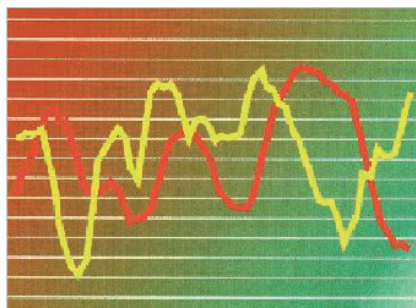


# POINT DE CONJONCTURE



8 JULY 2020

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### Preface by the director general of INSEE

This *Point de Conjoncture* is the seventh that INSEE has published since 26 March. It is also the last to be produced in this format until September: this summer, INSEE will provide an in-depth commentary on the business tendency surveys when they are published on 23 July and 27 August. A fuller version of the *Point de Conjoncture* will then be prepared in early September.

Over the last four months, with access to high-frequency data, we have been able to assess at a fairly early stage the decline in activity linked to lockdown. From these data we were also able to confirm that the lifting of lockdown led automatically to a rapid upswing in activity, although in some sectors the end of lockdown and the beginning of recovery took place more gradually than the introduction of lockdown and the halt in activity.

Alongside these *Points de Conjoncture*, INSEE has continued to publish the usual short-term indicators, most of them on a monthly basis. Indicators covering activity followed a common profile and will obviously continue to do so, linked very closely to the lockdown calendar: first dip in March, accentuated in April, start of recovery in May, confirmed in June. In addition, the suddenness and scale of this unprecedented shock will give economic forecasters a better understanding of the dynamics of some of these indicators; for example, the VAT declarations that are the best indicator of activity in the services sector are certainly a little more smoothed in some sectors than actual activity today.

Quarterly profiles will also be affected by the lockdown calendar. This period accounted for one sixth of accounts in Q1, and will represent almost half of the accounts for Q2. And the figure for the decline in activity in Q2, which we currently estimate at  $-1.7\%$  and which will be the subject of the first publication by INSEE's national accountants at the end of July, masks a gradual but steady recovery, especially from mid-May onwards.

For the first time since the start of the health crisis, today we are presenting a forecast for the coming quarters. Traditionally, in June, the forecasting period for INSEE's *Conjoncture in France* looks to the end of the year; for this we rely on the business tendency surveys of companies in the different sectors of activity, because their expectations are usually fairly reliable for the next three or six months. The exceptional uncertainty associated with the health crisis resulted in our suspending this practice due to its very fragile nature. But today, we believe that we can once again rely on the responses that businesses have provided to shed light on the end of the year. In addition to the usual monthly surveys, the survey carried out since March specifically on the initiative of DARES appears to provide useful information, provided of course that the health situation does not deteriorate.

We now anticipate that the order of magnitude of the drop in GDP in 2020 could be around ten points, or a little less. However, it is ridiculous to suggest that this would set us back ten years into the past. This drop in the annual average is of course linked mainly to the slump in the months of lockdown, however, while the economy has not emerged unscathed, it is probable that in the next few months it will return to a level closer to that which prevailed before lockdown. The indicators that we are analysing today confirm the robustness of consumption since mid-May and a significant upswing in all sectors, apart from those like air transport or the entertainment industry, which are still under restrictions due to pandemic prevention measures.

INSEE would like to thank all the partners who have provided access to high-frequency data, and we hope that this cooperation can continue: these data will still be useful in the future. The traditional tools, such as the business tendency surveys, should recover their predictive power, and will be analysed in depth each month. Statistics relating to Q2, either the quarterly accounts (for which the first estimates will be published on 31 July) or figures for employment (on 7 August) and unemployment (on 13 August), will be the subject of detailed analysis since lockdown has had a major impact on these figures. Lastly, INSEE will attempt to provide as much information as possible to demonstrate the diversity of situations, both in businesses and households.

Jean-Luc Tavernier ■

## Introduction

What shape has the economic recovery taken, what is it at present and what will it be in the future? The highly unusual nature of the current crisis cannot be easily summed up by the shape of a letter of the alphabet or some other sign. Whatever the outcome, this shape is bound to be very asymmetrical, because the collapse of the economy was almost instantaneous, coinciding with the introduction of the strict lockdown of the population. The lifting of lockdown, on the other hand, was more gradual and even the well organised lifting of the state of health emergency on 11 July does not mean the end of health protocols aimed at stemming the spread of the virus.

Almost two months after the easing of lockdown began on 11 May, the French economy has picked up fairly significantly. By June, economic activity appeared to have closed three-fifths of the gap that separated it, at the low-point of lockdown, from its pre-crisis level, while household consumption looks set to be only 3 percentage points from its “normal” level. This rebound can certainly be described as “classical”, but this result was not necessarily self-evident just two months ago: there was considerable uncertainty surrounding the easing of lockdown, both in terms of health and in terms of the economy. There were no foregone conclusions, either in terms of controlling the epidemic or regarding the ability of businesses to reorganise so that health protocols were respected, nor in households’ consumption behaviour in the face of serious concerns for their health and for their economic future.

All in all, over the whole of Q2, GDP appears to have dropped by 17% compared to Q1 (after -5.3%). This estimate is unchanged from that given in the previous *Point de Conjoncture* dated 17 June, but it may still be revised at the end of July, when INSEE publishes the first estimates for the national accounts for this quarter. In fact, Q2 2020 is unprecedented as it combines weeks of lockdown followed by weeks after lockdown was lifted, and estimating “live” the trajectory that the recovery will take is just as complicated an exercise as putting a figure on the loss of economic activity linked with lockdown in March.

After Q2, how is the second half of 2020 shaping up? INSEE’s business tendency surveys provide information on companies’ expectations for the next three months. Unsurprisingly, the outlook for production is rallying very sharply: the strength of this rebound is due in large part to the weakness of the starting point, which was economic activity in lockdown. However, industrial companies still do not consider that their order books are well filled, especially with international orders, which does not augur well for an immediate return to normal.

The Acemo-Covid survey, conducted by DARES in association with INSEE, provides some details on the pace at which businesses expect to return to normal. Using the responses collected in June, we estimate that activity in December 2020 could be between 1% and 6% short of its pre-crisis level: these figures are significant, and the scale of the interval testifies to the uncertainty that is still felt today, but there is nevertheless no comparison between them and the loss of activity seen in the spring. Taking a median assumption, GDP looks likely to rebound by about 19% in Q3 compared with Q2, then by 3% in Q4. Over the whole of 2020, there is expected to be a decline of about 9% compared with 2019.

Of course, this estimate is subject to many uncertainties, linked above all to the health situation in France and across the world. In particular, if there were to be a second wave of the epidemic in France, this would certainly slow down the recovery, although it is to be hoped that the virus and economic activity can coexist a little more easily than in the spring, thanks to the experience gained throughout this first wave.

Economic activity was in very severe decline during lockdown, but this decline was “deliberate” –the epidemic had become too virulent and had to be stopped. Large-scale measures were adopted to limit the impact of this collapse in activity: in particular, the incomes of most households were fairly well protected, resulting in forced savings which can now sustain consumption. Since May, the first steps towards recovery have been taken fairly quickly, perhaps more quickly than expected. However, it is the next steps that are likely to be the most difficult, mainly because they concern the sectors most severely affected by the crisis, and because there are still worries over world trade, with the epidemic still very active in many countries. ■

# Economic activity

According to the information available on 8 July, the loss of economic activity in June is expected to settle at around 12% below a normal situation, after -22% in May and -30% in April. Almost two months after the country gradually began to come out of lockdown, the losses of economic activity look set to be almost three times less than what was estimated at the start of lockdown.

According to companies' responses to the Acemo-Covid survey conducted by DARES in association with INSEE and looking into the pace at which they expect to resume activity, economic activity at the end of the year is still likely to be a little below its pre-crisis level. According to these expectations in June, based on known and anticipated changes at that date in health and economic conditions, this scenario is expected to result in a decline in GDP across the whole of 2020 of about -9%, the worst recession since the French national accounts were created in 1948.

**Almost two months after the end of lockdown, French economic activity is set to continue to pick up but is likely to remain below normal**

Estimates of lost economic activity in the previous months have been revised slightly as the short-term indicators of activity covering this period have gradually been published, especially the Industrial Production Index and the Services Production Index. However, lost activity during lockdown is

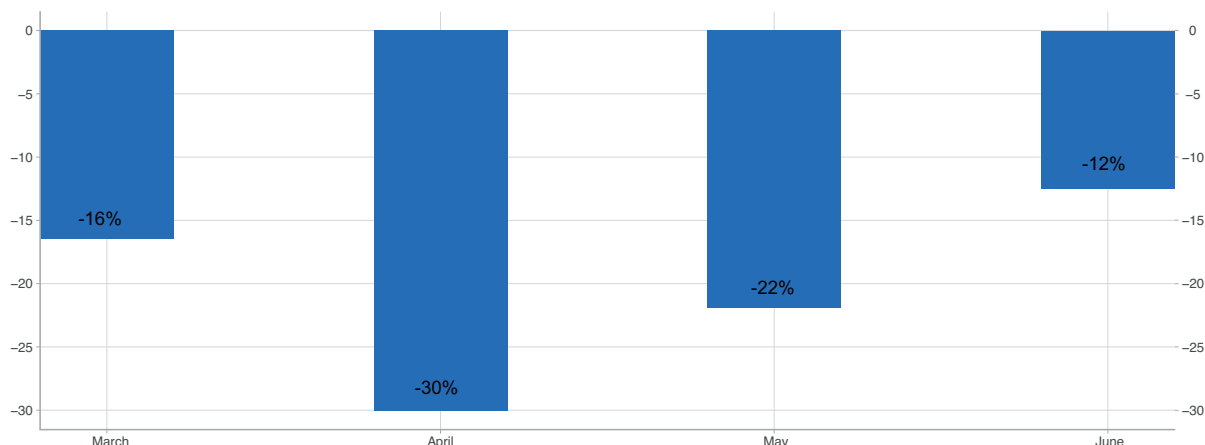
still of an order of magnitude of around 30% for a full month of lockdown (*Graph 1*).

For the month of June and taking into account the information and data available on 8 July, economic activity should continue to recover: losses are expected to be limited to 12% compared to a "normal" situation, after -22% on average in May and -30% in April. The fact that the epidemic was contained more quickly than expected, the relatively good upturn in household consumption (*Household Consumption sheet*) and the gradual return to work have probably contributed to this relatively rapid recovery.

**An upswing in activity is likely to be seen in all branches of the economy**

This continuing recovery in economic activity can be seen across all branches where activity was allowed. The loss of economic activity in construction will probably be halved compared to April (-31% in June against -61% in April; *Table 1*) as worksites start up again. In industry, the loss of activity is expected to be "only" 14%, or half of what it was in the depths of the crisis in April. This increase is the result of the return to work and the recovery of household consumption (*Household Consumption sheet*), however, industrial production is likely to continue to be affected, especially because international demand is still sluggish and there are large amounts of inventory to sell. This is especially likely in the automobile industry, where the recent return of new car registrations to their pre-crisis level may have

**1 - Monthly loss of economic activity estimated/forecast in France**  
in %



Source: INSEE calculations from various sources

been satisfied by disposal of inventory. In market services, the loss of economic activity would appear, on the whole, to be at the same level as that in industry. Although closures and restrictions on activity affected production in services through to mid-June, the new measures at the end of June easing regulations quickly resulted in an increase in economic activity in some branches that had been hit especially hard by the crisis. In particular, the regulated reopening of restaurants would appear to have brought about a significant upswing in activity in the sector: the loss of economic activity is estimated at around 20% in June, just a quarter of what it was in April.

All in all, on a quarterly basis, economic activity would seem to have declined by around 17% in Q2 (after -5.3% in Q1), a forecast similar to that published in the previous *Point de Conjoncture* of 17 June.

