

France's labour market continues to outperform – for now

The unemployment rate has fallen further in France and the employment rate continues to rise. The labour market is therefore still doing very well in the face of the overall deteriorating economic outlook. However, the fall in unemployment may not last



The employment rate among young people in France is now at its highest level since 1991

All the lights are green in the labour market

As the quarters pass, the performance of the French labour market continues to surprise positively. In the first quarter of 2022, the unemployment rate in France stood at 7.3% of the active population (as defined by the ILO), a slight decrease compared to the end of 2021. The unemployment rate is now 0.9 points below its pre-pandemic level and at its lowest level since 2008. But the most interesting aspect of the INSEE report is the employment rate, which is increasing in all age categories. The employment rate of 15- to 64-year-olds reached 68%, up 0.2 points over the quarter and at its highest level since the beginning of the statistical series (1975!). It is the young person category which has seen the highest increase, up 0.7 points over the quarter and up 4.8 points compared to the pre-pandemic level. This is quite an evolution, which goes hand-in-hand with the boom in "apprenticeships" (training in companies) among young people, the consequence of the "one youth, one solution" and "youth commitment contract" plans put in place by the government since the beginning of the health crisis under the leadership of the

Minister of Labour, Elisabeth Borne. The employment rate among young people is now at its highest level since 1991 (34.6%), while among those aged 50 to 64, the employment rate has reached 65.5%, its highest level ever.

This rise in the employment rate is accompanied by a fall in the number of people who are constrained in their labour supply, whether it is unused (wanting a job) or underused (underemployed). Therefore, contrary to what was observed at certain times during the health crisis, the improvement in labour market statistics is not a "trompe l'oeil", a consequence of a fall in hours worked (partial activity) or an exit from the labour market due to the impossibility of looking for a job. There is indeed a real improvement in the overall labour market situation in France at present.

No sharp deterioration expected, but a stabilisation

These data can be seen as good news for the economy, as a strong labour market means that nominal household disposable income does not deteriorate and thus supports consumption and consequently economic growth. That said, a strong labour market alone will not prevent a contraction in real household disposable income, given the high inflation environment. Indeed, we expect household consumption and GDP to contract in the second quarter of 2022. But the contraction would have been more pronounced if the labour market was in a bad position.

What can we expect from the labour market in the coming quarters? The sharp economic deceleration is likely to have a negative impact on the labour market in the coming months and we expect much less dynamism in job creation. Nevertheless, at this stage we do not foresee a sharp deterioration in the unemployment rate. After all, recruitment difficulties are still very important: according to the Banque de France survey at the end of April, 52% of companies indicate that they are having difficulty recruiting. Furthermore, we continue to forecast economic growth in France in 2022 of 2.7%. This figure is much less optimistic than the European Commission's forecast (3.1%) but is still compatible with job creation over the year. We therefore expect the unemployment rate to stabilise at around 7.3% (in the ILO sense) for the rest of the year. If the French economy continues to grow in 2023, a further decrease in the unemployment rate could be observed and unemployment could reach 7% by the end of 2023, a symbolic level that has not been reached since 1982.

A new prime minister

Elisabeth Borne, the former minister of labour and architect of the plans that led to the sharp rise in the employment rate among young people, has just been appointed by Emmanuel Macron as prime minister of the new government. This left-wing technocrat, who has also served as minister of transport and ecological transition in the past, will first have to lead the president's party in the legislative elections of 12 and 19 June with the aim of winning a majority of seats in the National Assembly. Although Jean-Luc Mélenchon still hopes that his left-wing party alliance will win a majority to force Macron to choose him as prime minister, poll projections indicate that a presidential majority is more likely. The nomination of Borne as prime minister strengthens this probability a little as it could lead some left-wing candidates at odds with Mélenchon to rally support for the president.

Author

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.