

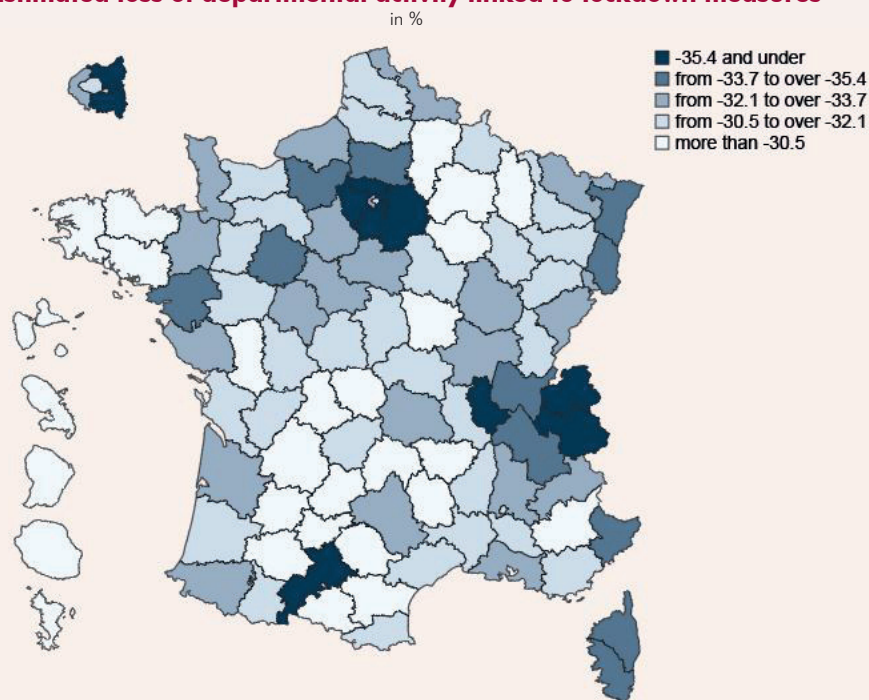
During lockdown, the loss of economic activity in each region appears to depend heavily on its sectoral structure

During lockdown, French economic activity overall seems to be down by a third compared with a normal situation. Is it the same at regional and departmental levels? Between regions, and even more so between departments, the sectoral structures of the productive fabric differ. As a result, some regions appear to be more structurally exposed than the country as a whole, like Corsica, Auvergne-Rhône-Alpes, Île-de-France and Provence-Alpes-Côte-d'Azur. These regions are likely to bear the brunt of the loss of activity in accommodation-catering and in some services to businesses (scientific and technical activities and administrative and support services).

In this focus, we examine the exposure of the different regions to the decline in activity caused by the lockdown measures, under the assumption that a branch of activity is affected to the same degree in all areas as at national level (*Methodology box*), since the lockdown measures are similar. The differences estimated here between regions and between departments reflect mainly differences in sectoral structure. For example, the share of agriculture in value added varies from 0.1% in Île-de-France to 4.3% in Nouvelle-Aquitaine and even 4.8% in French Guiana. There are even greater differences at departmental level, between almost no agricultural activity in several departments in Île-de-France and 8.8% of value added in the Gers. Similarly, non-market services account for only about 7.6% of value added in Hauts-de-Seine but as much as 37.8% in Haute-Vienne and even 52.1% in Mayotte.

These differences in sectoral structure generate disparities in the loss of activity in the regions. These disparities are fairly limited given the scale of the shock that all the regions have endured. However, some regions appear to be more affected structurally than the country as a whole, like Corsica, Auvergne-Rhône-Alpes, Île-de-France and Provence-Alpes-Côte-d'Azur; others are affected to a lesser degree, like the overseas departments and regions (DROM), Brittany and Hauts-de-France. Losses of activity vary from -35% in Corsica to -18% in Mayotte. The region of Metropolitan France that is least affected is Brittany (-31%). There is therefore a difference of more than four points between Brittany and Corsica in the metropolitan regions. At departmental level, the economic impact is more dispersed, from -38% in Savoie to -28% in Creuse and Deux-Sèvres, and internal features specific to the regions appear (*Map*).