### Rail and road freight traffic are gradually returning to their pre-crisis levels

Daily information on rail freight traffic travelling on the SNCF network, compared to a so-called "normal" benchmark situation, provides an

**Table 1 - Estimated loss of activity in Q2**

Branches	Share of GDP (in %)	Loss of activity in April (in %)	Loss of activity in May (in %)	Loss of activity in June (in %)	Contributions to loss of activity in June (in GDP points)	Loss of activity in Q2 (in %)
<b>Agriculture, forestry and fishing</b>	<b>2</b>	<b>-12</b>	<b>-8</b>	<b>-4</b>	<b>-0.1</b>	<b>-8</b>
<b>Industry</b>	<b>14</b>	<b>-32</b>	<b>-19</b>	<b>-14</b>	<b>-1.9</b>	<b>-22</b>
Manufacture of food products, beverages and tobacco-based products	2	-11	-8	-4	-0.1	-7
Coke and refined petroleum	0	-24	-13	-9	0.0	-15
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-40	-23	-16	-0.2	-26
Manufacture of transport equipment	1	-67	-51	-41	-0.6	-53
Manufacture of other industrial products	6	-37	-21	-15	-0.9	-24
Extractive industries, energy, water, waste treatment and decontamination	2	-12	-5	-3	-0.1	-6
<b>Construction</b>	<b>6</b>	<b>-61</b>	<b>-47</b>	<b>-31</b>	<b>-1.7</b>	<b>-46</b>
<b>Mainly market services</b>	<b>56</b>	<b>-29</b>	<b>-22</b>	<b>-13</b>	<b>-7.3</b>	<b>-21</b>
Trade; repair of automobiles and motorcycles	10	-36	-27	-16	-1.7	-26
Transport and storage	5	-66	-43	-28	-1.3	-46
Accommodation and catering	3	-82	-67	-20	-0.6	-56
Information and communication	5	-10	-8	-7	-0.4	-8
Financial and insurance activities	4	-11	-8	-6	-0.2	-8
Real estate activities	13	-2	-1	-1	-0.1	-1
Scientific and technical activities; administrative and support services	14	-31	-21	-13	-1.8	-22
Other service activities	3	-67	-61	-44	-1.3	-57
<b>Mainly non-market services</b>	<b>22</b>	<b>-25</b>	<b>-19</b>	<b>-7</b>	<b>-1.5</b>	<b>-17</b>
<b>Total</b>	<b>100</b>	<b>-30</b>	<b>-22</b>	<b>-12</b>	<b>-12</b>	<b>-21</b>
<i>of which mainly market</i>	78	-31	-23	-14	-11.0	-23
<i>of which mainly non-market</i>	22	-25	-19	-7	-1.5	-17
<b>Total mainly merchants excluding rents</b>	<b>65</b>	<b>-37</b>	<b>-27</b>	<b>-17</b>	<b>-11</b>	<b>-27</b>

How to read it: in June, economic activity is expected to be down 12% (against -30% in April) compared to a normal situation. Industry, where loss of activity is estimated at 14% (against -32% in April), is expected to account for about 1.9 percentage points of this decline.

Source: INSEE calculations from various sources

## French economic outlook

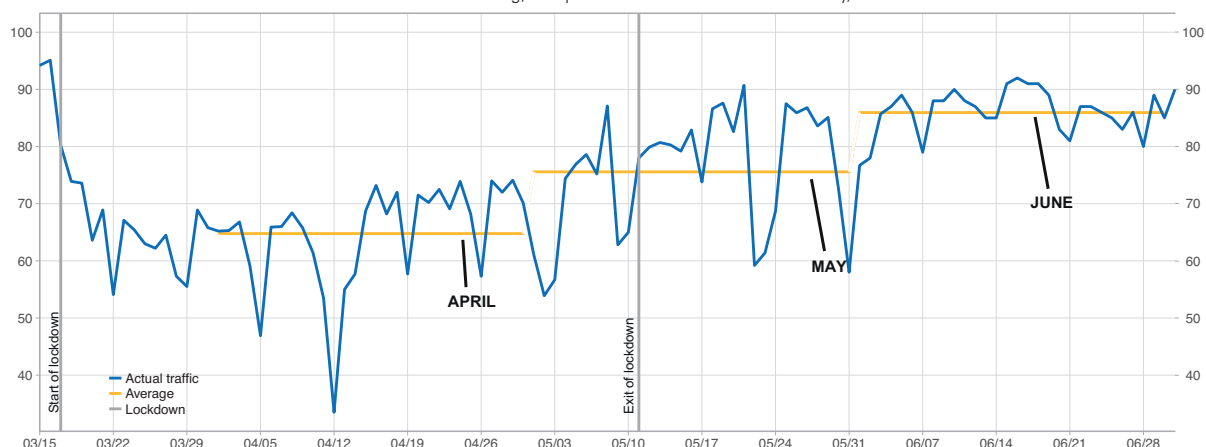
estimate for lost activity in the rail freight transport branches. A similar indicator is now available to estimate road freight traffic: the indicator of heavy vehicle traffic in France calculated by CEREMA based on data from more than 1,200 counting stations spread across the whole of the national public road network. In addition, these indicators can also reflect overall loss of activity, insofar as the transporting of goods by rail or road is correlated with the volume of goods being traded in the economy as a whole.

Over the two weeks following the start of lockdown, rail freight traffic decreased very quickly, reaching an average of 65% of the usual number of trains in circulation in April (Graph 2). Heavy road vehicle traffic contracted too, falling to about 60% of "normal" (Graph 3). In May, slightly ahead of the easing of lockdown for the

general population, traffic gradually picked up, and reached an average of 75% for rail traffic and 86% for road traffic. In June, road traffic recovered strongly and is now close to its pre-crisis level, while rail freight is still around 85% of its "normal" level. Both therefore illustrate the gradual recovery of previously estimated economic activity.

### 2 - Actual rail freight traffic on the SNCF network

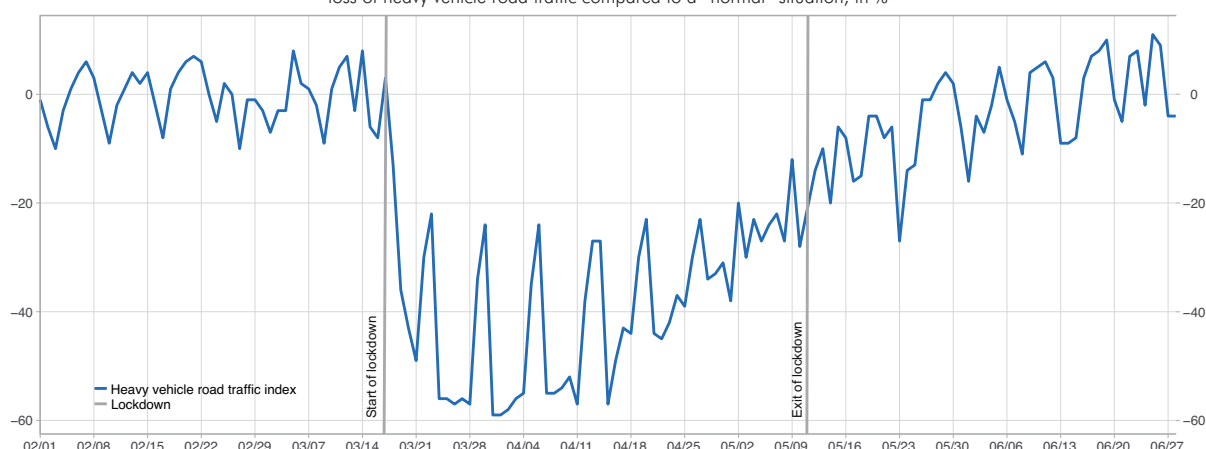
share of trains circulating, compared to a "normal" benchmark day, in %



How to read it: on 28 June 2020, actual rail freight traffic on the SNCF network was 80% compared to a benchmark day.  
Sources: SNCF Réseau, INSEE calculations

### 3 - Heavy vehicle road traffic in France

loss of heavy vehicle road traffic compared to a "normal" situation, in %



Note: the index is constructed by comparing actual traffic with pre-crisis traffic. In order to make this benchmark as "fair" as possible, it is calculated on the average daily flow from 13 January to 2 February 2020 to avoid effects related to school holidays and to the start of lockdown. In addition, the series is seasonally adjusted and working-day adjusted.

How to read it: on 28 June 2020, heavy vehicle road traffic in France was 4% less than on an equivalent day before the crisis.

Sources: CEREMA, INSEE calculations

### By the end of 2020, economic activity is expected to still be slightly below its pre-crisis level

The Acemo-Covid survey,<sup>1</sup> conducted by DARES with support from INSEE, provides information on the pace at which businesses expect their economic activity to return to a normal level, among other topics. By projecting their aggregated responses<sup>2</sup> onto estimates of economic activity for the last few months, a series of return to activity scenarios can be established – low, high or middle<sup>3</sup> – right up to the end of the year (Graph 4). At the end of

1. At this time, the third edition of the Acemo special Covid survey, carried out by DARES with support from INSEE, was mobilised. About 38,000 non-agricultural private-sector companies with 10 or more employees were surveyed between 1st and 15 June 2020, on their situation and the employment conditions of their workforce at the end of May.

2. The survey question used is as follows: “How long do you think it will be before economic activity in your establishment is back to its normal level?”

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

3. The three scenarios are defined based on interpreting the survey response modalities. The low (or high) scenario is obtained by retaining only the most “pessimistic” (or “optimistic”) interpretations. For example, to the response: “Activity will return to normal within two or three months”, the low scenario retains only the latest hypothesis, i.e. three months, whereas the high scenario retains only the earliest hypothesis, i.e. two months. The middle scenario is the average of these two. For the fifth modality, it was decided to consider that recovery was at the level of Q2 2021 for the high scenario and mid-2022 for the low scenario. Lastly, responses to the “Don't know” modality were added to the responses to the most favourable (or unfavourable) modality possible, i.e. modality 2 (or 5), in the case of the high (or low) scenario.

**Table 2 - Estimate then forecast of lost economic activity and GDP in 2020**

	in %				
	Q1	Q2	Q3	Q4	year 2020
GDP growth (quarterly variation)	-5.3	-17	+19	+3	-9
Average loss of activity (compared to “normal” situation)	-	-21	-7	-4	-

How to read it: in Q2, the average loss of economic activity is estimated at 21%, or a drop in GDP of 17% after -5.3% in Q1.

Note: the loss of activity shown in this table is the average of estimated/forecast monthly losses of activity as shown in Table 1. The loss of economic activity for a given month or quarter is measured in relation to a “normal” situation, i.e. a period before the health crisis. Conversely, the variation in GDP for a given quarter is, by definition, calculated from the level of activity in the previous quarter.

Source: INSEE calculations from various sources (forecasts from Q2 onwards)

2020, economic activity is likely to still be a little below its pre-crisis level: between -6% and -1% in December 2020, depending on the different scenarios, i.e. -4% on average.

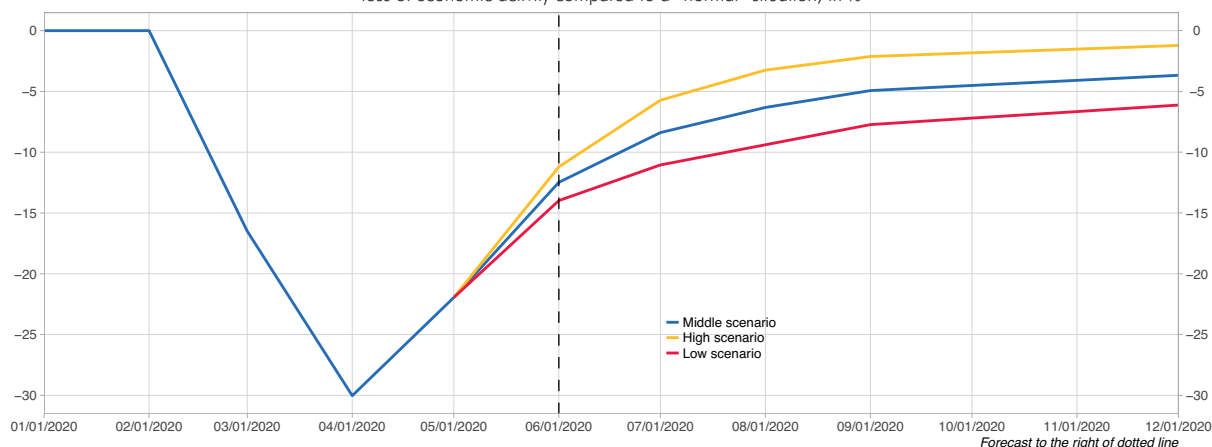
The pace of recovery appears to vary from one branch to another. Difficulties relating to regulations (whether activity allowed or not) or health issues, possible supply problems, lack of outlets or staff, have resulted in a varied distribution of loss of activity in the different branches – construction, for example, was affected more than the agri-food industry. However, depending on the intensity and frequency of these problems, they also determine companies' expected pace of recovery. Lost economic activity is expected to be about 2% at the end of the year in market services (Graph 5), whereas it is likely to remain at around 5% in industry and as much as 8% in construction (Graph 6).

