

France

Global growth and Macron factor drive French industrial upturn

Factories opening and jobs being created as embryonic manufacturing revival takes hold



Ecocem's new plant under construction in Dunkirk. The election of the pro-business Emmanuel Macron as president has boosted business morale, according to company founder Donal O'Riain © Leo Novel/FT

YESTERDAY by Anne-Sylvaine Chassany in Dunkirk

In a windswept corner of Dunkirk in northern France, a new factory is rising from the ground.

Enveloped by the hum of the furnaces at ArcelorMittal's adjacent steel plant, construction workers tend to the site's centrepiece: a 15m-high crusher that will turn slag, a steel byproduct, into a powder used to make low-carbon-emission cement.

The factory — the second being built in France by Ecocem, the Irish cement maker — is one of dozens under construction across the country as an embryonic manufacturing revival takes hold.

The eurozone's second-largest economy is gathering pace after a decade of near stagnation. Buoyed by the wider global recovery — as well as corporate tax breaks introduced by Socialist president François Hollande in 2014, say economists — France is expected to see growth of 1.7

per cent this year, compared with 1.2 per cent in 2016, according to the Banque de France.

With the economy improving, French demand for cement has swollen by 11 per cent year-on-year as construction returns to growth, says Donal O’Riain, Ecocem founder.

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DONAL O’RIAIN, ECOCEM FOUNDER



But the upbeat business mood in France is not just down to the global recovery and Mr Hollande’s limited reforms, according to Mr O’Riain.

Although his decision to invest €37m in Dunkirk predates Emmanuel Macron’s election in May, the arrival of the pro-business French president and his determination to push through labour reforms and tax breaks have boosted morale, he says, “unleashing the animal spirits” that fuel corporate investments.

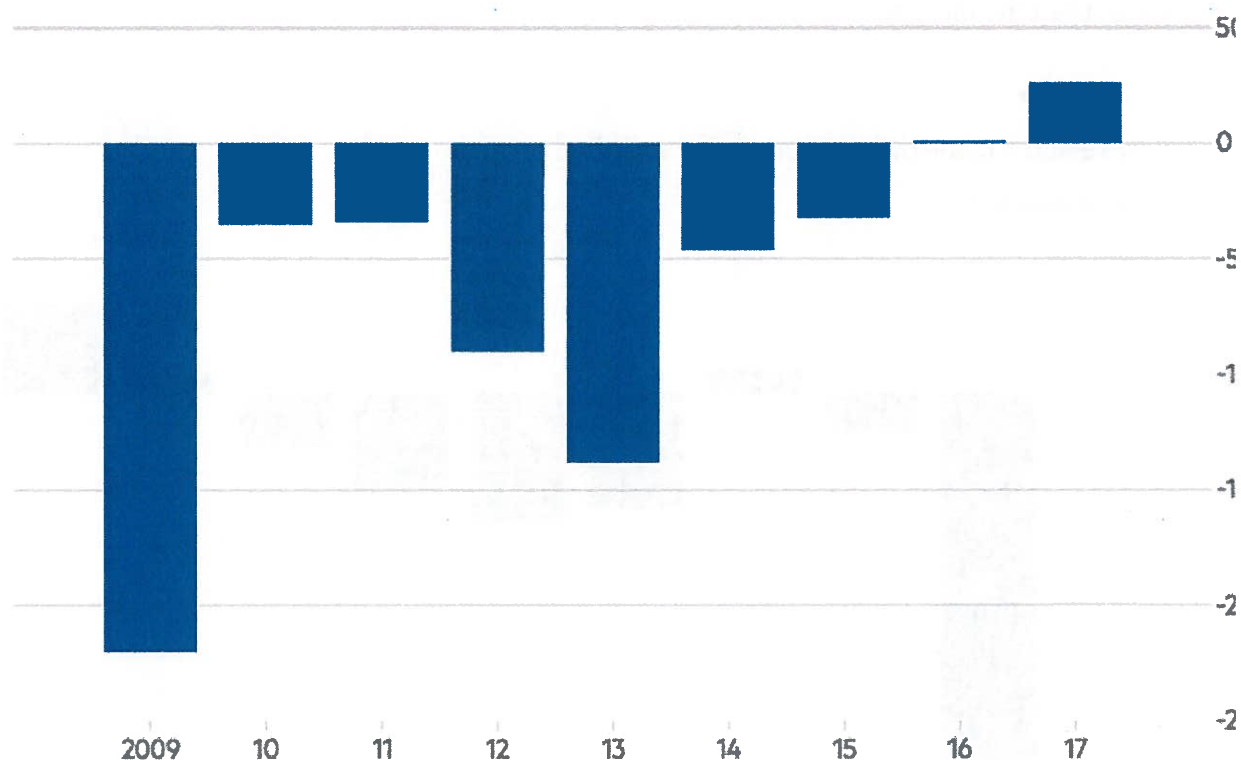
“The French are becoming more optimistic than I’ve seen in 30 years,” says Mr O’Riain, who lives near Paris. “Typically they tend to see the problems more. But the balance has shifted.”

