

# France GDP

## French economy stagnates in second quarter

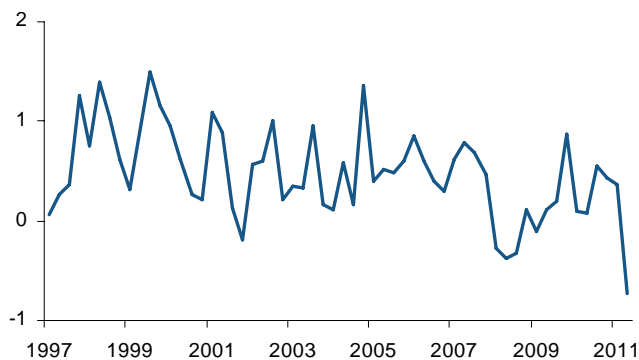
- GDP flat in Q2 following 0.9% rise in Q1
- Latest figure corroborates sharp slowdown signalled by PMIs

Official data showed that the French recovery stalled in the second quarter, with zero gross domestic product (GDP) growth the worst performance since the recovery started two years ago. It is tempting to dismiss the flat reading as simply pay-back from a particularly strong first quarter, when GDP growth surged to a near-five year high of 0.9%, but this is not entirely the case.

In particular, the main area of weakness in the second quarter was consumer spending, which slumped 0.7% but had only risen 0.4% in the first quarter. Although part of the drop can be attributed to the end of car scrapping incentives, it seems that domestic demand has deteriorated quite markedly compared with earlier in the year.

### Consumer spending

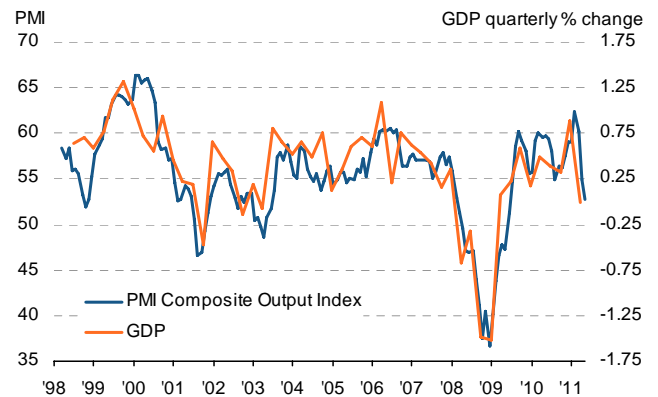
Quarterly % change



Source: INSEE.

Some correction from surprisingly buoyant growth in Q1 was evident in other areas, such as business and public investment. The underlying GDP trend is therefore most likely a little stronger than the flat reading suggests, but it is clear that the recovery has weakened significantly in recent months.

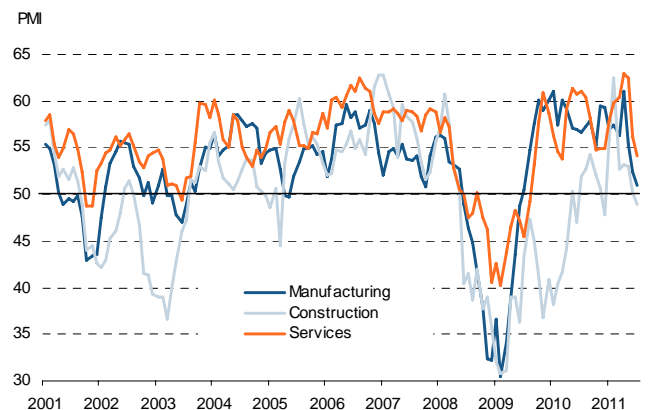
### Markit PMI and GDP compared



Sources: Markit, INSEE.

Furthermore, PMI data indicate that a further loss of momentum was seen at the start of the third quarter, with the Composite PMI – covering manufacturing, services and construction – hitting a 23-month low in July. Deterioration was broad-based, with slower output growth recorded in both the manufacturing and service sectors, while construction saw an outright decline in activity.

### Markit PMI by sector



Source: Markit.

The data add to a growing body of evidence which suggests that the Eurozone recovery is showing worrying signs of weakness, as previously strong core countries such as France and Germany suffer from a combination of slumping demand in neighbouring austerity-hit countries, stagnating global trade and a

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loss of confidence due to the region's sovereign debt crisis.

The next insight into French growth performance will come with the release of 'flash' PMI data for August, released Friday 23 August, covering manufacturing and services. To find out how to receive data for the France PMI, please contact [economics@markit.com](mailto:economics@markit.com).

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