

Economic activity

According to the first national accounts estimate published at the end of April, GDP increased slightly (+0.4%) in Q1 2021, after Q4 2020 was affected by the second lockdown (-1.4% compared to Q3). However, in a context where restrictive health measures have been gradually tightened since January, economic activity deteriorated slightly month by month, reaching -5% in March (compared to the pre-crisis level, i.e. Q4 2019), after -4% in January. All in all, activity in Q1 2021 stood at -4.4% compared to its pre-crisis level, after -4.8% in Q4 2020.

The increased circulation of the virus towards the end of Q1 resulted in the introduction of another lockdown on 20 March, notably with restrictions on travel and the closure of “non-essential” businesses. These measures were first limited to 16 departments, but were then applied at national level from 3 April. In this context, economic activity appears to have deteriorated further in April, reaching around -6% compared to its pre-crisis level (against -7½% last November). For May and June, the scenario considered here follows the calendar set out for the gradual lifting of lockdown measures announced on 30 April. Economic activity therefore looks set to rebound to -4% from May, then to -2½% in June -which is a similar level to that of August 2020.

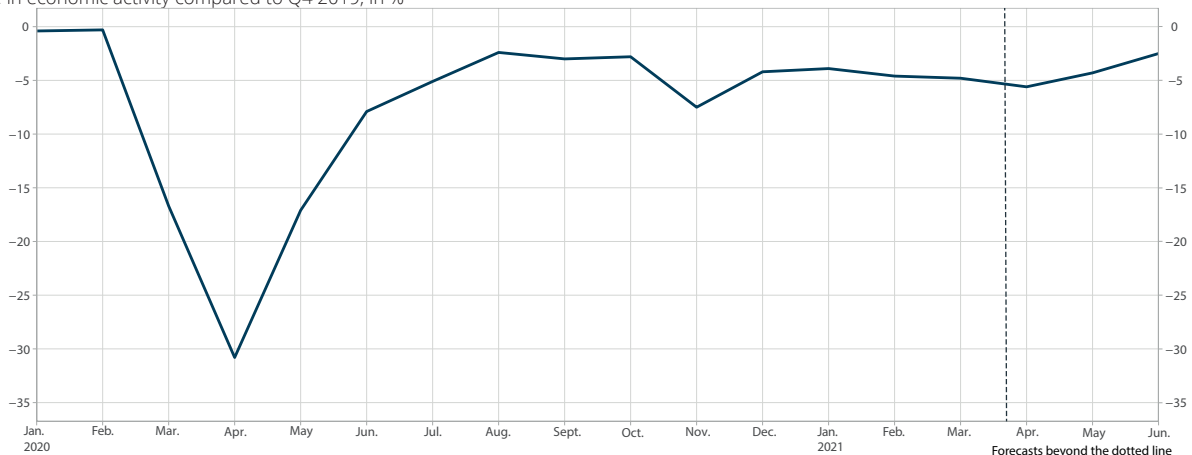
All in all, activity in Q2 2021 is expected to be -4% below that of Q4 2019, and should therefore be up very slightly compared to the previous quarter (around +¼%). At the end of Q2 2021, the growth overhang for 2021 is likely to be +4¼%, with potentially a further rebound in H2 if the health situation remains under control.

In Q1 2021, economic activity was greatly affected by the health restrictions, although a little less than in Q4 2020

In Q1 2021, according to the first estimates from the national accounts, economic activity increased slightly (0.4% compared to Q4 2020, after -1.4%), to 4.4% below the pre-crisis level (after -4.8%, ► **Figure 1**). Some restrictive health measures in force since the end of October 2020 –curfew limiting movement and consumption opportunities, closure of some activities like indoor eating and drinking in bars and restaurants– were gradually strengthened between January and March. The resurgence of the epidemic was stronger from the end of February; local measures were introduced at weekends (lockdown for coastal areas in Alpes-Maritimes and Dunkerque, then in Pas-de-Calais). From 20 March, lockdowns were introduced in sixteen departments –including all departments in Île-de-France, Hauts-de-France and part of Normandy and the Provence-Alpes-Côte-d’Azur region, representing a third of the population and about 40% of economic activity: closure once again of “non-essential” businesses (however the list was reduced compared to the second lockdown, notably excluding bookshops, record shops, hairdressers, etc.), ban on inter-regional travel and beyond a 10-km radius. On 26 March, three more departments were in turn affected by these measures.

