

Economic activity

After an unprecedented drop in economic activity in Q2 2020, to -18.9% compared to Q4 2019, then a strong rebound bringing this gap to -3.7% in Q3, the last quarter of 2020 has been affected by a second wave of the epidemic and the introduction at the end of October of a new lockdown for the French population.

This later lockdown differed from the first one in the spring in terms of its scope (restrictions a little less severe) and duration (10 days less, assuming that most of the restrictions on movement will be lifted in mid-December), and especially considering what was learned from the experience in the spring. Thus the difference in activity compared to the pre-crisis level would certainly appear to have widened again in November, to -12% , although to a lesser extent than in April (about -30%).

Conversely, the lifting of restrictions that began at the end of November is scheduled to be more gradual than in May: from 28 November, "non-essential" retail outlets will reopen, and people will be allowed to travel up to 20km from home; from 15 December, reopening of cultural activities, unlimited movement, but a curfew in place from 9pm to 7am; finally, from 20 January, importantly, restaurants will reopen. The rebound in economic activity will automatically be less vigorous due to the lesser decline in November, but it is also likely to be tempered by the extension of some restriction measures into January: the loss of activity is likely to be -8% in December.

All in all, the decline in activity compared to the pre-crisis level is expected to be -8% on average in Q4. GDP is likely to decline by $4\frac{1}{2}\%$ as a quarterly variation in Q4 and by 9% as an annual average between 2019 and 2020.

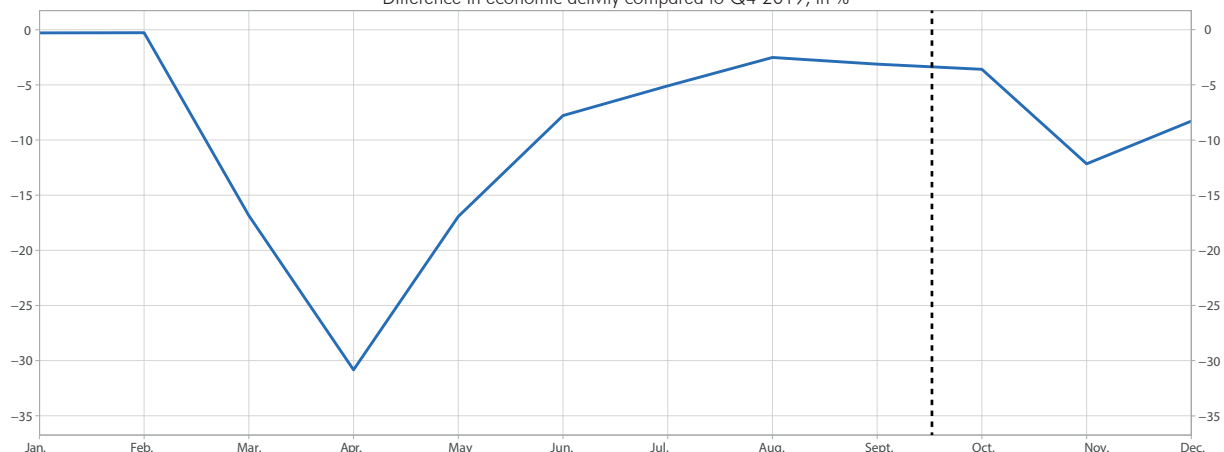
After a strong, partly automatic rebound in Q3, French economic activity is expected to tumble once again in a Q4 spent partly in lockdown

Since the Economic Outlook of 17 November 2020, publication of the detailed results for the quarterly accounts has led to a slight revision to the increase in GDP growth in Q3 ($+18.7\%$ instead of $+18.2\%$ in the original estimate at the end of October). As a result, the difference in activity compared to its pre-crisis level (Q4 2019) fell to -3.7% in Q3, after -18.9% in the previous quarter. The rebound in activity, which was especially brisk in June, continued over the summer in July and August, before declining very slightly in September (*Graph 1*).

With the resurgence of the epidemic, the gradual reinforcement of protective health measures affected activity in October and again in November when a new lockdown came into force. However, this was not an exact copy of the first lockdown (some shops remained open, especially in wholesale trade, children continued to attend school, etc.). Also, some economic

1 - Estimated then forecast monthly loss of activity

Difference in economic activity compared to Q4 2019, in %



How to read: in November, economic activity appears to have been down by about 12% compared to its Q4 2019 level. In December it is expected to settle at -8% .

