

## French industrial production drops again

French industrial production decreased in April, after having already fallen in March and February. Given the confidence indicators, industrial production could fall further in May. This confirms our forecast of a contraction of GDP in the second quarter



We expect economic growth to pick up in 3Q, thanks to the expected rebound in tourism

### Third consecutive drop in industrial production

In April, French industrial production decreased again, by 0.1% over the month for total industry and by 0.4% over the month for manufacturing. This is the third consecutive month of decline for French industrial production. As a result, industrial production is now 1.6% below its level at the beginning of the year and more than 5% below its pre-pandemic level. The cause of April's decline was a drop in production in the food industry (-2.0% month-on-month), in the manufacture of capital goods (-0.8%), and in other industrial products (-0.8%). Production rebounded strongly in the manufacture of transport equipment (+5.1% MoM), but the level of production remains extremely low, down by 26% compared to its level before the health crisis.

### A recession is probably underway, before a slight rebound

These data indicate that, at the start of the second quarter, the French industrial sector suffered heavily from the effects of the war in Ukraine, price rises, supply difficulties and the lockdowns in China. It is unlikely that the situation will improve significantly for the rest of the

second quarter. Indeed, the business climate indicator deteriorated in industry in May, affected by the decline in production prospects and foreign order books. The economic uncertainty felt by manufacturers also remains at a very high level. The outlook for the industry is therefore deteriorating.

At the same time, volume consumption of goods fell by 0.4% in April and consumer confidence fell further in May after the sharp declines in March and April, settling well below its average level. All this confirms our forecast of a contraction of French GDP in the second quarter, even if the outlook for the services sector is more favourable than that for industry. Given the decline in GDP in the first quarter of 2022, we believe the French economy is currently in a technical recession. We expect economic growth to pick up slightly in the third quarter, thanks in particular to the expected rebound in tourism. For 2022 as a whole, therefore, we now expect GDP growth of 2.1%.

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