

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

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 www.ing.com.