

# 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

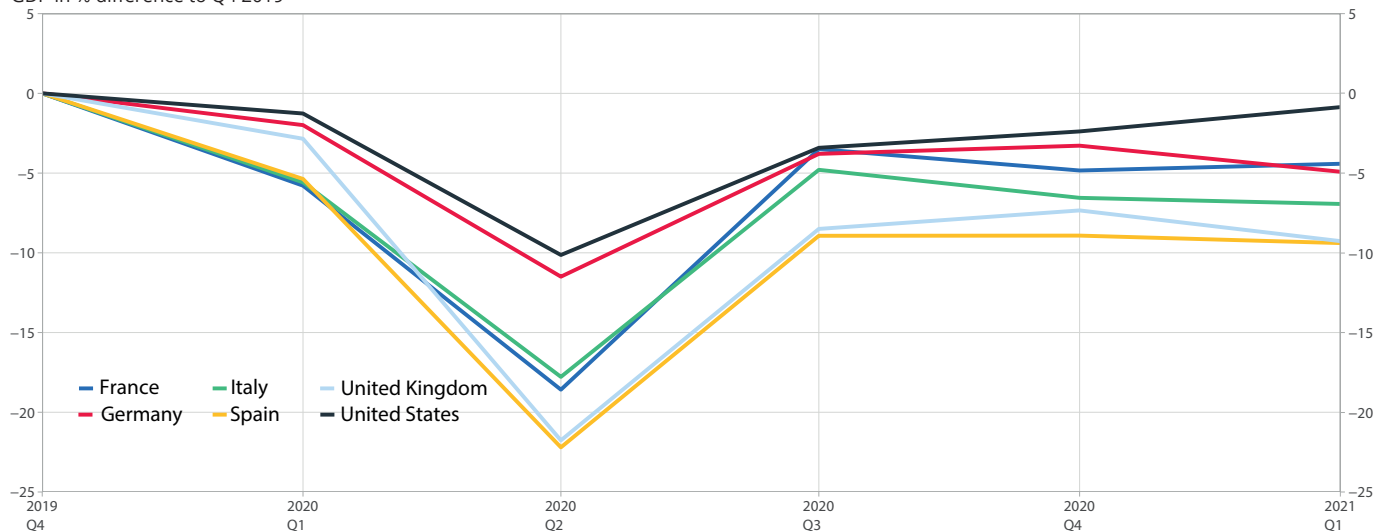
-2.1%). Conversely, in France, activity this quarter was disrupted by the restrictive measures a little less than in neighbouring countries and increased slightly (+0.4% after -1.4%).

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

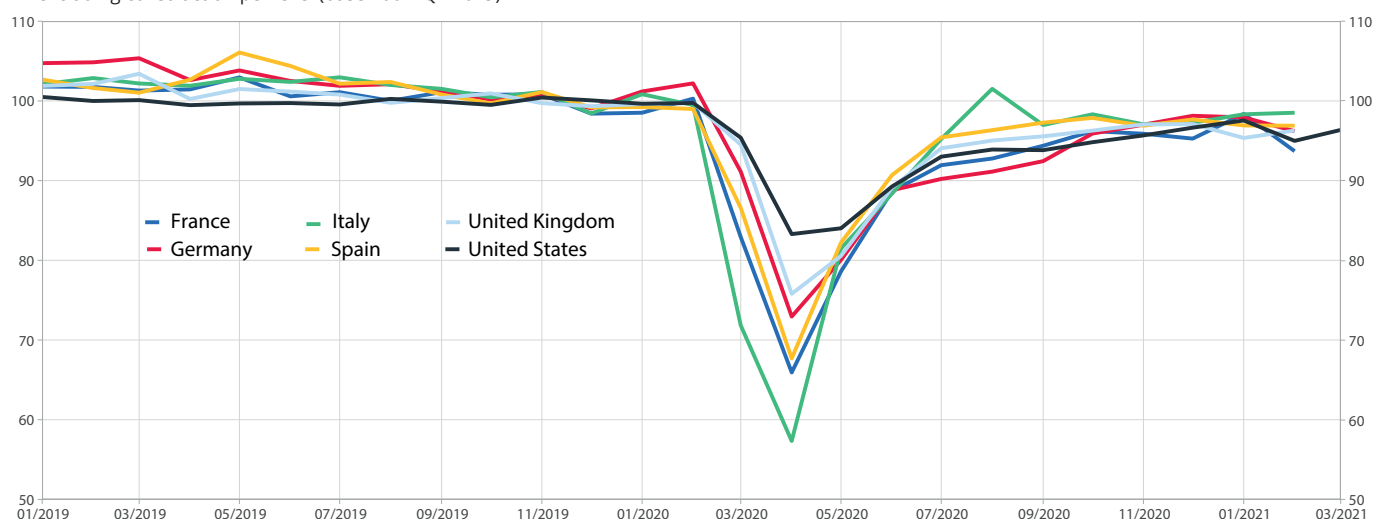
as the automotive sector, would appear to have suffered from sourcing problems, especially in semi-conductors. Despite holding up relatively well in a context of health restrictions, industrial production in February was still below its pre-crisis level (Q4 2019) in all the countries considered: between -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