► 1. Estimated then forecast monthly loss of activity

difference in economic activity compared to Q4 2019, in %



How to read it: in January, economic activity was down by about 4% compared to its Q4 2019 level. In April it seems to have settled at -6%.
Source: INSEE calculations from various sources

French economic outlook

In January 2021, activity stood at around -4% compared to its pre-crisis level (Q4 2019), or close to its December level (► **Figure 1**). After a low point in December, industry rebounded strongly in January, especially in the agrifood industry, the manufacture of capital goods and “other industrial branches” (metallurgy, pharmaceutical industry, rubber and plastic products, etc.); the same was the case for building construction. In contrast, market services peaked in December and their activity decreased a little in January, with the strengthening of health measures: this was particularly the case for trade and other service activities (including personal services such as hairdressing and laundry services); as the other market service branches are more suited to teleworking, they were less affected. Non-market services continued to improve in January, especially in health. In February-March, activity deteriorated once again and stood at -4½%, then at -5% compared to its pre-crisis level. This deterioration affected the same market services branches as in January, and also all of industry, and particularly transport equipment, in turn affected by sourcing difficulties in the automotive industry linked to a shortage of electronic components. Building construction and non-market services, meanwhile, were relatively stable and health services remained dynamic, mainly due to coronavirus screening tests and the ramp-up of the vaccination campaign.

All in all during Q1 2021, construction was dynamic, at -4.5% compared to pre-crisis (after -8.0% the previous quarter), a level higher than the high point of Q3 2020. Non-market services increased overall, to 1.3% above their pre-crisis level (having reached this level in the previous quarter). Industry deteriorated slightly (-4.8% compared to pre-crisis, after -4.4%), penalised by transport equipment and despite the recovery in capital

goods and “other industrial branches”. Finally, market services remained virtually stable (-6.4% compared to pre-crisis, after -6.5%), despite uneven infra-monthly movements particularly in trade, and a deterioration in accommodation-catering (closed for three months, compared to two in the previous quarter).

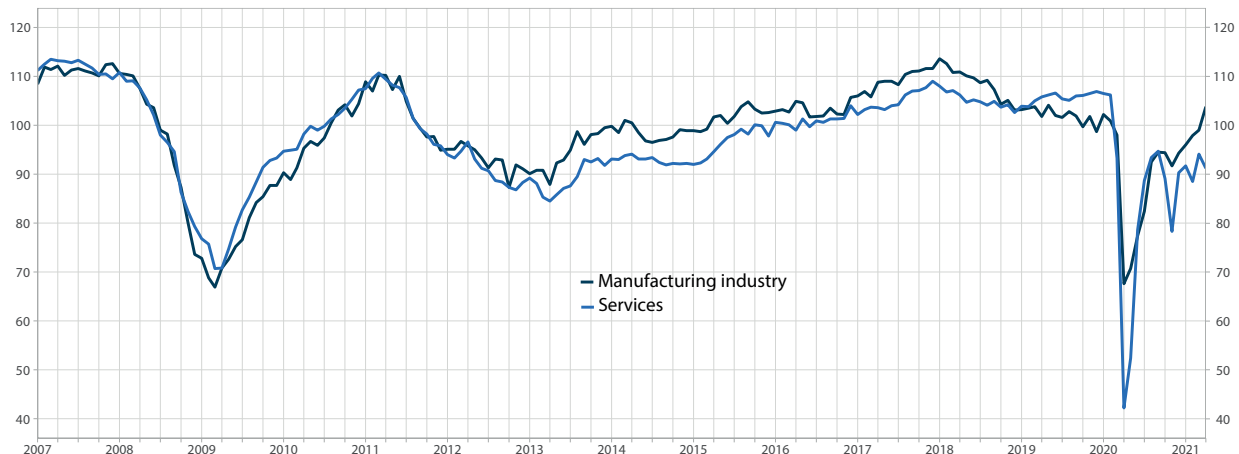
In April 2021, the deterioration in economic activity appears to have been exacerbated by the third national lockdown, but without reaching the November low point

