

Economic activity

According to the information available on 17 June, French economic activity should continue to recover from its levels in previous weeks. In June, it is likely to be 12% below its pre-crisis level. More than one month after starting the gradual lifting of the lockdown measures, the losses of economic activity should be almost three times less than those estimated at the start of the lockdown.

Taking account of the estimates for the previous months, this scenario should result in a fall in GDP of around 17% in Q2 2020, after -5.3% in Q1. This would be the most severe recession since the creation of the French national accounts in 1948.

One month after the end of lockdown, French activity is set to continue recovering, while remaining far below normal levels

New data have enabled more precise estimates of the activity lost in March and April, with the industrial production index calculated by INSEE and the turnover figures reported by companies. The loss of economic activity has thus been revised slightly downwards, but still remains close to one-third on a full-month basis (-16% in March, then -29% in April,

against average estimates of -18% and -35% in the *Points de Conjoncture* of 26 March, 9 and 23 April).

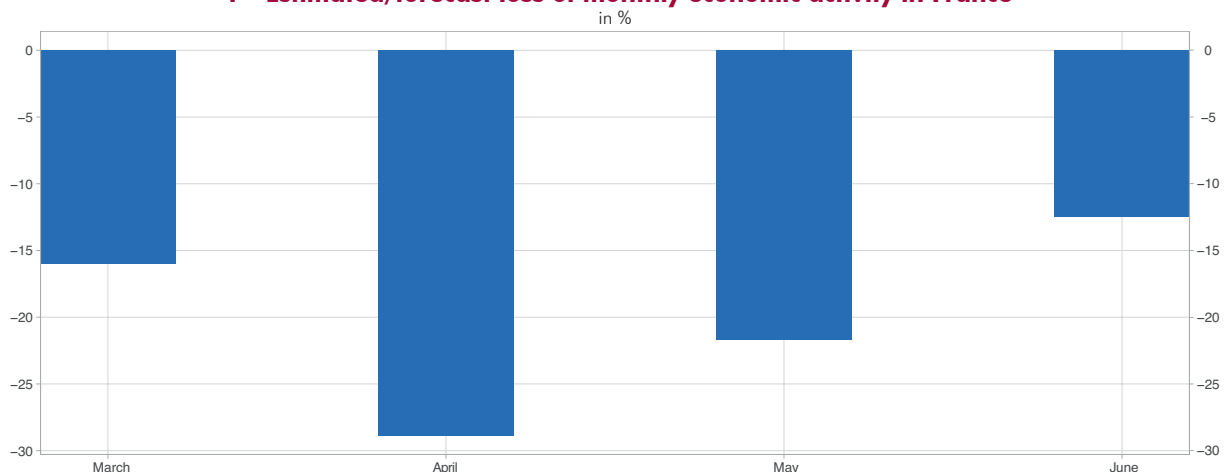
On the basis of the information and data available on 17 June,¹ economic activity should continue to recover in June, with the loss amounting to just 12% compared to a “normal” situation, after -22% on average in May (*Graph 1*). This estimate is slightly more favourable than that in the previous *Point* (-14%) and is explained, among other things, by the good post-lockdown progress made in health terms and the gradual easing of the measures to contain the epidemic. Rail freight traffic, an overall indicator of activity, is continuing its gradual recovery, reflecting the general improvement of the economic landscape (*Box*).

An upturn in activity in all branches of the economy

The continuing recovery in economic activity can be observed in all those branches in which activity is authorised. For instance, the loss of economic activity in construction would appear to have been divided almost by two compared to the figures for May (-34% against -55% in May; *table*) as worksites start

1. The economic activity forecasts are based, among other things, on the Acemo-Covid survey for June, conducted by the DARES with INSEE support. This monthly survey questions businesses in particular on the expected pace of the resumption of activity. Their responses are broken down by branch in order to establish a scenario for the resumption of activity in June, based on the estimates of past losses of economic activity presented in the *Points de Conjoncture*.

1 - Estimated/forecast loss of monthly economic activity in France



Source: INSEE calculations from various sources

French economic outlook

up again. In industry, meanwhile, the loss of activity would now appear to be just 15%, compared to one-quarter in May. Although the return to work continues and household consumption has largely recovered (*Household Consumption sheet*), industrial production is likely to continue being affected, in particular by foreign demand which is still sluggish and by the large stocks to be sold off. In market sector services, the fall in economic activity would appear to be at the same level as that in industry on the whole. Although closures and restrictions on activity affected

production in services through to mid-June, the easing of the regulations announced on 14 June could lead to a more rapid rise than in the past month in the economic activity of certain branches that were hit particularly hard by the crisis (accommodation and food services, transport services, cultural and sports activities, etc.).

