

International development

After declining in Q1, activity tumbled even further in Q2 in the advanced countries, affected by the restrictive measures in force until mid-May. Since then, it has recovered at varying rates. Some high-frequency indicators, like electricity consumption, suggest that global activity during summer 2020 will be similar to that of 2019 over the same period. There are other indicators, like numbers frequenting public places, where it is impossible to adjust for seasonal variations as there is not sufficient historical depth to the available series, and these further highlight a seasonal effect associated with people going on holiday. Numbers at the workplace or the road congestion index fell during summer 2020 but gave no suggestion of a loss of impetus in the recovery of activity.

In the main advanced economies, activity fell once again in Q2 2020, but the outlook looks better for Q3

It was not until the middle of Q2 that the European countries began the gradual lifting of lockdown measures and restrictions on movement, allowing activity to recover. Activity was still very much affected in April and at the beginning of May, and fell by 12.1% in the Eurozone in Q2, an even sharper decline than in Q1 when GDP fell by 3.6%. Of the four main Eurozone countries, Spain saw the largest decline in GDP, by 18.5% after a 5.2% decline in Q1. In France, GDP fell back by 13.8% against 12.8% in Italy and 9.7% in Germany (after -5.9%, -5.5% and -2.0% respectively in Q1). For all these countries, all aspects of demand were severely affected, especially exports, which declined by 20.3% in Germany, 25.0% in France and 33.5% in Spain, and total investment, which collapsed by 7.9, 14.9 and 22.3% respectively. In the United Kingdom, the decline in GDP was even more significant (-20.4% after -2.2%). In particular, household consumption (-23.1%) and corporate investment (-31.4%) fell back considerably. In the United States, GDP also fell sharply in Q2 (-9.1% after -1.3%), penalised mainly by household consumption (-9.9%) and to a lesser extent by exports (-22.1%) and corporate investment (-7.2%). Imports were also very badly affected (-17.6%), with the result that the contribution of foreign trade to growth was only very slightly negative (-0.1 points).

These disparities between countries can be explained mainly by the differences in the intensity and the timing of their restrictive measures. However, at this stage, care must still be taken

when making comparisons for methodological reasons: in addition to the possibility of subsequent revisions, as stressed by the National Statistical Institutes, especially those that have only published a first estimate (United Kingdom), another important issue is taking into account general government production, which cannot be observed directly: countries have relied on assumptions and different indicators to estimate change in these figures (government spending, hours worked by civil servants, number of courses provided in education, medical care procedures carried out).

After reaching 54.7 points in July 2020, the Services PMI in the Eurozone in August 2020 remained at the expansion threshold of 50.5 points (*Graph 1*), in the wake of the rebound that started in June 2020 (48.3 points) after months affected by lockdown. This indicator therefore shows that the economic recovery continued throughout the summer. In the manufacturing branch, the PMI in the Eurozone suggests similar prospects to the services sector, with 51.7 points in August 2020 after 51.8 points in July 2020 and 47.4 points in June. In the United Kingdom and the United States, the recovery appeared to be more marked in August, with the PMI reaching 58.8 and 55.0 respectively in services, and 55.2 and 53.1 in the manufacturing industry. This recovery follows on from that observed in China, which exited from lockdown earlier and where activity also picked up earlier.

The negative effects of the crisis on the labour market persist

In the main Eurozone countries, huge measures were put in place to save jobs. From March 2020, Germany, France and Italy adopted measures to ease the possibility of short-time working and to defer the entire cost of labour on hours not worked, which were put into practice in different ways. In Spain, public policies were more concerned with guaranteeing households a minimum income, as shown by the introduction at the end of May of a universal income, rather than saving jobs. The effects of job support measures in the United Kingdom (loan guarantees, short-time working, deferral of VAT) can be seen, for example in the 20% decline year-on-year in the number of hours worked in Q2. In the United States, where there is less job protection than in Europe, especially legislation governing layoffs, Congress nevertheless voted to introduce an

additional allowance of 600 dollars per week for the unemployed until 25 July. This was in addition to the allowances paid by the States (ranging from about 200 dollars to 800 dollars).

