

# Economic activity

*From the end of lockdown, and according to information available on 27 May, economic activity in France is expected to see a significant upswing compared with previous weeks, although still remaining 21% lower than in a normal situation. According to some high-frequency indicators, there is likely to be a gradual upturn in activity around 11 May, the date when lockdown was lifted.*

*Unless there is a resurgence in the Covid-19 epidemic, the economic recovery should continue gradually over the next few months, although a return to the pre-crisis level of economic activity could take some time. We believe that, in the light of previous estimates, French GDP is likely to decline by about 20% in Q2 2020 (after -5.8% in Q1). This would be the worst recession since the French national accounts were created in 1948.*

**After the end of lockdown, French economic activity is expected to rebound but is still likely to remain below normal activity, by around -21%**

As of 11 May, the date when lockdown was lifted, economic activity is expected to be down 21% compared with a “normal” situation. This loss is still likely to represent a rebound of more than 10 percentage points compared with the previous estimate, published on 7 May, and which covered the last two weeks before the end of lockdown (-33%). In the market branches alone, lost economic activity is expected to be 25% (against -39% before the end of lockdown). This relative recovery in economic activity can be seen in all branches where activity is allowed. Notably, in construction the loss in economic activity is likely to be halved (-38% against -75% before lockdown ended) reflecting the

resumption of some projects. In industry, the loss of activity is expected to have recovered fourteen points compared with previous weeks (-24% against -38%). Although the resumption of work has been able to continue, activity is still expected to be affected for several reasons, including failing demand and large inventory to sell. In services, the loss of economic activity is likely to be around the same level. The restrictions and limitations imposed on activity (accommodation-catering, transport, cultural activities, etc.) as well as the decline in national demand look set to slow down recovery.

The overall upswing in activity around the date that lockdown was lifted is likely to be gradual rather than sudden (Box), in contrast to what was observed for household consumption. The situation may differ from one branch to another (especially in some branches of services where activity has been allowed only from 11 May), perhaps suggesting anticipatory behaviour on the part of businesses or maybe because they were gradually putting in place suitably adapted working conditions before the end of lockdown so that activity could resume.

**With an economic activity scenario still affected in June, GDP could drop by around 20% in Q2 2020**

The May ACEMO-Covid survey carried out by DARES, with support from INSEE, questioned<sup>1</sup> businesses on the pace at which they expected to resume economic activity after 11 May. Their responses are broken down by branch, and on the basis of estimates of lost economic activity published in the *Point de Conjoncture* of 7 May, a scenario can be drawn up for a resumption of activity for June.<sup>2</sup>

1. The survey covers non-agricultural private-sector companies with 10 or more employees. They were surveyed between 1<sup>st</sup> and 12 May 2020.

The question used to establish the economic activity scenario for June was as follows: “As of 11 May, when the lockdown is due to be lifted, how long do you think it will be before economic activity in your establishment is back to normal?” The alternative responses were:

1. Activity has not been affected or is already back to normal
2. Activity will return to normal
3. Activity will return to normal very quickly, one month after the end of the crisis
4. Activity will return to normal in two or three months
5. Activity will need more than three months before it returns to normal
6. Activity has been affected in the longer term and will not return to the pre-crisis situation before the end of the year
7. Don't know.

2. The survey was also used to estimate in part economic activity after 11 May.

Thus, given the information available on 27 May, economic activity in June could be around 14% below normal (after -25% on average in May and -35% on average in April; see previous *Points de Conjoncture*). In Q2, GDP therefore looks set to decrease by around 20% after -5.8% in Q1, the worst recession since the French national accounts were created in 1948. This forecast must nevertheless be viewed with caution since the rates at which businesses expect to resume activity are by their nature very uncertain, and also because a large number of businesses

declared that they did not know the pace of their economic recovery (these replies account for a quarter of employees).

