

# Recovery: so far yet so near

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## Economic outlook

6 May 2021

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# Recovery: so far yet so near

## Q1 2021: restrained consumption, dynamic investment

At the end of April, INSEE published the first estimate of the national accounts for Q1 2021. Unsurprisingly, the rebound in French GDP was modest (+0.4% compared to Q4 2020, which was itself affected by the second lockdown). Significant health restrictions were already in place in early January, but these were tightened throughout the quarter: the January curfew was brought forward to 6pm, large shopping centres were closed in February, and localised lockdowns put in place in March.

As a result, economic activity deteriorated slightly from month to month, between January 2021 (4% below its pre-crisis level, i.e. that of Q4 2019) and March (5%). Household consumption in particular was held in check by the restrictions, and exports declined. Investment, on the other hand, unlike in previous recessions, did not fall much more than GDP in 2020, and at the start of 2021 it continued the rebound that had begun last summer.

Internationally, figures for Q1 2021 paint a picture of contrasts. At this point, differences between countries at the start of 2021 are probably more a reflection of disparities in terms of the severity and timing of health restrictions than in terms of fiscal stimuli. These restrictions have particularly affected most of the European economies. Meanwhile, the American economy grew strongly, with the gradual easing of health constraints and the sharp rise in household income, while Chinese exports, which have emerged stronger from the crisis, continued to gain market share.

## Q2 2021: recovery is so far yet so near

In France, the third national lockdown, from 3 April 2021, limited economic activity in ways that were a little different from what occurred in November during the second lockdown. Travel restrictions were a little less severe, the list of shops able to open was extended slightly; schools, on the other hand, were closed for some time.

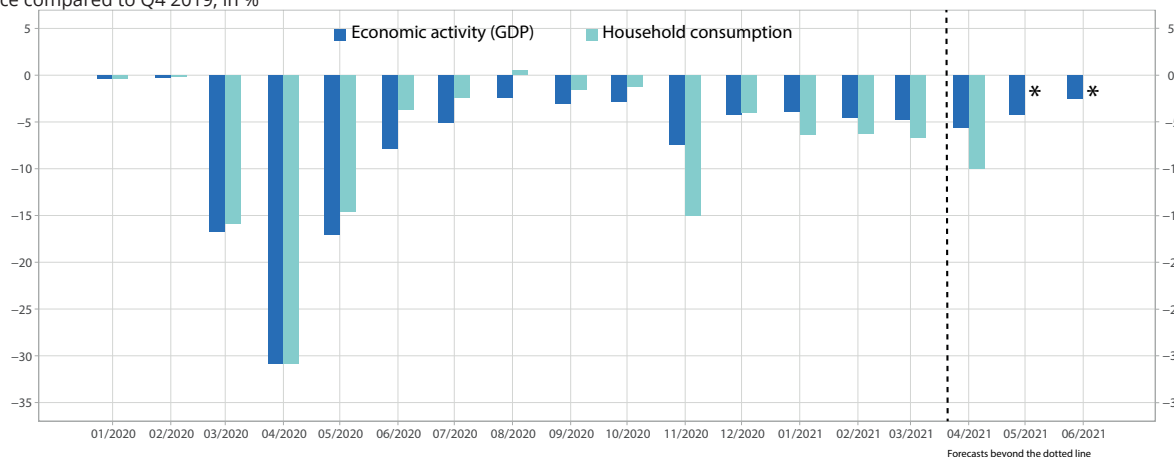
As a result, while high-frequency indicators (aggregated bank card transaction amounts, mobility indicators provided by Google, etc.) fell in April, they did so less than in November: during this third national lockdown, household consumption would appear to have fallen to 10% below its pre-crisis level (against 15% in November 2020 and 31% in April 2020; ► [Graph](#)).

The April business tendency surveys were severely affected in the worst-hit businesses and services, but remained promising overall in industry and building construction. As in November, this lockdown would seem to have affected consumption more than GDP, which nevertheless still appears to have fallen back in April, to 6% below its pre-crisis level (against 7½% in November 2020 and 31% in April 2020).

The decline in the third wave of the epidemic and the escalation of the vaccination campaign have resulted in a timeline being set out for everything to gradually reopen by the end of June. This reopening could bring economic activity back up to around 4% below its pre-crisis level in May, then to -2½% in June. Given these assumptions, GDP would increase hardly at all in Q2, by about +¼% compared to the previous quarter. Thus in Q2 it is likely to be around 4% below its pre-crisis level with the annual growth overhang expected to be +4¼% in mid-2021.

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

difference compared to Q4 2019, in %



\* GDP projected until June 2021 but household consumption only estimated for April 2021.  
Source: INSEE calculation and forecast

At the lowest point of the 2008-2009 great recession, French GDP also fell to around 4% below its pre-crisis level, which gives an indication of the scale of the current crisis. In some sectors, the health restrictions have automatically brought activity down far below its usual level. However, in those countries where vaccination campaigns have been successfully rolled out they seem to be accompanied by a distinct upturn in activity and especially in household consumption. The very singular nature of this economic crisis stems directly from the health crisis: each epidemic wave has resulted in a sudden and large-scale drop in activity, but these can be followed by a sharp rebound once constraints are lifted and if the epidemic remains in check, especially with household income and the productive fabric having been largely preserved by massive support mechanisms.

### **Impact of health measures on productivity, tensions around supply provision: some questions about recovery**

While the frame of reference for the outlook for the coming months remains essentially health-related, several questions of a more economic nature nevertheless arise in the light of recent results, presented here, from INSEE's business tendency surveys of companies.

The crisis has affected different sectors of activity in very contrasting ways. While some of these contrasts will certainly be assimilated, some sectors will not necessarily return to their pre-crisis level. Conversely, others will undoubtedly forge ahead in the long term (IT, etc.), and outrun the health crisis. This reshaping of sectors and between companies in the same sector is likely to affect potential GDP. At the same time, total factor productivity may also change, for example as a result of increased teleworking and the digitization of certain tasks. The crisis has seen to it that some of these movements accelerate. In the April 2021 business tendency surveys, almost one in two companies reported that health protection measures (preventive measures, possible reorganisations and/or teleworking) had a negative impact on their productivity. Regarding teleworking more specifically, 20% considered that it had an unfavourable effect, but 11% were of the opposite opinion, which leaves open the question of the associated productivity gains when this mode of work is no longer imposed.

Again according to the April 2021 business tendency surveys, more and more companies in industry, building construction and, to a lesser extent, services are experiencing supply-related difficulties that are holding back their activity. For example, 30% of industrial companies and 41% of building construction companies say they are facing only supply difficulties. In particular, tensions over sourcing are increasing. Reflecting the rebound in world trade, commodity prices are accelerating, as are production prices in French industry (+4% over one year in March 2021, however, this figure should be qualified in the light of the low level of these indices in spring 2020). This movement is likely to lead to both a compression of corporate margins and a rise, at least for a time, in consumer prices. ●

# 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.

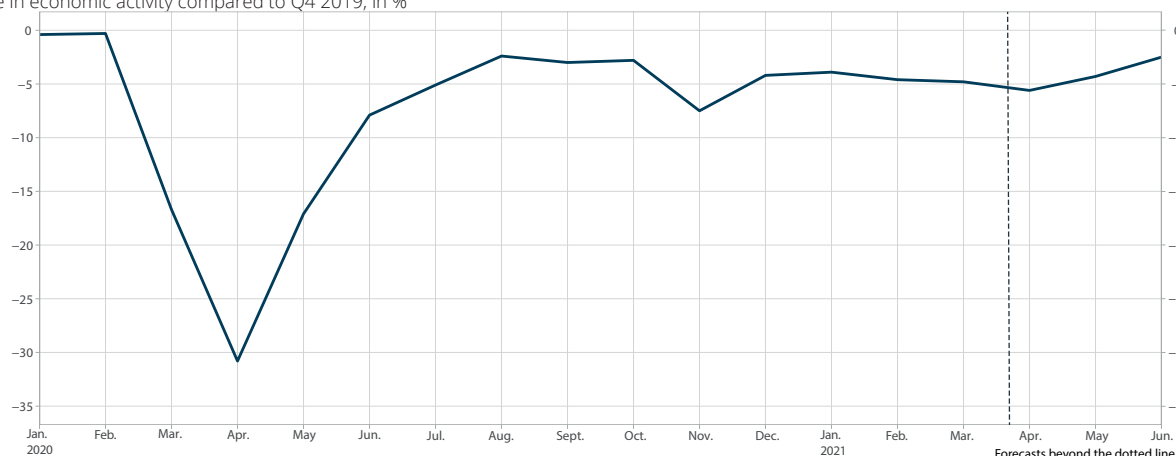
All in all, activity in Q2 2021 is expected to be -4% below that of Q4 2019, and should therefore be up very slightly compared to the previous quarter (around +¼%). At the end of Q2 2021, the growth overhang for 2021 is likely to be +4¼%, with potentially a further rebound in H2 if the health situation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

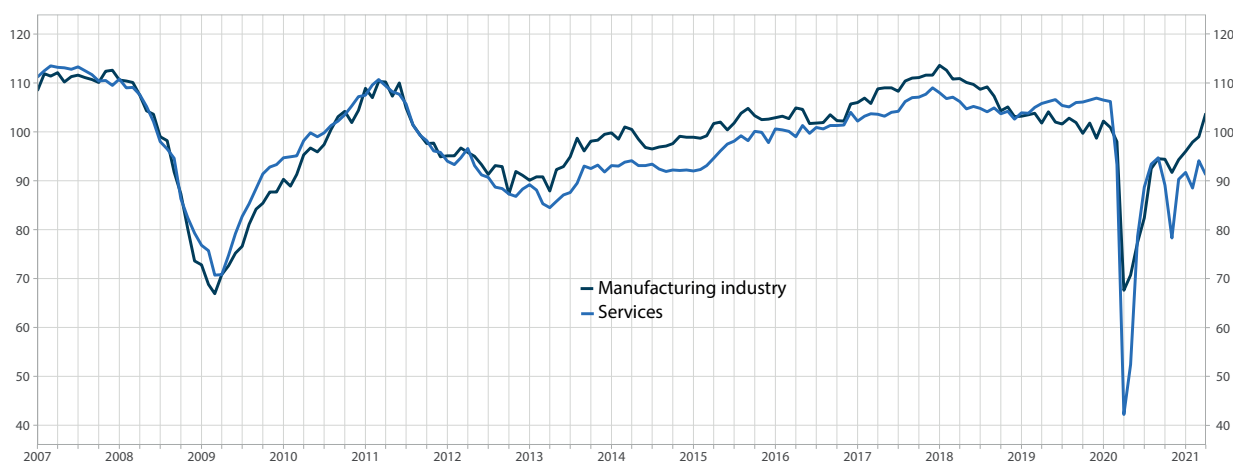
## In April 2021, the deterioration in economic activity appears to have been exacerbated by the third national lockdown, but without reaching the November low point

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).

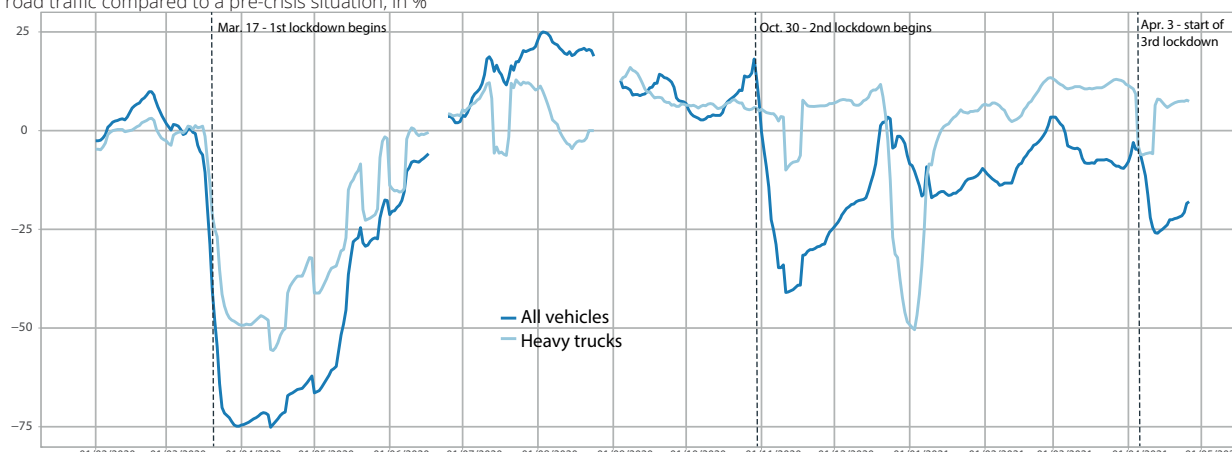
The number of Google searches suggests, both in February and January, that searches relating to the sectors most exposed to restrictive measures like, “air”, “theatre” and “cinema”, remain at a very low level (► **Figure 5**). Searches linked to the semantic field “shop”, which were already in decline 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 %



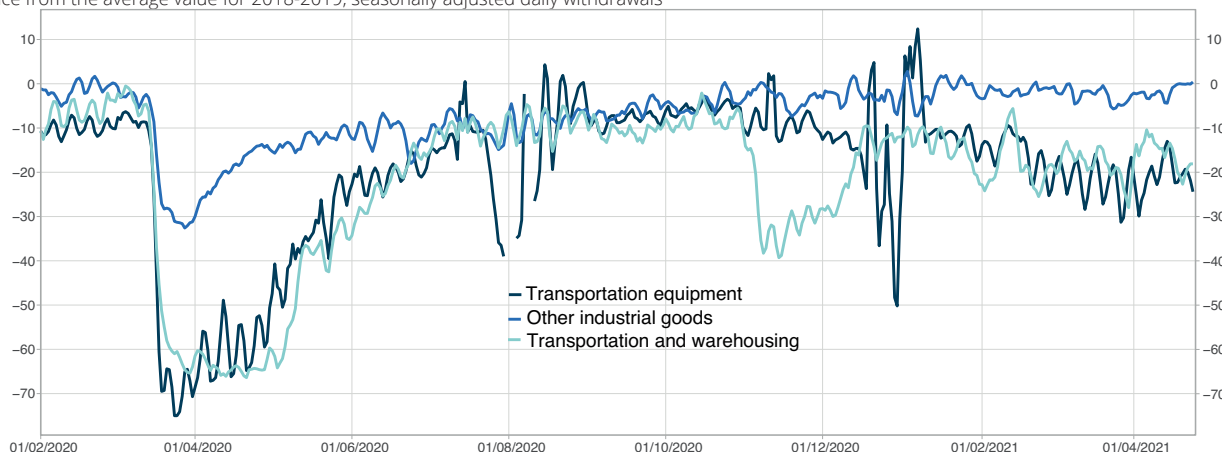
How to read it: on 11 April 2021, road traffic in France was 6% lower for heavy goods vehicles and 25% lower for all vehicles, compared to a similar day before the crisis.

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 1<sup>st</sup> 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

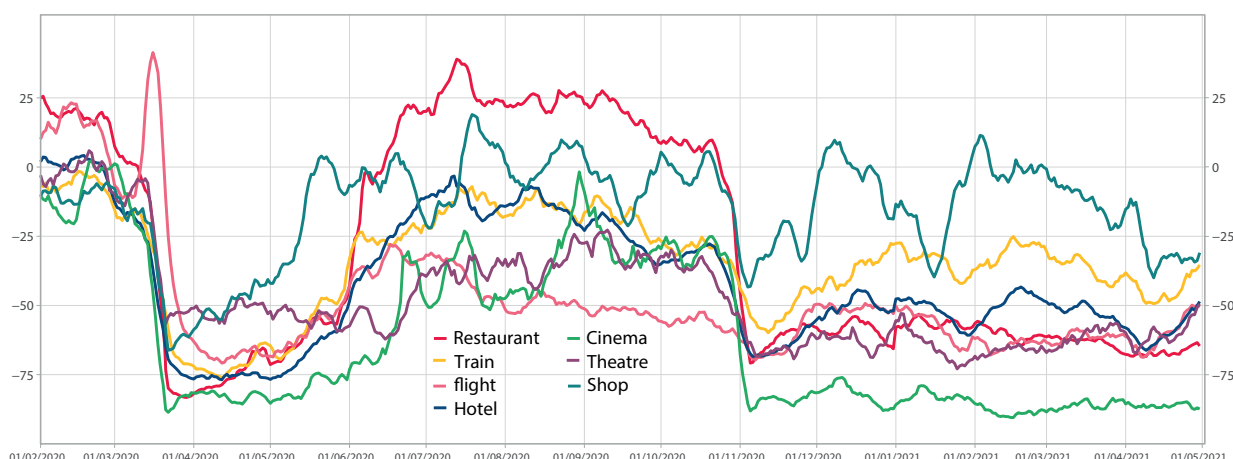
# French economic outlook

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	2020					2021		April	Contrib. April
	weight	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

## Health restrictions in some services, sourcing problems in industry: there were many factors limiting companies' activity at the start of 2021

Using companies' responses to INSEE's business tendency surveys, change in the types of problems that businesses may be facing in their activity can be tracked over a long period. These problems may be driven by supply factors (sourcing, equipment, workforce, etc.) or demand factors. In the surveys, the first lockdown resulted in an increase in supply problems (sometimes combined with demand problems) in all sectors. At the same time, the share of companies reporting only problems with demand fell briefly, probably related to the effects of the restrictions. In early summer 2020, as the first lockdown was being lifted, the share of companies reporting only problems with demand increased sharply in all sectors, although without returning to the levels reached during the financial crisis at the end of the 2000s. At the start of 2021, curbs on activity in the different sectors were very varied. Some services were very strongly constrained by the strict health measures (e.g. accommodation-catering), while industry was affected by problems with sourcing. As before the crisis, many building construction companies say their problems are related to a workforce shortage.

