Eurosystem on 11 June.
- Our baseline scenario is based on assumptions taken from the futures markets as at 21 May 2026. According to market expectations, the surge in hydrocarbon prices should be only temporary, provided there is substantial progress in negotiations between Iran and the United States leading to the reopening of the Strait of Hormuz and a complete cessation of hostilities this summer. We also present three other scenarios: a milder scenario, which is based on a faster and more marked fall in hydrocarbon prices, and two more adverse scenarios, reflecting more pessimistic market expectations regarding future trends in energy prices.
- Under the baseline scenario, GDP should grow by 0.5% in 2026, revised downwards by 0.4 percentage point compared with our March projections. On the one hand, oil prices have risen by more than forecast under the March baseline scenario. But, more importantly, economic activity has proven less resilient than anticipated in the first quarter of 2026 and is expected to remain relatively sluggish in the second quarter, according to the most recent business surveys. Growth should subsequently rebound to 0.9% in 2027, and then to 1.2% in 2028, driven by a recovery in private domestic demand, particularly household consumption and business investment.
- The outlook for consumer price inflation has been revised upwards by 0.8 percentage point in line with rising oil prices. Headline inflation (HICP, Harmonised Index of Consumer Prices) is forecast to reach 2.5% in 2026, pushed up by rising energy prices and their indirect effects, particularly on air travel due to higher costs for jet fuel, as well as on food prices, linked to expected increases in agricultural commodity and fertiliser prices. It should then fall to 1.7% in 2027 and 2028, as energy prices ease. Inflation excluding energy and food is expected to be 1.6% in 2026, rising to 2.1% in 2027, due to the delayed pass-through of energy price increases to industrial goods, as well as to wage increases, which are expected to feed through to service prices. It should fall to 1.8% in 2028.
- Following a notable improvement in 2025, the government deficit is forecast to deteriorate slightly in 2026 in the absence of additional measures. Under the fiscal assumptions used for conventional purposes, it should only decline to a limited extent by the end of the projection horizon. The public debt ratio is forecast to continue to increase towards 122% of GDP by the end of 2028 and to diverge from the euro area average.
- Two more adverse scenarios are presented, both based on the same interest rate assumptions as those in the baseline scenario. Under the most adverse scenario, HICP inflation is forecast to be 4.0% and 3.9% in 2026 and 2027, respectively, before normalising in 2028; GDP should stagnate in 2026 and 2027, before rebounding in 2028. We also present a milder scenario, close to the baseline scenario for 2026, but with a faster rebound in 2027.

KEY PROJECTIONS FOR FRANCE

	2025	2026	2027	2028
Real GDP	0.9	0.5	0.9	1.2
	<i>0.0</i>	<i>-0.4</i>	<i>0.1</i>	<i>0.0</i>
HICP	0.9	2.5	1.7	1.7
	<i>0.0</i>	<i>0.8</i>	<i>0.3</i>	<i>0.1</i>
HICP excluding energy and food	1.6	1.6	2.1	1.8
	<i>0.0</i>	<i>0.4</i>	<i>0.4</i>	<i>0.2</i>
Unemployment rate (ILO, metropolitan France and overseas departments, % of labour force)	7.7	8.1	8.1	7.8
	<i>0.0</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections. Figures are adjusted for the number of working days. Annual growth rate unless otherwise indicated. Revisions to the March 2026 forecast are shown in italics. They are based on the quarterly accounts at 27 February 2026, calculated in percentage points and rounded figures.

Growth in 2026 has been revised downwards due to the negative surprise in economic activity in the first quarter and the rise in energy prices

These projections are based on Eurosystem technical assumptions, for which the cut-off date is 21 May 2026 (see Table A in the appendix). They also incorporate the findings of the Banque de France's monthly business survey published at the beginning of May, the final estimate of HICP (Harmonised Index of Consumer Prices) inflation for April published on 13 May, and the detailed results of the first quarter 2026 national accounts published on 29 May. They do not incorporate the flash estimate of HICP inflation for May. Finally, the fiscal assumptions are based on the French government's 2026 Budget Act, which came into force on 19 February 2026, as well as on the 2026 annual progress report, published on 22 April.

According to Eurosystem technical assumptions, based on the trajectory of oil and gas futures prices, the price of oil is expected to rise to USD 112 per barrel in the second quarter of 2026 before falling back and stabilising at around USD 77 from 2028 on. The price of gas should reach EUR 48 per MWh in the second quarter of 2026, before gradually dropping to EUR 26 per MWh at the end of 2028. As in our March projections, we present additional scenarios based on different assumptions regarding the scale and duration of the conflict in the Middle East, resulting in different trajectories for oil and gas prices (see Box). These assumptions are the same as those used by the European Central Bank (ECB) to prepare different scenarios for the euro area, published on 11 June.

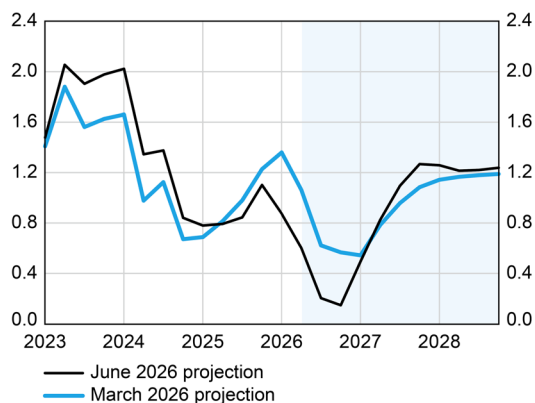
In 2026, annual GDP growth under our baseline scenario should be 0.5%, revised downwards by 0.4 percentage point compared with the baseline scenario in our March projections (see Chart 1, and Table C1 in the appendix). Following a negative surprise in first-quarter growth (reported at -0.1%), economic activity is forecast to remain sluggish for the rest of the year, due to the energy price shock, whose effects are expected to be felt from the second quarter on, with a slightly higher increase in oil prices than in our March baseline scenario assumptions. The latest Banque de France business survey, published in early June, was not available when our projections were being finalised; however, it broadly confirms the assessment of early May on which these projections are based: economic activity should remain stable in the second quarter of 2026. For the year as a whole, the contribution from domestic demand should remain positive, at 0.3 percentage point (see Chart 2), despite a downward revision of 0.4 percentage point compared with the baseline scenario in our March projections (see Table C2 in the appendix). Growth in household consumption is expected to slow to 0.2% (after 0.5% in 2025), weighed down by rising energy price rises (see the section on household consumption below). Despite a marked wait-and-see attitude among households and businesses and higher interest rates, business investment should begin to recover slightly when compared with 2025 (by 0.5%, after 0.2%), but at a more moderate pace than previously forecast, whereas household investment should remain stable. Despite the historic decline in exports in the first quarter, foreign trade is expected to make a positive contribution to growth in 2026, due to the decline in imports over the year.

