

<https://blog.en.erste-am.com/macron-wins-french-elections/>

Macron wins French elections

Gerhard Winzer



© (c) iStock

The elections are over. The next President of France will be Emmanuel Macron. This strengthens the camp of the liberal EU supporters. What does this result mean for the capital markets?

Cyclical upswing

The elections in France took place against the backdrop of a cyclical upswing in the Eurozone. Experts expect economic growth of 2.1% for 2017 after 1.7% last year. In France, too, numerous economic indicators suggest an acceleration of real economic growth. The economy is expected to grow by 1.4% this year after 1.1% in 2016. This means that France has clearly embarked on a recovery phase. While actual output continues to fall short of potential output, the so-called output gap has been shrinking (last year: almost -2% relative to potential). The immediate risk of deflation has also been overcome. Consumer price inflation is expected to increase from 0.3% to 1.4%.

Structural problems are not going anywhere

However, France continues to grapple with its structural problems. Average growth across the economic cycle and competitiveness are low. Also, government spending (56% of GDP), government debt (almost 100% of GDP), the unemployment rate (10%), and the degree of regulation are high. With Macron's victory, at least the potential for structural reforms and economically agreeable measures in France has increased.

Parliamentary elections as hurdle

The next hurdle Macron has to clear are the parliamentary elections in France on 11 and 18 June. It is questionable whether Macron's new movement can achieve a majority. And if it cannot do so, the different parties have to find a way of hammering out a sustainable, reform-friendly labour programme.

EU strengthened

Mr. Macron is a declared EU supporter. The probability of the long, dogged integration process in the European Union and the Eurozone and of the efforts to put these associations on a self-supporting, sustainable basis continuing has increased. This includes the expansion of the joint institutions for concerted economic and financial policies and the addressing of the deficit of legitimisation of the European Union.

Anti-globalisation wave warded off only temporarily

After the Brexit vote and Donald Trump's election as US President, the big anti-globalisation wave has been stopped – for the time being. The next cyclical downturn will come at some point, and the parliamentary elections in France could lead to a political standstill, which would intensify the structural problems in France. As a result, this situation would slightly tarnish the glimmer of hope for a long-term functioning EU. All of that would ultimately lend further support to the nationalist forces.

Conclusion

The combination of good economic indicators, a decrease in concerns over a possible break-up of the European Union, and hopes for reforms in France and the EU is positive for risky assets such as equities.

Legal disclaimer

This document is an advertisement. All data is sourced from ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH and ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. unless indicated otherwise. Our languages of communication are German and English. The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH and for ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. pursuant to the provisions of the AIFMG in connection with the InvFG 2011 and regarding ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. published in Amtsblatt zur Wiener Zeitung or at the web site www.ersteimmobilien.at. The fund prospectus, Information for Investors pursuant to § 21 AIFMG and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com or www.ersteimmobilien.at or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document/KID is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com or www.ersteimmobilien.at. This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation and risk appetite. Past performance is not a reliable indicator of the future performance of a fund.



Gerhard Winzer

Gerhard Winzer has worked at Erste Asset Management since March 2008. Up until March 2009, he was Senior Fund Manager in Fixed Income Asset Allocation; he has been Head Economist since April 2009.

He holds a degree from a polytechnical college and studied economics and business at Vienna University with a special focus on financial markets. He holds a CFA charter and participated from 2001 to 2003 in the doctoral programme for finance at the Center for Central European Financial Markets in Vienna.

From July 1997 to June 2007, he worked in research at CAIB, Bank Austria Creditanstalt, and UniCredit Markets & Investment Banking. His last position was as Executive Director for Fixed Income / FX Research and Strategy. He was responsible for research on asset allocation at Raiffeisen Zentralbank (RZB) in Vienna from July 2007 to February 2008.