In April 2021, companies’ expectations, as expressed in INSEE’s business tendency surveys, suggest an improvement in industrial activity and construction overall, but a further deterioration in services (► **Figure 2**) – consistent with the introduction of a third national lockdown from 3 April.

Among the available “high-frequency” indicators, all-vehicle road traffic fell sharply after the introduction of restrictions on movement at national level on 3 April, by as much as 25% below the pre-crisis level (► **Figure 3**). Heavy goods traffic, on the other hand, remained stable in April – apart from a dip over the Easter weekend – suggesting, as in November, that lockdown had little impact on movement related directly to activity, especially industrial activity.

Daily electricity consumption of businesses connected directly to RTE (► **Figure 4**) also gives an idea of change in economic activity in some specific branches: it suggests stability around the pre-crisis level in “other branches of industry” (textiles, chemical products, metallurgy, etc.). In transport services, consumption remained at a more degraded level, while it stabilised after a decline in March in transport equipment (in

► 2. Business climate in the manufacturing industry and in services



How do read it: in April, the composite indicator of the business climate in services was 91.2.

Source: INSEE, business surveys

these two branches, the slight rebound in early April is undoubtedly linked to a seasonal effect).

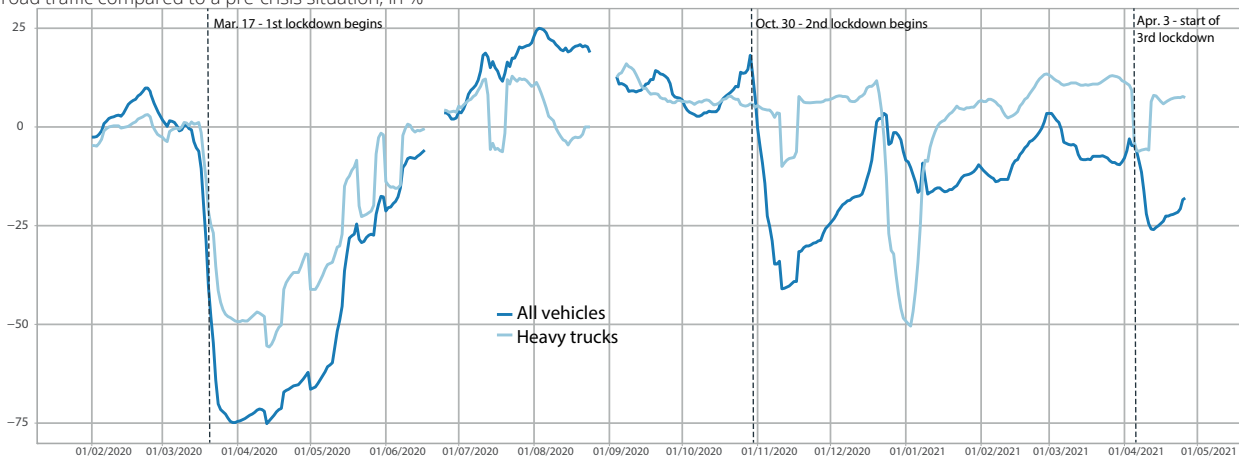
The number of Google searches suggests, both in February and January, that searches relating to the sectors most exposed to restrictive measures like, “air”, “theatre” and “cinema”, remain at a very low level (► **Figure 5**). Searches linked to the semantic field “shop”, which were already in decline in March, fell more sharply at the start of April; the same was the case, but to a lesser degree, for searches relating to the semantic fields “hotel” and “train”.

