

## France Outlook: weak but still positive growth

*In light of the latest data, the French economy appears more fragile than the rest of the euro area in coping with the new shock linked to the war in Iran. Without downplaying these difficulties, growth nonetheless has certain drivers, particularly external ones, which should help limit an overly abrupt slowdown.*

**An economy at a standstill or nearly so.** Growth in the first quarter came as a negative surprise in France compared with the other major euro area economies. It stood at 0%, compared with 0.3% in Germany, 0.2% in Italy and 0.6% in Spain on a quarterly basis. At the same time, the main confidence indicators continue to deteriorate significantly, as illustrated by the economic sentiment index of households and companies at its lowest level since June 2025. All of these signals therefore suggest a durably more fragile cyclical situation in France than in its main partners.

**Growth weighed down by its domestic drivers.** Over the past three years, French growth has nonetheless broadly remained around its potential (around 1% since the post-Covid normalization, in 2023, 2024 and 2025). However, this resilience owes much to the contribution of public demand, which accounts for half of growth, a support that is set to moderate in a context of more constrained fiscal room for maneuver. At the same time, private demand – household consumption and investment by firms and households – appears broadly weak, with a contribution close to zero.

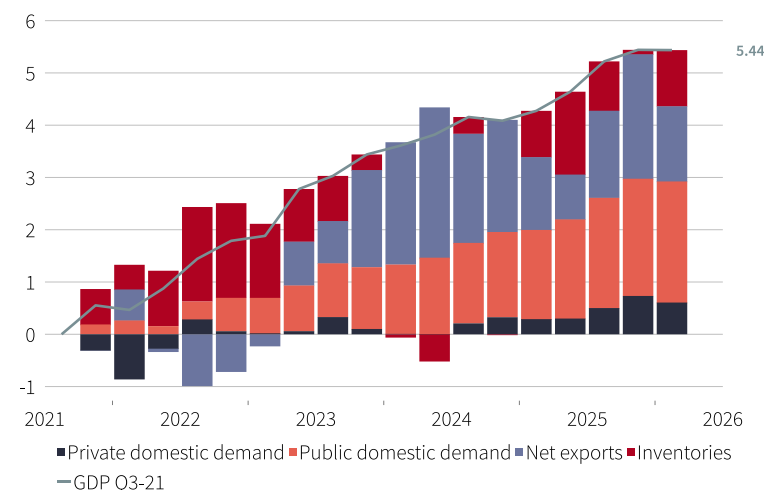
This weakness is expected to persist in the short term, in an environment marked by a gradual slowdown in the labor market (the unemployment rate is rising again to 7.9% at the end of 2025 compared with 7.3% a year earlier), renewed tensions in energy prices and more restrictive credit conditions. Indeed, French interest rates remain particularly under pressure (with a 10-year OAT at 3.6%), which weighs on the financing conditions of economic agents and slows credit momentum, particularly in real estate.

### External factors limiting the risk of a decoupling.

In a more counter-intuitive way, external factors, long perceived as a weakness of the French economy, now constitute a relative source of support. Indeed, the external engine has contributed positively to growth in recent years, with a marked decrease in imports and strong export performance, despite a more constrained trade environment. Part of this improvement reflects a slight recovery in France's relative competitiveness, in a context of more moderate wage developments than in some partner countries, and its sectoral specialization (aeronautics). This trend could continue, especially as France appears relatively less dependent on energy imports than other European economies and also benefits from sustained external demand for its electricity production. In this context, the European environment, while not truly supportive, could at least play a stabilizing role.

## FRANCE: GDP GROWTH CONTRIBUTIONS

In %, rebased to Q3 2021



Sources: Société Générale Investment Solutions, Macrobond, INSEE 2026 Q1

## FRANCE: EVOLUTION OF THE 10-YEAR SOVEREIGN YIELD

In %



Sources: Société Générale Investment Solutions, Macrobond, Macrobond 06/05/2026

# OUR MACRO COMMENTS

## Events of the week

### UNITED STATES : ISM SURVEY POINTS TO RESILIENT ACTIVITY AND PERSISTENT INFLATION

April ISM indices continue to indicate solid economic activity, albeit with strong inflationary pressures. In the manufacturing sector, the index remains in expansionary territory at 52.7, with both production and new orders subcomponents showing sustained growth. However, the prices subcomponent rose sharply to 84, its highest level since 2022, reflecting past tariff increases and the sharp rise in energy prices.

In the services sector, the index also points to resilient economic growth, standing at 54, in expansion territory consistent with growth of around 2%. The slowdown mainly reflects a moderation in the new orders subcomponent, which declined from a very strong level of 60 in March to 53 in April. The negative surprise in the release came from the selling prices subcomponent, which rose to 71, its highest level since 2022. Overall, these indicators suggest that inflationary pressures remain significant and have broadened beyond energy goods.