Estimated loss of departmental activity linked to lockdown measures



How to read it: as of 7 May 2020, economic activity in Alpes-Maritimes is expected to be down by 33.9% compared with a normal situation.
Source: INSEE calculations from various sources

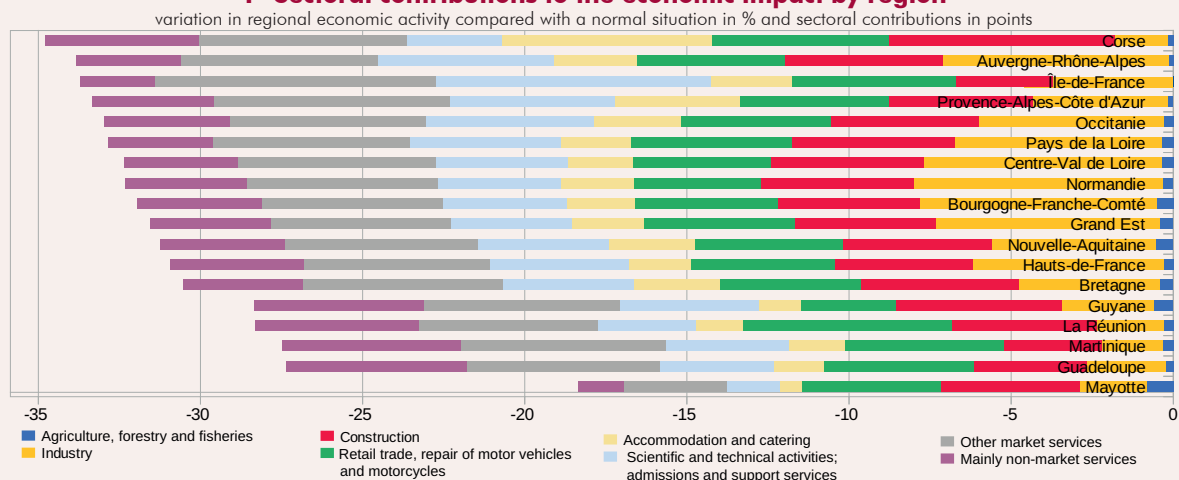
Analysing sectoral contributions gives a better understanding of the regional differences in loss of activity (*Graph 1*). Representing more than half of national economic activity, market services contribute most to the national impact and also to regional differences. In market services, the sectors contributing most to these differences are accommodation and catering (which affects Corsica particularly severely) and scientific and technical activities and administrative and support services (weighing heavily in Île-de-France). The proportion of industry in the economy also varies considerably from one region to another: from 21% in Normandy to 7% in Corsica and even 6% in Reunion Island. The decline in industrial activity is therefore felt more strongly in Bourgogne-Franche-Comté, Occitanie, Auvergne-Rhône-Alpes, Centre-Val-de-Loire and Normandy. Conversely, agrifood industries that are working to meet essential needs support activity in the regions where they are widely established: in Brittany, also Pays de la Loire and Grand Est. Regarding construction, since its share is relatively similar from one region to another (around 6%), the heavy loss of activity that the sector has suffered is likely to affect Corsica more, where it weighs more heavily. Finally, non-market services, where activity is less affected¹, help support the overseas economies, Corsica and Hauts-de-France, although not Île-de-France where the share of these services in the economy is less.

Within the regions, departmental disparities can be considerable. The economy of Haute-Garonne, for example, is likely to bear the brunt of the strong decline in the transport equipment industries, including aeronautics, and in market services, while the other departments in Occitanie have been spared to a greater extent. Such disparities can also be seen in the Grand Est where the two Alsace departments, Bas-Rhin and Haut-Rhin, appear to be more affected than the rest, mainly due to industry, and to a lesser extent to market services.

The loss of economic activity is accompanied by deeply felt shocks in the labour market in all the regions, with huge numbers resorting to the short-time unemployment scheme. It is too soon to know whether all these requests will actually be fully converted into short-term activity. However, at this stage, a relationship can be seen between estimated loss of activity and the rate of requests for short-time unemployment in the regions: it would appear that the greater the economic shock, the higher the rate of requests, although the DROM and Île-de-France differ in this respect (*Graph 2*). This correlation between estimates, based mainly on the departmental sectoral structure, and the recourse to short-time unemployment by companies in the regions tends to confirm the importance of the sectoral structure for the actual economic impact.

1. Activity in non-market services is estimated in the national accounts largely by validation of their production costs, mainly wages. Since the activity of employees in the non-market sector is affected less than in other sectors, the current decline in activity is therefore less severe than in most other sectors. However, certain non-market service activities are expected to drop sharply (e.g. nurseries, child care centres, libraries, sports activities).