All in all, in April 2021, economic activity appears to have deteriorated further, reaching -6% compared to pre-crisis, after -5% in March (► **Figure 6**). Industry and construction do not appear to have been affected overall

by this deterioration with activity even increasing slightly. This is likely to be the case in the industrial branches where activity was already recovering well in previous months (capital goods, “other industrial branches”) whereas in the manufacture of transport equipment, activity would seem to have remained depressed, penalised in particular by difficulties in the automobile sector (sourcing) and aeronautics (Focus). In market services, activity would appear to have been stable or to have improved slightly in the branches not too much affected by the lockdown measures, whereas it seems to have deteriorated to very depressed levels in sectors directly affected by the restrictions (accommodation-catering, transport services, other service activities). However, in transport services and other service activities, the loss of activity would seem to have been

► 3. Road traffic in France

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



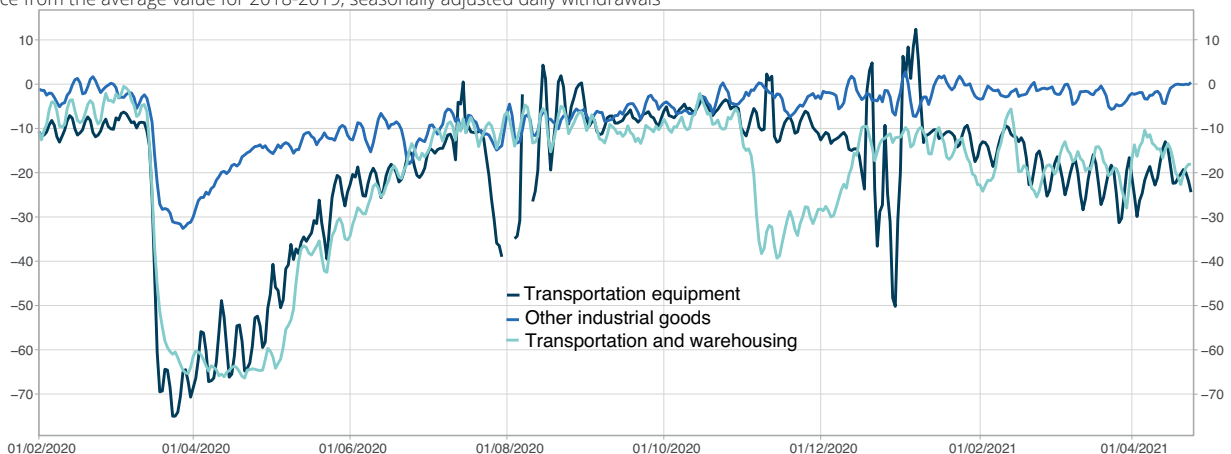
How to read it: on 11 April 2021, road traffic in France was 6% lower for heavy goods vehicles and 25% lower for all vehicles, compared to a similar day before the crisis.

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. The last point represents 26 April.

Source: Cerema, INSEE calculations

► 4. Daily electricity consumption by companies connected directly to RTE

difference from the average value for 2018-2019, seasonally adjusted daily withdrawals



How to read it: on 1st April 2021, electricity consumption in the transport equipment branch was 21% lower than the average consumption for a similar month and weekday.

Note: the last point represents 25 April 2021. The seasonal adjustment of these data was performed on relatively short series and is therefore uncertain; in the transport equipment branch, some extreme points linked only to seasonal effects (during summer 2020) were removed to improve clarity.

