

Difficulties in the aeronautics sector prevent French exports from taking off again

While French activity has partly recovered from the shock of Q2 2020, exports are still lagging very far behind. In particular, December's exports of goods remained well below their pre-crisis level, while in Germany, Spain and Italy they returned to or even exceeded this level. The reason for this difference lies in the specific composition of French exports of goods, as the weight of the aeronautics sector is greater, relatively speaking, than in neighbouring countries. In fact, apart from Italy, any change in exports of goods in 2020, since their dramatic fall in April, seems to be largely dictated by exports of transport equipment, mainly automobiles for Germany and Spain and aeronautics for France. While automobile exports were able to return almost to their pre-crisis level as early as the summer or autumn, depending on the country, this has not been the case for aeronautics exports, which are still very much in decline, and have been since the start of the health crisis. The prospects expressed by this sector in the business tendency surveys are no more optimistic at the start of 2021.

At the end of 2020, French exports were still in decline compared to those of its neighbours

After falling dramatically in Q2 2020, foreign trade in the European countries has gradually returned to something approaching its pre-crisis level, in the context of a global upswing in world trade. However, among the four main Eurozone countries, in Q4 2020, French and Spanish exports were still in decline compared to those of Germany and Italy. Notably, while French activity had made a similar recovery to that of Germany and Italy, compared to the pre-crisis level, French exports remained weak. This finding is all the more striking when we look at exports of goods only: France stands out as its exports of goods are still well below those of Q4 2019 (–7%), whereas in Italy and Germany, exports were down by 2% and 3% respectively compared to their pre-crisis level (► figure 1).

France clearly stands out for its relatively slow recovery in exports of goods (► figure 2). In April, at the height of the crisis, exports from all European countries collapsed

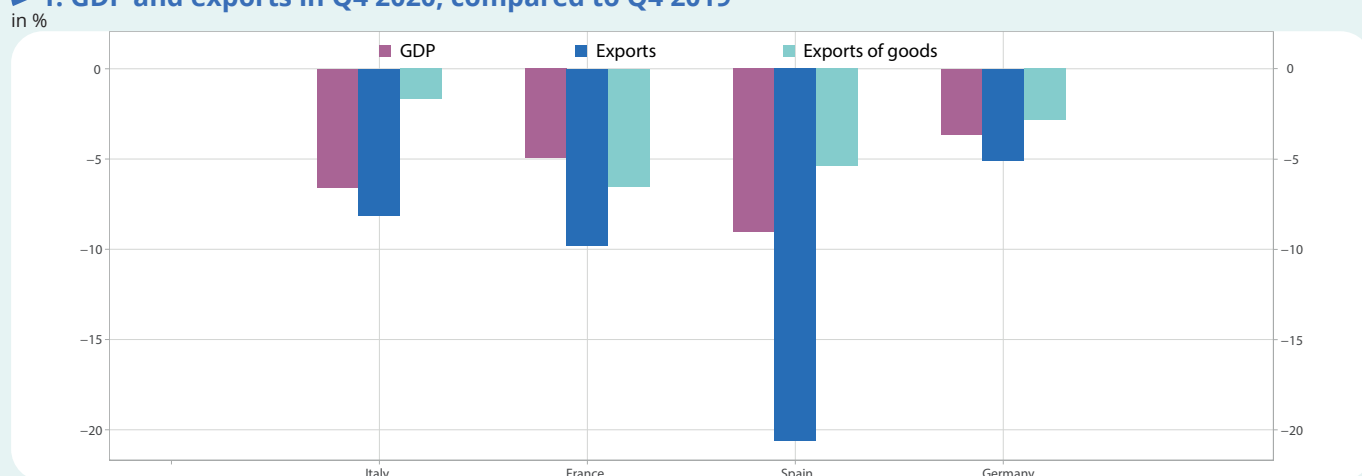
simultaneously, although Germany was able to resist a little better than the rest. Nevertheless, after a decline on a similar scale to that in Spanish and Italian exports, French exports of goods have systematically lagged behind since May 2020.

