

## France: Consumer confidence remains at highest level since crisis

French consumer confidence remained stable at its highest level since the end of 2017. Since the beginning of the crisis, confidence has been higher than the current level for only six months, in 2017. This rise should push up consumer spending and we believe that private consumption will return to its role as France's growth engine in the second half



Source: iStock

# 102

Summer 2019: one of the highest consumer confidence levels of the last 10 years

### Confidence stabilises

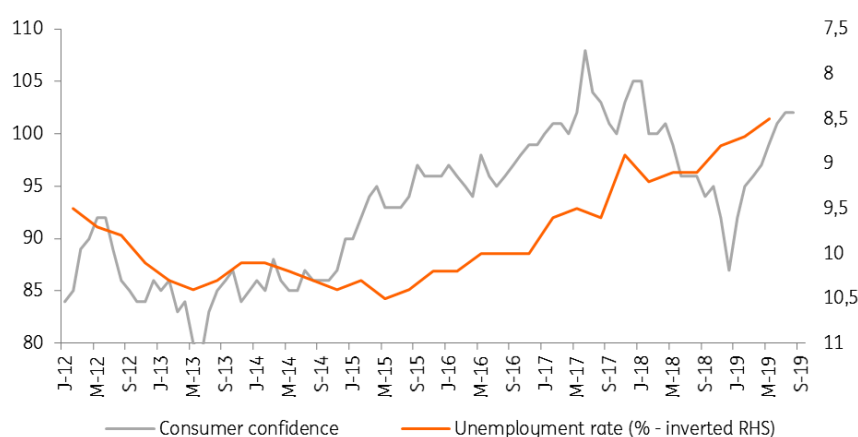
In France, consumer confidence stabilised in August at 102 after a strong recovery in the last three

months. It's not been above its long-term average since April 2018. "Fears of unemployment, in particular, have fallen thanks to the good private job creation figures over the first six months and the decline in unemployment to 8.5%. The figures from the INSEE survey published this morning, however, still show high saving intentions, which have not weakened since February.

The rise in consumer confidence has not yet pushed up consumer spending, which was still down for goods in June (and saw no growth in the second quarter). However, we continue to expect a rebound in the second half of the year. Indeed, even if the fall in unemployment comes to an end in early 2020, it will continue in the coming months, supporting confidence and tempering saving plans. The tax boost announced by the government should also have an effect in the second half of the year as we don't think all the money will be saved. The figures this morning could be reflected in the consumer spending data for July later this week, alongside the revision to second quarter GDP.

The business climate also remained broadly stable in August. This survey continued to show weakening prospects for employment growth, confirming that improvements in the job market should come to an end, but only by early next year.

## Lower unemployment rates will drive consumer confidence up, at least until year end



Source: Thomson Reuters

## Impact on spending

As a result, private consumption (which grew by only 0.2% quarter-on-quarter in the second quarter after 0.4% in the first) should pick up in the second half of the year. However, the base effect is significant and it is unlikely that this improvement will bring consumption growth above 1.2% in 2019, after only 0.9% in 2018. Only when households feel that their savings are replenished will the measures taken have a greater effect on accelerating private consumption. That's why we expect 1.4% growth in 2020.