### After reaching a high point in 2020 during the first lockdown, supply constraints increased further at the start of 2021, especially in industry

In 2020, and especially at the time of the first lockdown,<sup>1</sup> there was an unprecedented rise in the number of companies reporting that their production was limited chiefly by supply factors, and this was equally the case in industry (► [Figure 1](#)), building construction (► [Figure 2](#)) and services (► [Figure 3](#)). In addition, in April 2020, many businesses reported demand difficulties alongside supply difficulties -the result of supply restrictions in downstream or upstream sectors, emphasising how unusual a situation this was with economic activity partly at a standstill.

Subsequently, with the easing of health restrictions during summer 2020, the share of companies reporting only supply difficulties decreased significantly (surveys

in July then October 2020), returning to a level similar to that pre-crisis. However, the number of companies having difficulties only with demand rose sharply in industry and services, while in building construction there was a return to the pre-crisis level.

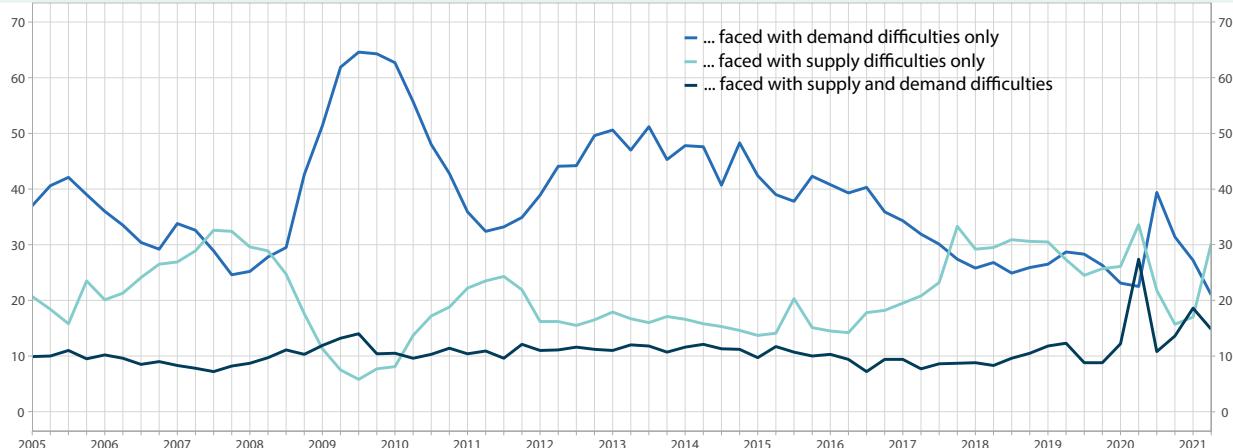
At the end of 2020 (with the second lockdown) then the beginning of 2021, companies once again reported an increase only in supply difficulties. This was a sharp rise in industry, but more moderate in building construction and services.

In industry and services, there now tend to be fewer companies with only demand constraints and numbers are stabilising in building construction. In April 2021, the proportion of companies concerned returned to its pre-crisis level in industry and construction, but remained higher than at the start of 2020 in services, especially services to businesses.

<sup>1</sup> In April 2020, response rates to the business tendency surveys declined sharply for a time, as a result of the first lockdown.

### ► 1. Supply and/or demand difficulties in industry

% of business leaders...



Note: results (SA data) are weighted by turnover.  
Source: INSEE, business surveys in industry

## Supply constraints at the start of 2021 differ from those in spring 2020

In the questionnaires sent out to business leaders, they can specify the type of supply difficulty they feel they are facing: insufficient equipment or material, insufficient workforce, financial constraints, sourcing difficulties or any other problems that they may be able to pinpoint.

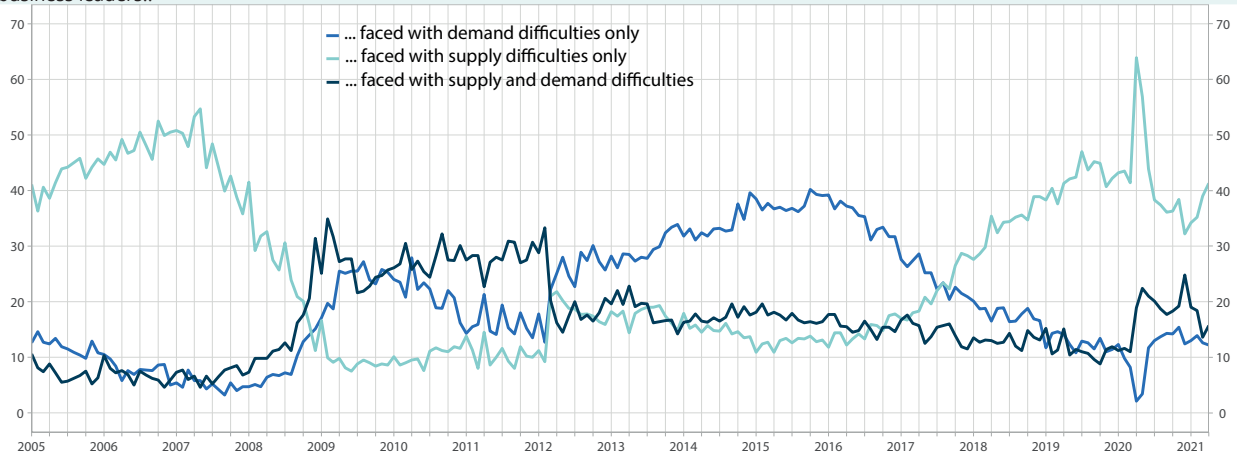
Thus the supply difficulties encountered in April 2020 (► **Figure 4**) during the first lockdown clearly stemmed from exceptional factors, and were classified as “other factors” by the companies questioned, in unprecedented numbers (43% in industry, 64% in building construction, 43% in services). These “other factors” reflect the particular nature of the first lockdown –unprecedented, unforeseen, sudden and severe– limiting companies’ production, or even bringing it to a complete stop, not only in industry (closure of factories, before specially adapted health protocols were put in place), but also in building construction (building sites shut down for the same reasons) and services (restrictions on activity). In

the manufacturing industry, however, the proportion of business leaders flagging up sourcing difficulties also increased sharply in April 2020 (from 11% on average in 2019 to 21% in April 2020). When it was not at a standstill because of the health context, industrial production was also likely to be limited by sourcing difficulties, resulting from the decline in activity in sectors upstream in the production chain, in France or abroad. Other types of supply difficulty, however, did not show any particular increase in April 2020 in the three main sectors, compared to their 2019 average, with the exception of sourcing difficulties in building construction.

One year later, in April 2021, the supply difficulties companies are encountering are of a different nature and less uniform across sectors. In industry, sourcing difficulties predominate, they are up on April 2020 and even more so compared to their 2019 average. Other supply constraints, however, have declined somewhat compared to 2019 (insufficient workforce or equipment) or have increased slightly (“other factors”). In building construction and services, it is “other factors” -and also

## ► 2. Supply and/or demand difficulties in construction

% of business leaders..

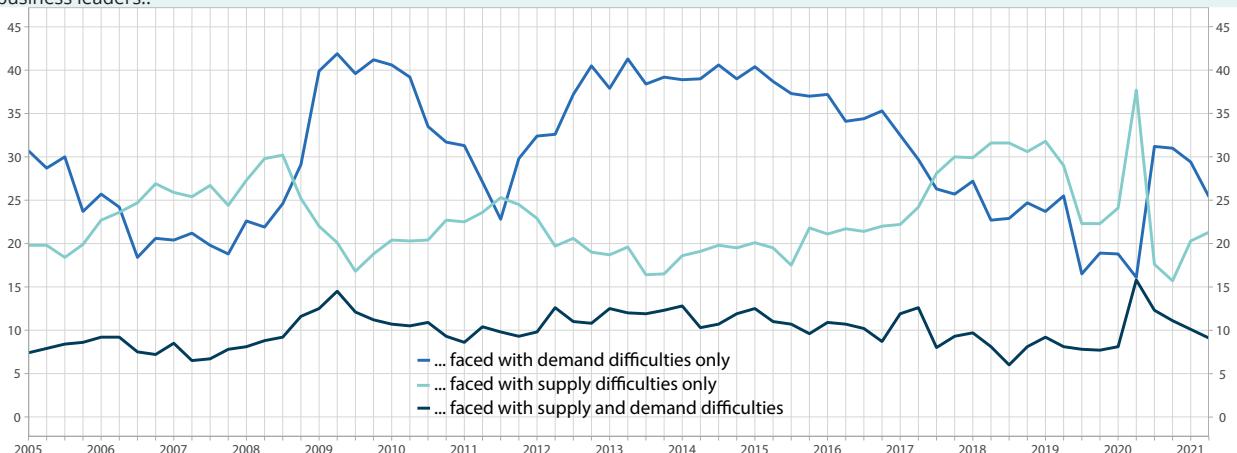


Note: results (SA data) are weighted by turnover.

Source: INSEE, business surveys in construction

## ► 3. Supply and/or demand difficulties in services

% of business leaders..



Note: results (SA data) are weighted by turnover.

Source: INSEE, business surveys in services

# French economic outlook

insufficient workforce in construction- that, compared to 2019, seems to be hampering production most. On the services side, these other factors mainly reflect, as in April 2020, the restrictions that are still affecting specific sectors, mainly catering. In addition, the number of companies reporting financial constraints among the factors limiting their production is no greater in April 2021 than the average for 2019, which perhaps means that due to the support schemes for businesses in difficulty, their financial situation is not at this stage a factor that is penalising their activity, or at least not the primary factor.

## In early 2021, sourcing difficulties affected industry and building construction

The April 2021 surveys reveal an increase in sourcing difficulties (► **Figure 5**) in all sub-sectors of industry, and in building construction. In most, the share of

companies reporting sourcing problems exceeds not only the high point reached in April 2020 (when other supply constraints predominated, as we have seen) but also, and by a considerable margin, the average level for the previous years.

In the capital goods sector, sourcing difficulties in April 2021 reached a level unmatched for at least the last fifteen years. This unprecedented increase was particularly strong in the manufacture of electrical equipment, but also affected computer and electronic products and also machinery and equipment. In “other industrial branches”, sourcing difficulties also reached a particularly high level in April 2021: this increase compared to the level in previous years, but excluding April 2020, also applies for most branches in this sector (textiles, chemical industry, metallurgy, rubber, paper, and the pharmaceutical industry, to a lesser extent, etc.).

### ► 4. Different types of supply difficulty in...

% of business leaders...



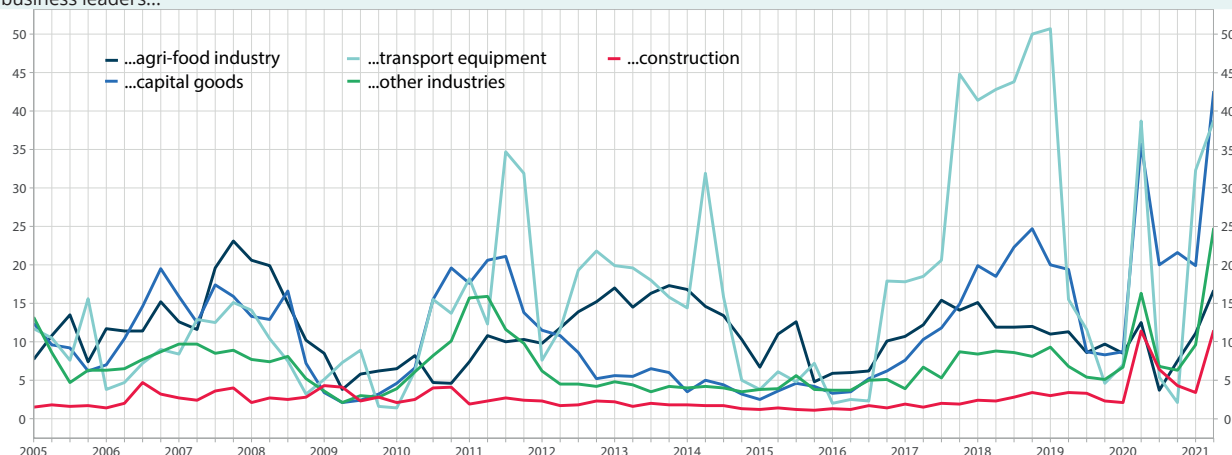
How to read it: for 2019, the percentages correspond to the response average over the year.

Note: companies can report more than one difficulty that limits their activity. Results (SA data) are weighted by turnover.

Source: INSEE, business surveys

### ► 5. Sourcing difficulties in the major industrial sectors and building construction

% of business leaders...



Note: results (SA data) are weighted by turnover.

Source: INSEE, business surveys



It was in the transport equipment sector that the rise in sourcing difficulties was greatest between October 2020 and April 2021. The share of companies declaring sourcing difficulties reached 39% in April 2021. This increase occurred particularly in the automotive industry, while the high point in April 2020 stemmed from other transport equipment companies (especially aeronautical construction). In recent years, the transport equipment sector has already experienced considerable sourcing difficulties: at the end of 2018, half of the companies questioned reported difficulties with sourcing, i.e. more than in April 2021.

### In spring 2021, in services, supply constraints were linked above all to restrictive measures

In services, supply difficulties (► **Figure 6**) appeared to be distributed differently according to sector. This wide variety is above all a reflection of the diversity of situations that companies encounter in these sectors, depending on whether they are part of an activity that is affected relatively little by the health crisis or whether, on the contrary, they are directly affected by measures that restrict activity.

Thus, in information-communication and services to businesses, the proportion of business leaders who

mentioned supply difficulties has been fairly stable since mid-2020, at between 20% and 30%.

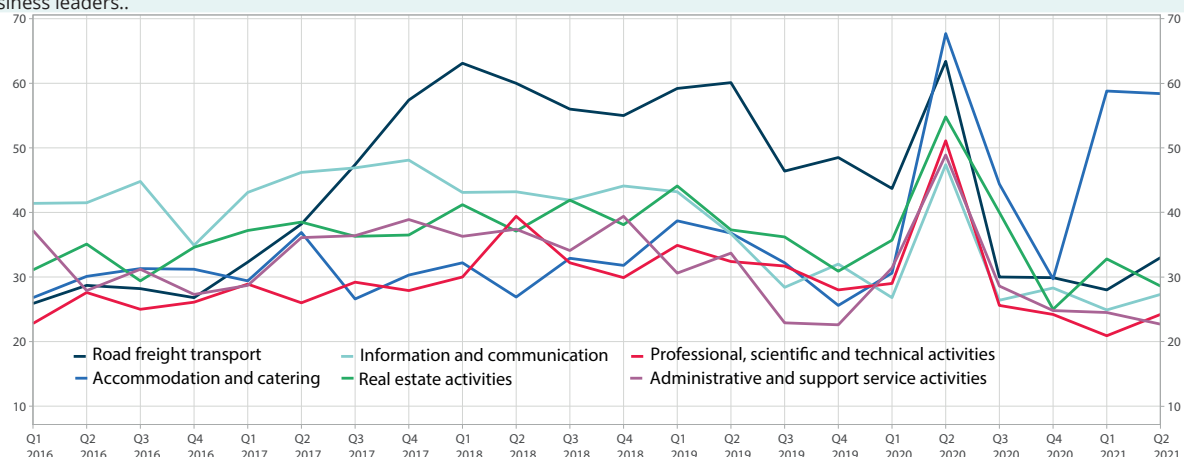
Accommodation-catering stands out clearly: there were many more companies reporting supply difficulties in January and April 2021, reaching a proportion of almost 60%. In this sector, unsurprisingly, it is “other types of difficulty” that make up most of the supply constraints, reflecting the measures in place that restrict activity and affect the companies concerned. The proportion of companies reporting supply difficulties had already increased substantially in April 2020, exceeding 60%, then in October 2020 it returned to a level similar to pre-crisis, despite residual measures that could concern companies in this sector (physical distancing, limits on numbers, etc.).

In road transport of merchandise, there are also more companies reporting supply difficulties in April 2021, although this increase is much smaller than in accommodation-catering. While in April 2020, companies pinpointed “other difficulties”, which were doubtless directly linked to the lockdown, in April 2021, on the other hand, supply difficulties seem to stem more from financial constraints and a lack of manpower. In fact, this last reason was the one referred to most often by businesses in this sector in the pre-crisis context. ●

*Tanguy Barthélémy, Emmanuel Blanchard, Husges Génin et Clément Lefebvre*

### ► 6. Supply difficulties by sub-sector in services

% of business leaders..



Note: results (SA data) are weighted by turnover.

Source: INSEE, business surveys in services

**A text analysis clearly reflects the different nature of the supply constraints affecting industry and building construction on the one hand, and services on the other**

Questions relating to *factors limiting production* appear in three of the business tendency surveys: business surveys in industry, in services and in building construction companies with more than 10 employees. Responses to the questions are in the form of closed-ended items, apart from the last, “other difficulties”, where the company is asked to specify the type of difficulty encountered. When business leaders leave comments here, this text can then be studied and it is possible to assess the specific difficulties that companies have highlighted.

Word clouds can then be created for the major sectors of activity. The more frequently a word appears in the comments left by the business leaders, the larger it becomes in size in the word cloud.

In April 2021, in the context of the health crisis, it is not surprising that it was the word “Covid-19” that was by far the most frequently used in the comments left by companies in the different sectors. This term was also combined with “crisis” and “health”, which were both also found very often. The health crisis therefore remains, still today, the main reason for the supply and demand difficulties that companies mentioned.

It was through other most often used terms that the sectors were distinguished, apart from terms specific to the health crisis. In industry, the term “material” is clearly in evidence, as are “sourcing” and also “production”, confirming the difficulties encountered by industrial companies upstream of the production process. This is also evident in the building construction sector, where vocabulary relating to the words “material”, “first” and “price” is strongly emphasised. In services, on the other hand, the terms “closure”, “administrative” and “lockdown” reflect difficulties of a more regulatory nature, linked to the restrictive measures that directly affect some companies in this sector, especially those in accommodation-catering.