French exports are characterised by the significant weight of the aeronautics sector, particularly badly hit by the crisis

Transport equipment represents about 20% of exports of goods from Germany, Spain and France, and almost 10% for Italy (► figure 3). Within transport equipment, France stands out with a greater proportion of exports of “other transport equipment”, which in 2019 represented 61% of exports in this branch, against 39% of exports of automobiles¹. In Germany and Spain, on the other hand, exports of transport equipment consist primarily of exports of automobiles, and this is even more so for Italy. And among these French exports of other transport equipment, 91% consist of exports of aeronautical and space equipment.

¹ National quarterly accounts, INSEE, in volume

► 1. GDP and exports in Q4 2020, compared to Q4 2019



Source: European System of Accounts, Eurostat

When broken down according to product, the collapse in exports of goods in April and May 2020 appears to be driven significantly by the contribution of transport equipment (automotive, aeronautical, naval, rail, etc.). This is particularly the case for Germany, Spain and France, where exports of transport equipment accounted for more than a third of the drop in exports of goods in April and May (► **figure 4**). It was a little less the case for Italy, where manufactured articles (finished manufactured products) and capital goods contribute more but where transport equipment nevertheless accounted for about one-sixth of the decline in April and May.

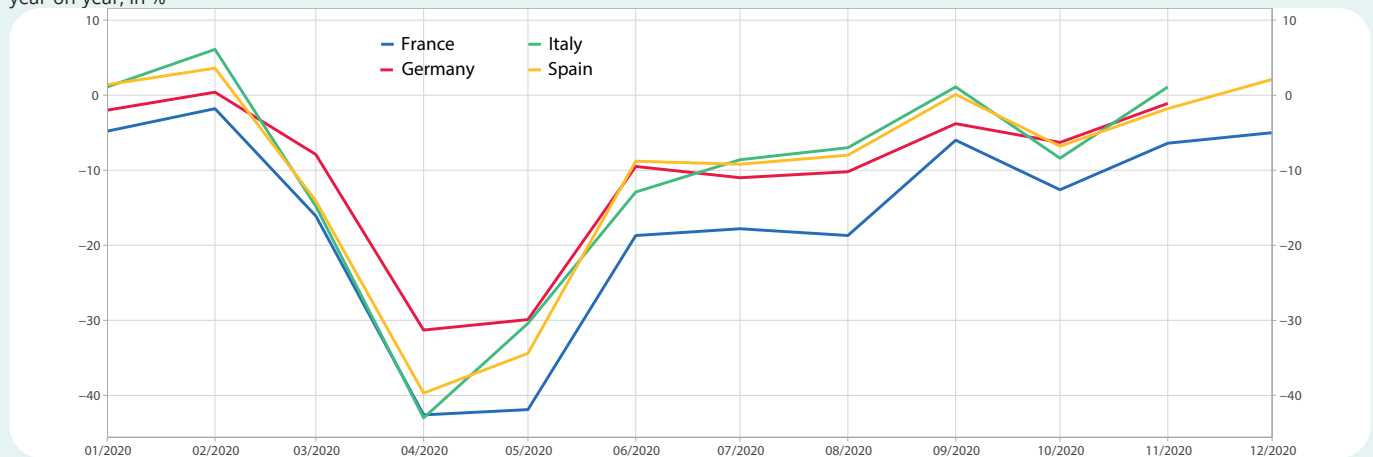
This significant contribution made by transport equipment to the decline in exports in the spring is the result of both the sharp drop in activity experienced by this sector at the height of the crisis and its weighting in exports of goods.

From June 2020, with the resumption of activity, exports of transport equipment then bounced back and in Germany and Spain they dictated the return of exports of goods to a level approaching their pre-crisis level. In Germany, automobile equipment continued to affect exports of goods, albeit moderately, until October, in line with the gradual recovery of the German automobile industry. In Spain, automobile exports returned to their pre-crisis level from July, even exceeding it in the months that followed.