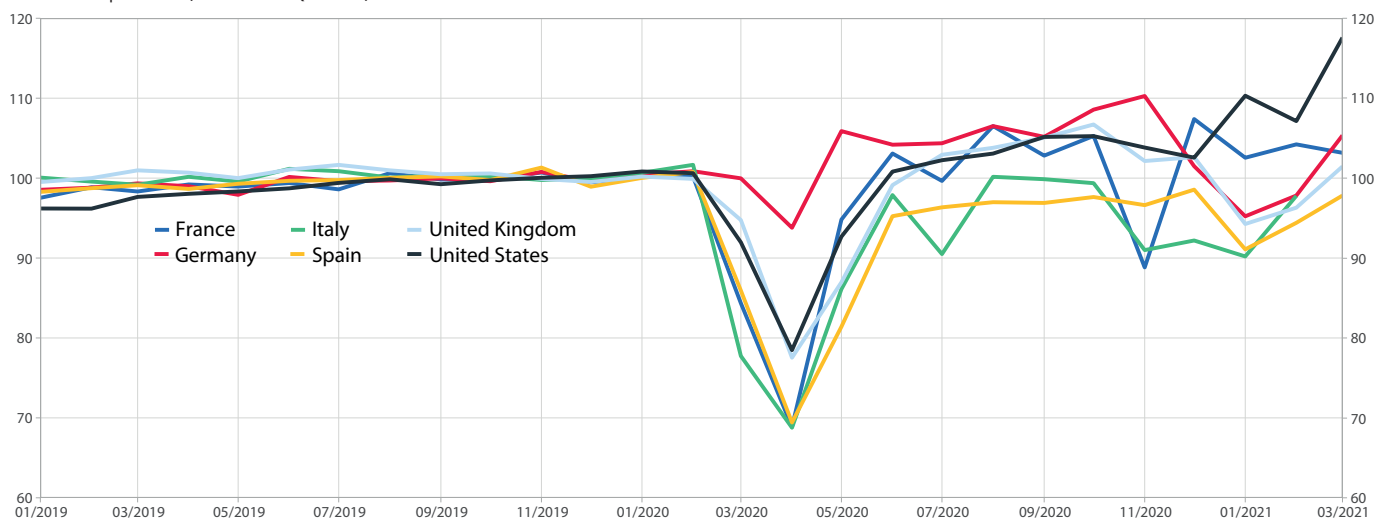
IPI excluding construction per level (base 100 = Q4 2019)



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.