The downward revision of our growth forecast for 2026 compared with the March baseline scenario is attributable to the negative surprise in economic activity in the first quarter as well as to a more adverse assumption regarding oil prices. The growth carry-over at the end of the first quarter of 2026, forecast at 0.4%, has been revised downwards by 0.4 percentage point compared with our March forecasts. The poor first-quarter figure is not thought to be attributable to the conflict in the Middle East, which only broke out at the end of February, but to more short-term factors, such as supply difficulties in the aeronautics sector, or a slowdown in the home improvement sector, which may be linked to the temporary suspension of the government incentive scheme (MaPrimeRénov'). Nevertheless, the sharp drop in exports should be largely offset by a rebound in the second quarter, provided that supply difficulties for aircraft engines are gradually resolved. Furthermore, more adverse assumptions regarding oil prices and demand from our euro area partners also contribute to the downward revision of our growth forecast for 2026, although this effect is partially offset by a more favourable assumption regarding our competitors' prices, particularly among our euro area partners. According to Eurosystem forecasts, the euro area as a whole should experience higher inflation than France over our projection horizon, particularly in 2027 with an inflation differential of +0.6 percentage point.

In 2027 and 2028, economic activity is expected to grow by 0.9%, and then by 1.2%, representing an upward revision of 0.1 percentage point for 2027 and an unchanged forecast for 2028 compared with the baseline scenario in our March projections. After a greater-than-expected slowdown in March 2026, economic activity should rebound more sharply in 2027, assuming a gradual easing of energy prices. This recovery is expected to be driven in particular by a recovery in household consumption and business investment. The upward revision for 2027 also reflects a slightly more favourable medium-term outlook for exports, linked in particular to more buoyant competitor prices, which are helping to drive French competitiveness. However, the rebound forecast for 2027 could be dampened by the indirect effects of rising oil prices on the non-energy components of inflation, which may continue to weigh on purchasing power. In 2028, growth should reach a level slightly in excess of potential growth, thanks mainly to domestic demand and, to a lesser extent, to foreign trade.

Chart 1: Real GDP growth

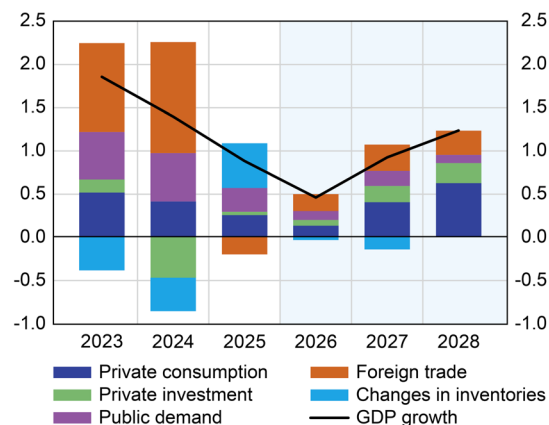
(year-on-year percentage change, quarterly data)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.

Chart 2: Contributions to real GDP growth

(annual percentage change and percentage point contributions)



Sources: INSEE data up to 2025. Blue shaded area shows Banque de France projections.

Box

Amidst continuing uncertainty surrounding the conflict in the Middle East, three scenarios explore alternative outcomes around the baseline scenario

At the time our projections were finalised, uncertainty regarding the direct and indirect consequences of the conflict in the Middle East remains high, leading us once again to present alternative scenarios based on the same assumptions as those used by the European Central Bank for the entire euro area. We present two more adverse scenarios – as we did last March – but also a milder scenario.

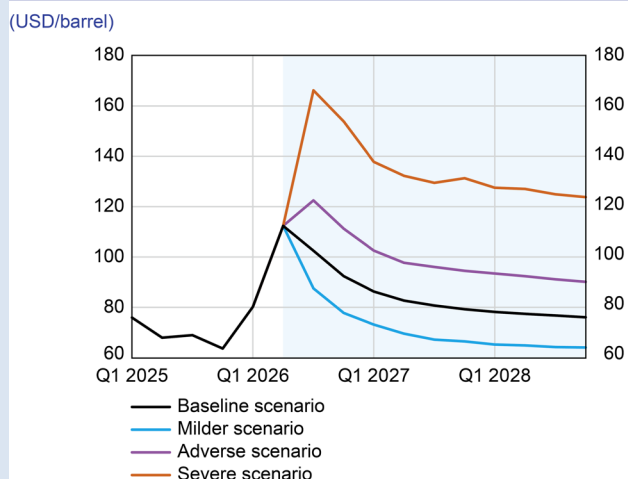
The adverse scenarios differ in terms of the assumptions used for the baseline scenario in three respects: i) the initial scale and duration of the shock to energy prices (see Charts A and B), ii) the level of uncertainty, and iii) the impact of these shocks on international trade. Therefore:

- From the third quarter on, oil and gas prices under the adverse scenario (and severe scenario, respectively) follow a trajectory corresponding to the 75th percentile (and 95th percentile, respectively), derived from an implied price distribution based on options in the energy futures markets. Assumptions follow the same logic for the prices of certain agricultural commodities that are especially affected by fertiliser supply difficulties (see Table E1). These scenarios implicitly reflect a more protracted conflict, placing a severe strain on global oil and gas supplies that could no longer be mitigated by drawing upon available stocks.
- Under the adverse scenario, oil and gas prices would reach USD 122 per barrel and EUR 60 per MWh, respectively, in the third quarter of 2026, before gradually falling back to USD 90 per barrel and EUR 34 per MWh by the end of the projection horizon. Under the severe scenario, oil and gas prices would rise to USD 166 per barrel in the third quarter of 2026 and EUR 111 per MWh, respectively, in the fourth quarter of 2026 and would remain at higher levels thereafter. They would stand at USD 124 per barrel and EUR 54 per MWh at end-2028 (see Charts A and B).
- Furthermore, both scenarios assume a higher pass-through of energy price rises to the non-energy components of inflation (food and industrial goods), as well as – under the severe scenario only – the second-round effects underpinned by stronger indexation of wages to prices.
- Under each of these scenarios, we factor in an increase in uncertainty, as measured by the VIX volatility index for financial markets (see Table E1), whose effect is apparent both directly on economic activity through the confidence of economic agents, and indirectly through the impact on financing costs.
- Lastly, we incorporate the impact of these various shocks on global trade, through foreign demand addressed to French exporters, the export prices of their competitors and exchange rates, which would react to monetary policies in the rest of the world.

In addition to the adverse scenarios, we also present a scenario that is more favourable than our baseline scenario, corresponding to a faster and steeper decline in energy and agricultural commodity prices compared with the assumptions of the baseline scenario: the commodity price trajectory selected corresponds to the 25th percentile of price distributions derived from options in futures markets. Under this scenario, oil and gas prices would begin to fall in the third quarter of 2026, coming down to USD 64 per barrel and EUR 20 per MWh, respectively, by end-2028.

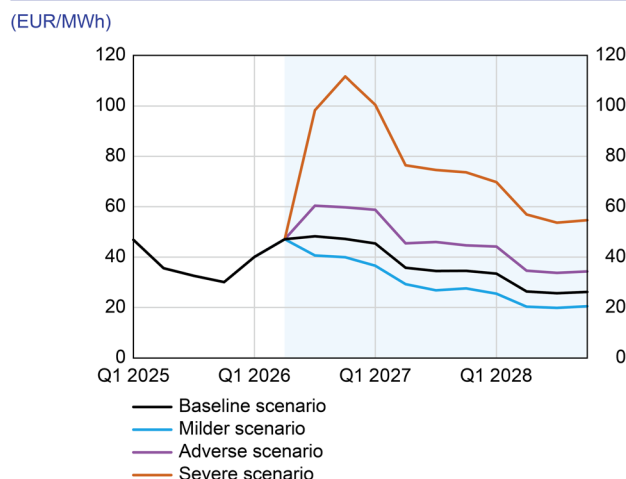
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Chart A: Assumptions regarding oil prices in the different scenarios



Source: Eurosystem.

