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French hotels expect a November slump after social unrest prompts city-center booking cancellations

The Banque de France said restaurants already contracted in October, exposing a widening split across the country’s hospitality sector

Tuesday, November 10, 2026

France’s restaurant sector shrank in October, while hotels and other lodging businesses that were still growing said they expected activity to fall in November as room bookings were canceled in city centers, according to the Banque de France’s monthly business survey published on Tuesday, November 10.

The findings matter for hospitality because they point to a split across the sector at the start of the fourth quarter. Restaurants were already dealing with weak demand and then faced additional pressure from social unrest, while accommodation providers said tourism and business travel still supported October activity but no longer appeared strong enough to offset cancellations expected in November.

The Banque de France said its monthly survey drew on responses from about 8,500 business leaders interviewed between October 28 and November 4. Across the wider economy, it found that activity rose in October in industry and market services and changed little in construction. Within services, however, performance varied sharply. Lodging continued to expand, temporary staffing remained strong and some business services held up, but restaurant activity declined.

According to the central bank, restaurant operators reported that social unrest worsened the effects of demand that was already described as sluggish. It did not publish a separate percentage decline for restaurants, but it said the sector was among the service activities that moved lower in October. In contrast, accommodation businesses said they continued to benefit from solid tourist traffic and business customers during the month.

That relative resilience in lodging was not expected to last. For November, business leaders in market services projected another increase in overall activity, but at a slower pace than in October. Within that broad trend, the Banque de France said accommodation activity was expected to fall because of canceled room reservations in urban centers linked to social unrest. That stands out because lodging had been one of the stronger parts of services in October.

The survey also pointed to financial strain inside hospitality, especially in restaurants. The Banque de France said cash flow conditions in market services were still judged to be negative in October, though slightly less deteriorated than in September. It added that tensions remained pronounced in restaurants, auto repair and several business services. The survey said companies more broadly continued to report longer customer payment times and difficulty passing higher input costs through to selling prices, a pattern that weighs on margins.

Price pressures did not disappear, but they eased. In market services, selling price increases slowed and even turned negative in some segments such as temporary staffing and parts of business services. Prices were still rising in accommodation and in transportation and warehousing, where companies passed through higher fuel costs more quickly. The Banque de France said 9% of service companies raised prices in October, above the usual 6% average for that time of year, but it expected the share to fall to 7% in November, which would be in line with the normal level for the month.

The survey suggests that hospitality businesses are operating in a more uncertain environment than they were a month earlier. The Banque de France said its uncertainty indicator, based on companies’ written comments, continued to rise in market services in October and increased sharply in construction. Business concerns centered on the

general economic backdrop, social tensions and fuel costs. Company comments also pointed to greater caution by households, businesses and public-sector clients, leading to delayed projects, longer decision times and weaker visibility for the coming months.

For restaurants and hotels, that combination of softer demand, cancellations and tighter cash positions comes as the broader French economy remains fragile. The Banque de France said preliminary national accounts from Insee showed gross domestic product fell 0.1% in the third quarter after being flat in the previous quarter. It said its own survey, combined with other indicators, suggested GDP would grow moderately in the fourth quarter, but it stressed that the outlook remained highly uncertain.

Some labor-market pressure eased. The central bank said recruitment difficulties affected 15% of companies in October, down from September, with a slight improvement in both services and industry. Even so, that easing is unlikely to remove the near-term pressure on hospitality operators if demand weakens further in November, especially in urban lodging markets affected by booking cancellations and in restaurants already facing a softer customer base.

The report also showed that the weakness in restaurants came at a time when services overall were still expanding, underscoring that the downturn was not uniform across the economy. In October, the strongest support for services came from accommodation, temporary staffing and some activities tied to electronic invoicing and corporate demand. But restaurants moved in the opposite direction, making them one of the clearest weak spots in the sector measured by the Banque de France.

For the hospitality industry, the survey paints a picture of two distinct phases over a short period. October still brought enough tourist and business traffic to keep accommodation growing, while restaurants lost ground. By November, according to business expectations collected by the central bank, both parts of the sector looked set to come under greater pressure, with restaurants still constrained by weak demand and lodging facing a drop in urban bookings.