# Economic outlook

4 February 2021

Insee

Mesurer pour comprendre

## Sommaire



Chiefs editors: Julien Pouget and Olivier Simon
Editorial director: Jean-Luc Tavernier

The issues of *Economic outlook* and *Points de conjoncture* are available as soon as they are published on the INSEE website (www.insee.fr).

Completed on 3 February 2021

Institut national de la statistique et des études économiques
Chief manager: Jean-Luc Tavernier
Head Office: 88 avenue Verdier - CS 70058 - 92541 Montrouge Cedex
Phone: 01.87.69.50.00
Website: http://www.insee.fr

# Introduction

## The second lockdown brought household consumption down more than production

The publication of the national accounts for Q4 2020 was a stark reminder, if one were needed, of the uncertainty in making economic forecasts in the context of the health crisis. The various monthly business tendency surveys and high-frequency data from search engines, for example, provide useful pointers regarding changes in economic activity, but they are no substitute for "hard" data (turnover indices calculated from VAT, etc.) which are consistent within the framework of the national accounts.

Since the start of the crisis, taking into account the spread of the epidemic and the associated containment measures of course, economic activity has twice proved higher than expected: first in May-June, at the end of the first lockdown, when there was a stronger rebound than forecast, then in November-December, when ultimately the second lockdown penalised economic activity to a lesser extent than suggested by virtually real-time estimates.

In November, the difference in GDP compared to its pre-crisis level will therefore have been around –8%, a considerable decline certainly, but only a quarter of that seen in April, before moving to –4% in December (► **figure**). Industrial output was hardly affected at all, and services performed better than expected. The shock was to a large extent confined to the sectors most exposed to the restrictive measures: retail, leisure, accommodation-catering, transport. Investment and foreign trade held up better than expected.

However, household consumption tumbled almost as much as anticipated (–15% in November compared to its pre-crisis level), before rebounding strongly in December (–4% compared to its pre-crisis level). The high-frequency data used for this estimate (aggregated bank card transaction amounts, scanner data from major retail outlets) very closely track purchases of goods and services that directly make up part of household consumption, thus confirming their relevance.

## A mixed picture for January 2021, both on the economic front and the epidemic front

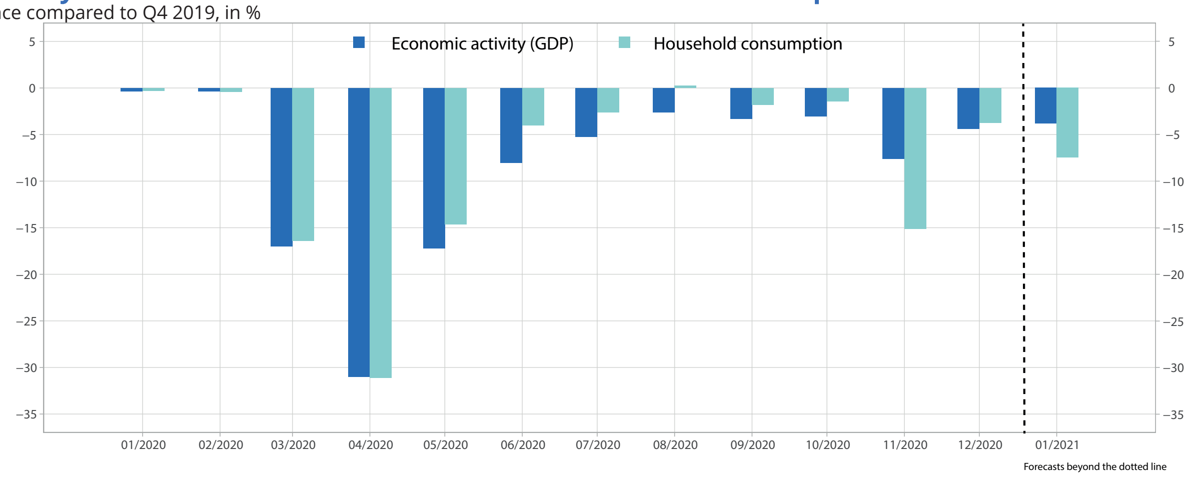
These same data suggest that household consumption is likely to be somewhat weakened during January 2021, moving back to 7% below its pre-crisis level. There are several factors that can account for this movement: December saw purchases made that had been postponed, given that "non-essential" stores were closed in November, but this catch-up phenomenon is unlikely to extend into January. In addition, the time of the curfew was gradually brought forward to 6pm for the entire country. Lastly, the shift in the dates of the winter sales may have meant that some January purchases were postponed from January to February.

The international environment also seems a little less buoyant at the start of the year, especially in Europe: the deterioration in the health situation in many countries has resulted in a tightening of restrictive measures. And possible changes in inventories in the United Kingdom at the end of 2020 just before *Brexit* could cause a backlash in January.

However, the business climate is stable in January compared to December. The various high-frequency indicators also suggest an overall stability in economic activity within the meaning of GDP, which would therefore seem to have maintained its December level in January (i.e. 4% below its pre-crisis level). Activity would seem to have remained on a plateau to some extent, rather like the epidemic: both have indeed evolved in tandem since the start of the crisis.

### ► Monthly estimates and forecasts of GDP and household consumption

difference compared to Q4 2019, in %




*Source: INSEE calculations and forecasting*

## In the coming months, there will be no decline in uncertainty

Building precise forecasts beyond the month of January is currently something of a challenge. Just after the first wave of the epidemic, INSEE applied the expectations expressed in company surveys regarding the time needed to "return to normal". This type of information is especially useful after a seismic shock that is unlikely to reoccur. However, the successive waves of the epidemic determine the recovery of the sectors most impacted by a return to normal of the health situation. And this seems to depend to a large extent on the ongoing race worldwide between the circulation of the virus and its variants on the one hand, and the vaccination campaigns on the other.

At this stage, all we can do is to sketch out some scenarios by way of illustration for the coming months:

- Assuming that activity in January is maintained in February then March, with no further tightening of the health restrictions, growth in Q1 2021 is likely to be around +1½%;

- Assuming a one-month lockdown in the next few weeks, with restrictions similar to those during the November lockdown, then growth would be zero (0%) in Q1;

- Finally, a lockdown of the same type as in November, but covering a large part of February and the whole of March, could lead to a further contraction in activity (of around –1%).

By assuming a return in Q2 to the level of activity reached in Q3 2020 (almost 4% below the pre-crisis level), according to the three scenarios given above, the annual growth overhang by mid-2021 would be between +4 and +5%.

In the short term, the effects of a possible third lockdown are at first difficult to predict: its impact would be closely dependent on the restrictions put in place, on its duration, and also on the ability of the economy to adapt (teleworking, development of digital technologies, etc.). In the slightly longer term, forecasting the situation in different sectors of activity is not straightforward: the first two lockdowns certainly demonstrated an ability to rebound in many sectors, helped by massive budgetary support. Regarding the sectors most affected, where activity remains restricted for the most part, uncertainties may be greater: a spring compressed for too long may not necessarily regain its original shape.

