

## France's solid labour market is starting to cool

France's unemployment rate rose slightly in the second quarter. The low point seems to have been passed, and the trend over the next few quarters is likely to be upwards



France's unemployment rate has risen slightly

### Unemployment rate still historically low, but no longer falling

France's unemployment rate stood at 7.2% in the second quarter, up slightly from the first quarter's low point of 7.1%. Despite the additional 20,000 unemployed, the unemployment rate remains historically low, down 1 point on its pre-health crisis level (8.2%).

Furthermore, the employment rate remained at its highest level since the start of the series (1975) and stable over the quarter at 68.6% (of the population aged between 15 and 64). There was a significant rise in the employment rate for the oldest age groups (55-64), up 0.7 points over the quarter.

### A renewed fall in the unemployment rate in the coming months seems unlikely

From all the data published by INSEE, it's clear the French labour market remains very solid.

Nevertheless, despite stronger-than-expected GDP growth in the second quarter, the trend is for the labour market to cool, and the unemployment rate appears to have bottomed out. A renewed fall in the unemployment rate in the coming months seems unlikely.

Signs of a deterioration in the economic outlook remain strong, and growth is likely to be weaker in the coming quarters. Indicators are also pointing to a further cooling in the labour market in the future; companies' hiring intentions are falling, especially in the services sector. Industrial companies are beginning to report more problems of demand than of supply, and the proportion of companies seeing the lack of labour as a factor limiting production is decreasing.

Nevertheless, this proportion remains at a historically high level. We believe that the worsening economic outlook should slow the pace of hiring by companies, which would hinder job creation and lead to a gradual rise in the unemployment rate over the coming quarters. After years of strong job creation, job destruction is likely to be seen in 2024 and 2025, leading to a slight rise in the unemployment rate. We expect it to be 7.3% at the end of this year, 7.4% in 2024 and 7.5% in 2025.

## Author

### Charlotte de Montpellier

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

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