

French Industrial production rebounded in 1Q19

Industrial production figures painted a very negative picture across sectors in March. However, these figures should not hide the fact that the first quarter is still a rebound story. And we think it is too soon to be negative on prospects for 2019



Source: Shutterstock

1% Consumer durable production

Industrial production declined by 0.9% in March, its largest drop since November. Both construction and manufacturing declined, and the decline was broad-based: only informatics equipment still saw growth in March. That said, the first quarter still delivers a rebound story with manufacturing rebounding by 1.1% quarter on quarter after the 0.1% contraction seen in the last quarter of 2018 during the “yellow vest” crisis.

Investment goods were still over-performing other manufacturing sectors with a 2% QoQ rebound

after only 0.5% and 0.6% in the two last quarters of 2018. Therefore, it seems that business investment continues to be dynamic but looking at the composition shows that it was mainly IT investments (which grew by 4.8% in 1Q19) that brought the dynamism.

Consumer goods did not rebound as much as expected, apart from the production in the automobile sector, which was up by 4% in 1Q19. Overall, consumer durable production nevertheless declined by 0.1% in 1Q19 after -2.2% and -0.5% respectively in the third and fourth quarter of last year. Automobile production thus helped consumer durable production to catch up: production was just 1% lower than one year ago in March, up from -10% at the end of the year. Also, construction activity, which had dropped by 0.1% in the last quarter of 2018 rebounded by 1.2% in 1Q19 and is 6.2% above last year's activity levels.

All in all, despite the drop measured in March in most manufacturing sectors, the story is still positive for the first quarter, with a rebound registered in most sectors after the difficult end of 2018 due to the "yellow vest" crisis. Looking at March figures though, it could be that the catching up effect is already over and that the trend for business investments – while still positive – is slowing down. That does not mean that industrial production figures will turn negative in the coming months: we still expect industrial production to grow twice as much as the 0.4% reached in 2018, mainly supported by the continuous dynamism of corporate investments, the rebound in automobile production, and slightly more positive figures on the construction side. This would confirm the global picture of a French economy growing near its potential, or 1.3%, in 2019 as a whole.