

## France: Unemployment still historically low, for now

The unemployment rate in France stabilised at 7.1% in the first quarter, a historically low level. But signs of a cooling labour market are mounting



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### Unemployment is at historically low levels

The unemployment rate in France stood at 7.1% in the first quarter, stable compared to the fourth quarter of 2022, and still historically low. It is now 1.1 percentage points lower than its pre-Covid level of 8.2% and 3.4 percentage points lower than its peak in 2015. These signs confirm what the employment figures were already indicating: the French labour market, like in the rest of Europe, remains incredibly strong. Since the beginning of 2020, 1.2 million additional jobs have been created in France, 85% of them in the services sector. This is an increase of 5.8% over the period, which is much faster than GDP growth (of 1.7% over the period), indicating that, since the pandemic, growth has been particularly employment intensive.

While a strong labour market is generally supportive of household purchasing power and can sustain consumption, these very good figures do not necessarily suggest more dynamic economic growth in the coming months. In fact, the unemployment rate is one of the most lagging economic indicators: the good performance in the first quarter is mainly a consequence of the

dynamic growth seen in 2021 and 2022. Indeed, the last time the unemployment rate was so low in France was in 2007-08, at the start of a major recession.

## Signs of cooling grow

The outlook for 2023-24 is not as bad as it was then, but the signs of a cooling labour market are mounting and the outlook is less favourable. For example, the slowdown in temporary contract hire has accelerated recently, which is usually a harbinger of a more generalised weakening of the labour market, as companies first cut temporary employment in the face of slowing demand before turning to internal employment.

Indeed, the number of job-seekers coming from the end of a temporary assignment has risen sharply over the past six months. In addition, according to the business surveys, hiring intentions of companies in all sectors have been declining for several months and the decline was accentuated in April, a sign of an expected weakening of the economic situation. The decline is particularly marked in the services and construction sectors.

Finally, the proportion of companies that consider that the lack of labour is a limiting factor to their production is falling in all sectors, although it remains at a historically high level. The pace of job creation should therefore slow down significantly in the coming months and could even turn slightly negative in the second half of the year. This should lead to an increase in the unemployment rate, reaching 7.3% at the end of 2023 and 7.6% at the end of 2024 (ILO definition).

The expected rise in unemployment would nevertheless be moderate in relation to the scale of the expected economic slowdown and a sharp fall in employment seems unlikely. The labour market is indeed structurally tighter, notably due to the ageing of the population, which will push companies to retain jobs more than during previous economic downturns.

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