The health crisis is therefore, as one might expect, the most obvious constraint among the comments made by companies, but with different repercussions depending on the sector: production difficulties in industry and building construction, difficulties related to restrictive measures in services. ●



Source: INSEE, business surveys April 2021

## In April 2021, almost half of businesses declared detrimental effects on their productivity as a result of measures imposed by the health crisis

Since October 2020, the quarterly business tendency surveys in industry, services and building construction have included new questions relating to the repercussions of the health crisis on business productivity. In April 2021, companies were responding at a time when a national lockdown had been in place since the start of the month.

The adverse effects of restrictive health measures on businesses' productivity seem to be more pronounced in April than in January, after easing at the start of the year, and they concern almost half of companies. Teleworking in particular, which can certainly sometimes generate additional productivity, is viewed increasingly negatively by some companies. The proportion of business leaders who say that their workforce is relatively high given their current level of activity continues to decline in industry and building construction, but is increasing in services.

### The share of businesses that consider that their productivity is adversely affected by measures linked to the health crisis rose again in April

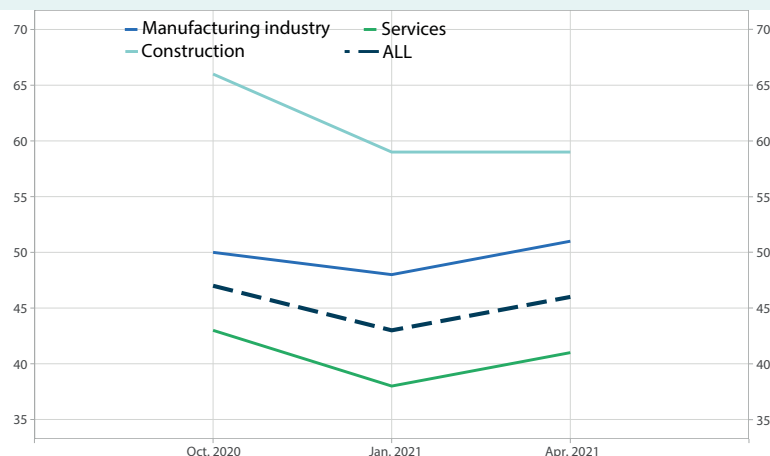
In April 2021, the share of companies reporting that measures linked to the health crisis have a detrimental effect on their productivity, irrespective of the cause (health protection measures, reorganisation or teleworking) rose to 46% (after 43% in January), almost back to its October 2020 level (47%), when this subject was first discussed (► **Figure 1 and Box**). This share remains stable in building construction, but is increasing in all industrial sectors. In services, it is generally on the increase, driven by services to businesses; it remains stable although high in accommodation-catering and is decreasing in computer services.

More specifically, this deterioration in companies' productivity caused by measures linked to the health context concerns two types of action mentioned in the questionnaire, reorganisation and the use of teleworking.

From January to April, the declared effect of health protection measures (masks, physical distancing, etc.) on productivity was virtually stable in industry overall (► **Figure 2**), as an improvement in agrifood and capital goods (fewer companies report negative effects on productivity) offset the deterioration seen in transport equipment and other industries. In services, the situation is varied: the share of companies declaring that health measures have a negative effect on their productivity rebounded in services to businesses but declined in computer services. In accommodation-catering, the share of companies saying that they are "not concerned" continued to increase and reached one quarter of companies.

### ► 1. Proportion of businesses declaring at least one adverse effect of measures linked to the health situation on productivity

in %



Note: results are weighted according to the workforce of the units surveyed. Here we consider companies that declared one adverse effect on productivity for at least one of the three actions proposed in the questionnaire: health protection measures (masks, physical distancing, etc.), reorganisation, use of teleworking.

Source: INSEE, INSEE, business surveys in industry, services and construction

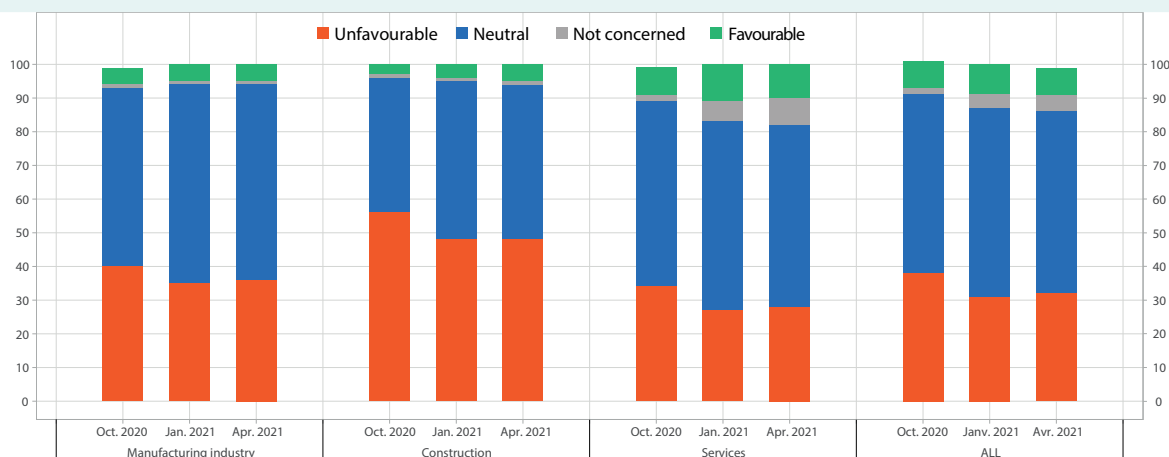
# French economic outlook

After decreasing in January, the share of businesses saying that reorganisation (logistics, sourcing, job sequencing, etc.) had a detrimental effect on their activity exceeded its October 2020 level in services and industry (► **Figure 3**). This decline concerns all industrial sub-

sectors, especially the manufacture of capital goods and transport equipment. In services, this proportion has increased, especially in accommodation-catering and administrative services.

## ► 2. Businesses' opinion on the effect of health protection measures (masks, physical distancing, etc.) on productivity, by sector

in %

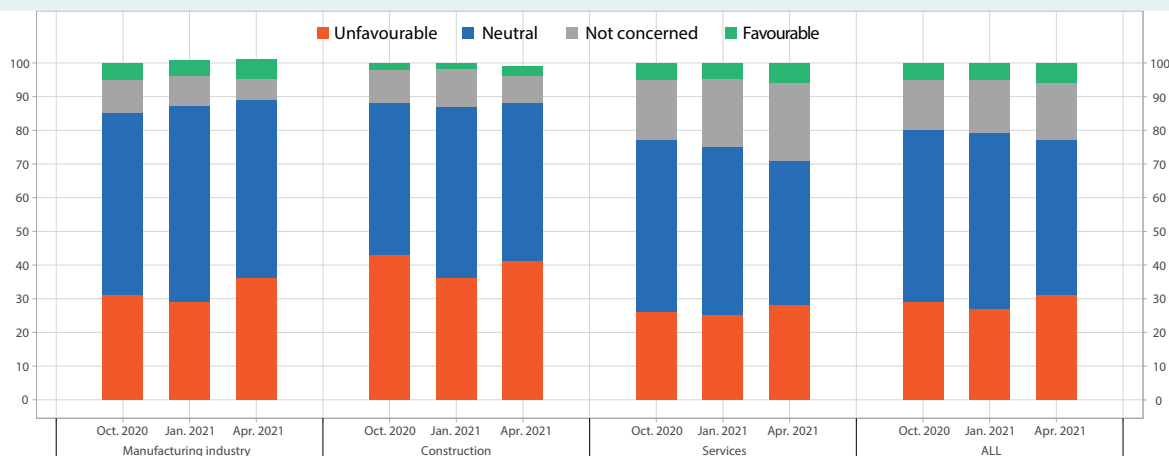


Note: results are weighted according to the workforce of the units surveyed.

Source: INSEE, INSEE, business surveys in industry, services and construction

## ► 3. Businesses' opinion on the effect of reorganisation on productivity, by sector

in %

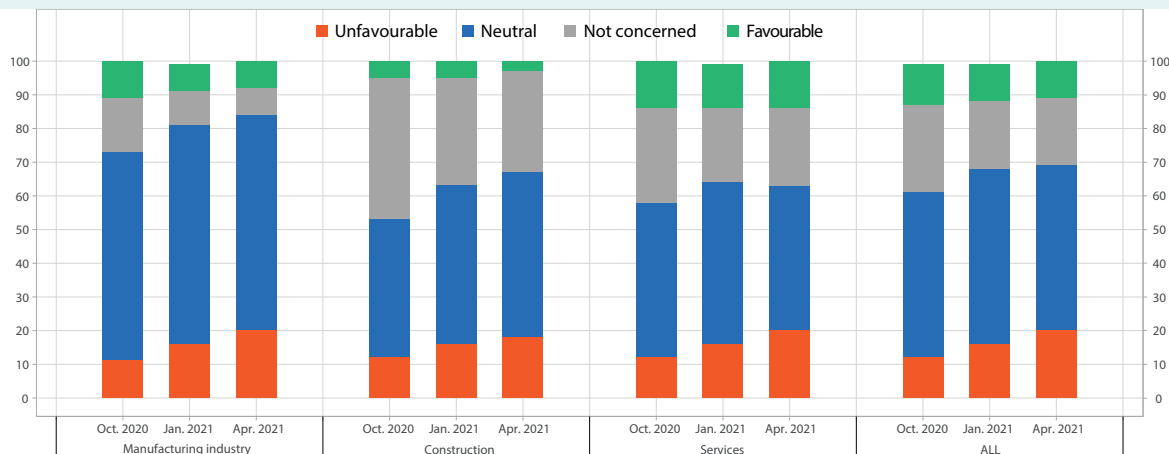


Note: results are weighted according to the workforce of the units surveyed.

Source: INSEE, INSEE, business surveys in industry, services and construction

## ► 4. Businesses' opinion on the effect of teleworking on productivity, by sector

in %



Note: results are weighted according to the workforce of the units surveyed.

Source: INSEE, INSEE, business surveys in industry, services and construction



Teleworking can have an effect in either direction on businesses' productivity (Pora, 2020). In October 2020, companies' opinions revealed that they had mixed feelings about its effects (INSEE, 2020). Since then, the effects of teleworking on productivity have been perceived increasingly often as negative in all sectors and sub-sectors, especially in computer services and specialised services to businesses: in these sectors, almost 30% of companies considered that the use of teleworking associated with the health situation has had a detrimental effect on their productivity (► [Figure 4](#)).

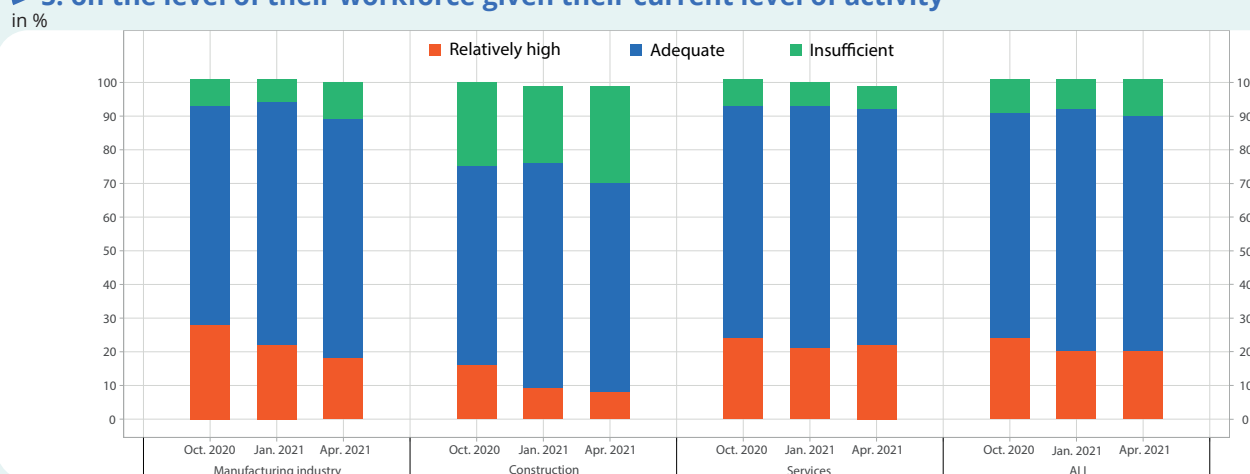
### Less and less workforce retention in industry, in contrast to services

Overall, the share of businesses surveyed that consider their level of employment to be too high given their current activity remained stable between January and

April and accounts for around 20% of workers (figure 5). However, there are contrasting dynamics in the different sectors linked directly to short-term situations, which can differ greatly. This share of businesses has declined once again significantly in building construction and all industrial sectors, apart from the manufacture of transport equipment. However, it has increased slightly in services covered by the survey (Box), after falling between October and January. In services, workforce retention as declared by businesses has increased a little in accommodation-catering and more substantially in administrative and support services to businesses, but has declined in information-communication and specialised services to businesses. ●

Juliette Grangier

### ► 5. on the level of their workforce given their current level of activity



Note: results are weighted according to the workforce of the units surveyed.  
Source: INSEE, INSEE, business surveys in industry, services and construction

#### Lear more

**Pora P.**, (2020) "Comment le télétravail affecte-t-il la productivité des entreprises ? Les enseignements très partiels de la littérature", in [blog.insee.fr](https://blog.insee.fr), October 2020.

**Insee** (2020), "On October 2020, health protection measures reduced productivity for almost half of businesses", Economic outlook of 17/11/2020.

**Insee** (2021), "At 31%, the proportion of businesses that consider that health protection measures affect their productivity is declining, but remains high", Economic outlook of 11/03/2021 ●

### Method – Repercussions of the health crisis on productivity: new questions in the business tendency surveys

Since October 2020, the quarterly questionnaires in the business tendency surveys in industry, services and building construction have included new questions asking businesses to describe the repercussions of the health crisis on their productivity. The exact wording of these questions is given below.

The notion of workforce is not defined in the same way in all sectors. In services, respondents are specifically asked to include temporary workers. In industry and building construction, the questionnaires mention “total workforce” but with no specific definition given. Short-time working is not mentioned; employees on short-time working are in any case counted as part of the company workforce.

#### The impact of the health crisis on productivity

##### →4. At present, given your level of activity, do you consider your workforce to be:

- ☐ relatively high
- ☐ adapted
- ☐ insufficient

##### →5. Do the following measure currently have an effect on the productivity of your company?

Health protection measures  
(masks, physical distancing,  
etc.)

☐ favourable    ☐ neutral    ☐ unfavourable    ☐ not concerned

Use of telework

☐ favourable    ☐ neutral    ☐ unfavourable    ☐ not concerned

Reorganisation of the activity  
(logistics, supplies, work  
scheduling, etc.)

☐ favourable    ☐ neutral    ☐ unfavourable    ☐ not concerned

##### →6. Specify in a few words the impact of the measures implemented in your company on productivity

For the April 2021 data collection, companies returned their responses between 26 March and 26 April. The response rate over this period, weighted according to turnover, was around 60%. The results presented here are weighted according to company workforce.

The scope considered here is the usual one for business tendency surveys in industry, services and building construction. The new questions were not added to the survey of retail trade businesses. Industrial companies with more than 20 employees were surveyed, also companies in building construction with more than 10 employees. The services sector survey covers market services, excluding air, rail and water transport services, financial and insurance services, scientific research and development services and the arts, entertainment and recreational activities sub-sector. Estimates for the total scope were obtained by weighting the results according to workforce size, excluding temporary workers, in industry, construction and all market services. ●

# Household consumption

After being relatively stable in January and February, at 6% below its Q4 2019 level, household consumption deteriorated in March, dropping to 7% below its pre-crisis level, in a context of local lockdowns introduced from the end of February and extended to 16 departments from 20 March. In April, the lockdown was rolled out to the whole country and appears to have resulted in a further decline in consumption, to -10% compared to the pre-crisis level. However, it does seem to have remained above the level reached during the November 2020 lockdown (15% below the pre-crisis level) and is much higher than that in the April 2020 lockdown (31% below this level). As in November 2020, the deterioration in consumption in April is probably due mainly to the decline in spending on manufactured goods, held in check by the closure of “non-essential” businesses (clothing-footwear, household equipment to a lesser extent) and by the restrictions on movement (spending on fuel). In services, spending levels were already very depressed at the start of the year with the effect of the health restrictions (accommodation-catering, transport services, leisure spending) and are therefore unlikely to decline much further in April.

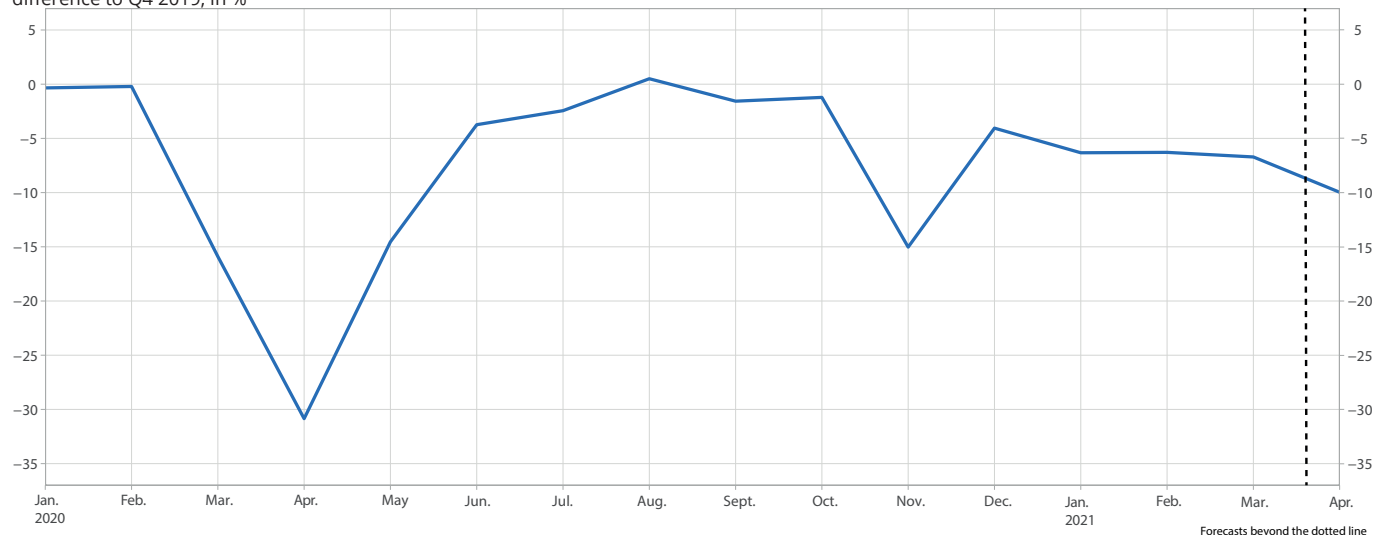
Since the *Economic Outlook* of 11 March 2021, the first estimate from the accounts for Q1 2021, published at the end of April, suggested a very slight increase in

household consumption in Q1 (+0.3%, less dynamic than the +1% forecast in the last *Economic Outlook*). In fact, household consumption in February remained at its January level (6% below the Q4 2019 level, ► **Figure 1**, against -4% estimated in the *Economic Outlook* of 11 March). It then deteriorated in March (-7% below the pre-crisis level, against -6% in the *Economic Outlook*) in the context of stronger health measures and especially, from 20 March, the lockdown in place in several departments.