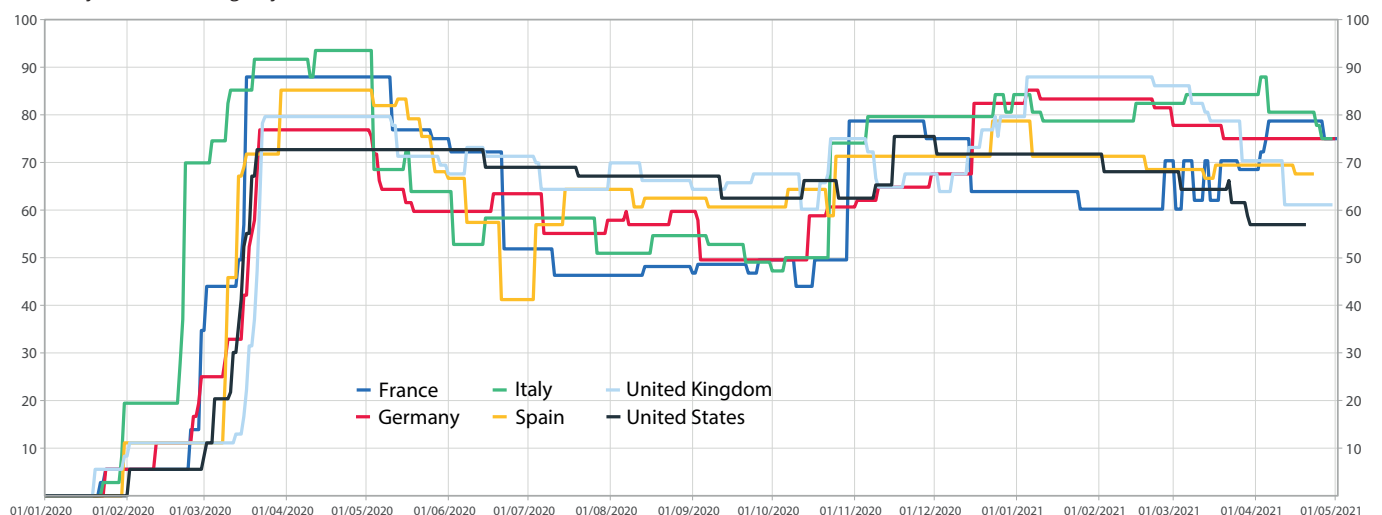
In Italy, after lockdown was decided in mid-March, the majority of regions moved from the red to the orange zone after the Easter weekend, followed by the reopening of “non-essential” businesses. After a number of regions had moved into the yellow zone in late April, it became possible for bar and restaurant 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.

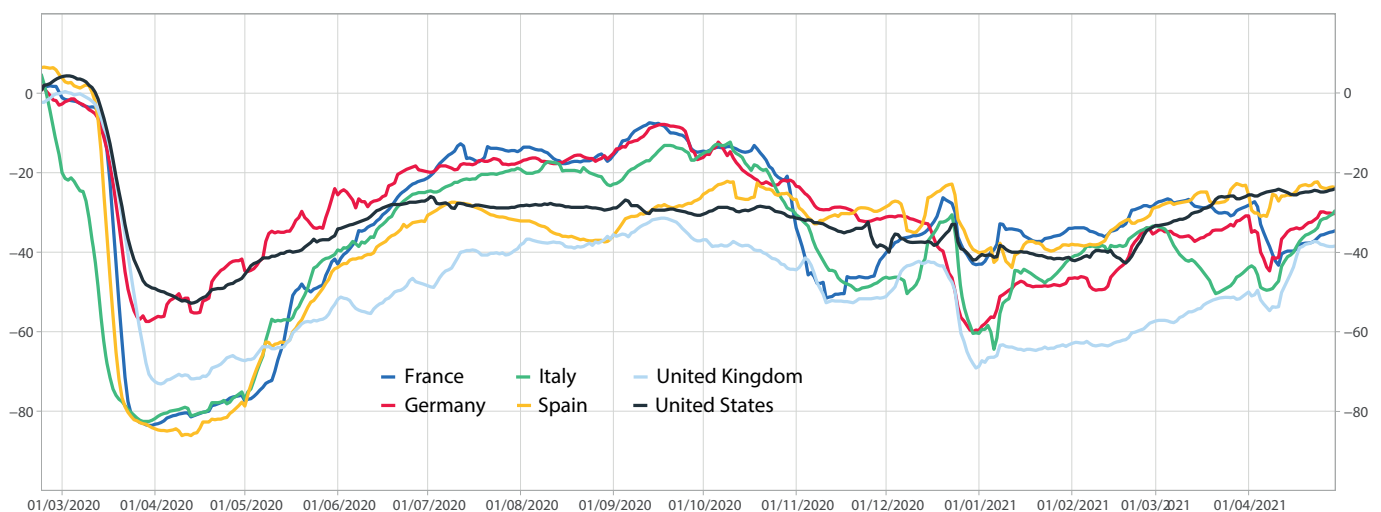
Similarly, the Google Trends indicator for the number of searches for the word “restaurant” (► [Figure 7](#)) rebounded strongly in the United Kingdom and Italy as soon as restaurants and bars reopened in these countries and levels were also high in the United States. This indicator remains low in France 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

