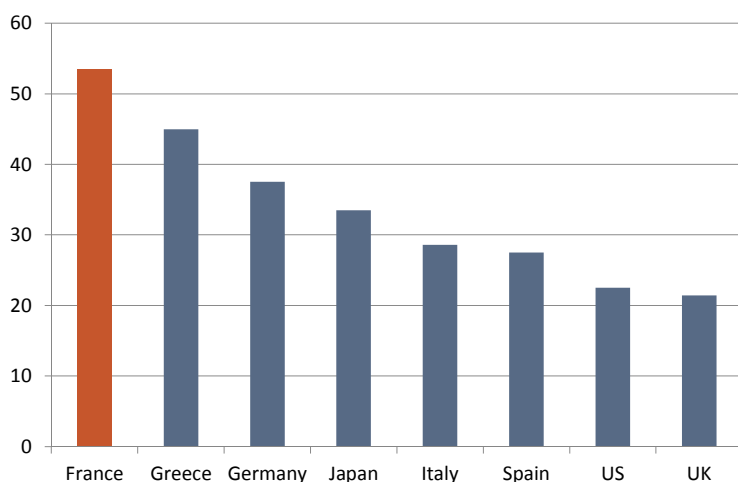


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12 July 2019

Going for growth: French reforms pay off

Advantage France: OECD reform responsiveness indicator, 2015-2018 average



Average of 2015/2016 and 2017/2018. The scale shows how many of the OECD's biannual reform proposals countries have implemented in these two periods, in %. Source: OECD

- Reform drive:** With policies spearheaded by Emmanuel Macron, France has turned into a reform leader among the major nations of the world. According to the OECD's bi-annual "Reform Responsiveness Indicator", only small Latvia has implemented OECD recommendations for pro-growth reforms more diligently than France in the years 2015 to 2018. Following a first major wave of French reforms in 2015/2016 when Macron was economy minister and a lull around the election of 2017, today's OECD results suggest that the pace of reforms picked up again in 2018.
- No time for complacency:** A cyclical upswing can dent the incentive to reform. The OECD notes that, for the average of its member countries, the reform responsiveness declined from 31% in 2015/2016 to 28% in 2017/2018. The French result also receded. But after 57% in 2015/2016, France's reform responsiveness still came in at 50% in 2017/2018.
- Au revoir, gilets jaunes:** Reforms are not always popular. In late 2018, the "yellow vests" protests rattled France. After an extensive dialogue with citizens, Macron has seen off those protests. His reaction to the protests has improved the composition of his policy package. While he continues to push through pro-growth reforms, he has added fiscal sweeteners to make the changes easier to digest. Despite serious global headwinds caused mostly by US-stoked trade wars, France is one of the few countries we cover for which we have not had to reduce our [2019 growth forecasts this year](#). So far, France has remained remarkably resilient in the face of serious global headwinds.
- Start-up nation:** Of course, it is far too early to tell by how much Macron's labour market, tax, education and welfare reforms are raising France's economic performance beyond a confidence effect. Still, some signs are encouraging. The number of business start-ups has surged to 745k in the year to May 2019 from 554k of 2016. France is now creating more new businesses than Germany (674k in the year to March 2019). French business investment (excluding the financial industry) has risen by 4% per year since early 2017, raising its share of GDP from 12.7% to 13.1%.
- French workers are benefiting:** Despite the global headwinds, French job vacancies for contracts for more than six months continue to hover around a record 160k. The share of permanent work contracts in French employment has edged up to 49.5% in early 2019 from 48.7% in 2015.
- A golden decade for France?** Since the rise of Emmanuel Macron to power, we have maintained that his pro-growth reforms could usher in a golden decade for France in the 2020s, with France taking the place of Germany as the top performer of the major economies in Europe. After two years in office, Macron does not seem to have lost his reformist zeal, preparing an overhaul of the pension and welfare system at the moment. With almost three years until the next election, he still has time on his side. So far, we see no reason to change our positive outlook for France.

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