1 - Sectoral contributions to the economic impact by region



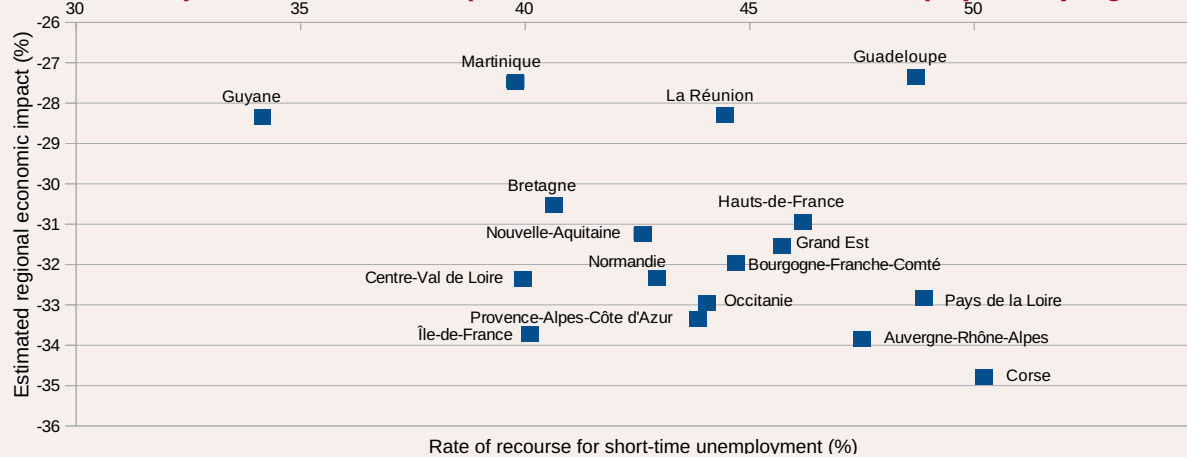
How to read it: as of 7 May 2020, economic activity in Corsica is expected to be down by 35% compared with a normal situation, with the drop in activity in accommodation and catering probably contributing about 7 points.

Source: INSEE calculations from various sources

Requests for short-time unemployment are not the only effect of the decline in activity on employment: there may also be “deadweight” losses in payroll employment, especially when contracts come to an end; hiring may be deferred or cancelled; self-employment may also be severely affected.

Finally, in some departments, the trade and personal services sectors may have experienced a greater shock than elsewhere. At least this is what is suggested by the changes in the amounts from bank card transactions in Paris and Savoie (*Focus*). ■

2 - Relationship between economic impact and recourse to short-time unemployment by region



How to read it: as of 7 May 2020, economic activity in Auvergne-Rhône-Alpes is expected to be down by about 34% compared with a normal situation, while requests for short-time unemployment represent a little over 48% of the region's payroll employment. The economy of Mayotte (not shown in the graph) has a loss of activity of more than 18% and a rate of requests for short-time unemployment of around 21%

Sources : INSEE calculations from various sources and DARES.

Methodology box

The method consists in applying the reductions in national sectoral activity to the structure of each region and department, as this was the structure of their value added in 2015 (17-item level in the French classification of activities, NAF17). According to this method, if an area has a high level of an activity that has seen a significant reduction, this results in a high impact on its economy. From the sum of the contributions from all sectors the global impact on the regional or departmental economy can be estimated. However, this approach has several limitations. The first is the level of sectoral aggregation used, which could mask some of the finer detail in specific sectoral features. For example, operating at the level of the whole construction sector would not distinguish the specific dynamics of building construction and civil engineering. The second limitation is that regional differences in activity between companies in the same sector are often difficult to estimate and are not taken into account. A third limitation is that this method does not take account of local variations in demand. Yet the crisis may have a greater impact on the income of some workers who are not spread uniformly across the area, as in the case of the self-employed, for example (business leaders, artisan workers, professional people), who are more numerous in the south of France. Finally, refining the analysis would mean going beyond the regional scope of a national model, by incorporating specific local information. In fact, the assessments of the decline in activity in Reunion Island and Mayotte included in this study incorporated more detailed information and some additional details specific to these areas. In addition, regional economic analyses will be able to provide information about certain specific local features that could affect the regional decline in activity calculated here. ■