

Outlook surveys for May 2020: between lockdown and post-lockdown

In May, the business tendency and household consumption surveys were carried out over a period spanning lockdown and post-lockdown. Households express strong pessimism about the French economic situation. They say – as one would expect – that they are more likely to make major purchases than they were in April. On average, they say their saving capacity has increased as a result of lockdown, although this overall result may mask some large individual discrepancies.

Regarding businesses, indicators of future activity are no longer falling, but declared prospects remain bleak.

Household survey: people express greater pessimism about the general economic situation in France than about their personal financial situation

The economic outlook household survey was carried out between 28 April and 16 May 2020. The results show a marked degree of pessimism about the general economic situation in France, both in prospects for unemployment and for standard of living. As a result, the balance of opinion on the future standard of living in France in April stood at its lowest since the beginning of the series. There are significantly more households now than in April who

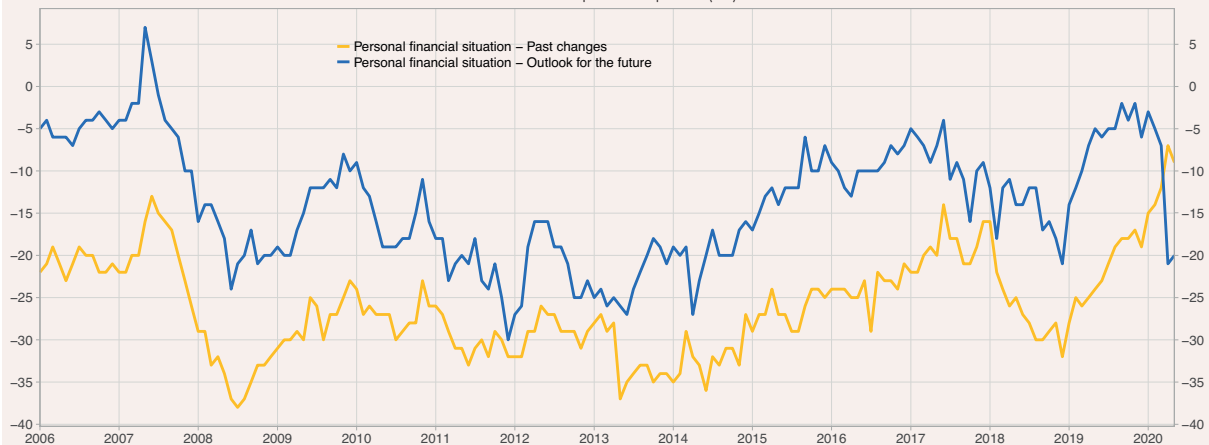
believe that prices have risen over the last twelve months; however, after increasing sharply for two months, their fears about future inflation receded in May, while still remaining strong.

Households are a little less pessimistic, however, about their personal financial situation (*Graph 1*). Although the balance of opinion on their future personal financial situation fell sharply in March, it stabilised in May. However, the balance of opinion on their past personal financial situation is still well above its long-term average.

At the same time, in May more households consider that it is a good time to save than was the case in April (*Graph 2*). In fact, the balance of opinion on the current saving capacity is at its highest level,

1 - Balances of opinion on personal financial situation (past change and prospects for change)

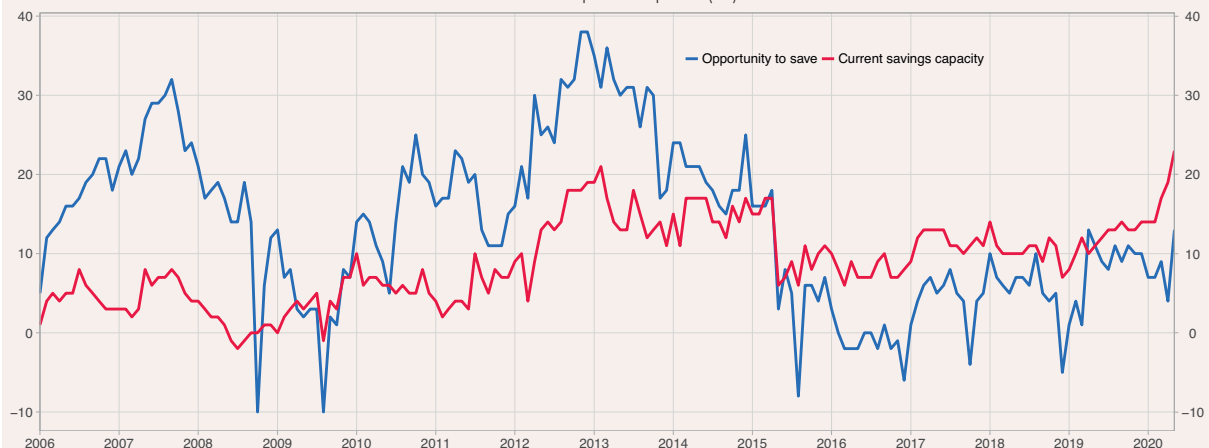
Balances of opinion in points (SA)



Source: Monthly household business survey, INSEE

2 - Balances of opinion on current saving capacity and possibility of saving

Balances of opinion in points (SA)



Source: Monthly household business survey, INSEE

probably reflecting the fact that some households were “forced” into saving during lockdown. These savings may now be used to boost consumption: after a very severe but unsurprising fall in April, the balance of opinion on the opportunity to make major purchases rebounded in May (*Graph 3*).