Chart B: Assumptions regarding gas prices in the different scenarios



Source: Eurosystem.

Table E1: Assumptions under different scenarios

	Baseline scenario			Other scenarios (deviations from the baseline scenario)									
				Milder scenario			Adverse scenario			Severe scenario			
	2026	2027	2028	2026	2027	2028	2026	2027	2028	2026	2027	2028	
Commodity prices													
Oil (EUR/barrel)	83	70	66	-6	-11	-11	8	13	13	27	43	42	
Gas (EUR/MWh)	46	38	28	-4	-7	-6	6	11	9	29	44	31	
Agricultural commodities ^{a)}	-0.4	2.9	-0.2	0.0	0.0	0.0	2.7	5.2	2.4	8.1	11.3	2.2	
International environment													
Competitors' prices ^{a)}	2.7	2.4	1.7	-0.1	-0.2	0.0	0.2	0.4	0.2	0.6	1.4	0.7	
Global demand ^{a)}	2.5	2.9	3.2	0.1	0.3	0.1	-0.3	-0.5	-0.2	-0.7	-1.9	-0.3	
Financial uncertainty indicator													
VIX index ^{b)}	-	-	-	0.0	0.0	0.0	3.8	0.5	0.3	5.8	3.3	0.6	

Source: Eurosystem.

a) Growth rates expressed as a percentage in the baseline scenario and deviations in percentage points from the baseline scenario in the other scenarios.

b) As the Eurosystem's assumptions are formulated solely in terms of shocks, the level series for the VIX index is not available for the baseline scenario. The values shown in the other scenarios are expressed as deviations in percentage points from the baseline scenario.

By convention, these scenarios assume that fiscal policy remains unchanged. They also assume that monetary policy in the euro area remains unchanged, unlike that in the other major economic areas. Furthermore, they do not factor in any reaction in financial market expectations regarding future interest rates. Moreover, they do not incorporate other effects that are more difficult to grasp and measure, such as supply difficulties for certain fuels (jet fuel), restrictions on credit or the longer-term impact of the energy shock on potential GDP.

Under the adverse scenario, inflation would rise by 0.2 percentage point in 2026, and by 0.3 percentage point in 2027 compared with the baseline scenario, reaching 2.7% and 2.0%, respectively, in those two years (see Table E2). The negative effects of the inflationary shock on growth would materialise as early as 2026 (a negative 0.2 percentage point impact compared with the baseline scenario), and would be even more pronounced in 2027 (a negative 0.4 percentage point impact), whilst a rebound effect would underpin growth in 2028 (a 0.3 percentage point increase). Under this scenario, France would avoid recession for the whole of 2026, with weak but positive 0.3% growth.

Under the severe scenario, economic activity would slow markedly at end-2026 and early 2027. GDP growth is expected to be flat in 2026 and slightly negative in 2027 (by -0.1%), whilst inflation is forecast to rise significantly to 4.0% in 2026, and to 3.9% in 2027. In 2028, economic activity should rebound with 1.4% growth, whereas inflation is forecast to remain 0.7 percentage point above our baseline scenario but should move closer to the Eurosystem's 2% target.

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Table E2: GDP growth and HICP inflation in the various scenarios compared with the baseline scenario

(growth in %, annual average)	Baseline scenario			Milder scenario			Adverse scenario			Severe scenario		
	2026	2027	2028	2026	2027	2028	2026	2027	2028	2026	2027	2028
Real GDP	0.5	0.9	1.2	0.5	1.1	1.3	0.3	0.5	1.5	0.0	-0.1	1.4
<i>Deviation in percentage points from the baseline scenario</i>	-	-	-	0.0	0.2	0.1	-0.2	-0.4	0.3	-0.5	-1.0	0.2
HICP	2.5	1.7	1.7	2.3	1.5	1.7	2.7	2.0	1.8	4.0	3.9	2.4
<i>Deviation in percentage points from the baseline scenario</i>	-	-	-	-0.2	-0.2	0.0	0.2	0.3	0.1	1.5	2.2	0.7

Source: Banque de France projections.

Under both of these scenarios, the rise in inflation, compared with the baseline scenario, would be almost entirely driven by the direct, indirect and second-round effects of rising energy prices on consumer prices. This higher inflation would gradually feed through into the real economy and weigh on growth in 2027 under the adverse scenario, and in 2027 and 2028 under the severe scenario. The rise in uncertainty is expected to have a negative impact on growth in 2026 and 2027, however, this shock would be temporary in nature, and the return of uncertainty to its pre-crisis level would have a positive impact on economic activity in 2028, offsetting the negative effects of the inflationary shock. The slowdown in global economic activity is forecast to have the greatest impact in 2027. The indirect effects of greater uncertainty (through wider spreads and lower equity prices) would, for their part, have a more limited impact on growth under the adverse and severe scenarios. Lastly, under the milder scenario, economic activity and inflation would benefit from a slightly faster easing of energy prices.

Headline inflation is expected to rise to 2.5% in 2026 before falling back to 1.7% in 2027 and 2028

In May 2026, headline inflation, as measured by the Harmonised Index of Consumer Prices (HICP), rose again to 2.8% year-on-year according to INSEE's final estimates, up from 2.5% in April. Inflation excluding energy and food also rose to 1.6% year-on-year in May 2026, after standing at 1.4% in April.

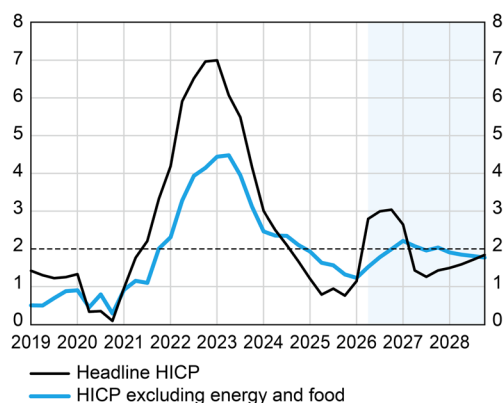
In 2026, headline inflation and inflation excluding energy and food are forecast to be 2.5% and 1.6% respectively (see Chart 3). Headline inflation has therefore been revised significantly upwards compared with the baseline scenario in our March projections, mainly due to the direct impact of the Middle East conflict on oil and gas prices. In addition to its direct impact on the energy component, this shock is expected to spread to other components of inflation, particularly air and road transport services from the second quarter onwards, driven notably by higher jet fuel prices, and then to food prices from the summer on. This process had already begun to take effect in March and April 2026 in air transport. The upward revision of inflation excluding energy and food also reflects a more dynamic trajectory for nominal wages, factoring in the impact of the anticipated upward revision of the minimum wage (by 2.4% in June), which contributes in particular to higher prices for services and processed food excluding tobacco. As regards manufactured goods, the impact of the energy shock is expected to be felt more gradually and would not become apparent until 2027, as the disinflationary effect of the exchange rate appreciation in 2026 should partly offset the upward revision in import prices.

