

France

Manufacturing output fell 2.5% y/y in September; PMI suggests worse to come

- **Recent plunge in manufacturing PMI data borne out by latest INSEE figures.**
- **More timely PMI data suggest further deterioration in months ahead.**

French industrial output continued its recent sharp downward trend in September, according to the latest available data from statistics agency INSEE, published 10th November. The figures reinforced expectations that the preliminary estimate of gross domestic product for Q3, due Friday 14th November, will confirm that France has slipped into recession.

Industrial production decreased 0.5% on the month, following an unrevised 0.4% fall in August. Moreover, it was the fifth straight decline in year-on-year terms, underscoring the marked deterioration in conditions over the summer amid the financial crisis and accelerating downturn in the real economy.

In the manufacturing sector – excluding energy and agriculture – output fell 2.5% on a year earlier, led by a heavy decline in automobile production.

The magnitude of the recent drop in output was signalled in advance by data from the Markit/CDAF France Manufacturing PMI, **available around six weeks before comparable official data (September PMI data were published 1st October)** – see chart 1.

The survey has recorded continuous declines in output since the start of Q2 (with the Output Index dropping below the crucial 50.0 mark in June), driven at first by a tumble in domestic new orders, with exports swiftly following a similar trajectory – see chart 2. The Output Index hit new series lows in both September and October, providing clear indication that the pace of contraction was gathering momentum.

At its current level of 37.8, the Output Index suggests that next month's official data will show an even steeper drop in manufacturing production as the severity of the downturn intensifies.

Chart 1: France manufacturing production

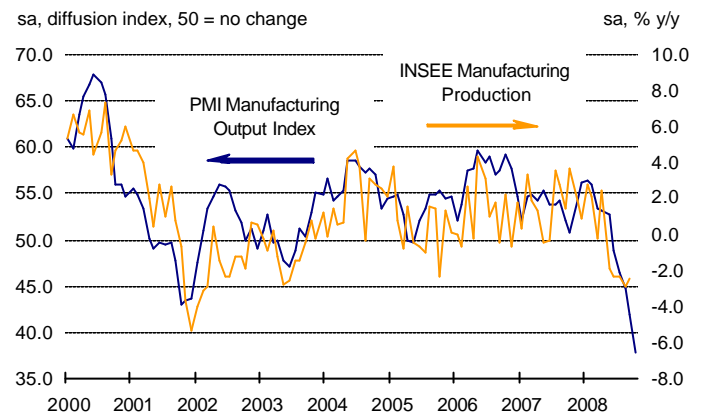
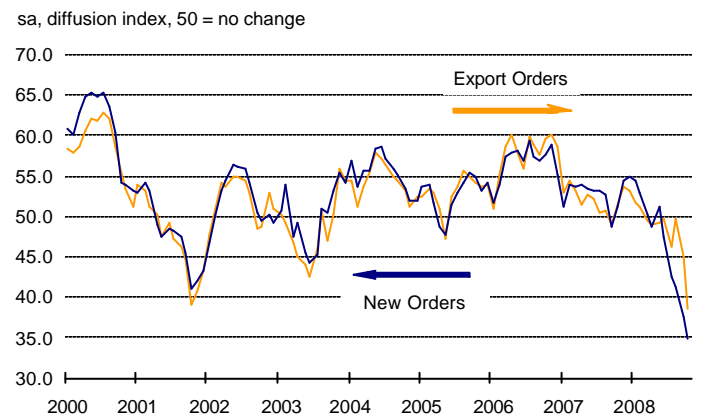


Chart 2: New orders and exports



To find out how to receive data for the France PMI published on 1st December, or to obtain a copy of the Markit/CDAF France Manufacturing PMI report, please contact economics@markit.com.

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