If there were a drop in economic activity like that forecast in H1, followed by an immediate return to normal in July, this would result in a loss of almost 8 points in the pace of annual GDP growth for 2020. However, the overall impact of the epidemic in 2020 will certainly be greater, because on the face of it economic recovery, both in France and throughout the world, will continue gradually in H2. ■

**Table 1 - Estimation**

Branches	Share of GDP (in %)	Loss of activity (in %)	Contributions to loss of activity (GDP points)	Loss active estimated May 7th (in %)
<b>Agriculture, forestry and fishing</b>	<b>2</b>	<b>-6</b>	<b>-0.1</b>	<b>-13</b>
<b>Industry</b>	<b>14</b>	<b>-24</b>	<b>-3</b>	<b>-38</b>
Manufacture of food products, beverages and tobacco-based products	2	-2	0	-5
Coke and refined petroleum	0	-35	-0,1	-55
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-42	-1	-61
Manufacture of transport equipment	1	-54	-1	-69
Manufacture of other industrial products	6	-25	-2	-43
Extractive industries, energy, water, waste treatment and decontamination	2	-14	0	-23
<b>Construction</b>	<b>6</b>	<b>-38</b>	<b>-2</b>	<b>-75</b>
<b>Mainly market services</b>	<b>56</b>	<b>-25</b>	<b>-14</b>	<b>-36</b>
Trade; repair of automobiles and motorcycles	10	-27	-3	-47
Transport and storage	5	-40	-2	-59
Accommodation and catering	3	-90	-3	-90
Information and communication	5	-23	-1	-31
Financial and insurance activities	4	0	0	0
Real estate activities	13	-1	-0.1	-2
Scientific and technical activities; administrative and support services	14	-26	-3	-44
Other service activities	3	-63	-2	-76
Mainly non-market services	<b>22</b>	<b>-7</b>	<b>-2</b>	<b>-14</b>
<b>Total</b>	<b>100</b>	<b>-21</b>	<b>-21</b>	<b>-33</b>
<i>of which mainly market</i>	78	-25	-20	-39
<i>of which mainly non-market</i>	22	-7	-2	-14
<b>Total mainly merchants excluding rents</b>	<b>65</b>	<b>-30</b>	<b>-20</b>	<b>-46</b>

How to read it: as of 7 May 2020, economic activity is expected to have declined by 21% compared with a normal situation, while it had decreased by 33% as of May 7. The industry sector, where loss of activity is estimated at 24%, is likely to contribute around 3 percentage points to this decline.

Source: INSEE calculations from various sources

## Box: activity appears to have resumed gradually on and around 11 May

The loss of economic activity estimated for 27 May (-21%) is corroborated by various high-frequency indicators: rail freight traffic published by SNCF Réseau and electricity consumption by businesses measured by RTE (Electricity transmission network). Both suggest a gradual return to activity, with no sudden change on and around 11 May.

### Rail freight traffic on the SNCF network has gradually resumed since the end of April

Since lockdown began, INSEE has been using daily information on rail freight traffic moving on the SNCF network compared with a reference situation, defined as “normal”. These data provide an estimate of the loss of rail freight activity but can also be seen as a more general indicator of the loss of activity overall, since the transport of goods by rail correlates with the volume of goods traded in the economy.

While rail freight traffic declined significantly during the first month of lockdown, with an average of around 63% of trains in circulation, it picked up slightly in the last two weeks before the lockdown was lifted (69%; *Graph 1*). Since the end of April, freight train traffic has increased considerably but at a steady pace, and has reached an average of 78% of its normal traffic since 11 May. This increase in freight traffic is therefore similar to the relative recovery in economic activity in general, suggesting the gradual nature of this recovery.

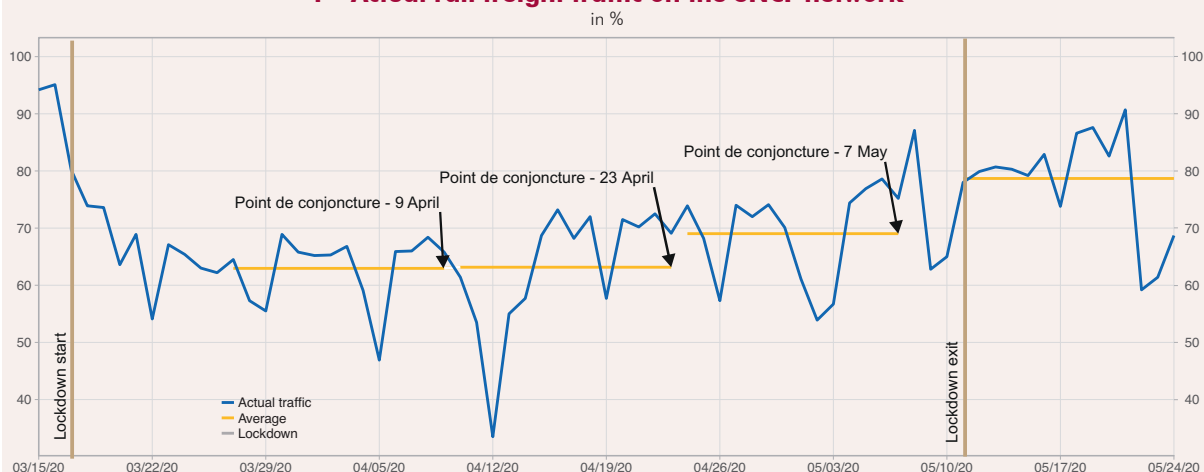
### Electricity consumption by businesses is picking up little by little, a sign of a gradual upswing in activity

