

# Economic activity

According to information available on 7 May 2020, French economic activity is expected to be down 33% compared with a normal situation. This order of magnitude is similar to that given in previous publications, although there seems to be a slight increase in economic activity in industry and construction. If it were followed by an immediate return to normal, such a decline in economic activity would result in a loss of around 3 points of annual GDP growth per month of lockdown. The result would be that today, almost two months after lockdown was put in place, the loss of economic activity would be close to about 6 points of annual GDP growth. However, the global impact of lockdown will certainly be greater, because economic recovery, both in France and around the world, will in all likelihood only be gradual.

**French economic activity appears to have declined by around 33%, but a slight upswing has begun in industry and construction**

The estimated loss of economic activity has been revised slightly upwards since the publication of the last *Point de Conjoncture* on 23 April 2020 (Table 1). As of 7 May 2020, taking into account available information, economic activity appears to be around 33% below “normal” (against 35% two weeks ago), 39% for the market branches alone (against 41%), and 46% for market branches excluding rents (against 49%).

Thus the slight upturn in economic activity, which was already identified in the previous publication, is continuing slowly. This increase is due to

**Table 1 - Estimated loss of activity linked with lockdown measures**

Branches	Share of GDP	Loss of activity	Contributions to loss of activity (GDP points)
<b>Agriculture, forestry and fishing</b>	<b>2</b>	<b>-13</b>	<b>-0,2</b>
<b>Industry</b>	<b>14</b>	<b>-38</b>	<b>-5</b>
Manufacture of food products, beverages and tobacco-based products	2	-5	-0,1
Coke and refined petroleum	0	-55	-0,1
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-61	-1
Manufacture of transport equipment	1	-69	-1
Manufacture of other industrial products	6	-43	-3
Extractive industries, energy, water, waste treatment and decontamination	2	-23	-1
<b>Construction</b>	<b>6</b>	<b>-75</b>	<b>-4</b>
<b>Mainly market services</b>	<b>56</b>	<b>-36</b>	<b>-20</b>
Trade; repair of automobiles and motorcycles	10	-47	-5
Transport and storage	5	-59	-3
Accommodation and catering	3	-90	-3
Information and communication	5	-31	-2
Financial and insurance activities	4	0	0
Real estate activities	13	-2	-0,2
Scientific and technical activities; administrative and support services	14	-44	-6
Other service activities	3	-76	-2
Mainly non-market services	22	-14	-3
<b>Total</b>	<b>100</b>	<b>-33</b>	<b>-33</b>
of which mainly market	78	-39	-30
of which mainly non-market	22	-14	-3
<b>Total mainly merchants excluding rents</b>	<b>65</b>	<b>-46</b>	<b>-30</b>

How to read it: as of 7 May 2020, economic activity is expected to have declined by 33% compared with a normal situation. The industry sector, where loss of activity is estimated at 38%, is likely to contribute around 5 percentage points to this decline.

Source: INSEE calculations from various sources

the industry sector, where the loss of activity is estimated at -38% (against -39% on 23 April, and -43% on 9 April) and construction (-75%, after -79% on 23 April and -88% on 9 April). However, the estimated loss of economic activity in services remains unchanged (around 36%). One reason for this difference between branches could be the relative impossibility of remote working in industry and construction during the first days of lockdown, then the beginning of an upturn in some activities in recent weeks, once health and safety measures had been put in place, allowing the employees concerned to return to work.

It is not our intention here to give a quantified scenario of economic recovery after 11 May – the date announced for the gradual lifting of the lockdown measures. However, we can say that the value added generated by those branches which are unlikely to be allowed to resume their “normal” activity straight away (accommodation-catering, cultural and sports activities, some transport etc.) represents about 5% of GDP and 5 points of the estimated 33% loss of activity overall.

### The slight increase in rail freight traffic could be a reflection of this slow upturn in activity

Since the beginning of lockdown, INSEE has used daily information on rail freight traffic on the SNCF network, comparing it with a reference situation, or “normal” situation. These data provide an estimate of the loss of rail freight activity but they can also be seen as a more general indicator of loss of activity overall, since the transportation of goods by rail is correlated with the volume of goods traded in the economy.