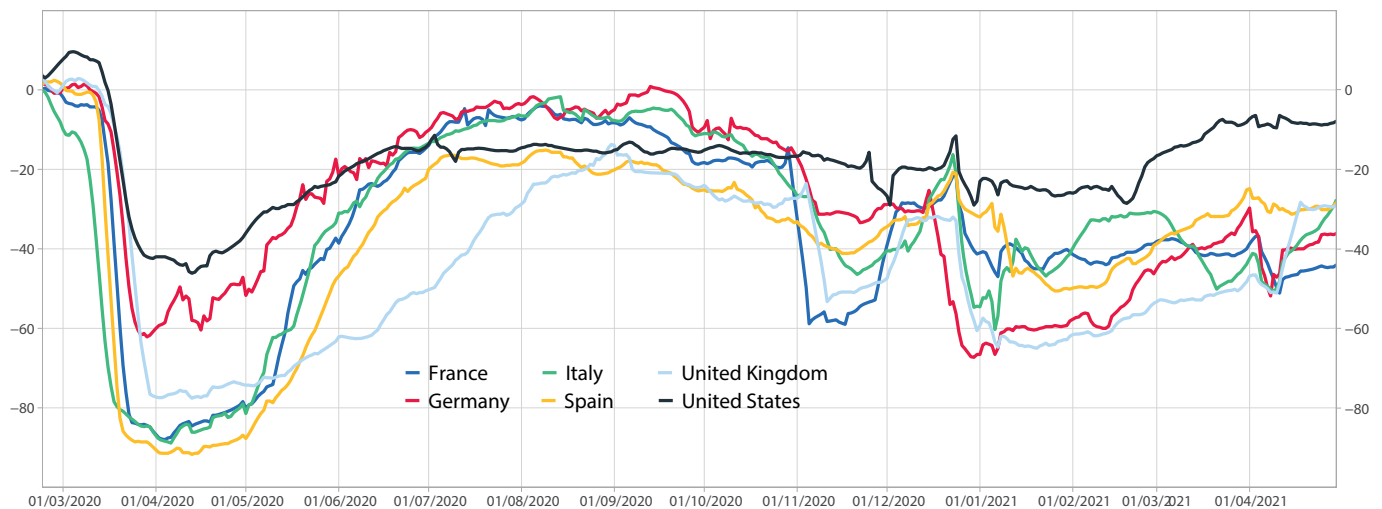
of purchases observed at the end of 2020 in anticipation of the deadline, trade flows fell back at the beginning of 2021 (► **Figure 8**): in January, both British imports and exports of goods<sup>1</sup> fell dramatically by about one-fifth (–19.9% and –21.2% respectively) compared to December.

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

in %



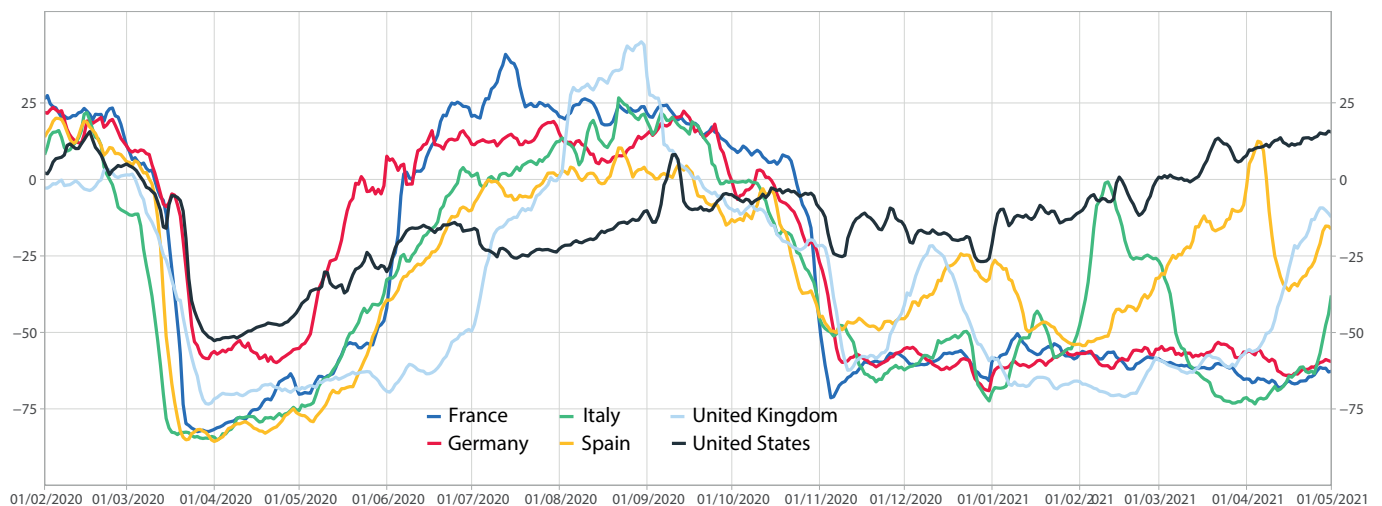
How to read it: the number of visitors to non-food retail outlets and recreation venues in Germany was 60% lower on 13 February as a 7-day moving average than the median value calculated by Google between 3 January and 6 February 2020.