## Alongside estimates of GDP and household consumption, this *Economic Outlook* includes two Focus reports:

- 2020 was marked by an unprecedented decline in economic activity (–8.3%), commented on extensively since the end of March in successive editions of *Economic Outlook*. This shock will probably have long-lasting consequences for employment, unemployment and income. Seen from a completely different perspective, this shock will have produced a temporary decline in greenhouse gas emissions generated by this economic activity. One Focus report sets out to quantify the temporary decrease in the carbon footprint of household consumption during the lockdowns (–36% in April, compared to its pre-crisis level), under the effect of both a decrease in consumption and, to a lesser extent, the change in its structure.

- The curfew was gradually extended to 6pm instead of 8pm during January, affecting a growing number of departments. A Focus study mobilises high-frequency data, especially the aggregated amounts of bank card transactions, to estimate the impact of this time change. When it was put in place, the extra 2 hours of curfew resulted in a decrease in bank card transaction amounts (excluding online sales) of around 6 to 7%, although it is not possible to infer what this impact might be if this measure were to last: it is likely that part of this effect is only transitory, while household behaviour adapts to these time restrictions.

# Economic activity

*In a year of economic fluctuations on an unprecedented scale, GDP fell by 8.3% as an annual average in 2020, according to the first estimates from the quarterly accounts. This contraction, the strongest recorded since the start of the national accounts series in 1949, is slightly below the 9% drop forecast in the last Economic Outlook. The end-of-year lockdown, which was less strict than that in the spring, resulted in a lower than expected loss of activity (–8% in November then –4% in December) compared to the pre-crisis level (Q4 2019). Services, which were more exposed to restrictive lockdown measures, were more affected than industry, although industry may have suffered in December from a deteriorating international environment.*

*The start of 2021 remains strongly affected by the uncertainty surrounding the health situation. Measures to fight the epidemic have been gradually reinforced (curfew brought forward to 6pm in some departments then across the whole country, restrictions on travel outside the EU, closure of non-food stores in large shopping centres, teleworking encouraged).*

*In this context, activity would seem to have been stable overall in January, remaining at the December level of 4% below the pre-crisis level. Across all of Q1 2021, any change in activity will be dependent on change in the health situation and the possible tightening of restrictive measures. Keeping restrictions at their present level would lead to activity progressing slightly compared to Q4 2020, with industry continuing to recover gradually, while some services would still be penalised. Tighter restrictions, on the other hand, would lead to stable activity at best, or even a further decline in Q1.*

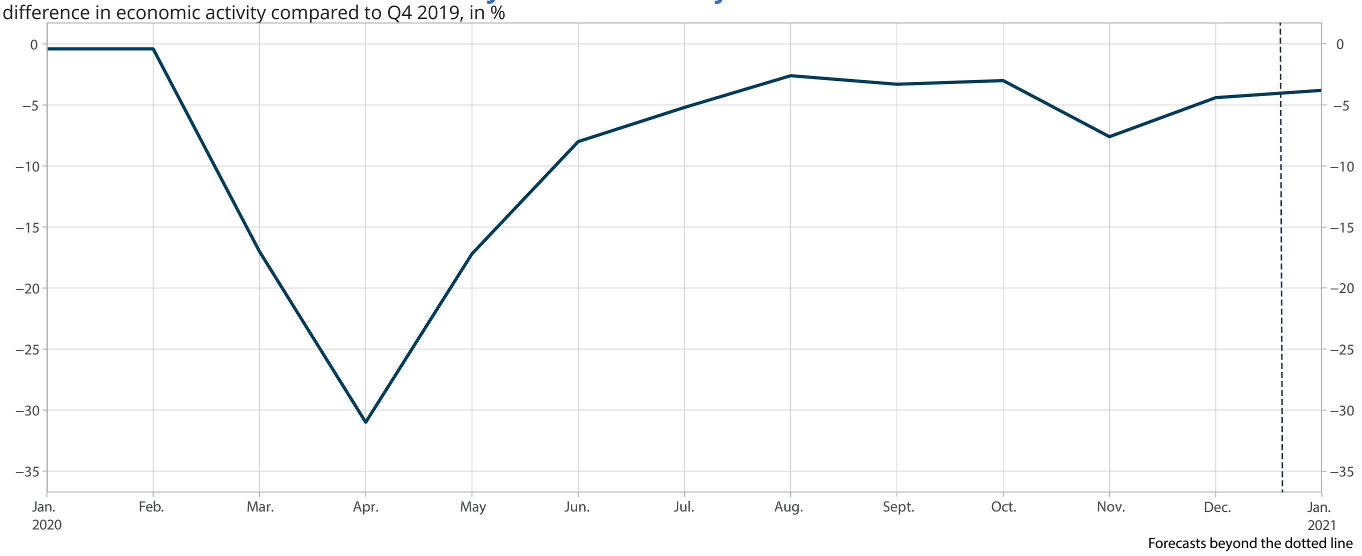
## In Q4 2020, French economic activity was affected by the second lockdown but to a lesser extent than in the spring

After a stable month of October, at –3% of loss of activity compared with the pre-crisis level (Q4 2019), the lockdown put in place between 30 October and 14 December, with notably the closure of “non-essential” businesses until 27 November and restrictions on travel, led to a further fall in economic activity. In November, it stood at 8% below its pre-crisis level; this loss was then reduced to 4% in December (► **figure 1**). This revision of the forecasts in the Economic Outlook of 15 December (–12% and –8% of loss of activity forecast for November and December respectively) can be explained by, among other things, a smaller than anticipated fall in activity in services, both in November and December.

Among the branches most affected since the start of the health crisis, transport and storage and accommodation-catering have seen their activity fall drastically, although to a lesser extent than expected (–15% and –37% of loss of activity respectively compared to the pre-crisis level

**► 1. Estimated then forecast monthly losses of activity**

difference in economic activity compared to Q4 2019, in %




How to read it: in November, economic activity was down by about 8% compared to its Q4 2019 level. In January, it would appear to be settled at –4%.

*Source: Insee calculations from various sources* for these two sectors over the entire quarter, against –23% and –49% forecast). In the holiday period, despite the advice to limit get-togethers, people still moved around, whereas restaurants had already adapted to their extended closure and probably simply continued in the same way (especially with deliveries). However, other service activities (leisure, culture, sport, etc.) did suffer a shock in November, in line with the forecast: for example, the rebound in December was a little greater than expected, with the loss of activity established in Q4 at –29% (against –32% forecast). Services to businesses (scientific and technical activities and administrative and support services) experienced a loss of activity that was only half that forecast in November, or a loss across the entire quarter of –6% (against an expected –9%). Trade, however, was more affected than forecast in November (especially the trade and repair of automobiles and motorcycles, and wholesale trade), but much less than forecast in December.

The activity of mainly non-market services returned to its pre-crisis level in Q4 2020 (against a loss of activity forecast at –3%), driven mainly by the buoyancy of health services, with no new postponements of treatment.

