

## France registers largest drop in unemployment in ten years

Unemployment figures show the situation is improving but low consumer confidence give context to the difficult negotiations between PM Philippe and the unions



Source: shutterstock

**64.8k** Drop in unemployment population

### What are the facts?

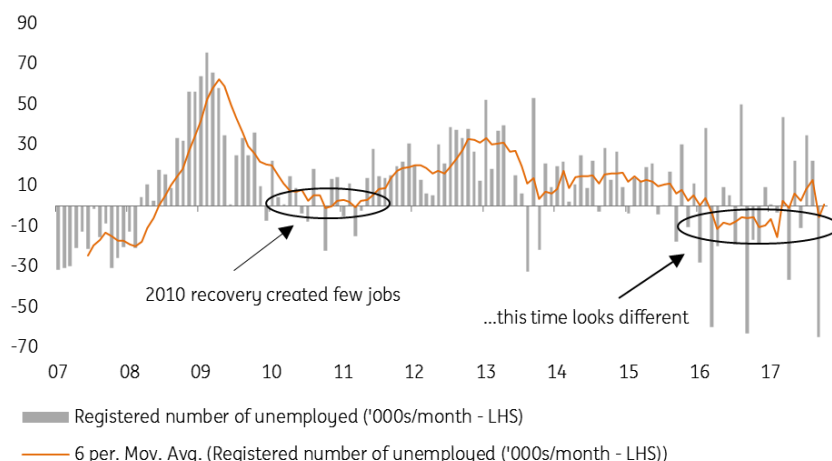
Figures published by INSEE for September showed that unemployment registered its biggest drop in more than ten years. It decreased by 64.8k, to less than 3.5 million people. The 3.5 million threshold, which was reached in early 2015, should soon be forgotten as hiring intentions remain high.

However, since early 2016 when unemployment started to decline, the data has been very

volatile. As the graph below shows, the improvement has not yet been enough to reach a monthly average drop above 25k. This is due to the subdued employment growth.

But with higher hiring intentions, a dynamic economic outlook, a lower tax wedge and labour market reforms, we continue to believe that unemployment contraction should accelerate in the coming months and allow for an unemployment rate below 9% in 2018 and close to 8% in 2019.

## The trend in diminishing unemployment was confirmed in September



Source: Thomas Reuters

## Consumer confidence: room for improvement

Consumer confidence could gain from this in the near future. In October, consumer confidence failed to improve decisively. It is actually decreasing since June and reached its lowest level this month. It remains to be seen if the prospects of tax cuts can still lead to higher confidence figure towards the end of the year as it is consumers' confidence on their future financial situation which has deteriorated most recently while unemployment fears are still lower than at the beginning of the year.

Therefore there is still room for further improvement on the consumer confidence side. In the meantime, intentions of good durable purchases remain elevated, which bodes well for the ongoing recovery.

## Negotiations between PM Philippe and unions continue

All in all, these unemployment and confidence figures came to give a context to the current – difficult – negotiations between PM Philippe and the unions around the reform of apprenticeship, vocational training and unemployment insurance.

The fact that President Macron has made some bold campaign promises, especially in terms of unemployment benefits doesn't make the negotiations easier.

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*The labour market clearly continues to benefit from the good*

## *economic outlook*

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This time, it seems the unions found an agreement for a common day of strikes in mid-November which will show if the fracture between the two continues to persist or if the unions are now regaining power.

In the meantime, the labour market clearly continues to benefit from the good economic outlook. French growth has slowed down from 1.2% in 2015 to 1.1% in 2016 and is set to rebound to 1.7% in 2017. If the Government can take profit from the accelerating recovery to implement reforms, GDP growth could accelerate towards 1.9% in 2018.

The trend should remain positive for the labour market as the economic outlook is brighter than in any of the past ten years. Reforms should also support the recovery further.

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