Meanwhile, France experienced a similar trend in its automobile exports, which returned to their pre-crisis level in September and then exceeded them. However, unlike Germany and Spain, France's exports of goods were still hampered by the difficulties in the aeronautics sector. In December 2020, exports of other transport equipment (including aeronautical)

► 2. Exports of goods in value

year-on-year, in %

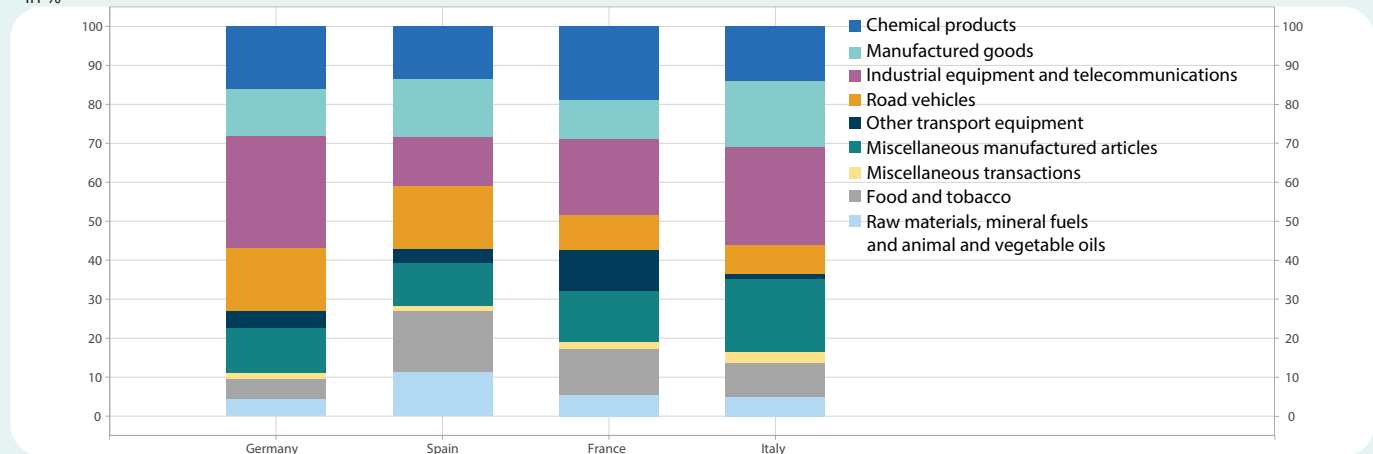


How to read it: in August 2020, French exports of goods were 19% below their August 2019 level in value.

Source: International trade in goods, Eurostat

► 3. Structure of exports of goods in value, by product

in %



NB: the classification used for international trade in goods is the CTIC. The transport equipment and machinery category (CTIC section 7) was divided into three: road vehicles (CTIC-78), other transport equipment (CTIC-79) and industrial and telecommunications equipment (CTIC 70 to 77)

Source: Eurostat

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were virtually the only ones to contribute to the gap between the level of exports of goods measured before the crisis (end of 2019). Excluding transport equipment, French exports of goods returned to their pre-crisis level (dotted line) in December 2020.

While activity by airline companies is a long way from being back to normal, within the industry the aeronautics sector remains particularly badly affected by the current crisis. The industrial production index for the aeronautical and space construction sector in France was still considerably weakened in December 2020 (82 in December 2020 against 107 in February and 59 in May, its lowest level²). In Germany, Spain and Italy, the IPI for the aeronautics sector was also well below its level for early 2020. However, automobile production has recovered, or almost, in all these countries.

