

# The economy survives the fourth wave

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Economic outlook

7 September 2021



Mesurer pour comprendre

## Table of contents

General outlook.....	3
Economic activity.....	5
Household consumption.....	12
International comparison.....	18

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# The economy survives the fourth wave

## For the first time since the start of the health crisis, an increase in the circulation of the virus has not caused a marked decline in economic activity

In July and August 2021, the health situation deteriorated in France: circulation of the Delta variant of Covid-19 increased, resulting in a fourth wave of the epidemic. However, containing the epidemic now relies mainly on rolling out vaccination coverage, which greatly reduces the economic impact of the virus. In July and August 2021 therefore, economic activity overall would seem to have continued to grow, and is now relatively close to its pre-crisis level: between -1 and -0.5% compared to Q4 2019, against about -30% in April 2020 (first wave), -7% in November 2021 (second wave), and -6% in April 2021 (third wave).

Both high-frequency indicators and business tendency surveys suggest that recovery continued during the summer, despite the surge in the Delta variant. Admittedly, household consumption in July would appear to have decreased slightly, standing at -2% below its pre-crisis level, after -1% in June (but against -12% in April 2021): after a strong rebound in May-June, purchases of goods weakened, despite the summer sales; however, at the same time, spending continued to pick up in services that had previously been closed or subject to severe restrictions (accommodation-catering, transport, leisure activities). Then in August, consumption of goods would appear to have picked up, with the introduction of the 'health pass' affecting the sectors concerned only moderately, with the result that all in all, household consumption would appear to have reached -1½% below its pre-crisis level.

These estimates are based mainly on detailed day-to-day analysis of CB bank card transaction amounts. These data suggest that the health pass would seem to have had a temporary impact on some leisure activities, a moderate and again probably temporary impact on restaurants, and no impact on transport. These effects, when detectable, are nevertheless in no way comparable to the dramatic fall in activity recorded during the previous waves of the epidemic, which gives an idea of the counterfactual situation (i.e. of what economic activity would have been this summer without vaccination and its associated containment measures). Furthermore, consumption in accommodation-catering for Q3 2021 is estimated to be higher than in summer 2020, although still below its pre-crisis level.

## The continuing recovery, combined with a slightly less unfavourable H1 than previously estimated, could lead to growth of slightly above 6% in 2021

Since the publication of the last *Economic Outlook* on 1<sup>st</sup> July, the results for the Q2 2021 national accounts have been published. As a result, economic activity at the end of 2020 and the beginning of 2021 have been revised upwards slightly, mainly in relation to the construction sector: from Q1 2021, corporate investment returned to its pre-crisis level. And the rebound in May-June, after the third lockdown, was a little more pronounced than expected, with activity in June at about 1% below its pre-crisis level. By mid-year, therefore, the growth overhang for 2021 stood at 4.8% (this is what annual growth would be, assuming that GDP in Q3 and Q4 remains at the Q2 average) or even 5.9% (by replacing the Q2 average in this calculation with the higher level estimated for June alone).

Taking into account the activity indicators for July and August as well as the sharp acceleration measured in May and then in June, growth in Q3 is expected to be strong (+2.7% forecast compared to Q2), even though it may slow a little from month to month: in fact it was in May and June, when businesses reopened, that activity would appear to have picked up most significantly. Provided there is no further deterioration in the health situation, the recovery looks set to continue to the end of the year (+0.5% forecast for Q4), thus allowing the economy to return to its pre-crisis level overall, despite persistent sectoral differences. All in all, growth as an annual average is likely to be 6¼% in 2021 (after -8.0% in 2020).

This forecast could possibly be improved on if, for example, certain limiting factors (especially sourcing difficulties) were to decrease in the coming months. Conversely, the end of the year is not without its uncertainties, especially at international level. In China, the health situation and the associated restrictive measures continue to cause concern, and economic activity is slowing. In the United States too, where economic activity returned to its pre-crisis level in spring 2021, the health situation is tending to deteriorate while inflationary pressures persist after the dynamic budget stimulus package applied in recent months. In Europe, concerns seem to be less at this stage, even though business climates –which remain favourable– are also tending to slow, in part automatically after the surge linked to the reopening of businesses.

## Supply pressures, production prices and recruitment

The global recovery has been accompanied by supply pressures and a simultaneous rise in commodity prices. Some of these pressures seem to be stabilising, as suggested, for example, by the August business outlook survey of building construction, but they remain considerable. Production prices are suffering the effects –in addition to the base effect of their relative weakness in 2020– and production itself is sometimes limited by a shortage of inputs. In July 2021, production prices in French industry, like agricultural production prices, increased by about 8% year-on-year. Concerning services, production prices in maritime and coastal freight transport increased very sharply due to the sustained increase in demand. Finally, in construction, the cost of some materials increased sharply. On the production side, the share of companies reporting that they were limited by sourcing difficulties reached a high point in a number of branches in July compared to previous years, according to the business tendency surveys. For example, automobile production fell back sharply in H1, affected by the world shortage of electronic components.

These pressures are likely to fuel inflation, at least temporarily, especially in the United States but also in Europe. In France, it was more specifically the rise in energy prices that caused inflation to rebound in H1 2021. Inflation in July and August was then affected by the scheduling of the summer sales, which were adjusted in 2020 and 2021 because of the pandemic. For the end of the year, the main scenario at the moment is still similar to that published in the *Economic Outlook* at the beginning of July: inflation could soon rise a little above 2% year-on-year, at least from time to time. At this stage, the survey data are sending out only moderate signals on wage increases and possible “second-round” effects: the balance of opinion on the general prospects for wages in industry certainly rebounded, but in July it returned to its pre-crisis level, which was itself lower than that measured in 2018 and the start of 2019.

At the same time, however, recruitment difficulties are on the increase. When interviewed in July for the business tendency surveys, about 15% of companies in industry and services and 40% in building said that their production was restricted due to staff shortages. Nevertheless, these relatively high proportions are lower than the high points of 2018-2019. They go hand in hand with the buoyancy in private payroll employment in Q2, which returned to its pre-crisis level in June, earlier than forecast in the last *Economic Outlook*. The quarterly employment statistics usually relate to the last month of the quarter, thus it is the level of activity for June that can be compared to this result (much closer to the pre-crisis level than the Q2 2021 average), although any interpretation of the link between activity and employment was largely blurred during the crisis due to the unprecedented scale of the use of short-time working. In fact, the month by month estimate for the volume of paid hours gives a better picture than employment of the dynamism of activity; it confirms the scale of the short-time working scheme, which, especially in H1 2021, accounted for almost all of the difference in paid hours compared to 2019. This difference was considerably reduced in June 2021 (a decrease in paid hours of less than 1% compared to June 2019). All in all, while per capita productivity has been difficult to interpret for the last year and a half, hourly labour productivity seems to have been affected relatively little by the crisis. ●



# Economic activity

GDP was stable in Q1, then increased in Q2 2021 (+1.1%), according to the detailed results in the quarterly accounts published at the end of August. Although activity fell back in April as a result of the third lockdown, dropping to -5.7% compared to its pre-crisis level (i.e. by convention in Q4 2019), it went on to rebound briskly as restrictions were lifted, reaching -2.8% in May compared to pre-crisis, then -1.2% in June.

This June level was very close to the pre-crisis level, and was the highest reached since March 2020. Thus the growth overhang at mid-year is 4.8% (assuming that activity in H2 maintains at least the Q2 average). This overhang could even be as much as 5.9% if we assume that activity will not fall below its June level during the second half of the year. In a context of excellent progress in the rollout of vaccinations and the introduction of the health pass, the fourth wave of the epidemic (with the spread of the Delta variant in July-August) was not accompanied by the same stringent national restrictions as during the April 2021 lockdown. Assuming that developments in the health situation require no further restrictive measures, our scenario forecasts a continuing recovery until the end of the year, although at a more moderate pace than in Q2. In Q3, activity is expected to be between -1% and -½% compared to the pre-crisis level, then back to its pre-crisis level overall by the end of the year. All in all, for the whole of 2021, GDP should increase by 6¼% compared to 2020 (after -8.0%).

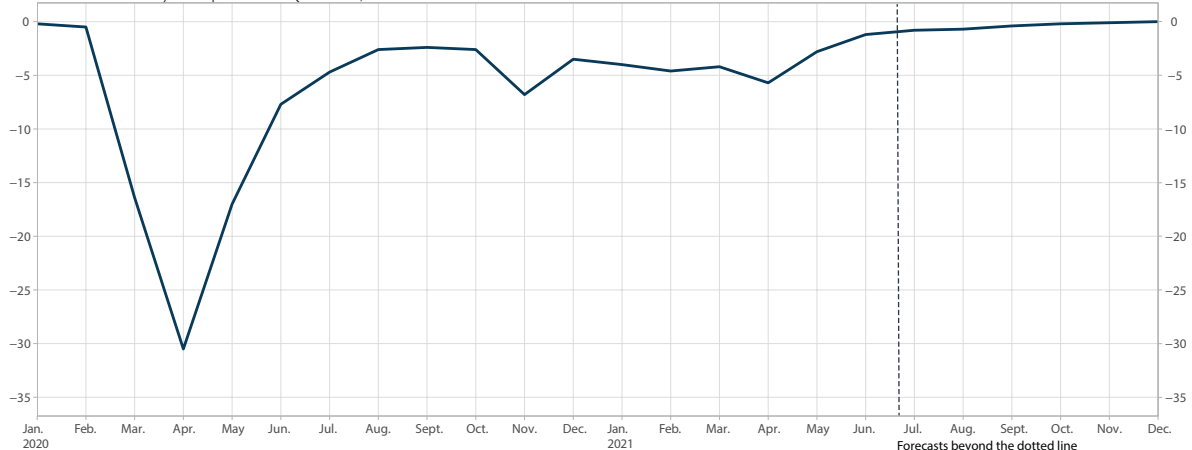
## In Q2 2021, economic activity increased overall compared to the previous quarter

In Q2 2021, according to the detailed results of the quarterly accounts, economic activity was 3.2% below its pre-crisis level (after -4.3% in Q1). Lockdown was extended to national level on 3 April –with the closure of “non-essential” businesses and restrictions on movement– resulting in a drop in activity once again, although this was considerably less than in November 2020 (► **Figure 1**) and similar to that estimated in the *Economic Outlook* of 1<sup>st</sup> July 2021. The end of lockdown in May and June resulted in a gradual lifting of these restrictions, as well as most of those that had been in force since October 2020 (curfew, closure of activities like restaurants and recreational facilities). The rebound was stronger than forecast, with activity in June at -1.2% compared to pre-crisis (against -2½% forecast).

After a one-off peak in January and its after-effects in February, industry stabilised in March, and then improved only slightly: overall, its activity stagnated between Q1 and Q2, with a quarterly average of -2.7% compared to pre-crisis (► **Figure 8**). Agrifood remained above its pre-crisis level, while “other industrial branches” (chemical products, textiles, metallurgy, etc.) continued their recovery month by month. Activity in the manufacture of capital goods experienced a one-

### ► 1. Estimated then forecast monthly loss of activity

difference in economic activity compared to Q4 2019, in %



How to read it: in June, economic activity was lower by about 12% compared to its Q4 2019 level. In September it is estimated to be -0.4% from this level. Source: INSEE calculations from various sources

# French economic outlook

off jolt in May, but in Q2 its level was a little below that of Q1, perhaps a reflection of the sourcing difficulties encountered in this sector. In the manufacture of transport equipment, also affected by sourcing difficulties and especially by shortages of electronic components, activity continued to decline in Q2 2021, compared to its already worsening level in Q1. After a substantial upward revision in Q1, activity in construction continued to pick up in Q2. Likewise, market services increased from -6.3% compared to the pre-crisis level in Q1 to -4.5% in Q2. In services already subject to restrictions before the third lockdown (accommodation-catering, transport services, other service activities – sport, culture, leisure), activity remained relatively stable in April compared to previous months; in trade, on the other hand, it fell dramatically. In all these branches, it rebounded strongly in May and June, reaching a much higher level than during the same months last year, although still not returning to the pre-crisis level. In June, other market services that were barely affected or not affected by the new restrictions (information-communication, real estate services, financial services and services to businesses) exceeded their pre-crisis level. In April, activity in non-market services declined, mainly linked to the closure of schools and nurseries; on average across the quarter, however, it was around the pre-crisis level.

