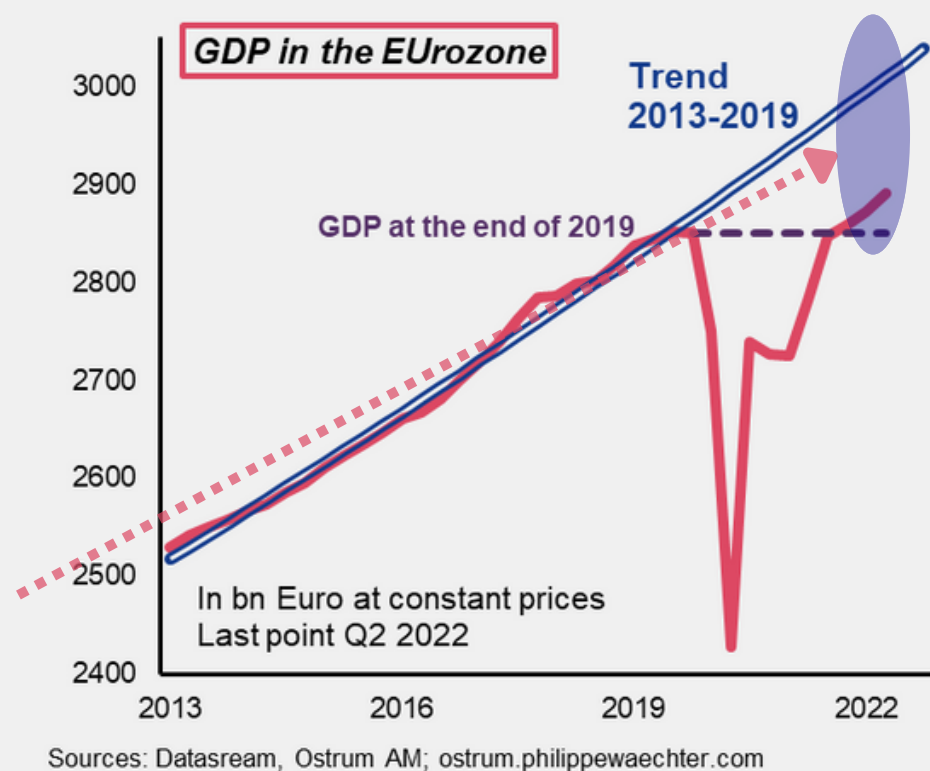
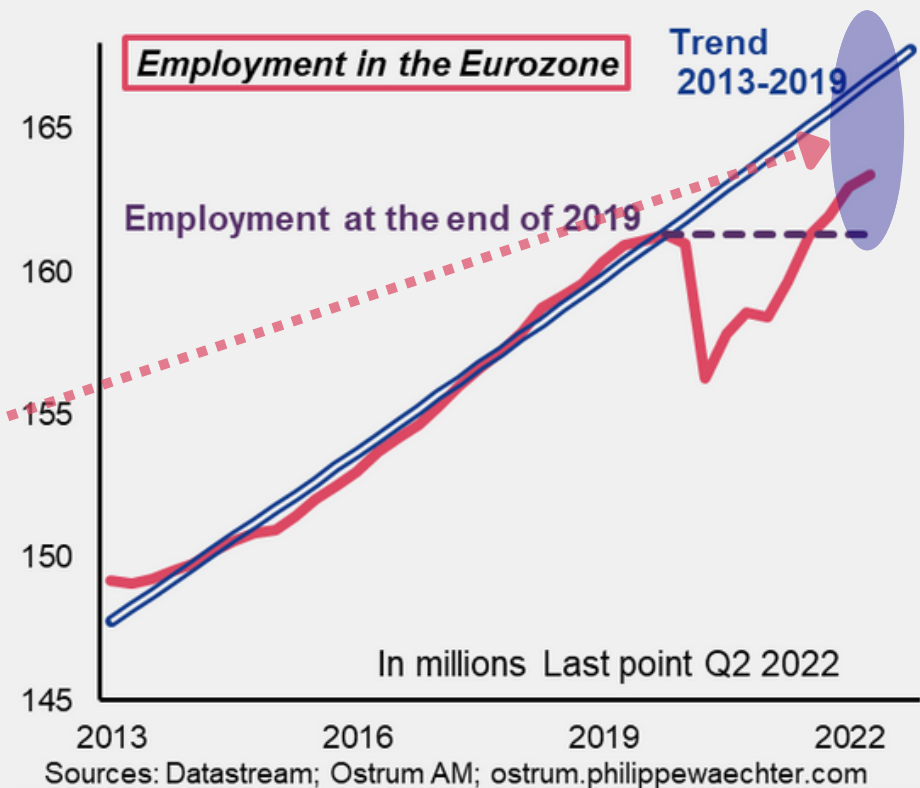






