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FRANCE

French industrial production slips in December, but prospects look better

The December decline is solely due to transport equipment production and does not call into question the improving outlook for French industry



Manufacturing output fell in France in December, by 0.8% compared with +0.5% in November. The decline is mainly due to weaker production in transport equipment (which accounts for 13% of French manufacturing output), and more specifically in the aerospace sector, where the sharp drop in December offset the increases of the previous three months. Volatility in production is quite typical in this sector, and the decline is not in itself a concern. In fact, over one year, the production of transport equipment is still up by 12.4%. In December, coke production also fell by 0.9% over the month. All other industrial sectors saw an increase in output.

Overall, December's decline is therefore not worrying and does not alter our forecast of a cyclical improvement in industry in the first half of 2026, supported by the European recovery and the German stimulus plan. The improvement in business sentiment is an encouraging sign. Better activity prospects and improving order books should lead to higher industrial production in the coming months. Rising defence spending will continue to support the sector, and aerospace production should remain an important driver of growth. Nevertheless, the recent appreciation of the euro could weigh on exports and therefore on economic activity, particularly in France. The European Central Bank estimates that a further 4.3% increase in the euro relative to the dollar reduces eurozone GDP growth by 0.1pp. In addition, the high tax burden faced by companies may act as a constraint. In recent business surveys, investment

intentions remain very weak.

All in all, the outlook for 2026 is moderately positive, with GDP growth expected to be around 1% after 0.9% in 2025.

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