

Exceptional decline in French unemployment in September

The unemployed population fell by 46,600 in September. In this respect, the third quarter was the best since 2007. However, if strikes were to increase in number, they could shorten what remains of positive momentum before the slowdown announced for 2020



Source: Shutterstock

3.1%

The yearly decline in the unemployed population in September

Better than expected

The unemployed population figures published for September showed a further significant decline, after the 20,100 fewer unemployed registered in August. At 46,600, the September figure brings the fall in unemployment to 55,900 in the third quarter. However, this statistic had suffered in

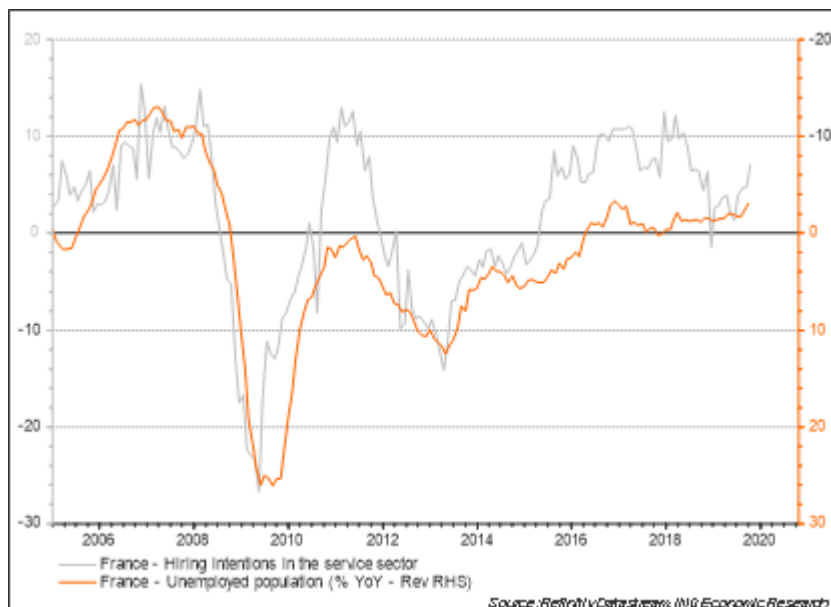
recent months from a delayed impact of the "yellow vest" crisis, with a cumulative increase of 20,500 people between May and July. As a result, the fall in the last two months, the most significant in recent years, is a sign of an improvement. In view of the results of the latest surveys in the service sector, which indicated a strengthening of hiring intentions, we expect the decline in unemployment to accelerate in the second half of the year after the 3.1% decline recorded in September. This would allow the unemployment rate to continue to fall in the second half of the year: we expect it to drop from 8.2% in June to 7.9% at the beginning of 2020.

Overall, although the statistics for the last two months are encouraging, the decline in the unemployed population (-165,000 over the last 36 months) remains small given the relatively long period of growth recorded since mid-2016, especially when compared with the 2005-2007 recovery, which had reduced the unemployed population by nearly 700,000 people while the previous crisis had been less severe. The end of the subsidized job schemes does not alone explain this difference.

Hiring intentions are at a 16-month high. However, this could change quickly. We have seen in the past that some strikes can affect the confidence of the service sector more quickly than an industrial slowdown. The first signs of unrest among railway workers in recent days, just before the autumn holidays, could remind French travelers of the difficulties of the 2018 Easter strikes (which cost 0.1pp of GDP growth) and put a brake on demand in the fourth quarter of 2018. Such a development would not, of course, be the primary cause of the upcoming slowdown in economic and employment growth, but by precipitating it, it would at the same time increase its costs in terms of employment.

With the French economy more dependent on services than industry, which accounts for around 15% of value added (half of German value added), we believe that the most recent surveys confirm that the French economy should resist the current global slowdown longer than the rest of the euro area. GDP growth in 3Q19 will be published next week and should show continued strong domestic demand, paving the way for GDP growth of 1.3% this year. However, the last official projections for 2020, at 1.2%, are already looking rosy given the slowdown observed in neighbouring countries. As for the fall in the unemployment rate, we expect it to end with the slowdown in GDP growth around mid-2020, but it should accelerate to levels below 8.0% by then.

Current confidence levels point to an acceleration in unemployment decline



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