## EMPLOYMENT AND ECONOMIC ACTIVITY HAVE IMPROVED DURING THE SECOND QUARTER OF 2022

- ▶ Despite the Ukrainian crisis, **employment momentum remains strong** in Q2 2022
- ▶ **Employment is well above its pre-pandemic level.** But the convergence to the trend that prevailed before the health crisis appears to be interrupted. The gap is still at 2%. That's a significant number.
- ▶ The number of jobs increased by 0.3% over the quarter and by **+2.3% compared to the second quarter of 2021.** The carryover growth of employment for 2022 is 1.9%
- ▶ **GDP** was revised down to **0.6%** for the second quarter (initially 0.7%) and 3.9% over one year. **Carry over growth for 2022 is 3%.**
- ▶ The level of **GDP** is **above the pre-pandemic level** but the **gap to the pre-crisis trend is significant at -3.9%** and is no longer being reduced





**PRODUCTIVITY IS NOT INCREASING. THE ABILITY TO ACT IS DIMINISHING.**

➤ **Productivity** is an important measure since it shows the ability for the economy to adjust on the upside and be able to distribute more income, to increase investment or to reduce the time at work.

➤ High productivity gains provide **rooms to improve the management of the economy**

➤ In the **Eurozone**, productivity is back to its **2019 level** but remains far from its pre-crisis trend. The gap in Q2 2022 is -2.1%.

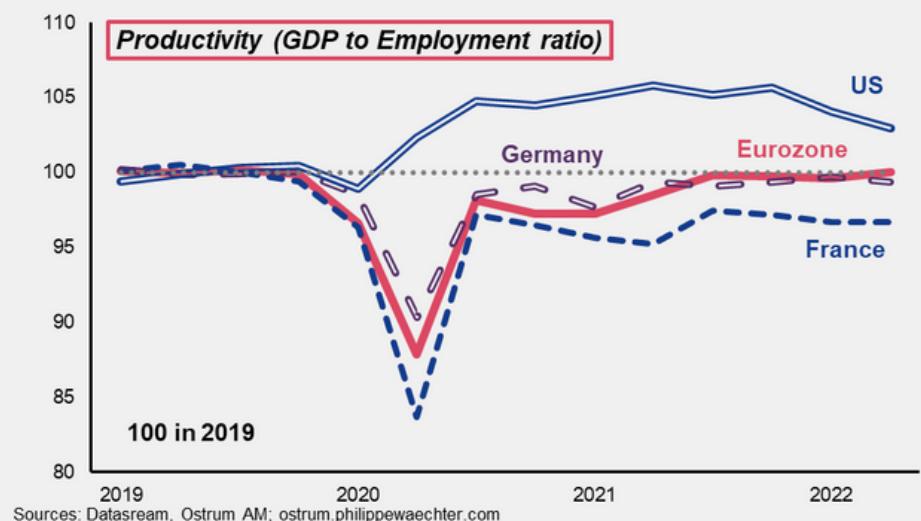
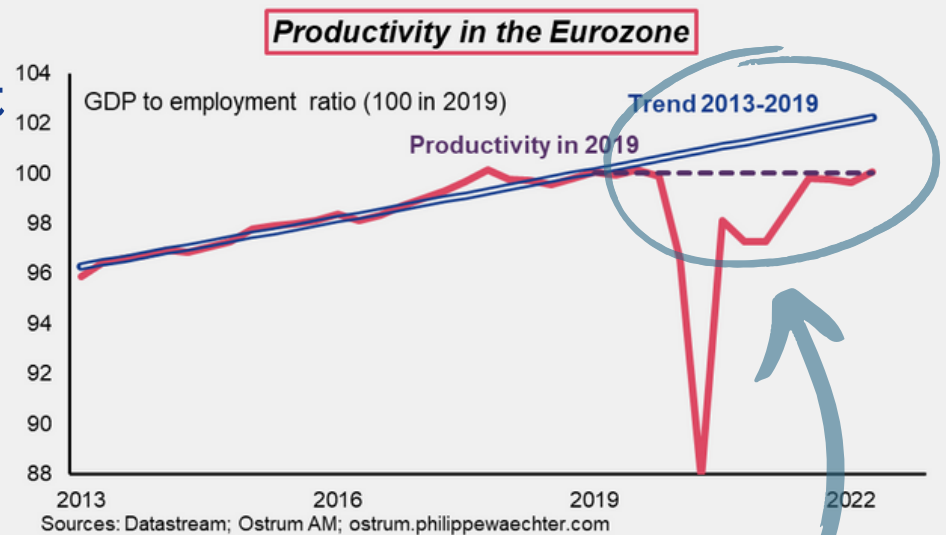
\* \* \*

