

France

Manufacturing acts as drag on nascent economic recovery

- **Survey data point to stronger economic growth in first quarter**
- **Employment rises for first time since 2013**
- **Growth driven by services**
- **Manufacturing downturn remains a key concern**

The French economy is enjoying its best growth spell since 2011, according to PMI data. Markit's 'flash' PMI survey data showed business activity growing in March at a rate only just below the three-and-a-half year high seen in February.

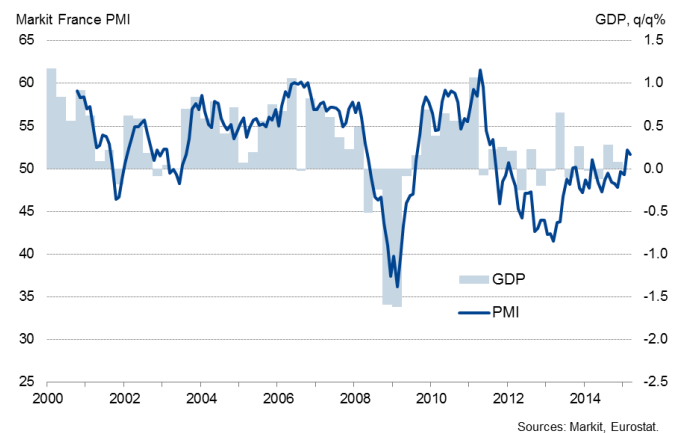
The upturn looks set to continue into April, as the survey's measure of new orders edged up to its highest since August 2011. Companies certainly seem to be optimistic about the future, taking on extra staff for the first time since October 2013.

The survey data suggest GDP will have risen 0.2% in the first quarter. That's better than the 0.1% rise seen in the final quarter of last year but still only very modest. More encouraging is the survey's indication that private sector GDP will have grown by 0.3% in the first three months of the year after being flat in the fourth quarter. While GDP may have risen 0.2% above its pre-crisis peak, this has been due to rising government spending. Private sector GDP remains some 1.7% below the peak seen in the first quarter of 2008.

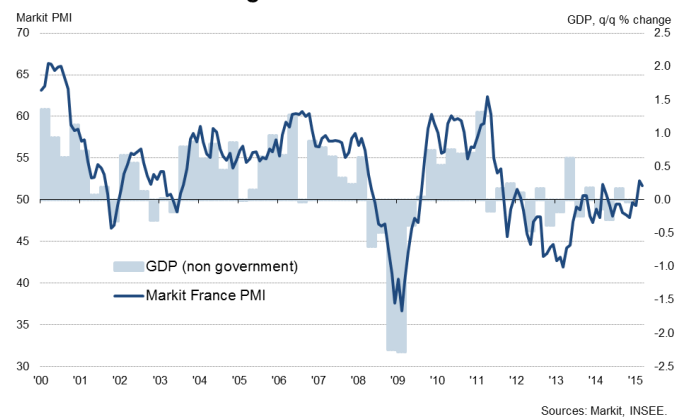
Some of the shine was taken off the upbeat survey results by the uneven nature of the recent upturn. Growth remained dependent on the service sector, with manufacturing remaining in decline. Factory output fell at a rate similar to that seen in February. New orders also fell sharply, albeit to a lesser extent than in February, amid another decline in exports.

While the upturn in the French economy in the first quarter is therefore a welcome development, the ongoing plight of the country's manufacturing sector remains a concern. The weak survey results point to ongoing poor competitiveness relative to other euro zone countries, and boosting intra-eurozone trade is not something that a weaker euro can help with.

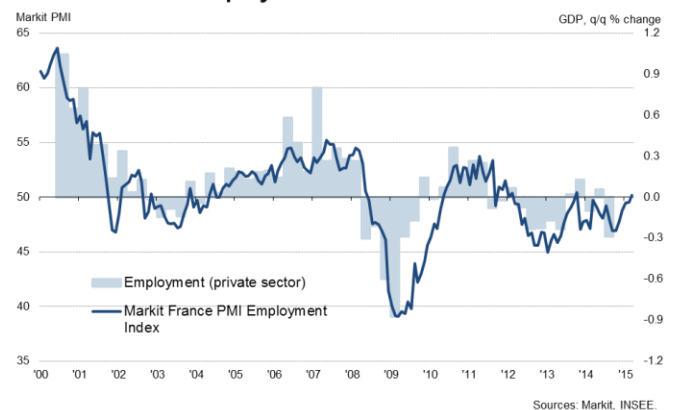
French economic growth and the PMI



French PMI and non-government GDP



French PMI and employment



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