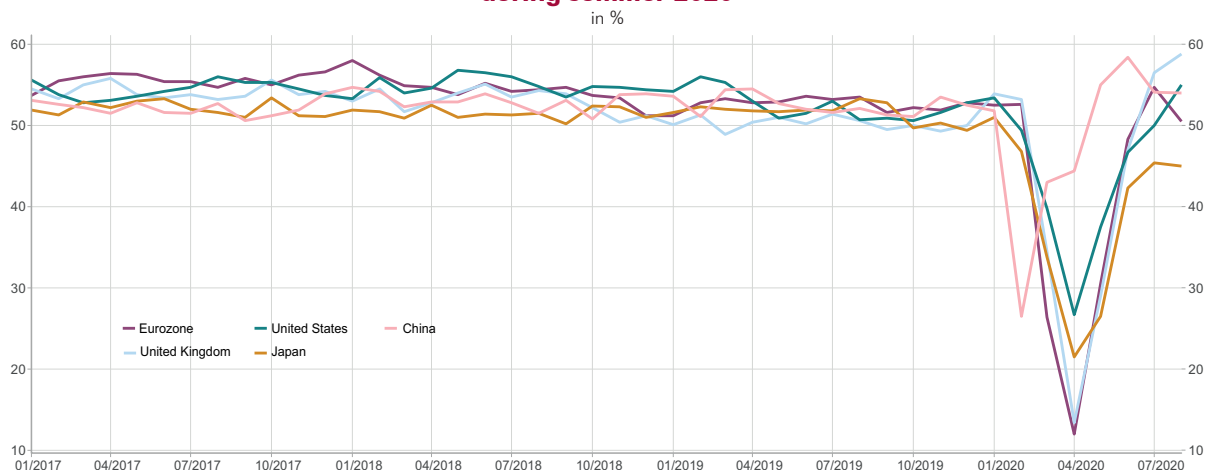
All in all, in the Eurozone, employment declined much less than economic activity in H1 2020. In Germany, France and Italy, the number of net job destructions was similar, in contrast to Spain, where the number of jobs that were destroyed was much higher and the United Kingdom where, conversely, job destructions were relatively low. In Germany, the number of job destructions in Q2 2020 is expected to be 566,000 according to first estimates, or a decline of 1.3% after +0.0% in Q2, the largest since reunification. In France, payroll employment appears to have seen a net destruction of 500,000 jobs in Q1 then 215,000 in Q2 (equivalent to a fall of 2.0% in Q1 then 0.9% in Q2). In Italy, after 101,000 jobs were destroyed in Q1, destructions appear to have reached 479,000 jobs between April and June (or a decline of 2.1%). In Spain, net job destructions reached 195,000 in Q1 then 1,521,000 in Q2, which corresponds to successive declines of 1.0% and 7.5%, i.e. much more than in the other three European countries. In the United Kingdom, however, where restrictive measures were put in place later than in the other European countries, the net creation of 211,000 jobs in Q1 almost entirely offset the net destruction of 220,000 jobs (-0.7%) in Q2. In the United States, employment declined much more than in other countries during lockdown, as the US economy destroyed more than 20 million jobs in April (-13.8%),

however, it has rebounded since then (+10.6 million cumulative jobs between May and August), wiping out part of these losses.

These very negative developments in employment are not reflected, or only in part, in the dynamics of the unemployment rate. In France in particular, the unemployment rate declined in Q2 2020, and stood at 7.1% of the active population according to the Labour Force Survey, after 7.8% in Q1. In fact this is an artificial drop because it is mainly due to people in lockdown who were without jobs but who were no longer looking for work or were no longer available to work,¹ and this downward trend outweighed the rise in the number of people without work. In the other countries, the unemployment rate was on an upward trend: in Spain, it is expected to reach 15.5% in Q2² after 13.8% in Q1; in Germany where the rate is calculated monthly, it continued to rise in July, reaching 4.4% of the active population after 4.3% in June; in Italy, where the latest available monthly estimates cover June, the unemployment rate also continued to rise (+0.6 points compared to May 2020, or 8.8% of the active population). In the Eurozone overall, the unemployment rate increased in July 2020 by 0.5 points compared to May 2020, reaching 7.9% of the active population. In the United Kingdom, it has been constant since March 2020 at 3.9% of the active population while in the United States, it declined in August for the fourth consecutive month, reaching 8.4% (after 14.7% in April), which according to the *Bureau of Labor Statistics* indicates that activity is beginning its recovery.