Source: RTE, INSEE, INSEE calculations

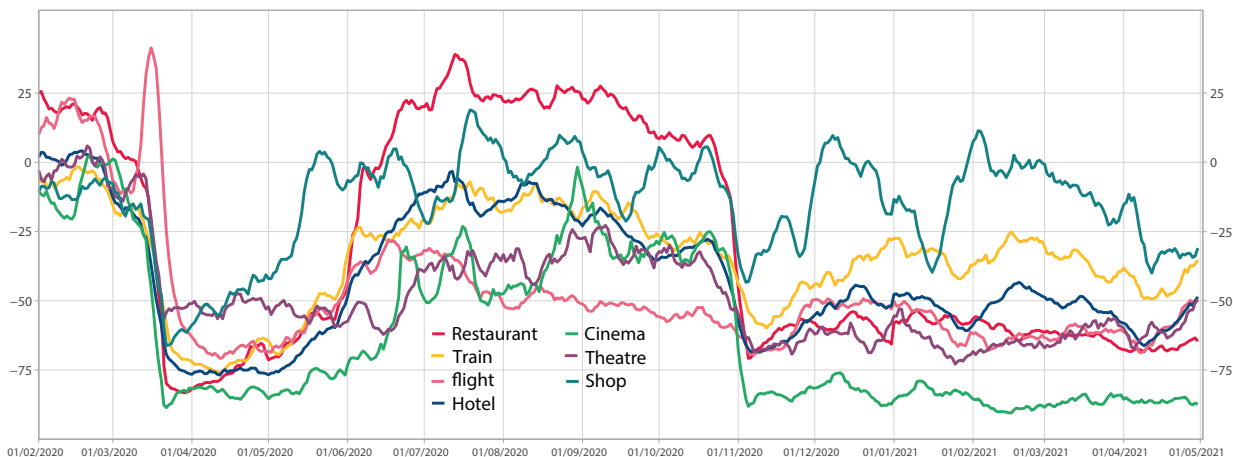
French economic outlook

less severe in April than last November. This is also the case in services to businesses. Meanwhile, non-market services would appear to have retained their dynamism, especially in health; the production of teaching services appears not to have been much affected, as the additional period of complete closure of schools, excluding public holidays and school holidays, was no more than one week.

Overall, activity would therefore appear to have been less affected by these new measures than in November (and even more so than in March 2020); on the one hand, they are less restrictive, and on the other hand, companies seem to have adapted to these periods of restriction (teleworking, health protection, etc.), even if a significant proportion report unfavourable effects on productivity (► **Focus**).

► 5. Frequency of keyword searches on internet

in %



How to read it: on 12 April 2021, the 7-day moving average for the number of Google searches in the semantic field “shop” in France was 40% lower compared to the average of the 7-day moving averages for every 12 April between 2017 and 2019.

Note: the last point represents 30 April 2021.

Source: Google Trends, INSEE calculations

► 6. Estimated then forecast loss of economic activity by branch

difference to Q4 2019, in %

Branch	weight	2020			2021			April	Contrib. April
		April	November	Q1	January	February	March		
Agriculture, forestry and fishing	2	-1.9	-1.1	-0.2	-0.6	-0.1	0.2	0	0
Industry	14	-35.3	-3.8	-4.8	-1.6	-6.2	-6.6	-5	-1
Manufacture of food products, beverages and tobacco-based products	2	-14.4	-2.4	-4.1	-2.1	-5.5	-4.8	-5	0
Coke and refined petroleum	0	-25.5	-2.0	-34.3	-45.3	-33.2	-24.1	-24	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-39.4	0.3	0.1	4.7	-0.9	-3.6	0	0
Manufacture of transport equipment	2	-69.9	-17.6	-23.3	-17.2	-24.9	-27.6	-27	0
Manufacture of other industrial products	6	-37.6	-2.1	-2.1	0.7	-3.5	-3.6	-2	0
Extractive industries, energy, water, waste treatment and decontamination	3	-23.4	-3.2	-2.9	-0.8	-4.6	-3.5	-1	0
Construction	6	-58.9	-6.0	-4.5	-4.2	-4.7	-4.4	-4	0
Mainly market services	57	-28.3	-10.3	-6.4	-6.2	-6.4	-6.6	-9	-5
Trade; repair of automobiles and motorcycles	10	-37.9	-11.7	-4.3	-3.9	-4.3	-4.8	-12	-1
Transport and storage	5	-39.9	-19.4	-12.6	-14.6	-10.6	-12.6	-15	-1
Accommodation and catering	3	-69.7	-47.3	-44.7	-45.5	-44.2	-44.4	-48	-1
Information and communication	5	-14.4	-1.5	0.4	1.1	0.0	0.0	0	0
Financial and insurance activities	4	-18.1	-1.9	0.3	-0.1	0.1	1.0	0	0
Real estate activities	13	-6.0	-0.1	0.7	0.7	0.7	0.8	1	0
Scientific and technical activities; administrative and support services	14	-30.8	-6.8	-5.1	-4.2	-5.4	-5.5	-6	-1
Other service activities	3	-63.4	-45.0	-26.6	-25.2	-27.6	-27.1	-34	-1
Mainly non-market services	22	-25.3	-1.3	1.3	1.3	1.4	1.1	1	0
Total VA	100	-29.9	-7.0	-4.3	-3.7	-4.4	-4.6	-6	-6
Taxes and subsidies		-38.3	-11.2	-6.7	-5.3	-5.6	-5.9	-6	
GDP		-30.8	-7.5	-4.4	-3.9	-4.6	-4.8	-6	