Source: INSEE calculations from various sources

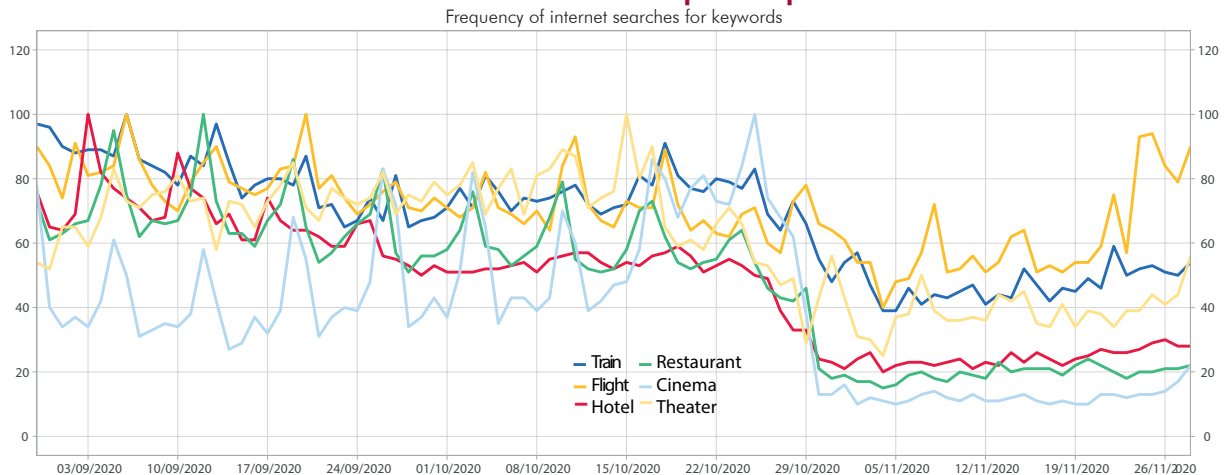
activity was able to build on experience gained in the spring: where teleworking was not possible, health protocols were by now well established to enable work to continue onsite, both in factories and on building sites.

In this respect, the “high-frequency” indicators used in the last issue of Economic Outlook as advance signals of activity in some sectors were a continuation of what had already been observed in the first weeks of November. Thus, regarding services subjected to restrictions, the number of searches for the words “restaurant” or “hotel” on the Google search engine seemed to have reached a low point at the beginning of November but since then have increased slightly, as is the case for the words “flight” and “train”, perhaps related to expectations for the weeks to come (Graph 2). Searches for the words “cinema” and “theatre” rose substantially at the end of

November, again probably in expectation of the reopening scheduled for 15 December. The indicator for total time spent at home, compared to a normal situation, shows no notable change for November compared to what was published in the last Economic Outlook (Graph 3).

Road traffic in France, which shrank by around –50% (heavy goods vehicles) and around –70% (all vehicles) during the spring lockdown, appeared to be affected less in the second lockdown (Graph 4): around –30% for all vehicle traffic and almost normal for heavy goods traffic. While movement overall declined with the restriction of travel to 1km from home and the resumption of teleworking, journeys more closely linked to activity, especially industrial activity, seem to have been maintained.

2 - During the last days of November, internet searches around transport and leisure activities picked up