1. "In Q2 2020, the labour market under the influence of containment", Informations Rapides, INSEE, 13 August 2020.
2. Quarterly average of monthly unemployment rate, as the quarterly rate has not yet been published.

1 - PMI for the main economies confirms the upswing in activity in the services branch during summer 2020



Source: Purchasing Managers' Index, IHS Markit, Jibun

International developments

Electricity consumption in summer 2020 was back up to the levels of summer 2019

As well as the business tendency surveys, high-frequency indicators also suggest that activity overall is fairly similar to that of summer 2019 in the advanced countries. Between the end of June and the end of August 2020, electricity consumption increased more or less constantly in the four main Eurozone countries, and in the United Kingdom, reaching very similar levels to those of the end of summer 2019 (*Graph 2*). While electricity consumption in the week of 22 June was almost 7% less than in the same period in 2019 in Germany and Spain and 6% less in France, by the week of 24 August it had reached the same level overall as in 2019 in Germany, France, Italy and Spain. In the United Kingdom, electricity consumption was about 13% down on its 2019 level in the week of 22 June, 10% down in the week of 5 August and 4% down in the week of

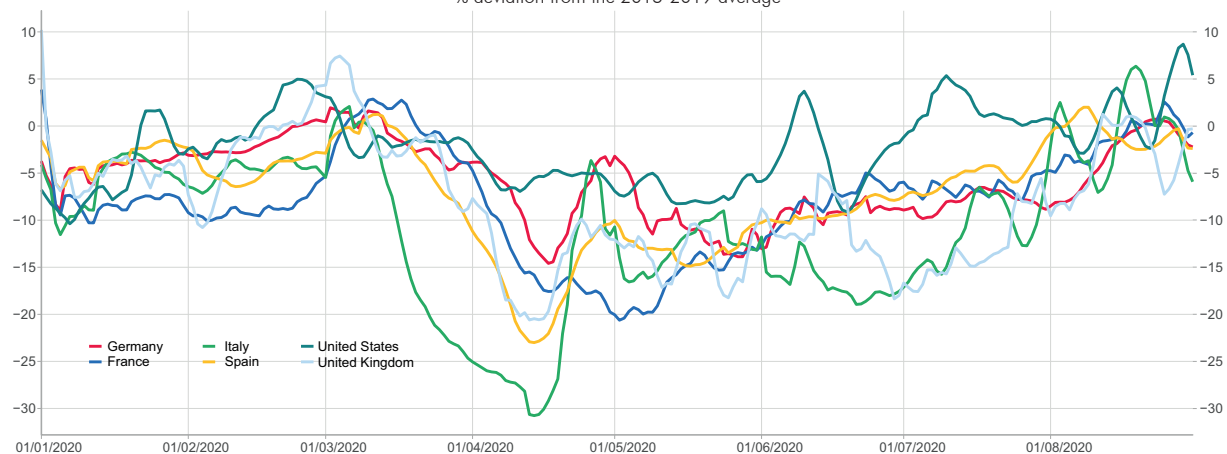
24 August. Finally, in the United States, electricity consumption has hovered around its 2019 level (between -5% and +5% approximately) since the end of June.

Numbers at retail outlets continued to rise during summer 2020

Like global activity, the upswing in consumption continued during summer 2020. Visitor numbers to non-food retail outlets and places of recreation like cafés, restaurants, shopping malls, museums and cinemas continued to increase, although the pace was slower than at the time when restrictions were first lifted (*Graph 3*). Numbers frequenting these places at the end of August (22 to 28 August) were very similar to the beginning of the year in Germany, France and Italy, where the difference was between -5% and -2%, while numbers continued to fall in Spain (-17%), the United States (-14%) and the United Kingdom (-15%). For comparison purposes, at the end of June