From CB bank card transaction amounts and sales data from major retail outlets, available up to 25 April, household consumption can be estimated for April, when lockdown was extended to the entire country at the start of the month. The profile of the weekly CB bank card transaction amounts, compared to a similar week in 2019, predictably shows a marked decline from the first week of lockdown (► **Figure 2**, week 14 of 2021) which persists during the following weeks. However, the decline in CB transaction amounts appears to be less pronounced than in November 2020: consumption behaviour seems to have been less affected by the April 2021 lockdown than by that of last autumn, and certainly by that of spring 2020. This also seems to be the case for mobility behaviour (► **Focus**).

## ► 1. Observed and forecast monthly household consumption

difference to Q4 2019, in %



How to read it: in April 2021, household consumption is expected to stand at 10% below its Q4 2019 level.  
Source: INSEE calculations from various sources

# French economic outlook

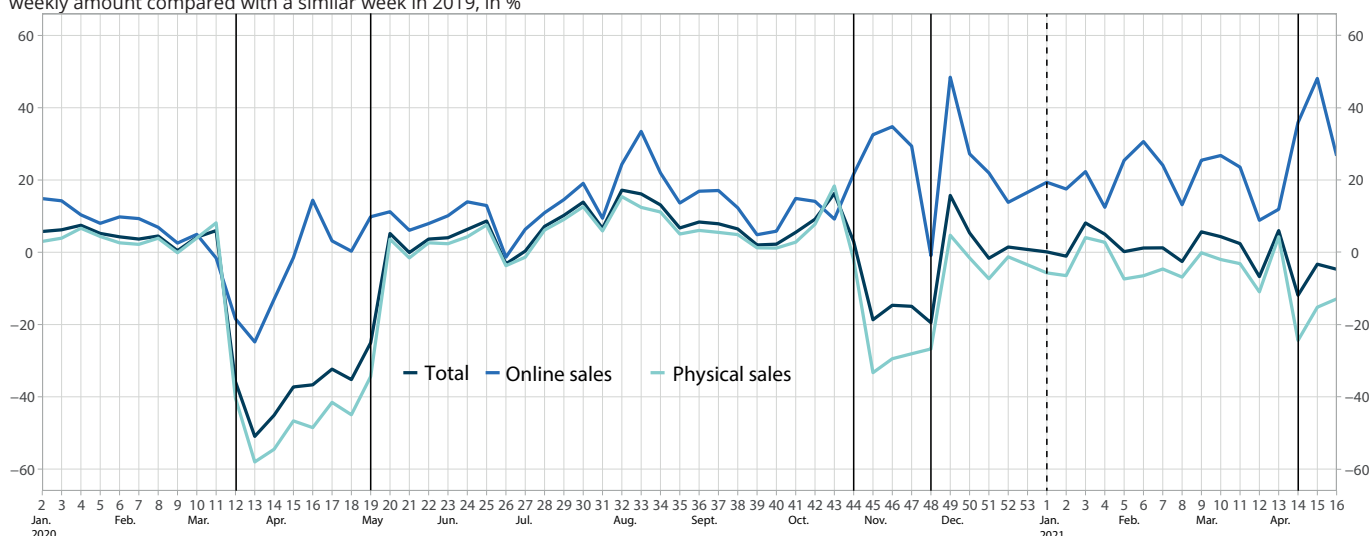
However, as in November, the sharp decline in bank card transactions stems from the drop in physical sales, while online sales increased strongly.

Household consumption in April would therefore seem to be 10% below its Q4 2020 level, suggesting a considerable decline compared to March but still less pronounced than in November 2020 (-15% compared to Q4 2019). Consumption of industrial goods in particular

would appear to have decreased significantly, standing at -9% compared to its pre-crisis level, whereas in previous months it had been fairly close to this level. This downturn would seem to be mainly the result of the decline in spending on clothing-footwear, which suffered from the closure of “non-essential” businesses, and spending on household equipment, apart from electronic and computer equipment (► **Figure 3**). It would also seem to be the result of lower consumption

## ► 2. Weekly CB bank card transaction amounts

weekly amount compared with a similar week in 2019, in %



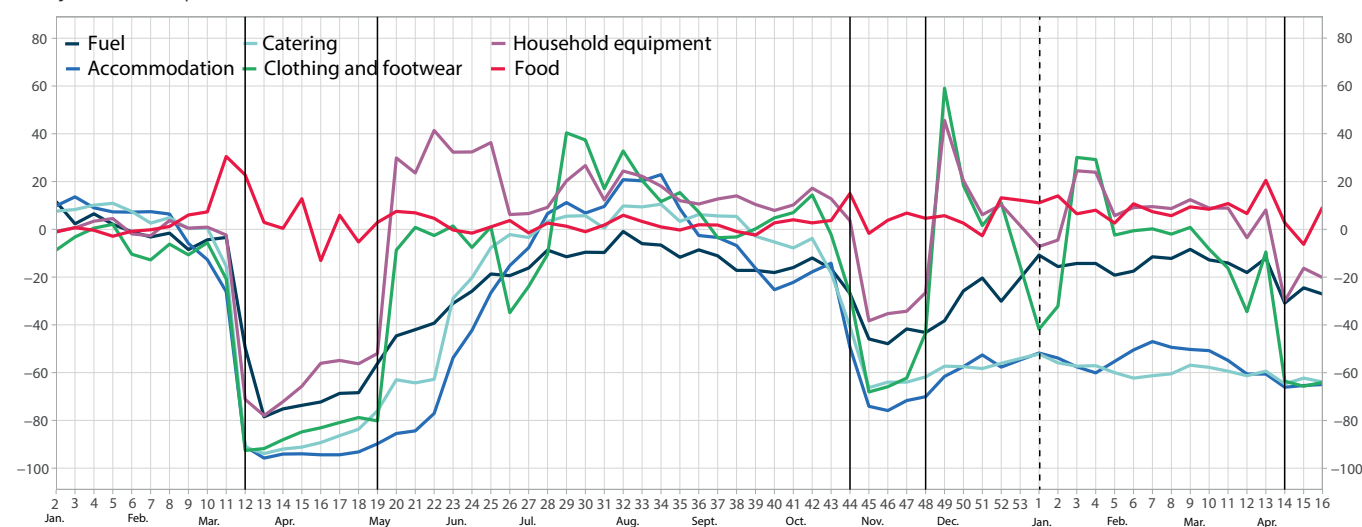
How to read it: in week 16 of 2021 (19 – 25 April), total CB bank card transaction amounts were 5% down on the amount in week 16 of 2019. The vertical lines show the dates that “non-essential” businesses closed and reopened during the 2020 lockdowns and the national lockdown in spring 2021. As each amount is compared to that of a similar week in 2019, for the differences shown for the end of 2020 and the start of 2021 there is therefore a break in the reference week (end of 2019 then start of 2019). This break is indicated by the vertical dotted line at week 1 of 2021.

Note: the dynamism of these CB transaction amounts from March 2020 onwards may reflect a higher use of CB bank card payments. This factor has been taken into account when estimating losses or increases in consumption compared to the pre-crisis level.

Source: Cartes Bancaires CB, INSEE calculations

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

weekly amount compared with a similar week in 2019, in %



How to read it: in week 16 of 2021 (19 – 25 April), CB bank card transaction amounts related to purchases of fuel were 27% lower than amounts in week 16 of 2019. The vertical lines show the dates that “non-essential” businesses closed and reopened during the 2020 lockdowns and the national lockdown in spring 2021. As each amount is compared to that of a similar week in 2019, for the differences shown for the end of 2020 and the start of 2021 there is therefore a break in the reference week (end of 2019 then start of 2019). This break is indicated by the vertical dotted line at week 1 of 2021.

Note: the dynamism of these CB transaction amounts from March 2020 onwards may reflect a higher use of CB bank card payments. This factor has been taken into account when estimating losses or increases in consumption compared to the pre-crisis level.

Source: Cartes Bancaires CB (except for food), cash register data from several supermarket chains (for food), INSEE calculations

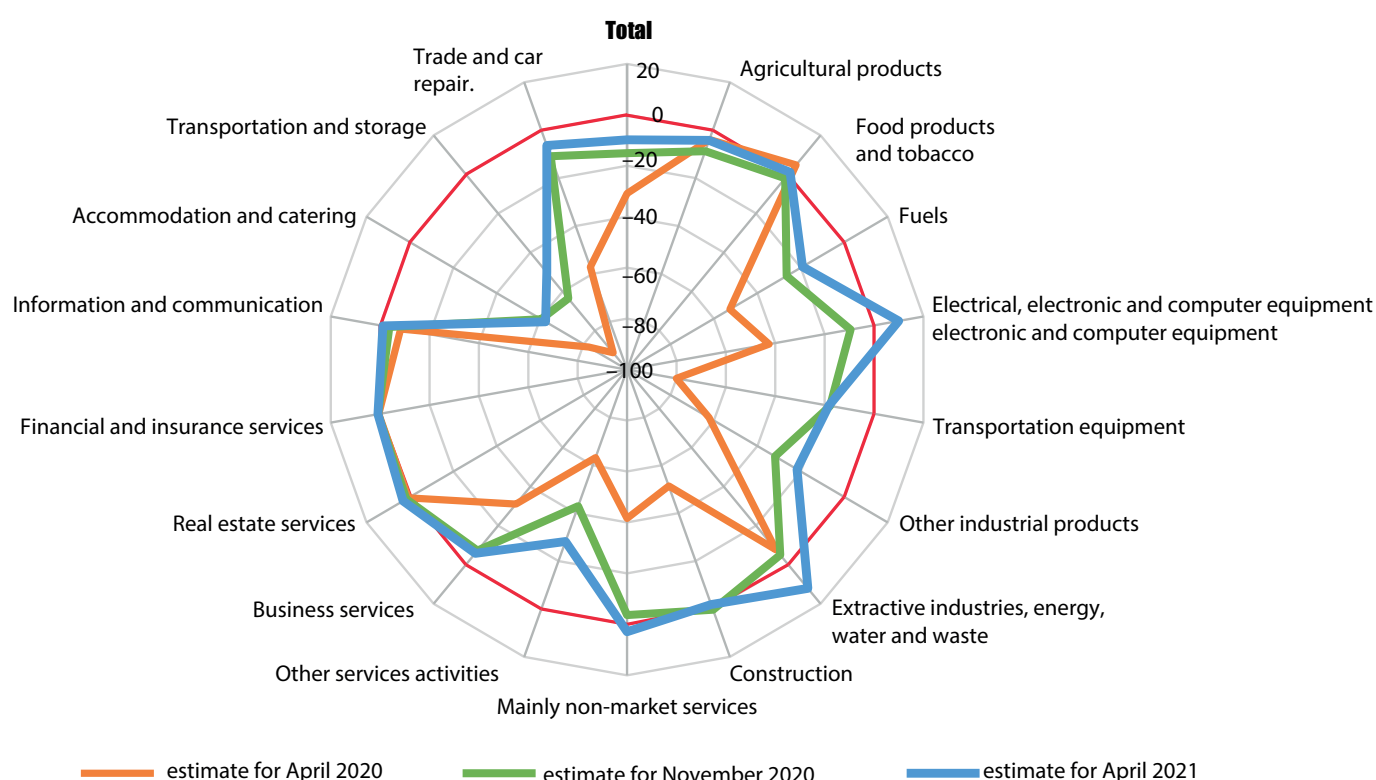


of fuel, due to the restrictions on mobility, although the downturn in November 2020 was much more pronounced (► [Figure 3](#)). Consumption of capital goods (especially electrical and IT) was very dynamic in previous months, but would appear to have weakened in April, although remaining above its pre-crisis level. However, the particularly low temperatures in April would seem to have resulted in more spending on energy, offsetting the decline in consumption overall.

Concerning market services, household consumption was already very depressed in March and the preceding months, and would appear to have declined only slightly

in April (–15% compared to the Q4 2019 level, after –14% in March). This deterioration would seem to be due mainly to spending that was directly affected by lockdown: transport services, services to households, accommodation and catering (especially spending on accommodation, which saw a slight upturn in February and March but appears to have deteriorated once again in April, ► [Figure 3](#)). In non-market services, household consumption in April would seem to have remained at its March level, slightly higher than pre-crisis. Likewise in construction, where spending levels in March, which were slightly below the pre-crisis level, do not appear to have changed significantly in April.

## ►4. Estimated household consumption in April 2021, November 2020 and April 2020 compared to Q4 2019



How to read it: in April 2021, fuel consumption would appear to be 19% below its Q4 2019 level, whereas it was 27% and 53% below in November 2020 and April 2020 respectively.  
Source: INSEE calculations from various sources

## French economic outlook

The third lockdown introduced at national level on 3 April would therefore seem to have led to a smaller loss of consumption than in the November 2020 lockdown and much smaller than in April 2020 during the first lockdown (► [Figure 4](#) and [5](#)). The smaller decline in consumption compared to November is probably due mainly to the less severe mobility restrictions, resulting in more spending on fuel and

transport services, but also led to less of a decline in spending on manufactured goods (spending on household equipment and computer and electronic equipment). Consumption of services to households would also appear to have been affected less in April 2021 than in November 2020, as some activities (hairdressers, etc.) remained open. ●

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

difference in the Q4 of 2019, in %

Products	Share of consumption*	2020			2021			
		April	November	Q1	January	February	March	April
<b>Agriculture, forestry and fishing</b>	<b>3%</b>	<b>-3.9</b>	<b>-8.8</b>	<b>-4.1</b>	<b>-3.2</b>	<b>-4.9</b>	<b>-4.2</b>	<b>-4</b>
<b>Industry</b>	<b>44%</b>	<b>-34.6</b>	<b>-15.5</b>	<b>-1.3</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-1.8</b>	<b>-9</b>
Manufacture of food products, beverages and tobacco-based products	15%	4.9	-1.9	2.0	3.2	1.1	1.8	1
Coke and refined petroleum	4%	-52.6	-26.5	-7.1	-5.8	-8.9	-6.5	-19
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3%	-42.5	-9.5	13.7	11.4	15.4	14.2	10
Manufacture of transport equipment	6%	-80.1	-17.8	-8.4	-6.2	-8.5	-10.4	-18
Manufacture of other industrial products	12%	-62.3	-31.9	-4.1	-6.7	-0.3	-5.1	-23
Extractive industries, energy, water, waste treatment and decontamination	4%	-7.6	-5.0	2.3	4.3	1.0	1.5	12
<b>Construction</b>	<b>2%</b>	<b>-51.3</b>	<b>0.3</b>	<b>-1.3</b>	<b>-0.8</b>	<b>-1.2</b>	<b>-1.8</b>	<b>-2</b>
<b>Mainly market services</b>	<b>46%</b>	<b>-28.2</b>	<b>-17.9</b>	<b>-14.1</b>	<b>-13.5</b>	<b>-13.9</b>	<b>-13.8</b>	<b>-15</b>
Trade; repair of automobiles and motorcycles	1%	-57.1	-10.9	-1.2	-3.7	-0.5	0.8	-6
Transport and storage	3%	-91.3	-63.5	-45.2	-41.9	-46.4	-47.2	-50
Accommodation and catering	7%	-82.3	-60.4	-59.0	-60.4	-58.2	-58.4	-62
Information and communication	3%	-8.3	-3.7	-1.8	0.7	-1.1	-1.1	-1
Financial and insurance activities	6%	0.6	0.9	0.9	0.8	0.9	0.9	1
Real estate activities	19%	0.8	1.7	3.0	3.1	2.9	3.1	3
Scientific and technical activities; administrative and support services	2%	-31.1	-7.2	-9.0	-10.9	-7.3	-8.8	-6
Other service activities	4%	-63.2	-42.9	-22.8	-19.7	-24.7	-23.9	-28
<b>Mainly non-market services</b>	<b>5%</b>	<b>-41.6</b>	<b>-3.6</b>	<b>2.7</b>	<b>2.4</b>	<b>2.7</b>	<b>3.0</b>	<b>3</b>
<b>Territorial correction</b>		<b>-97.4</b>	<b>-81.0</b>	<b>-68.8</b>	<b>-60.0</b>	<b>-71.1</b>	<b>-75.3</b>	<b>-75</b>
<b>Total</b>		<b>-30.9</b>	<b>-15.0</b>	<b>-6.4</b>	<b>-6.3</b>	<b>-6.3</b>	<b>-6.7</b>	<b>-10</b>

\* Weight in final household consumption spending, excluding territorial correction (2018)

■ Forecast

How to read it: in April 2021, the level of household consumption of accommodation and catering services would appear to be 62% lower than in Q4 2019.

