

France

Manufacturing downturn easing in France

- **Production in the manufacturing sector fell 0.5% in April.**
- **PMI data signal rate of decline moderated further in May.**

French industrial output decreased further in April, according to the latest data from national statistics agency INSEE. Although the headline numbers pointed to a sharper-than-expected drop of 1.4%, against analysts' expectations of a 0.2% fall, this was largely driven by a 6.9% plunge in the volatile energy component.

Looking solely at the manufacturing sector, output was down 0.5%. That followed a 1.6% drop in March and was the slowest fall in the current eight-month sequence of declines. The car sector in particular showed an improved trend, with output rising 1.7%, the first increase since August 2008.

The official data corroborate recent evidence from the Markit/CDAF PMI survey – typically published six weeks in advance of the official data – which has signalled a marked easing in the rate of decline of manufacturing production since February's nadir. The survey's output index has risen by over 13 points in the past three months, and at its current level points to a further improvement in the official figures when May data become available (see chart 1).

Although still in contraction territory, the manufacturing sector is likely to provide less of a drag on GDP in Q2 following the severe declines in the previous two quarters.

There are signs that the service sector too is on the road to recovery. PMI data signalled that May's decline in services activity was the slowest in the current eight-month period of contraction (see chart 2).

Although a deteriorating labour market clouds the economic outlook somewhat, it is becoming increasingly clear that the worst has now passed in the current recession in terms of activity numbers.

Chart 1: France manufacturing output

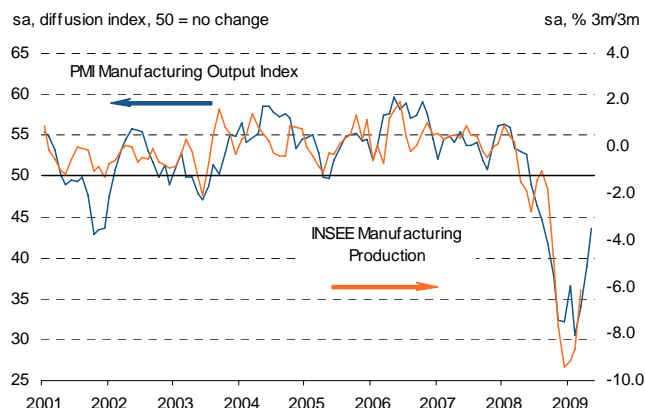
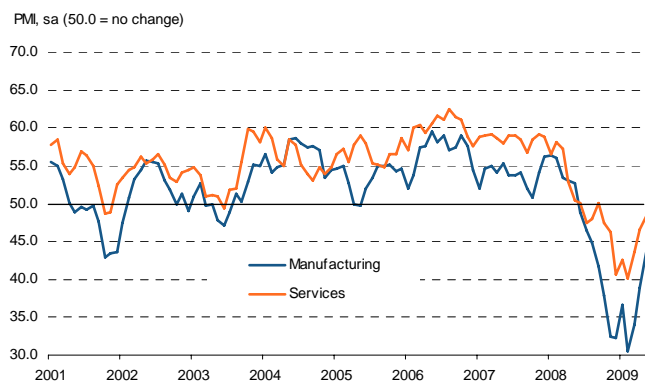


Chart 2: PMI output – manufacturing v services



Sources: Markit Economics, INSEE.

The next insight into economic conditions will be provided by the Flash France PMI, published on 23rd June, covering manufacturing and services. To find out how to receive data for the Flash France PMI, or to obtain a copy of the Markit/CDAF France Manufacturing PMI report, please contact economics@markit.com.

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