➤ The temptation is great to **compare** with the US, France and Germany.

➤ **Germany** has a **similar profile** than the Eurozone.

➤ The **US** is well above 2019, providing **rooms for manoeuvre**.

➤ In **France**, productivity is in **sharp decline**, far from its pre-health crisis level.





## DIFFERENCES IN PRODUCTIVITY REFLECT CONTRASTING CHOICES IN ECONOMIC POLICY.

- ➔ The large difference between Europe and the US forces us to question the economic policies pursued during the pandemic.
  - ➔ In **Europe**, economic policy has **subsidized jobs** so that they are maintained at all costs. Employees had to be able to find their jobs again after the health crisis.
  - ➔ In the **United States**, economic policy **subsidizes workers** whose jobs have been destroyed by the pandemic.
  - ➔ In Europe, the **government pays the wages for jobs** that were stopped by the pandemic..  
In the United States, **governments pay unemployment benefits to redundant employees**. In addition, the US State paid large subsidies to consumers to fund the demand.
  - ➔ **Subsidising employees facilitates the adjustment of employment to the new structure of the economy** emerging from the crisis (because an economy is always transformed during a crisis or a recession). The economy adapts better to new conditions.
  - ➔ **Subsidizing jobs is a way of freezing the structure of jobs as it was before the crisis**, since everyone is back to his job once the crisis is over. The economy does not catch the new form of the economy.
  - ➔ **The US has a terrible advantage here and this is observed in the productivity profile**
- \* \* \*
- ➔ Graphs in the appendix show the shape of GDP and employment, quarter after quarter since 2019. The two productivity components are presented in base 100 in 2019.



## THE PARADOX OF THE FRENCH LABOR MARKET

- In France, the situation is specific. Employment has never risen faster than now despite a drop in productivity of nearly 4% compared to 2019.
- The situation is all the more difficult to interpret as the rate of job vacancies (jobs created but not filled) is at a record level.
- What's happening in France ? Hiring is at a record level and companies have never wanted to hire so much while the activity measured by the GDP has a banal profile
- Two possible but opposite interpretations
  - 1 Productivity gains at the enterprise level are increasing very rapidly, as a result of innovations and their complementarity. These gains would be currently poorly measured at the macroeconomic level. The hires would then correspond to the needs of the company to cope with this stronger activity.
  - 2 After the pandemic and the economic policy measures taken, productivity has collapsed in the companies and to maintain the level of activity it is necessary to hire, at the risk of reducing companies' profitability.
- **We all want the first hypothesis to be the good one, but we fear the second that looks more realistic.**

