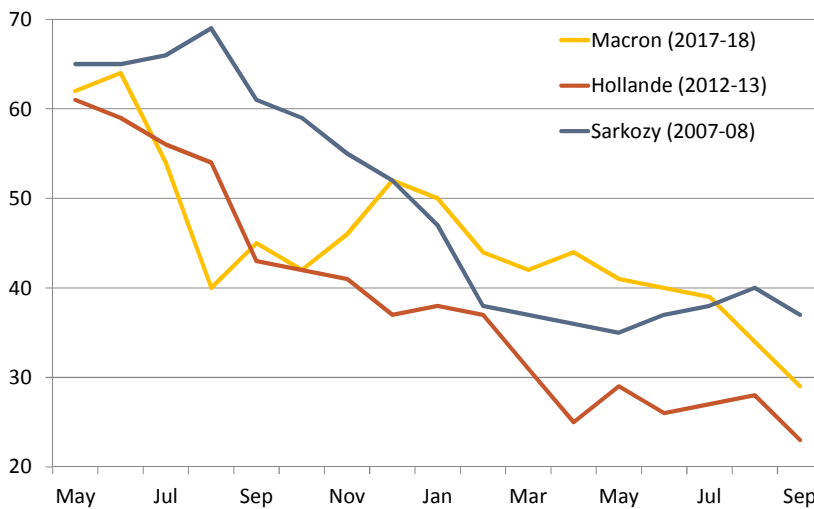


28 September 2018

This time is still different for France

Taking the plunge: approval rating of Macron and his two predecessors (%)



Approval of French presidents in first 15 months in office (%). Source: Ifop.

- Coming down to earth:** The sun was shining on France and President Emmanuel Macron in 2017. This year, the sky has turned cloudier. With softer-than expected economic growth and only moderate job gains, Macron’s policies have increasingly drawn criticism. Unpopular measures (ie higher taxes for pensioners and lower speed limits) and ill-judged decisions such as his belated reaction to the misbehaviour of his bodyguard Benalla irritated many voters. His approval rating collapsed from 64% in June 2017 to 29% in September 2018.
- Another French Icarus flying too close to the sun?** Macron’s fall from grace is not unusual. For his two predecessors, voter satisfaction plunged in a similar way over the first 15 months of their presidencies. Due to his alleged “Jupiterian” governance style, some observers claim that he does not connect well with “ordinary” voters.
- “It’s France”:** Over the last three decades, various French presidents have risen to the sky with ambitious plans to reform the country – before diving into the sea after failing to deliver these plans. Sceptics thus argue that France is unreformable, suffering from specific traits that make serious progress almost impossible. Having fallen silent in 2017 these voices have become louder again this year.
- Macron stays the course:** We expect Macron and his reform agenda not to suffer Icarus’s fate. Instead, we think there is a high likelihood that he will prevail, unlike his predecessors. Despite obstacles, Macron still drives an ambitious reform agenda. Notwithstanding occasional irritations within the political party he founded himself, he can still count on a comfortable majority of loyal MPs in parliament.
- Key reforms until 2019, some gifts from 2020 onwards:** After introducing his seminal labour code reform and scaling up previously planned corporate tax cuts in late 2017, Macron managed a controversial overhaul of the SNCF railways this year and made some tweaks to the unemployment insurance, professional training and education systems. Next on his agenda are changes to the welfare state system. The 2019 budget brings further tax cuts to make it more attractive to companies to hire and for workers to accept a job. Although his initial schedule for a sweeping reform has slipped, Macron continues to work towards a major overhaul of the pension system.
- This time is still different:** Last year’s economic and political tailwinds have turned into headwinds. Macron is experiencing some turbulence. Higher oil prices, recent strikes, some fiscal tightening and trade war concerns are restraining demand growth. However, Macron has not veered far off course. Unlike his predecessors, he has already pushed through some significant changes and will likely deliver more even if he may have to water down some of his plans. Pro-growth reforms take time to show results, as they did in the UK after the Thatcher reforms almost 40 years ago and in Germany following the “Agenda 2010” reforms of 2003/2004.
- No reform drive is perfect – but it does not have to be:** As long as Macron can achieve a critical mass, his reforms can work. We maintain our call that the results of his reforms will manifest themselves in stronger trend growth and healthy employment gains over time, paving the way for a French “golden decade”.