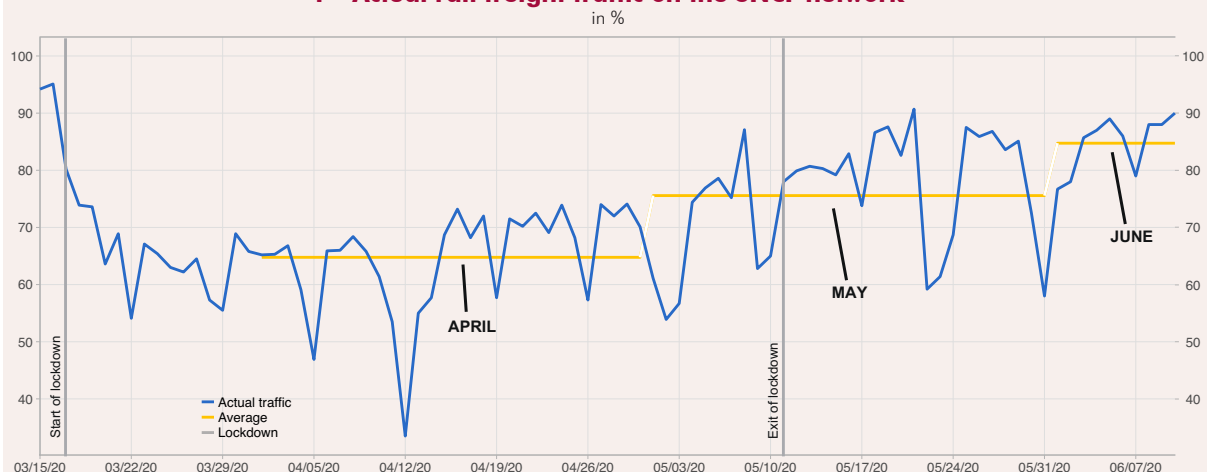
On a quarterly basis, economic activity is likely to be down by around 17% in Q2 (after -5.3% in Q1), a forecast that has been revised upwards since that published on 27 May (-20%). ■

Box

Since the beginning of lockdown, INSEE has been analysing the daily information on rail freight traffic on the SNCF network, in relation to a so-called “normal” benchmark situation. These data thus provide an estimate of the loss of activity in rail freight, but can also be seen as a more general indicator of the loss of activity overall, insofar as goods transport by rail is correlated to the volume of goods being traded in the economy.

Over the two weeks following the start of lockdown, rail freight traffic fell quickly to an average of 63% of the usual number of trains in circulation between 23 March and 23 April (*Graph 2*). In May, slightly ahead of the lockdown being lifted, traffic continued to recover and reached an average of 75%. By the start of June, it stood at around 85% on average on the SNCF network. ■

1 - Actual rail freight traffic on the SNCF network



How to read it: on 10 June 2020, actual rail freight traffic on the SNCF network was 90% compared to a reference day.

Sources: SNCF Réseau, INSEE calculations

Table 1 - Estimation

Branches	Share of GDP (in %)	Loss of activity (in %)	Contributions to loss of activity (GDP points)
Agriculture, forestry and fishing	2	-4	-0.1
Industry	14	-15	-2
Manufacture of food products, beverages and tobacco-based products	2	-2	0.0
Coke and refined petroleum	0	-13	0.0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-21	0
Manufacture of transport equipment	1	-38	-1
Manufacture of other industrial products	6	-18	-1
Extractive industries, energy, water, waste treatment and decontamination	2	-5	0
Construction	6	-34	-2
Mainly market services	56	-13	-7
Trade; repair of automobiles and motorcycles	10	-12	-1
Transport and storage	5	-30	-1
Accommodation and catering	3	-35	-1
Information and communication	5	-4	0
Financial and insurance activities	4	-5	0
Real estate activities	13	0	-0,1
Scientific and technical activities; administrative and support services	14	-16	-2
Other service activities	3	-33	-1
Mainly non-market services	22	-5	-1
Total	100	-12	-12
<i>of which mainly market</i>	78	-15	-11
<i>of which mainly non-market</i>	22	-5	-1
Total mainly merchants excluding rents	65	-17	-11

How to read it: in June 2020, economic activity is expected to have declined by 12% compared with a normal situation. Industry, whose loss of activity is estimated at 15%, would contribute 2 percentage points to this decline.

Source: INSEE calculations from various sources