In 2027, headline inflation is expected to fall to 1.7%, while inflation excluding energy and food is projected to rise to 2.1%. The decline in headline inflation would be mainly attributable to the normalisation of energy prices, especially the decline in oil prices following the peak observed in 2026, assuming an easing of the geopolitical situation. The contribution of food prices to inflation should increase once again in 2027, driven by the indirect effects of the energy shock. Inflation excluding energy and food is also expected to rise in 2027. This increase would reflect both the growth in private service prices, linked to the increases in nominal wages and the rise in manufactured goods prices, driven by changes in total import prices as well as the price of domestic value added.

In 2028, headline inflation should stabilise at 1.7%. On the one hand, the decline in energy prices is expected to be more moderate than in 2027, largely due to the implementation of the second European Union Emissions Trading System (ETS2) scheduled for the beginning of the year. However, the impact of the new emissions quotas remains highly uncertain, given the offsetting measures that are likely to be introduced. On the other hand, inflation excluding energy and food should fall to 1.8%. The contribution of services to inflation is forecast to decline slightly compared with 2027 in line with wage growth (see Chart 4), whilst remaining above its long-term average. The contribution of manufactured goods should remain positive, albeit weaker, in line with declining energy prices. Overall, in 2027 and 2028, revisions to our March projections relative to the baseline scenario are expected to be more limited, against a backdrop of a gradual normalisation of the contribution of energy, whilst delayed indirect effects are expected to continue to feed through to non-energy components.

Chart 3: HICP and HICP excluding energy and food

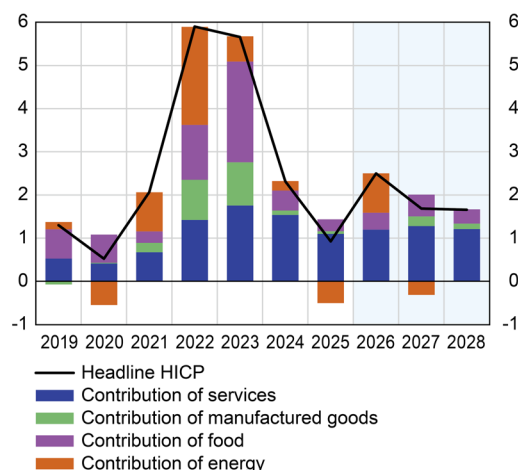
(year-on-year percentage change, quarterly data)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.
Note: HICP, Harmonised Index of Consumer Prices.

Chart 4: Breakdown of HICP

(annual percentage change and percentage point contributions)



Sources: INSEE data up to 2025. Blue shaded area shows Banque de France projections.

The purchasing power of the average wage per employee is expected to fall temporarily in 2026 before rebounding in 2027

Our wage forecast incorporates the latest available data on the monthly base wage (MBW), which is expected to grow by 1.7% year-on-year in the first quarter of 2026, as well as the latest Banque de France indicator for negotiated wages across sectors, which is forecast to rise by 1.1% over the same period. Our forecast also factors in the automatic 2.4% increase in the minimum wage in June 2026.

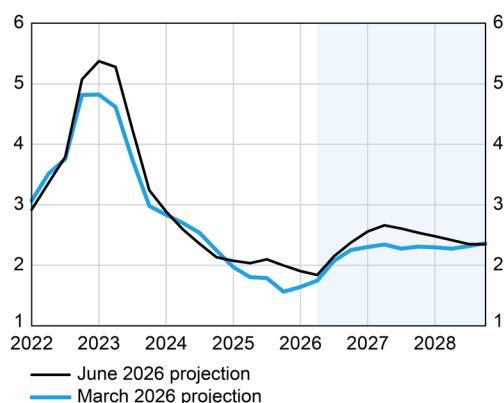
Since our March projections, in order to reflect the impact of energy prices, growth in average wage per employee has been revised upwards across the entire projection horizon to 2.1% in 2026, 2.6% in 2027 and 2.4% in 2028 (see Chart 5, and Table D2 in the appendix).

However, the acceleration in wages is expected to be delayed and less marked than that of prices. Indeed, even in the event of a significant inflationary shock, nominal wages do not align with inflation instantaneously or completely. This is all the more pronounced in the current context, where most industry-level wage bargaining agreements were concluded at the start of the year for the whole of 2026. Moreover, the rise in the unemployment rate is likely to weaken employee bargaining power, limiting their ability to secure wage increases that keep pace with inflation. However, negotiations are expected to begin in the second half of the year in sectors where wage floors are likely to fall below the minimum wage as revised in June. Overall, nominal wage growth is expected to accelerate following the usual round of negotiations held between late 2026 and early 2027, without however exceeding inflation, amidst deteriorating labour market conditions.

This divergence between price and wage dynamics is expected to lead to a temporary decline in wage purchasing power in 2026. The average nominal wage per employee should then rise faster than prices in 2027 and 2028 – as per our previous projections – which should contribute to increasing the overall purchasing power of wages and supporting household consumption over this projection horizon (see Chart 6). Compared to the fourth quarter of 2025, real wages are projected to rise by 0.9% over the projection horizon.

Chart 5: Growth in market sector average wage per employee

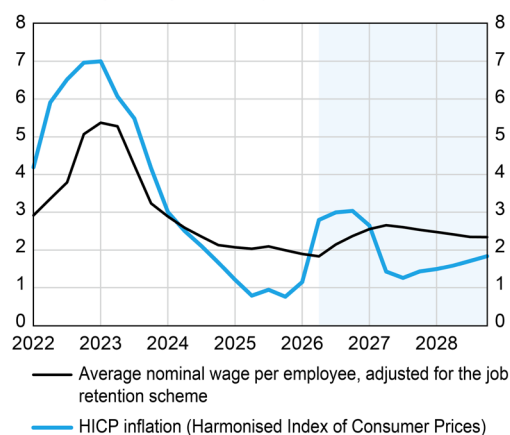
(year-on-year percentage change, quarterly data)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.

Chart 6: Growth in market sector average wage per employee and inflation

(year-on-year percentage change, quarterly data)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.

The unemployment rate is expected to rise to 8.1% in 2026 and 2027, before falling back to 7.8% in 2028

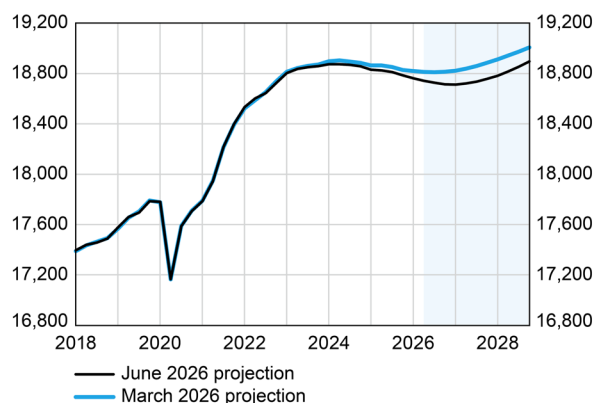
The quarterly accounts published on 29 May indicate that total employment remained virtually stable in the first quarter of 2026 (down by 7,000 jobs), thanks to non-salaried employment and the creation of micro-enterprises, while employment in the market sector declined slightly in the first quarter of 2026 (by 24,000 jobs), as it did in the previous quarter (by 26,000 jobs).