Industrial activity resisted better than forecast in November, particularly in the manufacture of equipment (especially electrical) and machines and in textile-clothing-footwear, chemical products and metallurgy. It fell back in December, however, perhaps associated with the health situation that was deteriorating for a number of our partners. Across the entire quarter, the loss of industrial activity compared to Q4 2019 stood at about –5% (against –7% forecast). Finally, construction was more affected in November than in December with a loss of activity across the whole quarter of –6% (against –9% forecast).

The breakdown of the different demand items also shows that, compared to the forecasts in the Economic Outlook of 15 December, household consumption declined slightly less than forecast in Q4 2020, and in particular that investment (especially household investment) and foreign trade continued their rebound, despite expectations of a further decline. The contribution of foreign trade was thus positive in Q4, at around 1 point. At the end of the year, GDP had therefore declined by –1.3% as a quarterly variation, and by –5.0% year-on-year (► **table 2**).

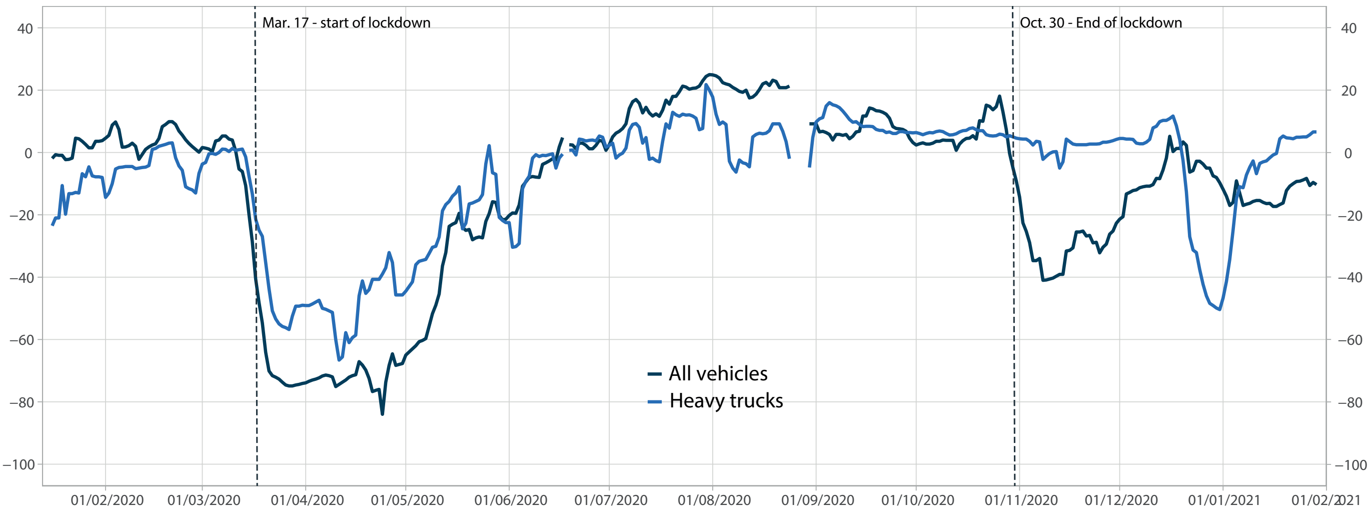
## In a context that remains very uncertain, economic activity is expected to be stable in January 2021

In January 2021, companies' expectations, as expressed in early January in INSEE's business tendency surveys and in the ACEMO-Covid flash survey[1], carried out by DARES in association with INSEE, suggest an overall

1 This survey questioned businesses on their expectations regarding their pace of recovery. Their responses are aggregated at sector level, so that a trajectory can be established for change in activity for the months to come, provided there is no new shock to activity related to a tightening of restrictive health measures in the event of a return of the epidemic.

### ► 2. Road traffic in France

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




How to read it: on 8 November 2020, road traffic in France was -2% lower for heavy goods vehicles and -41% lower for all vehicles combined, 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 in February and the start of lockdown. For more clarity, the series has been smoothed with a 7-day moving average. The last point represents 29 January.
*Source: Cerema, INSEE calculations*

stabilisation of economic activity compared to December 2020. The curfew in force since 15 December reduced the amount of movement, onsite work and consumption opportunities in the evenings, first after 8pm, then after 6pm: this earlier deadline concerned only a few departments at the beginning of January but was gradually extended to the entire country.

The high-frequency indicators available for the first weeks of January also suggest virtual stability in activity. Heavy goods traffic, which was not affected much during the second lockdown due to the lesser impact of the restrictive measures on movement related directly to industrial activity, seems to be returning to stability after the seasonal lull associated with the Christmas holidays (► **figure 2**). In addition, the close correlation seen up until Q3 between the indicator of time spent weekly at home and the loss of economic activity seems to be weakening, perhaps linked to the increase in teleworking (► **figure 3**).

However, in the sectors where activity is still restricted, the number of related keyword searches in the Google search engine is still a little higher than in November, but apart from the word "train", for which searches were dynamic during the end-of-year holiday period, searches for other sectors remain very much in decline compared to October ("restaurant", "hotel", "theatre" and especially "cinema") or at a similar level ("flight"), reflecting the significant loss of activity in these sectors (► **figure 4**). Overall, these searches are in decline since the start of January.

All in all, activity in January would seem to have been around –4% compared to its pre-crisis level (Q4 2019), a similar level to December. In industry, it appears to have increased slightly compared to December (► **table 1**). In mainly market services, activity is expected to be stable: it is likely to remain very much depressed in sectors directly affected by the restrictions (accommodation-catering, transport and storage, leisure activities). In non-market services, activity is likely to be slightly dynamic, driven by health services, as in Q4.