These scenarios are based on business opinions expressed during the first half of June. In a context of tremendous economic and health uncertainty, these forecasts must be considered with caution. If these scenarios were to come about, after a 17% decline in Q2 compared to Q1, French GDP could be expected to pick up by about 19% in Q3 then 3% in Q4 (Table 2). In this case, for the whole of 2020, it looks set to fall back by 9% compared to 2019, i.e. the greatest annual contraction since the national accounts were created in 1948. ■



## 4 - Monthly losses of economic activity, estimated then forecast

loss of economic activity compared to a "normal" situation, in %

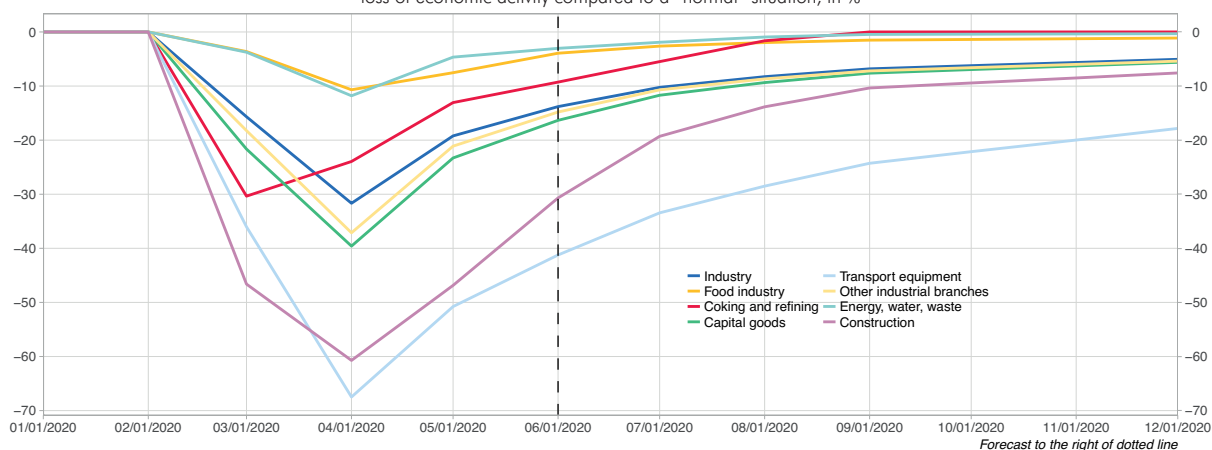


How to read it: in April, economic activity would appear to have declined by about 30%. By the end of the year, according to companies' responses to the Acemo-Covid survey, it is expected to settle at around -4%.

Sources: INSEE, DARES, Acemo-Covid survey, INSEE calculations from various sources

## 5 - Monthly losses of economic activity, estimated then forecast in industry and construction

loss of economic activity compared to a "normal" situation, in %

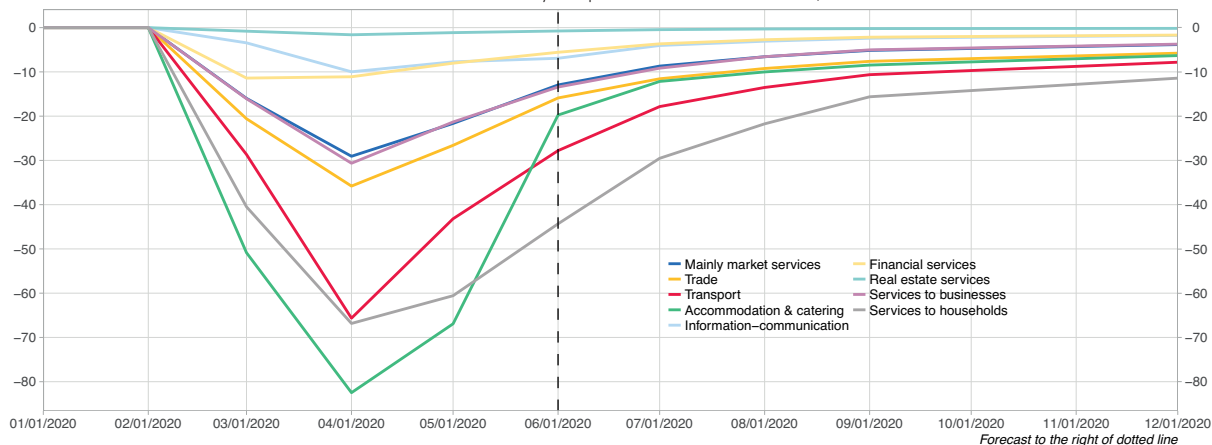


How to read it: in April, economic activity in the transport equipment branch would appear to have been 67% down compared to a normal situation.

Sources: INSEE, DARES, Acemo-Covid survey, INSEE calculations from various sources

## 6 - Monthly losses of economic activity, estimated then forecast in services

loss of economic activity compared to a "normal" situation, in %



How to read it: in April, economic activity in accommodation-catering would appear to have been 82% down compared to a normal situation.

Sources: INSEE, DARES, Acemo-Covid survey, INSEE calculations from various sources



**Electricity consumption in manufacturing industry is picking up but still lagging behind**

Electricity consumption has been a useful source for monitoring real-time changes in company and household activity during the health crisis.<sup>1</sup>

The change in consumption by businesses during and after lockdown reflects the drop in activity in March and April, then the gradual recovery. According to data from RTE (Electricity Transmission Network) on businesses connected directly to their network, electricity consumption shrank most in those branches that were most affected by the decline in activity and those that use most electricity, for example, the manufacture of transport equipment (which includes the automobile and aeronautics industries). According to data from Enedis, non-residential consumption (businesses not connected directly to RTE and the public sector) followed a similar, though slightly reduced trend.

Regarding household consumption, which on average was higher than normal during lockdown, it has now returned almost to normal, according to Enedis.

**After a sharp decline during lockdown, the upswing in activity has also been evident in companies' electricity consumption, but with some disparities between branches**

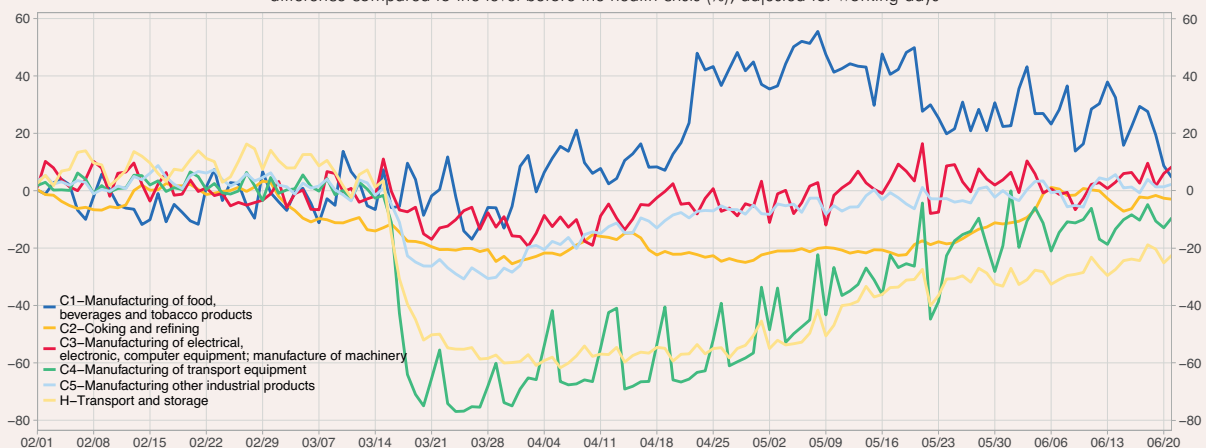
Electricity consumption data from RTE was used to monitor consumption both during and after lockdown in certain sectors of activity, where a sufficiently representative number of businesses were connected directly to the network. Their representativeness, measured from turnover, varied widely between sectors but was fairly high, even very high, in the transport services and manufacturing industry branches.

Within manufacturing industry, some strong sectoral disparities emerged after 17 March, although until then trends in electricity consumption had been relatively similar (Graph 1). For example, electricity consumption in "Manufacture of food products,

beverages and tobacco-based products" increased during lockdown (+18% between 23 March and 10 May compared to a normal period), but this rise was even more pronounced later (+31% between 11 May and 26 June, compared to a normal period), driven by consumption in the "Manufacture of starch products" branch (i.e. from rice, wheat, potatoes, corn, etc.). For the other manufacturing branches, lockdown had a negative impact on their electricity consumption but was then followed by a gradual return to normal. There was a particularly sharp decline for the manufacture of transport equipment (-61% between 23 March and 10 May, while the decline across the manufacturing industry as a whole was 17%), a branch where recovery was also slower than in the other branches of manufacturing industry (-18% between 11 May and 26 June, against -2% for the manufacturing industry as a whole). This profile of change is the same as in the sub-branch

1. Regarding the methodology, see the focus in the *Point de Conjoncture* of 7 May 2020: "What do electricity production and consumption data tell us about economic activity during lockdown?" Since climate and seasonality have a significant effect on electricity consumption, time comparisons are made only after adjustment for the effects of variations in temperature, working days and months of the year for households and businesses not connected to RTE; and after adjustment for working days for businesses connected directly to RTE.

**1 - Electricity consumption of companies connected directly to RTE by branch**  
difference compared to the level before the health crisis (%), adjusted for working days



How to read it: on Monday 15 June 2020, the consumption of electricity by companies in the Transport and Storage branch connected directly to the electricity network was still 24% lower than the average consumption level for a Monday.

Sources: RTE, INSEE calculations

## French economic outlook

that is the largest consumer of electricity, automobile manufacturing, which was very much affected by the health crisis. This was also the manufacturing industry branch that experienced the greatest drop in activity: -67% in April compared to a normal period (*Economic Activity sheet*).

For the transport and storage branch, where the decline in electricity consumption during lockdown was the greatest across all branches,<sup>2</sup> electricity consumption has still only partially recovered: between 11 May and 26 June, it was still 30% below normal.

According to Enedis, non-residential consumption, all subscribed power levels combined, was at -24% compared to a normal situation between 23 March and 10 May, before climbing back up to -13% between 11 May and 5 June (*Graph 2*). This exceptional downturn is similar to what was experienced by companies connected directly to RTE, where it was -22% between 23 March and 10 May and -8% between 11 May and 5 June.

### Household consumption has been getting closer to normal levels since the easing of lockdown started

During lockdown, households used more electricity to heat and light their homes, where they cooked their meals and used digital technology for work and entertainment. As a result, their electricity consumption increased by 3% between 23 March and 10 May (*Graph 2*). After 11 May, the end of lockdown meant a gradual return to daytime travel and working on site for a growing number of households. Their electricity consumption is therefore likely to be only slightly higher than normal between 11 May and 5 June, at around +1%.