According to our projections, total employment is expected to stagnate until mid-2027, before recovering. Non-salaried employment, which has been revised upwards across the entire projection horizon, should continue to be underpinned by the growth of micro-enterprises. The trajectory of salaried employment has been revised downwards, due to the downward revision of economic activity and, to a lesser extent, the upward revision of labour costs compared with our previous projections (see Chart 7). Furthermore, based on our recent analyses of workforce composition effects, we have revised our estimate of long-term productivity losses since Covid downwards. All other things being equal, this means that apparent productivity should be significantly below the productivity trend until mid-2027. The return to the productivity trend over the projection horizon would be partly driven by lower numbers of jobs created. However, revisions to the national accounts in 2023 and 2024 have generated a reduction in productivity losses relative to the pre-Covid trend. These revisions could lead us to revise our assessment of the long-term and short-term components of these productivity losses in our future projections.

According to the INSEE employment survey published on 13 May, the unemployment rate reached 8.1% in the first quarter of 2026, up 0.2 percentage point from the fourth quarter of 2025, slightly higher than forecast in our March projections. The lower rate of job creation observed over recent quarters partly explains this trend. Moreover, according to INSEE, nearly half of the rise in the unemployment rate over the last five quarters – i.e., since the implementation of the French Full Employment Act – is also attributable to the automatic enrolment of recipients of *revenu de solidarité active* (RSA or income support) and young people aged 15 to 29 with France Travail, the government employment authority. Overall, our forecast unemployment rate has been revised upwards compared with our March projections (see Chart 8). The unemployment rate is expected to rise at the start of the projection horizon, peaking at 8.2% between the second and fourth quarters of 2026, before beginning to edge down slightly to 7.7% in the final quarter of 2028 (see Table D3 in the appendix). On an annual average basis, it is forecast to be 8.1% in 2026 and 2027, then 7.8% in 2028, above the low point reached in 2022 (7.3%).

Chart 7: Market sector salaried employment

(individuals, thousands of jobs)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.

Chart 8: Unemployment rate

(ILO, % of the labour force, metropolitan France and overseas departments)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.

Rising prices are expected to weigh on household consumption in the short term

In 2026, household purchasing power is expected to fall by 0.4%, as wages adjust – with a lag and only partially – to price increases (with the exception of the minimum wage). However, purchasing power is then expected to recover, posting an average annual increase of 0.5% in 2027, and 0.4% in 2028 (see Table D1 in the appendix). Similarly, the purchasing power of the wage bill in the market sector should decline by 0.8% in 2026, driven down by purchasing power losses in the market sector average wage per employee and the decline in market sector employment, before rising again over the rest of the projection horizon (see Chart 9). It is expected to rise by 0.9% in 2027, supported by the recovery in the real wage per employee, and then increase by 1.3% in 2028, also driven by the recovery in employment.

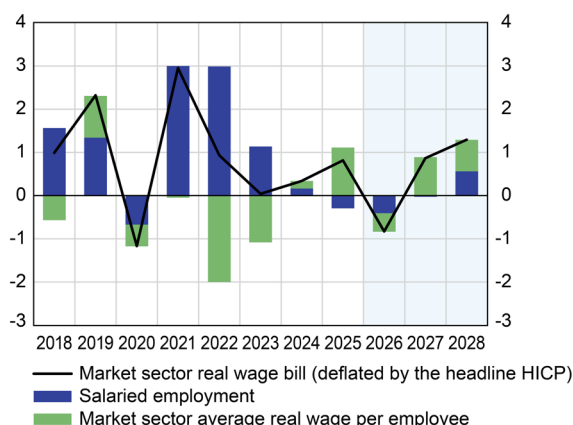
In the national accounts published on 29 May, household consumption in the first quarter of 2026 dropped by 0.2%, weighed down by a decline in purchases of food and energy for housing, as a result of the mild temperatures. In the short term, growth in household consumption is expected to remain limited. After posting an average annual increase of 0.5% in 2025, it is expected to slow again to 0.2% in 2026. It should then regain moderate momentum in the medium term, rising by 0.7% in 2027 and 1.1% in 2028, underpinned by gains in the purchasing power of wages. However, compared with our March projections, consumption is expected to be revised downwards over the entire projection horizon, due to an adverse carry-over effect at the end of the first quarter of 2026, coupled with the impact of the more significant energy price shock.

The household saving ratio rose slightly in the first quarter of 2026 compared with the fourth quarter of 2025 to stand at 17.9%, according to the national accounts published on 29 May. It is expected to drop to 17.1% in the second quarter of 2026, as households seek to offset the short-term decline in their purchasing power. It is expected to recover towards the end of 2026 and in early 2027, against a backdrop of prolonged uncertainty, persistently low household confidence and a slight deterioration in labour market conditions. It should then begin to gradually decline to reach 16.6% in 2028. It should nevertheless remain above its pre-health crisis average over the entire projection horizon (see Chart 10), notably due to the increase in the contribution of income from assets to purchasing power gains in 2027 and 2028. Indeed, households have a particularly low marginal propensity to consume this income.

After inching up by 0.5% in the fourth quarter of 2025, household investment surprised on the downside in the first quarter of 2026, decreasing by 1.5% (compared with a 1.3% rise in our March projections), against a backdrop marked by the temporary suspension of the MaPrimeRénov' government incentive scheme, which may have weighed on energy renovation expenditure. However, a recovery is expected in the short term. Indeed, building permits and housing starts for multi-unit dwellings rose in March 2026, in line with the municipal election cycle, which signals a potential upturn in construction activity in the coming quarters. In the medium term, household investment is expected to pick up slightly, driven by its structural determinants. It should be supported by household income, whilst the level of bank interest rates – which depends mainly on the 10-year government bond yield (see Table A in the appendix) – is expected to weigh on real estate transactions and investment in property services. In this context, household investment growth is expected to be zero in 2026, before recovering to 0.6% in 2027, and rising slightly to 0.8% in 2028.

Chart 9: Contributions to purchasing power gains of the market sector wage bill

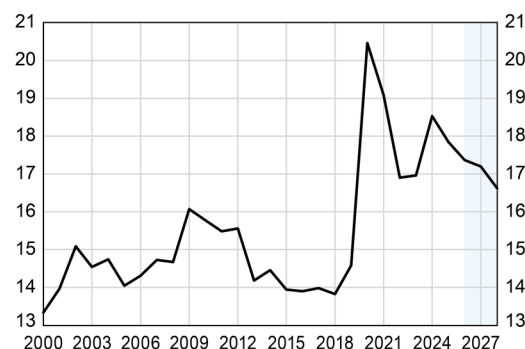
(annual percentage change and percentage point contributions)



Sources: INSEE data up to 2025. Blue shaded area shows Banque de France projections. Note: The market sector average real wage per employee and the real wage bill are adjusted for the job retention scheme and deflated by the headline Harmonised Index of Consumer Prices (HICP).