According to the flash estimate published at the beginning of August, private payroll employment increased by 1.2% between the end of Q1 and the end of Q2 (i.e. about 240,000 net job creations). This is significantly more than what had been forecast in the last *Economic Outlook* (about 100,000 net creations expected in public and private payroll employment) but conversely,

it is less than the increase in activity estimated on a month-to-month basis over this period, mainly due to the reduced use of short-time working schemes (► **Box**).

## In H2 2021, activity should continue to pick up, but at a more moderate pace after the high level reached in June

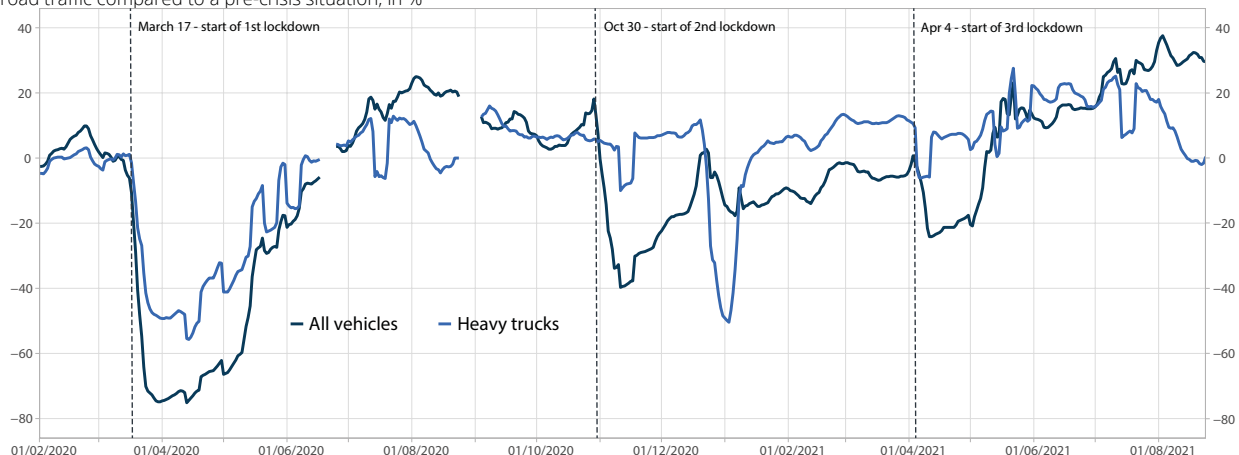
During the summer period, and for the first time since October 2020, the economy was almost fully reopened at national level – despite some local exceptions, notably in the overseas departments where the health situation had deteriorated – and this was despite some restrictive measures remaining in place (wearing masks indoors, social distancing) or being introduced (health pass) alongside the rollout of vaccination coverage.

Among the high-frequency indicators available over this time, road traffic has been significantly higher than the reference period (February 2020) since July 2021, and also exceeded last summer’s level (► **Figure 2**). Heavy goods traffic also reflects a situation that has returned to normal since the end of the third lockdown, with the drop in traffic recorded in August appearing to be more of a seasonal phenomenon.

Regarding services, the number of *Google* searches rebounded strongly from mid-May for all the semantic fields that are usually covered in the *Economic Outlook*, reflecting the buoyancy of demand in these sectors (► **Figure 3**). The number of searches was particularly high, above average, for the fields “restaurant” and “cinema”; it was around the average for “train”, “shop” and “hotel”, but remained low (around -25%) for “theatre” and “air”. At the end of July and the beginning of August we observed a downward trend for the first

## ► 2. Road traffic in France

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



How to read it: on 22 August 2021, road traffic in France was 2% lower for heavy goods vehicles and 31% higher for all vehicles combined, compared to a similar day before the crisis.

Note: the last point represents 24 August 2021. The pre-crisis situation is defined as the average daily traffic over the period from 13 January to 9 February 2020.

Source: Cerema, INSEE calculations

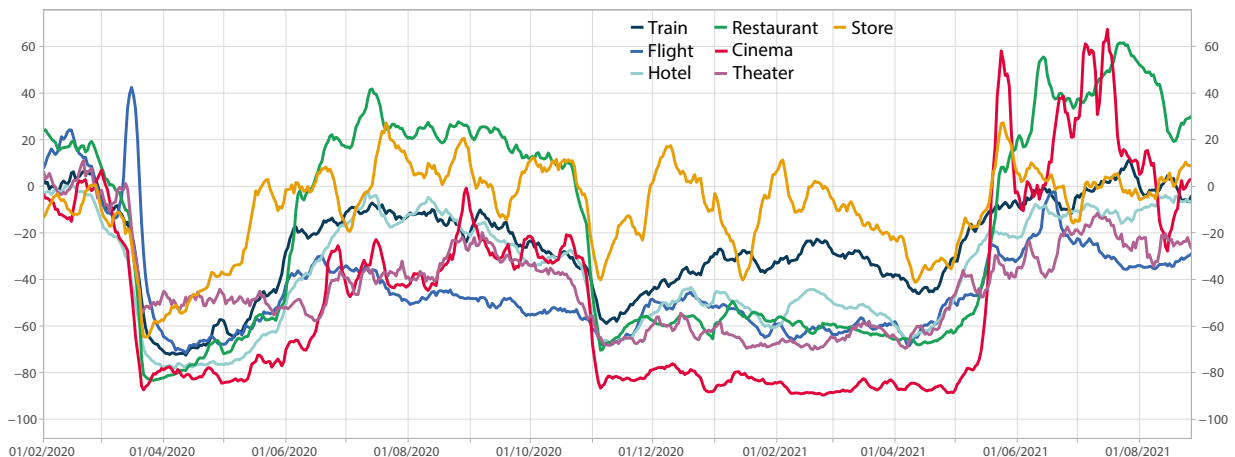
two of these terms, but this could not be linked to the introduction of the health pass, insofar as searches associated with these keywords were already trending downwards during previous weeks; in addition, they seemed to be moving up again by the end of August.

Since May, business climates have also been well above their long-term average (100) in all the main sectors, reflecting in particular the lifting of the most severe restrictions. In services, however, they are tending to slow down: after a very rapid rise linked to the reopening of businesses in May-June, it is clearly not surprising to see this later slowdown in activity (i.e. a slower rate of increase). On the other hand, the fourth wave of the epidemic (with the introduction of the health pass to help contain it) may raise concerns, in accommodation-catering and trade, for example.

Additionally, since the beginning of the year, the business tendency surveys have noted an increase in obstacles to production, especially with regard to sourcing –in the case of industry and building construction– and workforce –in all sectors, although situations differ. In fact, more and more companies in industry and construction are saying that their production is limited because of sourcing problems (► **Figure 4**). In most sectors, the proportion of companies affected represents a high point compared to previous years. This is particularly the case in the manufacture of capital goods (more than one in two companies are concerned) and building construction. In the manufacture of transport equipment, the proportion of companies concerned is approaching its highest levels, with problems particularly in the automobile sector, where production was reduced in H1.

### ► 3. Frequency of keyword searches on internet

in %



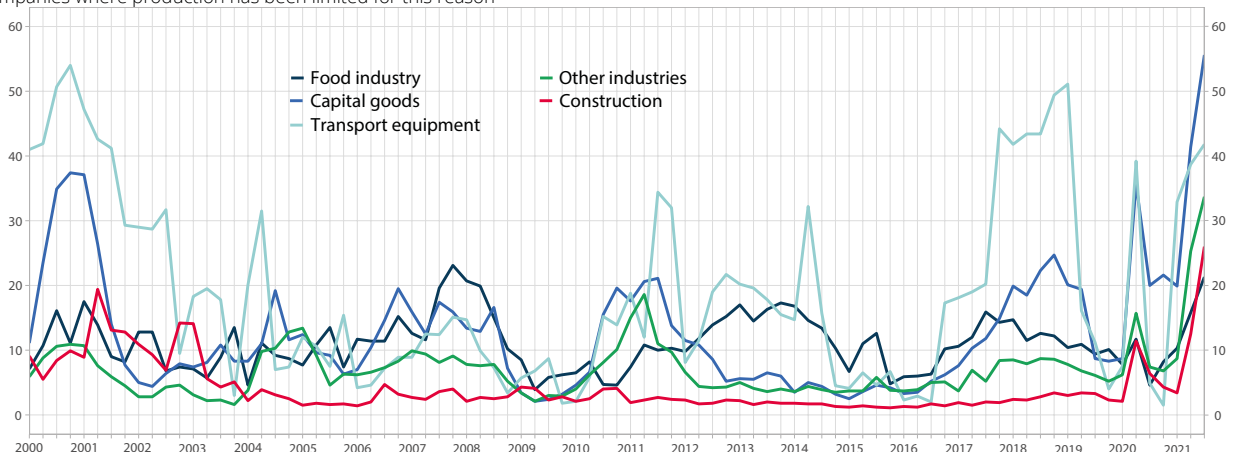
How to read it: on 27 August 2021, the 7-day moving average for the number of Google searches in France in subject "restaurant" was 30% higher compared to the average of the 7-day moving averages for every 27 August between 2017 and 2019.

Note: the last point represents 27 August 2021.

Source: Google Trends, INSEE calculations

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

% of companies where production has been limited for this reason



Note: results are weighted according to turnover. The last point: June 2021

Source: INSEE, business surveys

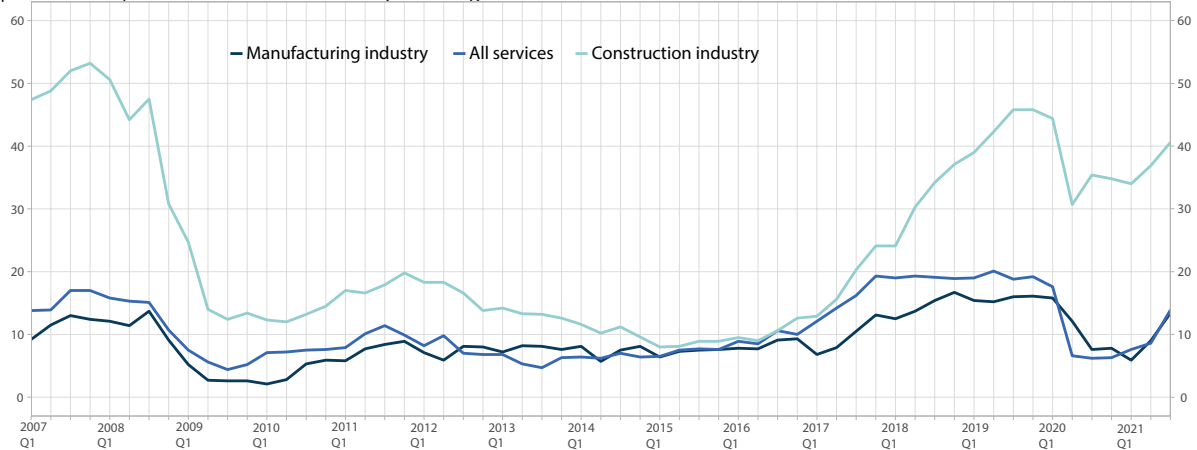
# French economic outlook

A shortage of workforce also seems to be an obstacle to production for more and more businesses and in all the major sectors (► **Figure 5**). The share of companies concerned is around 15% on average in industry and services, although this is still below the high points of previous years. In building construction, this proportion

would seem to be 40%, which again is below the 2019 levels. In industry, the workforce shortage is given as an obstacle in all sectors, apart from transport materials, where sourcing problems probably represent the main factor limiting production (► **Figure 6**). In services, on the other hand, the workforce shortage seems to be