Disclaimer

This document was compiled by the above mentioned authors of the economics department of Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as “the Bank”). The Bank has made any effort to carefully research and process all information. The information has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press. However, we do not assume liability for the correctness and completeness of all information given. The provided information has not been checked by a third party, especially an independent auditing firm. We explicitly point to the stated date of preparation. The information given can become incorrect due to passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. The forecasts contained in this document or other statements on rates of return, capital gains or other accession are the personal opinion of the author and we do not assume liability for the realisation of these.

This document is only for information purposes. It does not constitute investment advice or recommendation to buy financial instruments. It does not replace consulting regarding legal, tax or financial matters.

Remarks regarding foreign investors

The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons, into whose possession this document comes, should inform themselves about, and observe, any such restrictions.

United Kingdom

This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

United States of America

This document has been prepared exclusively by Joh. Berenberg, Gossler & Co. KG. Although Berenberg Capital Markets LLC, an affiliate of the Bank and registered US broker-dealer, distributes this document to certain customers, Berenberg Capital Markets LLC does not provide input into its contents, nor does this document constitute research of Berenberg Capital Markets LLC. In addition, this document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

This document is classified as objective for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 646 949 9000), if you require additional information.

Copyright

The Bank reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without the Bank’s prior written consent.

© 2018 Joh. Berenberg, Gossler & Co. KG

Contacts



BERENBERG

PARTNERSHIP SINCE 1590

JOH. BERENBERG, GOSSLER & CO. KG

Internet www.berenberg.com

E-mail: firstname.lastname@berenberg.com

EQUITY RESEARCH

AEROSPACE & DEFENCE

Ryan Booker +44 20 3753 3074
Andrew Gollan +44 20 3207 7891
Ross Law +44 20 3465 2692

AUTOMOTIVES

Cristian Dirpes +44 20 3465 2721
Alexander Haissl +44 20 3465 2749
Fei Teng +44 20 3753 3049

BANKS

Adam Barrass +44 20 3207 7923
Stephanie Carter +44 20 3207 3106
Michael Christodoulou +44 20 3207 7920
Andrew Lowe +44 20 3465 2743
Andreas Markou +44 20 3753 3022
Alex Medhurst +44 20 3753 3047
Eoin Mullany +44 20 3207 7854
Peter Richardson +44 20 3465 2681

BEVERAGES

Javier Gonzalez Lastra +44 20 3465 2719
Matt Reid +44 20 3753 3075

BUSINESS SERVICES, LEISURE & TRANSPORT

Roberta Ciaccia +44 20 3207 7805
Najet El Kassir +44 20 3207 7836
William Fitzalan Howard +44 20 3465 2640
Stuart Gordon +44 20 3207 7858
Annabel Hay-Jahans +44 20 3465 2720
Josh Puddle +44 20 3207 7881
Kate Somerville +44 20 3753 3081
Joel Spungin +44 20 3207 7867

CAPITAL GOODS

Nicholas Housden +44 20 3753 3050
Julia Kochendorfer +44 20 3753 3052
Sebastian Kuenne +44 20 3207 7856
Philippe Lorrain +44 20 3207 7823
Rizk Maidi +44 20 3207 7806
Jaroslav Pominkiewicz +44 20 3753 3035
Simon Toennesen +44 20 3207 7819
Ethan Zhang +44 20 3465 2634