Chart 10: Household saving ratio

(percentage of gross disposable income)



Sources: INSEE data up to 2025. Blue shaded area shows Banque de France projections.

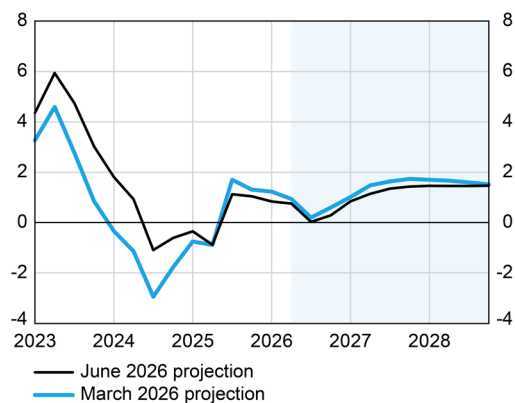
Business investment is expected to recover gradually, albeit at a pace constrained by rising financing costs

After edging down by 0.2% in the first quarter of 2026, business investment is expected to gradually recover. However, growth is likely to remain moderate in 2026, with businesses adopting a wait-and-see approach amid geopolitical uncertainty. The recovery is expected to gain momentum from the end of the year, driven by the gradual recovery in final demand. In the medium term, business investment should continue to be supported by relatively stable profit margins, by investment needed for the ecological and digital transition, and by defence spending. Our medium-term projection has been revised downwards compared with our March projections, in line with the downward revision of final demand in 2026, and the upward revision to the cost of capital in 2027 and 2028. Overall, business investment is expected to grow by 0.5% in 2026, 1.2% in 2027 and 1.5% in 2028 (see Chart 11).

According to the national accounts published on 29 May, the margin rate of non-financial corporations fell sharply at the start of the year, due to unfavourable terms of trade. However, it is expected to stand at 31.7% in the first quarter of 2026, which is higher than its 2019 average (see Chart 12). It is projected to rise gradually to reach 32.1% in 2027 and then 32.6% in 2028 (see Table D4 in the appendix). This improvement is due in particular to rising productivity gains over our projection horizon. It should, however, be partially offset by increases in social security contributions, linked to the freeze on the scale used to calculate reductions in employer’s contributions. Furthermore, the rise in the margin rate in 2028 is somewhat misleading, as it would be partly attributable to the accounting treatment of companies’ purchases of carbon emission allowances under the second European Union Emissions Trading System (ETS2). The self-financing ratio should also rise slightly, reflecting companies’ ability to finance their investments from internal resources.

Chart 11: Business investment growth

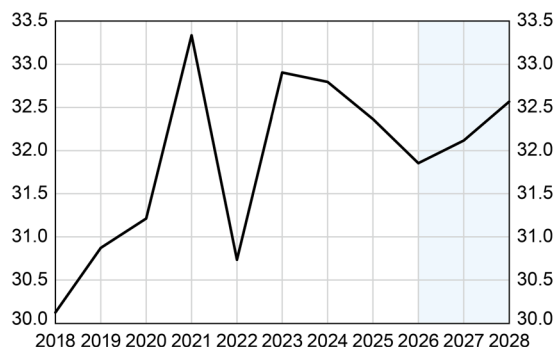
(year-on-year percentage change, quarterly data)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.

Chart 12: Non-financial corporations' margin rate

(percentage of value added, annual average)



Sources: INSEE data up to 2025. Blue shaded area shows Banque de France projections.

Following a sharp decline in the first quarter of 2026, exports are expected to recover gradually

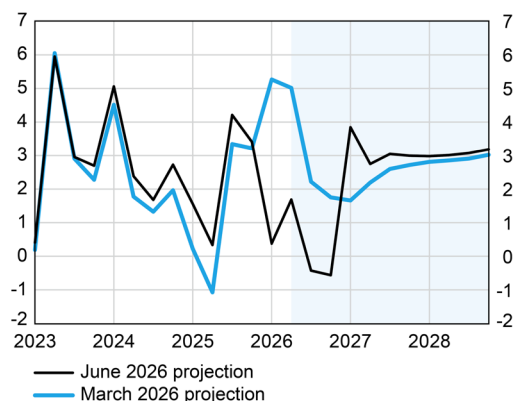
According to the national accounts published on 29 May, exports fell sharply by 3.5% (after climbing by 0.9%), a development rarely seen outside periods of major crisis (see Chart 13). This decline is mainly attributable to a decrease in aeronautics exports, following two strong quarters, caused in particular by a shortage of aircraft engines due to a late delivery from a key supplier. At the same time, imports fell, albeit at a slower pace, sliding by 0.9% (following a 1.0% decrease), due to a decline in purchases of manufactured goods and aeronautics and naval equipment and by a decrease in energy imports.

All in all, the contribution of foreign trade to growth is clearly negative in the first quarter of 2026 (−0.9 percentage point), however this is offset by the positive contribution from changes in inventories (+1.0 percentage point). In the short term, a rebound is expected in the second quarter of 2026, with a sharp rise in exports, offset by destocking. Over the year as a whole, the contribution of foreign trade is expected to be positive by 0.2 percentage point, before stabilising at 0.3 percentage point in 2027 and 2028. In 2026, this contribution should benefit from a significant carry-over effect linked to the strong performance of exports in the second half of 2025. In 2027 and 2028, it would largely reflect the stronger momentum of global demand for French goods compared to domestic demand.

France's market share, which was revised sharply downwards in the first quarter, is expected to stabilise from mid-2026 onwards and in the medium term, without returning to its pre-health crisis levels (see Chart 14). This stabilisation should occur against a backdrop of structural erosion of market share linked to the continued growth of emerging economies' share of global trade. French market share should, however, be buoyed by increases in competitors' prices, particularly among euro area partners, whose prices have been revised upwards more significantly since our previous projections than those of French exports. These gains in price competitiveness are attributable in particular to more contained inflation in France, a less supply-constrained labour market limiting wage pressure on production costs, and a more favourable energy mix, reducing the French production sector's dependence on fossil fuels compared with several euro area countries, in particular Germany and Italy.

Chart 13: Export growth

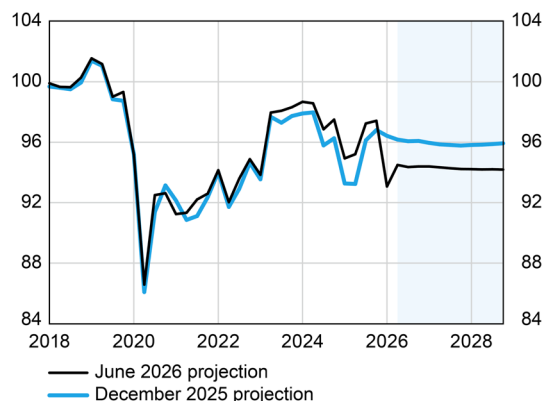
(year-on-year percentage change, quarterly data)



Sources: INSEE data up to the first quarter of 2026. Blue shaded area shows Banque de France projections.

Chart 14: France's market share

(Q1 2010 = 100)



Sources: INSEE and Eurosystem up to the first quarter of 2026. Blue-shaded area shows Banque de France projections.

