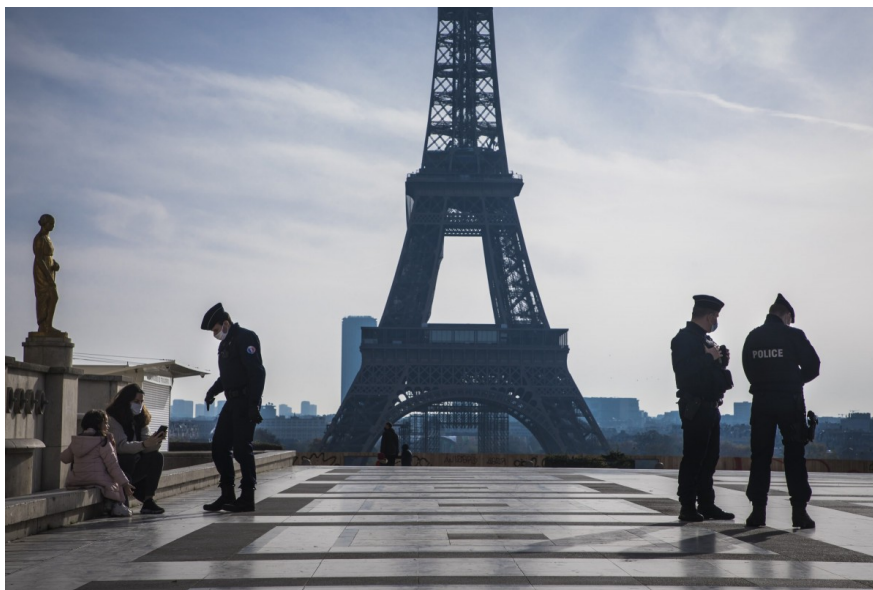


## French industrial sector in difficulty

Industrial production fell in France in December and is performing worse in comparison to its European neighbours, particularly Germany and Italy



Covid-19 Second wave lockdown in Paris, France - 07 Nov 2020

Source: Shutterstock

### Declining industrial production

The end of the lockdown in November didn't allow industrial production in France to rebound.

For the second consecutive month, industrial production fell, and this time by 0.8%, which was more than expected after the 0.7% drop in November.

Over the year, industrial production is now down by 3%, and this decline is attributable to the manufacturing industry, which fell by 1.7% in a month, mainly due to falling capital goods manufacturing and industrial products and the fall in cooking and refining. But it can also be explained by the sharp monthly decline in construction (-8.7% in December).

### Worse than in its European peers

Compared to its European neighbours, French industry isn't looking great.

The drop in production observed in December 2020 compared to December 2019 in Italy (-1.9%),

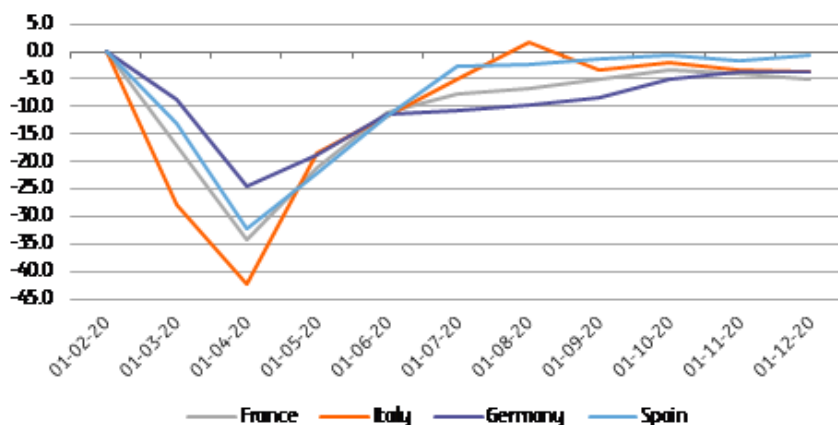
Germany (-0.7%) or Spain (-0.6%) is much less than the 3% drop observed in France. Compared to February 2020, the last month before the lockdown, the fall in French industrial production is also much greater than that of its European neighbours (-4.9% compared to -3.7%, -3.6% and -0.5% for Italy, Germany and Spain respectively).

*The French industrial sector is probably more affected by the current crisis than neighbouring countries because of its structure and composition*

The French industrial sector is probably more affected by the current crisis than neighbouring countries because of its structure and composition. The production of machinery and capital goods is a [smaller share of industrial production in France than in Germany or Italy](#). This implies that France benefits less from the economic recovery in China than its neighbours.

Moreover, production in France is strongly oriented towards the aeronautics sector, which is suffering much more during the pandemic. This being the case, the weakness of the construction sector (-10.9% since February) also indicates that the sectors oriented towards the domestic market are also suffering significantly.

[Eurozone: A new divergence](#)



Source: Refinitiv Datastream, ING

## Bad news for the economic outlook

Lockdowns and restrictive measures mainly affect the service sector, so in many European countries, industry has become the main driving force but in France, this engine isn't very dynamic, and the outlook isn't terribly encouraging either.

Although manufacturing PMI index rose in January to 51.6 and is now above the 50 mark, it is still lower than the manufacturing PMI index in Germany (57.1) and Italy (55.1), which underlines the fact that, for the time being, the outlook is less positive in France than in the rest of Europe.

The French central bank estimates that production in January is 5% below its pre-crisis level, as it was in December and expects it to remain stable at 5% for February.

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