

## French industrial production rebounds but only in some sectors

The 0.9% rise in industrial production in France in October was driven almost exclusively by aerospace construction. This is good news for the sector, which has been heavily impacted by the health crisis. But it is difficult to speak of a strong recovery in growth in industry overall, and the health situation is leading to fears of a further slowdown



### A rebound in only one sector

After a fall in September, French industrial production rebounded by 0.9% in October. Industrial production is still 4.5% below its pre-crisis level (-5.3% for manufacturing). October's rebound is largely attributable to a strong increase in production in other transport equipment (excluding automobiles), which rose by 13.9% in one month, driven by aerospace construction. However, this sector remains heavily impacted by the coronavirus, with production still 19.6% below its February 2020 level, as is also the case in automotive production (-29.9% below its pre-crisis level). Given the extremely low level of production in these sectors, the increase in October is good news. But it remains to be seen whether this will last.

In general, a rebound in industrial production was to be expected in October, given the rise in the business climate and PMI indicators. However, as the rebound is only due to transport equipment, it is difficult to speak of a broad based pick-up in industry.

## Weakness to be expected in the future

These developments do not throw into question the recovery of the French economy, but they are notable at a time when we are seeing a new wave of the virus and the emergence of the Omicron variant. Indeed, the current health situation risks slowing down the French economy once again. The new international travel restrictions are not good news for French aeronautical production and, with the expected slowdown in global growth, industrial production growth could slow in the coming months. In addition, the health situation may well lead to a drop in consumer confidence and more cautious behaviour, which would impact consumption. Even without further restraints, economic growth will probably slow down more than the consensus expects in the fourth quarter of 2021 and the first quarter of 2022.

This leads us to revise down our growth forecasts for the two quarters to 0.5% and 0.4%, respectively, from 3.0% in 3Q 2021. If the health situation were to deteriorate further due to Omicron, and strong new restrictive measures were to be put in place, growth could come to a standstill. Nevertheless, we remain optimistic for 2022 and believe that any slowdown in growth will be followed by a strong recovery, as observed in previous waves. We therefore expect growth to be around 4% in 2022, a very good result given that France was one of the first major European countries to return to its pre-crisis level of activity.

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