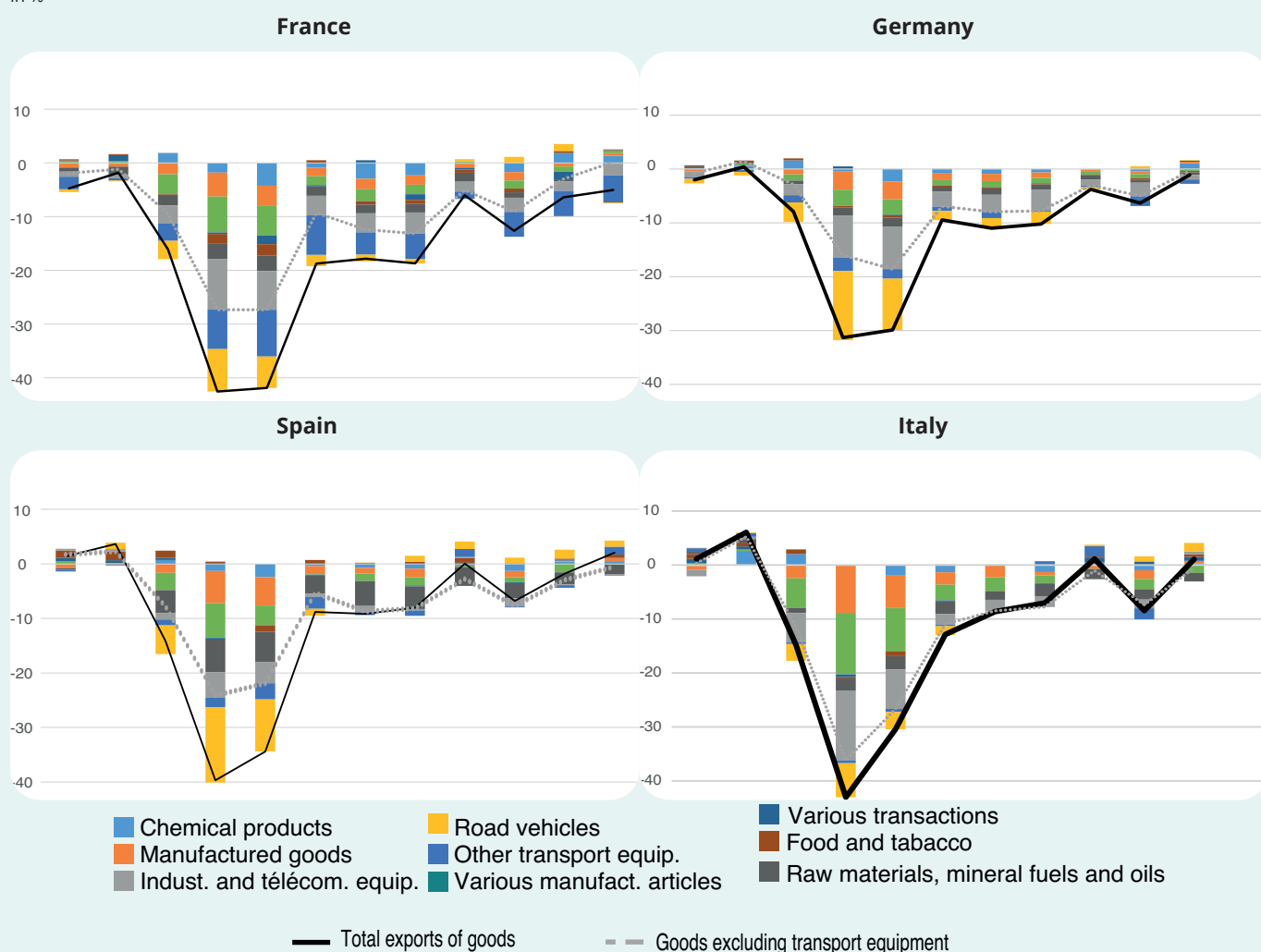
² Source: Eurostat, industrial production indices.

At the start of 2021, it is likely that the “other transport equipment” sector will continue to weaken French exports

At the start of 2021, the business tendency surveys show that industrialists in the transport equipment sector remain particularly depressed about their foreign order books, compared to the rest of French industrial manufacturers (► [figure 5](#)). While the corresponding balance of opinion has climbed from August, after the really low levels observed in April to July, it has not made any further improvements since then. However, in the manufacture of capital goods and “other industries” sectors (metallurgy, chemicals, textiles, plastics, etc.), this balance of opinion has returned to its pre-crisis level since December or January – and in addition, exports of

► 4. Exports as year-on-year change by country in 2020

in %



How to read it: in April 2020, Spanish exports of goods were 40% lower than in April 2019. Exports of road vehicles accounted for 14% of this decline.
Source: *International trade in goods*, Eurostat