Recent data bear out his sense of a turnaround. For the first time since 2009 the number of factory openings has outnumbered closures, according to figures compiled by Trendeo, the researcher, last month.

Bankruptcies in construction have decreased by 14 per cent since 2016, compared with a 7.4 per cent decrease across all sectors, according to Insee, the national statistics institute.

French executives in the services and factory sectors reported stronger business conditions in October compared with the previous month, a Markit survey published on Tuesday showed, and Insee notes that more companies are reporting labour shortages.

French factories - net openings and closures



Source: Trendeo

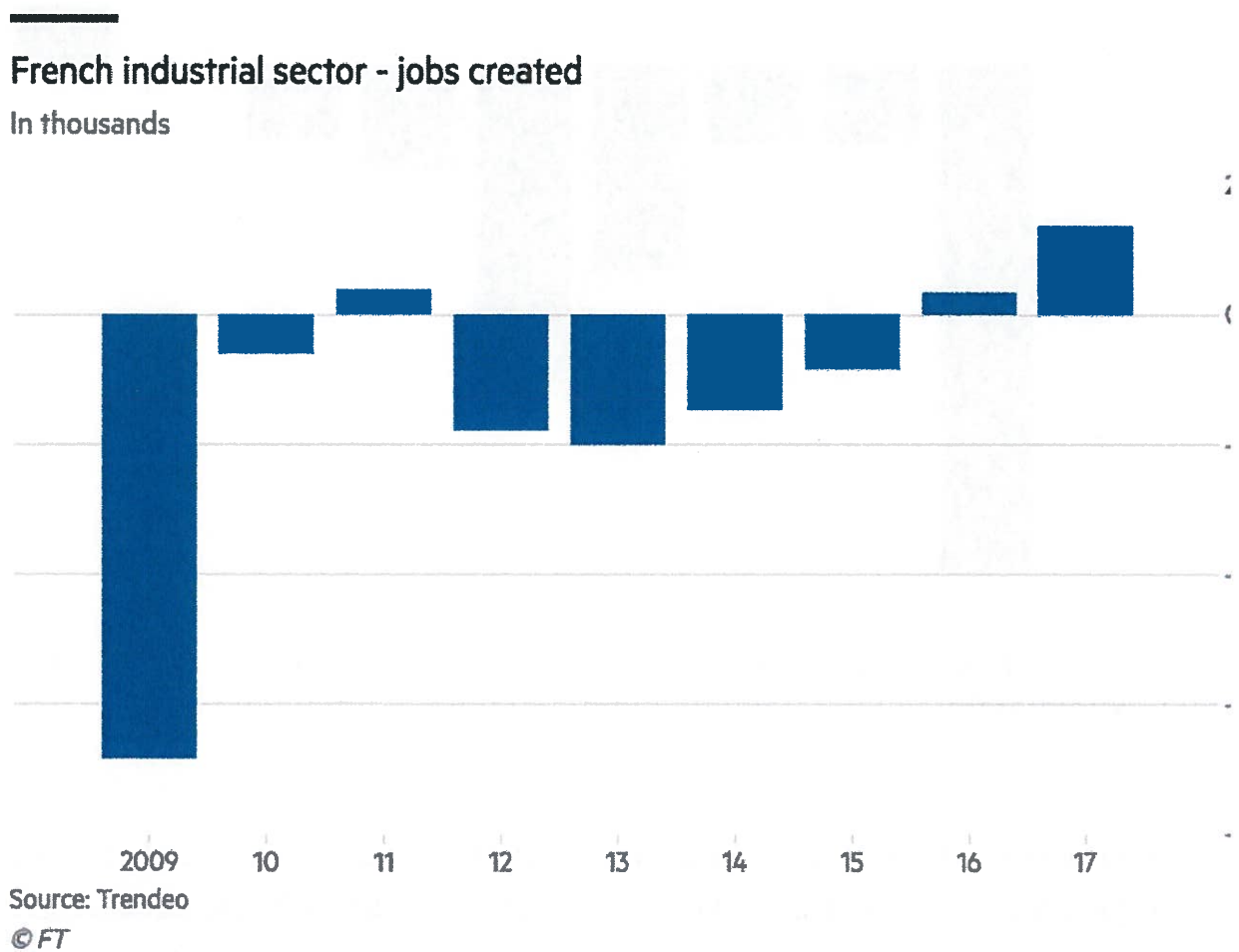
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The job market is showing corresponding signs of life. For the past two years, new hires in manufacturing have more than offset job cuts, Trendeo says. Nationally and across all sectors, the number of job seekers who did not work at all during September fell by 64,800 to 3.7m, the biggest monthly drop since 2001, according to data released by the labour ministry on Tuesday.

“It’s a real change,” says Philippe Waechter, economist at Natixis. “French industry is perceiving strong business prospects. It’s a positive signal for jobs and investment and the ability for the French economy to catch up.”