Source: INSEE calculations from various sources

## The third lockdown seems to have curbed consumer and mobility behaviour a little less than that in November

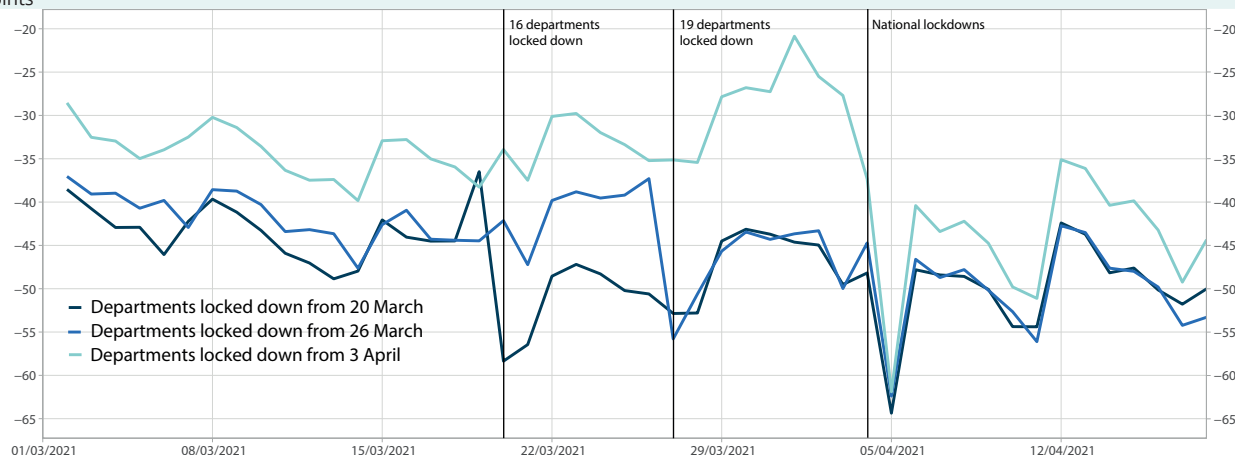
The effects of the third lockdown, which came into force in 16 departments on 20 March 2021 then across the entire country at the start of April, can be studied through “high-frequency” indicators, such as CB bank card transactions, or mobility indicators provided by Google. This lockdown would appear to have been less restrictive than the previous one: bank card spending fell back less than in November 2020, especially spending on fuel, and the numbers going to shops and using public transport seem to have fallen back less than in November 2020.

### The succession of increasingly restrictive health measures in March resulted in a decline in departmental bank card spending and in numbers visiting “non-essential” businesses

Lockdown was introduced in 16 departments as of 20 March. It was then extended to 3 more departments on 26 March, then to the entire country on 3 April. Using “high-frequency” indicators, like the *Google Mobility*

*Reports* which chart movement trends across specific places and are available at departmental level, these successive lockdowns can be tracked. In particular, before the start of each lockdown, the indicator for time spent in non-food shops and recreational venues saw a considerable rise in the departments concerned, which probably suggests anticipatory behaviour (► **Figure 1**). Departmental level CB bank card spending (physical sales) has a similar profile (► **Figure 2**).

#### ► 1. Change in the indicator of time spent in non-food retail outlets and places of recreation in points

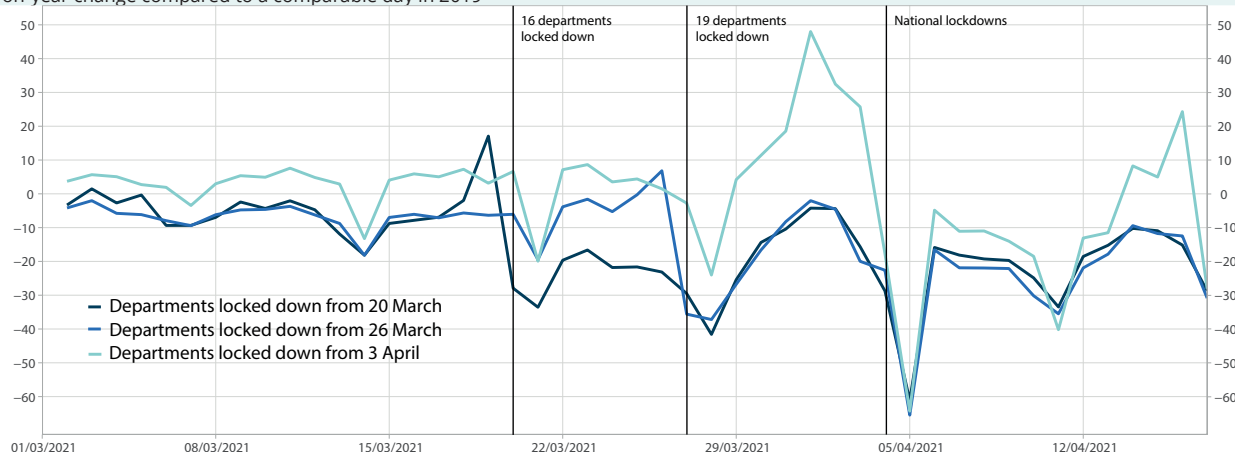


How to read it: on Saturday 20 March 2021, the indicator for the number of visitors to non-food shops and places of recreation was -58 points in the 16 departments first concerned by the local lockdown. It stood at -44 points in the 3 departments under lockdown the following week and -34 points in the rest of the country.

Note: departmental values of the indicator are aggregated by weighting according to departmental population.

Source: *Google Mobility Reports*, *INSEE calculations*

#### ► 2. Change in departmental CB bank card transaction amounts in physical shops year-on-year change compared to a comparable day in 2019



How to read it: on 20 March, the amount of departmental consumption expenditure by CB bank card was 28% lower than on a comparable day in 2019 for the 16 departments under lockdown on that day. In the 3 departments placed under lockdown the following week, local spending was 7% lower and in the rest of the country, it was 6% higher than on a comparable day in 2019.

Note: the bank card transactions represented here concern only physical sales.

Source: *Cartes Bancaires CB*, *NSEE calculations*

## French economic outlook

The start of lockdown in the departments concerned resulted in a fairly different change in consumer and mobility behaviour from that observed in the departments not under lockdown. As an illustration, we consider the 16 departments that entered lockdown on 20 March, comparing behaviour before and after 20 March; we then do the same in the departments that entered lockdown later (► [Figure 3](#)). Thus, the time spent at home decreased after 20 March in the departments not yet under lockdown, perhaps linked to the shifting of the curfew from 6pm to 7pm, whereas it increased slightly in the 16 departments under lockdown from 20 March. The difference in time spent on public transport between departments reflects the travel restrictions, while the closure of “non-essential” businesses was accompanied by a sharp decline in local consumption expenditure by CB bank card. The relative stagnation in time spent at the workplace can be explained by the fact that employees were authorised to spend one day on site per week for those whose jobs were compatible with teleworking, in a context where people were already strongly encouraged to work from home even before the latest lockdown.

### The impact of the third national lockdown on consumption and mobility seems to be slightly less than in November, when the economic effect was in turn less pronounced than in spring 2020

The loss of consumption associated with the lockdown in November was significant but much less than in spring 2020, as can be seen from the smaller decline in

CB bank card transaction amounts but also in numbers of visitors to retail outlets, both food and non-food, and to places of recreation (► [Figure 4](#)). The numbers visiting parks also declined less than in spring 2020, an indication of the less strict health measures (opening up of green spaces). The same was the case for public transport and workplaces, with on-site working now possible in sectors where it was necessary.

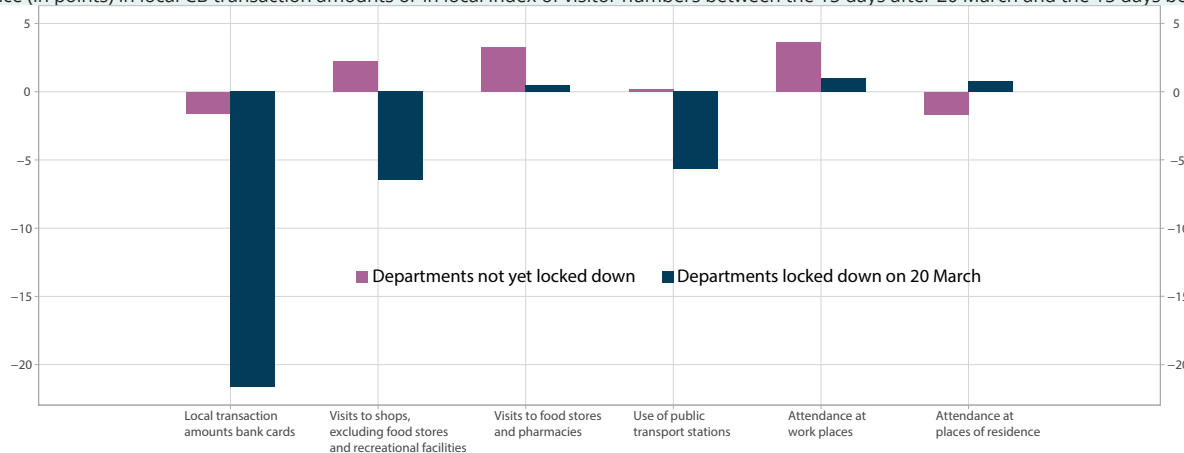
In terms of consumer behaviour and mobility, the national lockdown in April 2021 appears to be fairly similar to that in November 2020 and even a little less restrictive: mobility restrictions were indeed less severe and a greater range of shops were open. As a result, the fall in CB bank card transaction amounts appears to be less pronounced in April 2021 than last November (decline by about half). The number of trips to shops also declined less, especially in essential outlets (food shops, pharmacies) where they would seem to have remained at their pre-crisis level. This was also the case for numbers visiting parks. In terms of numbers in the workplace and at home, the April 2021 lockdown is not much different from that of November 2020, confirming the use of teleworking, resorting to on-site working when necessary.

### The first weeks of the third lockdown confirmed the boom in online sales

During the second lockdown (November 2020), the smaller decline in total bank card transaction amounts reflected a smaller decline in physical sales but also a sharp increase in online sales. They did indeed increase significantly compared to their pre-crisis level

### ► 3. Change in behaviour between the periods before and after 20 March, according to whether or not the department was in lockdown (double difference)

difference (in points) in local CB transaction amounts or in local index of visitor numbers between the 15 days after 20 March and the 15 days before



How to read it: during the first 15 days of local lockdown, in the 16 departments concerned, local consumption expenditure by CB bank card in physical shops decreased by more than 21 points compared to the previous two weeks, whereas in departments that were not in lockdown before 3 April, this spending declined by only 1.6 points.

Source: Cartes Bancaires CB, Google Mobility Reports, INSEE calculations

of 2019, despite falling, albeit only slightly, during the first lockdown (► **Figure 5**). The spring 2021 lockdown confirmed this trend: in April 2021, online sales were well above their 2019 level, even more so than in November 2020. Meanwhile, physical sales, as measured using CB bank card transactions, fell back a little less than in November 2020.

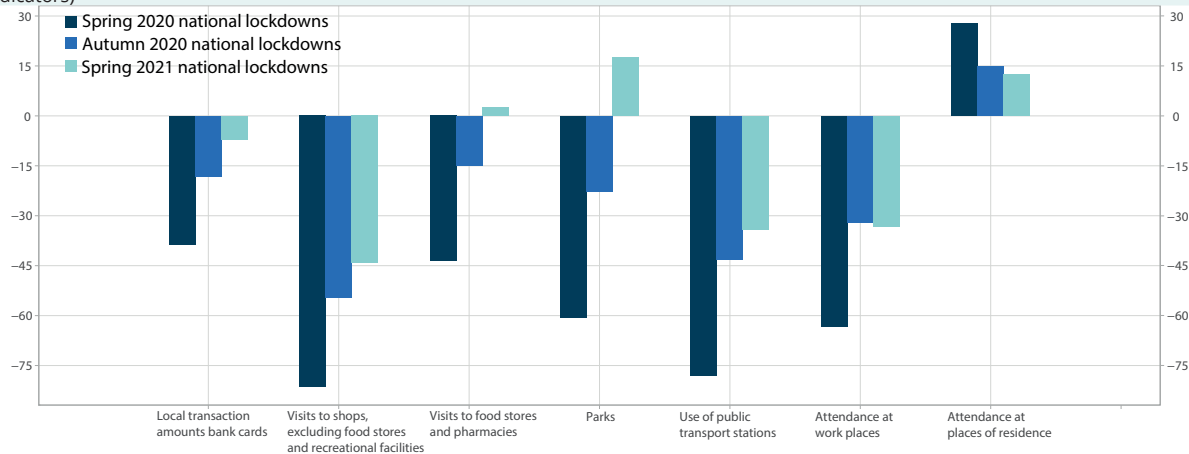
## A smaller reduction in spending on fuel

With differences in certain types of spending, in April 2021, CB bank card transaction amounts revealed a much smaller decline than during the first lockdown

(► **Figure 6**). However, the difference between the November 2020 lockdown was less pronounced. In clothing-footwear, bank card transaction amounts declined significantly less during the second lockdown, as did online sales: the first weeks of April 2021 followed the same pattern. However, amounts seemed to have declined a little more than in November 2020, perhaps because the April 2021 lockdown followed on from the winter sales, which ended in early March. In household equipment, the decline in bank card transaction amounts seems to be less notable in April 2021 than in November 2020, and in any case much less pronounced than in spring 2020.

## ► 4. Variation in CB bank card transactions and Google mobility indicators compared to a pre-crisis period, for each of the three national lockdowns

difference in % from a similar period in 2019 (for CB transaction amounts) and difference in % from the period January-February 2020 (for Google Mobility trend indicators)

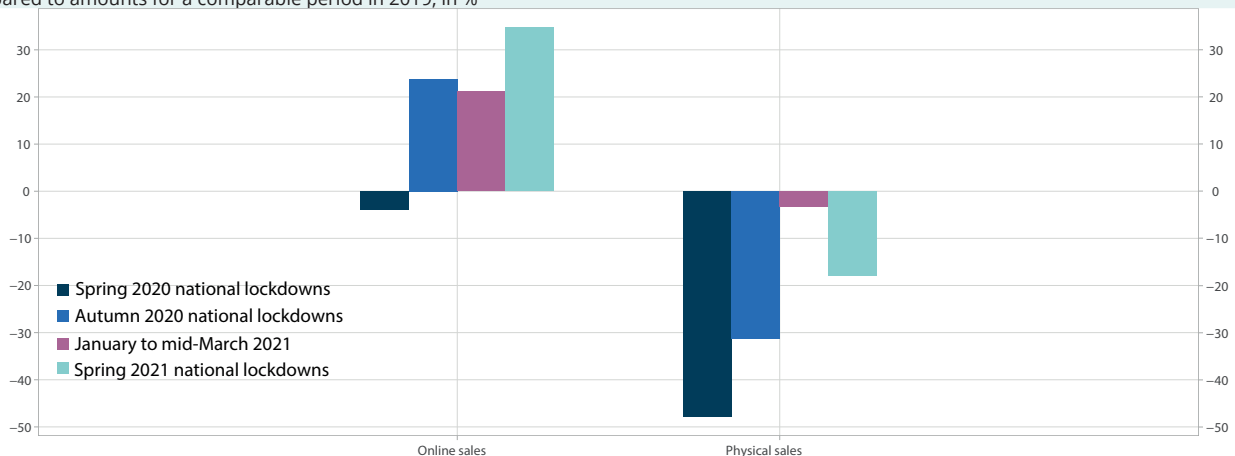


How to read it: the average value of the previous indicator in non-food shops and places of recreation was -81 points during the spring 2020 lockdown, -55 points during the autumn 2020<sup>1</sup> lockdown and -44 points during the first weeks of national lockdown in spring 2021. The total amount of CB bank card transactions during the April 2021 lockdown was 7 points below the total amount of CB bank card transactions during the equivalent period in 2019. Note: the national lockdown in April 2021 covers the period 3 to 25 April 2021. Source: Cartes Bancaires CB, Google Mobility Reports, INSEE calculations

<sup>1</sup> In this part and those that follow, it was assumed that the autumn 2020 lockdown ended when all shops reopened, on 28 November.

## ► 5. CB bank card transaction amounts, by type of payment

compared to amounts for a comparable period in 2019, in %



How to read it: during the April 2021 lockdown (until 25 April 2021), the amount of physical transactions by CB bank card was 18% lower than in a comparable period in 2019. On average during the November 2020 lockdown, it was 31% lower than in a comparable period in 2019. Note: the national lockdown in April 2021 covers CB transaction amounts up to 25 April 2021. Source: Cartes Bancaires CB, INSEE calculations



## French economic outlook

It is in purchases of fuel that the April 2021 lockdown (at least the first few weeks) seems to differ from that of November 2020: the decline in bank card transactions was much less substantial, probably as a result of less severe restrictions on movement (authorisation to travel within a radius of 10 km against 1 km during the autumn 2020 lockdown).