## What are the scenarios for the coming months?

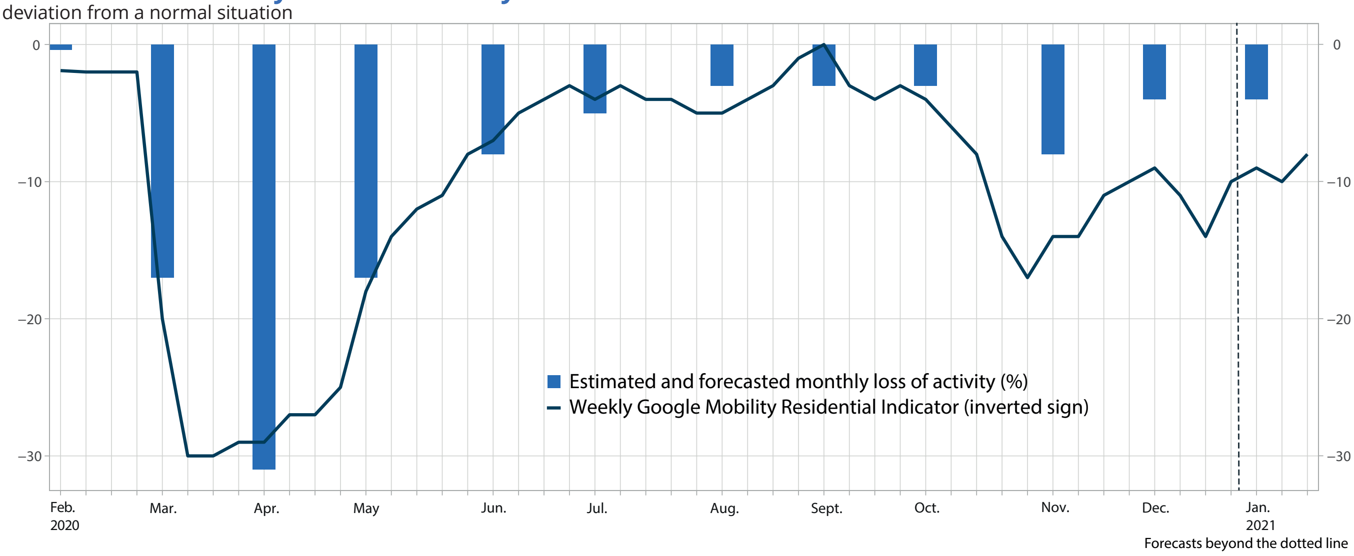
The health context for the start of the year remains very uncertain. Restriction measures have been tightened since 31 January (closure of non-food stores in shopping centres larger than 20,000 m2, control of movement outside the metropolitan area, etc.). Uncertainty remains over the duration of these measures and the possibility of their being reinforced further in the form of another lockdown, if the health situation deteriorates once again.

At this stage, it seems as if only scenarios can be put forward, as an illustration, to provide orders of magnitude for the various hypotheses that can be considered.

For example, if the current restrictive measures were maintained until the end of the quarter, activity could continue to grow slowly, mainly due to the industrial branches. Activity in services, on the other hand, would continue to be penalised by the activity in those sectors that are still affected by the restrictive measures

### ► 3. Indicator of total time spent at home monthly (compared to a normal situation) and estimated and forecast monthly losses of activity

deviation from a normal situation




How to read it: during the first week of December, time spent at home was 10% more than in a normal situation.
Note: the data for the indicator are currently available up to 26 January. Weekly values are the average of daily indicator values.
*Source: Google Mobility Reports, INSEE calculations*

(accommodation-catering, leisure activities, transport services to a lesser degree). GDP would increase by around +1½% in Q1 2021 (see scenario 1 in ► **table 2**), i.e. a loss of activity across the whole quarter of –4% compared to the pre-crisis level (after –5% in Q4 2020).

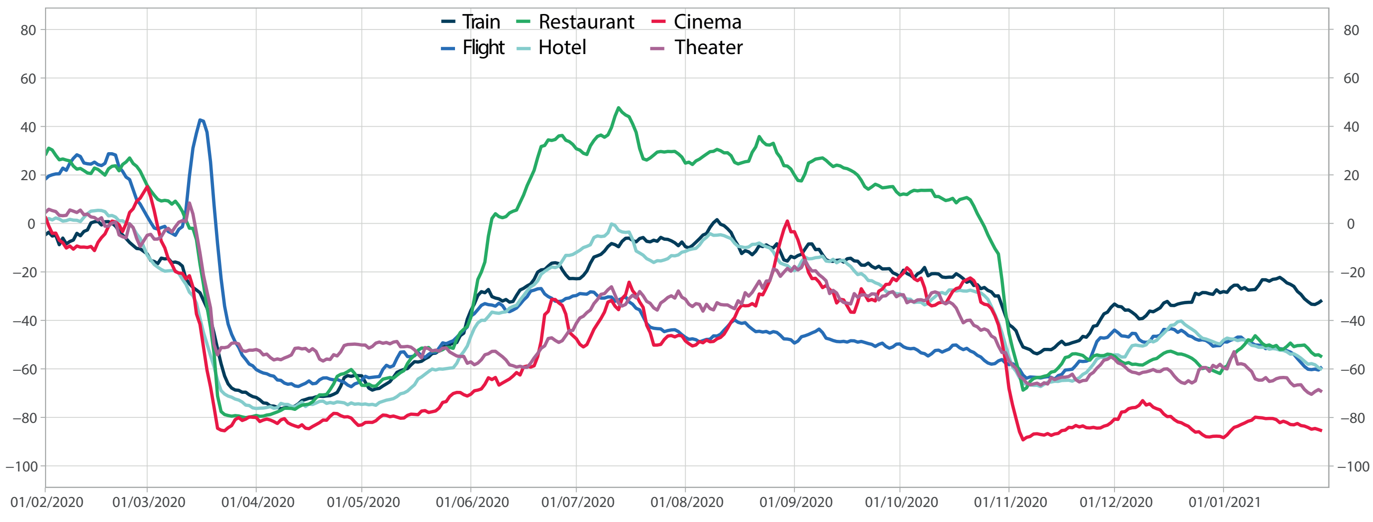
However, if the restrictive health measures were strengthened, this could once again put a stop to recovery or, depending on the severity of the measures taken, it could even cause a further drop in activity. In addition to the nature of any measures to be taken, there is uncertainty over their duration:

in the event of lockdown for one month, under the same conditions as in November (scenario 2 in ► **table 2**), and assuming that the rest of the quarter experiences the same level of activity as in January, GDP growth would be zero overall in Q1 2020, with a loss of activity of –5% compared to the pre-crisis level;

in the event of 7 weeks of lockdown (scenario 3) with the same conditions as in November, GDP would decline by around 1% over the quarter, and loss of activity would then be 6% on average compared to Q4 2019.

For Q2 2021, the forecast at this stage is as uncertain as for Q1. By way of illustration, we assume that the level of activity overall for this quarter is similar to that in Q3 2020 (almost 4% below the pre-crisis level). The annual growth overhang for 2021, depending on the scenario, would then be between +4% and +5% at mid-year.

## ► 4. Frequency of keyword searches on internet




How to read it: the 7-day moving average for the number of searches for the word "restaurant" on Google in France was 55% lower on 29 January compared to the average of the 7-day moving averages for every 29 January between 2016 and 2019.
Note: the last point represents 29 January.
*Source: Google Trends, INSEE calculations*

