

# France

## French GDP fell at fastest pace for at least 30 years in 2008 Q4

- Preliminary figures signalled 1.2% q/q drop in gross domestic product.
- PMI data indicate further pronounced weakness at start of 2009.

French gross domestic product (GDP) declined 1.2% q/q in the final quarter of 2008, according to a preliminary estimate from INSEE on 13<sup>th</sup> February. Although France remains outside the technical definition of recession (two consecutive quarters of falling GDP) following a 0.1% rise in Q3, the latest figure was nevertheless the worst since comparable data were first available in 1978.

The contraction was broadly in line with data from the Markit/CDAF PMI surveys, which signalled a steep decline in whole economy private sector output during the final quarter of 2008 (see chart 1).

PMI data pointed to weakness across the broad spectrum of the economy in Q4, with activity in the manufacturing, services and construction sectors falling at rates unsurpassed in their respective survey histories (see chart 3).

The manufacturing sector was the worst performer overall as it struggled under the weight of rapidly contracting new orders. This was underscored by official data showing that the primary drivers of lower GDP in the fourth quarter were sharp falls in exports (-3.7% q/q) and inventories (-0.9% q/q), as foreign demand for French manufactured goods receded and firms pared stocks in response to lower sales expectations.

On the upside, household consumption showed a surprise 0.5% q/q gain. This most likely reflected a boost to purchasing power from the marked decline in inflation of late.

January's PMI data signalled that conditions in the French private sector economy remained extremely tough at the start of 2009. However, slower contractions in activity across both manufacturing and services provide tentative signs of stabilisation, albeit at very weak levels.

Chart 1: France whole economy output (q/q)

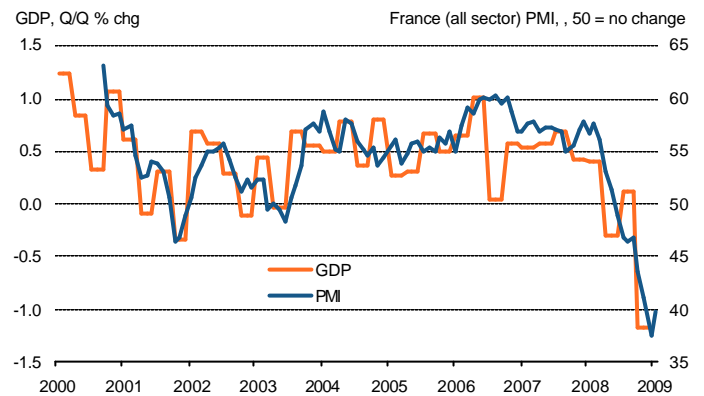


Chart 2: France whole economy output (y/y)

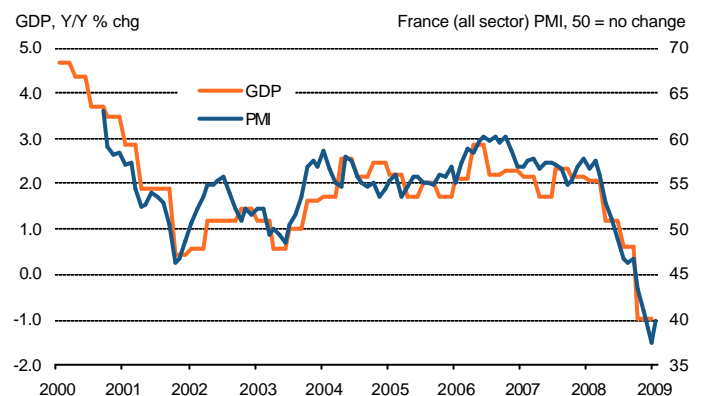
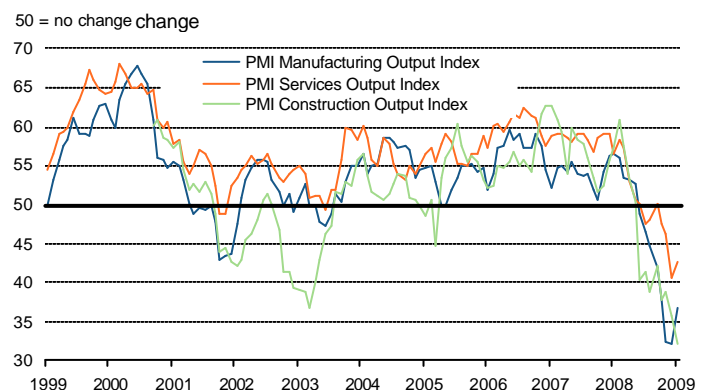


Chart 3: PMI Output Index by sector



Sources: Markit Economics, Reuters EcoWin.

---

The next release of PMI data for France will be the 'flash' figures for February, released 20 February. To find out how to receive data for the France PMI, please contact [economics@markit.com](mailto:economics@markit.com).

---

## Jack Kennedy

### Economist

Markit

Tel: +44 1491 418 687

Email: [jack.kennedy@markit.com](mailto:jack.kennedy@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.