

Weak data buffets French economy

A batch of downbeat government data has cast doubt over the French economy's future prospects.

Official figures showed on Friday that unemployment was unchanged at 9.9% last month, while consumer confidence fell unexpectedly in October. At the same time, finance minister Nicolas Sarkozy warned that high oil prices posed a threat to French growth. "[Oil prices] will weigh on consumer spending in the short term, and potentially on confidence," he said. World oil prices have risen by more than 60% since the start of the year as production struggles to keep pace with soaring demand.

Analysts said French companies, keen to protect their profit margins at a time of rising energy costs, were reluctant to take on extra staff. "[The unemployment figures] show the main problem of the French economy: we have growth but without an improvement in employment," said Marc Touati, an economist at Natexis Banques Populaires. "Politicians must have the will and guts to solve structural unemployment with thorough reforms, otherwise in five or ten years, it will be too late." Obligatory employer contributions to worker welfare programmes mean that it costs more to hire staff in France than in many other European economies. Many economists have urged the government to stimulate employment by reducing non-wage payroll costs, and by scrapping restrictions on working hours. The French statistics agency, INSEE, expects the economy to grow by about 2.4% this year, buoyed by strong consumer spending and business investment. That is above the projected eurozone average of just above 2%.