## ► 1. Estimated then forecast losses of economic activity in 2020 and in January 2021 by branch

différence compared to Q4 2019, in %

| Branch | weight | Q4 2020 | Oct. 2020 | Nov. 2020 | Déc. 2020 | Jan. 2021 | Contrib. Jan. 2021 |
|---|---|---|---|---|---|---|---|
| **Agriculture, forestry and fishing** | **2%** | **–0.8** | **–1** | **–1** | **–1** | **0** | **0** |
| **Industry** | **14%** | **–4.6** | **–4** | **–4** | **–7** | **–4** | **–1** |
| Manufacture of food products, beverages and tobacco-based products | 2% | –3.8 | –4 | –2 | –5 | –3 | 0 |
| Coke and refined petroleum | 0% | –20.0 | –1 | –3 | –56 | –32 | 0 |
| Manufacture of electrical, electronic, computer equipment; manufacture of machinery | 1% | –4.0 | –3 | 0 | –9 | –6 | 0 |
| Manufacture of transport equipment | 2% | –16.7 | –18 | –17 | –16 | –12 | 0 |
| Manufacture of other industrial products | 6% | –3.2 | –3 | –2 | –5 | –3 | 0 |
| Extractive industries, energy, water, waste treatment and decontamination | 2% | –1.1 | 3 | –4 | –3 | –2 | 0 |
| **Construction** | **6%** | **–5.9** | **–8** | **–7** | **–3** | **–2** | **0** |
| **Mainly market services** | **57%** | **–7.2** | **–5** | **–11** | **–6** | **–6** | **–3** |
| Trade; repair of automobiles and motorcycles | 10% | –4.9 | –2 | –12 | –1 | –2 | 0 |
| Transport and storage | 5% | –15.5 | –12 | –18 | –16 | –14 | –1 |
| Accommodation and catering | 3% | –36.5 | –22 | –48 | –41 | –41 | –1 |
| Information and communication | 5% | –2.1 | –2 | –1 | –3 | –3 | 0 |
| Financial and insurance activities | 4% | –2.3 | –1 | –4 | –2 | –2 | 0 |
| Real estate activities | 13% | 0.4 | 1 | 0 | 1 | 1 | 0 |
| Scientific and technical activities; administrative and support services | 14% | –6.1 | –5 | –8 | –5 | –4 | 0 |
| Other service activities | 3% | –29.2 | –18 | –44 | –26 | –25 | –1 |
| **Mainly non-market services** | **22%** | **0.3** | **1** | **–1** | **0** | **1** | **0** |
| **Total VA** | **100%** | **–5.0** | **–3** | **–7** | **–5** | **–4** | **–4** |
| **Taxes and subsidies** | | **–4.9** | **–1** | **–11** | **–2** | **–4** | |
| **GDP** | | **–5.0** | **–3** | **–8** | **–4** | **–4** | |

Forecast

*Source: INSEE calculations from various sources*

## ► 2. Scenarios for Q1 2021

| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Scenario 1 (status quo same as January) | Scenario 2 (lockdown like Nov. 2020, lasting 1 month) | Scenario 3 (lockdown like Nov. 2020, lasting 7 weeks) |
| Quarterly variation (in %) | –5.9 | –13.7 | 18.5 | –1.3 | 1 ½ | 0 | –1 |
| Difference compared to pre-crisis level (Q4 2019) | –5.9 | –18.8 | –3.7 | –5.0 | –4 | –5 | –6 |

Forecast

*Source: Calculs Insee à partir de sources diverses*

# Household consumption

*With the introduction of the second lockdown, household consumption declined sharply in November 2020 (–15% compared to the pre-crisis level of Q4 2019) before picking up fairly quickly in December (–4% compared to the pre-crisis level), especially with the strong rebound in consumption of manufactured goods. In January, partly in reaction to this and with the further strengthening of health restrictions (curfew gradually brought forward to 6pm instead of 8pm), delayed winter sales and uncertainty over the way the health situation was developing, consumption would appear to have fallen once again (–7% compared to its pre-crisis level). Consumption of manufactured goods in particular looks set to decline after the strong rebound in December. Consumption of services would appear to have remained stable overall, but still depressed in the sectors directly affected by the restrictive measures in place for the health crisis.*

Since the Economic Outlook of 15 December 2020, the first estimate from the Q4 2020 accounts confirms the drop in household consumption for this quarter (–5.4% compared to the previous quarter, a slightly more moderate decline than the –6% forecast in the last Outlook). In Q4 2020, household consumption stood at –7% from its pre-crisis level, after –1% in Q3, an indication of the decline in consumption during the second lockdown (► **Figure 1**). Thus the loss of consumption in Q4 is close to, though a little below, the forecast in the last Economic Outlook (–8% compared to the pre-crisis level). In particular, the increase in consumption of electrical and electronic equipment was even stronger than forecast in Q4 (+13% above its pre-crisis level against +6% forecast). Spending on construction work was also above its pre-crisis level (+1% against a forecast of –10%). In services to households, even though consumption remained sharply depressed in Q4, the loss of consumption turned out to be smaller than anticipated (–27% compared to the pre-crisis level against a forecast of –36%).

Using bank card transaction amounts and scanner data from major retail outlets, available up to 24 January, an estimate of household consumption can be produced for January. This is likely to be down on December, with a loss of consumption reaching 7% in January after –4% in December (compared to Q4 2019). The profile of CB bank card transaction amounts illustrates this decline since after the strong rebound observed in December,

### ► 1. Estimated and forecast monthly consumption

différence compared to Q4 2019, in %

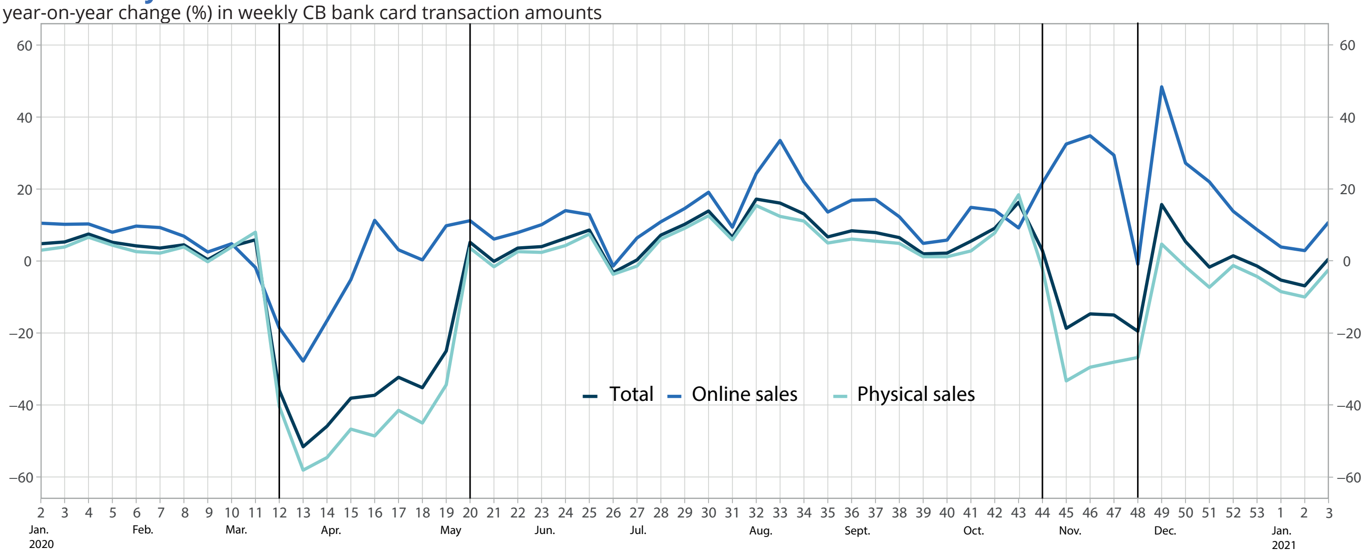

How to read it: in January 2021, household consumption is expected to stand at 7% below its Q4 2019 level.
*Source: INSEE calculation from various sources*

