

## France: Consumers undeterred by street protests

A year ago, the domestic French economy almost came to a standstill because of the yellow vest crisis. Fears that history would repeat itself with the pension reform protests appeared to be widespread in recent business surveys. But today's figures show that consumers remain undeterred, bolstered by a stronger job market



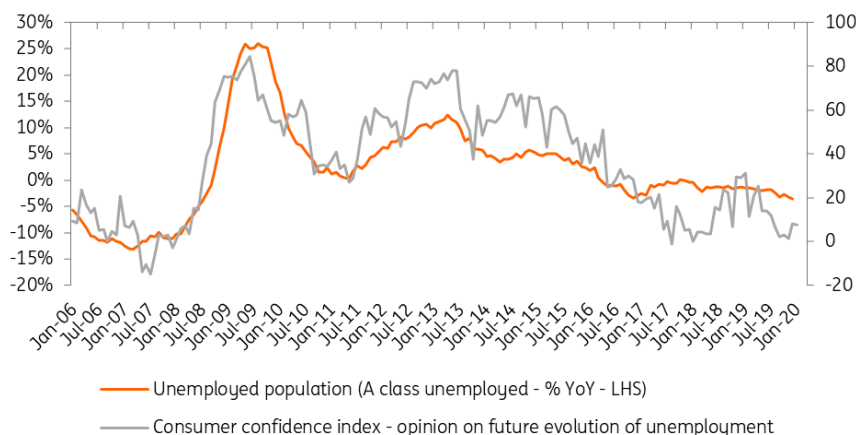
### French consumer confidence rebounds strongly in January

French consumer confidence was back above 103 (103.6) in January, a level last seen in October before a wave of national protests hit the country. These protests made travelling by rail more difficult and disturbed transport in and around the capital. Almost every component of the survey improved, particularly household opinions of their future financial situation and ability to save. Purchasing intentions also rebounded, although mildly, and are back above their average level in the second half of last year. This is a relief as business surveys recently showed that hiring and investing intentions were particularly sensitive to any change in consumer sentiment; memories of last year's drop in consumer confidence as a result of the yellow vests protests are still vivid, especially in the retail sector. We therefore think that today's figures should support the rebound in business sentiment measured earlier this month.

The survey also showed that fears of unemployment remain low: the average in the second half of

2019 may not be as low as in the first half of 2018 (before the yellow vest crisis and just after unemployment actually turned up), but there has been no significant increase on the back of the pension reform protests.

## The fastest rate of decline in unemployment since 2008 is supporting confidence



Source: Refinitiv Datastream

Full 2019 unemployment figures were published this week, showing a drop of 121,000 in the unemployed population which now counts just under 3.3 million people compared to almost 3.5 million in February 2016. Half of the decline since then has happened in the last five quarters and the trend is accelerating: on the year, the decline in the unemployed population was the fastest since 2008 in December (-3.5%). And this is only for full-time unemployment. Other unemployment categories, like the 2.2 million people employed on very short contracts or working a few days per month, showed the first drop last year since 2008, a sign that the job market recovery has continued. Nevertheless, 2019 should still end with an unemployment rate slightly above 8% (8.2%). President Macron’s pledge is to bring it back to 7% by 2022.

We think that unemployment should continue to decline in the first half of 2020, supporting consumer confidence. However, the slowdown in eurozone activity and the relative weakness of private consumption in France are likely to put a ceiling on these improvements this year so we expect 2020 to end with an unemployment rate of 8.3% before improving in 2021. In the meantime, most figures are pointing to very little impact on growth from the fourth quarter protests, which opens the door to an above consensus (0.2%) GDP growth figure this Friday.