Notes: France's market share corresponds to French exports in volume terms relative to foreign demand for French goods, calculated as the weighted sum of the import volumes of France's partner countries.

France's market share in the June 2026 projections is compared with that in the December 2025 projections, as the figures for March 2026 cannot be calculated (Eurosystem series on foreign demand for French goods not available).

The government deficit could deteriorate slightly in 2026, thereby contributing to a rise in the public debt ratio

The government deficit declined significantly in 2025 to 5.1% of GDP, after 5.8% in 2024. This improvement results from a 0.8 percentage point improvement in the ratio of taxes and social security contributions to GDP, whilst expenditure growth remained contained at 0.2 percentage point of GDP.

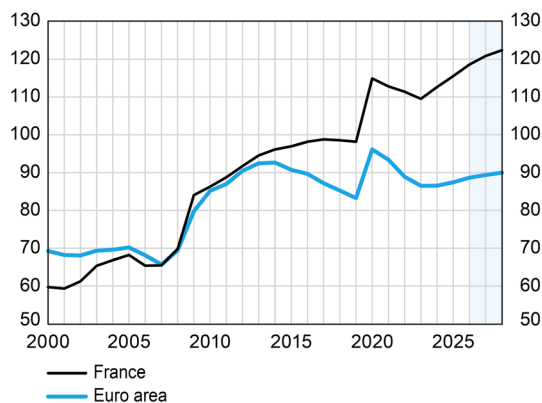
In 2026, the tax measures set out in the initial Budget Act – some of which are one-off measures – are expected to once again boost revenue from tax and social security contributions as a percentage of GDP. Public expenditure excluding interest payments should be only slightly less dynamic than in 2025, as the cost savings approved in the initial Budget Act, and those announced to mitigate the fiscal cost of the conflict in the Middle East would be partly offset by the acceleration in cyclical expenditure linked to the deterioration in economic activity. Finally, the ratio of primary expenditure (excluding tax credits) to GDP should remain very close to that of 2025. Conversely, the interest burden as a percentage of GDP is expected to rise again, driven by higher interest rates and inflation, further pushing up the ratio of public expenditure to GDP. According to these assumptions, and in the absence of additional cost-cutting measures, the government deficit should stand at 5.2% of GDP in 2026.

Beyond 2026, the fiscal assumptions used for conventional purposes assume a primary structural adjustment of 0.4 percentage point of potential GDP in 2027 and 2028. This adjustment would be smaller than that underlying the French government's multi-year trajectory, which is based on savings that are not yet sufficiently detailed to be included in these projections. Under these assumptions, the reduction in the deficit by 2028 would be limited, which would prevent the public debt ratio from stabilizing at this horizon.

This ratio is therefore expected to rise over the entire period, reaching 122% of GDP in 2028. This trajectory would widen the gap with the euro area, where the debt ratio is expected to reach 90% in 2028 (see Chart 15).

Chart 15: Public debt in France and the euro area

(percentage of GDP)



Sources: INSEE and Eurostat data up to 2025. Blue shaded area shows Banque de France and Eurosystem projections.

Risks are tilted to the upside for inflation and to the downside for economic activity

At the international level, the uncertain developments in the Middle East pose risks to inflation and growth. While persistently high energy prices pose an upside risk to inflation and a downside risk to purchasing power and growth, a swift resolution of the conflict should have the opposite effect (see Box).

Other risks pose a negative threat to business activity. The sharp decline in consumer confidence in France since March could weigh on domestic demand in the wake of the slowdown observed in the first quarter of 2026. Furthermore, the materialisation of a number of financial shocks originating in the United States (difficulties in the private credit sector, a sudden revaluation of US companies linked to artificial intelligence) could spread to European markets and further erode confidence. Conversely, stronger-than-expected resilience in the global economy or a faster spread of AI-related productivity gains could provide further support for economic activity in France. At the domestic level, political and fiscal uncertainty could intensify as the vote on the 2027 budget and upcoming elections approach. This situation could reinforce wait-and-see attitudes among households and businesses and exacerbate the weakness of domestic demand. A rise in sovereign bond yields would amplify these effects by tightening financing conditions and further eroding economic agents' confidence.

Extreme weather events also continue to constitute a risk factor, as they are likely to affect commodity prices as well as certain sectors, notably tourism. Finally, uncertainty surrounding trade policies remains significant, even though it has diminished since the compromise reached within the European institutions over the Turnberry deal with the United States.

Appendix A: Eurosystem technical assumptions

Table A: Technical assumptions and international environment^{a)}

	June 2026 projections				Revisions since March 2026			
	2025	2026	2027	2028	2025	2026	2027	2028
Technical assumptions								
Brent oil price (USD/barrel)	69.1	96.9	82.2	77.1	0.0	15.6	10.1	6.9
Brent oil price (EUR/barrel)	61.5	82.9	70.4	66.0	0.0	12.9	8.2	5.5
Gas (EUR/MWh)	36.2	45.6	37.5	27.9	0.0	-0.7	0.9	1.8
Non-energy commodity prices in EUR (annual percentage change)	1.6	-0.7	0.9	-1.9	0.0	3.9	-0.1	-1.8
USD/EUR exchange rate	1.13	1.17	1.17	1.17	0.00	0.01	0.01	0.01
Euro nominal effective exchange rate (annual percentage change) ^{b)}	3.1	1.3	-0.1	0.0	0.0	0.3	0.0	0.0
3-month Euribor ^{c)}	2.2	2.4	2.8	2.7	0.0	0.1	0.2	0.1
10-year French government bond yields ^{c)}	3.4	3.7	4.0	4.2	0.0	0.1	0.1	0.1
International environment, annual percentage change								
World GDP	3.4	2.8	2.9	3.1	0.0	-0.4	-0.1	0.1
World GDP (excluding euro area)	3.6	3.0	3.2	3.3	0.0	-0.4	-0.1	0.0
Global trade (excluding euro area)	5.5	4.2	3.6	3.5	0.5	1.8	0.5	0.4
Foreign demand for French goods	4.2	2.5	2.9	3.2	0.1	0.3	0.0	0.2
<i>Intra-euro area</i>	3.4	1.4	2.3	2.9	-0.2	-0.8	-0.4	0.0
<i>Extra-euro area</i>	4.9	3.4	3.4	3.4	0.3	1.3	0.4	0.3

Source: Eurosystem. Blue-shaded columns show Eurosystem projections.

a) These technical and international environment assumptions were constructed by the Eurosystem on 21 May 2026 for market data in accordance with the principles set out in A guide to the Eurosystem/ECB staff macroeconomic projection exercises, July 2016, available at: <https://www.ecb.europa.eu/pub/pdf/other/staffprojectionsguide201607.en.pdf>. Foreign demand corresponds to the average imports of France's main trading partners, weighted by the share of each country in France's exports. The method of calculation is described in the Occasional Paper "Trade consistency exercise in the context of the Eurosystem projection exercises – An overview", available at: <https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp108.pdf>.

b) Calculated against 41 euro area trading partners.

c) The forecasts for interest rates were calculated using the yield curve.

