

## France: Unemployment fears return

The unemployed population increased by another 10,000 in May, the second monthly increase in a row. This could start to have an effect on growth, as consumer confidence declined in June on the back of growing unemployment fears. This could dampen summer holiday spending



Source: iStock

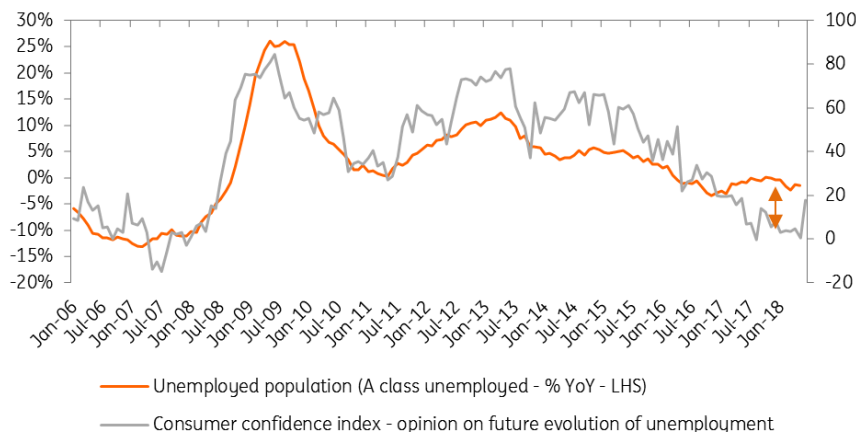
**97** Consumer confidence level in June, the lowest since August 2016

Lower than expected

### Unemployment increased for a second month in a row in May

The 12,400 increase in the unemployed population registered in April was not a one-off after all: 10,300 new unemployed were registered in May, leading to the largest increase in almost a year. Since the beginning of the year, figures have been disappointing, even accounting for the strong decline registered in February. The unemployed population is declining at the rhythm of 3,800 per

month in 2018. It is quicker than last year (a mere -1,000 per month), but much slower than the previous recovery (2005-2007) when the unemployed population was declining at a pace of 20,000 per month. The current rhythm is too slow to confirm the belief among consumers that this is a long-lasting trend, even if the current stage of the cycle should normally see further unemployment drops.



## Low morale could dampen summer holiday spending

This has had an impact on consumer confidence which declined from 99.3 to 97 in June, its lowest level since August 2016. The fear of unemployment, which had been receding in the last 12 months, bounced back in May, leading to the drop in the overall index, together with a fresh drop in purchasing intentions. The second quarter confidence data doesn't bode well for private consumption growth during the summer. Second-quarter spending growth should show a rebound after a dismal start to the year, although it will be weakened by the effects of strikes on holiday consumption during Easter and the long weekends of May. In 2018, we therefore continue to believe that private consumption will only post a very meagre acceleration from the weak 1.1% registered in 2017.