### In accommodation and catering, further deterioration in April 2021

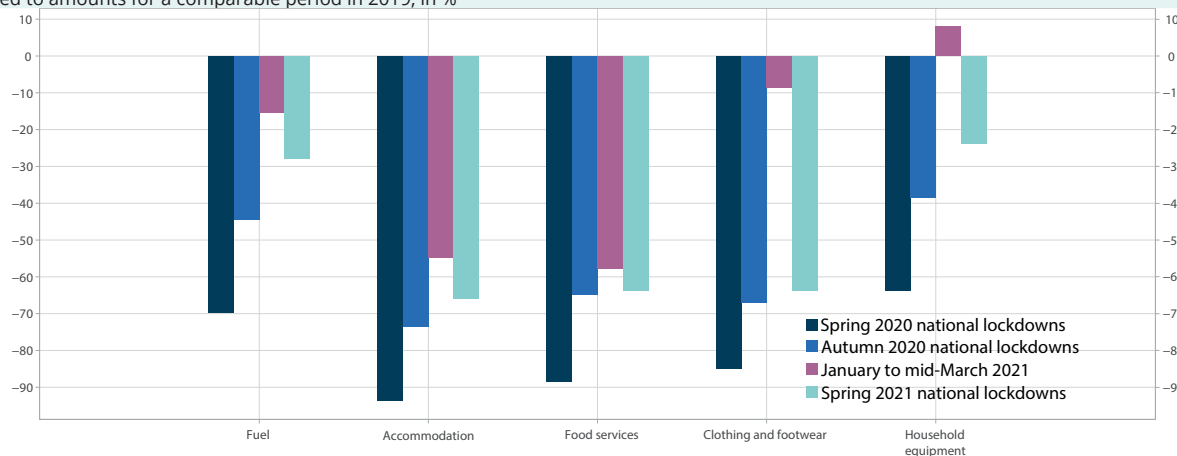
In accommodation and catering, bank card transaction amounts had continued their sharp decline since the start of the second lockdown, as a result of the restrictive

measures in place (► **Figure 6**): curfew, closure of restaurant dining and bars. However, between January and mid-March, this decline was eased a little, more noticeably in accommodation. Conversely, the first weeks of April 2021 were distinguished by a further deterioration in bank card transaction amounts. In accommodation, this decline, compared to the 2019 level, was still less significant than in November 2020. In catering, it was at a similar level: the sector had already partly adapted to lockdown in November, mainly via takeaway sales. This adaptation continued through the winter curfew then the spring 2021 lockdown, although bank card transaction amounts were no greater than in November. ●

*Jérémy Marquis, Olivier Simon*

### ► 6. CB bank card transaction amounts, by type of product

compared to amounts for a comparable period in 2019, in %



How to read it: during the April 2021 lockdown (until 25 April 2021), bank card transaction amounts relating to purchases of fuel were 28% lower than in a comparable period in 2019. On average during the November 2020 lockdown, they were 44% lower than in a comparable period in 2019.

Note: the national lockdown in April 2021 covers CB transaction amounts up to 25 April 2021.

Source: Cartes Bancaires CB, INSEE calculations

# International comparison

*At the start of 2021, the economic outlook in most countries was still affected by the health crisis, although with contrasting situations. In the United States and China, activity improved in Q1 (+1.6% and +1.2% respectively compared to the previous quarter). With the easing of health restrictions, mainly as a result of the progress made with the vaccination campaign and boosted by massive stimulus packages, the American economy is readying itself for a tremendous surge, while Chinese exports have come out of the crisis stronger than ever and continue to supply world demand. In Europe, Q1 was more difficult, with restrictive measures still in place. With the exception of France, activity declined in the main European economies, especially in Germany, which was under lockdown for the entire quarter, and the United Kingdom, which was also facing difficulties post-Brexit. In the spring, however, the situation seems to be improving, with a gradual easing of restrictive health measures in most countries.*

## In Q1 2021, activity in the main western economies contracted once again except in France and the United States

At the start of 2021, activity in Europe continued to be affected by the restrictive measures. GDP in most of the main European countries fell in Q1: by -0.4% in Italy, -0.5% in Spain and more sharply in Germany (-1.7%) and the United Kingdom (the monthly GDP overhang for February suggests a decline in activity of

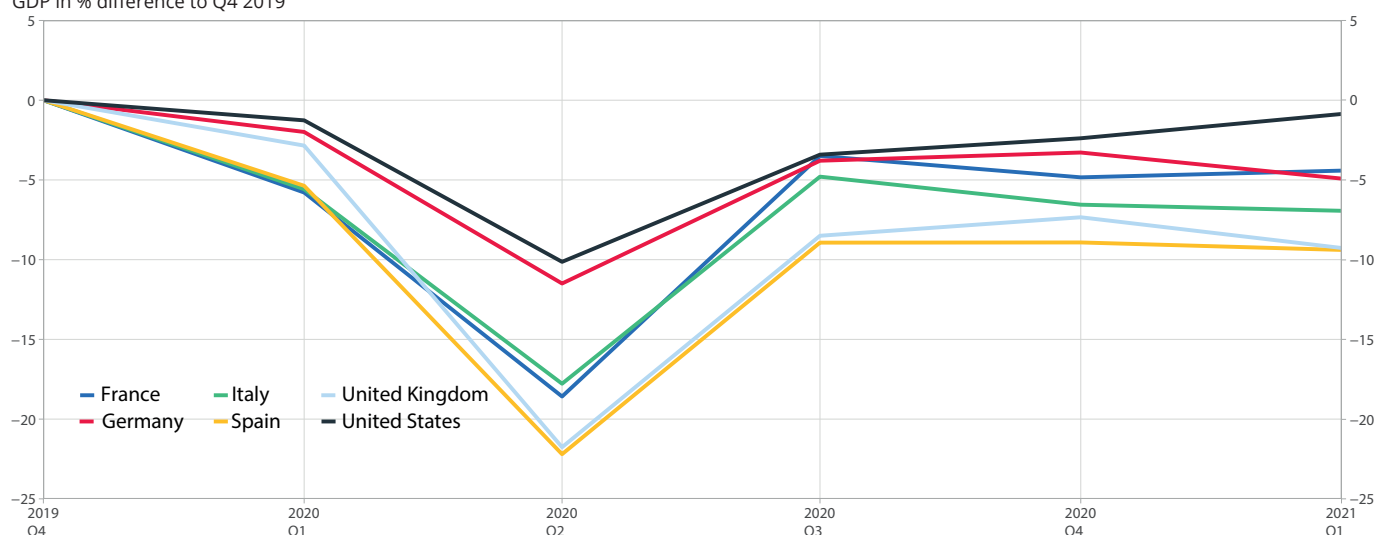
-2.1%). Conversely, in France, activity this quarter was disrupted by the restrictive measures a little less than in neighbouring countries and increased slightly (+0.4% after -1.4%).

In Germany, the lockdown put in place in mid-December was extended throughout all of Q1 and in addition, a series of winter storms would appear to have affected activity at the start of the year. According to Destatis, household consumption mainly contributed to the contraction of GDP, while exports of goods boosted activity. According to the Italian National Institute of Statistics (ISTAT), Italian domestic demand would seem to have made a positive contribution to activity, in contrast to foreign trade. In Spain, the buoyancy of foreign trade did not make up for the fall in domestic demand, despite less restrictive health measures. As in Germany, activity would also appear to have suffered from the series of storms, including Storm Filomena, which paralysed a large proportion of the country at the beginning of January. Most of the United Kingdom was in lockdown at the start of 2021 and difficulties related to Brexit would seem to have played a part in the decline in activity in Q1 (see below).

On the other side of the Atlantic, economic recovery continued early in the year and American GDP, driven mainly by domestic demand, increased once again (+1.6%, see below). Thus GDP reached its highest level since the health crisis began, i.e. -0.9% compared to Q4 2019.

## ► 1. With the exception of France and the United States, GDP in the main western economies moved away from its pre-crisis level in Q1 2021

GDP in % difference to Q4 2019



Note: as the UK quarterly accounts have not yet been published, the monthly GDP overhang for February was used as the point for Q1 2021.  
Source: INSEE, Destatis, Istat, ONS, BEA

# International economic outlook

In Europe, activity in all countries remains further from its pre-crisis level: between -4.4% for France and -9.4% for Spain compared to the end of 2019.

## In Europe and the United States industrial production is holding steady at the start of the year, close to its pre-crisis level

In Europe and the United States, the industrial production indices remained stable overall at the start of 2021 (► **Figure 2**) despite the restrictive measures in place in the different countries. In February, industrial production decreased in Germany (-1.8% compared to January), France (-4.7%) and the United States (-2.6%), before stabilising in France in March and rallying in America after the February cold snap. Some sectors, such

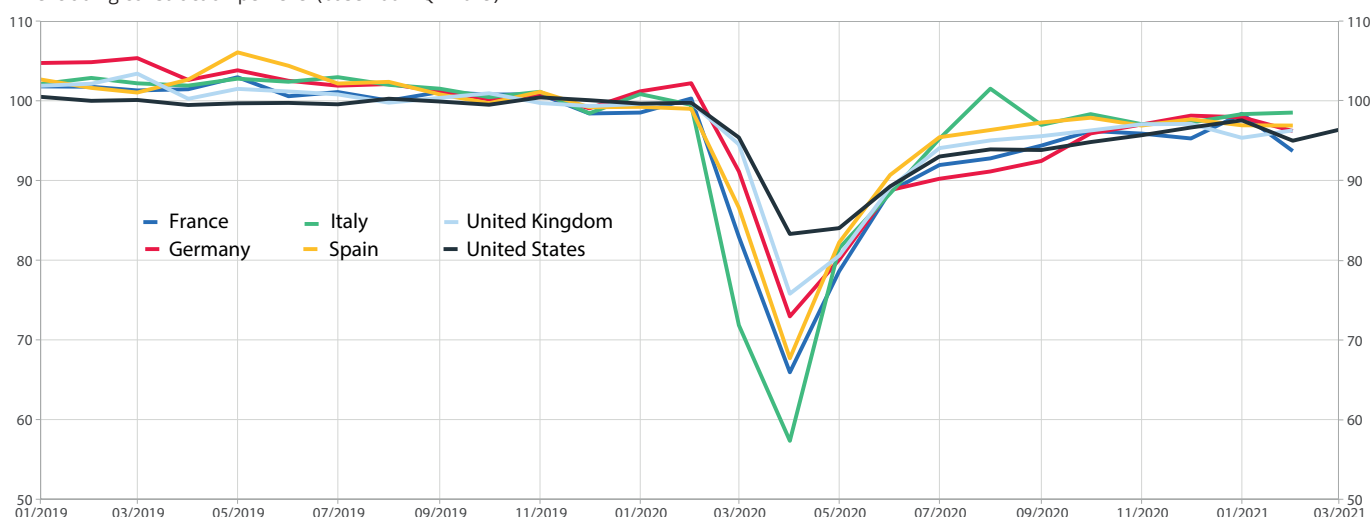
as the automotive sector, would appear to have suffered from sourcing problems, especially in semi-conductors. Despite holding up relatively well in a context of health restrictions, industrial production in February was still below its pre-crisis level (Q4 2019) in all the countries considered: between -1.5% for Italy and -6.3% for France (after the gap had narrowed to -1.6% in January).

## In Europe, retail sales were affected by health restrictions in early 2021, but in the United States they accelerated

The evolution of the epidemic has had a greater influence on retail sales, with a range of levels and variations between countries (► **Figure 3**). In January, retail sales reached a low point in France's neighbouring countries,

### ► 2. At the start of 2021, industrial production remained close to its pre-crisis level in the main western economies

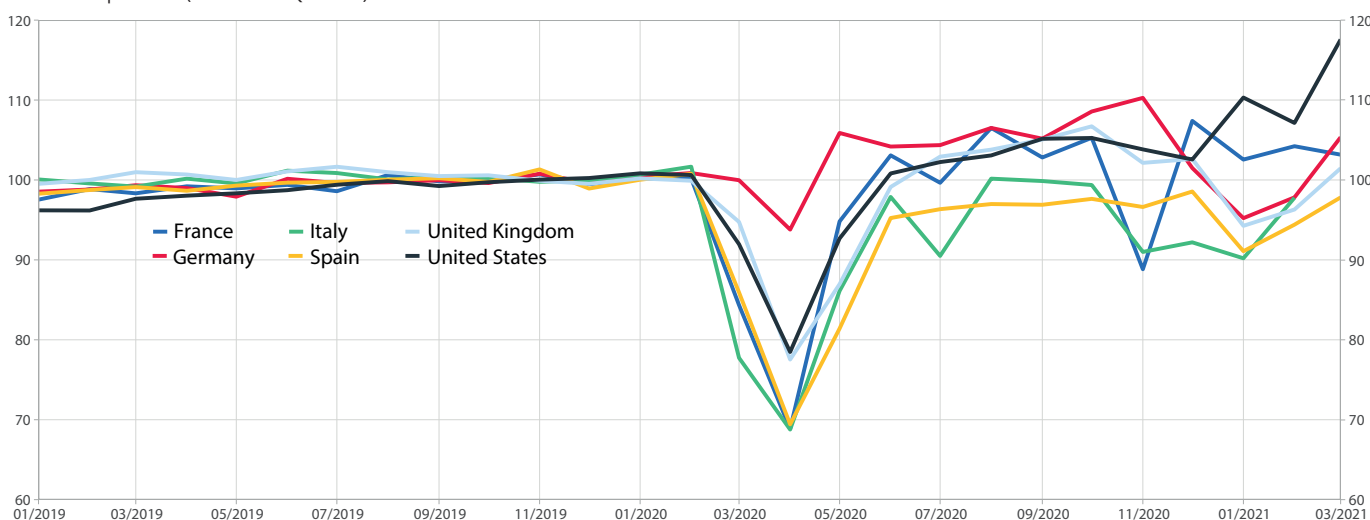
IPI excluding construction per level (base 100 = Q4 2019)



Source: INSEE, Destatis, Istat, ONS, BEA

### ► 3. In March 2021, retail sales rallied in most European countries and shot up in the United States

retail sales per level (base 100 = Q4 2019)



Note: this indicator is an index for deflated turnover in retail trade excluding motor vehicles.

Source: EUROSTAT, ONS, Census Bureau

due to the strengthening of restrictive health measures, notably dipping below their pre-crisis level in Germany and the United Kingdom. In February and March, retail sales picked up in all European countries, approaching their pre-crisis level in Italy and Spain (–2.2% for these two countries compared to Q4 2019), or exceeding it once again in Germany and the United Kingdom (+5.3% and +1.5% respectively). In France, but even more so in the United States, retail sales remained above their pre-crisis level through the first months of 2021 (+4.2% and +7.1% respectively in February). At the start of 2021, retail sales in the United States were particularly high compared to the end of 2019 and they continued to grow in March (*see below*).

## In Europe, like the United States, health restrictions are gradually being eased

In Europe, the lockdown measures introduced in most European countries were gradually eased in April (► **Figure 4**), with this relaxation of measures concerning travel restrictions more than the reopening of businesses and recreation venues. In France, schools reopened on 26 April and there was no longer a limit on daytime travel from 3 May.

In Germany, the latest lockdown, which started in mid-December, was relaxed during March with the gradual opening of schools and some businesses (hairdressers, bookshops, florists) depending on the Länder. This

lockdown was replaced by a federal “emergency brake” which harmonises restrictive measures across all the Länder according to the incidence rate. When a certain incidence threshold is reached, additional restrictions are imposed in the Länder concerned, such as closing “non-essential” businesses, closing leisure, sports and cultural activities and introducing a curfew. The majority of Germany is currently above this threshold, apart from the north of the country and a few cantons.

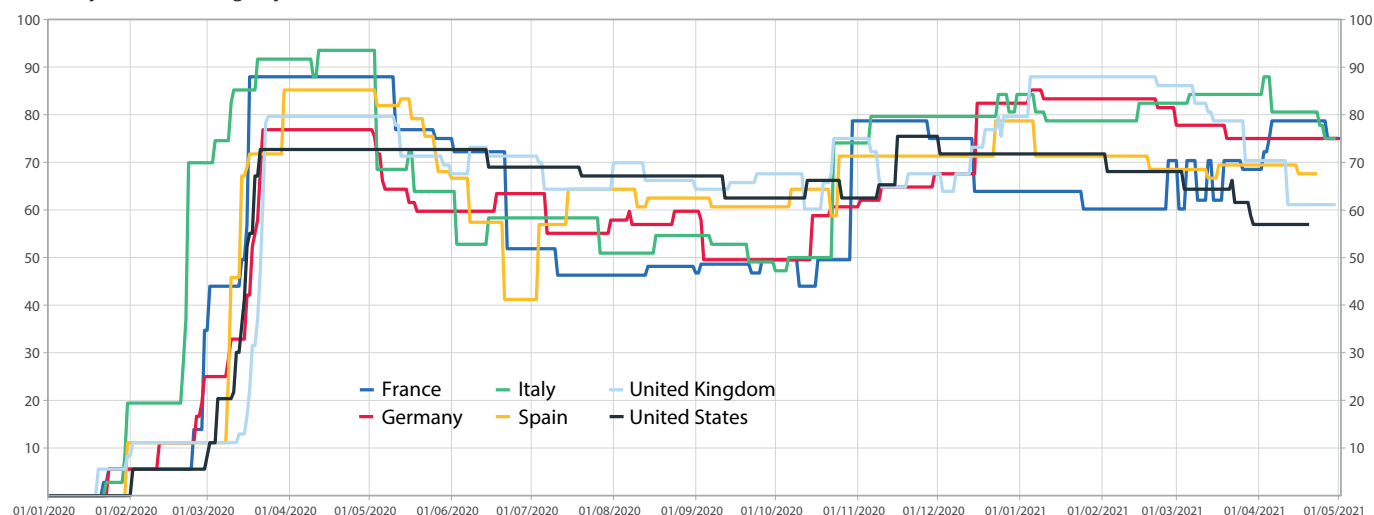
In Italy, after lockdown was decided in mid-March, the majority of regions moved from the red to the orange zone after the Easter weekend, followed by the reopening of “non-essential” businesses. After a number of regions had moved into the yellow zone in late April, it became possible for bar and restaurant terraces to reopen, also cinemas and places of recreation, with limits on numbers, while maintaining a night-time curfew.

In Spain, measures taken from mid-March to combat a resurgence of the epidemic mainly restricted travel between regions, with shops, bars and restaurants remaining open. In the United Kingdom, the lockdown that started in January ended on 12 April. Pubs and restaurants are now open outdoors, and “non-essential” businesses are also open.

In the United States, lockdowns have been lifted in all States and health restrictions eased since February, while in April the Oxford Stringency Index even reached its lowest point since the start of the health crisis.

## ► 4. Since March, restrictions and health measures seem to be easing, especially in the United Kingdom and the United States

University of Oxford Stringency Index



Note: this index records and combines into a single indicator all health containment measures, such as restrictions on personal travel and closures of businesses, administrations and educational establishments.

Last point between 21 April and 2 May 2021 according to country.

Source: Hale, T., Webster, S., Petherick, A., Phillips, T., et Kira, B. (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government

## International economic outlook

With the relaxing of restrictive measures, service activities would seem to be picking up in spring, as can be seen from the service-sector PMI, while activity in industry is expected to remain stable.