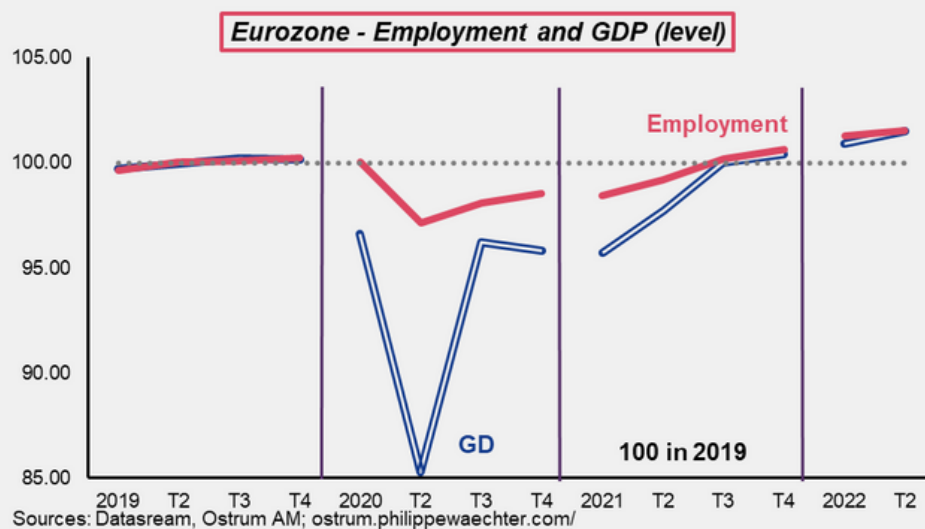




### GDP AND EMPLOYMENT TRAJECTORIES FROM 2019 TO Q2 2022

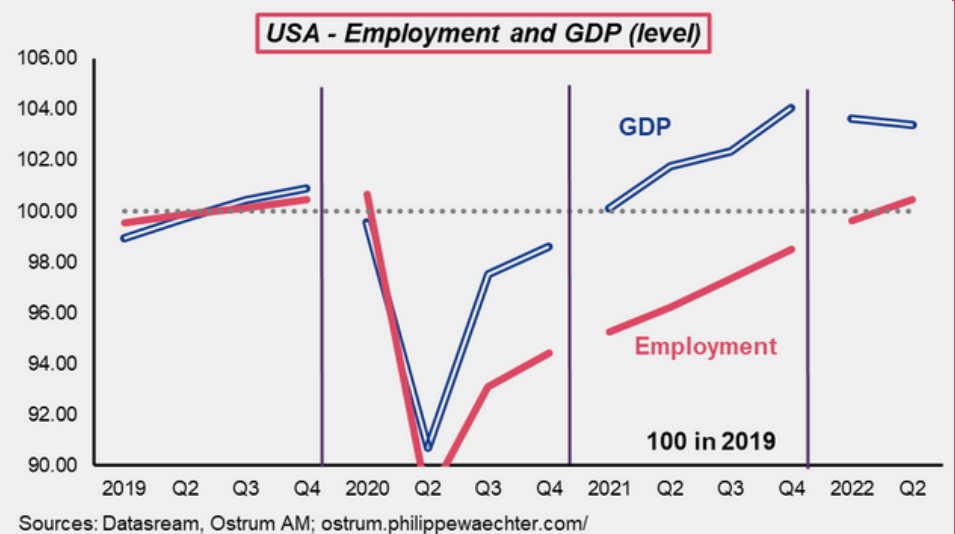
#### Euro zone

Convergence of employment and GDP after a job subsidy policy



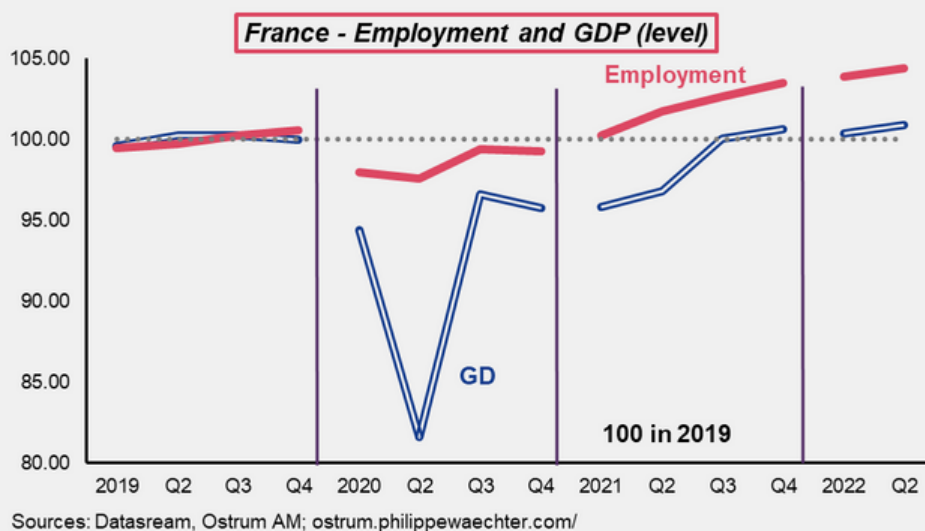
#### United States

Employment falls in April 2020 then slowly catches up to GDP



#### France

Employment at a record level



#### Germany

Sluggish momentum