In the first two weeks of lockdown, rail freight traffic declined rapidly, down to an average of 63% of trains in circulation between 23 March and 23 April (Graph 1). Since then, traffic has picked up slightly – on average 67% of traffic compared to

a normal situation – in an indirect indication of the slight upturn in economic activity, especially in industry and construction.

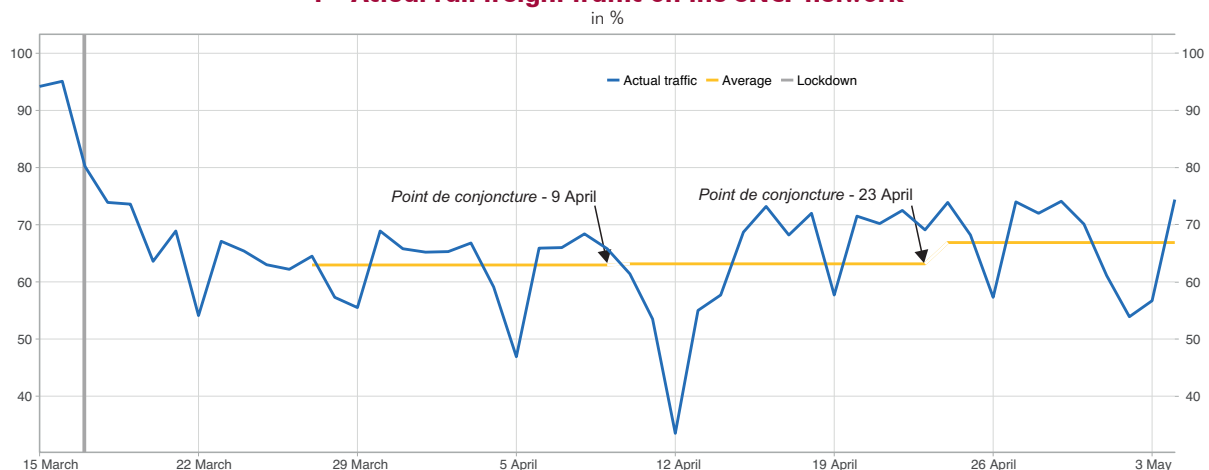
### The estimated loss of economic activity by branch is consistent overall with requests for short-time work

Businesses have the possibility of requesting that their employees be put on short-time work, especially when they are facing a loss of activity as a result of the health crisis. The share of payroll employment affected by these requests is therefore correlated, in principle, with the estimated loss of activity in branches (Graph 2). Overall, this relationship is verified; however, there are some significant discrepancies. For example, in the agrifood industry, the estimated loss of activity is moderate (around 5%), whereas almost 40% of payroll employment is concerned by short-time work. Conversely, the estimated loss of activity in coke and refined petroleum is considerable (around 55%) whereas few employees are concerned by the short-time measures. One reason for these differences could be differences in the organisation of production: in coke and refined petroleum, for example, a major loss of activity linked to the closure of a site could concern only a small proportion of the workforce in that branch.

### The Industrial Production Index for March highlights a very significant drop in activity, albeit slightly less severe than expected

The Industrial Production Index (IPI) for March, published at the same time as this *Point de Conjoncture*, reveals a very significant drop in activity in March, as forecast in the estimates for loss of activity published by INSEE at the end of March and the beginning of April. However, in order to be able to compare the IPI results with these estimates, they need to be adjusted to

1 - Actual rail freight traffic on the SNCF network



How to read it: on 15 March 2020, actual rail freight traffic on the SNCF network was 94% compared to a reference day.  
Sources: SNCF Réseau, INSEE calculations

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the lockdown period observed in March (from 17 March) since these immediate losses refer to the equivalent of an entire month of lockdown.

