

France

Slump in French industrial production continued in November

- **IP fell by larger-than-expected 2.4% m/m in November.**
- **Revised October figure highlights downside risk to Q4 GDP.**

French industrial output continued its precipitous decline in November, posting a 2.4% month-on-month fall, according to data from national statistics agency INSEE on 9th January. Moreover, October's output data were downwardly revised to show a 3.7% drop instead of a previously reported 2.7% fall.

On a year-on-year basis, industrial production contracted by a series record 9.0%. Manufacturing output fell 11.0%, dragged down by considerable weakness in the car sector.

Official data are notoriously volatile, but the latest decline is corroborated by the Markit/CDAF France Manufacturing PMI, which has accurately signalled the steep deterioration in output throughout the second half of 2008 (see chart 1). Available in advance of official data, latest PMI figures point to another double-digit annual fall in manufacturing production during December.

In light of the severe weakness in the industrial sector, coupled with dire service sector data and a likely record trade deficit for 2008, forecasts for Q4 GDP continue to be revised down. INSEE and the Bank of France expect falls of 0.8% and 0.7% respectively, while some analysts believe GDP could decline by up to 1.0% following Q3's surprise 0.1% rise. That would be the worst performance since Q2 1993.

The next snapshot of economic activity will be provided by the Flash France PMI on 23rd January, covering manufacturing and services, which will provide evidence as to whether the downturn is showing any signs of bottoming out at the start of 2009.

To find out how to receive data for the Flash France PMI published 23rd January, or to obtain a copy of the Markit/CDAF France Manufacturing PMI report, please contact economics@markit.com.

Chart 1: France manufacturing production

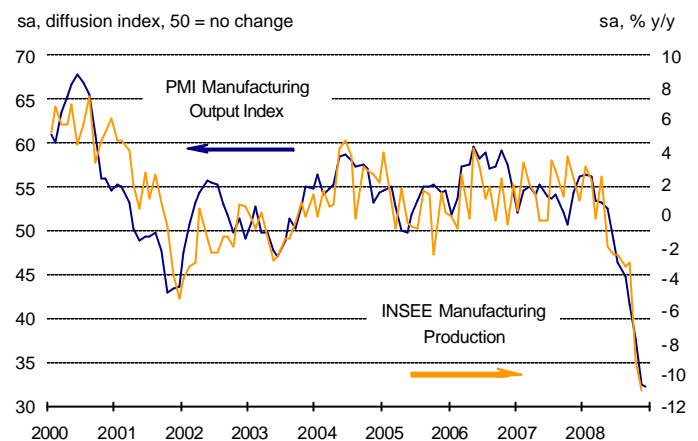
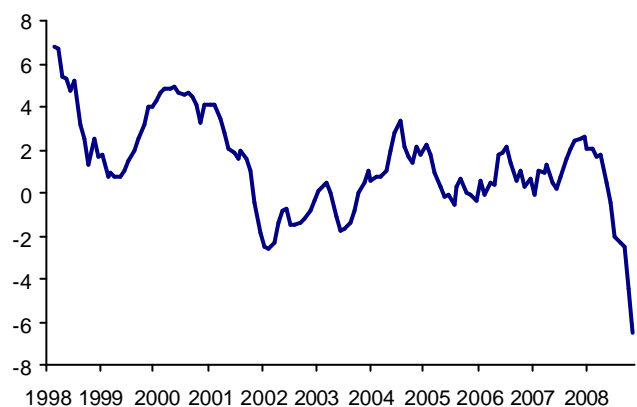


Chart 2: Industrial production

Industrial Production (3m/yr)



Sources: Markit Economics, INSEE.

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