

## French industrial output rebounds in July

French industrial production rebounded in July, almost wiping out June's decline. Looking ahead, the outlook for French industry remains very weak, against a backdrop of a sharp slowdown in demand. Very weak GDP growth is expected over the next few quarters.



### Rebound in July, erasing June's decline

French industrial production rebounded in July, increasing by 0.8% over the month, following a 0.9% fall in June. Manufacturing output rose by 0.7%, compared with -1.1% in June. Output is therefore back to its May level, thanks to a rebound in production in the pharmaceuticals, wood, wood and paper industries, as well as in mining and quarrying. Energy-intensive industries therefore seem to be seeing their output stabilise, thanks to lower gas prices, albeit at a low level. These sectors are still producing much less than they did a year ago (-40% for steel, -20% for paper and cardboard and -10% for basic chemicals).

Still benefiting from a catch-up effect following the normalisation of the situation in supply chains, automotive manufacturing continues to recover (+2.8% over the month). Conversely, the manufacture of capital goods is suffering from the global economic slowdown in the manufacturing sector (-0.6% in July after -1.8% in June).

### Pessimism among manufacturers

Looking ahead, the outlook for French industry remains poor. The August business climate survey

points to greater pessimism among French manufacturers, who see the outlook for production deteriorating and order books shrinking. Lack of demand has once again become the most important production constraint for manufacturers, ahead of supply problems and labour shortages. While certain catch-up effects could continue to have a small positive impact on French industrial production over the coming months, industry is nevertheless likely to continue to suffer from the global slowdown.

## Several quarters of very weak growth expected

As far as France's economic outlook is concerned, the rebound in industrial production in July is good news for third-quarter GDP. Household consumption of goods also rose over the month, so the third quarter has got off to a good start. Added to this is the very good tourist season in France this summer, which should boost growth. Today's data therefore suggests that French GDP will not contract in the third quarter.

Nevertheless, the confidence indicators for August were disappointing, so the activity data is likely to be weak. This means that strong growth over the quarter is unlikely. With interest rates high, inflation only slowly coming down and the global economic slowdown, the following quarters are likely to be synonymous with virtual stagnation. Ultimately, we are expecting average GDP growth of 0.8% in 2023 and 0.6% in 2024. This figure is much lower than the very optimistic assumption on which the government based its 2024 budget (+1.4% for GDP in 2024), which heralds some complicated budget discussions ahead.

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