Once this adjustment has been taken into account, it can be seen that the signals are generally consistent between the IPI and the forecasts, with nevertheless some differences: -18% for the IPI for the manufacturing industry against -24%, the monthly transcription of the immediate loss of activity for March, a month where the country was in lockdown for only half the time, in the *Point de Conjoncture* published on 9 April (Table 2). While output held up in the agrifood industries (-4% in the IPI against -2% in the estimates), it tumbled in the other main branches: -36% in the manufacture of transport equipment (against -30% in the 9 April estimate), -34% in refineries (against -40%), -21% in capital goods (against -36%) and -17% in other industrial products (against -27%) which group together many major branches of French industry (chemicals, pharmaceuticals, etc.).

A slightly smaller drop was observed by the IPI because resistance was slightly greater than originally anticipated in certain branches of activity (pharmaceuticals, basic chemicals, paper industry, electronics). Conversely, according to the IPI, automobile construction fell even further than originally predicted.

Nevertheless, in spite of an acceptable final response rate (76%, taking into account the weight of the different branches, compared with more than 90% usually), the IPI will need to be revised next month as late responses start to arrive at INSEE. Statistical particularities (e.g. monitoring certain billing series, seasonal and working-day adjustments) may also contribute to the differences observed. Finally, the month of March was so very unusual that it may be difficult to link global activity over the month to the “immediate” activity estimated at the end of March. ■

**Table 2 - Comparison of estimated loss of activity in Point de Conjoncture of 9 April and the IPI for March**

in %

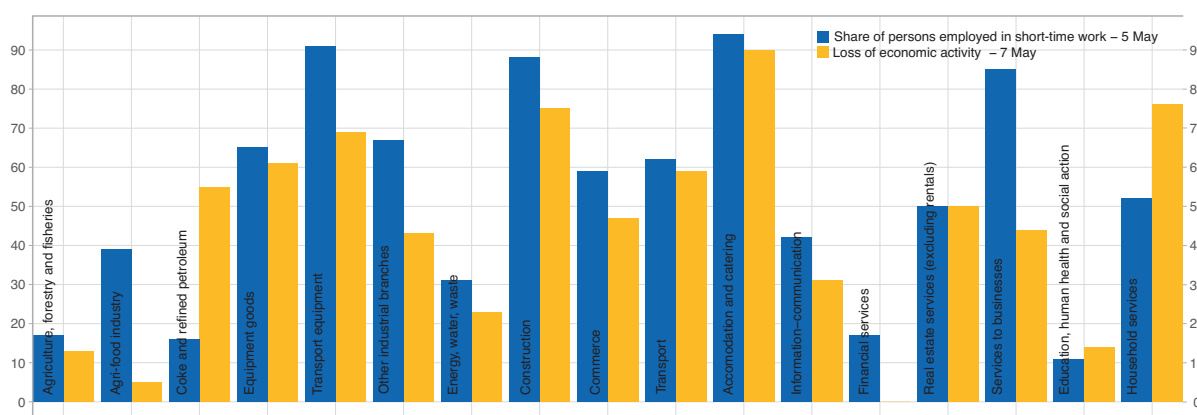
Branches	Loss of economic activity on 9 April	Equivalent impact on March	IPI SA-WDA March 2020	Weighted IPI response rate
Manufacturing industry	-48	-24	-18	76
Manufacture of food, beverage and tobacco products	-5	-2	-4	80
Coking and refining	-80	-40	-34	100
Manufacture of electrical, electronic and computer equipment; manufacture of machinery	-72	-36	-21	72
Manufacture of transport equipment	-61	-30	-36	78
Other Industrial Product Manufacturing	-53	-27	-17	75

How to read it: on 9 April, the estimated loss of economic activity in the *Point de Conjoncture* was 5% in the agrifood industry, i.e. a loss of around 2% over the whole month of March. The change in the IPI for March in this branch was -4% and the weighted response rate in this branch was 80%.

Source: INSEE

## 2 - Share of payroll employment requesting short-time activity and loss of economic activity by branch

in %



How to read it: on 5 May, requests for short-time activity represented 96% of payroll employment in the accommodation-catering branch. The estimated loss of economic activity in this branch on 7 May is around 90%.

Sources: DARES for short-time activity on 5 May; INSEE, employment estimates for payroll employment at the end of 2019, Point de Conjoncture 7 May, INSEE calculations