## ► 5. Share of companies reporting that their activity has been limited by staff shortage

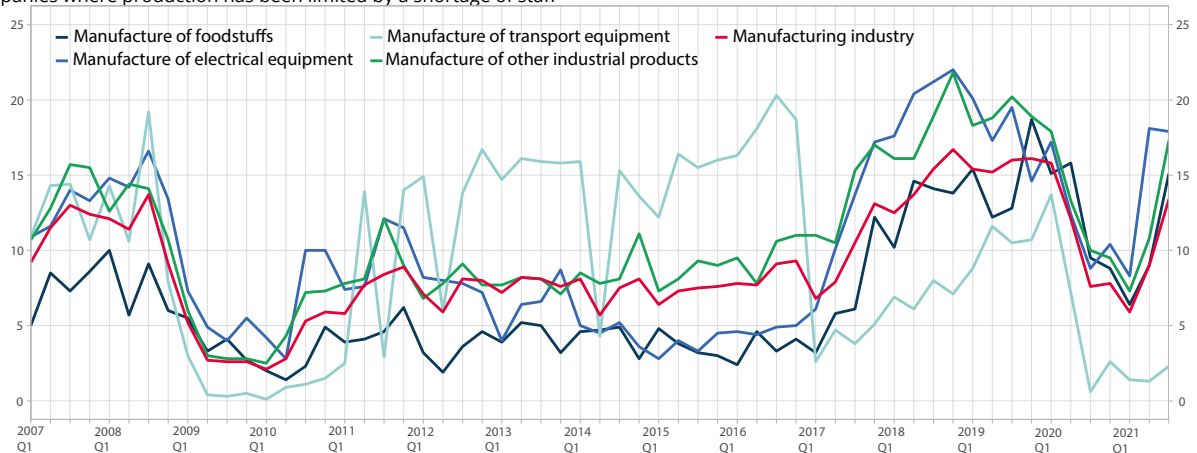
% of companies where production has been limited by a shortage of staff



Note: results are weighted according to turnover. The last point: July 2021.  
Source: INSEE, business surveys

## ► 6. Industry: Share of companies reporting that their activity has been limited by staff shortage

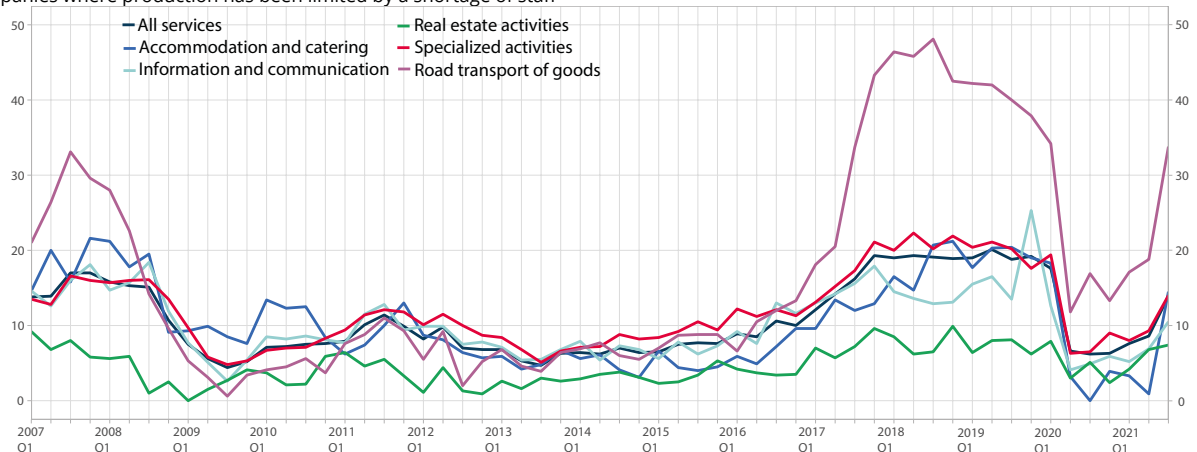
% of companies where production has been limited by a shortage of staff



Note: results are weighted according to turnover. The last point: July 2021.  
Source: INSEE, business surveys

## ► 7. Services: Share of companies reporting that their activity has been limited by staff shortage

% of companies where production has been limited by a shortage of staff



Note: results are weighted according to turnover. The last point: July 2021.  
Source: INSEE, business surveys



affecting specific sectors, especially transport services and accommodation-catering (► **Figure 7**), although again they have not returned to the high points of 2019.

All in all, these various factors tend to confirm the scenario of a continuing recovery in H2, assuming that there is no new health shock, and as already described in the *Economic Outlook* of 1<sup>st</sup> July. The supply difficulties that companies have encountered are likely to moderate the momentum of this recovery in some sectors. Overall, economic activity should return to its pre-crisis level by the end of the year (► **Figure 1**), despite the persistence of sectoral contrasts. GDP is expected to be -0.6% and -0.1% compared to the pre-crisis levels in Q3 then Q4 2021 respectively.

At sectoral level, industry should pick up again in H2, reaching -2% compared to the pre-crisis level in Q3, then -1% in Q4 (► **Figure 8**). It is expected to be driven by agrifood, which looks set to increase slowly compared to its high level in June (► **Figure 9**), "other industrial branches" (chemical products, textiles, metallurgy, etc.) and capital goods, which are expected to return to their pre-crisis level. In these last two branches, supply difficulties are unlikely to result in a decline, as the personal production prospects expressed by companies

in the business tendency surveys were good. Shortages in the automobile sector are likely to continue to affect activity in the transport equipment branch, resulting in the occasional closure of some production lines. Construction activity should continue to rise and reach -2% in Q4, compared to its pre-crisis level. In mainly market services, a strong rebound is expected by the end of the year in those branches previously affected by the restrictions, leading to levels of activity unprecedented since the beginning of the crisis: trade should return to its pre-crisis level and in accommodation-catering, leisure services and transport services, activity is expected to pick up, although without a return to pre-crisis levels as there are still some factors that have a structural effect on demand (increased use of teleworking, uneven recovery of international tourism and business travel, etc.). In trade, accommodation-catering and transport services, activity may have been affected in August by the introduction of the health pass, but only occasionally and not to any great extent. In addition, the branches that have already exceeded their pre-crisis level should remain dynamic (especially information-communication and services to businesses), at a pace closer to trend. Differences between services that were previously affected directly by the restrictions

## ► 8. Estimated then forecast loss of economic activity by branch, on average quarterly

difference to Q4 2019, in %

Branch	weight	2020				2021			
		T1	T2	T3	T4	T1	T2	T3	T4
<b>Agriculture, forestry and fishing</b>	<b>2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.8</b>	<b>-1.8</b>	<b>-2.4</b>	<b>-1</b>	<b>-1</b>
<b>Industry</b>	<b>14</b>	<b>-5.2</b>	<b>-21.3</b>	<b>-5.6</b>	<b>-3.5</b>	<b>-2.7</b>	<b>-2.7</b>	<b>-2</b>	<b>-1</b>
Manufacture of food products, beverage and tobacco-based products	2	-0.6	-9.4	-1.4	-3.0	0.5	2.1	4	4
Coke and refined petroleum	0	6.8	28.2	21.7	31.0	128.4	103.0	83	83
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-7.0	-23.9	-6.7	-4.1	-2.4	-3.4	-1	0
Manufacture of transport equipment	2	-12.7	-50.1	-21.1	-18.1	-23.2	-26.5	-23	-23
Manufacture of other industrial products	6	-5.7	-22.4	-5.9	-3.3	-1.3	-1.5	-1	0
Extractive industries, energy, water, waste treatment and decontamination	3	-2.7	-11.7	0.6	3.5	2.4	3.9	3	3
<b>Construction</b>	<b>6</b>	<b>-12.6</b>	<b>-34.6</b>	<b>-6.5</b>	<b>-6.8</b>	<b>-5.9</b>	<b>-3.2</b>	<b>-2</b>	<b>-2</b>
<b>Mainly market services</b>	<b>57</b>	<b>-5.4</b>	<b>-17.9</b>	<b>-4.5</b>	<b>-6.1</b>	<b>-6.3</b>	<b>-4.5</b>	<b>-1</b>	<b>0</b>
Trade; repair of automobiles and motorcycles	10	-6.2	-17.4	-0.3	-2.1	-2.3	-3.2	-1	0
Transport and storage	5	-11.0	-33.7	-18.2	-21.5	-19.0	-14.8	-8	-8
Accommodation and catering	3	-20.6	-59.6	-26.9	-48.4	-55.1	-42.1	-16	-11
Information and communication	5	-1.7	-7.2	0.0	2.5	3.9	4.7	7	7
Financial and insurance activities	4	-4.7	-15.2	-2.8	-1.9	-0.3	1.7	2	3
Real estate activities	13	-1.3	-3.8	-0.8	-0.5	-0.3	0.4	0	1
Scientific and technical activities; administrative and support services	14	-4.4	-17.7	-2.7	-1.7	-2.3	-0.9	1	1
Other service activities	3	-10.3	-41.6	-13.3	-25.1	-27.1	-22.0	-11	-8
<b>Mainly non-market services</b>	<b>22</b>	<b>-4.6</b>	<b>-15.1</b>	<b>1.2</b>	<b>-0.1</b>	<b>0.2</b>	<b>-0.1</b>	<b>1</b>	<b>1</b>
<b>Total VA</b>	<b>100</b>	<b>-5.5</b>	<b>-18.4</b>	<b>-3.5</b>	<b>-4.4</b>	<b>-4.3</b>	<b>-3.2</b>	<b>-0.6</b>	<b>-0.1</b>
Taxes and subsidies		-7.1	-18.8	-1.5	-3.5	-4.1	-3.2	-0.6	-0.1
<b>GDP</b>		<b>-5.7</b>	<b>-18.4</b>	<b>-3.3</b>	<b>-4.3</b>	<b>-4.3</b>	<b>-3.2</b>	<b>-0.6</b>	<b>-0.1</b>

■ Forecast

How to read it: in T3 2021, the loss of activity in the accommodation-catering branch is expected to be -16% compared to its pre-crisis level.

Source: INSEE calculations from various sources

## French economic outlook

and those that were not are unlikely to disappear. All in all, activity in mainly market services in Q3 is expected to be 1% below the pre-crisis level, then will return more or less to this level in Q4. In mainly non-market services, activity also looks set to follow an upward trajectory closer to trend.

As a quarterly variation, GDP is expected to increase by 2.7% in Q3, then 0.5% in Q4 (► **Figure 10**). All in all, as an annual average, it looks set to rebound strongly in 2021 (+6¼% after -8.0%). Of course, the

scenario for the end of the year remains surrounded by uncertainties: in particular, it is still dependent on the stability of the health situation and any developments among our partners. New restrictions could affect activity if the epidemic were to flare up again and the vaccination coverage were not able to contain it; similarly for sourcing problems if they persist. Conversely, it is possible that activity will grow faster than expected if the health situation does not deteriorate again and if the spending momentum is maintained. ●

### ► 8. Estimated then forecast loss of economic activity by branch, on average quarterly

difference to Q4 2019, in %

Branch	weight	2021									
		January	February	March	April	May	June	July	August	September	
<b>Agriculture, forestry and fishing</b>	<b>2</b>	-2	-2	-2	-2	-2	-2	-2	-2	-1	-1
<b>Industry</b>	<b>14</b>	-1	-4	-3	-3	-3	-2	-2	-2	-2	-1
Manufacture of food products, beverage and tobacco-based products	2	1	-1	1	1	2	4	4	4	4	4
Coke and refined petroleum	0	111	127	148	142	95	73	83	83	83	83
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-1	-3	-4	-3	-5	-3	-2	-1	0	0
Manufacture of transport equipment	2	-18	-26	-26	-25	-26	-28	-23	-23	-23	-23
Manufacture of other industrial products	6	1	-3	-2	-2	-2	-1	-1	-1	-1	-1
Extractive industries, energy, water, waste treatment and decontamination	3	4	1	2	3	5	4	3	3	3	3
<b>Construction</b>	<b>6</b>	<b>-7</b>	<b>-5</b>	<b>-5</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
<b>Mainly market services</b>	<b>57</b>	<b>-6</b>	<b>-7</b>	<b>-6</b>	<b>-8</b>	<b>-4</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Trade; repair of automobiles and motorcycles	10	-2	-3	-3	-7	-2	0	-1	-1	0	0
Transport and storage	5	-20	-19	-19	-19	-14	-12	-8	-7	-8	-8
Accommodation and catering	3	-56	-55	-54	-58	-44	-25	-14	-19	-14	-14
Information and communication	5	4	3	4	3	5	6	7	7	7	7
Financial and insurance activities	4	-1	0	0	-1	2	4	2	2	2	2
Real estate activities	13	0	0	0	0	0	1	0	0	1	1
Scientific and technical activities; administrative and support services	14	-2	-3	-2	-3	0	1	1	1	1	1
Other service activities	3	-27	-28	-27	-31	-21	-14	-11	-12	-11	-11
<b>Mainly non-market services</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total VA</b>	<b>100</b>	<b>-4.0</b>	<b>-4.7</b>	<b>-4.2</b>	<b>-5.4</b>	<b>-2.9</b>	<b>-1.3</b>	<b>-0.8</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-0.4</b>
<b>Taxes and subsidies</b>		<b>-4.3</b>	<b>-4.0</b>	<b>-3.9</b>	<b>-7.6</b>	<b>-2.1</b>	<b>0.0</b>	<b>-0.8</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-0.4</b>
<b>GDP</b>		<b>-4.0</b>	<b>-4.6</b>	<b>-4.2</b>	<b>-5.7</b>	<b>-2.8</b>	<b>-1.2</b>	<b>-0.8</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-0.4</b>

■ Forecast

How to read it: in July 2021, the loss of activity in the accommodation-catering branch is expected to be -14% compared to its pre-crisis level.