EQUITY SALES

SPECIALIST SALES

AEROSPACE & CAPITAL GOODS

Cara Luciano +44 20 3753 3146

AUTOS & TECHNOLOGY

Edward Wales +44 20 3207 7815

BANKS, DIVERSIFIED FINANCIALS & INSURANCE

Iro Papadopoulou +44 20 3207 7924
Calum Marris +44 20 3753 3040

BUSINESS SERVICES, LEISURE & TRANSPORT

Rebecca Langley +44 20 3207 7930

CONSTRUCTION, CHEMICALS, METALS & MINING

James Williamson +44 20 3207 7842

CONSUMER DISCRETIONARY

Victoria Maigrot +44 20 3753 3010
Emma Buchy-Dury +44 20 3207 7816

CONSUMER STAPLES

Molly Wylenczek +44 20 3753 3064

HEALTHCARE

David Hogg +44 20 3465 2628

MEDIA & TELECOMMUNICATIONS

Julia Thanheiser +44 20 3465 2676

THEMATICS

Chris Armstrong +44 20 3207 7809

SALES TRADING

PARIS

Vincent Klein +33 1 58 44 95 09
Antonio Scuotto +33 1 58 44 95 03

LONDON

Assia Adanouj +44 20 3753 3087
Charles Beddow +44 20 3465 2691
Mike Berry +44 20 3465 2755
Joseph Chappell +44 20 3207 7885
Stewart Cook +44 20 3465 2752
Mark Edwards +44 20 3753 3004
Tom Floyd +44 20 3753 3136
Tristan Hedley +44 20 3753 3006
Peter King +44 20 3753 3139
Simon Messman +44 20 3465 2754
A.J. Pulleyn +44 20 3465 2756
Matthew Regan +44 20 3465 2750
Michael Schumacher +44 20 3753 3006
Paul Somers +44 20 3465 2753

CHEMICALS

Anders Björkstahl +44 20 3207 7871
Sebastian Bray +44 20 3753 3011
Anthony Manning +44 20 3753 3092
Rikin Patel +44 20 3753 3080

CONSTRUCTION

Zaim Beekawa +44 20 3207 7855

DIVERSIFIED FINANCIALS

Charles Bendit +44 20 3465 2729
Chris Turner +44 20 3753 3019

FOOD MANUFACTURING AND H&PC

Rosie Edwards +44 20 3207 7880
Philip Patricha +44 20 3753 3039
Fintan Ryan +44 20 3465 2748
James Targett +44 20 3207 7873

FOOD RETAIL

Dusan Milosavljevic +44 20 3753 3123

GENERAL MID CAP - DACH

Saravana Bala +44 20 3753 3043
Martin Comtesse +44 20 3207 7878
Charlotte Friedrichs +44 20 3753 3077
Gustav Fröberg +44 20 3465 2655
Alexander O'Donoghue +44 20 3207 7804
Gerhard Orgonas +44 20 3465 2635
Henrik Paganetty +44 20 3463 3140
Benjamin Pfranes-Varrow +44 20 3465 2620

GENERAL MID CAP - EU core

Christoph Gruelich +44 20 3753 3119
Anna Patrice +44 20 3207 7863
Trion Reid +44 20 3753 3113

GENERAL MID CAP - UK

Joseph Barron +44 20 3207 7828
Calum Battersby +44 20 3753 3118
Robert Chantry +44 20 3207 7861
Ned Hammond +44 20 3753 3017
Omar Ismail +44 20 3753 3102

SALES

BELEX

Miel Bakker +44 20 3207 7808
Bram van Hijfte +44 20 3753 3000

FRANCE

Alexandre Chevassus +33 1 5844 9512
Dalila Farigoule +33 1 5844 9510

SCANDINAVIA

Mikko Vanhala +44 20 3207 7818
Marco Weiss +49 40 350 60 719

UK

James Burt +44 20 3207 7807
Fabian De Smet +44 20 3207 7810
Martha De-Sousa Fialho +44 20 3753 3098
Jules Emmet +44 20 3753 3260
Robert Floyd +44 20 3753 3018
David Franklin +44 20 3465 2747
Karl Hancock +44 20 3207 7803
Sean Heath +44 20 3465 2742
Stuart Holt +44 20 3465 2646
James Hunt +44 20 3753 3007
Gursumeet Jhaji +44 20 3753 3041
James McRae +44 20 3753 3036
David Mortlock +44 20 3207 7850

