

## France: Unemployment at a 10-year low

The unemployment rate fell under 8% in the fourth quarter and reached the lowest level of the decade last year. This trend should continue for the next few months before giving way to a more difficult second half. However, we expect a further recover next year



### Unemployment is declining...

In France, the unemployment rate declined in the fourth quarter, to 8.1% from 8.5%. In metropolitan France, unemployment fell to 7.9% from 8.2%. Unemployment reached 8.5% on average in 2019, its lowest level since 2008. Most categories of the unemployed population declined last year, which was unique for the last decade: figures show a fall of 121k in the unemployed population (which now stands at just under 3.3 million, down from nearly 3.5 million in February 2016). Half of the decline since 2016 has occurred over the last five quarters and the trend is slowly accelerating; in December, the unemployed population fell at the fastest rate since 2008 (-3.5% over the year) and this is only for full-time unemployment. Other categories - such as the 2.2 million people employed on very short-term contracts or working only a few days a month - recorded the first decline in unemployment last year since 2008, indicating that the labour market recovery is deepening. Unemployment among 50+ workers even dropped to 5.8% at the end of 2019.

## ...but not everywhere

A recent ING study showed, however, that these improvements are not lifting all regions in the same way. For example, only half of French departments have an unemployment rate lower or equal to 8%. Unemployment rates among departments range from 5% (Cantal) to as high as 14% (Pyrenees Orientales). The study shows that there are long-term patterns at play here, where larger French cities had a big positive impact on the recent labour market recovery whereas other regions are not recovering. This remains at the heart of the current French social divide, which has helped to drive the “yellow vest” crisis and the current opposition to pension reform. The split could also make a mark on the municipal elections next month, which will be an important gauge of how the extreme right and left can ally at local levels against mainstream parties, one of the main obstacles to Emmanuel Macron’s re-election.

Look at our maps here: <https://newsroom.ing.fr/2020-reprise-rompt-point/>

## This trend should be growth-supportive in 2020

In 2020, we expect the positive trend in the labour market to continue in the first half of the year and support domestic demand. Nevertheless, 2020 is still expected to end with a slightly higher unemployment rate, close to 8.5% (8.2% for Metropolitan France). President Macron's commitment was to reduce it to 7% in 2022. While we expect the unemployment rate to continue declining in the first half of 2020, the slowdown in eurozone activity and the relative weakness of private consumption in France should cap these improvements in the second half of the year before giving way to further improvements in 2021. It is still too soon to say that the 7% target of 2022 is out of reach, but to do so, the recovery would need to be stronger than expected from next year on.