

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



Since the beginning of 2020, 1.2 million additional jobs have been created in France, 85% of them in the services sector

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.

Author

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial

Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.