#### Data:

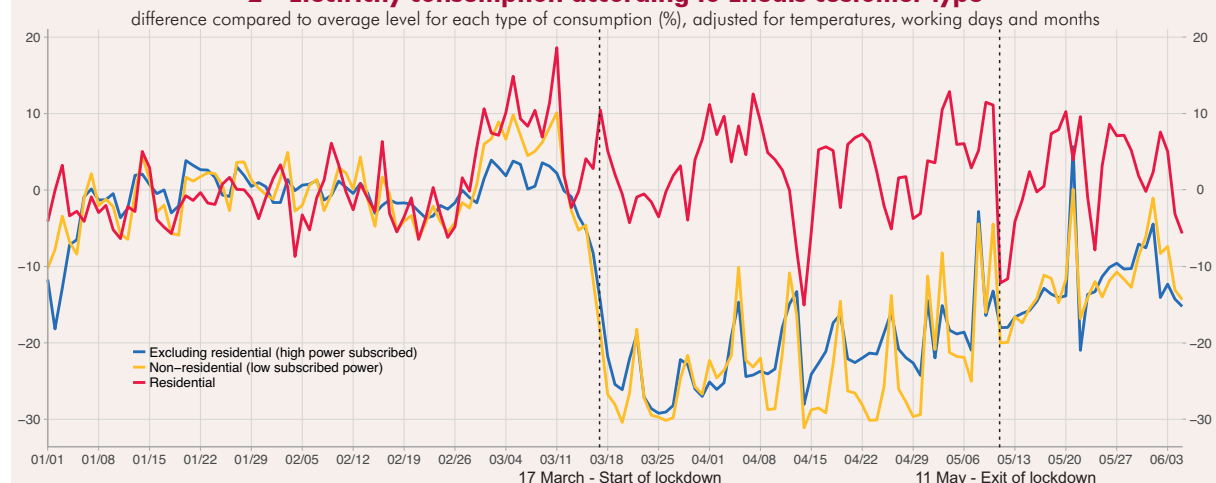
RTE (Electricity Transmission Network) is the French transmission system operator. RTE carries electricity between (French and European) electricity suppliers and consumers, whether they are electricity distributors or industrial companies connected directly to the

transmission network. The data used in this focus were supplied by RTE, and cover companies connected directly for the period 1st January 2020 to 26 June 2020.

Enedis is the main distributor of electricity (80% of consumption in Metropolitan France). The data used in this focus were supplied by Enedis, and cover the period 1st July 2018 to 5 June 2020. They are based on dynamic profiling of consumption by all customers on the Enedis network. ■

2. See *Point de Conjoncture* of 7 May

### 2 - Electricity consumption according to Enedis customer type



How to read it: on Monday 6 April 2020, electricity consumption by households was 5% higher than the average consumption level for a Monday in April with similar temperatures.

Sources: Enedis, INSEE calculations

# Foreign trade

The health crisis and the containment measures put in place in most countries have greatly affected international trade since the start of 2020. As a result, in April 2020 world trade recorded a 16% decline compared with April 2019, mainly in the advanced countries and especially in the Eurozone. In France, both exports and imports were down by more than 30% in April year-on-year, due to the measures adopted by partner countries to contain the epidemic, causing foreign demand to plummet, and leading to supply difficulties, partial shutdowns in activity in some branches and a decline in domestic demand.

INSEE is also publishing the results of a one-off additional module in the monthly outlook survey in industry for January 2020 which focused on the consequences of Brexit (*Focus*). The results of this module are only being published today, priority having been given to analysing the health crisis in the earlier *Points de Conjoncture* published since March. Since then, the Covid-19 pandemic has totally disrupted world trade, but questions do still remain about the consequences of Brexit.

## From January to April 2020, foreign trade in the advanced countries suffered more from the health crisis than in the emerging countries

World trade (measured as the sum of imports and exports of goods) fell by 3.4% in Q1 2020, according to the *Netherlands Bureau for Economic Policy Analysis* (CPB), compared to Q1 2019. After January and February had already been affected as a result of 2019 trade tensions and Brexit (-2.5% and -2.1% respectively year-on-

year) and by measures to contain the epidemic in China, world trade in March suffered a decline of more than 5%.

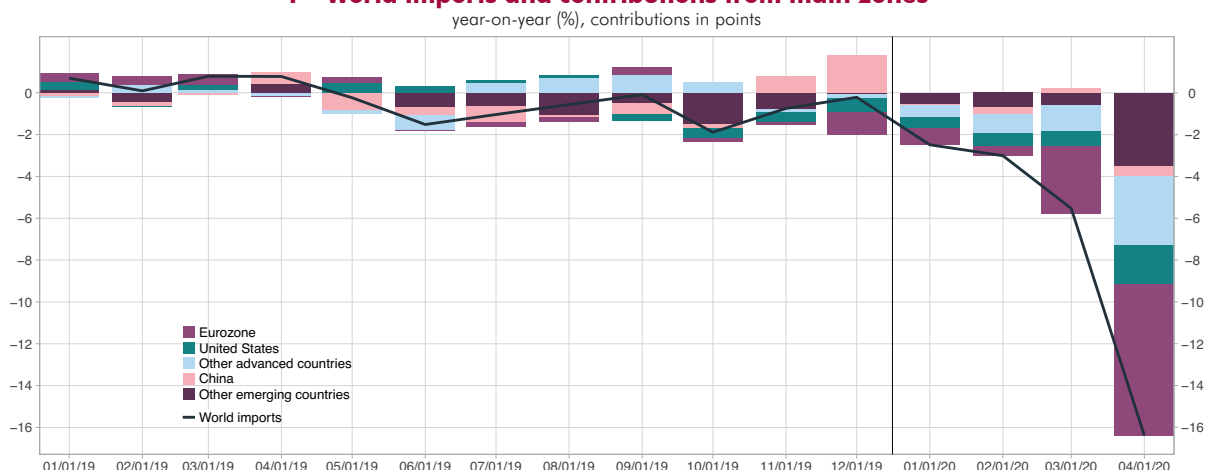
In recent months, foreign trade in the advanced countries has been penalised more by the Covid-19 crisis than that in the emerging countries. Although the first lockdown measures were put in place from the end of January in Asian countries, imports by the emerging countries declined by only 2.7% in February 2020 year-on-year, then by 0.8% in March. In comparison, imports by the advanced countries tumbled, year-on-year, by 3.5% in February then by 8.1% in March.

When the health crisis was at its height, in April 2020, the CPB recorded a decline in world imports of 16% (*Graph 1*). This momentum appears to be mainly due to the downturn in foreign purchases by the Eurozone (contribution -7.2 points) and the other advanced countries (contribution -3.3 points).

## The fall in world trade was sudden and far-reaching

In June, as containment measures were gradually phased out, new export orders traced by the PMI surveys increased slightly (43.4 in June after 32.2 in May; *Graph 2*) after a historic low in April (27.1). This level in April 2020 fell below the lowest level reached during the world financial crisis of 2008 (30.6). In addition, the indicator for new export orders for France plummeted to 15.6 in April (lowest point historically) before moving up to 29.2 in May and to 41.3 in June.

1 - World imports and contributions from main zones



Sources: Enedis, INSEE calculations

## French economic outlook

### In April 2020, French exports fell back 36% year-on-year

In this historically unfavourable national and international context, French exports fell back in Q1 (-6.1% after -0.4% in Q4 2019), which was more than in Q4 2008 (-4.8%). In April 2020, French exports tumbled by 36% year-on-year (Graph 3), with this fall affecting both goods and services. In principle, the reason for these declines is not only the significant decrease in foreign demand, but also difficulties in domestic production.

The drop in sales of manufactured goods contributed more than 25 points to the decline in French exports in April. Among the manufactured products that were in sharp decline, automobile and aeronautical products accounted for almost one third of the fall in exports (-11 points). For example, deliveries by Airbus were down by 50% in March and by 91% in April year-on-year. Capital goods and other industrial products also contributed to the decline in French exports,

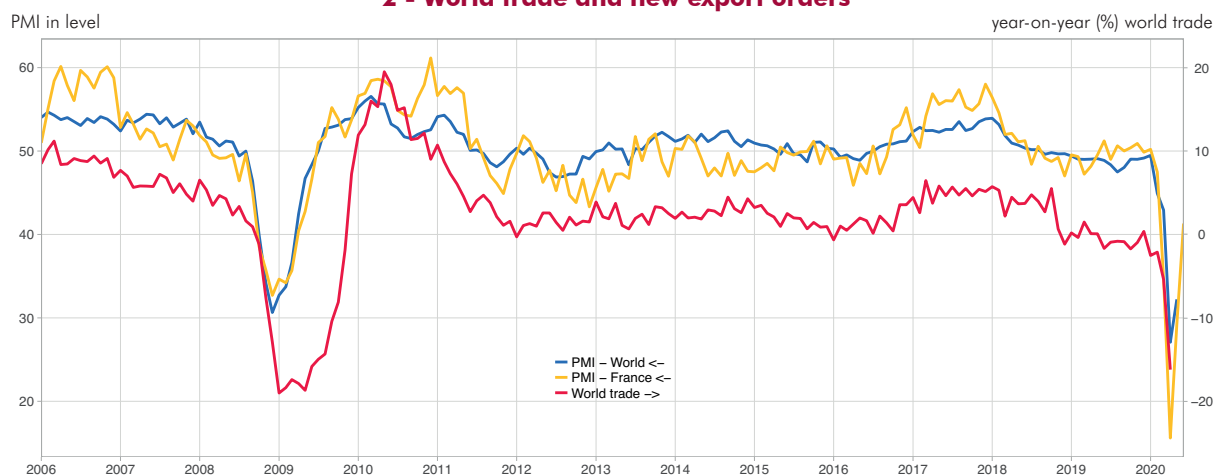
but to a lesser extent (-5 points and -7 points respectively).

On the services side, sales fell mainly for services related to travel (-83.5% year-on-year) and transport (-17.7%). Finally, international tourism became impossible on account of border closures and containment measures in France and abroad, and this also affected French trade, contributing -2.9 points to total exports.

### In April 2020, the partial shutdown of the French economy resulted in a decline in imports (32.5% year-on-year)

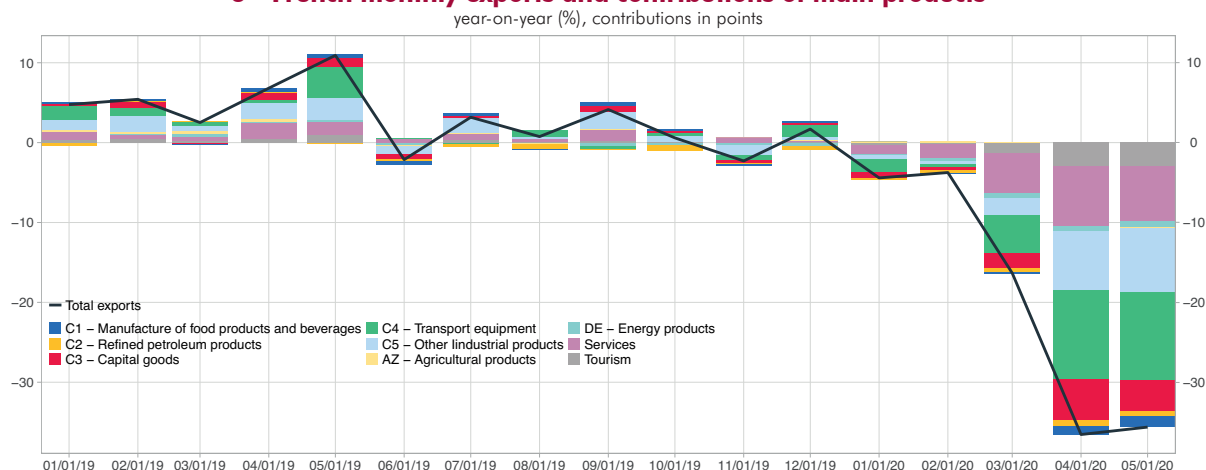
Imports tumbled by 32.5% year-on-year in April, a similar pace to the estimated loss of economic activity in the *Points de Conjoncture* (Graph 4). The main reason for this downturn is that demand for foreign manufactured goods (contribution -23 points) came to a temporary halt, especially capital goods – industrial and agricultural machinery – other industrial products – metallurgical and

## 2 - World trade and new export orders



Sources: IHS Markit, CPB, INSEE calculations

## 3 - French monthly exports and contributions of main products



Sources: Banque de France, Customs, INSEE calculations

metal products – and transport equipment – aircraft engines, automobile equipment.

Tourism and services also contributed to the downturn in French imports (–1.8 points and –4.5 points respectively in April). In particular, the decline in imports of services was due mainly to travel-related services (–79.4% compared to April 2019) and transport services (–18.2%).

Finally, by analysing import content, obtained via the symmetric input-output table for 2016, the loss of imports due to the partial shutdown of the French production capacity in April 2020 can be estimated. In this case, the decline in imports can be explained both by the downturn in French exports and domestic demand, and by the contraction in production across the entire country, since production capacity incorporates on average 27% of imported intermediate consumptions. In fact, 40% of the loss of imports as a result of the decline in national production in April was due to the partial or total shutdown of factories producing transport equipment and 26% due to the partial or total closure of refineries. Similarly, the decline in household consumption in April appears to have contributed to bringing down the level of imports, whether or not to satisfy this demand directly.

