French industrial output rebounds slightly

Industrial output rebounded in February, but this did not offset the fall seen in January. GDP is still expected to stagnate in the first quarter before a gradual recovery

An insufficient rebound

French manufacturing output rebounded in February, rising by 0.9% over the month. This rebound does not, however, make up for the very sharp fall seen in January (-1.5%). In industry as a whole, growth was 0.2% over the month, following the 0.9% drop in January. Most sectors saw their production increase – particularly the food industry, the manufacture of capital goods and the manufacture of other industrial products. On the other hand, the production of transport equipment continued to decline (-2.8% over the month after -4.9% in January), while output in the construction and mining, energy and water industries also fell.

The rebound in French industrial production in February is good news for economic activity, but it is not enough for industrial production to make a positive contribution to GDP growth in the first quarter of 2024. Given the data currently available, we expect GDP to stagnate this quarter.

Recovery expected, but gradual and weak

Looking ahead, leading indicators suggest that industrial production could continue to recover in the coming months. Order books seem to be growing slowly while inventory levels are falling.

Nevertheless, the rebound is likely to be slow, taking several more months, and would only have a favourable impact on GDP growth in the second quarter.

Overall, we are still expecting growth to pick up gradually in the second quarter after a weak start to the year. Falling inflation, a still-tight labour market, rising consumer confidence and lower interest rates should enable domestic demand to pick up gradually. After an expected 0% in the first quarter, GDP could grow by 0.2% quarter-on-quarter in the second quarter and accelerate further in the second half of the year. Despite the expected acceleration over the course of the year, average GDP growth over the year will be weak, at around 0.5% compared with 0.9% in 2023 due to the very weak start to the year. Given the already very deteriorated state of public finances and growth likely to be lower than the 1% expected in 2024 by the government, fiscal policy is likely to become much more restrictive at the end of 2024 and into 2025. For 2025, we are expecting GDP growth of 1.3% – again, significantly lower than the government's last forecast of 1.7% GDP growth in 2025.

Author

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com