EQUITY TRADING

HAMBURG

David Hohn +49 40 350 60 761
Gregor Labahn +49 40 350 60 571
Lennart Pleus +49 40 350 60 596
Marvin Schweden +49 40 350 60 576
Omar Sharif +49 40 350 60 563
Philipp Wiechmann +49 40 350 60 346
Christoffer Winter +49 40 350 60 559

LONDON

Edward Burlison-Rush +44 20 3753 3005
Richard Kenny +44 20 3753 3083
Chris McKeand +44 20 3207 7938
Ross Tobias +44 20 3753 3137

GENERAL MID CAP - UK (cont'd)

Antony Plom +44 20 3207 7908
Edward James +44 20 3207 7811
Lush Mahendrarajah +44 20 3207 7896
Benjamin May +44 20 3465 2667
Owen Shirley +44 20 3465 2731
Donald Tait +44 20 3753 3031

GENERAL RETAIL

Thomas Davies +44 20 3753 3104
Michelle Wilson +44 20 3465 2663

HEALTHCARE

Scott Bardo +44 20 3207 7869
Alistair Campbell +44 20 3207 7876
Klara Fernandes +44 20 3465 2718
Tom Jones +44 20 3207 7877
Joseph Lockey +44 20 3465 2730
Samantha Osborne +44 20 3207 7882
Michael Ruzic-Gauthier +44 20 3753 3128
Laura Sutcliffe +44 20 3465 2669
Charles Weston +44 20 3465 2746

INSURANCE

Trevor Moss +44 20 3207 7893
Emanuele Musio +44 20 3207 7916
Iain Pearce +44 20 3465 2665
Philip Ross +44 20 3465 2726

LUXURY GOODS

Mariana Horn +44 20 3753 3044
Lauren Molyneux +44 20 3207 7892
Zuzanna Pusz +44 20 3207 7812

MEDIA

Robert Berg +44 20 3465 2680
Laura Janssens +44 20 3465 2639
Alastair Reid +44 20 3207 7841
Sarah Simon +44 20 3207 7830

REAL ESTATE

Kai Klose +44 20 3207 7888
Tina Munda +44 20 3465 2716

UK (cont'd)

Eleni Papoula +44 20 3465 2741
Bhavin Patel +44 20 3207 7926
Kushal Patel +44 20 3753 3038
Richard Payman +44 20 3207 7825
Christopher Pyle +44 20 3753 3076
Adam Robertson +44 20 3753 3095
Joanna Sanders +44 20 3207 7925
Mark Sheridan +44 20 3207 7802
George Smibert +44 20 3207 7911
Alexander Wace +44 20 3465 2670
Paul Walker +44 20 3465 2632

GERMANY

Michael Brauburger +49 69 91 30 90 741
Nina Buechs +49 69 91 30 90 735
André Grosskurth +49 69 91 30 90 734
Florian Peter +49 69 91 30 90 740
Joerg Wenzel +49 69 91 30 90 743

SWITZERLAND, AUSTRIA & ITALY

Duncan Downes +41 22 317 1062
Andrea Ferrari +41 44 283 2020
Gianni Lavigna +41 44 283 2038
Jamie Nettleton +41 44 283 2026
Yeannie Rath +41 44 283 2029

ELECTRONIC TRADING

Jonas Doehler +44 40 350 60 391
Matthias Führer +49 40 350 60 597
Sven Kramer +49 40 350 60 347
Matthias Schuster +44 40 350 60 463

METALS & MINING

Charlie Clark +44 20 3207 3133
Fawzi Hanano +44 20 3207 7910
Laurent Kimman +44 20 3465 2675
Michael Stoner +44 20 3465 2643

TECHNOLOGY

Josep Bori +44 20 3753 3058
Georgios Kertsos +44 20 3465 2715
Tej Shankhija +44 20 3753 3099
Gordon Tveit-Duncan +44 20 3753 3100
Tammy Olu +44 20 3465 2673