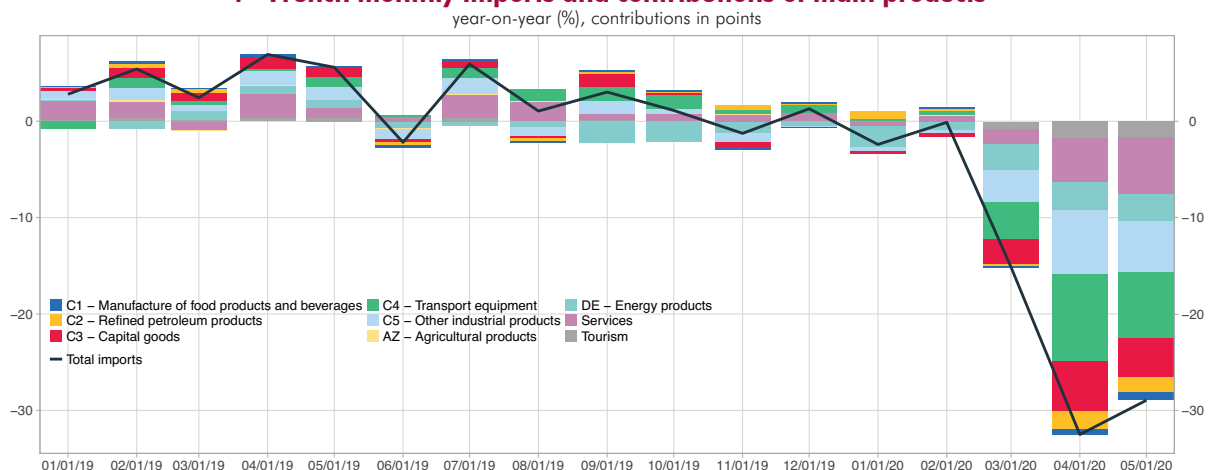
Thus in May, foreign trade had still deteriorated more than national production which was in the recovery phase.

The first indicators based on trade in goods outside the European Union (EU) suggest a sharper recovery in June 2020. Both French imports and exports of goods to or from countries outside the EU are expected to increase to around 80% of their level one year before, limiting the loss to –20% year-on-year. ■

### In May 2020, French foreign trade picked up slightly, before increasing more strongly in June

As a result of the easing of the containment measures and the improvement in new export orders, French foreign trade rebounded a little in May 2020, but was still at a low level. In fact, French exports in May remained 36% down on the previous year's level, with this year-on-year level only one point higher than that observed in April. Regarding imports, they picked up by 4 points in May 2020 compared with April (–29% year-on-year against –33%), mainly due to the upturn in trade in transport equipment and capital goods.

#### 4 - French monthly imports and contributions of main products



Sources: Banque de France, Customs, INSEE calculations

### In January 2020, one in five manufacturing companies believed that *Brexit* would have a negative impact on their activity in the short term

A one-off question was added to the monthly outlook survey in industry for January 2020 on the probable effect of *Brexit* on business activity.<sup>1</sup> Twenty-one per cent of companies surveyed in the industry sector believed that *Brexit* would have a negative effect on their activity in the short term, especially in the manufacture of transport equipment and agrifood sectors. Delays, administrative problems and customs tariffs were the main concerns expressed.

In January 2020, companies in the industry sector responding to the outlook survey were questioned about the probable effect of *Brexit* on their activity over the course of the next three months. At that time, following the British general election on 12 December 2019, the scenario of an “orderly” exit by the United Kingdom from the European Union (EU) on 31 January 2020 had stabilised. On 22 January 2020, the British Parliament definitively validated the agreement negotiated in September 2019 with the EU. The United Kingdom then formally left the Union on 31 January 2020, with no immediate consequences for trade relations. European regulations continue to apply until the end of 2020, with this transition period giving the UK time to define its future relations with the EU.

To respond to the question of the likely effect of *Brexit* on their future activity, companies were invited to choose one qualitative modality (positive, neutral or negative effect), and were also given the opportunity to leave an open comment (*Figure 1*). Out of about 4,000 companies surveyed, over 2,800 replied and of these, more than 500 left an open comment.

#### 1 - Question on the effect of *Brexit* included in the monthly outlook survey in industry in January 2020

EFFECT OF BREXIT ON YOUR BUSINESS			
Likely effect of <i>Brexit</i> on your business over the next 3 months.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specify : .....	positive	neutral	negative

Among the industrial companies surveyed in January, 21% believed that *Brexit* would have a negative effect on their activity in the course of Q1 2020 (*Table*). This share of companies was particularly high in the manufacture of transport equipment (37%) and agrifood (26%) sectors. According to the comments that companies left, their concerns focused on delays and administrative problems linked to customs controls, as well as additional costs generated by possible customs tariffs (*Figures 2 and 3*), both for deliveries and for obtaining supplies. Also mentioned were the risk of fluctuations in the sterling exchange rate, the need to increase inventory due to longer delivery times and the potential loss of customers in the United Kingdom. To a lesser extent, they anticipated legislative problems related to ownership rights or certifications. Lastly, in the shorter term, companies mentioned some precautionary stockpiling by their British customers in 2019, which would seem to have resulted in lower sales at the beginning of 2020.

#### Opinions of industrial companies on the probable effect of *Brexit* on their activity in Q1 2020

in %

	Positive	Neutral	Negative
<b>Industry as a whole</b>	<b>1</b>	<b>78</b>	<b>21</b>
<b>Manufacturing industry</b>	<b>1</b>	<b>78</b>	<b>21</b>
C1-Manufacturing of food, beverages and tobacco products	2	72	26
C3-Manufacturing of electrical, electronic and computer equipment; manufacture of machinery	1	82	17
C4-Manufacturing of transport equipment	2	61	37
C5-Manufacturing of other industrial products	1	83	17

How to read it: in January 2020, 21% of industrial companies interviewed believed that *Brexit* would have a negative effect on their activity during the next three months.

Note: responses are weighted according to company turnover.

Source: Insee, January 2020 business survey in industry

1. The results of this module are only being published today, priority having been given to analysing the health crisis in the previous *Points de Conjoncture* published from March onwards. Since then, the Covid-19 pandemic has disrupted the world economy, but questions still remain about the consequences of *Brexit*.



The vast majority of companies (78%) believed that *Brexit* would not affect their activity. According to their comments, these were mainly industrial businesses that did not trade with the United Kingdom (no customers or suppliers). A minority of companies reported neutral effects or effects still unknown at the start of 2020 due to the state of progress in the negotiations.

Very few companies (1%) reported that they expected *Brexit* to have a positive effect on their activity. According to the comments, in the short term they were expecting changes in inventories by their British customers, or they hoped to benefit from a repatriation of production to France. ■

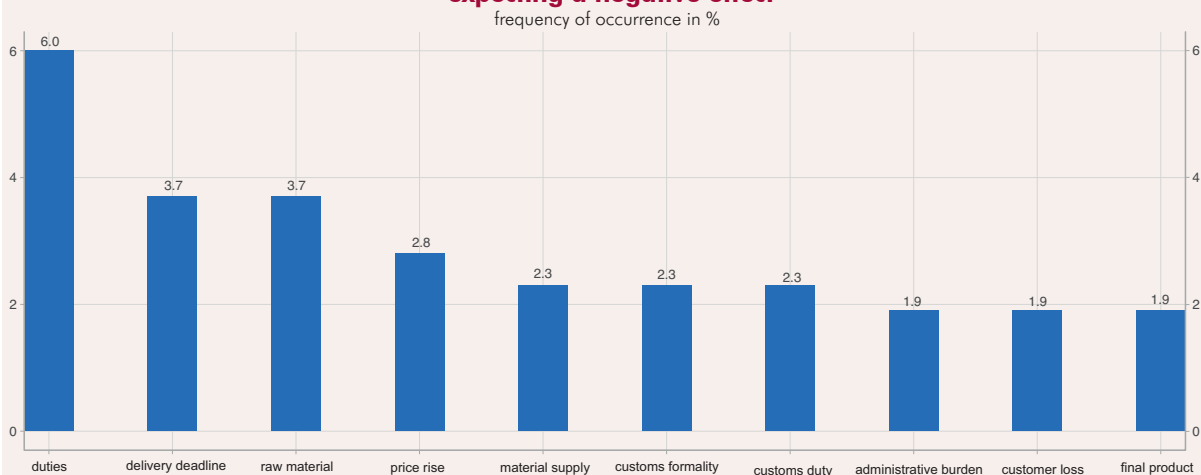
### 2 - Word cloud for companies expecting a negative effect



How to read it: the larger the font size of the word in the word cloud, the more often it occurred in the comments left by companies expecting a negative effect. Note: the frequency of words in the responses is not weighted according to the characteristics of the respondent company.

Source: Insee, January 2020 business survey in industry

### 3 - Analysis of two-word associations in comments by companies expecting a negative effect



How to read it: the words "customs duty" occurred in 6% of comments left by companies expecting a negative effect.

Note: the frequency of words in the responses is not weighted according to the characteristics of the respondent company.

Source: Insee, January 2020 business survey in industry

### Method

Text analysis was carried out using the *tm* and *wordcloud* packages available with R software. The text was first cleaned to remove words that brought no information or meaning to the analysis (e.g. the article "the"). The main ideas can be summarised using word clouds, they show the most commonly used words in the text, varying their size and colour according to the frequency with which they appear. ■



# Household consumption

Having rebounded sharply in May at the end of lockdown, household consumption overall is expected to be back almost to its pre-crisis level in June (Table 1). Some areas of expenditure are still expected to be at a higher level than “normal”, especially manufactured goods, reflecting the continuing additional spending already observed when lockdown restrictions were first lifted. Other spending is likely to remain below normal levels, however, despite having caught up significantly compared with the first weeks after the easing of lockdown restrictions (spending on fuel, transport services, accommodation and catering). All in all, given its sharp decline in April and its rebound in May and then in June, household consumption in Q2 2020 is expected to be 17% below its pre-crisis level (i.e. a quarterly decline of 12%, after -5.6% in Q1).

As in the previous *Points de Conjoncture*, the estimate given here is based on assumptions of loss or gain in consumption compared to a “normal” period of activity, applied to different goods and services. These assumptions are based mainly on information from bank card transaction data and scanner data. They also reflect the consequences of the regulatory measures put in place from the start of the health crisis (authorisations for businesses to open, etc.) and specific consumer behaviours (constant need for certain types of product, etc.).

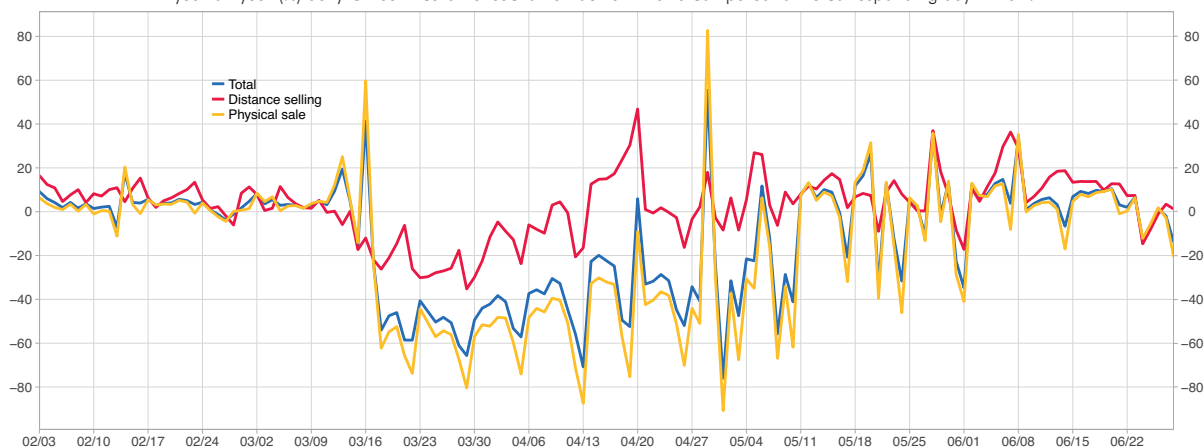
As soon as lockdown restrictions were lifted in mid-May, household consumption rebounded strongly, remaining at a level slightly below

“normal” for the rest of the month of May (-7%, *Point de Conjoncture* of 17 June). In June, consumption would appear to have increased, almost returning to its pre-crisis level (-3% on average for the whole of June). This virtual return to normal is reflected mainly in the total amount in bank card transactions, which since the end of lockdown, and especially in June, has now converged overall with its 2019 level (Graph 1). In particular, the dynamics of physical sale and online sale payments are currently moving much closer together, a sign that people are resuming their more usual consumption habits. However, some consumer items are still subject to the effects of the health crisis.