2 - Change in electricity consumption in the main advanced countries

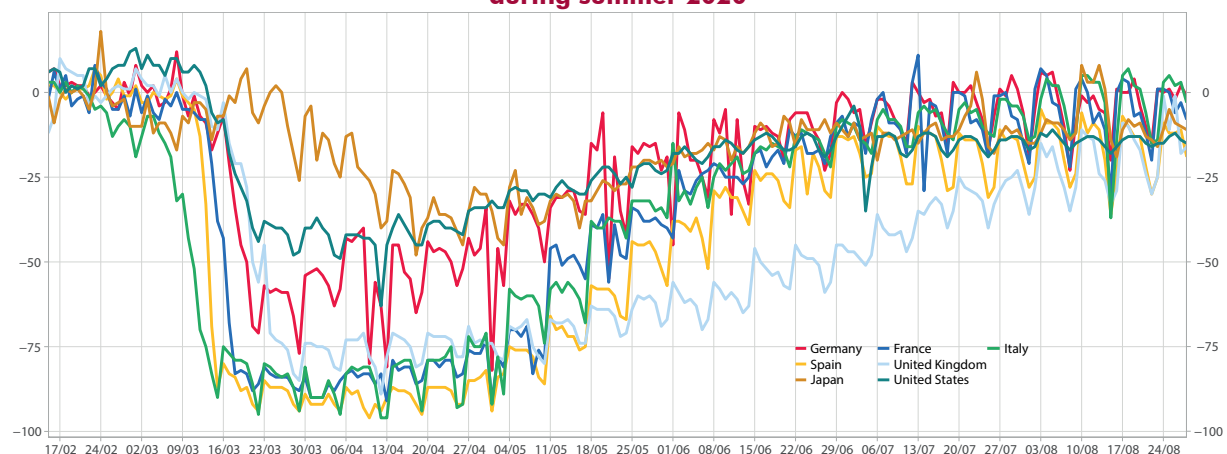
% deviation from the 2015-2019 average



Note: each point represents the difference between average daily electricity consumption in 2020 compared to the corresponding day in 2019 (compared to the 2015-2019 average for the US and the UK). Eurozone data have not been adjusted for temperature effects.

Source: Data from the ENTSO-E Transparency platform for electricity consumption in the EU countries, US Energy Information Administration (EIA) website for electricity consumption in the US

3 - Visitors to non-food retail outlets and places of recreation continued to increase during summer 2020



Note: the visitor numbers given here correspond to the difference observed between data from users of Google Maps, and the median level from 3 January to 6 February 2020.

Source: Google Maps Mobility Reports

2020 differences in visitor numbers compared to the reference period stood at –11% in Germany, –16% in France, almost –25% in Italy and Spain, and as much as –50% in the United Kingdom. In the United States, however, numbers visiting retail outlets have been relatively stable since the end of June, about 15% lower than the reference period (in this case January 2020).

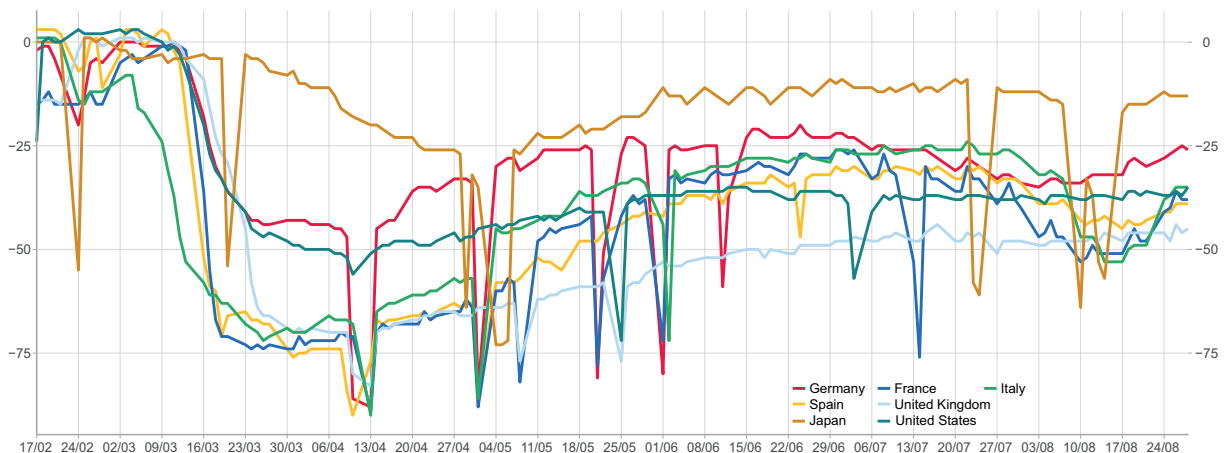
Decline in transport use related to the summer holiday period, European air traffic still less than half of 2019 levels