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

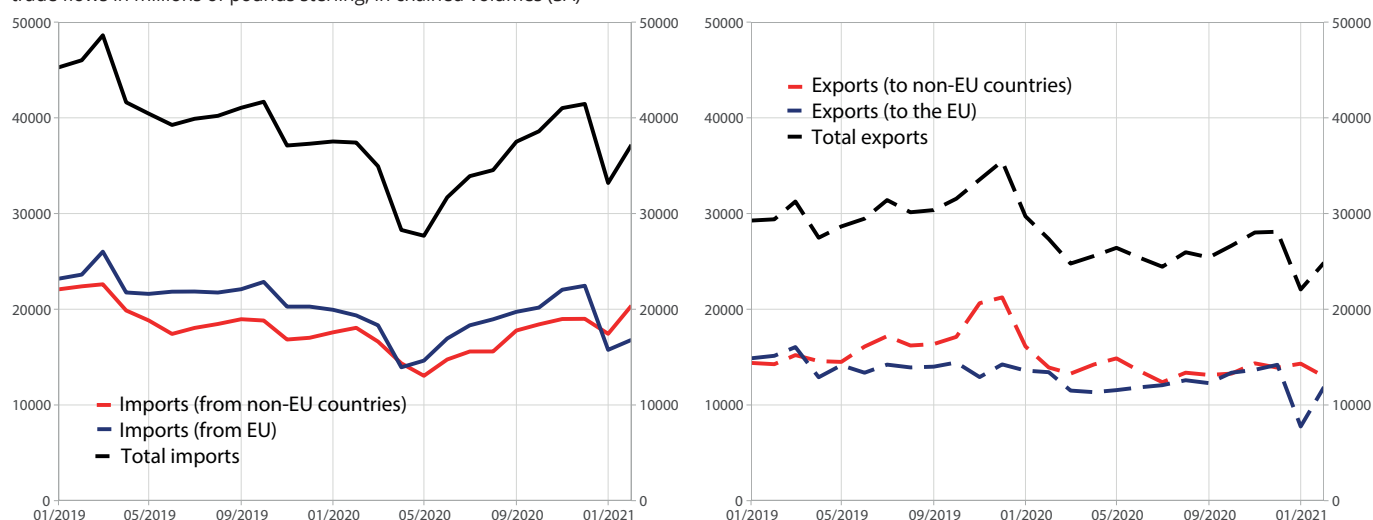
At the start of 2021, growth in US activity rose again (+1.6% as a quarterly variation, after +1.1%, ► **Figure 1**) and is approaching its pre-crisis level (–0.9% compared to Q4 2019). As well as a degree of buoyancy in public demand and investment, especially corporate investment, consumption is the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