In June, consumption of manufactured products appears to have been 6% higher than in a normal situation, contributing to an increase in consumption of 3 points. Some expenditure seems to have continued the catch-up that began as soon as lockdown restrictions were lifted, such as spending on fuel (Graph 2) or transport materials. For other manufactured goods, the additional consumption observed when lockdown ended seems to have declined, with spending returning almost to normal (e.g. in clothing-footwear, although spending at the end of June appears to have been below the 2019 level, since at his same period in 2019 the summer sales were starting, Graph 3) or in some cases still remaining well above normal for most of June (e.g. equipment

## 1 - Bank card transactions in store and online

year-on-year (%) daily CB bank card transaction amounts in 2020 compared to the corresponding day in 2019



How to read it: on Monday 15 June 2020, physical CB bank card sales were 4% higher than on Monday 17 June 2019.

Note: the very high year-on-year level on Wednesday 29 April 2020 is linked to the fact that the corresponding day in 2019 was Wednesday 1st May, a public holiday, when CB bank card transaction amounts, all types of sale combined, were particularly low.

Source: *Cartes Bancaires CB*, INSEE calculations

for the home, *Graph 3*). In addition, on average across the month, household spending on agrifood products appears to have maintained a similar momentum to that of previous months, but with some occasional increases during lockdown (*Graph 4*).

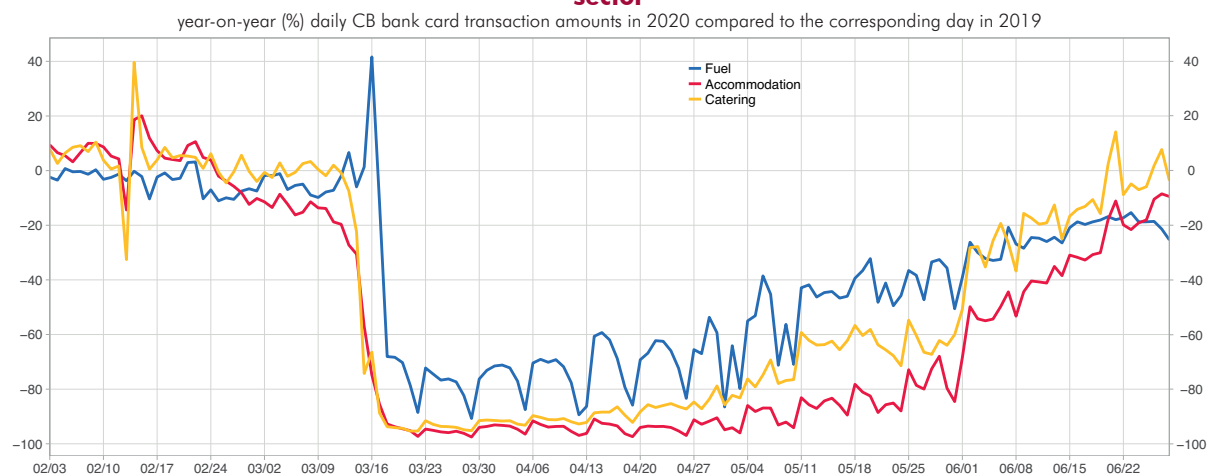
In June, consumption of mainly market services appears to have been 9% lower than in a normal situation, i.e. a contribution of -4 points to the overall loss of household consumption. The catch-up in consumption that started in accommodation and catering appears to have continued and at a much faster pace than when lockdown was first lifted, which is linked to the gradual lifting of restrictions on opening (*Graph 2*). This is also the case in transport services, where consumption appears to have increased considerably, although it is still below its pre-crisis level. However, services that are still subject to restrictions on their activity

are likely to remain at seriously low consumption levels, as in air transport or cultural activities, for example.

In mainly non-market services, consumption would seem to have continued to pick up slightly, with the gradual resumption of local outpatient care and market teaching services, although it has not yet recovered its normal level of activity (-17% loss of consumption in June, contributing -1 point to overall loss). In the construction branch too, the upswing in renovation work appears to have increased household consumption considerably, although it remains below its normal level (-31% loss of consumption in June, a marginal contribution to overall loss).

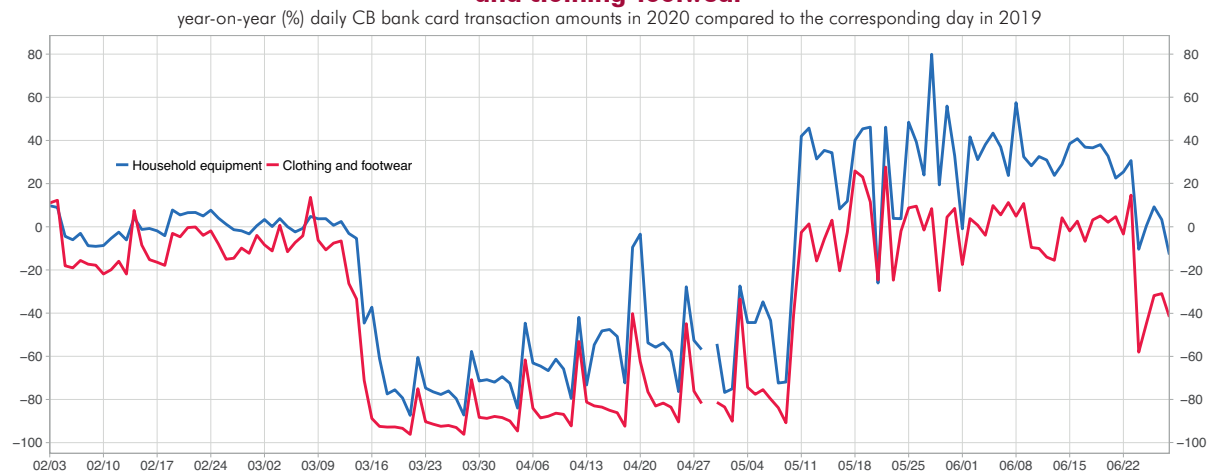
All in all, given the estimates for loss of consumption in April and May (-32% and -15% respectively, revised slightly since the last *Point*

## 2 - Bank card transactions for purchases of fuel and purchases in the accommodation and catering sector



How to read it: on Monday 15 June 2020, bank card transactions in the catering sector were 17% lower than on Monday 17 June 2019  
Source: *Cartes Bancaires CB, INSEE calculations*

## 3 - Bank card transactions for purchases of household equipment and clothing-footwear



How to read it: on Monday 15 June 2020, bank card transactions on household equipment were 37% higher than on Monday 17 June 2019.

Note: for clarity, the values corresponding to Wednesday 29 April 2020 have been removed because the corresponding day in 2019 was Wednesday 1st May, a public holiday, giving a very high year-on-year figure.

Source: *Cartes Bancaires CB, INSEE calculations*

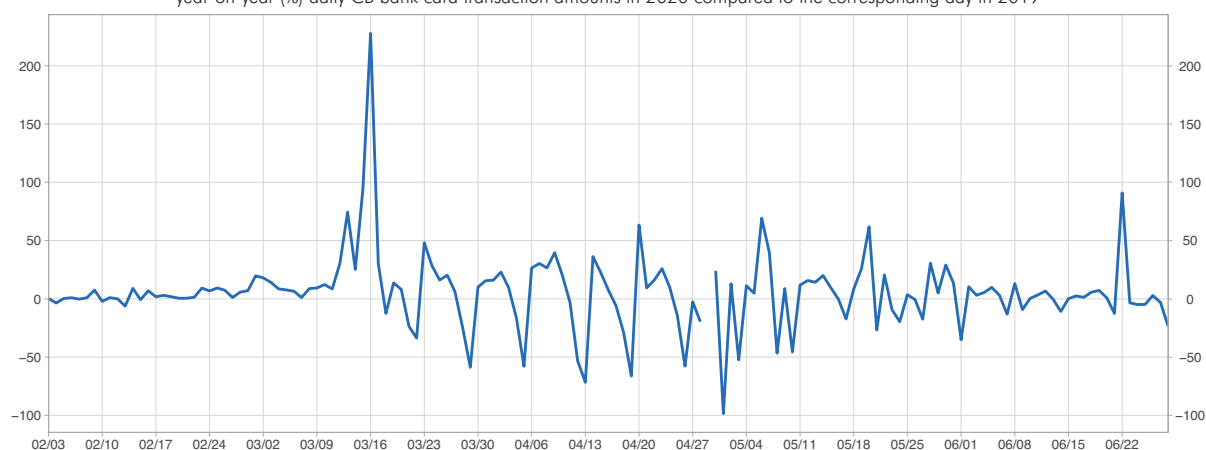
## French economic outlook

de Conjoncture), household consumption in Q2 2020 appears to be 17% down on the level in a normal situation. The month of April, spent entirely in lockdown, certainly marked the low point in this decline, affecting all goods and services, with the exception of food and some specific services (especially real estate, finance and insurance services). From May onwards, the month during which lockdown measures were lifted, the upturn in consumption appears to have been much faster for industrial goods (+28 consumption points in May) than for services (+8 points in May for market services). The availability of existing industrial goods inventory appears to have enabled the catch-up in consumption to take place in May and June, while production was recovering only gradually (Graph 5). For services, however, residual restrictions on activity at the end of lockdown combined with health

protection measures (physical distancing, etc.) would appear to have set the pace for the recovery of consumption, with the result that it was much more gradual. ■

### 4 - Sale of agricultural and agrifood products excluding tobacco in major retail outlets

year-on-year (%) daily CB bank card transaction amounts in 2020 compared to the corresponding day in 2019

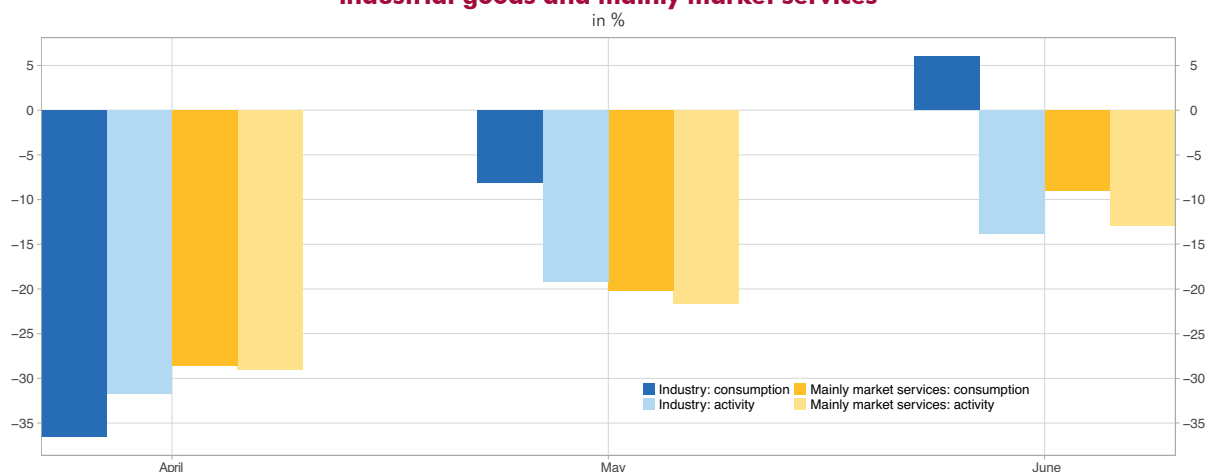


How to read it: on Tuesday 16 June 2020, sales of agricultural and agrifood products excluding tobacco were 2% higher than on Tuesday 18 June 2019.