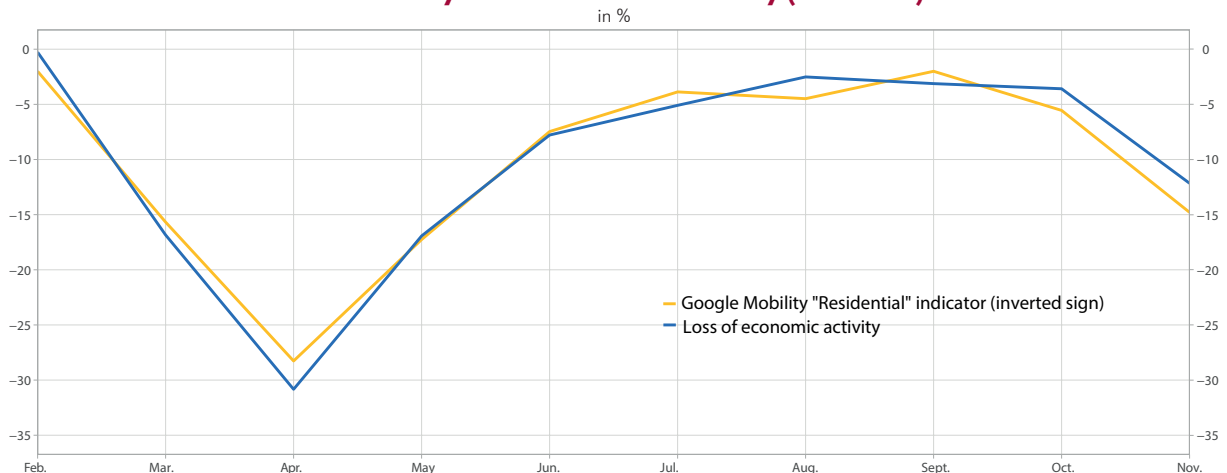


How to read it: on Saturday 28 November 2020, the number of searches in France on the Google search engine for the word “cinema” stood at 22% of the number of similar searches observed on Sunday 25 October 2020 (maximum in the series for the number of these searches since 30 August 2020).

Note: for each series, the index is set at 100 for the maximum frequency observed during the last 90 days.

Source: Google Trends, INSEE calculations

3 - Indicator of total time spent at home monthly (compared to a normal situation) and monthly losses of economic activity (estimated)



How to read it: in April 2020, time spent at home was 28% more than in a normal situation.

Note: for November, the data for this indicator are currently available up to 24 November. Monthly values are the averages of daily indicator values.

Source: Google Maps Mobility and INSEE

French economic outlook

In Q4, activity is expected to deteriorate, especially in services most directly affected by lockdown, but should be more resistant in industry and construction

As noted in the Economic Outlook of 17 November, the estimate for activity in November was generated from several sources of information and methods (“high-frequency” indicators, business tendency surveys, feedback from professional federations, losses of activity in April, May and June as points of comparison for branches directly affected by the second lockdown, estimate of how the shock has spread in the branches that are most dependent on those directly affected, etc.). In addition to the publication of the detailed results from the national accounts for Q3, the first feedback on industrial output for October was used to refine the estimate of activity for this month.

All in all, economic activity in November is likely to be 12% below its pre-crisis level, which is a slightly better estimate than the forecast given in the previous Economic Outlook (-13%), and after -4% in October (*Table 1*): this revision can be explained on the one hand by the stronger rebound in activity in Q3 than forecast and, on the other hand, by the lifting of restrictions, which started from the last weekend of the month. The forecast for activity for the whole of Q4 remains uncertain, as it depends on the way the epidemic develops in December, which in turn will determine the pace at which health restrictions are lifted. The scenario selected for December is that of an easing of restrictive measures in three stages, in accordance with what was announced last week by the authorities:

-the first stage, from 28 November, consists most importantly in the reopening of “non-essential” businesses with reinforced health protocols and the possibility of opening on Sundays during what is usually an intense period of shopping in preparation for the holiday season. Restrictions on movement have also been eased (journeys from home allowed up to 20km, and for three hours);

-the second stage, from 15 December, is expected to signal the end of travel restrictions, to be replaced by a curfew from 9pm to 7am across the country (except for Christmas Eve and New Year’s Eve on 24 and 31 December). Cinemas, theatres and museums should be able to resume their activity;

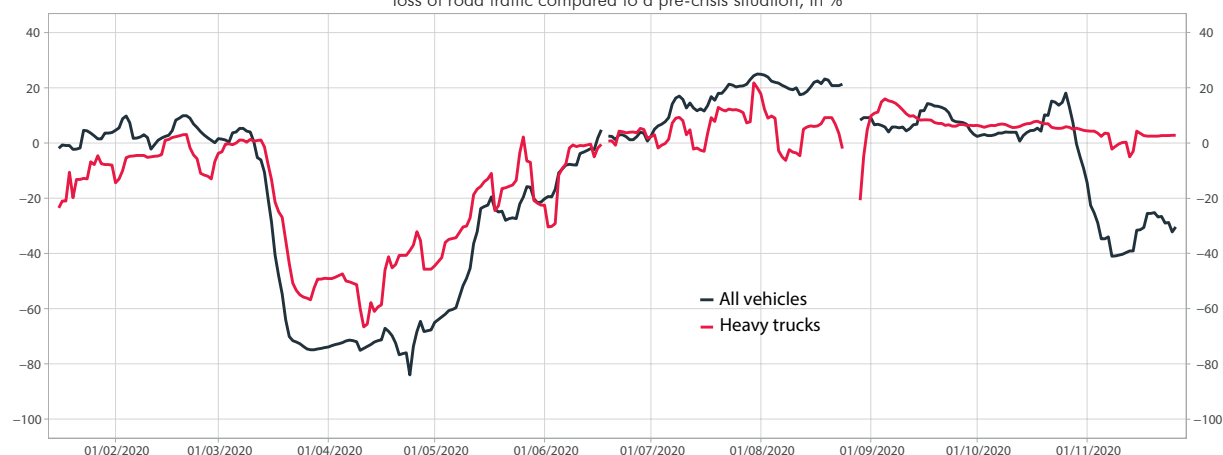
-the third stage, 20 January 2021, importantly should see the reopening of restaurants and sports centres, and a relaxing of the curfew.