transactions (year-on-year) appear to be significantly less dynamic in the first three weeks of January (▶Figure 2). This weak momentum also applies to online sales, in contrast to previous months, which saw an upturn in this type of purchase. In addition to the delaying of the winter sales, which started on 20 January this year instead of 8 January last year, the drop in consumption may also be due to the earlier curfew at 6pm instead of 8pm, which was at first limited to fifteen departments then gradually introduced nationwide from 16 January: by reducing in particular the numbers of customers going into shops, this measure seems to have affected household spending overall (▶ Focus). In addition, the climate of uncertainty regarding the changing health situation could also have contributed to slowing household spending. In this regard, the latest results from the Household Economic Outlook Survey, published on 27 January, show a substantial increase in the balance of opinion on the opportunity to save, combined with a sharp decline in the balance of opinion on the opportunity to make major purchases (▶ Figure 3).

The drop in consumption in January would appear to be mainly the result of consumption of industrial goods. Household spending on these goods would seem to be slightly below that of its pre-crisis level (–1%, or a contribution of –1 point to total loss of consumption, ▶ Table). Purchases of electrical and electronic

### ▶ 2. Weekly CB bank card transaction amounts

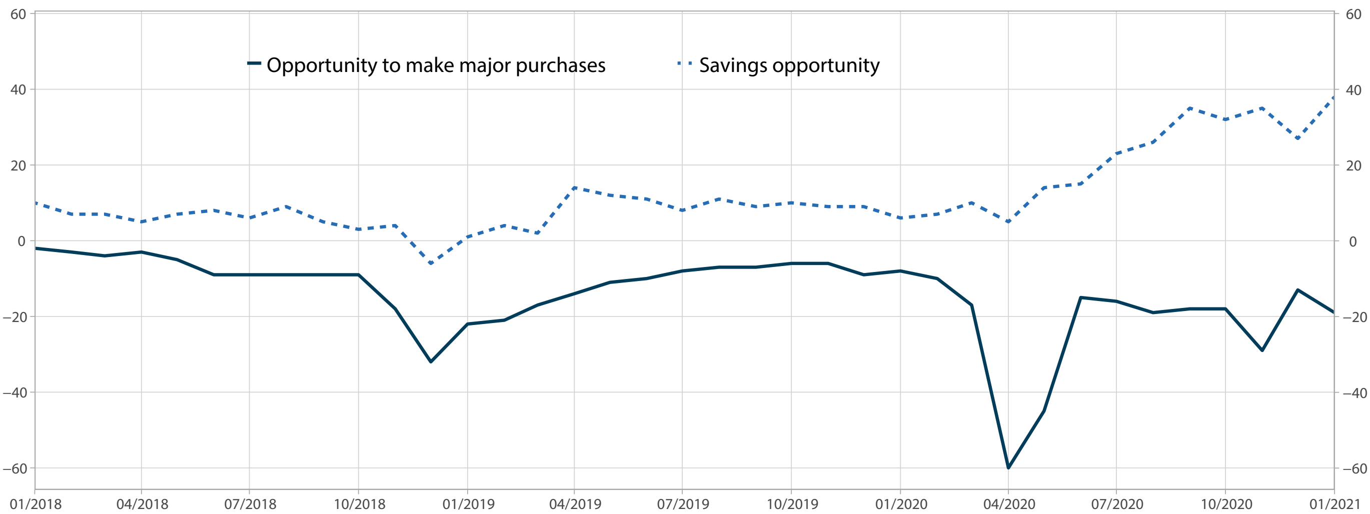
year-on-year change (%) in weekly CB bank card transaction amounts




How to read it: in week 3 of 2021 (18–24 January), total CB bank card transaction amounts were 1% higher than the amount in week 3 of 2020. The vertical lines show the dates that “non-essential” stores closed and reopened during the two 2020 lockdowns.
Note: the dynamism of these transaction amounts from March onwards may reflect a higher use of bank card payments, a trend that was corrected when estimating losses or increases in consumption compared to the pre-crisis level.
*Source: Cartes Bancaires CB, INSEE calculations*

### ▶ 3. Balance of opinion on the opportunity to make major purchases and the opportunity to save

balance of CVS responses, in points

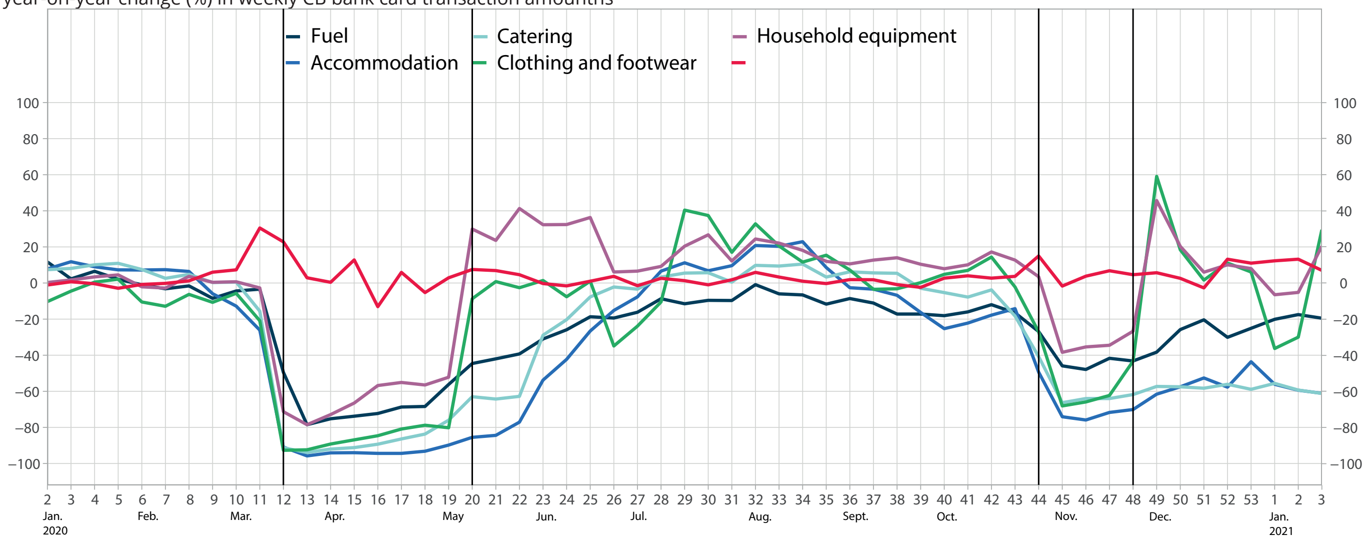



*Source: INSEE economic survey of households* equipment, and household equipment in general, look set to maintain a higher level of consumption than before the crisis, although to a lesser extent than in Q4 (► **Figure 4**, where the negative year-on-year figures for the first two weeks of January are affected by the delaying of the winter sales). For other products, the strong rebound in December would seem to have given way to a level of consumption in January below the pre-crisis level, as in clothing-footwear, for example, probably also linked to the shifting of the start of the winter sales to 20 January (► Figure 4). Lastly, some spending would appear to have increased nevertheless, although still remaining below the pre-crisis level: this would have appeared to be the case for spending on fuel in particular (► **Figure 4**).