Source: INSEE calculations from various sources

### ► 10. Estimated then forecast loss of economic activity

	2020				2021				2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Quarterly variation (in %)	-5.7	-13.5	18.6	-1.1	0.0	1.1	2.7	0.5	-8.0	6¼
Difference compared to pre-crisis level (Q4 2019)	-5.7	-18.4	-3.3	-4.3	-4.3	-3.2	-0.6	-0.1		

■ Forecast

How to read it: in Q3 2021, GDP is expected to stand at -0.6% compared to the pre-crisis level (Q4 2019), on the rise (+2.7%) over Q2 2021.

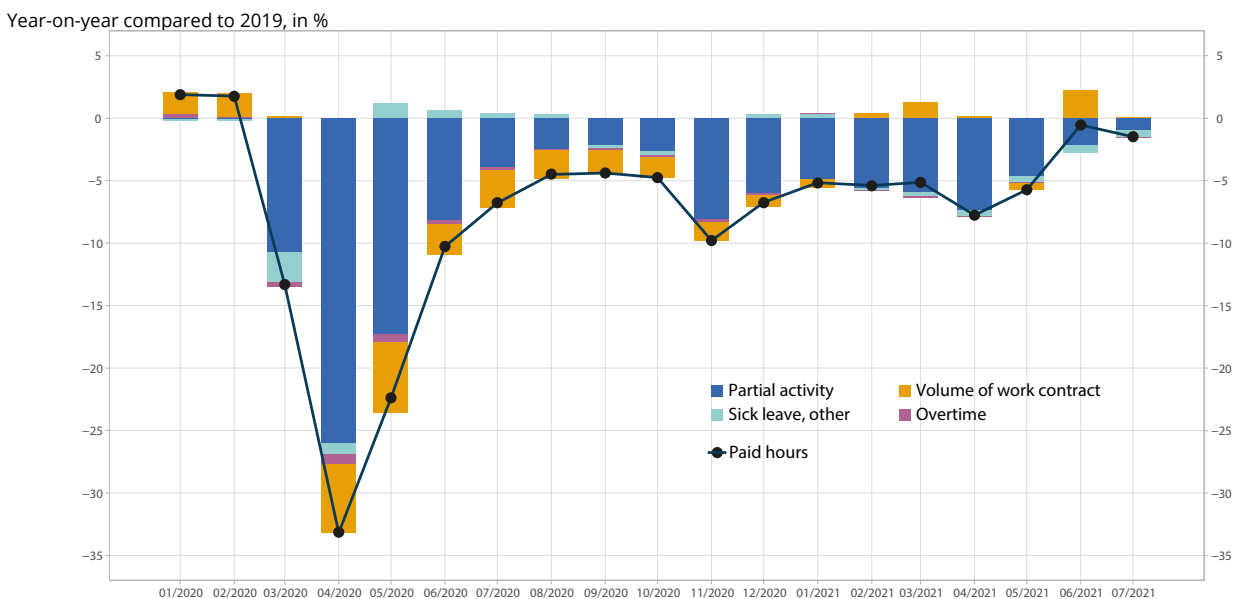
Source: INSEE calculations from various sources

## Payroll employment rose sharply in Q2

Between the end of Q1 and the end of Q2 2021, private payroll employment increased by 1.2% according to the flash estimate published in August. Although this increase is much more significant than that forecast in the *Economic Outlook* of 1<sup>st</sup> July (+0.3% in public and private payroll employment), it is nevertheless smaller than the increase in activity over that period: between March and June, activity rose by about 3% according to estimates based on detailed results for Q2, from -4% in March compared to the pre-crisis level to -1% in June. The lesser momentum in employment is mainly due to companies' reduced use of short-time working schemes, as they were able to increase their production by not only hiring additional staff but also using their employees who were previously on short-time working.

In this respect, the dynamism of paid hours<sup>1</sup> gives a much better picture of change in activity than employment. In fact, paid hours, as estimated from companies' Nominative Social Declarations, reflect the actual work carried out in the economy. In March 2021, the number of paid hours was 5% below the level for March 2019; then in June, this number was about 1% below the level for June 2019, i.e. a similar increase to that in economic activity within the meaning of GDP. The decline in the use of short-time working accounts for most of this increase (► [Figure](#)).

### ► Change in the volume of paid work compared to 2019 and contributions to this change



Source: DSN; provisional treatments INSEE

1 See Focus in the *Economic Outlook* of 17 November 2020: "The volume of work paid by companies, an invaluable indicator for analysing the current crisis".

# Household consumption

After deteriorating sharply in April as a result of the third lockdown, household consumption picked up in May and June with the gradual lifting of Covid restrictions. Thus in June this level was close to its pre-crisis level (-1% compared to Q4 2019, after -4% in May and -12% in April), i.e. an increase of +1.0% in Q2, after stagnation in Q1. In July, consumption would appear to have declined slightly, standing at -2% compared to pre-crisis. It would seem to have been adversely affected by a decline in the consumption of goods (especially vehicle purchases), despite the buoyancy in spending in those services where restrictions had previously applied (accommodation-catering, transport services and leisure activities). In August, consumption would seem to have increased a little, reaching -1½% compared to its pre-crisis level: consumption of goods would seem to have picked up, with the introduction of the health pass affecting household spending only moderately in the sectors concerned, especially catering. In September and into Q4, the expansion of the vaccine rollout should ensure that consumption is able to pick up in those sectors requiring the health pass: according to our scenario, household spending in September is expected to be 1% below its pre-crisis level, then it should increase gradually to return to this level by the end of the year. All in all, after falling by 7.2% in 2020, household consumption looks set to bounce back by 4.5% in 2021.

Since the *Economic Outlook* of 1<sup>st</sup> July 2021, the detailed results from the national accounts for Q2 2021, published at the end of August, showed a quarterly increase in household consumption of +1.0%, close to what had been forecast (+1.3%). This increase stems from the rebound in consumption in May and June, in the wake of the gradual easing of health restrictions and after the drop recorded in April as a result of lockdown. In May, household consumption was in fact -4% compared to its Q4 2019 level, after -12% in April (► **Figure 1**). This upturn in May was driven mainly by the consumption of goods, with “non-essential” businesses having reopened on 19 May, and to a lesser extent by spending on accommodation and catering, with the reopening of café terraces on this same date. In June, this dynamism in consumption continued, especially in the services concerned by the continuing relaxing of restrictions: as a result, household spending in June was very close to its pre-crisis level (-1% compared to this level).

For July, bank card transaction amounts and scanner data from major retail outlets were used to estimate household consumption: this summer month was also characterised by the lifting of virtually all health restrictions imposed since the beginning of the year and the introduction of the health pass from 20 July,

### ► 1. Estimated and forecast level

difference to Q4 2019, in %



How to read it: in July 2021, household consumption would appear to have been 2% below its T4 2019 level. From October 2021, projections are established on a quarterly basis instead of a monthly basis as previously.

Source: INSEE calculations from various sources

in addition to the ongoing vaccine rollout. In July, total bank card transactions, considered on a year-on-year basis compared to 2019, seem to have retained the same momentum as in June, which was also similar to that of July 2020 (► **Figure 2**). However, when considering specific products in detail, household consumption of goods, published at the end of August at the same time as the detailed results of the Q2 accounts, showed a deterioration in spending on industrial goods, which fell back below their pre-crisis level in July (-2%, ► **Table 1**). In fact, in addition to the decline in food expenditure and vehicle purchases, some increases in consumption observed in June seem to have eased in July: this was the case for clothing-footwear, for example, and household equipment, with bank card transactions appearing considerably less dynamic in July (► **Figure 3**). In services, however, bank card transactions in accommodation and catering continued to increase in July, reaching levels (compared to 2019) similar to or even higher than those in 2020.

Taking these factors into account, household consumption would appear to have slipped back slightly in July, to 2% below its pre-crisis level. This weakening would seem to reflect the decline in the consumption of goods, despite increased spending on market services, where consumption appears to be around -3% compared to the pre-crisis level, after -5% in June. This increase is the result of the recovery in services previously subject to restrictions in their activities: transport services, catering together with accommodation, and leisure services.

In August, household consumption would seem to have increased slightly, to 1½% below its Q4 2019 level. The consumption of goods certainly appears to have been more vigorous than in July, with notably a slight increase in vehicle purchases. However, spending on services would seem to have been affected, albeit only moderately, by the introduction of the health pass in the sectors concerned, catering in particular and

## ► 1. Estimated and projected monthly household consumption levels

difference in the Q4 of 2019, in %

Products	Share of consumption*	2021					
		April	May	June	July	August	September
<b>Agriculture, forestry and fishing</b>	<b>3%</b>	-2.4	-1.3	-3.3	-7	-3	-3
<b>Industry</b>	<b>44%</b>	<b>-10.3</b>	<b>-0.2</b>	<b>0.2</b>	<b>-2</b>	<b>0</b>	<b>-1</b>
Manufacture of food products, beverages and tobacco-based products	15%	3.0	2.8	0.1	-3	1	1
Coke and refined petroleum	4%	-16.6	-7.6	-1.9	-1	2	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3%	5.7	14.6	11.7	10	8	8
Manufacture of transport equipment	6%	-12.8	-11.3	-10.4	-13	-10	-11
Manufacture of other industrial products	12%	-32.9	-1.4	4.5	1	1	1
Extractive industries, energy, water, waste treatment and decontamination	5%	8.3	7.2	0.3	1	1	1
<b>Construction</b>	<b>2%</b>	<b>-1.5</b>	<b>-1.7</b>	<b>-2.0</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
<b>Mainly market services</b>	<b>47%</b>	<b>-17.4</b>	<b>-11.3</b>	<b>-5.1</b>	<b>-3</b>	<b>-4</b>	<b>-3</b>
Trade; repair of automobiles and motorcycles	1%	-3.7	-5.0	-2.7	-9	-2	-2
Transport and storage	4%	-64.0	-41.3	-34.7	-23	-18	-18
Accommodation and catering	8%	-62.4	-44.0	-16.0	-8	-16	-12
Information and communication	3%	0.8	3.3	2.0	3	3	3
Financial and insurance activities	5%	0.6	1.3	1.7	2	2	2
Real estate activities	19%	2.1	2.2	2.3	2	2	3
Scientific and technical activities; administrative and support services	2%	-8.9	-7.5	-4.5	-5	-4	-1
Other service activities	4%	-33.6	-20.6	-11.4	-10	-11	-10
<b>Mainly non-market services</b>	<b>5%</b>	<b>0.4</b>	<b>0.7</b>	<b>1.5</b>	<b>2</b>	<b>2</b>	<b>2</b>
<i>Territorial correction</i>	-1%	-74.4	-84.3	-95.5	-38	-38	-38
<b>Total</b>	<b>100%</b>	<b>-11.9</b>	<b>-4.4</b>	<b>-1.2</b>	<b>-2</b>	<b>-1 ½</b>	<b>-1</b>

\* Weight in household final consumption expenditure in current euros in Q4 2019

■ Forecast

How to read it: in July 2021, the level of household consumption of accommodation and catering services would appear to have been 8% lower than in Q4 2019.