Given this scenario, activity should pick up in December, returning to 8% below the pre-crisis level. Ultimately, the loss of activity would then be -8% in Q4 2020, compared to Q4 2019. After rebounding from +18.7% in Q3 (evolving), GDP is expected to fall back further in Q4, by around 4½% (*Table 1*). As an annual average, GDP looks set to decline by about 9% in 2020 compared to 2019.

Overall, November is likely to be notable for a sizeable decline in activity, although less so than in April and this should be the case in all branches (*Graph 5*). For several branches this difference compared to April reflects their lower level of exposure to the restrictive measures put in place at the end of October: this was the case for scientific and support activities, for example (general context deteriorated less and businesses

4 - Road traffic in France

loss of road traffic compared to a pre-crisis situation, in %



How to read: on 8 November 2020, road traffic in France was 2% lower for heavy goods vehicles and 41% lower for all vehicles, compared to a similar day before the crisis.

Note: the index is constructed by comparing current traffic with “pre-crisis” traffic. In order to make this reference as “fair as possible”, it is calculated on the average daily flow from 13 January to 2 February 2020 to avoid effects related to school holidays and the start of lockdown. For more clarity, the series has been smoothed with a 7-day moving average.

Source: CEREMA, INSEE calculations

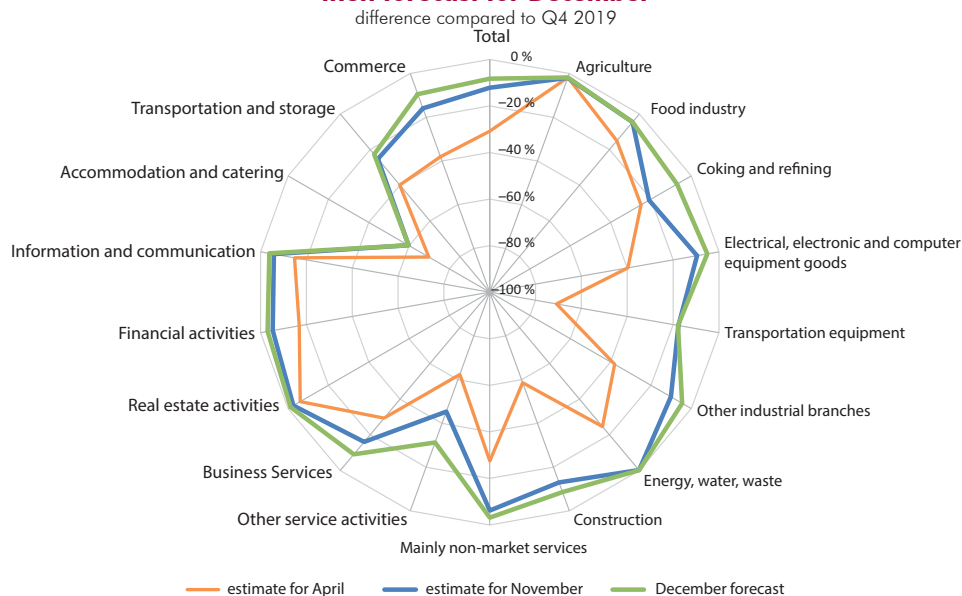
getting on with their activity for the most part), construction (work continued on building sites), trade and repair (context deteriorated less and wider range of shops not closed under the regulations) and for most branches of industry (factories in operation). However, other branches were directly affected by the restrictive measures and would therefore appear to have recorded a net decline in their activity once again (accommodation-catering, transport services, leisure activities, etc.), despite some being able to adapt to the lockdown regulations to some extent (takeout sales in restaurants, collection of prepaid purchases from bookshops, etc.).

As a result, the greatest losses of activity in November (*Table 2*) are likely to be in accommodation-catering, other service activities and transport services, with a lesser impact on upstream branches (such as agrifood). Negative expectations, even in branches with few regulatory constraints, would also appear to have contributed to a decline in activity, for example in construction, scientific and technical activities and administrative and support services. In other branches, such as the manufacture of transport

materials, activity is expected to maintain more or less the same level as in October.