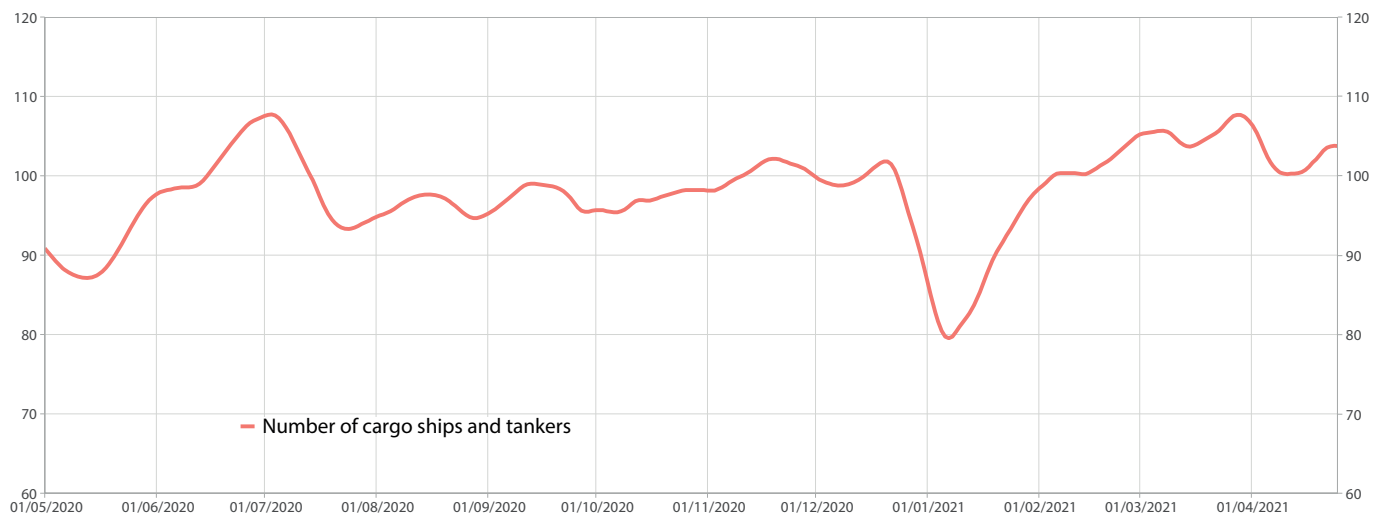
In Q2 2021, this dynamism looks set to continue. In the context of the American Rescue Plan, voted in March 2021, more \$1,400 stimulus cheques have been paid out to the majority of Americans since mid-March, while

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)

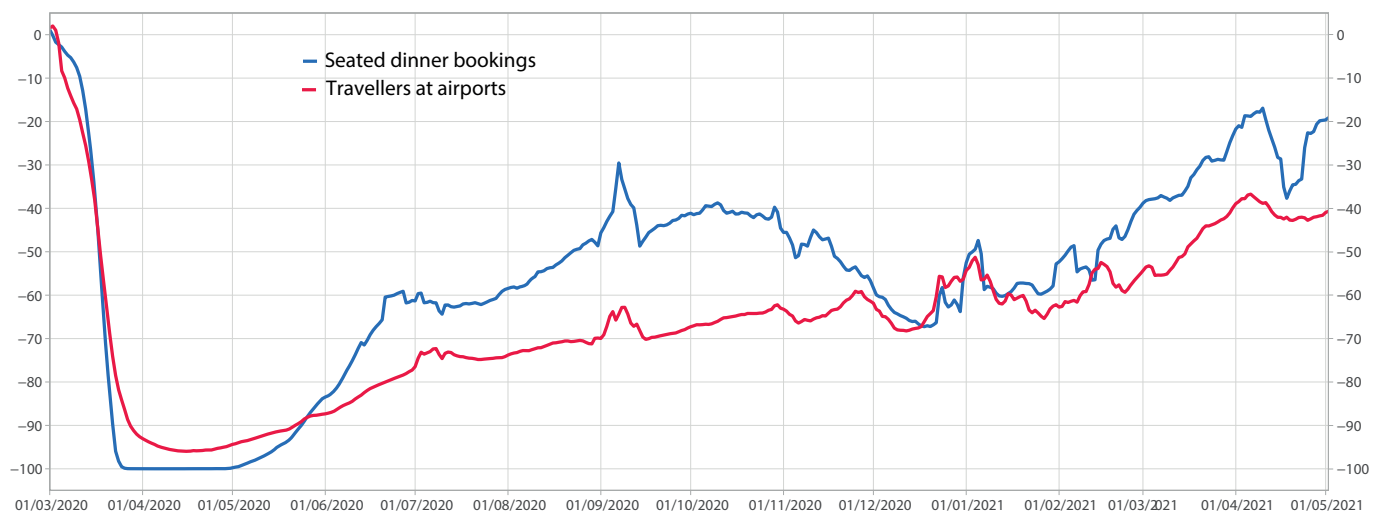


How to read it: during the first 15 days of April 2021, 100 freighters and tankers visited British ports every day, on average.