Economic activity is closely linked to transport use, whether public transport or private vehicles. However, as illustrated by the drop in numbers frequenting the workplace in August in the European countries (*Graph 4*), the summer period was fairly distinctive with large numbers going on holiday. It has not been possible to adjust for this seasonal effect due to the nature of the Google Maps Mobility data available online. These data are only available from February 2020 and are based on a calculation of the difference in numbers frequenting the workplace in 2020 compared to a reference period in 2020, and not to the same period in 2019. Thus the change in these frequentation indicators is mainly due to this summer effect. At the end of July, numbers travelling to the workplace in Europe were relatively stable compared to the end of June, however, by mid-August the difference in numbers was down almost 25 percentage points in France and Italy, about 10 points in Spain and 5 points in Germany. In the United States and the United

Kingdom, numbers travelling to the workplace remained relatively stable (approximately –37% in the US and –48% in the UK).

The decline in numbers travelling to the workplace resulted in a drop in road traffic, especially in France, Italy and Spain, mainly in the major cities. Thus the TomTom index showed a decline in road congestion, dropping from 33% in the week of 22 June to 26% in the week of 24 August 2020 in France, and this is also linked to the specific conditions associated with the summer period. Similarly in Italy and Spain, road congestion decreased, with the index reaching 12% and 7% respectively (after 21% and 11% at the end of June). In the United States and the United Kingdom, the average road congestion index in August remained lower than its 2019 average, although the decline was not significant. The Apple mobility indicator, which gathers together route search data on the Apple Maps application, also showed a decline in the number of car journey searches in August in France, Spain and a small drop in Germany, but not in the United Kingdom or the United States (*Graph 5*). However, at the end of August 2020 this indicator was still considerably higher than its pre-lockdown level. Regarding the use of public transport, the decline in user numbers compared to the beginning of 2020 has stabilised since the end of June, but again in a context affected in some countries by the summer break. According to Google Maps, public transport use in France and Germany has remained about 20% down on the beginning of the year (identical to the end of June in both these countries) and 30% in the United States, against a loss of about 40% in Italy, Spain and the United Kingdom.

4 - The decline in numbers travelling to the workplace is probably due mainly to the seasonal effect



Note: these data measure the difference between numbers in the workplace on the day indicated on the x-axis and the average numbers across all corresponding days of the week, over the period 3 January to 6 February. For example, if the day on the x-axis is a Monday, then the reference is the average of workplace numbers across all the Mondays in the five weeks between January and February.