In December, the lifting of restrictive lockdown measures in stages is expected to lead to a gradual recovery in activity, although with some disparities according to sector. The opening of “non-essential” businesses at the end of November should stimulate retail trade and activity in manufacturing industries (manufacture of capital goods and other industrial products such as clothing or furnishings), given the rebound associated with demand and the context of the end-of-year festivities. Other service activities and transport are expected to see a slight improvement in their situation, at -31% and -23% respectively, while accommodation-catering is likely to remain at the same level as in November, mainly because bars and restaurants will not be able to open. All in all, industry looks set to reduce its activity gap by almost half, from -8% in November to -5% in December, and mainly market services too should reduce their gap by about a third, from -16% in November to -11% in December, although changes are likely to be fairly varied across the different the branches. ■

5 - Comparison of losses of activity by branch estimated for April and November then forecast for December



How to read: in November, economic activity in the transport and storage branch is expected to be about 25% below the pre-crisis level according to our median scenario, against -40% in April.

Note: the reduction in the surface area represented is not proportional to the reduction in activity as the visual representation does not include the different weightings of the sectors.

Source: INSEE estimation from various sources

Table 1 – Estimate then forecast of losses of economic activity in 2020
in %

	2020Q1	2020Q2	2020Q3	2020Q4	2020
Change	-5.9	-13.8	18.7	-4.4	-9.1
loss of activity	-5.9	-18.9	-3.7	-8.0	

How to read: in Q4, loss of activity compared to the pre-crisis level is estimated at -8%, i.e. a drop in GDP of about -4½% compared to Q3, after an 18.7% rebound in Q3.

Note: loss of economic activity in a given month or quarter is measured in relation to Q4 2019. However, the variation in GDP for a given quarter is, by definition, calculated from the level of activity in the previous quarter.

Source: INSEE calculations from various sources

Table 2 - Detailed forecast of loss of activity in Q4 2020
difference compared to pre-crisis level (Q4 2019), in %

Sectors	Share of GDP (in %)	Q2 2020	Q3 2020	Estimate for Oct. 2020	Estimate for Nov. 2020	Forecast for Dec. 2020	Forecast for Q4 2020	Q4 2020 contribution (in points)
Agriculture, forestry and fishing	2	-1.9	-1.6	-2	-2	-2	-2	0
Industry	14	-23.1	-6.6	-2	-8	-5	-5	-1
Manufacture of food products, beverages and tobacco-based products	2	-9.7	-1.6	-3	-5	-5	-4	0
Coke and refined petroleum	0	-17.5	-29.0	-7	-21	-7	-12	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-24.1	-5.6	-5	-10	-5	-6	0
Manufacture of transport equipment	2	-50.9	-20.7	-18	-18	-18	-18	0
Manufacture of other industrial products	6	-23.9	-5.7	-3	-10	-5	-6	0
Extractive industries, energy, water, waste treatment and decontamination	2	-14.4	-4.2	15	0	0	5	0
Construction	6	-31.3	-5.5	-5	-13	-9	-9	-1
Mainly market services	57	-18.1	-4.6	-5	-16	-11	-11	-6
Trade; repair of automobiles and motorcycles	10	-19.7	-3.3	-3	-16	-9	-9	-1
Transport and storage	5	-29.8	-10.5	-20	-25	-23	-23	-1
Accommodation and catering	3	-52.6	-13.1	-28	-60	-60	-49	-1
Information and communication	5	-10.0	-4.3	-2	-6	-4	-4	0
Financial and insurance activities	4	-10.2	-1.4	-1	-5	-3	-3	0
Real estate activities	13	-3.1	0.0	0	-3	-1	-1	0
Scientific and technical activities; administrative and support services	14	-20.4	-5.1	-2	-16	-9	-9	-1
Other service activities	3	-41.9	-14.9	-20	-45	-31	-32	-1
Mainly non-market services	22	-15.7	0.6	0	-6	-3	-3	-1
Total	100	-18.9	-3.7	-4	-12	-8	-8	-8
of which mainly market	78	-19.6	-5.0	-5	-14	-10	-9	-7
of which mainly non-market	22	-15.7	0.6	0	-6	-3	-3	-1

How to read it: economic activity would seem to have declined by 12% in November, compared to the pre-crisis level (Q4 2019). It is expected to decrease by 8% in Q4 2020. In industry, the loss of activity in Q4 2020 is estimated at 5%, which is expected to contribute around 1 percentage point to total loss of activity in Q4.

Source: INSEE calculations from various sources