The improvements have yet to erase the decade of industrial decline that fuelled the populist vote in old manufacturing bastions such as Dunkirk. In the Hauts de France region, where the port town lies, far-right leader Marine Le Pen recorded some of her highest scores in this year’s presidential election.

About 600 factories have shut down across France since 2009, with the loss of more than 115,000 jobs, Trendeo research shows, and it notes that the new plants hire fewer workers on average than the old ones.



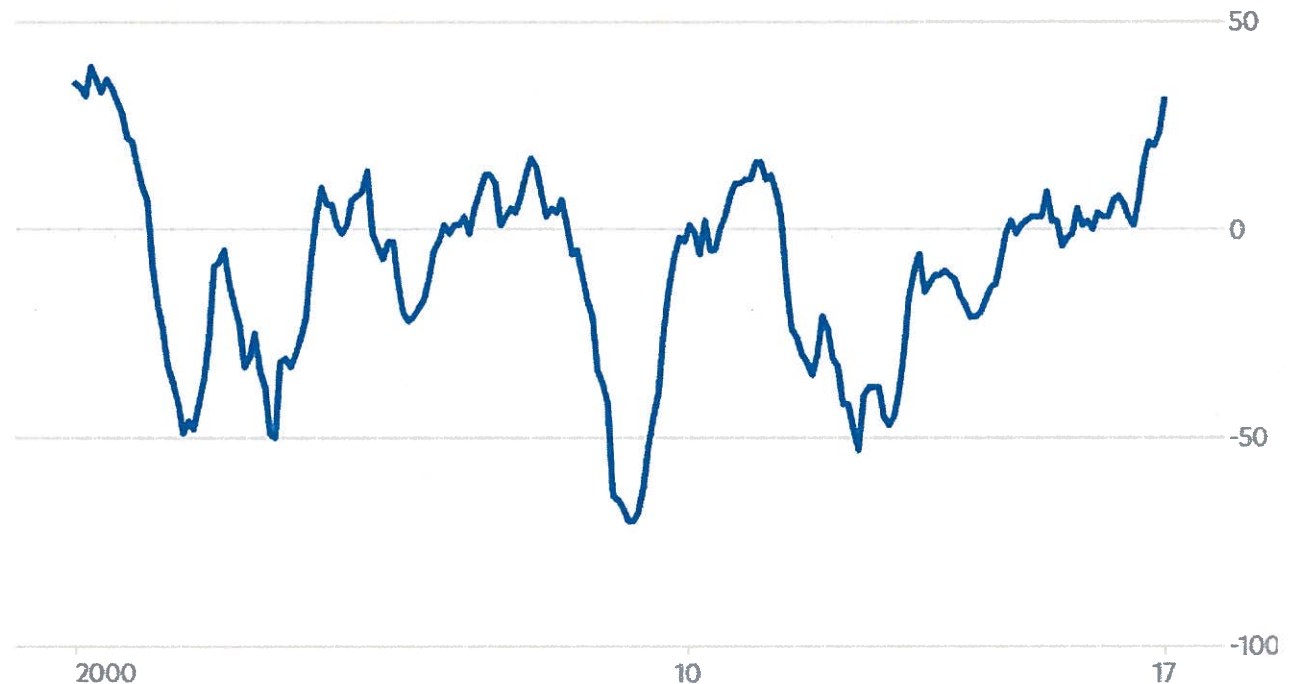
But the uptick is likely to help Mr Macron as he moves to implement his pro-business programme. Last month, the president faced little union opposition when he pushed through a measure designed to give companies more legal certainty when firing employees and greater leeway to negotiate hours and conditions with unions, rather than having to comply with national or sector-wide rules.

On Tuesday parliament backed a law scrapping the country's wealth tax on everything except property assets — in effect cutting the levy by 70 per cent — and approved the introduction of a 30 per cent flat tax on capital gains and dividends. Mr Macron has also pledged to cut corporate tax.

At stake is whether the president can revive the economy and address the angst over globalisation that led a third of voters to back Ms Le Pen and her Eurosceptic, protectionist agenda in the second round of the presidential election.

French business confidence is at its highest for 17 years

Net % balance of manufacturers (those expecting a rise in output less those expecting a fall)



Source: INSEE

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Regis Duvin, the contractor supervising the Ecocem building site, is not convinced the recovery will last. French unemployment remains above 9 per cent compared with an EU average of 7.7 per cent, and is about 12 per cent in Hauts de France.

“A factory is opening here but another is shutting down somewhere else,” he says. The UK’s planned departure from the EU, which could mean tariffs on goods transiting through the port if London and Brussels fail to reach a trade deal, is another threat, he says.

But executives such as Mr O’Riain remain upbeat. The entrepreneur built his first French facility in Fos in 2010, amid the global financial crisis. He withstood the most severe downturn since the 1930s and is now ready to bet on Mr Macron after the disappointing terms of Mr Hollande and his centre-right predecessor Nicolas Sarkozy.

“In the past 30 years, our hopes had been raised. Sarkozy in the end did little. Hollande was not prepared,” he says. “A new dawn seems to be breaking.”

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