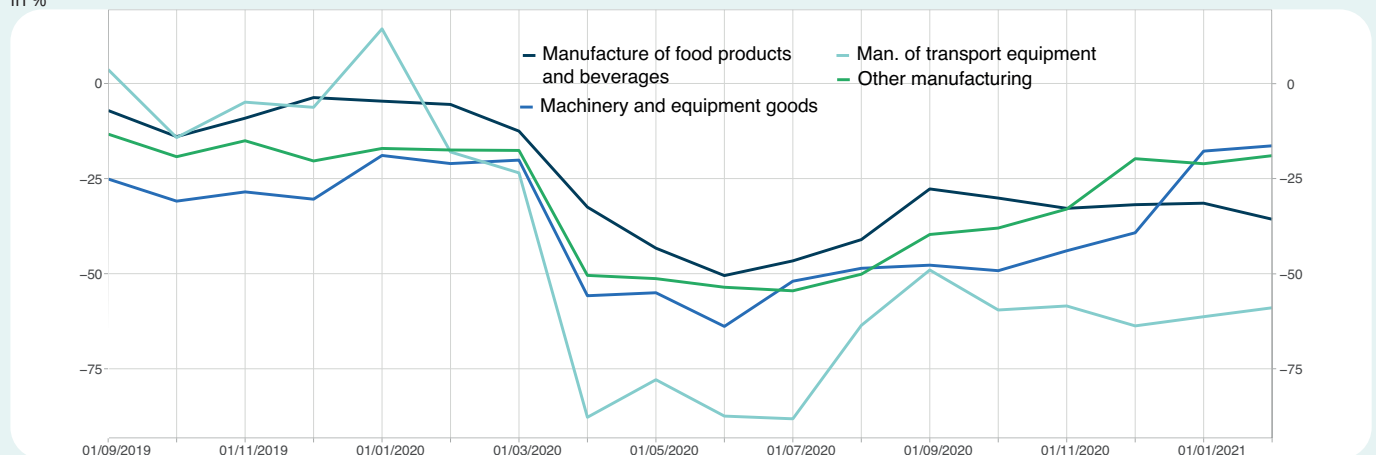
these goods recovered significantly in H2 2020. In the other transport equipment sector, made up largely of aeronautics, the opinion of French industrialists concerning their foreign order books is still very pessimistic, much more so than the average

in the European Union (► [figure 6](#)). The prospects for aeronautics do not suggest a catch-up by French exports in the short-term. In contrast, industrialists in the French automobile sector seem as optimistic as their neighbours about their foreign order books. ●

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► 5. Balance of opinion of industrialists on the level of their foreign order books

in %

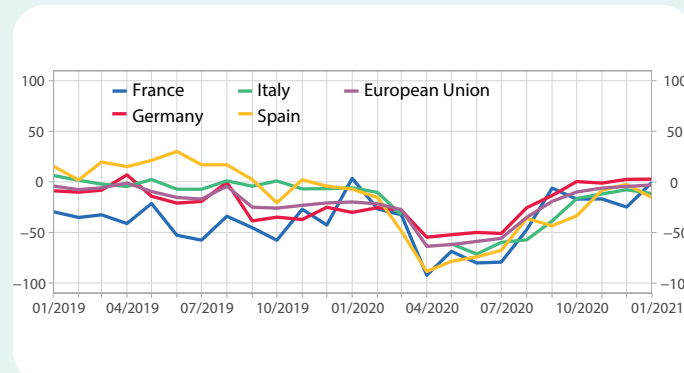


Source: business survey in industry, INSEE

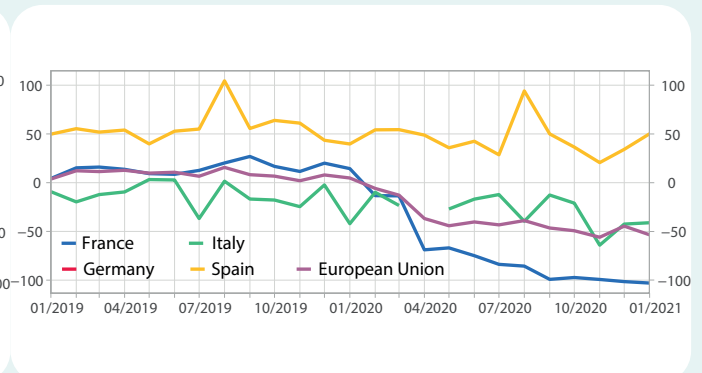
► 6. Comparison of European balances of opinion on foreign order books in automobiles and other transport equipment

in %, données Labor Force Survey

Automobile



Other transport equipment



Note: data for Germany are not available for the "other transport equipment" sector (30).

Source: business survey in industry, DG-Ecfin