Daily electricity production and consumption data for France reflect the change in behaviour brought about by the crisis and are useful for monitoring changes in activity in real time. As electricity is one of the forms of energy that is used most in the production process, variations in its production and consumption reflect major changes in GDP.

In particular, RTE’s electricity consumption data provided an early estimate of the effect of lockdown and then of the easing of lockdown for certain sectors of activity<sup>1</sup> (*Graph 2*). Some strong sectoral disparities can be seen between 23 March and 10 May, during lockdown (the first week of lockdown is excluded as it produced behaviour involving a gradual adjustment and is therefore not representative), then from 11 May with the gradual easing of lockdown. The sector with the greatest decline was transport and storage (around 60% between 23 March and 10 May); the reason for this could be the particularly large reduction in activity by SNCF and urban transport companies. Electricity consumption in this sector has gradually climbed back up since the lifting of lockdown began (-40% between 11 and 18 May). There was also a relatively strong decline in manufacturing industries (around 20% between 23 March and 10 May), followed by a slow recovery during all of the month of April, and reaching -5% between 11 and 18 May. All in all, electricity consumption, like rail freight traffic, increased gradually but with no sudden changes around 11 May. ■

1. Those where a certain number of businesses, and not necessarily the most representative, are connected directly to the network.

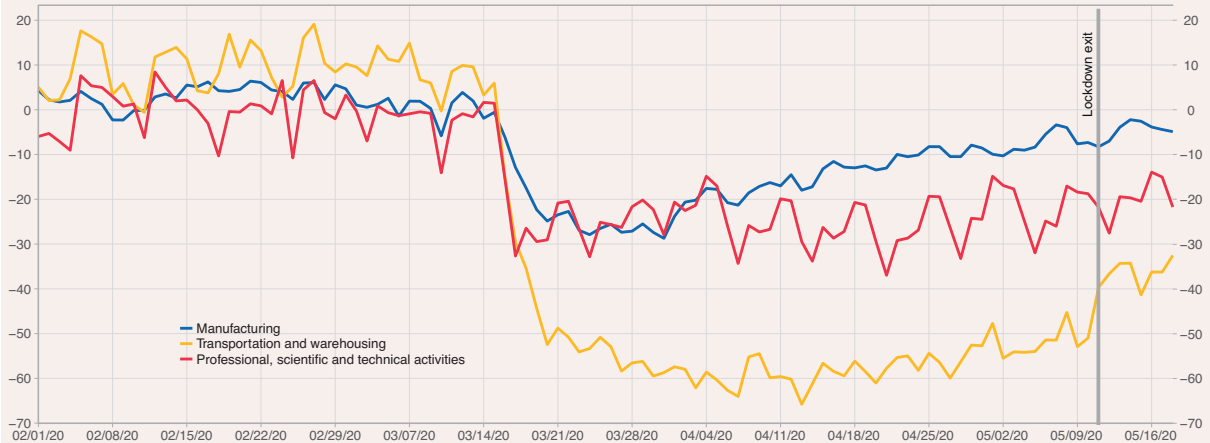
1 - Actual rail freight traffic on the SNCF network



How to read it: on 15 March 2020, actual rail freight traffic on the SNCF network was 94% compared to a reference day.

Sources: SNCF Réseau, INSEE calculations

## 2 - Electricity consumption by sector for customers connected to RTE, adjusted for working days deviation from average level (%)



How to read it: on Wednesday 1<sup>st</sup> April 2020, electricity production was 6% lower than the average level for a Tuesday in April experiencing an identical average temperature to that recorded on that day. This average level is estimated over a period from 1<sup>st</sup> January 2012 to 24 February 2020.  
Sources: RTE, INSEE calculations