■ Forecast

How to read it: in April 2021, the loss of activity in the accommodation-catering branch is expected to be -48% compared to its pre-crisis level; the contribution of this branch to total loss is expected to be -1 percentage point.

Source: INSEE calculations from various sources

In May-June 2021, economic activity is set to rebound, driven by the four-step easing of health restrictions

This scenario uses the calendar set out for the easing of restrictions announced on 30 April, which defines four stages, accompanied by health protocols (limits on numbers) and which may be adjusted in the light of changes in the local health situation:

-3 May, inter-regional travel allowed and reopening of middle schools and high schools, with limits on numbers;

19 May, reopening of “non-essential” businesses, restaurant terraces, museums, theatres and sports activities (excluding sports halls) and relaxing of the curfew to 9pm;

-9 June, full reopening of restaurants, sports halls, trade shows and fairs, lifting of the curfew to 11pm and welcoming foreign tourists;

-30 June, end of curfew and end of restrictions on numbers, depending on the local health situation, in establishments frequented by the public.

The effects of these figures on the different branches concerned were applied pro rata to the relevant days for each month, assuming this same calendar for the easing of restrictions across the country. Economic activity should therefore rebound rapidly in May to 4% below the pre-crisis level, then to -2½% in June, returning to the

high point of August 2020.

In industry, recovery is expected to continue, especially in branches that will benefit from the lifting of health restrictions (agrifood industry, which could benefit from the gradual recovery in catering). Similarly, building construction is likely to be driven by strong demand, as suggested by the business tendency surveys, and this is linked to the upswing in investment by municipalities at this stage in the electoral cycle. Market services are expected to reach a similar level of activity to that at the end of Q3 2020, with a significant rebound in trade – with the reopening of “non-essential” shops–, accommodation-catering and transport services –with a rebound in French and foreign tourism, and the reopening of establishments–, and in other service activities –with the resumption of cultural and sports activities. Finally, non-market services are expected to remain stable, above normal, with the decline in testing offset by the continuing vaccination programme and catch-up effects with the backlog of operations that had to be postponed in the health context of recent months.

Overall in Q2 2021, GDP is expected to stand at around 4% below the pre-crisis level, slightly better than in Q1 2021 (around +¼%, **Figure 7**). At the end of H1 2021, the annual growth overhang looks set to be +4¼%. However, this rebound scenario for activity in May and especially in June, is still surrounded by uncertainty: in particular it is conditional on the lockdown exit calendar. ●

► 7. Estimated then forecast loss of economic activity until Q2 2021

	2020				2021		2020	ovhg mid-2021
	Q1	Q2	Q3	Q4	Q1	Q2		
Quarterly variation (in %)	-5.8	-13.6	18.5	-1.4	0.4	¼	-8.2	4 ¼
Difference compared to pre-crisis level (Q4 2019)	-5.8	-18.6	-3.5	-4.8	-4.4	-4		

■ Forecast

How to read it: in Q2 2021, GDP is expected to stand at -4% compared to the pre-crisis level (Q4 2019), a slight improvement (+¼%) over Q1 2021.

Source: INSEE calculations from various sources