Appendix B: Key year-end projections for France

Table B: Key year-end projections for France (year-end change and year-end level)

	Q4 2025	Q4 2026	Q4 2027	Q4 2028
Real GDP	1.1	0.1	1.3	1.2
HICP	0.8	3.0	1.4	1.8
HICP excluding energy and food	1.3	2.0	2.0	1.8
Unemployment rate (ILO, metropolitan France and overseas departments, % of labour force)	7.9	8.2	8.0	7.7

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections. Figures are adjusted for the number of working days. Annual growth rate unless otherwise indicated.

Appendix C: Detailed projections for France

Table C1: Detailed projections for France

	June 2026 projections				Revisions since March 2026			
	2025	2026	2027	2028	2025	2026	2027	2028
Real GDP	0.9	0.5	0.9	1.2	0.0	-0.4	0.1	0.0
Contributions to GDP growth (in percentage points) ^{a)}								
Domestic demand (excluding changes in inventories)	0.6	0.3	0.8	1.0	-0.2	-0.4	0.0	0.0
Net exports	-0.2	0.2	0.3	0.3	0.4	-0.7	0.2	0.1
Changes in inventories	0.5	0.0	-0.1	0.0	-0.2	0.7	-0.1	0.0
Household consumption (52%) ^{b)}	0.5	0.2	0.7	1.1	0.1	-0.5	-0.3	-0.3
Government consumption (23%)	0.7	1.1	0.7	0.3	-1.0	0.4	0.4	0.2
Total investment (24%)	0.7	-0.4	0.9	1.1	-0.1	-1.1	0.0	0.0
Government investment (4%)	2.7	-3.7	0.3	0.5	0.5	-2.0	1.3	1.3
Household investment (5%)	0.1	0.0	0.6	0.8	-0.7	-2.9	-0.3	-0.3
Business investment (NFCs-FCs-IEs) (14%)	0.2	0.5	1.2	1.5	-0.1	-0.2	-0.3	-0.1
Exports (32%)	2.4	0.3	3.2	3.1	1.0	-3.2	0.9	0.2
Imports (33%)	2.9	-0.3	2.2	2.3	-0.1	-1.0	0.1	-0.1
Real household gross disposable income	-0.4	-0.4	0.5	0.4	–	–	–	–
Net job creations (in thousands)	47	0	42	134	13	-16	-25	8
Unemployment rate (ILO, metropolitan France and overseas departments, % of labour force)	7.7	8.1	8.1	7.8	0.0	0.1	0.2	0.1
HICP	0.9	2.5	1.7	1.7	0.0	0.8	0.3	0.1
HICP excluding energy and food	1.6	1.6	2.1	1.8	0.0	0.4	0.4	0.2
GDP deflator	1.1	1.7	1.5	1.6	-0.1	0.3	0.2	0.1

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections.

Figures are adjusted for the number of working days. Annual percentage change except where otherwise indicated. Revisions to the March 2026 forecast, which are based on the quarterly accounts at 27 February 2026, are calculated in percentage points and rounded figures.

a) Individual figures may not add up to GDP growth as figures have been rounded.

b) Percentages in brackets refer to each item's share of GDP in 2019.

Table C2: Detailed contributions to GDP growth

	June 2026 projections				Revisions since March 2026			
	2025	2026	2027	2028	2025	2026	2027	2028
Real GDP	0.9	0.5	0.9	1.2	0.0	-0.4	0.1	0.0
Contributions to GDP growth (in percentage points) ^{a)}								
Domestic demand (excluding changes in inventories)	0.6	0.3	0.8	1.0	-0.2	-0.4	0.0	0.0
<i>Private consumption</i>	<i>0.3</i>	<i>0.1</i>	<i>0.4</i>	<i>0.6</i>	<i>0.1</i>	<i>-0.3</i>	<i>-0.1</i>	<i>-0.1</i>
<i>Private investment</i> ^{b)}	<i>0.0</i>	<i>0.1</i>	<i>0.2</i>	<i>0.2</i>	<i>-0.1</i>	<i>-0.1</i>	<i>0.0</i>	<i>-0.1</i>
<i>Public demand</i> ^{c)}	<i>0.3</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>-0.2</i>	<i>0.0</i>	<i>0.2</i>	<i>0.1</i>
Net exports	-0.2	0.2	0.3	0.3	0.4	-0.7	0.2	0.1
Changes in inventories	0.5	0.0	-0.1	0.0	-0.2	0.7	-0.1	0.0

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections.

Figures are adjusted for the number of working days. Annual growth rate unless otherwise indicated. Revisions to the March 2026 forecast are shown in italics. They are based on the quarterly accounts at 27 February 2026, calculated in percentage points and rounded figures.

a) Individual figures may not add up to GDP growth as figures have been rounded.

b) Private investment groups together business and household investment.

c) Public demand groups together government consumption and investment.

Appendix D: Additional indicators

Table D1: Change in household consumption and purchasing power

(annual percentage change)	2025	2026	2027	2028
Real household consumption	0.5	0.2	0.7	1.1
Consumption deflator	0.8	2.5	1.6	1.7
Purchasing power ^{a)}	-0.4	-0.4	0.5	0.4
Purchasing power per capita ^{a)}	-0.7	-0.7	0.3	0.2
Saving ratio (percentage of gross disposable income)	17.8	17.4	17.2	16.6

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections.

a) Adjusted for the consumption deflator.

Table D2: Change in wages and productivity in the market sector

(annual percentage change)	2025	2026	2027	2028
Value added deflator	0.3	1.4	1.8	1.9
Unit labour costs	1.0	1.4	1.5	1.5
Productivity per capita	0.9	0.6	0.9	0.8
Hourly productivity	1.3	0.8	1.1	1.0
Average nominal wage per employee	2.0	2.1	2.6	2.4
Average nominal wage per employee, adjusted for the job retention scheme	2.0	2.1	2.6	2.4
Average real wage per employee, adjusted for the consumption deflator	1.2	-0.4	1.0	0.7
Average real wage per employee, adjusted for the job retention scheme and the consumption deflator	1.2	-0.4	1.0	0.7
Average real wage per employee, adjusted for the market sector value added deflator	1.8	0.7	0.8	0.5
Average real wage per employee, adjusted for the job retention scheme and the market sector value added deflator	1.8	0.7	0.8	0.5
Real wage bill, adjusted for the HICP	0.8	-0.8	0.9	1.3

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections.

Table D3: Change in employment for the entire economy

(annual average change in thousands)	2025	2026	2027	2028
Total employment	47	0	42	134
<i>Market sector salaried employment</i>	-56	-77	-5	106
<i>Non-market sector salaried employment</i>	7	4	-1	5
<i>Non-salaried employment</i>	95	72	48	24
Labour force	163	154	21	62
Unemployment	116	154	-21	-72
Unemployment rate (ILO, metropolitan France and overseas departments, % of labour force)	7.7	8.1	8.1	7.8

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections.

Table D4: Non-financial corporations' ratios

(annual average percentages)	2025	2026	2027	2028
Margin rate (percentage of value added)	32.4	31.9	32.1	32.6
Investment ratio (percentage of value added)	22.6	22.7	22.7	22.5
Self-financing ratio (savings/investment)	89.4	86.2	90.5	91.7

Sources: INSEE data for 2025 (quarterly national accounts as at 29 May 2026). Blue shaded columns show Banque de France projections.

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