Source: INSEE calculations from various sources



# French economic outlook

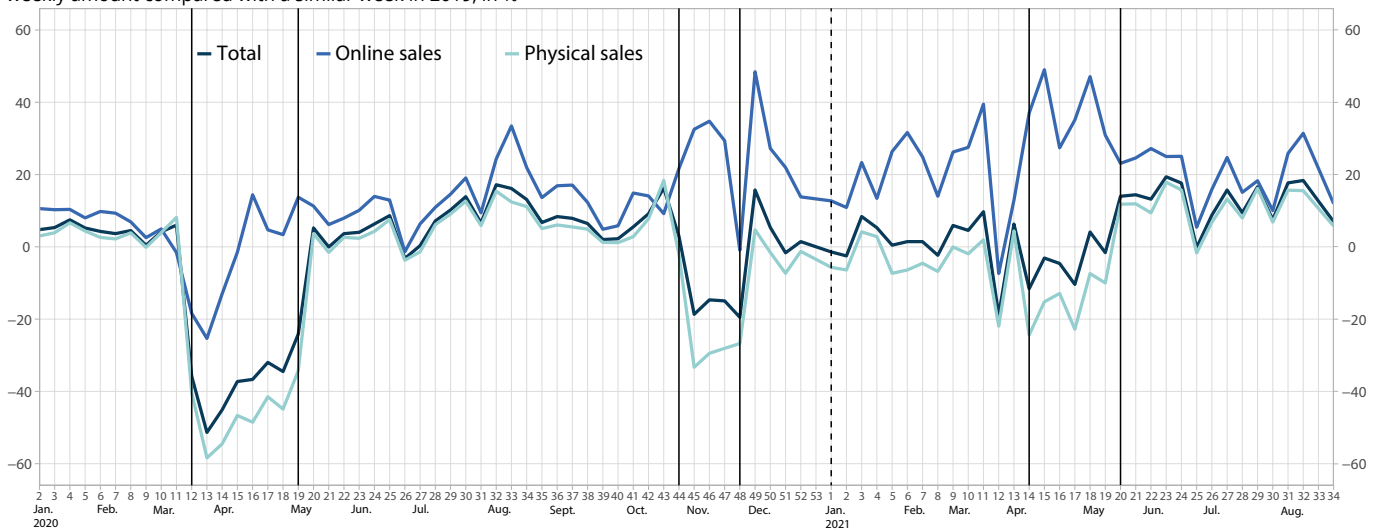
leisure activities to a lesser extent. The profile of bank card spending (available up to 29 August) reveals a weakening in amounts paid out around the time the pass was introduced, especially in catering and less obviously in cinemas and also some tourist activities (► **Box**). However, in catering, this decline appeared after substantial growth in the preceding weeks and it was by no means on the scale of the losses in consumption experienced before restaurants reopened. In this context,

and also given the lockdown measures in place in several overseas departments, household spending on services would seem to have deteriorated a little in August, back to -4% compared to the pre-crisis level.

In September, as the vaccination rollout continues, spending on catering and recreation should start to return to normal. Household spending on services is expected to recover, returning to its July level, and total household consumption should once again be very

## ► 2. Weekly CB bank card transaction amounts

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



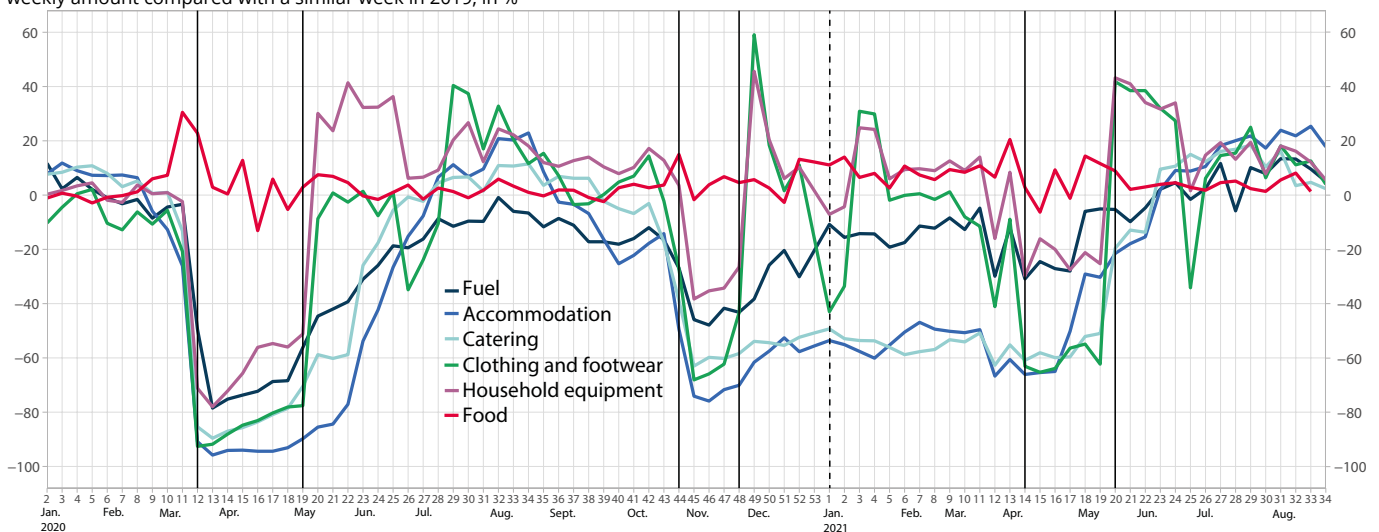
How to read it: in week 34 of 2021 (23 – 29 August), total CB bank card transaction amounts were 7% down on the amount in week 34 of 2019. The vertical lines show the dates that “non-essential” businesses closed and reopened during the 2020 lockdowns and the national lockdown in spring 2021. As each 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: elsewhere, 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 34 of 2021 (23 – 29 August), CB bank card transaction amounts related to purchases of fuel were 5% lower than amounts in week 34 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: xxxxxxxx. 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

### The introduction of the health pass would seem to have caused household consumption in restaurants to falter, although this decline was in no way comparable to the dramatic fall in consumption recorded during previous waves of the epidemic

Due to the spread of the Delta variant of Covid-19, increased health restrictions were put in place in July then in August. On 21 July, the health pass became compulsory in cultural and recreational venues holding more than 50 people (cinemas, theatres, museums, amusement parks, etc.) and generally for all gatherings of more than 50 people (compared with 1,000 people previously).

Since 9 August, the 50-person threshold has been lifted –with the health pass now required whatever the number of people– and the pass is now also compulsory in restaurants, cafés and pavement terraces, in long-distance interregional public transport and in large shopping centres (by prefectural decision). In addition, several overseas departments have been placed under lockdown since late July and early August, depending on the situation (Martinique, Guadeloupe, Reunion Island).

By analysing daily bank card transactions in the sectors affected by the application of the health pass, its possible effect can be observed on household consumption behaviour. This analysis should be viewed with caution, however: the profile of bank card transaction amounts was certainly fairly volatile over the period studied, but may be affected by other factors than just the introduction of the health pass. And finally, this is a short-term analysis, since the bank card transaction data go up to 29 August, about three weeks after the health pass was rolled out.

Concerning the cultural and recreational venues where the health pass has been compulsory since 20 July, bank card transactions can be used to identify tourist venues (specifically, activities that include amusement parks, circuses, exhibitions and museums), also cinemas and theatres. In tourist venues, bank card transaction amounts (considered in comparison to 2019 and as a 7-day moving average to reduce their daily volatility) appear to be less buoyant from 20 July onwards, suggesting that the introduction of the health pass had a moderating effect on numbers of visitors to these places (**Figure a**). However, this effect seems temporary since transactions gradually picked up from the beginning of August. In cinemas, transaction amounts showed a downward momentum, which started before 20 July and ran until the end of the month: during the first two weeks of August, the profile seems to be at a lower level on average than in July, although the difference is not significant and we see a rebound from mid-August. In theatres, however, bank card transaction amounts did not change noticeably when the pass was introduced, and they remained very much lower than their 2019 level.

Among the venues subject to the health pass requirement since 9 August, bank card transactions enable us to identify restaurants, “cafés, bars and discothèques” and hotels. The introduction of the pass seems only to affect bank card transactions in restaurants: after increasing strongly in June and July as they reopened, bank card transactions in restaurants slipped back substantially from 9 August (**Figure b**). They picked up slightly in the following days but still remained at a level below that of July. In the light of these data, a 10% reduction was included in the forecast scenario for spending on catering when the pass was introduced and for the following three weeks, compared to the level of this spending just before the pass was introduced. This decrease is assumed to be temporary, mainly because of the ongoing vaccine rollout. However, it is still very small compared to the consumption losses during the third lockdown or when only restaurant terraces were open (from 19 May to 8 June). All in all, household consumption of catering services in August would appear to have been –15% below its pre-crisis level (i.e. Q4 2019), after –6% in July, but compared to –58% in April 2021. Bank card transactions in this sector in August 2021 remained higher than their August 2019 level, due in part to the increased use of this payment method compared to others (cash payment, etc.) since the start of the health crisis. In addition, bank card transactions relate to spending by French residents, and thus exclude spending by foreign tourist (and spending by French tourists abroad): in the context of a summer that certainly saw more residents staying in France and fewer foreign tourists coming to France, bank card transactions in catering may overestimate the actual level of consumption in this sector.

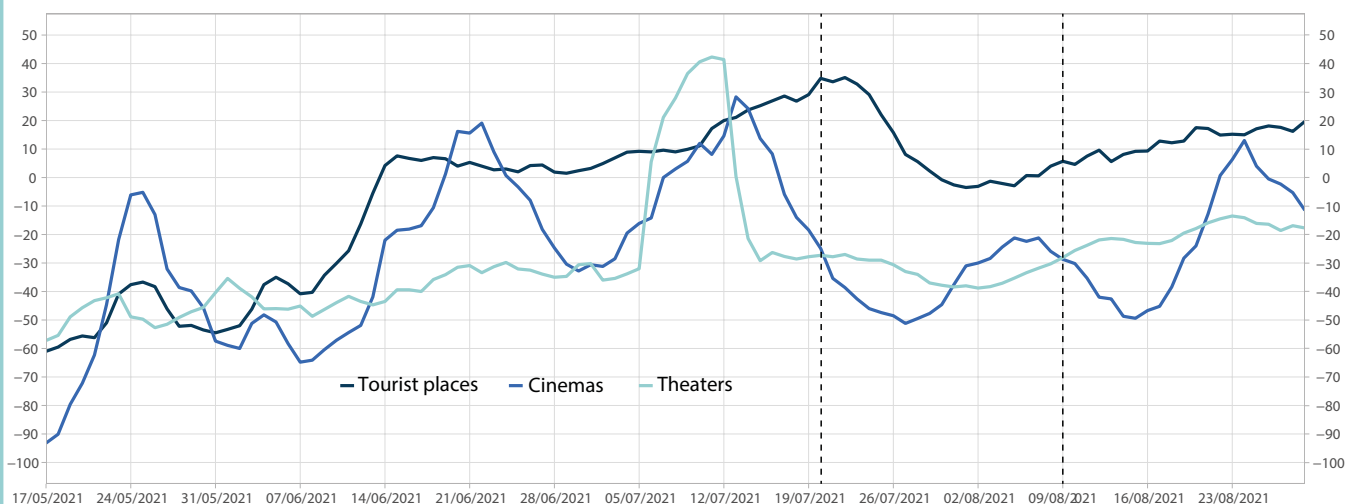
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# French economic outlook

In transport, the introduction of the health pass does not seem to have had much of an effect on bank card transactions, nor on transactions on rail and air transport, nor on fuel purchases. Automobile transport does not therefore seem to have been preferred as a result of the health pass requirement in long distance transport. ●

## ► a. Daily bank card transaction amounts in tourist venues, cinemas and theatres

7-day moving average of daily amounts compared to same days in 2019, in %

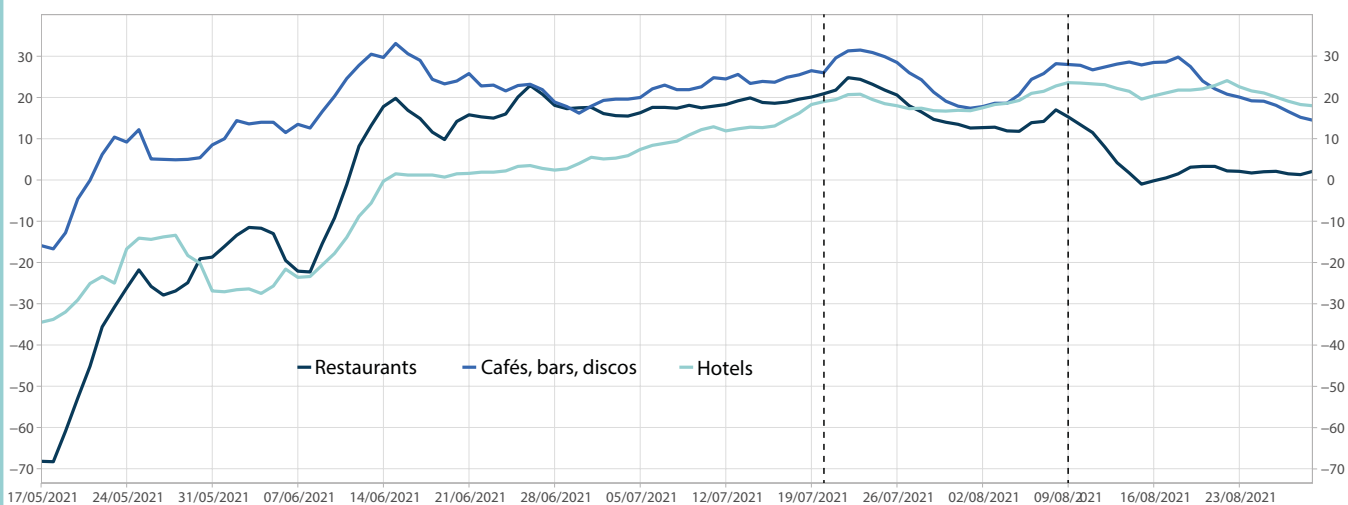


Note: tourist venues include amusement parks, circuses, museums and exhibitions. The two vertical dotted lines show respectively 20 July (date when the health pass became compulsory in cultural and leisure venues holding more than 50 people) and 9 August (date when the health pass requirement was extended to restaurants, cafés and bars, long-distance transport and some large shopping centres). How to read it: Bank card transaction amounts in cinemas, recorded between 10 and 16 August 2021, were 47% lower than amounts for the same period in 2019.