Note: for clarity, the values corresponding to Wednesday 29 April 2020 have been removed because the corresponding day in 2019 was Wednesday 1 May, a public holiday, giving a very high year-on-year figure.

Source: scanner data of several supermarket and hypermarket signs, INSEE calculations

### 5 - Estimated difference in level of consumption and activity compared with a normal situation, for industrial goods and mainly market services



How to read it: in April 2020, consumption of industrial goods appears to be 37% below normal. Industrial activity appears to be 32% below normal.

Sources: INSEE calculations from various sources

## 1 - Estimated difference in level of household consumption compared with a "normal" situation

Products	Share of consumption* (%)	Difference for April (in %)	Difference for May (in %)	Difference for June (in %)	Contributions for June (in points of percentage)	Difference for Q2 (in %)
<b>Agriculture, forestry and fishing</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>3</b>
<b>Industry</b>	<b>44</b>	<b>-37</b>	<b>-8</b>	<b>6</b>	<b>3</b>	<b>-13</b>
Manufacture of food products, beverages and tobacco-based products	15	3	3	5	1	4
Coke and refined petroleum	4	-55	-30	-10	0	-32
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3	-61	-7	23	1	-15
Manufacture of transport equipment	6	-69	-23	5	0	-29
Manufacture of other industrial products	13	-67	-12	11	1	-23
Extractive industries, energy, water, waste treatment and decontamination	5	-7	1	0	0	-2
<b>Construction</b>	<b>2</b>	<b>-61</b>	<b>-41</b>	<b>-31</b>	<b>0</b>	<b>-44</b>
<b>Mainly market services</b>	<b>46</b>	<b>-29</b>	<b>-20</b>	<b>-9</b>	<b>-4</b>	<b>-19</b>
Trade; repair of automobiles and motorcycles	1	-65	-1	16	0	-17
Transport and storage	3	-83	-72	-43	-1	-66
Accommodation and catering	7	-82	-67	-20	-1	-56
Information and communication	3	-10	-6	0	0	-5
Financial and insurance activities	6	0	0	0	0	0
Real estate activities	19	0	0	0	0	0
Scientific and technical activities; administrative and support services	2	-37	-20	-18	0	-25
Other service activities	4	-65	-37	-29	-1	-44
<b>Mainly non-market services</b>	<b>5</b>	<b>-37</b>	<b>-25</b>	<b>-17</b>	<b>-1</b>	<b>-26</b>
<b>Total</b>	<b>100</b>	<b>-32</b>	<b>-15</b>	<b>-3</b>	<b>-3</b>	<b>-17</b>

\* weight in final household consumption spending (excluding territorial correction)

How to read it: the level of household consumption of accommodation and catering services in June is expected to be 20% lower than that usually observed in a normal period of economic activity, contributing a 1-percentage point reduction in household consumption overall.

Source: INSEE calculations from various sources

## How has households' opinion on their saving capacity changed during the health crisis?

During the health crisis in France, lockdown measures and the partial halt in economic activity have resulted in a sharp drop in household consumption. Since households' income losses were relatively moderate, their savings have increased significantly as a result.

The monthly consumer confidence survey (CAMME) measures how households perceive their current saving capacity. The corresponding balance of opinion has increased continuously since the start of the health crisis, and in June 2020 it reached its highest level since the series was begun (1970). This perception can vary according to the category of household, and especially according to the type of job held. Households in work, especially those with the most stable employment conditions (payroll employment, full-time jobs, open-ended jobs), are those whose saving capacity declared in the survey had increased most in recent months. The balance of opinion increased both for the most modest households and for the most wealthy; however, all other things being equal, it increased a little more for the latter.

### Since the start of the health crisis, relatively more households have responded that their saving capacity has increased

After relative stability in H2 2019 and until February 2020, the aggregated balance of opinion on current household saving capacity increased sharply from March onwards, and reached a historic peak in June (*Graph 1*). In other words, a larger number of households replied that they "manage to save a little or a lot of money" rather than the opposite.<sup>1</sup> This trend is a direct reflection of the lockdown effect, which limited the opportunities to consume (household consumption in April fell to around 30% below its pre-crisis level, according to estimates in previous *Points de Conjoncture*), whereas gross disposable income was relatively unaffected, through various measures (partial activity, etc.). During April, households' gross disposable income would appear to have declined by "only" 2.7% compared with the pre-crisis level, thus the savings ratio climbed on a one-off basis to about 40% during lockdown.

Since lockdown measures started to be lifted, in an uncertain economic and health context, the balance of opinion on current saving capacity has not fallen. Household consumption has indeed rebounded strongly since 11 May, but it still remains below its pre-crisis level, while most incomes remain relatively well protected (maintaining the short-time unemployment scheme) or have picked up with the recovery of economic activity.

### While most categories of household report an increase in their current saving capacity, this trend is more significant with those whose employment conditions are most stable

Balances of opinion on current saving capacity have jumped up for most categories of household (*Graphs 1 to 6*). At first glance, if we differentiate households according to their income level, this balance has jumped just as much for the most modest households as for the most wealthy. However, fairly clear differences appear according to type and conditions of activity. Among households in work, employees report an increase in their saving capacity since the start of the health crisis more often than the self-employed and business leaders. In addition, the balance of opinion of public-sector employees increased more strongly than that of private-sector employees. Lastly, among employees, those with open-ended contracts and those working full-time reported an increase in their saving capacity more often than those with fixed-term contracts and part-time workers. While the great majority of households have built up some "forced savings" during lockdown (given the constraints affecting consumption), the intensity of this phenomenon therefore seems quite naturally linked, at individual level, to their degree of job protection and income protection during this period.

1. The question asked in the monthly consumer confidence survey (CAMME) is as follows:

"Which of these statements best describes the current financial situation of your household?"

- you manage to save a lot of money (+);
- you manage to save a little money (+);
- you just about make ends meet;
- you are dipping into your savings (-);
- you are getting into debt (-)"

The balance of opinion is calculated as the difference between the percentages of (+) and (-) responses.

Using a logistic regression<sup>2</sup> the robustness of these results can be assessed by separating the different effects, “all other things being equal (*Table*)”. More specifically, the regression takes into account simultaneously disparities in income, age, occupation status, zone of residence, type of job, work pattern and employment status. Wealthy households (or private or public sector employees, or full-time employees) are more likely to respond positively than modest

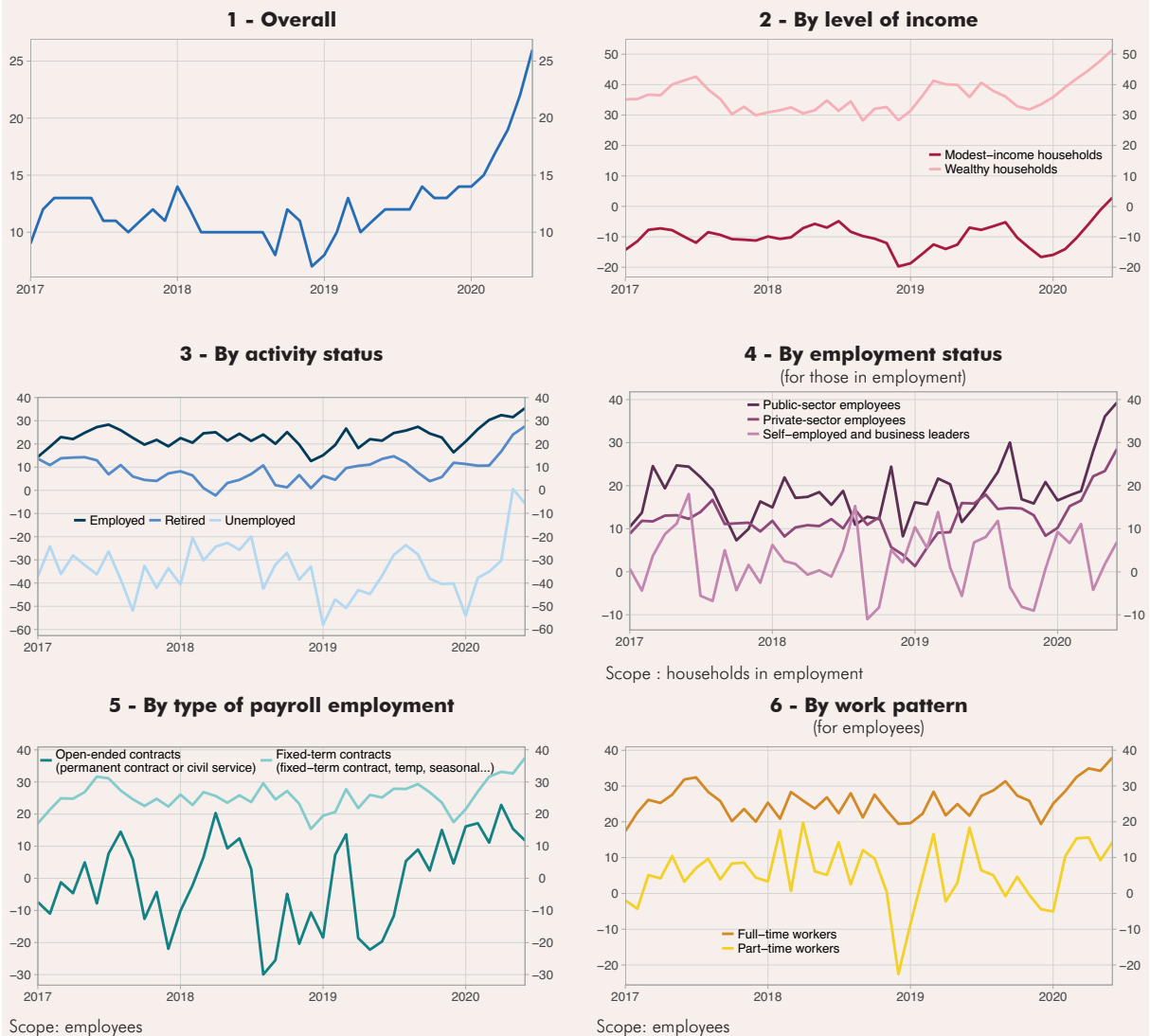
households (or self-employed and business leaders, or part-time employees), and these discrepancies have increased since the crisis.

However, at this stage, few differences emerge between categories of household concerning the balance of opinion on the opportunity to make major purchases. After nosediving during lockdown, it has rebounded fairly briskly since May. ■

2. For a general description of the model used, see: “Perceived inflation, measured inflation: are there differences between categories of households?” *Conjoncture in France*, March 2019 and “After dipping at the end of 2018, the household confidence indicators picked up in 2019 for households in all categories, albeit with certain nuances”, *Conjoncture in France*, December 2019.

## Balances of opinion on current saving capacity

balances of responses (positive minus negative) in points (data seasonally adjusted for overall and raw for households by category)



How to read it: in June 2020, households’ balance of opinion on their current saving capacity reached its highest level historically, at 26 points. For the analysis by category of household, the outlook survey data are not seasonally adjusted, unlike the balance of opinion at aggregated level.  
Source : INSEE, INSEE Calculations

## French economic outlook

**Table – estimate of a logistic regression of positive (rather than negative) responses on the subject of current saving capacity**

Explanatory variables	Effect (odds ratio and significativity)
<b>Standard of living</b>	
Modest	Ref.
Wealthy	3.12***
Wealthy x (March to June 2020)	1.16**
<b>Occupation status</b>	
Unemployed	Ref.
In work	2.62***
Retired	1.87***
Other	1.42***
<b>Employment status</b>	
Public sector employees	Ref.
Self-employed or business leaders	0.67***
Self-employed or business leaders x (March to June 2020)	0.67***
Private sector employees	0.92***
Private sector employees x (March to June 2020)	1.08
Other <sup>3</sup>	1.06***
Other x (March to June 2020)	1.2
<b>Work pattern</b>	
Part-time	Ref.
Full-time	1.14***
Other <sup>4</sup>	0.70***
Full-time x (March to June 2020)	1.26*
Other x (March to June 2020)	1.33*
<b>Type of employment</b>	
Fixed-term	Ref.
Open-ended	1.44***
<b>Period</b>	
Rest of the period	Ref.
March to June 2020	0.9
<b>Zone of residence</b>	
Urban	Ref.
Rural	1.03*
<b>Age</b>	
Under 30	1.44***
30 – 44	1.16***
45 - 59	Ref.
60 – 74	1.07***
Over 75	1.04
<b>Constant</b>	
	0.1
Estimation period: January 2011 to June 2020	

How to read it: a respondent in work is 2.62 times more likely to give a positive response to the question on current saving capacity than a respondent from a household with the same characteristics but unemployed. This estimated probability is significantly different from zero with a 0.01% threshold.

