

France: And now comes the spending

As the labour reform comes into force, unemployment should fall especially as President Macron shows the money



A new unveiling

After completing the second major reform of his mandate, it was time for President Macron to unveil his plan for structural investments. This was launched by French Prime Minister Edouard Philippe yesterday which will see the government pouring about €57 billion into modernising the French economy. The announcement came straight after their party suffered its first electoral setback in the Senate winning fewer than expected seats this past weekend.

As expected, his Republic on the Move party (LREM) will not have a majority and will, therefore, have to rely on support from other parties to conduct constitutional reforms.

The structural investment plan will cost €56.3bn, which is more than what the President had promised (€ 50bn) during his campaign. Spread over five years, the plan together with the labour market reform should help support the economic recovery.

€53.6bn

Macron's structural investment plan

The breakdown

- €5bn will finance public administration reform.
- €15bn will finance agriculture, public health and transport initiatives in line with PIA plans initiated by President Sarkozy in 2010 and continued by Hollande.
- €15bn will finance ecological transition, mainly the reduction of nuclear power in the French energy mix from 70% to 50%
- €15bn will be used for new professional training programmes aimed at the 1 million unemployed 16-24 year-olds and 1 million long-run unemployed.

The number of unemployed for August and the coming months should show an encouraging drop. But if the benefits of the labour reform do not translate into hiring intentions, the evolution of that number will remain limited.