However, consumption of market services in January would appear to have been 14% below its pre-crisis level (7-point contribution to total loss). This loss of consumption, similar to that in December, probably reflects consumption levels that are still in a depressed state in the sectors directly affected by the restrictive measures: catering has accommodation trailing in its wake (► **Figure 4**) also leisure activities. The figures are also expected to reflect contrary movements, with consumption of transport services improving in January (more trips than in December) and conversely, consumption of personal services deteriorating. Household spending on construction would appear to have recovered its pre-crisis level, the same for mainly non-market services. ●

## ► 4. Weekly CB bank transaction amounts and sales by major hyper and supermarkets, for various types of goods and services

year-on-year change (%) in weekly CB bank card transaction amounths




How to read it: in week 3 of 2021 (18–24 January), CB bank card transaction amounts related to purchases of fuel were 20% lower than amounts in week 3 of 2020. The vertical lines show the dates that "non-essential" stores closed and reopened during the two 2020 lockdowns.
Note: the dynamism of these transaction amounts from March onwards may reflect a higher use of bank card payments, a trend that was corrected when estimating losses or increases in consumption compared to the pre-crisis level.
*Source: Cartes Bancaires CB, INSEE calculations*

## ►Tableau. Estimated and forecast level of household consumption

compared to Q4 2019, in %

| Products | Share of consumption* | Q4 2020 | Oct. 2020 | Nov. 2020 | Déc. 2020 | Jan. 2021 | Contrib. for January 2021 (in percentage points) |
|---|---|---|---|---|---|---|---|
| **Agriculture, forestry and fishing** | **3%** | **−5.6** | **−3** | **−9** | **−5** | **−5** | **0** |
| **Industry** | **44%** | **−2.9** | **3** | **−16** | **4** | **−1** | **−1** |
| Manufacture of food products, beverages and tobacco-based products | 15% | 1.3 | 4 | −2 | 1 | 1 | 0 |
| Coke and refined petroleum | 4% | −14.4 | −4 | −27 | −12 | −4 | 0 |
| Manufacture of electrical, electronic, computer equipment; manufacture of machinery | 3% | 13.2 | 13 | −9 | 36 | 19 | 0 |
| Manufacture of transport equipment | 6% | −9.8 | −2 | −19 | −8 | −8 | 0 |
| Manufacture of other industrial products | 12% | −5.9 | 2 | −33 | 14 | −6 | −1 |
| Extractive industries, energy, water, waste treatment and decontamination | 4% | 2.5 | 12 | −5 | 1 | 1 | 0 |
| **Construction** | **2%** | **0.7** | **2** | **0** | **0** | **0** | **0** |
| **Mainly market services** | **46%** | **−13.4** | **−8** | **−18** | **−14** | **−14** | **−7** |
| Trade; repair of automobiles and motorcycles | 1% | −4.7 | 0 | −11 | −4 | −5 | 0 |
| Transport and storage | 3% | −48.2 | −33 | −58 | −54 | −46 | −2 |
| Accommodation and catering | 7% | −47.1 | −27 | −61 | −53 | −55 | −4 |
| Information and communication | 3% | −2.8 | −2 | −7 | 0 | −3 | 0 |
| Financial and insurance activities | 6% | 0.9 | 1 | 1 | 1 | 1 | 0 |
| Real estate activities | 19% | 1.8 | 2 | 2 | 2 | 2 | 0 |
| Scientific and technical activities; administrative and support services | 2% | −8.8 | −8 | −9 | −10 | −11 | 0 |
| Other service activities | 4% | −27.1 | −16 | −43 | −23 | −30 | −1 |
| **Mainly non-market services** | **5%** | **−0.8** | **2** | **−4** | **0** | **0** | **0** |
| **Total** | **100%** | **−6.8** | **−1** | **−15** | **−4** | **−7** | **−7** |

* weight in final household consumption spending in 2018 (excluding territorial correction)

Forecast

How to read it: in January 2021, the level of household consumption of accommodation and catering services would appear to be 55% lower than in Q4 2019.

*Source : INSEE calculations from various sources*

# Curfew at 6pm rather than 8pm: what impact on household consumption?

*The curfew was gradually brought back to 6pm instead of 8pm in January, in more and more departments. Using high-frequency data such as CB bank card spending or daily and departmental Google Mobility indicators, the effects of bringing the curfew forward in this way can be estimated. These data confirm that people living in departments where the curfew starts at 6pm spend less time in shops and recreation venues and reduce their consumer spending, compared to a situation where the curfew starts at 8pm. In particular, bringing the curfew start forward by 2 hours reduced amounts of local bank card spending by around 6 to 7%. This estimate relates to the two weeks after the curfew time was brought forward, but from this data it is not possible to infer what the impact would be in the longer term of a curfew starting at 6pm if this measure were to last. Nor does it take into account any shift to online purchases.*

On 15 December 2020, a nationwide 8pm curfew was put in place across France. During January, this curfew was gradually brought forward to start at 6pm, first for 15 departments from 2 January, then for another 10 between 10 and 12 January, with the rest of the country following suit on 16 January. Thus between 2 and 15 January, shops had different opening hours, depending on whether or not they were located in departments under a 6pm curfew. This mixture of different situations lends itself to comparative analysis to assess the effect on shopping and household consumption of a 6pm rather than an 8pm curfew.

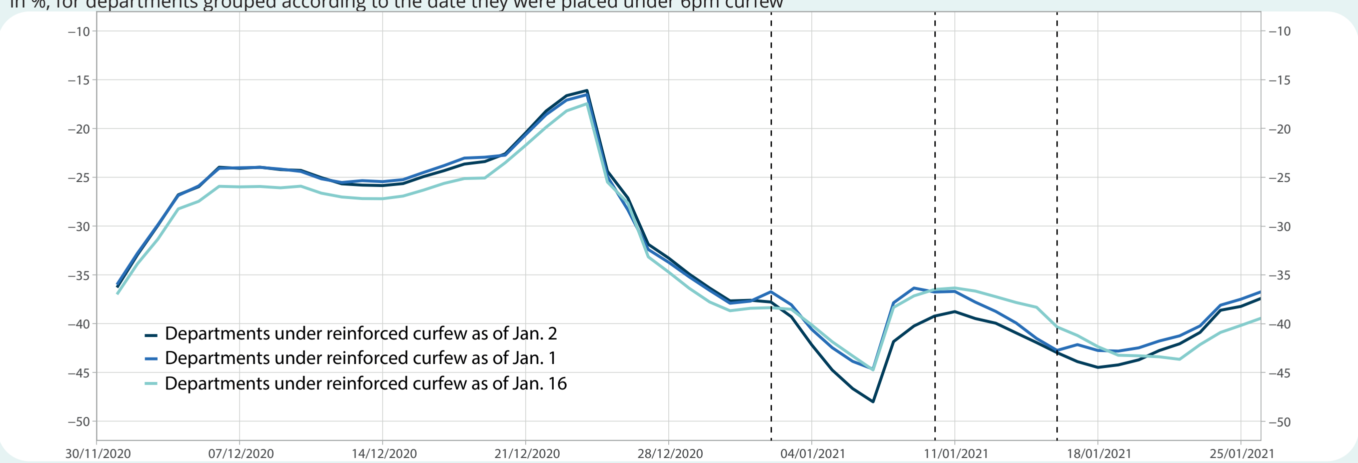
## The indicator of trips to non-food retail and recreation locations, taken from *Google Mobility Reports*, illustrates the decline in visits linked to the extension of the curfew to 6pm