Source: Cartes Bancaires CB, INSEE calculations

## ► b. Daily bank card transaction amounts in restaurants, cafés, bars and discotheques, and hotels

7-day moving average of daily amounts compared to same days in 2019, in %



Note: the two vertical dotted lines show respectively 20 July (date when the health pass became compulsory in cultural and leisure venues holding more than 50 people) and 9 August (date when the health pass requirement was extended to restaurants, cafés and bars, long-distance transport and some large shopping centres). How to read it: bank card transaction amounts in restaurants recorded between 10 and 16 August 2021 were virtually identical to amounts for the same period in 2019.

Source: Cartes Bancaires CB, INSEE calculations

close to its pre-crisis level (1% below this level). Thus in Q3 2021 overall, household consumption is likely to be at -1.5% compared to its Q4 2019 level (after -5.9% in Q1, ► **Table 2**). In accommodation and catering in particular, consumption is expected to exceed its Q3 2020 level, although it will still be below its pre-crisis level.

In Q4, assuming that the changing health situation does not require any further restrictive measures, household consumption should increase and return to its pre-crisis level, driven by the gradual return to normal of spending on services. In accommodation-catering and leisure activities in particular, the rollout of the vaccination programme should provide a significant boost for consumption, despite still being affected

by the uneven recovery of international tourism and business travel and, in the case of catering, by the greater use of teleworking. In transport services too, household spending is likely to get significantly closer to its pre-crisis level, although it is penalised because air traffic is still in decline. The consumption of goods, however, should return to its pre-crisis level, despite still being sluggish with regard to vehicle purchases, linked to the sourcing problems in this sector.

All in all, after a 1.0% rise in Q2, household consumption is expected to rise by 4.6% in Q3 then 1.6% in Q4 (► **Table 3**). Thus, after its historic 7.2% nosedive in 2020, it looks set to bounce back by 4.5% in 2021. ●

## ► 2. Estimated and projected quarterly household consumption levels

difference in the Q4 of 2019, in %

Products	Share of consumption*	2020				2021				2020	2021
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Agriculture, forestry and fishing</b>	<b>3%</b>	<b>3.9</b>	<b>-1.2</b>	<b>-0.1</b>	<b>-1.0</b>	<b>-0.1</b>	<b>-2.3</b>	<b>-4</b>	<b>-3</b>	<b>0.4</b>	<b>-3</b>
<b>Industry</b>	<b>44%</b>	<b>-6.7</b>	<b>-12.9</b>	<b>2.5</b>	<b>-1.7</b>	<b>-0.9</b>	<b>-3.4</b>	<b>-1</b>	<b>0</b>	<b>-4.7</b>	<b>-1</b>
Manufacture of food products, beverages and tobacco-based products	15%	3.5	5.4	2.2	3.3	3.7	2.0	0	1	3.6	2
Coke and refined petroleum	4%	-5.9	-29.2	-4.6	-12.9	-5.8	-8.7	1	-1	-13.1	-4
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3%	-8.2	-4.6	12.2	15.4	13.0	10.7	9	4	3.7	9
Manufacture of transport equipment	6%	-23.1	-35.5	3.5	-9.3	-8.4	-11.5	-11	-6	-16.1	-9
Manufacture of other industrial products	12%	-12.1	-23.1	3.5	-5.0	-4.4	-10.0	1	2	-9.2	-3
Extractive industries, energy, water, waste treatment and decontamination	5%	-2.5	-3.5	0.6	1.6	1.7	5.3	1	1	-0.9	2
<b>Construction</b>	<b>2%</b>	<b>-9.4</b>	<b>-23.5</b>	<b>0.2</b>	<b>0.8</b>	<b>-1.1</b>	<b>-1.8</b>	<b>-2</b>	<b>0</b>	<b>-8.0</b>	<b>-1</b>
<b>Mainly market services</b>	<b>47%</b>	<b>-6.1</b>	<b>-21.8</b>	<b>-6.3</b>	<b>-14.1</b>	<b>-15.2</b>	<b>-11.3</b>	<b>-3</b>	<b>0</b>	<b>-12.1</b>	<b>-8</b>
Trade; repair of automobiles and motorcycles	1%	-12.3	-24.7	1.2	-4.7	-2.6	-3.8	-4	0	-10.1	-3
Transport and storage	4%	-15.6	-74.0	-31.2	-53.4	-51.3	-46.7	-20	-10	-43.6	-32
Accommodation and catering	8%	-17.0	-63.5	-15.0	-46.6	-58.4	-40.8	-12	-6	-35.5	-29
Information and communication	3%	-2.5	-1.8	-0.7	-0.8	1.2	2.0	3	4	-1.5	3
Financial and insurance activities	5%	-2.5	-6.4	-1.7	-0.3	0.7	1.2	2	3	-2.7	2
Real estate activities	19%	0.1	0.3	0.7	0.8	1.8	2.2	2	3	0.5	2
Scientific and technical activities; administrative and support services	2%	-6.7	-19.1	-10.2	-8.9	-9.6	-7.0	-3	1	-11.2	-5
Other service activities	4%	-12.3	-42.2	-13.2	-25.4	-25.8	-21.9	-10	-5	-23.3	-16
<b>Mainly non-market services</b>	<b>5%</b>	<b>-7.8</b>	<b>-24.1</b>	<b>1.0</b>	<b>-2.4</b>	<b>-0.4</b>	<b>0.9</b>	<b>2</b>	<b>3</b>	<b>-8.3</b>	<b>1</b>
<i>Territorial correction</i>	<i>-1%</i>	<i>-47.7</i>	<i>-81.4</i>	<i>-32.5</i>	<i>-61.7</i>	<i>-69.2</i>	<i>-84.7</i>	<i>-38</i>	<i>-18</i>	<i>-55.8</i>	<i>-52</i>
<b>Total</b>	<b>100%</b>	<b>-5.7</b>	<b>-16.7</b>	<b>-1.4</b>	<b>-6.8</b>	<b>-6.8</b>	<b>-5.9</b>	<b>-1.5</b>	<b>0.1</b>	<b>-7.6</b>	<b>-3.5</b>

\* Weight in household final consumption expenditure in current euros in Q4 2019

■ Forecast

How to read it: in Q3 2021, the level of household consumption of accommodation and catering services would appear to have been 12% lower than in Q4 2019.

Source: INSEE calculations from various sources

## ► 3. Household consumption compared to Q4 2019 and as a quarterly variation

in %

	2020				2021				2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Difference compared in % to Q4 2019	-5.7	-11.6	18.3	-5.5	0.0	1.0	4.6	1.6	-7.2	4.5
<b>Quarterly growth in %</b>	<b>-5.7</b>	<b>-16.7</b>	<b>-1.4</b>	<b>-6.8</b>	<b>-6.8</b>	<b>-5.9</b>	<b>-1.5</b>	<b>0.1</b>		

■ Forecast

Source: INSEE

## International comparison

*In the spring, the easing of health restrictions in the main western economies enabled economic activity to expand. In Europe, it still remained below the pre-crisis level, while in the United States it had now exceeded it. This increase seems to be driven by household consumption, particularly with dynamic retail sales over this period. Industrial production was less sensitive to national health constraints and remained stable in the majority of countries. Since June, "high-frequency" data suggest a gradual return to normal, despite a health context coping with the spread of the Delta variant in August.*

### In the spring, Europe returned to growth and American activity continued to improve

After contrasting development early in the year, activity picked up in the main European countries in Q2, with consumption driven by the easing of health restrictions between April and June. After stagnation in Q1, GDP in France improved by 1.1%, while in Germany it rebounded by 1.6% after a sharp decline (-2.0%) the previous quarter. Activity increased substantially in Spain and Italy: +2.8% (after -0.4%) and +2.7% (after +0.2%) respectively. In the United Kingdom, the rebound in activity appears to be even more pronounced: +4.8% in Q2 after -1.6%. Finally, in the United States, growth remained buoyant (+1.6% after +1.5%), continuing the trend begun in Q4 2020. In China, economic activity also improved (+1.7%

in Q2 after +1.1%), driven by the dynamism of industrial production and exports.<sup>1</sup>

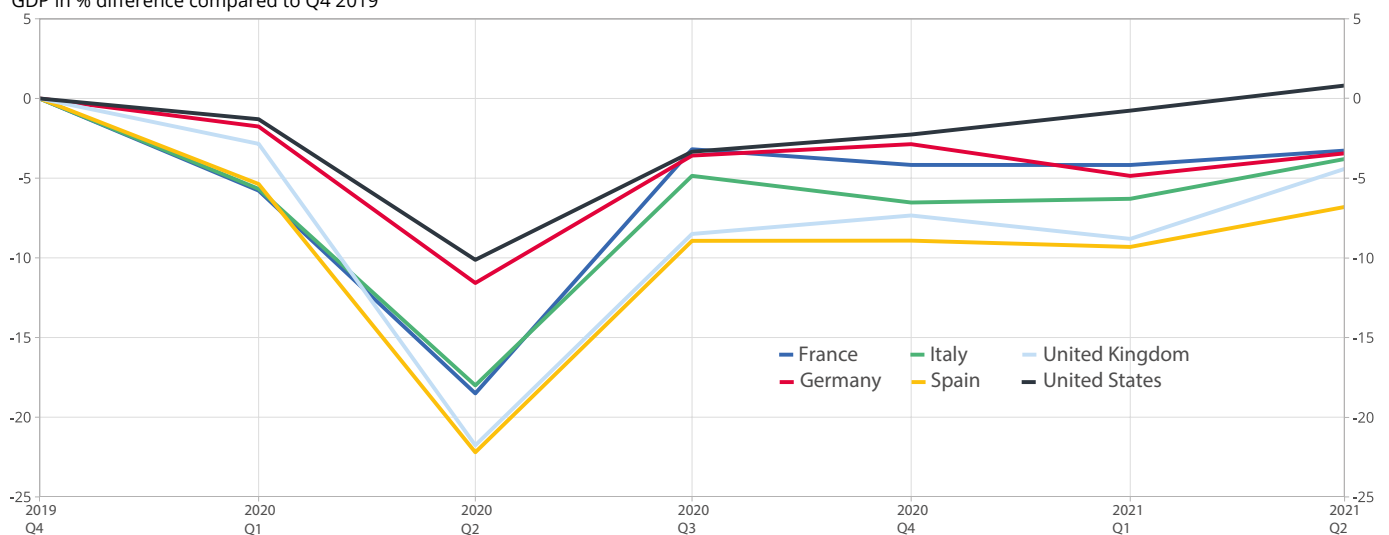
In the main western economies, household consumption was the driving force behind growth in Q2. In Germany, consumption was boosted by the gradual lifting of restrictions in the spring and sustained activity at +1.6 points. Similarly in the United Kingdom, household consumption made a significant contribution to recovery (+4.0 points), as did public consumption driven by the reopening of schools and health spending (+1.7 points). In Spain and Italy, the contribution of consumption was slightly less (+3.7 points and +2.8 points respectively). In France, after Q1 was less affected by restrictions than in most of the other major European countries, household consumption increased by +1.0%, contributing 0.5 points to GDP growth. Finally, in the United States, private consumption also drove growth (+1.9 points), supported by the continued easing of health restrictions and the aid packages paid to households at the end of March.

