

## French consumer confidence plunge shows the extent of the crisis

After weeks of disruption caused by the 'yellow vests' protests in France, consumer confidence in December was in free fall. It is now becoming clear that the impact on 4Q18 growth will be significant and that the crisis will continue to weigh on growth in 2019



Demonstrators wearing yellow vests are blocked by riot police officers on the Bir Hakeim Bridge as the Eiffel Tower is seen in background in Paris

Source: Shutterstock

### Consumer confidence is in free fall

French consumer confidence figures for December have added to the pile of horrific indicators published for the end of 2018.

After PMI indicators were confirmed in the contracting territory (PMI composite fell to 48.7 in December), the main consumer confidence index at 86.7 reached its lowest level since October 2014.

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*The survey shows an abnormal level of anxiety among French consumers*

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The large drop in purchasing intentions noted in November continued in December, with intentions reaching their lowest level since June 2013. The second largest changes in the survey were noted in households' sentiment about their ability to save which has been restored in the first half of 2018.

Finally, even though unemployment continued to decline in recent months, fears of unemployment, which made a two-year jump back in time in November – continued to increase in December, although the rise was limited.

The survey, therefore, shows an abnormal level of anxiety among French consumers: their sentiment about the economic outlook is now worse than at any point in 2008 and 2009, while the current economic slowdown has nothing in common with what was seen at the time - and this high level of anxiety will have a lasting impact. Fears of unemployment will continue to make consumers favour savings over consumption long after the short-term shock of the 'yellow vest' crisis has ended. Consumer spending was already contracting in November, and the purchasing intentions in December are clearly showing another negative month.

### **The hit to growth becomes clearer**

A month ago, it was still risky to assess the impact of the 'yellow vest' crisis but after two months of protests and the results of several surveys, it becomes clear that the impact on 4Q18 growth will be significant and that the crisis will continue to weigh on growth in 2019, which will also see a slowdown in the rest of the Eurozone.

Private consumption could contract slightly in 4Q18, leading in 2018 to the weakest private consumption growth since 2014, at 0.9%.