

Bank of France Trims Growth Forecasts as Protests Drag  
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By William Horobin

(Bloomberg) -- The Bank of France trimmed its growth forecasts on Thursday and warned of major uncertainties as it expects the Yellow Vests protests to drag on economic output at the end of the year.

The French economy will grow 1.5 percent this year and next, slightly below the 1.6 percent expansion the central bank forecast in September before the protests began.

“The deep causes of this movement obviously go beyond the economy, and the responses are therefore more broad.

Nonetheless, the economic consequences will be significant,” Bank of France Governor Francois Villeroy de Galhau said in an interview with Les Echos accompanying the new forecasts.

In an effort to placate the movement, President Emmanuel Macron announced broad tax cuts on Monday to boost incomes, especially of low earners. If that fails to restore calm, the growth glitch could transform into prolonged weakness.

“The more the movement continues, the more it will be a loss for the French economy,” Villeroy said.

#### Favorable Situation

Still, the central bank said 1.5 percent growth was a level that would help the country close a gap with euro-area peers. It expects consumers to drive growth next year thanks to a rise in spending power, supported by tax cuts.

“French growth should remain above its average of recent years: That is still a rather favorable economic situation,” Villeroy said.

The central bank’s forecasts do not take into account Macron’s planned tax cuts. But it said the measures could also support consumer spending next year.

In the Les Echos interview, Villeroy also commented on the European Central Bank’s decision to end its net asset purchases. He said a “gradual normalization” of policy is justified by euro-area figures, but the central bank remains flexible in uncertain times and has powerful instruments available.

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