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.

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