'Yellow vest' protests slow French economy, piling pressure on Macron

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The anti-government protests convulsing France will slow growth to close to a standstill in the final quarter, the central bank said on Monday, complicating President Emmanuel Macron's task of finding concessions to placate the "yellow vest" movement.

The Bank of France on Monday forecast the euro zone's number two economy would eke out growth of only 0.2 percent in the quarter from the previous three months, down from 0.4 percent in a previous estimate.

Finance Minister Bruno Le Maire declined to give an estimate for 2018 growth but forecast the nationwide tumult would trim 0.1 percent of a point off of national output. His deputy projected growth would round out "closer to 1.5 percent".

The slow-down will be worrisome for Macron, who faces huge pressure on the streets to make further cuts to taxes and social security costs to bolster household spending power, while keeping France's budget deficit below a European Union cap.

The slowdown is a "reality for our businessmen, entrepreneurs, it's the reality for those whose shops were vandalised, looted, in the most violent way," Le Maire told RTL. "And it's a reality too for our foreign investors."

Police used tear gas, water canon and horses to charge protesters hurling projectiles, torching cars and ransacking some shops, though they encountered less violence than the previous Saturday, when the capital encountered its worst violence since the 1968 student uprising.

In a sign of the perceived heightened risk of holding French debt, French government bond yields rose on Monday, pushing the French/German 10-year bond spread to its widest since May, at around 46 basis points in early trade.
On the Paris bourse, airport operator ADP fell 1.0 percent, while retailers Carrefour, Casino and FNAC Darty shed between 1-1.6 percent. Hotels company Accor initially traded down 0.7 percent before paring losses.

MACRON EMERGES INTO OPEN

Macron will meet union leaders and employers’ groups on Monday before he addresses the nation in the evening.

The president has drawn criticism for his silence in public over the violence in Paris - opponents accuse him of turning the Elysee Palace into a bunker. Ministers hope his address will placate the yellow vests, whose revolt poses the most formidable challenge to his 18-month administration to date.

"Our country is deeply divided, between those who see that globalisation has benefited them and others who can't make ends meet, who say ... globalisation is not an opportunity but a threat," Le Maire told RTL.

"It is the president's role to unify the country."
The protests were born out of a backlash against the squeeze on the household budgets of hard-pressed middle class and blue-collar workers. But the movement has developed into a broader anti-Macron rebellion.

Mindful of France's deficit and not wanting to flout EU rules, Macron will have limited room to meet the yellow vests demands for a higher minimum wage, lower taxes, cheaper energy, and better retirement provisions.

The government's latest estimates are for a budget deficit of 2.8 percent in 2019, just below the EU's 3 percent cap - a target Macron has cast as critical to meet to cement his reformist credentials.

Le Maire reiterated his desire to accelerate tax cuts but suggested he was not in favour of reinstating a tax on wealth -- known as the 'ISF' -- that Macron narrowed when he came into office, and which earned him the tag "president of the rich".

"Does the ISF help reduce poverty, reduce our debts, reduce public spending? No. If you want to hunt for money, go knocking on the doors of digital tech companies," Le Maire said.

"It is time they paid a fair level of tax," he said.