In Europe, activity in the main economies is still below its pre-crisis level (► **Figure 1**): at -3.2% compared to Q4 2019 in France and Germany, -3.8% in Italy and -4.4% in the United Kingdom. Spanish activity appears to be even further behind compared to its pre-pandemic level (-6.8%). In the United States, on the other hand, activity exceeded its late 2019 level for the first time in Q2 (+0.8%).

<sup>1</sup> The differences in GDP trajectories in the countries monitored here may partly reflect, alongside economic performance, differences in demographic dynamics. Demographic growth automatically drives up GDP growth. However, over the period of just a few quarters studied here, this effect is unlikely to call into question the main findings from the comparisons.

### ► 1. In Q2 2021, activity rebounded in Europe; it exceeded its pre-crisis level in the United States

GDP in % difference compared to Q4 2019



Source: INSEE, Destatis, Istat, INE, ONS, BEA



## The level of industrial production remained relatively stable in the majority of western economies

In Q2 2021, industrial production levels changed fairly little in the main western economies (► **Figure 2**). A notable exception was German industrial production, which declined from -3.1% in April (compared to the Q4 2019 level) to -4.8% in June, mainly due to the relatively important contribution made by the automobile industry, a sector that has experienced difficulties because of a shortage of electronic chips. In this respect the situation is the same as that of French industrial production, which is lagging quite far behind its pre-crisis level (-4.9% in June, compared to Q4 2019) and which changed little during Q2. In the other European countries, industrial production also remained relatively stable in June, close to the pre-crisis level in Italy and Spain, and lower in the United Kingdom (-3.5%). Conversely, in the United States, industrial production grew slightly and was virtually back to its pre-crisis level (-0.5% in July).

## After the rebound at the beginning of the summer, retail sales fell back in July in the main western countries

In contrast to industrial production, retail sales were more volatile in Q2 (► **Figure 3**). In May and June, they rose sharply in Germany and France (+4.6% in May then +4.5% in June in Germany, compared to the previous month, and +6.9% then +1.2% in France),

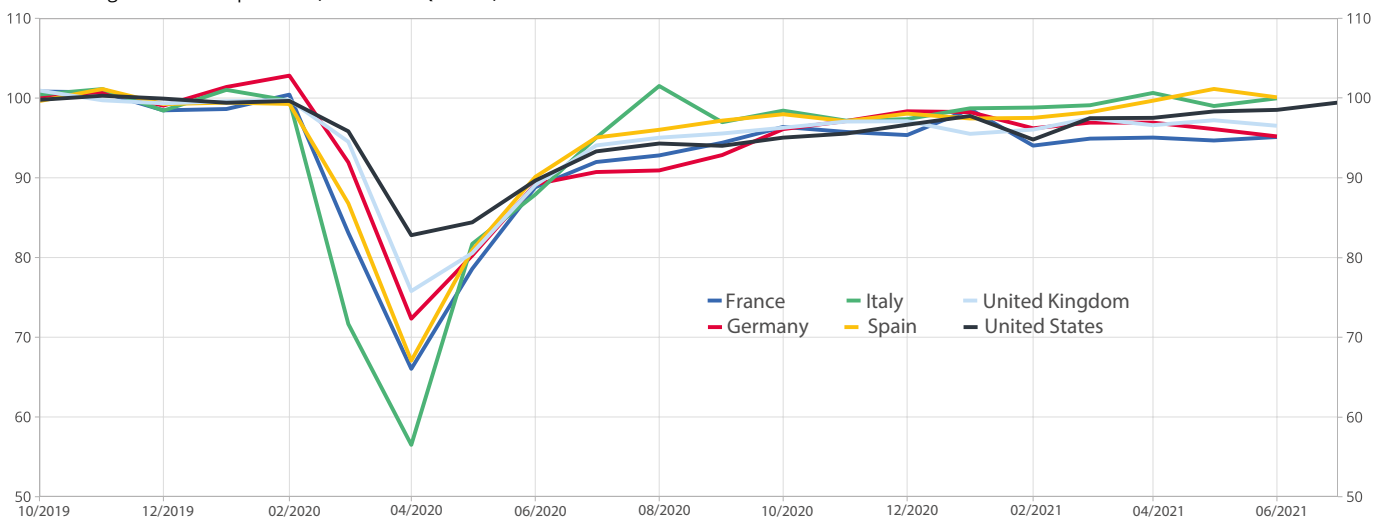
reflecting the rebound in consumption after the lifting of health restrictions. In July, however, they fell back (-5.1% and -0.7% in Germany and France), although levels were still high compared to pre-crisis (+4.9% and +6.3% respectively compared to Q4 2019). In the United Kingdom, retail sales were 10% above the pre-crisis level in April, but have fallen back slightly since then (-2.5% in July). Retail sales increased at a more moderate pace in Italy (+1.5% in May, compared to the previous month, then +0.7% in June), and in Spain, the pace was even slower (+0.0% in May, +0.5% in June and +0.1% in July) still below their pre-crisis level (-3.1% compared to Q4 2019). After reaching very high levels from March (around +20% compared to pre-crisis), retail sales in the US fell back slightly (-1.1% in July), a downward trend that may reflect a lessening of the effect of aid handed out to households in March 2021.

## During the summer, “high-frequency” indicators came closer to their pre-crisis level

In Europe, as in the United States, the easing of restrictions continued, mainly due to the progress in vaccination campaigns, with the result that many recreational and sports facilities were able to reopen fully, although with access dependent on the presentation of a health pass in some countries: this condition came into force on 6 August in Italy and 23 August in Germany, while measures were strengthened on 9 August in France to apply in particular to restaurants. In the main western economies, visitor numbers to non-food retail outlets and recreational

## ► 2. Industrial production maintained its pre-crisis level in Italy and Spain, but remained in decline in the other European countries

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



Source: INSEE, Destatis, Istat, INE, ONS, Federal Reserve Board

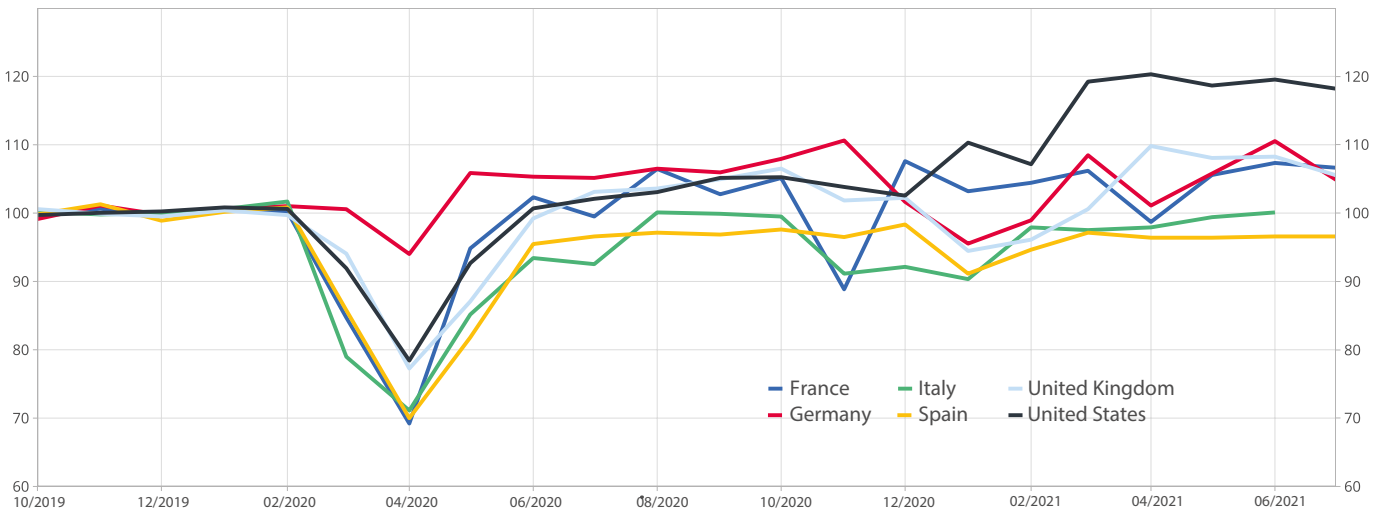
# International economic outlook

facilities remained high from the beginning of the summer, higher than levels in summer 2020 when measures had also been introduced to ease restrictions on large gatherings (► **Figure 4**). At the beginning of August, the numbers frequenting these stores even exceeded the pre-crisis level in Germany, Italy and France, although they remained a little below this level in the other countries. From mid-August, however, these numbers were slightly in decline in all these countries, probably affected by the introduction of the health pass in some countries, fears linked to the spread of the Delta variant, and the end of the summer holidays.

Even more markedly, the number of searches for the term “restaurant” remained consistently above its pre-crisis level in Europe throughout the summer (► **Figure 5**). In France, this number was particularly high in July (+69% on 23 July compared to the pre-crisis level), but it has fallen back significantly since then (+27% on 21 August, compared to its pre-crisis level). Conversely, in the other European countries, these search numbers continued to increase at a moderate pace in August. In the United States, this number did not rise as much as in Europe at the start of summer, and has even fallen back since June, to slightly above its pre-crisis level in August (+12% on 21 August).

### ► 3. Retail sales slipped back in July in the main western countries

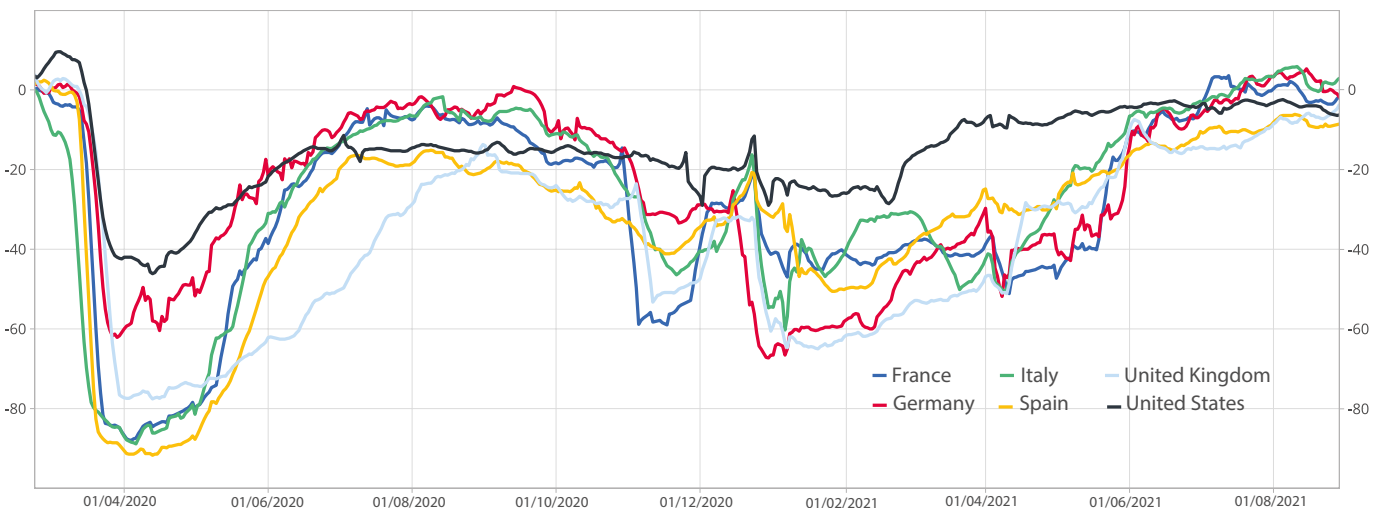
Retail sales per level (base 100 = Q4 2019)



Source: Eurostat, ONS, Census Bureau

### ► 4. Visitor numbers to non-food retail outlets and recreational facilities at their highest level since the start of the health crisis

in %



How to read it: on 22 August, visitor numbers to non-food retail outlets and recreational facilities in France were 3.0% 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 29 August 2021.