In April, the service-sector PMI increased in France, the United Kingdom and the United States (+2.1 points, +3.8 points and +4.3 points respectively) and even more strongly in Spain (+6.5 points). In both France and Spain the index was back at its expansion threshold for the first time since the end of summer 2020 (50.3 and 54.6 respectively). In the United Kingdom and the USA, it was once again firmly above the expansion threshold (60.1 and 64.7 respectively). In Germany, however, with the extended lockdown, the service-sector PMI fell slightly in April (49.9 after 51.5 in March). Similarly in Italy, the index declined in April remaining below the expansion threshold (47.3 after 48.6).

In the manufacturing sector, PMIs for all countries remained well above their expansion threshold in April: between 57.7 for Spain and 66.2 for Germany, which had reached its historic maximum in March (66.6).

### **In line with the easing of health restrictions, “high-frequency” mobility indicators are holding steady in several European countries and skyrocketing in the United Kingdom and Italy**

With the easing of measures in Europe in April concerning mainly restrictions on travel, individual mobility seems to be improving in European countries since the Easter weekend. As a result, the use of public transport has increased (► **Figure 5**), especially in the United Kingdom with the end of lockdown, but also in Italy and Germany. The United States and Spain maintain

a level of passenger numbers that is a little closer to the pre-crisis level, while the increase in this indicator came later in France and was less pronounced.

The other “high-frequency” indicators show more differentiated increases across countries, as can be seen from visits to non-food retail shops and recreation locations (► **Figure 6**). After a rise in western countries in March then a dip in early April linked to the Easter weekend, these numbers appeared to be up slightly at the end of April in France, Germany and Spain, reaching a higher level than at the beginning of the year. In the United Kingdom and Italy, in contrast, the easing of restrictions in April caused a very sharp increase in numbers of visits to these stores. In the United States, visits to stores seem to have practically returned to their pre-crisis level.

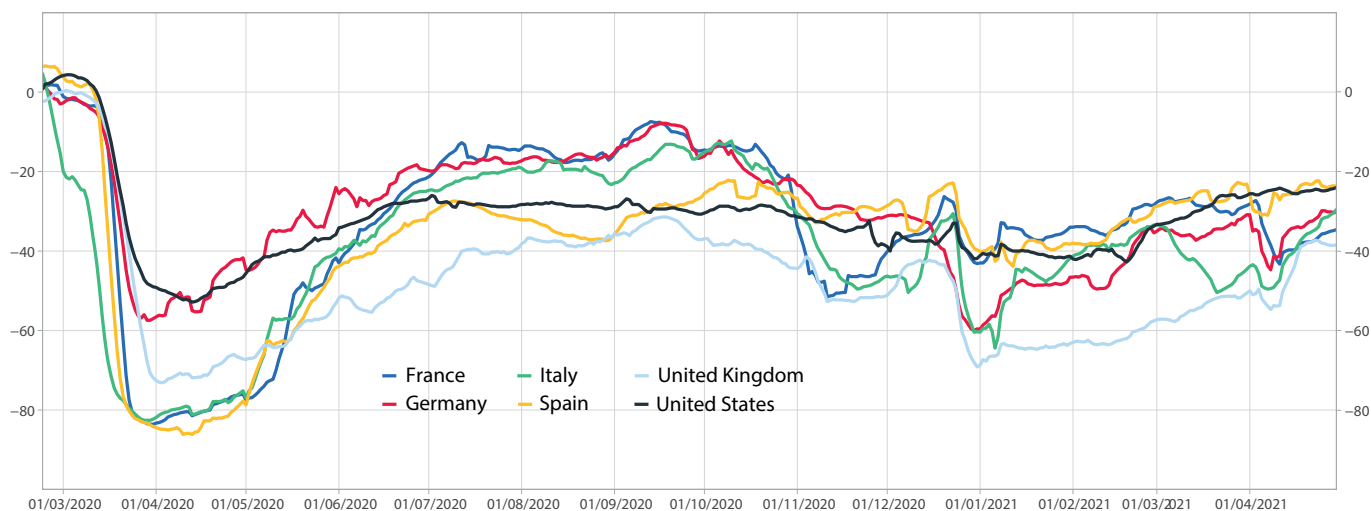
Similarly, the Google Trends indicator for the number of searches for the word “restaurant” (► **Figure 7**) rebounded strongly in the United Kingdom and Italy as soon as restaurants and bars reopened in these countries and levels were also high in the United States. This indicator remains low in France and Germany. In Spain, it fluctuates widely, in line with variations in restrictions, especially in Madrid and Barcelona.

### **As a result of Brexit, trade in goods between the United Kingdom and the European Union plummeted in January, before bouncing back a little in February**

On 1<sup>st</sup> January 2021, the Brexit withdrawal agreement came into force: non-tariff barriers now apply to trade between the United Kingdom and the European Union. As a result of their introduction, and after the high level

### **► 5. After a decline in early April, public transport use in Europe is growing**

in %



How to read it: public transport use in Italy on 13 February was 40% lower as a 7-day moving average than the median value calculated by Google between 3 January and 6 February 2020

Note: the date of the last point is 30 April 2021.

Source: Google Mobility Reports

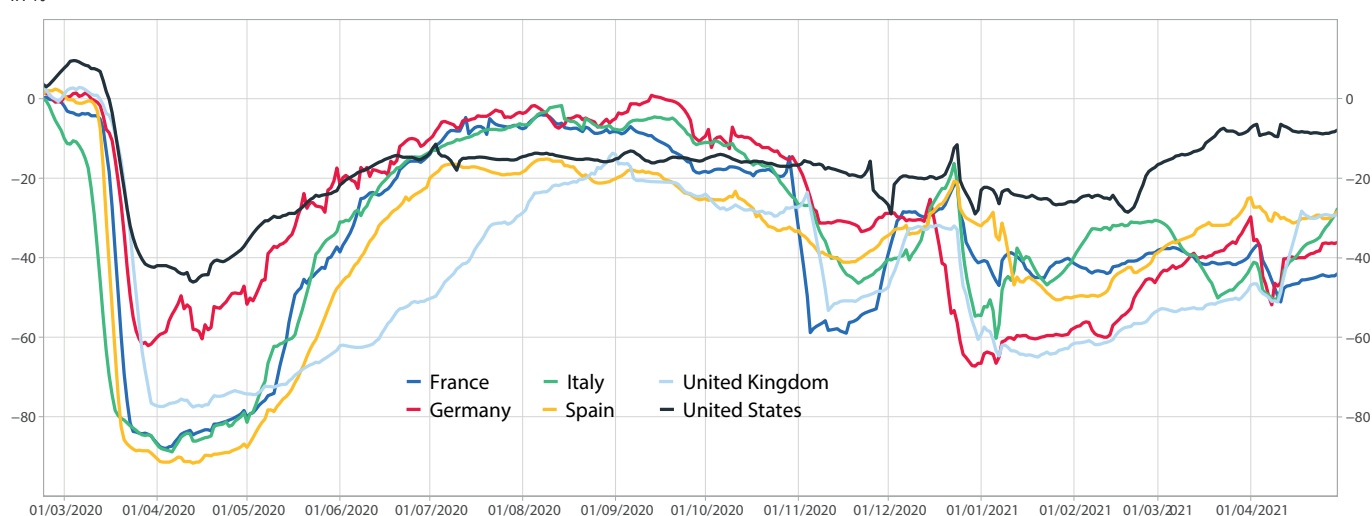


of purchases observed at the end of 2020 in anticipation of the deadline, trade flows fell back at the beginning of 2021 (► **Figure 8**): in January, both British imports and exports of goods<sup>1</sup> fell dramatically by about one-fifth (–19.9% and –21.2% respectively) compared to December.

On the import side, flows of goods from the European Union were seriously affected in January by the appearance of customs checks, despite the decision taken by British customs to introduce them only gradually. In addition, a possible backlash from the

<sup>1</sup> Here we focus on trade in goods, as exports and imports of services have remained stable since mid-2020 and are not directly affected by customs checks.

## ► 6. In the United Kingdom and Italy, visits to non-food retail outlets and recreation venues bounced back strongly in April



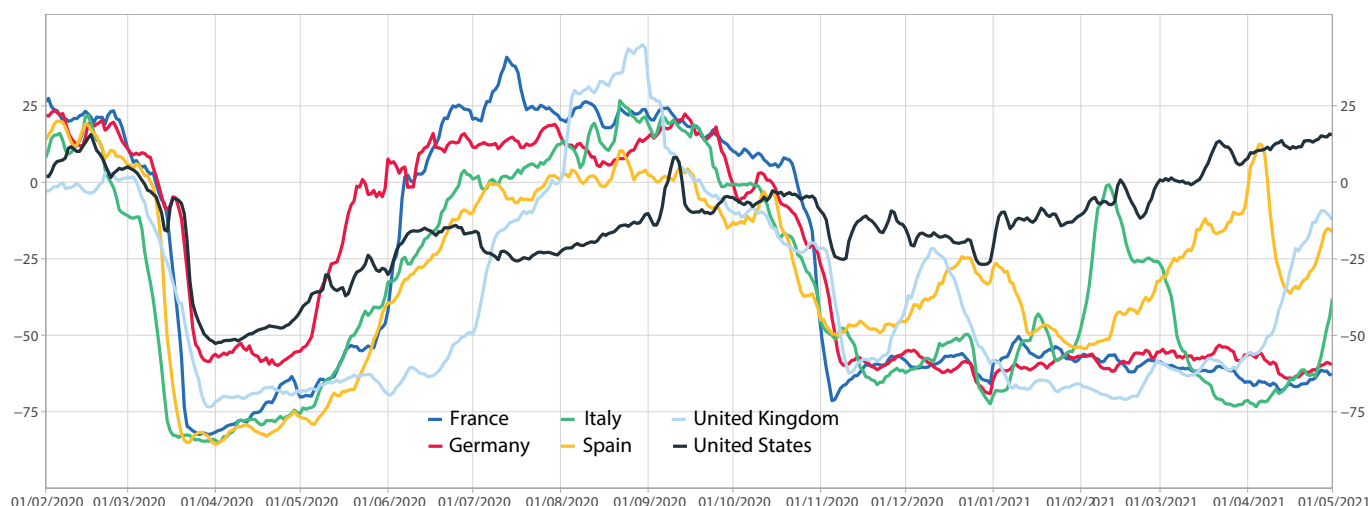
How to read it: the number of visitors to non-food retail outlets and recreation venues in Germany was 60% lower on 13 February as a 7-day moving average than the median value calculated by Google between 3 January and 6 February 2020.

Note: the date of the last point is 30 April 2021.

Source: Google Mobility Reports

## ► 7. The reopening of restaurants in Italy and the United Kingdom in April led to a significant increase in the number of searches for the word “restaurant”

% difference in searches for the word “restaurant”, as a moving average in 2020 compared to the 2017-2019 average



How to read it: on 19 February, the 7-day moving average for the number of Google searches for the word “restaurant” in France was 61% lower than the average of the 7-day moving averages recorded on each 15 January between 2017 and 2019.

Note: the date of the last point is 1<sup>st</sup> May 2021.

Source: Google Trends

## International economic outlook

stockbuilding behaviour in the months preceding the deadline (► **Focus Brexit** in *Economic Outlook* of March 2021<sup>2</sup>) could have affected imports.

In addition to Brexit, the slowdown in demand linked to the introduction of the new lockdown in January penalised imports. Imports from countries outside the European Union also slumped in January (–8.2%), but to a lesser degree than goods from the Single Market (–29.8%).

In January, exports of goods to the European Union fell by almost half (–45.4%). This is much more than the decline in imports from the Single Market, probably because nothing was in place to streamline procedures for goods moving from the United Kingdom to the European Union. However, exports to the rest of the world increased slightly (+3.0%).

In February, both imports and exports of goods bounced back slightly, taking advantage of the gradual adaptation to new control standards with regard to the European Union and the small rebound in economic activity. However, they were still a long way from their pre-crisis level: the flows of goods entering from the Single Market were reduced by almost one-quarter compared to their 2019 average, while imports exceeded their pre-crisis level for goods from other United Kingdom trading partners (+5.6%).

In February, exports of goods were below their pre-crisis level irrespective of the destination of the goods, but

exports to Europe lagged behind (–21.2% compared to the 2019 average) compared to exports to the rest of the world (–16.3%).

While customs data point to a moderate upturn in trade in February, the “high-frequency” indicator of vessel traffic seems to suggest that trade continued its rebound in March (► **Figure 9**). Ahead of the Easter weekend, the number of freighters and tankers passing through British ports reached a similar level to that of this summer. However, this indicator is subject to major revisions and must be interpreted with caution, especially as weather conditions may significantly modify the number of freighters and tankers passing through UK ports.

### The US economy is back on a path to growth

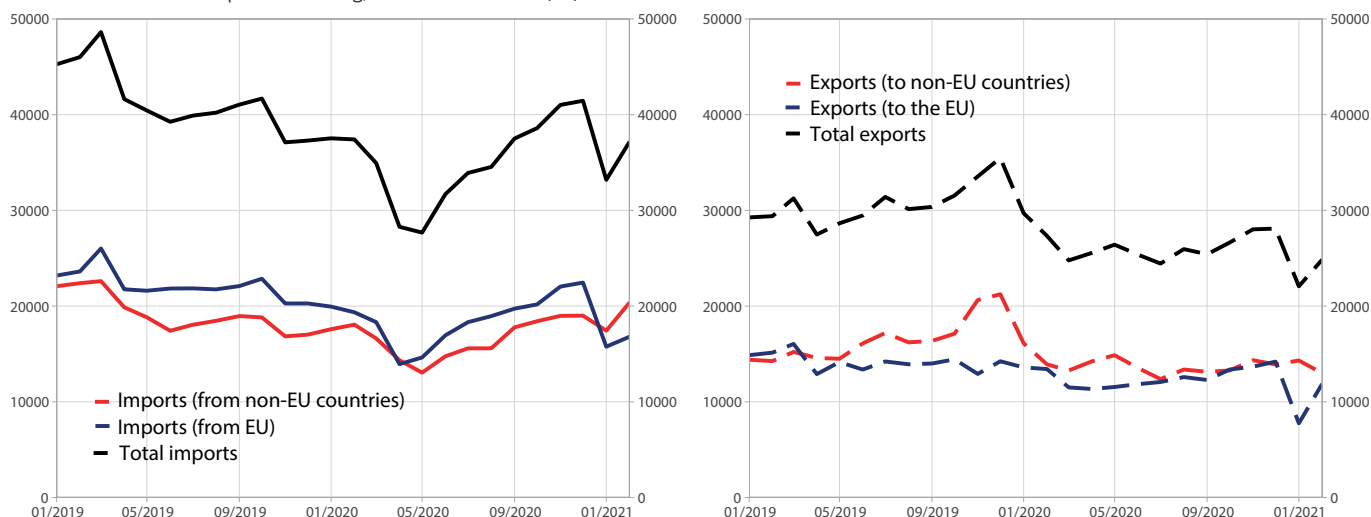
At the start of 2021, growth in US activity rose again (+1.6% as a quarterly variation, after +1.1%, ► **Figure 1**) and is approaching its pre-crisis level (–0.9% compared to Q4 2019). As well as a degree of buoyancy in public demand and investment, especially corporate investment, consumption is the real driver of economic recovery (+2.6% as a quarterly variation, contributing 1.7 points).

The rebound in American consumption is based on a combination of two factors: on the one hand, as seen above, States have lifted most health restrictions, with the result that almost all economic activity can now resume. On the other hand, there has been a succession

2 ► **Brexit triggered stockbuilding behaviour by UK businesses in late 2020, followed by a probable contraction in trade in early 2021**, in *Economic outlook* of March 2021

### ► 8. Trade in goods between the United Kingdom and the European Union has fallen drastically since Brexit and was still far from its pre-crisis level in February

trade flows in millions of pounds sterling, in chained volumes (SA)



Source: British Customs (ONS)

of large-scale stimulus plans since the health crisis began (► **Focus American Stimulus Plan<sup>3</sup>** in the *Economic Outlook* of March 2021), providing households in particular with hundreds of billions of dollars, in the form of social support and stimulus cheques, which they are now ready to spend on consumption.

