

## Article paru dans le Financial Time

# Le retour à la croissance de l'économie française reste peu convaincant malgré des indicateurs optimistes

## French recovery remains unconvincing despite upbeat indicators

By Hugh Carnegie in Paris

The latest indicators suggest that the French economy, Europe's second largest, is finally inching towards recovery. But that is not how it feels at the noisy funfair in the western city of Nantes.

"This year we have really been hit," says William Mace, handing out pellets to customers spending €3.50 to fire four shots at balloons on his colourful shooting stand on Sunday evening.

Our takings are down 20-25 per cent. That's huge. I'll leave after our month here this year with no profit."

The apparent reluctance of families in Nantes to splash out at the fair reflects the delicate position in [France](#), as clear signs of recovery are confounded by other indications that the country is still struggling to get back on a sustainable growth path.

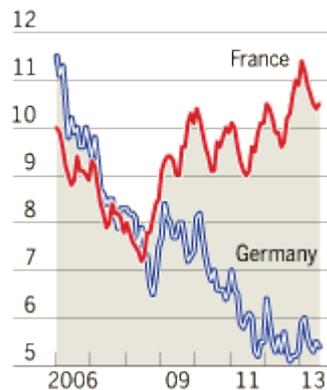
This week, as the government prepared to unveil its full [2014 budget](#) on Wednesday, the September Markit purchasing managers' index for manufacturing and services showed a move back into growth for the first time in 18 months.

The OECD club of rich countries recently forecast that the economy as a whole would grow by 0.3 per cent this year – against its previous projection of a 0.3 per cent contraction. The socialist government of François Hollande, French president, has targeted 0.9 per cent growth next year but is optimistic it will do better than that. "The recovery is here," Mr Hollande declared last month.

In Nantes, near the mouth of the Loire river, there are some encouraging signs. The city, with a population of 300,000, is benefiting from new industries and projects to regenerate its old shipyards.

## French feeling fragile

Unemployment rate (%)



France Markit manufacturing PMI  
(above 50 = expansion)



Source: Thomson Reuters Datastream

Young entrepreneur Mathieu Le Gac-Olanié says Escale Digitale, the internet consultancy he co-founded when he left university three years ago, is increasing revenues at 80 per cent a year. “There is lots happening in the digital economy,” he says.

Patrick Rimbert, the city’s mayor, adds: “We feel a mild recovery. The aeronautic sector is adding jobs, so is the IT sector. We no longer have a big increase in bankruptcies.”

But he cautions: “There is still fragility among small and medium-sized companies. Some of these are still suffering; they have been pushed to the edge.”

The government’s critics argue that a real rebound is being held back by structural obstacles that Mr Hollande has either done little to ameliorate, including high labour costs and market rigidities, or has made worse, by adding significantly to France’s heavy tax burden.

Our customers are the working class. They’ve been hit by taxes much more than before. That means they don’t have so much to spend. Companies and households have been hit by some €60bn in additional taxes levied since 2011 to reduce the budget deficit, with more to come next year, despite [Mr Hollande’s promise of a “tax pause”](#).

This has hit purchasing power, which in turn undermines consumption, a main driver of the French economy. “Our customers are the working class,” says Mr Mace. “They’ve been hit by taxes much more than before. That means they don’t have so much to spend.”

Mr Hollande insists a turnaround is on the way and has promised to reverse a long trend of rising unemployment by the end of this year. The increase in unemployment, which stands just below 11 per cent, has slowed. But the government admits only state-funded schemes will enable it to hit the president’s target – and youth unemployment stands at 25 per cent.

Trendeo, a statistics-tracking company, says the manufacturing industry shed 17,000 jobs in the first eight months of the year, 3,000 more than in the same period last year.

Jean-Yves L’Anton, who helps run an association in Nantes assisting jobless over-40s, says the number coming to its monthly meetings is rising: “There are 100,000 unemployed in the whole *département* but that’s not counting those who have dropped out of the workforce – you can add 15,000-20,000.”

Pascale Vallee, his colleague, says the problem is at both ends of the age scale: “More and more people over 50 are looking for work. I don’t think the authorities have realised how serious this is,” she says.

The government has enacted a labour reform package to ease conditions for hiring and firing, but even those keen to employ remain hesitant.

Mr Le Gac-Olanié, who employs four people, says social charges on employers and regulation are “a real issue for small companies. We want to employ more people, but it is a risk. We need to feel sure about the future.”

A short distance away, Yann de Saint Vulry has opened a branch office of DaXium Software, a Paris-based company he co-founded that provides business platforms for mobile workers. “There are lots of good, skilled people in France,” he says. “But I tell my managers to put their foot on the brake. I don’t want to have too many employees in France. It is not just the French economy, it’s the eurozone.”