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).

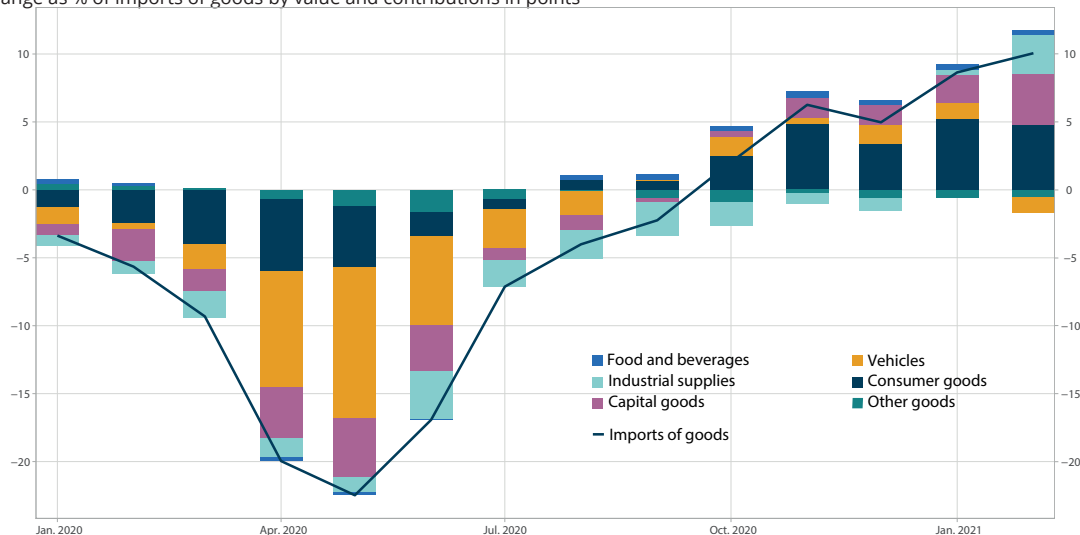
Boosted by the massive rescue plans and stimulus packages introduced over the last year, the US economy is expected to continue this rebound that started in early 2021, with queries over the scale of the coming rise in inflation. In March, the increase in the consumer price index (+2.6% over one year 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.

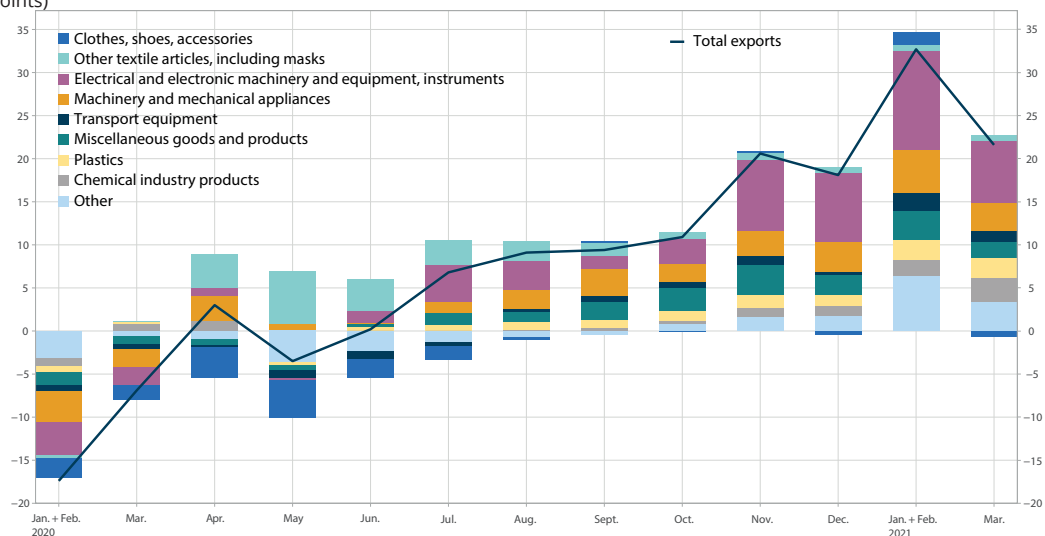
After falling back in Q1 2020 (-7.7% as a quarterly variation), Chinese exports have bounced back over the