### UNITED STATES : A WIDENING TRADE DEFICIT DESPITE TARIFFS

The U.S. trade deficit increased slightly in March, reaching \$60 billion. On the export side, growth was supported by the sharp rise in energy prices, with hydrocarbon exports increasing from \$16 billion in February to \$23 billion in April. Exports of machinery and transport equipment also rose during the month.

On the import side, the strong increase mainly reflects investment dynamics in the artificial intelligence sector. Imports of computers and electronic components reached \$82 billion, representing a 46% year-on-year increase. Imports of automobiles also rose significantly in March. Overall, in a context of strong investment growth, the trade deficit is expected to remain elevated in the coming months.

### EVENTS IN THE COMING MONTHS

May 15 : Kevin Warsh takes office at the FED

May 15 : Publication of the ECB bulletin

May 18-19 : Meeting of G7 finance ministers in Paris

May 21 : Publication of the European Commission's forecasts

Source: Macrobond, May 7, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

### KEY EVENTS NEXT WEEK



#### Monday

**China** - Inflation APRIL  
- Producer price index APRIL

#### Tuesday

**United States** Inflation APRIL

#### Wednesday

**United States** Producer price index APRIL  
**France** Unemployment Q1

#### Thursday

**United States** Retail sales APRIL  
**United Kingdom** - Q1 GDP Growth  
- Trade balance MARCH

#### Friday

**United States** Industrial production APRIL

# MARKET PERFORMANCES

## Interbank rates

%	01/05/2026	07/04/2026	06/02/2026	01/01/2024	07/05/2025
US SOFR	3,649	3,65	3,66	5,34	4,35
Euro area €ster	1,930	1,93	1,93	3,88	2,17
UK SONIA	3,730	3,73	3,73	5,19	4,46
Switzerland SARON	-0,047	-0,04	-0,04	1,70	0,20
Japan TONAR	0,727	0,73	0,73	-0,04	0,48

## 10Y Government rates

%	06/05/2026	07/04/2026	06/02/2026	01/01/2024	07/05/2025
US Treasuries	4,36	4,33	4,22	3,88	4,26
France OAT	3,69	3,87	3,45	2,55	3,20
Germany Bund	2,99	3,09	2,84	2,02	2,47
Italy BTP	3,78	4,00	3,46	3,70	3,55
Spain Bonos	3,41	3,59	3,27	2,98	3,13
Switzerland	0,41	0,43	0,29	0,66	0,26
UK Gilts	5,01	4,95	4,59	3,60	4,45
Japan JGB	2,51	2,42	2,22	0,62	1,27

## Credit

%	06/05/2026	07/04/2026	06/02/2026	01/01/2024	07/05/2025
United States IG	5,08	5,10	4,83	5,06	5,24
United States HY	6,90	7,20	6,58	7,59	7,77
Europe IG	3,76	3,95	3,34	3,72	3,39
Europe HY	5,85	6,32	5,23	6,80	6,02
Emerging FX	5,69	6,00	5,47	6,77	6,30

## Equity indices

06/05/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	2,36	9,86	5,444	57,48	33,22
United States	2,22	11,29	6,025	57,48	32,46
Euro area	2,91	8,04	2,177	46,55	20,67
France	2,81	6,27	1,188	19,81	11,43
Germany	2,38	8,34	-0,418	43,88	5,77
United Kingdom	0,61	1,59	1,409	44,42	24,67
Japan	0,03	2,59	-0,086	67,70	42,92
Emerging	5,00	14,68	10,997	78,89	53,92
China USD	1,86	4,20	-6,032	51,31	13,15
India USD	2,37	6,89	-5,928	7,85	-5,88
Latin America USD	2,18	4,28	0,457	36,67	54,10

## Foreign exchange rates

	06/05/2026	07/04/2026	06/02/2026	01/01/2024	07/05/2025
EUR/USD	1,18	1,16	1,18	1,11	1,14
GBP/USD	1,36	1,32	1,36	1,27	1,34
EUR/CHF	0,92	0,93	0,92	0,93	0,93
USD/JPY	156,31	159,99	156,91	141,03	143,25
USD/CNY	6,83	6,88	6,94	7,08	7,23

## Commodity prices

	06/05/2026	07/04/2026	06/02/2026	01/01/2024	07/05/2025
Brent, USD/BL	102	103	68	77	61
Copper, USD/Metric ton	13 352	12 252	12 840	8 476	9 486
Gold, USD/Troy oz	4 707	4 612	4 948	2 078	3 392
Silver, USD/Troy oz	78	72	75	24	33
Palladium, USD/Troy oz	1 532	1 463	1 693	1 136	983
Platinum, USD/Troy oz	2 006	1 943	2 054	1 000	986

Source : Bloomberg on 7 May 2026, 1W = 1 week change, 3M = 3 month change, 12M = 12 month change, YTD = year to date change, Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded.

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