

## France: Industry drives the recovery

French industrial production recovered strongly in January but remains 1.7% below its pre-crisis level. This good performance should continue in the coming months and help the French economy avoid a new recession



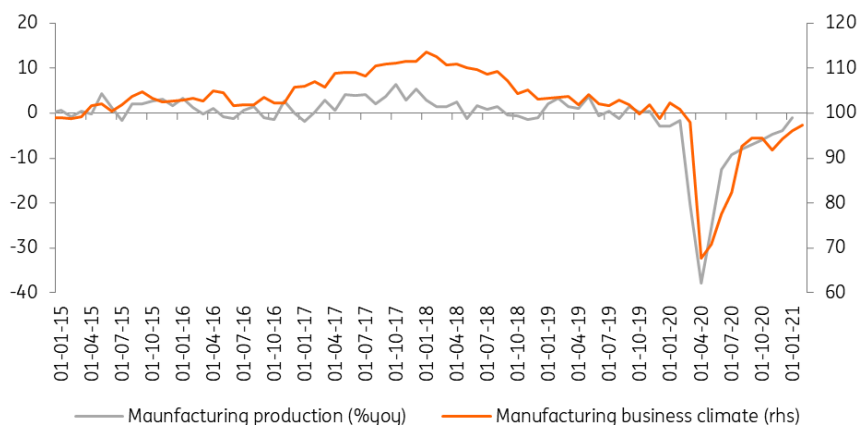
### A good start to the year

In France, industrial production recovered strongly in January, posting monthly growth of 3.3%, after declines in December (-0.7%) and November (-0.3%). Compared with the pre-crisis level (February 2020), production is still down 1.7%. Within the industrial segments, manufacturing production recovered in January (+3.3% mom), thanks to a very strong recovery of the pharmaceutical industry (+30.7% mom) which now largely exceeds its pre-crisis level (+25.6% compared to February 2020), but also a very good performance of capital goods manufacturing (+8.4% month-on-month and +1.2% compared to the pre-crisis level). The food-processing, mining, energy and water industries, as well as coking and refining have also contributed favourably to the evolution of industrial production. However, these segments are still well below their pre-crisis levels. The construction sector is in a very good position, posting a level 4.4% above its pre-crisis level and a monthly growth rate of 16.3% in January.

It seems that the French industrial sector has got off to a good start in 2021. Relatively little impacted by the restrictive measures put in place to fight the pandemic, it can fully play its role as

a driving force for the French economy at a time when the service sector remains severely hampered. This good performance of French industrial production could continue over the coming months. Indeed, the business climate and the PMI indices in industry improved in February, which should coincide with an increase in production that could continue in March and in the coming months.

## The recovery in industrial production is expected to continue in the coming months.



Source: INSEE, ING Economic Research

## A stagnation expected

The good performance of the industrial sector will probably enable the French economy to avoid a new recession after the fall in GDP observed in 4Q, but will not completely offset the negative effects of the restrictions. The economy is expected to stagnate throughout the first quarter at a level of activity 5% below its pre-crisis level, leading to quarterly GDP growth close to 0%. The recovery of the French economy should take place from the second quarter onwards, provided that the vaccination campaign really speeds up to allow for a relaxation of the constraints. This will enable the service sector to join the industrial sector as the driving force behind France's economic performance and GDP growth of around 5.3% over the year.

### Author

**Charlotte de Montpellier**

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s).

as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.