

## French industrial production and retail sales weak in August

Industrial production fell in most sectors in August. Retail sales were also very weak over the month, pointing to a weakening of the French economy in the third quarter. The risk of negative GDP growth in the third quarter has increased



### Industrial production down

Industrial production contracted in August, falling by 0.3% over the month. Manufacturing output also fell, by 0.4% over the month. In addition, July's figures were revised sharply downwards, losing 0.3 points. There was a clear downturn in August in most sectors of activity, notably the food industry, capital goods manufacturing, construction and the manufacture of other industrial products, completely wiping out July's rebounds. On the other hand, the manufacture of transport equipment continued to rebound (+3.5% over the month), as did the mining and quarrying, energy and water industries. Over one year, manufacturing output is up by 0.5% but remains down sharply in the energy-intensive sectors (-34% over one year for the steel industry, -18% for the manufacture of paper and cardboard, and -11% for the production of chemical products).

### Risks of negative 3Q GDP growth on the rise

Overall, this report is not good and points to an even more pronounced slowdown in industrial momentum, as suggested by the business surveys. The retail sales data for August published

yesterday by Eurostat are no more encouraging. Retail sales in volume terms fell by 2.8% in August in France, following a 0.3% fall in July.

This means that the two activity indicators available at this stage for August point to a weakening of the French economy in the third quarter. As we know, the summer tourist season was fairly good, so consumption of services was probably solid over the period. Nonetheless, the available data we have so far has been disappointing, and confidence indicators point to a further weakening in September. Against this backdrop, the risks of negative GDP growth in the third quarter have increased.

At this stage, it is difficult to identify factors that could lead to a rebound in activity in the fourth quarter, or at the start of 2024. Inflation is holding out, and recent rises in energy prices are impacting household purchasing power. For the time being, there are no signs that wage increases or the resilience of the labour market are leading to a recovery in consumption. High interest rates continue to discourage investment by households and businesses, and the recent rise in long-term interest rates has further undermined the fiscal environment. Global economic growth has slowed in recent months, which is likely to weigh on exports. French economic growth over the next few quarters is therefore likely to be weak. We are expecting growth of 0.8% in 2023 and 0.6% in 2024, which is much lower than the government's assumption for the 2024 budget (1.4%).

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