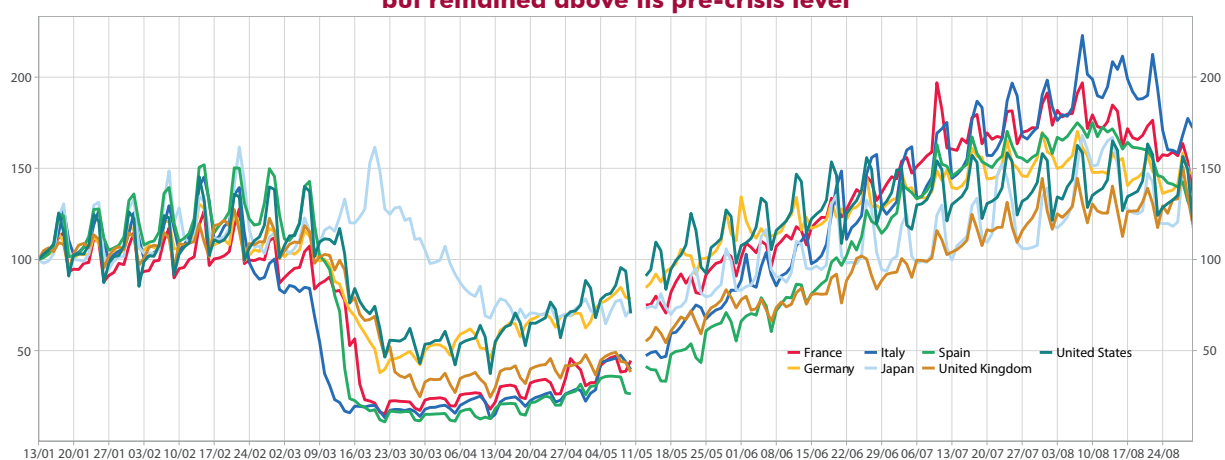
Source: Cartes Bancaires CB, INSEE calculations

International developments

Finally, the upturn in activity in the air transport sector in Europe continued very gradually during summer 2020. At the end of August 2020, air traffic in the four main Eurozone countries was still almost 50% down on the same period in 2019 (Graph 6), after a year-on-year drop in traffic of between 75% and 90% at the end of June 2020. In the United Kingdom, the decline compared to

2019 was 58% (weekly moving average). In the United States, during the third week of August, the number of flights from the country's major airports was about 45% lower than pre-lockdown levels. The number of passengers (measured by the numbers going through security checks) was about 70% down on 2019 levels, although this was up compared to the end of June (-85%). ■

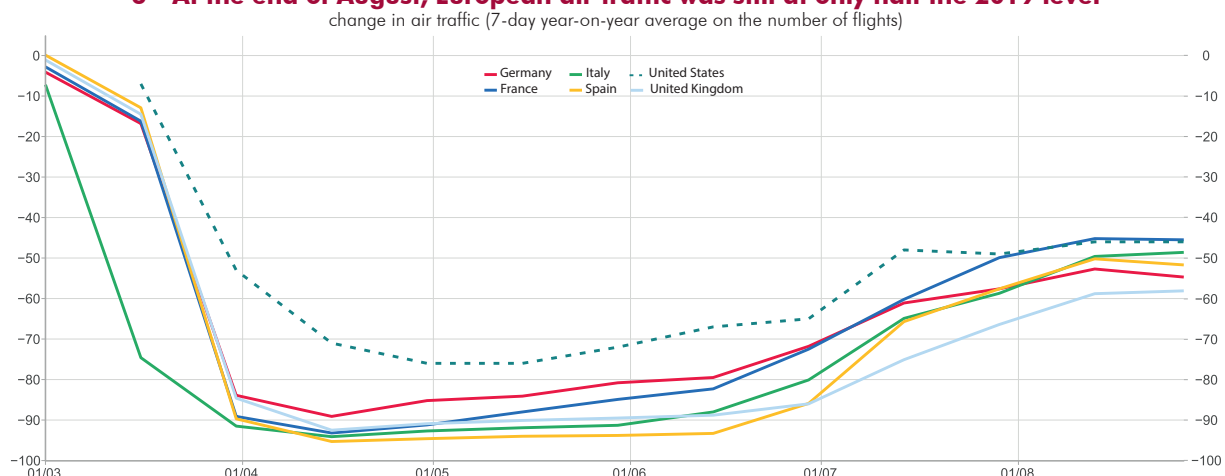
5 - The number of car journey searches dropped slightly in August but remained above its pre-crisis level



Note: journey search indicators, base 100 on 13 January 2020. Data for 11 and 12 May are not available.

Source: Apple mobility reports

6 - At the end of August, European air traffic was still at only half the 2019 level



Note: the European figures are for the 7-day moving average for the total number of flights departing from and arriving at airports of the countries concerned in 2020 compared to 2019, for the United States the curve represents the change in the number of flights completed compared to the number of flights scheduled during the week of 15 to 22 March 2020

Source: Eurocontrol site for the air traffic of the euro zone countries and the United Kingdom, flightradar site for the United States and Japan