

Economic activity

According to information available on 23 April 2020, French economic activity is expected to be down 35% compared with a normal situation. The order of magnitude of the overall loss remains the same as the estimates on 26 March then on 9 April, with nevertheless a slightly smaller loss in industry and construction, probably due to the reopening of some factories and building sites.

Since our 9 April publication, the estimate has been supplemented by administrative data and new, more detailed feedback from federations and businesses. Finally, the estimated loss of economic activity is consistent with the distribution of employees according to their employment conditions, as measured in the Acemo-Covid survey by DARES.

If such a drop in economic activity were followed by an immediate return to normal, the result would be a loss of around 3 annual GDP points per month of lockdown. However, the overall impact of lockdown will certainly be greater because at first sight it appears that recovery will not be immediate and will probably be slower the longer the lockdown lasts.

French economic activity is expected to have decreased by around 35%. In the market branches, excluding rents, the loss of economic activity is likely to be almost 50%

The estimated loss of economic activity has been revised only slightly since the *Point de Conjoncture* published on 9 April 2020, but it is now even more robust: new sources of administrative and survey data have been mobilised and more feedback has come in from federations/businesses and is more accurate than before. All in all, of the 138 branches monitored in this analysis, more than half have two or more data sources compared with only a third in the earlier publication.

As of 23 April 2020, taking all available information into account, economic activity is expected to be down by around 35% compared to “normal”, by 41% for market branches alone, and by 49% for market branches excluding rents (*Table 1*). Estimated activity for the different branches is also likely to be close to the previous publication. In the agricultural branches, the loss of activity is likely to intensify slightly (–13% against –10% on 9 April 2020). Conversely, in industry and construction the loss of activity is a little less extreme (–39% against –43% in industry;

–79% against –88% in construction), mainly due to the reopening of some factories and construction sites. In market services, the loss of activity remains stable at around 38%.

The estimated loss of economic activity is consistent with the distribution of employees according to their employment conditions

The Acemo-Covid survey by DARES (see *Employment* sheet for more details) uses responses from businesses to estimate the distribution of employees by branch, according to their different employment conditions, which can then be compared to INSEE’s estimate of loss of activity (*Graph 1*). Employees can be divided into two groups:

- those whose employment conditions allow production to continue, even partially (either on-site or on building sites, teleworking or remote working; in blue on the graph);
- those whose employment conditions do not allow production to continue (full furlough, sick leave (including for childcare linked with the health crisis), holidays or opt-out; in beige on the graph).

Excluding coke and refined petroleum, the branches where INSEE’s estimated loss of activity is greatest are indeed those with a higher proportion of employees in the second group. This is particularly the case in accommodation-catering, where the loss of economic activity is estimated at 91% and where the proportion of employees on full furlough, sick leave or opt-out is 86%.

Conversely, the branches where INSEE estimated a more moderate loss of activity are indeed those with a higher proportion of employees in the first group. For example, in information-communication, activity is 66% normal (or a 34% loss of activity) and the share of employees working on-site, doing teleworking or remote working is 73%.

The estimated loss of economic activity is therefore similar to the distribution of employees according to employment conditions. However, the causal relationship between these two factors is not one-directional. A decrease in economic activity can lead to an increase in short-time working or job losses. Conversely, changes in employment conditions linked with the lockdown measures or the difficulty in maintaining