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)

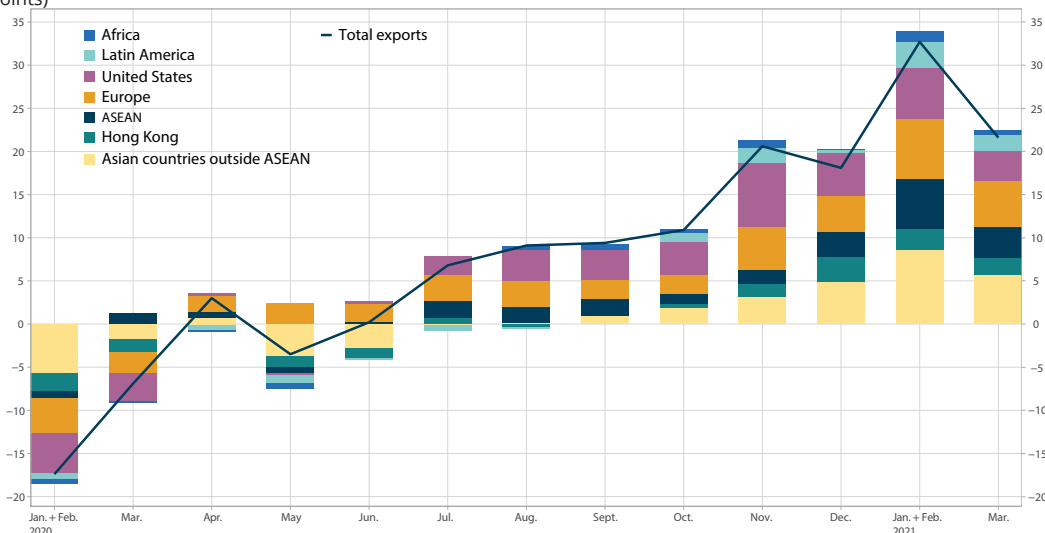


Note: January and February have been combined to take into account the considerable impact of the Chinese New Year on different dates depending on the year. The difference in exports compared to the corresponding month in 2019 and its contributions are not seasonally adjusted.

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.

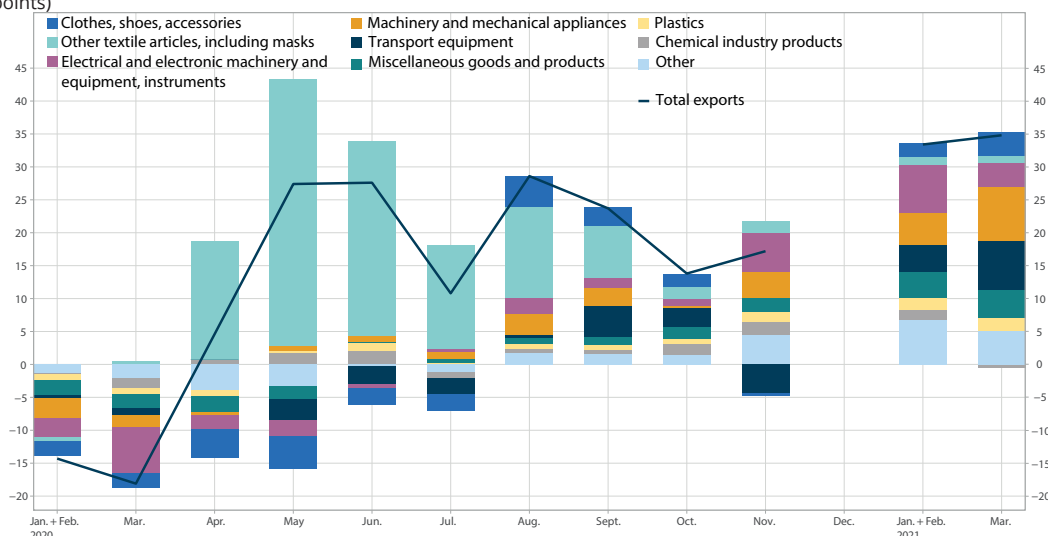
Since summer 2020, the increase in Chinese exports, year-on-year, has concerned mainly the United States,

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 problems with the data provided for December 2019.

Source: NBSC, GACC, INSEE calculations