

Sharp fall in French manufacturing output

Industrial production fell sharply in France in January, signalling that the first quarter has got off to a worse start than expected and that GDP growth is likely to be very disappointing once again. We are, however, looking for a certain recovery in the coming months



A disappointing start to the year for French industry. Pictured: a production line in Marignane, France

Industrial output falls more than expected

Industrial output in France fell sharply in January, and by much more than we were expecting, by 1.6% over the month for manufacturing output and by 1.1% for the industrial sector as a whole. The data for December was also revised downwards by a large margin, by 0.7 points over the month to a rise of 0.5% for manufacturing and 0.4% for industry as a whole.

As a result, manufacturing output fell to its lowest level since March 2023. Compared with January 2023, it is up by just 0.3%. The weakness was widespread across the sector in January, with most branches of activity experiencing a sharp fall over the month, particularly the manufacture of transport equipment (-5.3% over the month), other industrial products (-1.5%) and capital goods (-0.3%).

Growth in the first quarter will be very weak

This is the first activity data published for the first quarter of 2024, and they are very bad. This means that the first quarter has got off to a worse start than expected and that GDP growth is likely to be very disappointing once again. While the Banque de France and INSEE are expecting quarterly growth of between 0.1% and 0.2% for the first quarter, today's data suggest that a further stagnation in GDP is much more likely.

A very gradual recovery expected thereafter

Looking ahead, the survey data seems to point to a recovery in industrial production over the coming months. Although still weak, confidence in the sector is improving, order books are no longer deteriorating, and inventories have been reduced, all of which raise hopes of a rise in production in the coming months. However, this increase is likely to be very gradual and would only have a favourable impact on GDP growth in the second quarter.

Overall, we continue to expect a weak start to the year and a gradual recovery in growth in the second quarter. Falling inflation, a still-tight labour market, rising consumer confidence and lower interest rates should enable domestic demand to pick up gradually. Despite the expected acceleration during 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.

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 <http://www.ing.com>.