Closing shops at 6pm can lead to both a general decline in consumption and a shift of some consumption to earlier in the day. The indicator for time spent in non-food shops and recreation locations, taken from *Google Mobility Reports* and available at departmental level, shows, for example, a drop in footfall in those departments where the curfew was brought forward to 6pm: in departments where the 6pm curfew was introduced on 2 January, the number of visits decreased, compared to other departments, and this was then also the case for departments that moved to a 6pm curfew on 10 or 12 January (► **Figure 1**). This decline in visits appeared to grow during the first days of the longer curfew as a result of the moving average smoothing.

According to this indicator, bringing the curfew forward from 8pm to 6pm is likely to result in a 3.9 point drop in the indicator for visits to shops and recreation locations compared to a situation where the curfew is maintained at 8pm (► **Figure 2**). This effect is obtained by a "double difference" method, which compares the change in the indicator between departments concerned by the earlier curfew at 6pm and the rest, both before and after the measure came into force. Predictably, moving to a 6pm curfew also results in a slight increase in time spent at home, as measured by the *Google Mobility Residential* indicator (► **Figure 2**).

**► 1. Indicator of time spent in non-food shops and recreation venues**

in %, for departments grouped according to the date they were placed under 6pm curfew




Note: indicators by department are smoothed by a weekly moving average and aggregated according to their population. Data go up to 26 January.
*Source: Google Mobility data, INSEE calculations*

### An estimate of the effect of bringing the curfew forward to 6pm on local household consumption expenditure based on CB bank card transactions

This drop in footfall is also accompanied by a local drop in consumption expenditure, as measured by CB bank card transactions: in departments under curfew at 6pm from 2 January, the amount of local transactions by CB bank card (year-on-year) appeared to be less than in other departments (► **Figure 3**). Once again, using a double difference method, the short-term effect of the extended curfew can be estimated: for the departments concerned, on average, consumption expenditure is likely to be 6.5% less than if the curfew remained at 8pm. The CB bank card transactions used here are broken down at department level but not according to product. The effect measured here is therefore not specific to shops impacted by the curfew and does not take into account a possible shift to online purchases. ●

*Jérémy Marquis*

### ► 2. Effect of shifting curfew from 8pm to 6pm, estimated by double difference

| | **Effect and significance** |
|---|---|
| On *Google "Retail and Recreation"* indicator (trips to non-food shops and recreation locations) as a 7-day mobile average | −3.9 points *** |
| *On Google "Residential" indicator (time spent at home)* | +1.1 points ** |
| On local consumption expenditure as measured by CB bank card transactions, in euros | −6.5% *** |

Note: * (or **, or ***) the effect is significantly different from 0 at a 1% (or 0.5%, or 0.1%) threshold. The double difference estimates the difference in the indicator value as a result of the longer curfew by comparing the first and last departments concerned by the shift to the 6pm curfew.

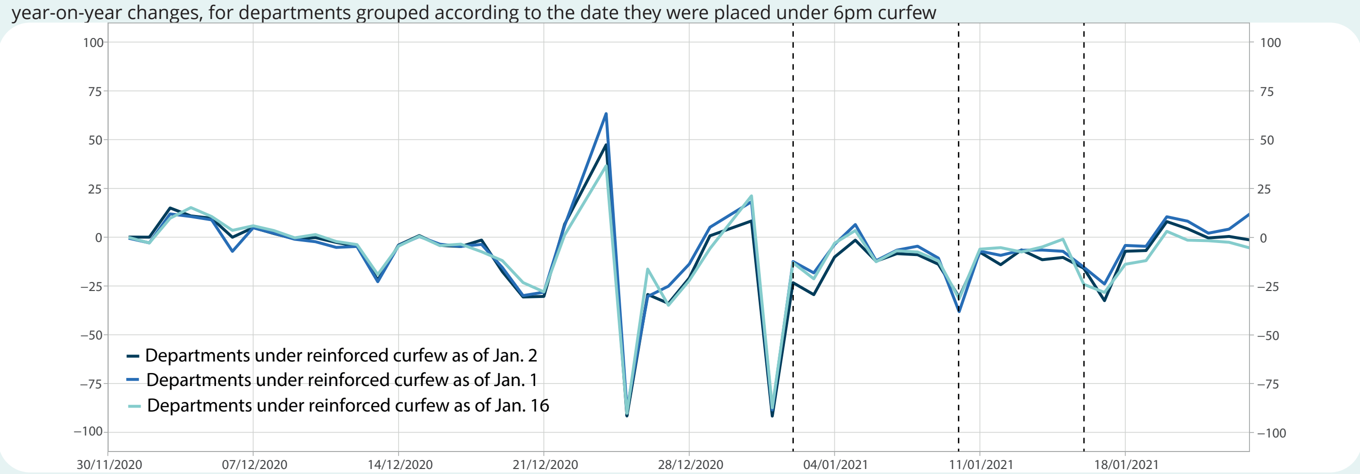
Estimation period: from 15 December 2020 to 15 January 2021 (daily departmental data).

How to read it: in the case of a curfew from 6pm, the Google Mobility indicator of trips to non-food stores and recreation locations would be 3.9 points lower than if the curfew had been at 8pm. This is a significant effect with a confidence threshold of 0.1%. Similarly, consumption expenditure recorded by local CB bank card transactions would be 6.5% lower for a 6pm curfew, compared to a situation where it remains at 8pm

*Source: Google et Cartes Bancaires CB data. INSEE calculations*

### ► 3. CB bank card transactions

year-on-year changes, for departments grouped according to the date they were placed under 6pm curfew




Note: the points corresponding to 23 and 30 December have been removed. As 2020 was a leap year, these high consumption days were compared to 25 December and 1st January. The year-on-year figures are therefore very high, but with no real economic significance.
The last point corresponds to 24 January. However, the official start of the sales on 20 January makes analysis of the graph more complicated.
*Source: Cartes Bancaires CB, INSEE calculations*