

## Macro-economic impact of the «yellow vest» movement: still difficult to gauge

Estimating the economic impact of the “yellow vest” protest movement remains a difficult and uncertain task at time of writing (10th December 2018). This movement, which has since evolved in a fairly unprecedented manner, began in mid-November (i.e. relatively recently) and is still in progress as this edition of *Conjoncture in France* goes to press. There are therefore very few macro-economic indicators at time of writing.

Originally a response to rising fuel prices, the yellow vest movement has since expanded to take in other demands, with a particular focus on purchasing power. The movement has principally taken the form of roadblocks, but there have also been demonstrations - and even riots - with violent scenes in Paris and elsewhere, including the overseas departments.

Although the movement has no directly comparable historical precedent, we can nevertheless endeavour to list the forms in which it is likely to have an impact on economic activity.

### A likely impact on consumption, particularly of services

With regard to industrial output, blockages affecting roads and petroleum depots have delayed deliveries and left some businesses with stock problems. Nevertheless, for the time being these blockages appear to be less substantial than those which hampered economic activity during the mass strikes of December 1995, for example, which knocked approximately 0.2 points off quarterly GDP growth.

On the other hand, the yellow vest movement appears to have penalised consumption via several channels, especially in certain areas. First and foremost, road blockages may have prompted households to postpone or delay certain purchases. Expenditure on goods may be partly postponed. But the postponement effect is generally less applicable to expenditure on services

(particularly on accommodation and food, leisure activities and transport), sectors which could thus see more substantial losses.

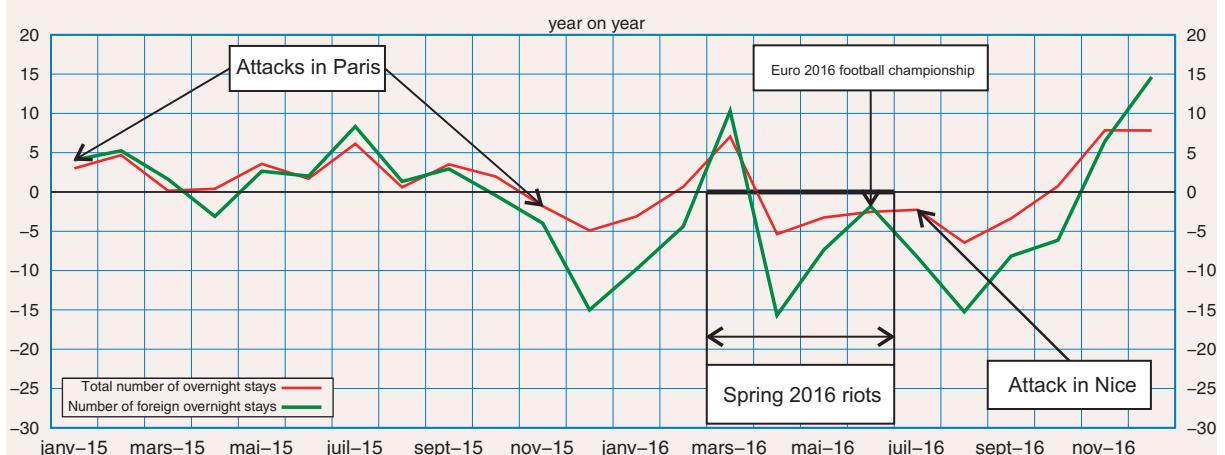
### The violent nature of the riots is likely to impede tourism

On top of these blockages, account should be taken of the disturbing scenes of violence which marred the movement on Saturday 24th November, and even more so on 1st December. Some of these scenes played out in some of the country's most symbolic locations and tourist attractions (including the Champs-Élysées and the Arc de Triomphe in Paris). It therefore seems likely that tourism-related activities will suffer as a result.

France has experienced episodes of rioting in the past, for example in November 2005. However, the available data suggest that these riots did not have any significant impact on tourism activities. They were limited to the Greater Paris region, without affecting the tourist-friendly centre of the capital. On the contrary, the terrorist attacks of November 2015 in Paris, although very different from the current events, had a negative effect on tourism for several months, reducing annual growth by 0.2 GDP points in 2016 (see INSEE, 2016 and Beatriz, 2018).

By way of an example, the graph below shows the year-on-year variation in total nights spent in hotels for 2015-2016. Tourist stays in hotels dropped off sharply after the attacks of November 2015 (*Graph*). As might be expected, foreign visitors were the most affected. The attack of 14th July 2016 in Nice is likely to have had a similar effect, albeit less pronounced. At least two other events probably had an impact on the series for this period: demonstrations in spring 2016 which were occasionally violent but by no means comparable to the events of 1st December 2018, and, conversely, the Euro 2016 football tournament hosted in France in June and July 2016.

### The evolution of tourism in the hotel industry has been hit by many events in 2015 and 2016



How to read it: Data is raw

Source : INSEE

### **In November 2018, household confidence in the economic outlook dropped off sharply**

Alongside the major macro-economic indicators, the outlook surveys conducted on businesses and households give some idea of the way in which economic stakeholders perceive the short-term outlook.

In mid-December, the results of the business tendency surveys are not yet available for the period since the most violent demonstrations. Since the yellow vest movement only began in earnest on 17th November, business leaders had not yet taken it into consideration when responding to the November survey.

However, the household economic outlook survey shows that the composite indicator for confidence dropped off sharply in November. All components of this confidence indicator are substantially down. In particular, the balance of opinion on opportunities for major purchases fell in November, and this balance can be connected to future household consumption (*Focus: How do households perceive changes in their standards of living in the outlook surveys?*). This leads us to expect a relatively sluggish showing for consumption in Q4 2018, a quarter which nonetheless saw the introduction of fiscal measures (reduction of local residence tax and social security contributions) designed to boost household purchasing power.

### **This social unrest could also have an impact on employment**

Finally, the slowdown in activity caused by the yellow vest movement could also have a negative impact on job creation. For example, a number of fixed-term or temporary contracts offered by stores in preparation for the end-of-year festivities may not be filled because of the blockages.

Overall, the scenario retained for this Conjoncture in France is based on the hypothesis that the yellow vest movement could reduce GDP growth in Q4 2018 by 0.1 points, primarily affecting certain major sectors of activity: retail, accommodation and food, transport, etc. However, this estimate remains subject to considerable uncertainty, not least regarding the duration of the movement.

### **Bibliography**

**INSEE** (2017), "In 2017 tourism should no longer have a negative impact on French growth, after slowing growth by 0.2 points in 2016", focus article in Conjoncture in France for June 2017.

**Beatriz** (2018), "The return of tourists in 2017 contributed 0.2 points to French growth", inset section in the 2018 edition of The French Economy: accounts and reports (INSEE). ■