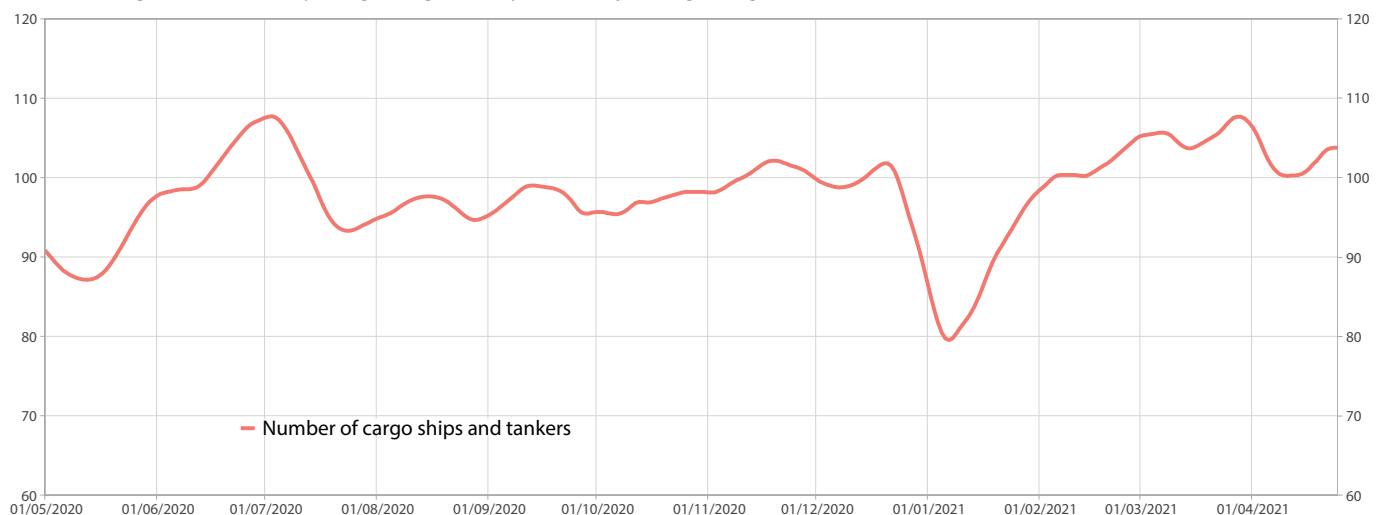
In Q2 2021, this dynamism looks set to continue. In the context of the American Rescue Plan, voted in March 2021, more \$1,400 stimulus cheques have been paid out to the majority of Americans since mid-March, while

savings that households have accumulated stood at almost \$1,600 billion at the end of 2020 (equivalent to 9.8% of gross disposable income in 2019). Thus the Consumer Confidence Index, calculated by the University of Michigan, surged in March by 8.1 points, its largest increase during the health crisis (88.3 points in April against an average of 96.0 points in 2019). The significant increase in retail sales is evidence that this climate is conducive to consumption: sales surged by +9.8% in March (► **Figure 3**), of course due in part to the decline

3 ► In the United States, a massive new stimulus plan focusing primarily on households, whose income growth in 2020 masked contrasting situations, in *Economic outlook* of March 2021

## ► 9. British maritime traffic picks up after a low point in early January

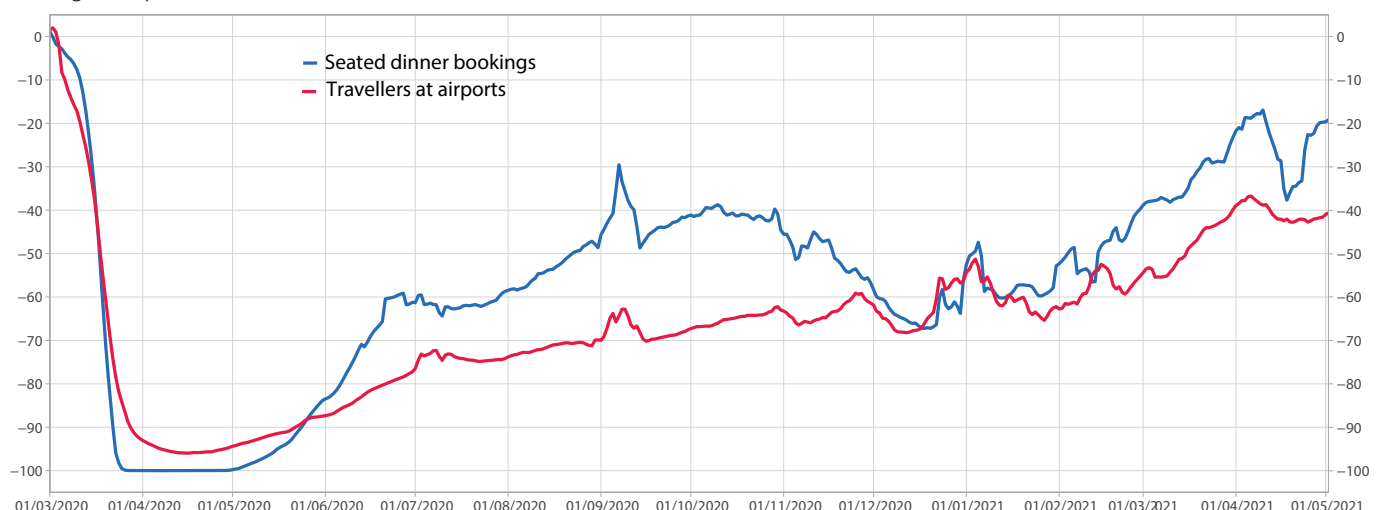
number of freighters and tankers passing through British ports (15-day moving average, SA)



How to read it: during the first 15 days of April 2021, 100 freighters and tankers visited British ports every day, on average.  
Source: ONS

## ► 10. Since February, the sectors most affected by restrictions in the United States have gradually rallied

% change from pre-crisis level



How to read it: on 1<sup>st</sup> April, the number of reservations for seated diners on the OpenTable platform, as a 7-day moving average, was 22% below its level for a similar day in the same week in 2019, while the number of travellers at American airports, as a 7-day moving average, was 39% lower than on the same day in 2019. Last point : 2 May 2021

Source: OpenTable, Transportation Security Administration

## International economic outlook

in February linked to the bad weather, and reached +17.9% compared to their Q4 2019 level. This increase was particularly important for those areas that had been most affected by the health restrictions, such as purchases of clothing (+18.3% in March), sports, cultural and leisure equipment (+23.5%), automobiles (+15.5%) and spending in bars and restaurants (+13.4%). As an indication of this return to normal in consumption habits, the number of reservations made for seated diners on the OpenTable platform in late April was only 20% below its 2019 level, despite still being about 50% below in February (► [Figure 10](#)). Similarly, air transport, one of the sectors most affected by the health crisis, is slowly picking up with the resumption of domestic flights and flights to some international destinations, as seen in the increase in the number of travellers at US airports.

The recovery in production has been slower than that in domestic consumption: the rise in US household spending has therefore had an impact on foreign trade, via an increase in imports (+1.4% in Q1 2021). In contrast to exports, in decline in Q1 (-0.3%) and well below their pre-crisis level (-11.2%), imports exceeded their Q4 2019 level by 0.8%, especially for imports of goods (+10.0%). This increase should benefit the United States' main suppliers: China (18.5% of US imports of goods in February), the European Union (18.1% of which Germany accounts for 4.7% and France for 2.2%), Canada (12.7%) and Mexico (13.5%). The upswing in imports of goods since the autumn has been driven mainly by consumer goods (► [Figure 11](#)), such as pharmaceutical products

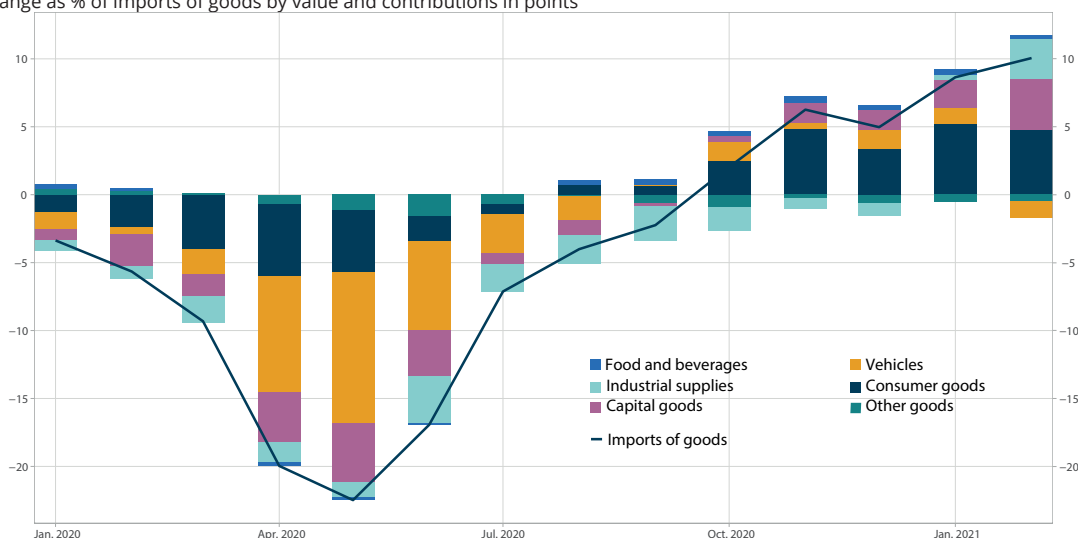
(contribution of +1.9 points to imports of goods in January), games and sports equipment (+1.1 points in February), household equipment (+1.0 point in February) and telephones (+0.8 points). Production goods increased substantially in February, such as computers and their accessories (contribution of +1.7 points and +0.5 points respectively).

Boosted by the massive rescue plans and stimulus packages introduced over the last year, the US economy is expected to continue this rebound that started in early 2021, with queries over the scale of the coming rise in inflation. In March, the increase in the consumer price index (+2.6% over one year after +1.7% in February) was mainly due to energy inflation (+13.3%) linked to the fall in oil prices in March 2020 and hence a poor basis for comparison. Core inflation stood at +1.4% over one year on average in Q1. Another query over prospects for a rebound relates to the destination of accumulated savings, some of which may be put towards fuelling financial or real estate bubbles, as suggested by the increase in the number of building permits (+27% in March 2021 compared to the 2019 average).

### Chinese growth is sustained by industrial exports

In Q1 2021, the Chinese economy continued its growth (+1.2% as a quarterly variation), although the pace was slower than in Q4 2020 (+3.4%). It was certainly affected by the introduction of severe restrictions on movement

► **11. Consumer goods bolster imports of US goods**  
year-on-year change as % of imports of goods by value and contributions in points



How to read it: in February 2021, imports rose by 10.1% year-on-year, with imports of capital goods contributing 4.8 points.  
Source: Census Bureau

after an increase in the number of Covid-19 cases. The country's very high performance in terms of year-on-year growth (+18.6%) is partly the result of a particularly weak basis for comparison in Q1 2020. Chinese activity has rebounded significantly since then, as in Q1 2021 it stood at +7.6% above the Q4 2019 level. This rebound was sustained by the buoyancy of industrial production (+9.4% in Q1 2021 compared to December 2019), boosted mainly by exports.

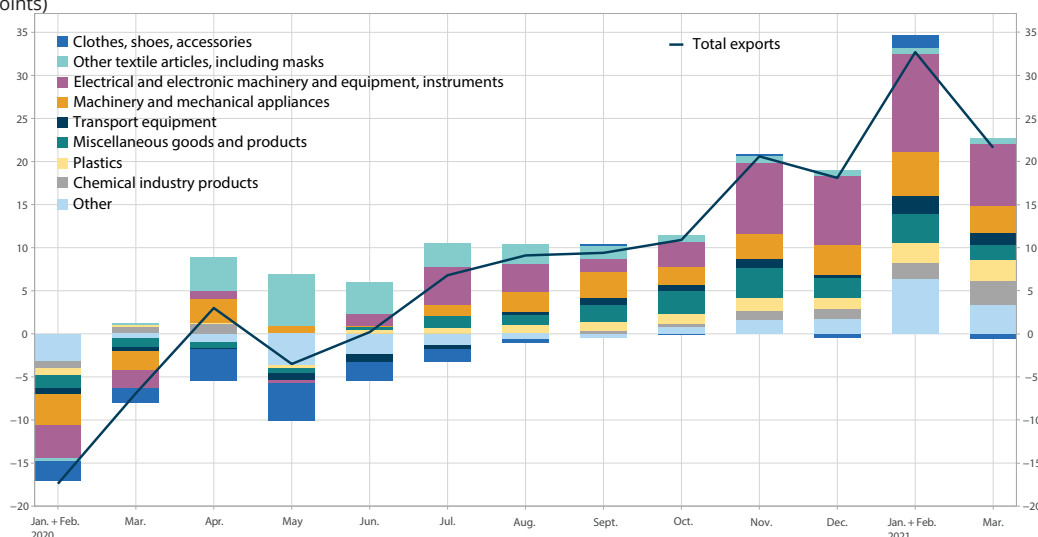
After falling back in Q1 2020 (-7.7% as a quarterly variation), Chinese exports have bounced back over the

last year, overtaking their pre-crisis level by 20.9% in Q1 2021. By comparison, imports experienced a smaller increase (+12.7% in Q1 2021 compared to Q4 2019) in the wake of domestic demand, with retail sales affected by the consequences of the health crisis for longer than industrial production.

The breakdown of the rebound in Chinese exports by product type reveals the dynamics of changes in the health crisis in 2020, both inside and outside China (► **Figure 12**). After an overall decline in exports when part of the Chinese economy closed down at the

## ► 12. Chinese growth is sustained by exports of goods

contributions by the main products to the variation in Chinese exports of goods by value (change in % compared to the corresponding month in 2019 and contributions in points)

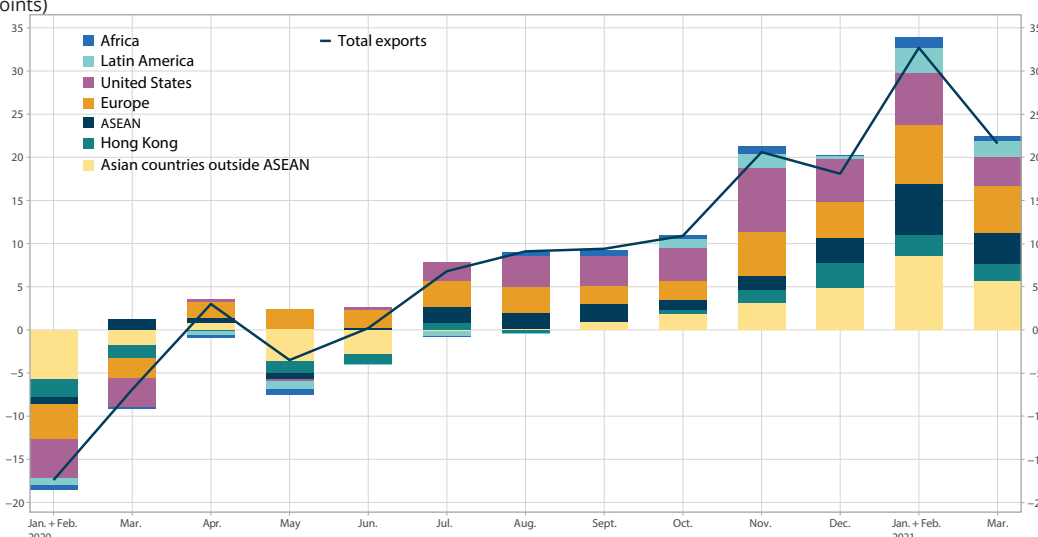


Note: January and February have been combined to take into account the considerable impact of the Chinese New Year on different dates depending on the year. The difference in exports compared to the corresponding month in 2019 and its contributions are not seasonally adjusted.

Source: NBSC, GACC, INSEE calculations

## ► 13. Chinese exports are bolstered by demand from the United States and Europe

contributions by the main products to the variation in Chinese exports of goods by value (change in % compared to the corresponding month in 2019 and contributions in points)



Note: January and February have been combined to take into account the considerable impact of the Chinese New Year on different dates depending on the year. The difference in exports compared to the corresponding month in 2019 and its contributions are not seasonally adjusted.

Source: NBSC, GACC, INSEE calculations



## International economic outlook

beginning of 2020, recovery from April 2020 onwards was driven by “other textile articles”, which notably included the masks that were exported on a massive scale to western countries in the spring. From the summer onwards, exports of clothing, footwear and accessories returned to their pre-crisis level. The last months of the year were affected by a significant increase in exports of computer and telecommunications equipment, undoubtedly linked to the growth in teleworking and the reduction in outdoor activities in countries that were experiencing a resurgence of the epidemic. At the start of 2021, these products continued to sustain Chinese exports, but to a lesser extent in March 2021.

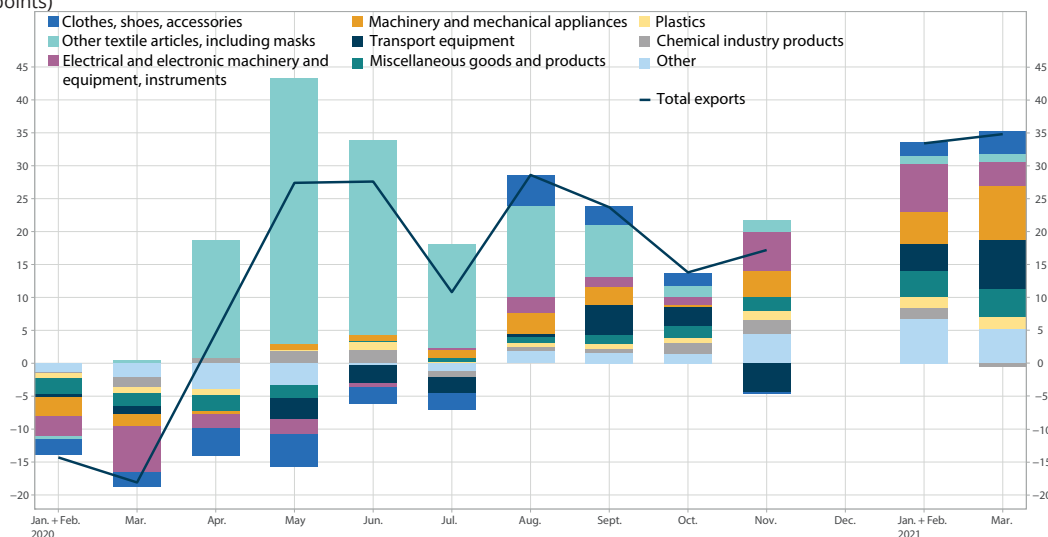
Since summer 2020, the increase in Chinese exports, year-on-year, has concerned mainly the United States,

Europe and the ASEAN countries (► **Figure 13**). In spring 2020, the upswing in exports was driven by European demand, then from July by demand from the United States. At the end of the year, the contribution to these exports by Asian countries, especially ASEAN member states, increased significantly.

More specifically, Chinese exports to France increased sharply, year-on-year, at the time of the first lockdown (figure 14). This increase was due mainly to demand for textiles, in connection with the need for masks. The contribution made by these products gradually decreased thereafter, and since the autumn, computer and electronic equipment has contributed most to exports, linked to the widespread use of teleworking during the pandemic. ●

### ► 14. The increase in Chinese exports to France in 2020 stemmed from textiles in the summer, then electrical and electronic equipment in the autumn

contributions by the main products to the variation in Chinese exports of goods by value (change in % compared to the corresponding month in 2019 and contributions in points)



Note: January and February have been combined to take into account the considerable impact of the Chinese New Year on different dates depending on the year. The difference in exports compared to the corresponding month in 2019 and its contributions are not seasonally adjusted. December 2020 does not appear due to problems with the data provided for December 2019.

Source: NBSC, GACC, INSEE calculations