

France

French recovery gathered momentum in Q4

- **GDP rose 0.6% in final quarter of 2009, beating expectations.**
- **Strong consumer demand supported growth.**

French GDP increased for a third consecutive quarter in Q4, rising 0.6%, according to national statistics office INSEE. That was slightly above consensus forecasts for a 0.5% gain and signalled a continuation of the recovery in the euro area's second-largest economy.

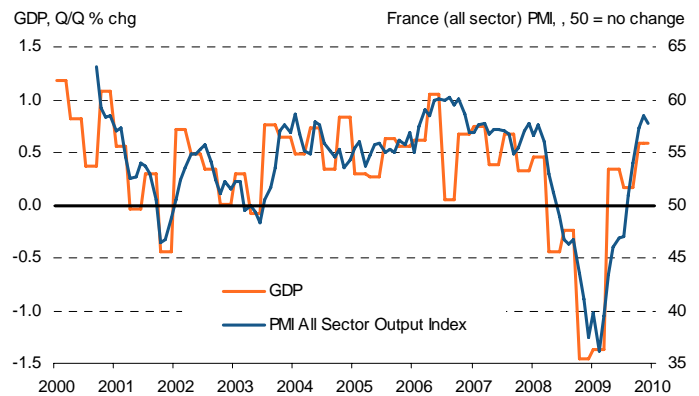
France substantially outperformed the other major Eurozone countries in Q4, as Germany could only manage a flat GDP reading whilst Italy and Spain registered 0.2% and 0.1% contractions respectively. The improved trend, and outperformance of France relative to other main euro nations, was in line with recent PMI data, which have signalled a strong rebound from last year's severe downturn. The PMI All Sector Output Index for France, covering manufacturing, services and construction, averaged its highest reading during Q4 for three years and was above those of its Eurozone peers.

PMI data highlighted a manufacturing-led rebound in France, with production rising markedly during Q4 and at the fastest pace for almost nine-and-a-half years in January. Services have also recovered strongly, in contrast to Germany, although growth has eased in the past two months since November's three-year high. However, the performance of the construction sector has been notably weak during the past year-and-a-half and activity continued to fall sharply in January.

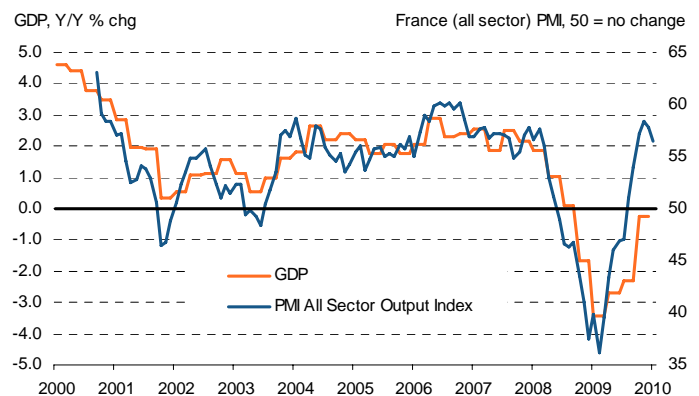
INSEE data signalled that the expansion of French GDP in Q4 was largely driven by strong household consumption and a slower fall in inventories, which both contributed 0.9% to growth. In contrast, weak investment subtracted 1.2% from the headline figure.

This tallied with evidence from the PMI manufacturing survey, which indicated significantly stronger trends in output of consumer and intermediate goods than for investment goods during Q4, whilst post-production inventories declined at the slowest pace for a year.

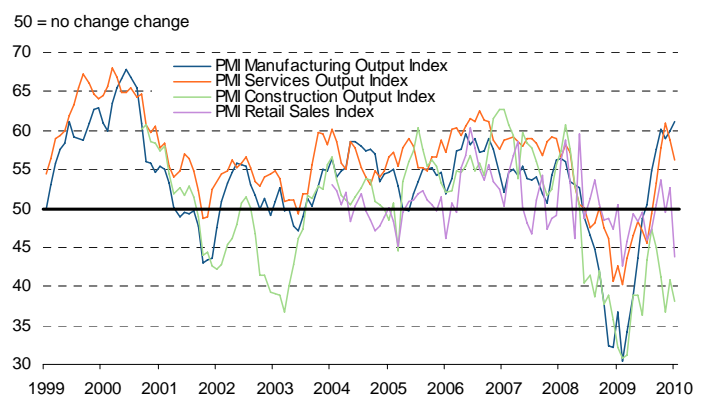
France whole economy output (q/q)



France whole economy output (y/y)



PMI Output Index by sector

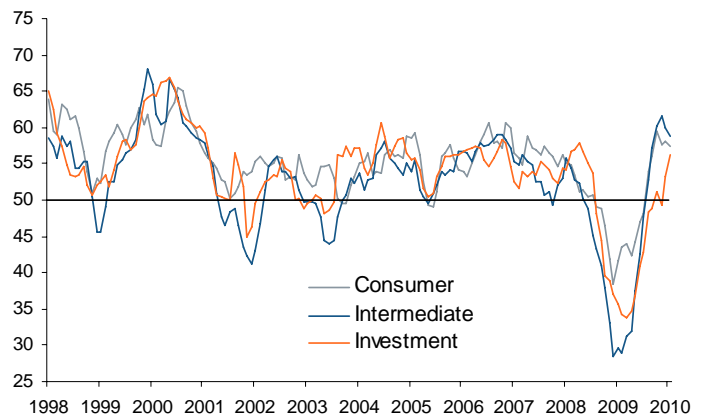


Sources: Markit, Reuters EcoWin

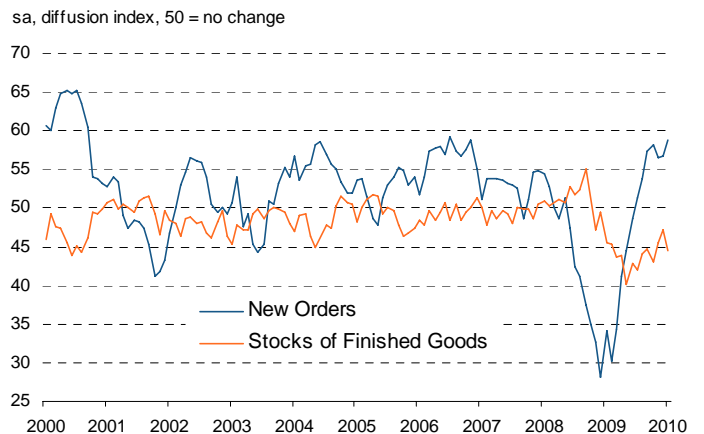
Moreover, the current high level of the manufacturing PMI new orders index relative to the stocks of finished goods index suggests that there is plenty of scope for further improvement on the inventories front.

The next release of PMI data for France will be the 'flash' figures for February, released Friday 19 February, covering manufacturing and services. The data will provide evidence as to what extent growth momentum has been maintained midway through Q1. To find out how to receive data for the France PMI, please contact economics@markit.com.

Manufacturing PMI Output by Market Group



Manufacturing PMI new orders v inventories



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