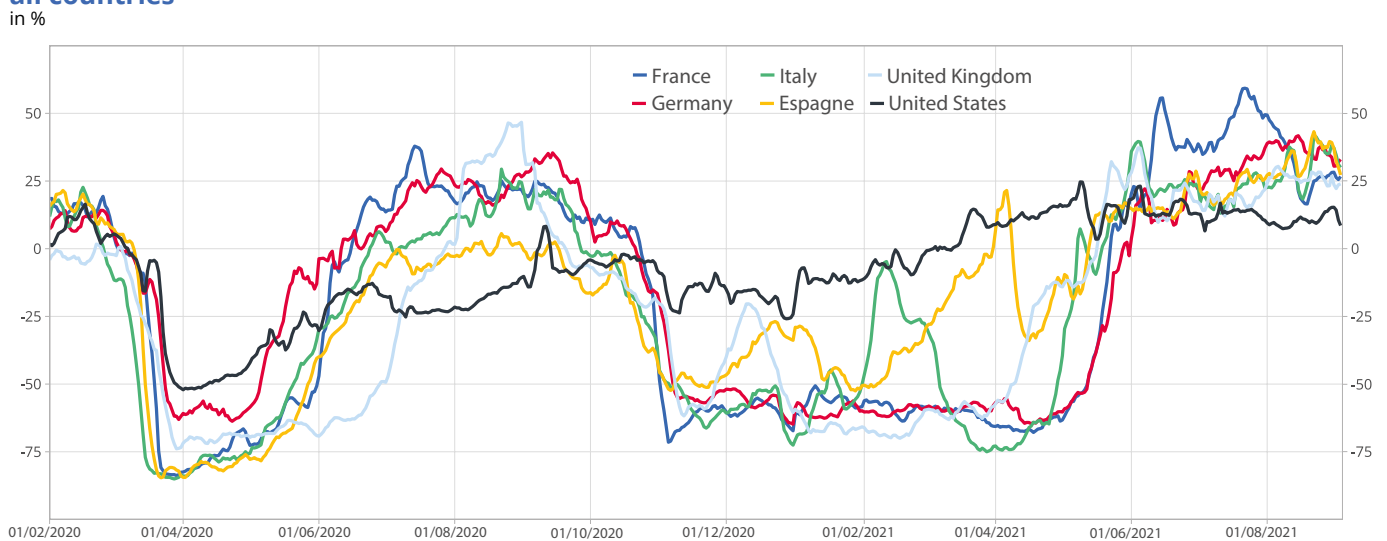
Source: Google Mobility Reports

The easing of restrictions also meant that cinemas could reopen, as can be seen from the box office takings generated from films shown in cinemas (► **Figure 6**). At the beginning of July, France quickly returned to its average pre-crisis level, before falling back to the same level seen in Germany and the United Kingdom of around -25%. Italy and Spain shared a similar profile with a decline following on from a substantial increase, but box office takings at the end of August was less than in other western countries (between -60% and -70%).

## In August, economic prospects slowed down slightly, according to business surveys

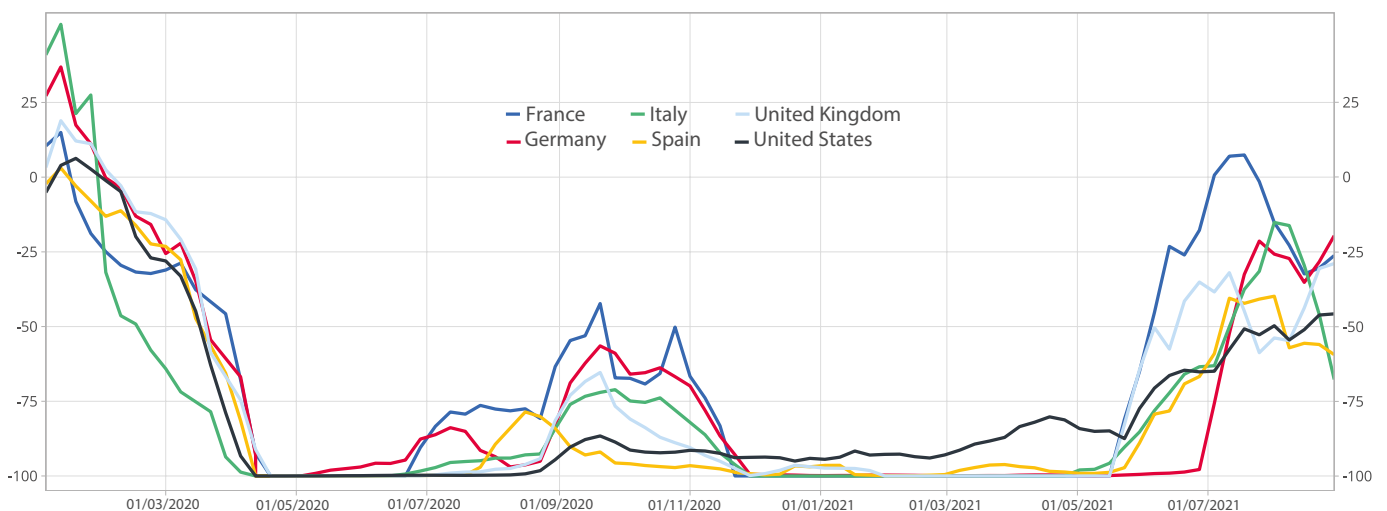
After reaching some high points in Q2, the Purchasing Managers' Index (PMI) slipped back slightly, especially in August. In the manufacturing sector, they were particularly low in countries where they had been especially high until July (drop of -3.3 points to 62.6 in Germany and -2.2 points to 61.1 in the United States, ► **Figure 7**). However, they remained well above the

## ► 5. Since restaurants reopened, the number of internet searches for "restaurant" remained high in all countries



How to read it: on 21 August, the 7-day moving average for the number of Google searches for "restaurant" in France was 24.9% higher than the average of the 7-day moving averages recorded on each 21 August between 2017 and 2019  
 Note: the date of the last point is 3 September 2021  
 Source: Google Trends

## ► 6. Box office takings soared when cinemas reopened, before falling back slightly during the summer



How to read it: between 16 and 22 August, income generated by films shown in cinemas, as a 4-week moving average, was 30% lower than the average between 2016 and 2019 for the same week of the year  
 Note: the date of the last update is the week of 23 to 29 August.  
 Source: Box Office Mojo

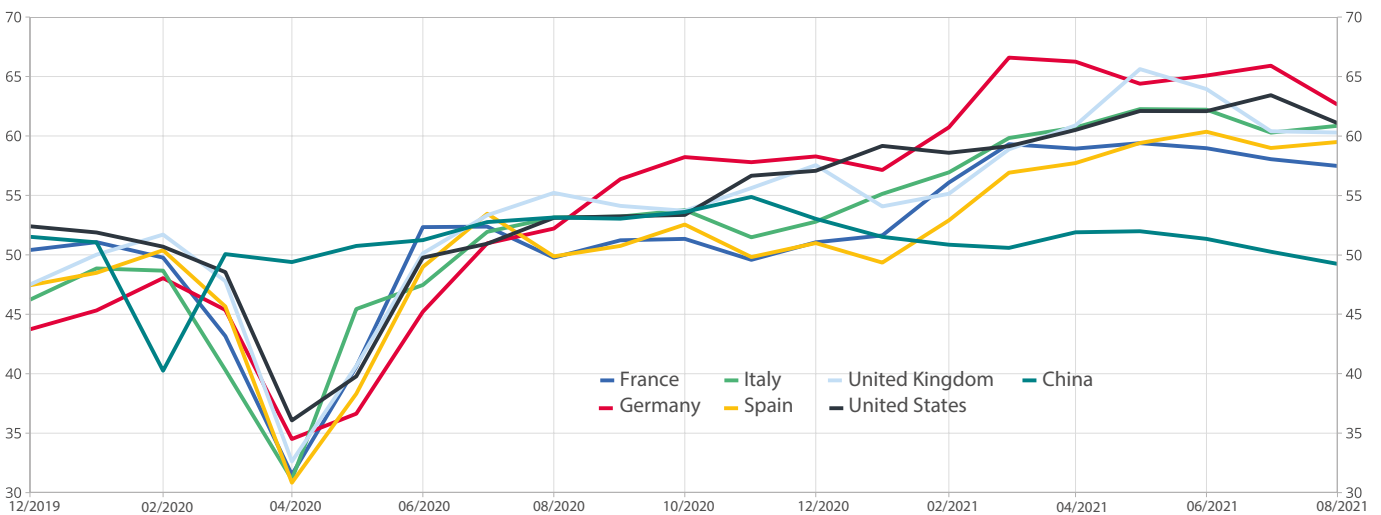
# International economic outlook

expansion threshold of 50, as they did in France (57.5) and the United Kingdom (60.3). In Italy and Spain, however, they increased in August (to 60.9 and 59.5), but remained below their June levels. Manufacturing activity in China suffered as a result of health restrictions and severe flooding, and its PMI was 49.2, its lowest level since April 2020, and below the expansion threshold.

In the services sector (► **Figure 8**), the PMI fell back sharply in the United States (-4.7 points in August to 55.2, after the particularly high maximum in May of 70.4) and the United Kingdom (-4.6 points to 55.0). The decline was more moderate in the Eurozone (-0.5 points in France and -1.0 point in Germany to 56.3 and 60.8 respectively). In the services sector in China, the decline was even more marked (-8.25 to 46.7), thus dropping below the contraction threshold. ●

## ► 7. During the summer, the manufacturing PMI declined

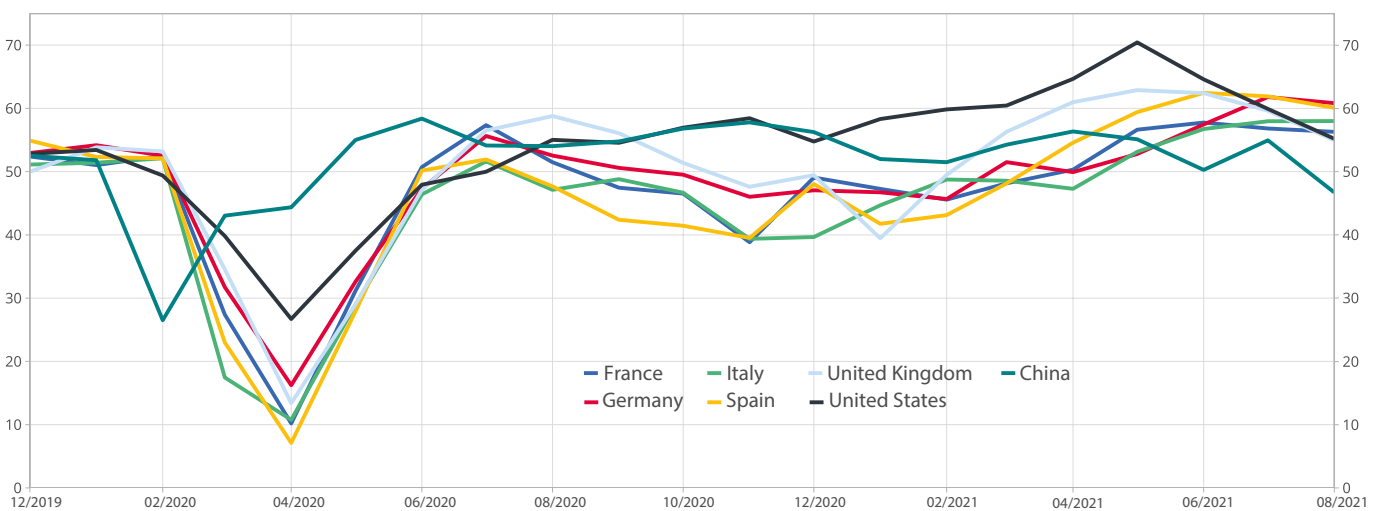
PMI (by level)



Source: Purchasing Managers' Index Manufacturing, IHS Markit

## ► 8. In August, the services sector PMI declined

PMI (by level)



Source: Purchasing Managers' Index Services IHS Markit