TELECOMMUNICATIONS

David Burns +44 20 3753 3059
Ondrej Cabejsk +44 20 3753 3071
Nicolas Didio +44 20 3753 3091
Usman Ghazi +44 20 3207 7824
Laura Janssens +44 20 3465 2639
Carl Murdock-Smith +44 20 3207 7918

THEMATIC RESEARCH

Nick Anderson +44 20 3207 7838
Oyvind Bjerke +44 20 3753 3082
Steven Bowen +44 20 3753 3057
Asad Farid +44 20 3207 7932
Robert Lamb +44 20 3465 2623
Paul Marsch +44 20 3207 7857
Salha Shariff +44 20 3753 3097

TOBACCO

Jonathan Leinster +44 20 3465 2645

UTILITIES

Oliver Brown +44 20 3207 7922
Andrew Fisher +44 20 3207 7937
Neha Saxena +44 20 3753 3048
Lawson Steele +44 20 3207 7887

ECONOMICS

Florian Hense +44 20 3207 7859
Carsten Hesse +44 20 3753 3001
Kallum Pickering +44 20 3465 2672
Holger Schmieding +44 20 3207 7889

CRM

Laura Cooper +44 20 3753 3065
Jessica Jarzyn +44 20 3465 2696
Madeleine Lockwood +44 20 3753 3110
Vikram Nayyar +44 20 3465 2737
Rita Pilar +44 20 3753 3066

COO Office

Greg Swallow +44 20 3207 7833
Fenella Neill +44 20 3207 7868

CORPORATE ACCESS

Lindsay Arnold +44 20 3207 7821
Robyn Gowers +44 20 3753 3109
Jennie Jiriny +44 20 3207 7886
Ross Mackay +44 20 3207 7866
Stella Siggins +44 20 3465 2630
Lucy Stevens +44 20 3753 3068
Abbie Stewart +44 20 3753 3054

EVENTS

Charlotte David +44 20 3207 7832
Suzy Khan +44 20 3207 7915
Natalie Meech +44 20 3207 7831
Eleanor Metcalfe +44 20 3207 7834
Rebecca Mikowski +44 20 3207 7822
Ellen Parker +44 20 3465 2684
Sarah Weyman +44 20 3207 7801



BERENBERG CAPITAL MARKETS LLC

Member FINRA & SIPC

E-mail: firstname.lastname@berenberg-us.com

EQUITY RESEARCH

Andrew Fung +1 646 949 9023
Donald McLee +1 646 949 9026
Adam Mizrahi +1 646 949 9022
Gal Munda +1 646 949 9021
Patrick Trucchio +1 646 949 9027

ECONOMICS

Mickey Levy +1 646 949 9099
Roiana Reid +1 646 949 9098

EQUITY SALES

SALES
Enrico DeMatt +1 646 949 9230
Kelleigh Faldi +1 617 292 8288
Ted Franchetti +1 646 949 9231
Shawna Giust +1 646 949 7216
Rich Harb +1 617 292 8228
Zubin Hubner +1 646 949 9202
Michael Lesser +1 646 949 9221
Jessica London +1 646 949 9203
Anthony Masucci +1 617 292 8282
Ryan McDonnell +1 646 949 9214
Emily Mouret +1 415 802 2525
Peter Nichols +1 646 949 9201
Kieran O'Sullivan +1 617 292 8292
Rodrigo Ortigao +1 646 949 9205
Ramnique Sroa +1 415 802 2523
Matt Waddell +1 646 949 9220

CRM

Lajada Gonzales +1 646 949 9213
Monika Kwok +1 646 949 9212

CORPORATE ACCESS

Olivia Lee +1 646 949 9207
Tiffany Smith +1 646 949 9208

EVENTS

Laura Hawes +1 646 949 9209

SALES TRADING

Ronald Cestra +1 646 949 9104
Michael Haughey +1 646 949 9106
Christopher Kanian +1 646 949 9103
Lars Schwartzau +1 646 949 9101
Brett Smith +1 646 949 9105
Bob Spillane +1 646 949 9102
Jordan White +1 646 949 9222