Business survey: prospects for activity remain very bleak but less so than in April

Since 11 May, France has started to lift the general lockdown introduced on 17 March. Business leaders who responded to the May 2020 business tendency surveys (*Method*) stress the violence of the economic shock that they experienced, indicating a much greater decline than in the previous month in their activity over the preceding three months. However, prospects for activity for the next three months are a little less bleak than in April. Irrespective of whether they are operating in industry, services or retail trade, business leaders appear less negative about general prospects for activity in their sector: the corresponding balance of opinion has recovered

a little after a very sharp decline in April (*Graph 4*); it remains very low, however, well below its average level. Business leaders are also less devastated than in April about their own prospects for activity: in particular, this balance of opinion has picked up in industry. Nevertheless, they remain very worried about demand for their goods: in industry, the balances of opinion on order books, both overall and from abroad, are at a very low level; in services, opinion on future demand has improved after tumbling in April, but the balance remains very much deteriorated.

In wholesale trade, where the survey is conducted every two months, all the main balances of opinion show a very serious downturn compared with March.

At sub-sector level, the agrifood industry appears to be resisting relatively well compared with the other industrial sectors; conversely, in the service sector, the opinion of business leaders is particularly depressed in accommodation-catering and, to a lesser extent, in real estate activities. ■

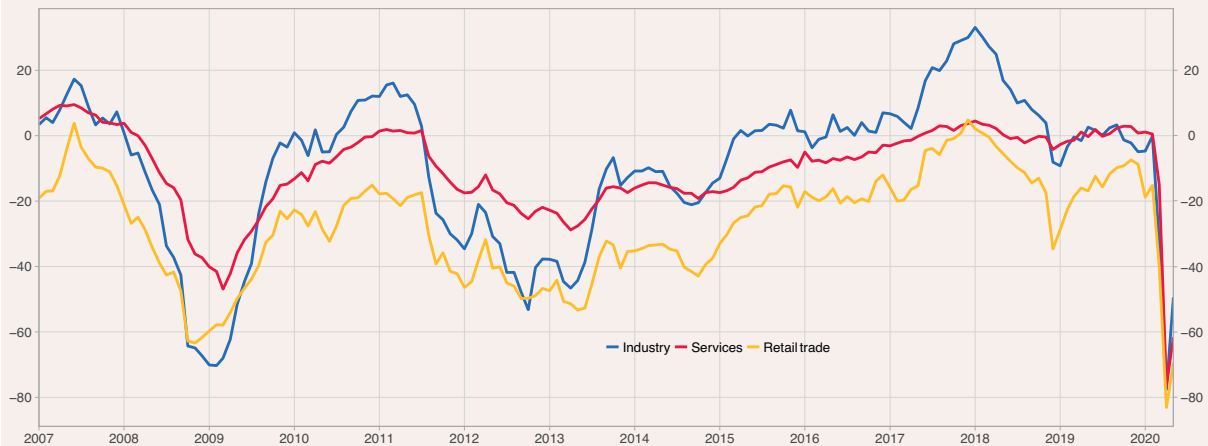
3 - Balance of opinion on the likelihood of making major purchases

Balances of opinion in points (SA)



Source: Monthly household business survey, INSEE

4 - In May 2020, the opinion of business leaders on general prospects for activity in their sector shows less deterioration than in April in industry, services and retail trade



Source: Monthly household business survey, INSEE

Method

Responses from the businesses interviewed for sectoral outlook surveys were collected between 28 April and 19 May 2020, i.e. for the most part during the general lockdown. For the services survey, for example, three quarters of responses were collected before 11 May. As in the previous month, responses were collected online only. Response rates remained lower than usual but were better than in April. By the time the responses were analysed for publication of the month's provisional results, almost half of the industrial companies questioned had responded, against only a little over a third last month. At the other end of the spectrum, only one in three building construction companies had responded by the time the responses for May were analysed, since the paper questionnaire is still often the preferred method for the construction sector units.

For the *Informations rapides* published in May 2020, the method used to correct for non-responses was modified compared with the usual method where non-responding companies' previous responses are carried over.¹ This time only those companies that responded were used. We consider that units that did not respond in April or May would have responded in the same way as the average of the responding units in the elementary stratum to which they belong, rather than repeating their previous responses. Regarding the seasonal adjustment (SA) of the series, the relevant models and parameters are re-estimated once a year, for a publication in the summer. Between two seasonal adjustment campaigns, the SA coefficients are extended over one year. The sharp drop seen in most series, starting in March 2020 and continuing into April, is therefore not interpreted here as a drop in the average level of activity for the months concerned.

The new method adopted here to correct for non-responses means substantial downward revisions compared to the April publication. However, by dispensing with the construction of a constant sample and not carrying over previous responses, this method reflects the very brutal short-term shock of the Covid-19 health crisis and the reactions of businesses more directly. ■

1. See Focus "Business tendency surveys for April 2020: the business climate at its lowest ebb", *Point de Conjoncture* 23 April 2020, pp. 8-11.