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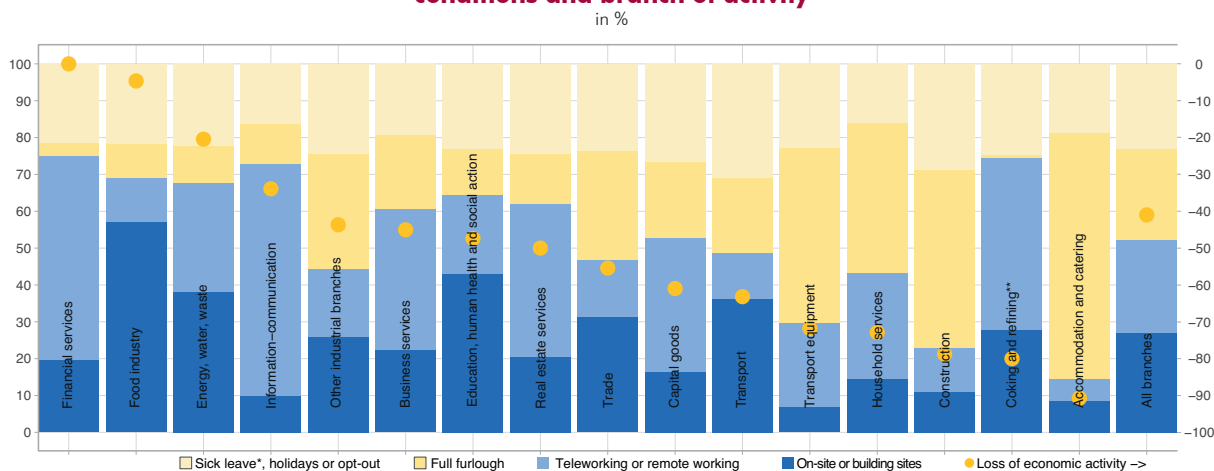
Table 1 - Estimated loss of activity linked with lockdown measure

Sectors	Share of GDP	Loss of activity	Contributions to loss of activity (GDP points)
Agriculture, forestry and fishing	2	-13	-0,2
Industry	14	-39	-5
Manufacture of food products, beverages and tobacco-based products	2	-5	-0,1
Coke and refined petroleum	0	-80	-0,1
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-61	-1
Manufacture of transport equipment	1	-72	-1
Manufacture of other industrial products	6	-45	-3
Extractive industries, energy, water, waste treatment and decontamination	2	-20	-1
Construction	6	-79	-4
Mainly market services	56	-38	-22
Trade; repair of automobiles and motorcycles	10	-55	-6
Transport and storage	5	-63	-3
Accommodation and catering	3	-91	-3
Information and communication	5	-34	-2
Financial and insurance activities	4	0	0
Real estate activities	13	-2	-0,2
Scientific and technical activities; administrative and support services	14	-45	-6
Other service activities	3	-76	-2
Mainly non-market services	22	-14	-3
Total	100	-35	-35
<i>of which mainly market</i>	78	-41	-32
<i>of which mainly non-market</i>	22	-14	-3
Total mainly merchants excluding rents	65	-49	-32

How to read it: As of 23 April 2020, economic activity is expected to have declined by 35% compared with a normal situation. The industry sector, where loss of activity is estimated at 39%, will probably contribute around 5 percentage points to this decline.

Source: INSEE calculations from various sources

1 - Estimated loss of economic activity and distribution of employees according to their employment conditions and branch of activity



Scope :

-Employment: private sector employees excluding agriculture, private individual employers and extraterritorial activities; France (excluding Mayotte).

-Activity: market branches excluding agriculture, rents and private individual employers.

How to read it: during the week of 23 March, 68% of employees in the energy, water, waste treatment sector were able to work (either on-site or on building sites (38%), teleworking or remote working (30%)). The share of activity maintained in the branch is estimated at 80%.

(*) including childcare linked with the health crisis.

(**) the coke and refined petroleum branch is unusual in the organisation of its production in that a moderate reduction in work on site can result in a significant loss of activity.

Source: DARES, Acemo-Covid survey, April 2020, INSEE

adequate working conditions, such as sick leave (including for childcare), opting out or introducing remote working, can in turn lead to a decrease in economic activity. Finally, there are still differences between loss of economic activity and employment conditions for which there are several possible reasons: changes in productivity, in pace of work, in work intensity or organisation, measurement errors, differences between accounting concepts at

national and company levels, time lag between companies responding to the survey and the loss of economic activity estimates being prepared, share of self-employment in the different branches, job losses (redundancies, no recourse to temporary employment, reduction in hiring, etc.) etc. However, this relationship makes it possible to assess the robustness of the estimates for loss of economic activity given in the *Points de conjoncture*. ■