Note: \* (or \*\*, \*\*\*) the odds ratio is significantly different from zero with a 0.1% (or 0.05%, 0.01%) threshold

Source: INSEE, CAMME survey, INSEE calculations

3. Individuals who are not employees, or self-employed or business leaders, or who are non-respondents

4. Individuals who are not employees, or who are non-respondents



# International developments

*In June 2020, the lifting of restrictions on activity continued in the Eurozone, then later in the United Kingdom. However, the return of the epidemic in the United States and in some areas of Germany and Spain has led to some US States and German and Spanish local authorities reintroducing lockdown measures or closing down businesses. Nevertheless, most high-frequency indicators seem to be converging towards fairly similar levels of activity in the different countries, although these levels are still lower than those before the health crisis.*

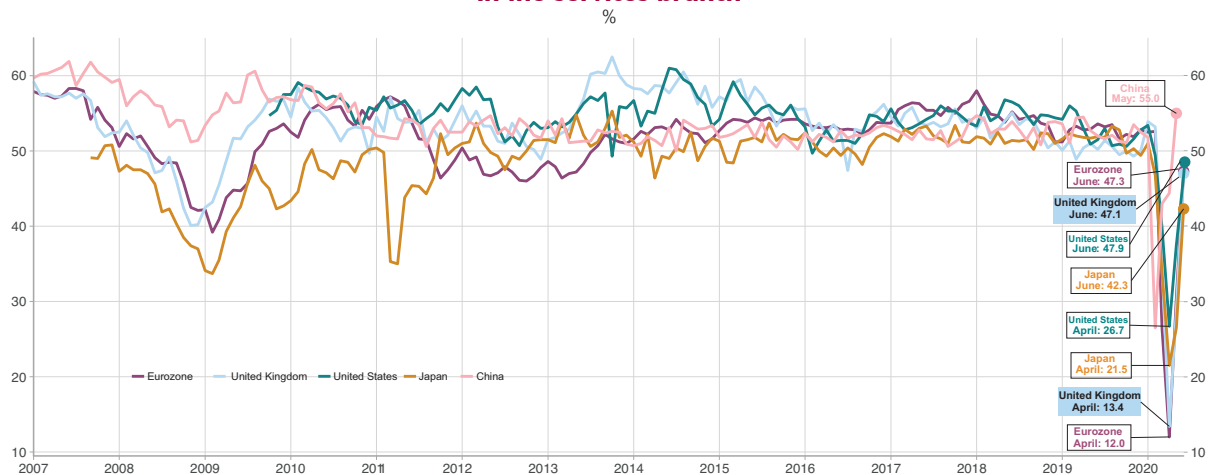
## **In June 2020, activity continued its recovery in most of the advanced economies, as restrictions were lifted**

In June 2020, PMIs picked up in the services branch with levels in the advanced countries that were slightly lower than the expansion threshold of 50 points, indicating a resumption of economic activity which had largely come to complete standstill. The Services PMI returned to a level of 47.3 points in the Eurozone (against 12.0 points in April, [Graph 1](#)). It reached 47.1 in the United Kingdom and 47.9 in the United States, after hitting a low point in April of 13.4 and 26.7 respectively.

The recovery in economic activity is due mainly to the gradual lifting of the restrictions imposed when all populations were put under lockdown.

This process started at the end of April in the United States and Germany, then in the rest of the Eurozone over the first two weeks of May. It then continued at a fairly similar pace in the other European countries throughout June, except in the United Kingdom where the end of lockdown came later. In France, 22 June saw the reopening of cinemas and leisure centres, and collective sports activities were able to resume. In Italy, cinemas opened on 15 June, then ten days later contact sports were permitted. In Spain, the state of alert was lifted on 21 June at midnight, allowing people to move freely throughout the country, and the borders were reopened to European nationals. However, certain geographic zones returned to lockdown on 4 and 5 July, such as the Segrià region in Catalonia and a few areas in the county of La Marina in Galicia. Movement in and out of these areas was restricted, as was the capacity of establishments open to the public. In Germany, lockdown restrictions were lifted at different paces in the different Länder, and some cantons were obliged to place the population under lockdown once again, especially in North Rhine-Westphalia where only shops and restaurants were allowed to remain open. In the UK, lockdown restrictions were lifted later and more gradually: non-food shops were not allowed to open until 4 July. In the US, however, the epidemic has rebounded in the south of the country leading several State governors to maintain existing restriction measures or impose new ones, thus imposing restrictions on about 40% of the population.

## **1 - PMI for the main economies suggests a sharp upswing in activity in June 2020 in the services branch**



Source: Purchasing Managers' Index, IHS Markit

### Does the lifting of restrictions bring clarity to the labour market in the advanced economies?

In the four main Eurozone countries, the effects of the crisis are still harsh but conditions seem to be improving very gradually. In Germany, the country where monthly data were the first to be made available, the rise in the unemployment rate slowed in June 2020, with an increase of 0.1 points to 6.5%, after +0.5 points in May and +0.8 points between March and April. In Spain, administrative data suggest that the deterioration in easing. The number of jobseekers certainly increased in June 2020, but on a much lesser scale than in previous months (+5,100 jobseekers in June after +27,000 in May and as many as +302,000 in April). French administrative data from Pôle Emploi and DARES are available up to the month of May and for that month they show a decline in the number of jobseekers (category A) in Metropolitan France of 165,000. However, this decline has to be compared to the sharp increases in April, by almost 690,000 jobseekers, and March, by a little under 140,000. In Italy, where, as in France, the last available estimates relate to May, the unemployment rate rose sharply to 7.8% in May, after 6.6% in April.

In the United States, the first effects of the crisis are reflected massively in the unemployment figures: between February and April, the American economy destroyed 22 million jobs (-14.5%), according to the *Bureau of Labor Statistics* (BLS), of which 18.6 million were in the private services sector and 2.4 million in industry. The scale of these job losses is the result mainly of the lack of any short-time work scheme in the United States. A very large majority of these job losses concern workers considered to be on temporary layoff: their employment contract has been terminated, hence they are classified as unemployed according to the ILO (*International Labor Organization*) and they file unemployment insurance claims, but they have had a promise to be rehired within 6 months, which although not binding on employers, is similar to the short-time working scheme. The sectors most affected by the crisis and lockdown restrictions are those where job losses are highest: accommodation-catering and entertainment (where the workforce has been halved), and the retail trade, services to businesses and health are the sectors most severely affected. The drop in employment in the health sector is perhaps due to the financial difficulties and loss of activity for many hospitals and those in the liberal professions, which are in turn caused by the difficulties that many Americans face in getting treatment. Employment bounced

back in May and June (+2.7 million jobs in May, of which +3.2 million in the private sector, the public sector having destroyed jobs in May, and +4.8 million jobs in June, mainly in the private sector), with a clear rebound in the construction sector, outpatient health and accommodation-catering, and stabilisation in retail trade and the manufacturing industry. However, employment remains well below its pre-crisis level. In addition, job destructions are continuing in the mining and oil industries, which are faced with other challenges, notably the crash in the oil market linked to overproduction and the saturation of storage capacity.

This oil crisis has also touched a number of emerging countries, which are or have also been affected by the health crisis, but at a later date. These countries are still under restrictive measures that penalise their activity. In Brazil, which has been hit hard by the epidemic, industrial production tumbled by more than 25% in April (year-on-year) and the unemployment rate reached 12.9% in May (from 11% at the end of 2019). In Russia, retail sales fell by almost 20% year-on-year and the unemployment rate rose sharply (to 6.1% in May after 4.7% in March). In Turkey, industrial production fell by more than 20% year-on-year, and tourist activity was virtually zero in May. In Brazil, Russia and Turkey, there are not yet any signs of recovery in the usual indicators.

### Electricity consumption continues to rebound in the European countries, at a similar pace in the different countries

As lockdown restrictions continued to be lifted in European countries in June 2020, this resulted in a gradual and virtually constant increase in electricity consumption, and at almost the same pace in all the European countries (*Graph 2*). During the first week of June 2020, the start of a new phase in the easing of lockdown in Europe, electricity consumption was about 10% below that of a similar period in 2019 in Germany and Spain, and 11% lower in France. This consumption deficit narrowed slightly in the week of 22 June, reaching about 7% in Germany and Spain and 6% in France. In the United States, electricity consumption is still close to but slightly below its average for 2015 to 2019. The situation is more mixed in the United Kingdom, where electricity consumption fell once again compared to its 2015-2019 average, perhaps because lockdown was extended longer than in the other countries. In Japan, electricity consumption was very volatile in June and in the last week of June was 7% below its level for the same period in 2019.

### The concentration of nitrogen dioxide is also increasing, but the pace varies

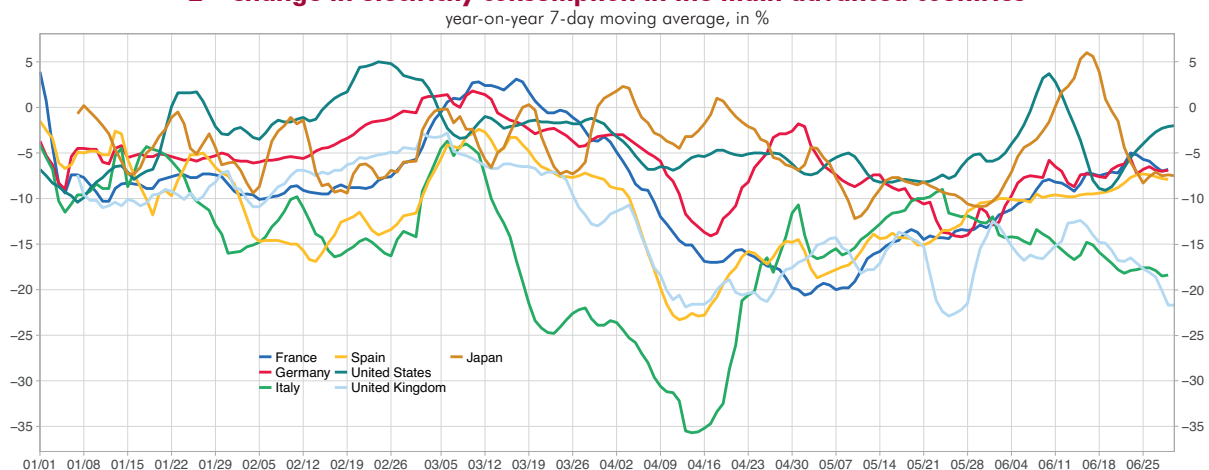
Another indicator of overall activity is the concentration of nitrogen dioxide in the air, which is affected by production activities, road transport and the heating of buildings (*Graph 3*). Like electricity consumption, concentrations of particulate pollutants in the four main Eurozone economies continue to rise, approaching their average levels at a fairly similar pace. During the week of 22 June, the concentration of nitrogen dioxide in the air in France and Italy was 22% lower than its average for 2016-2019, 25% lower in Germany, and a little more than 30% lower in Spain (against a 32% drop in France for the first week of June, 34% in Italy and Germany, and 36% in Spain). This shows that the recovery of global activity is continuing and employees are gradually returning to their workplaces. In the

United Kingdom, the concentration of nitrogen dioxide in the air also increased, although it remains about 30% below its “normal” pre-crisis level.

### In the advanced economies, teleworking is declining slowly

The gradual return of employees to their places of work is particularly noticeable in the office frequentation indicator from the *Google Maps Mobility* reports (*Graph 4*). They show that between 15 and 26 June, numbers in the workplace in Germany were 15% down compared to a reference period between 3 January and 6 February. This decline was 19% in France, 23% in Italy and 27% in Spain, after an average drop in workplace frequentation during April 2020 of 39%, 63%, 64% and 69% respectively in

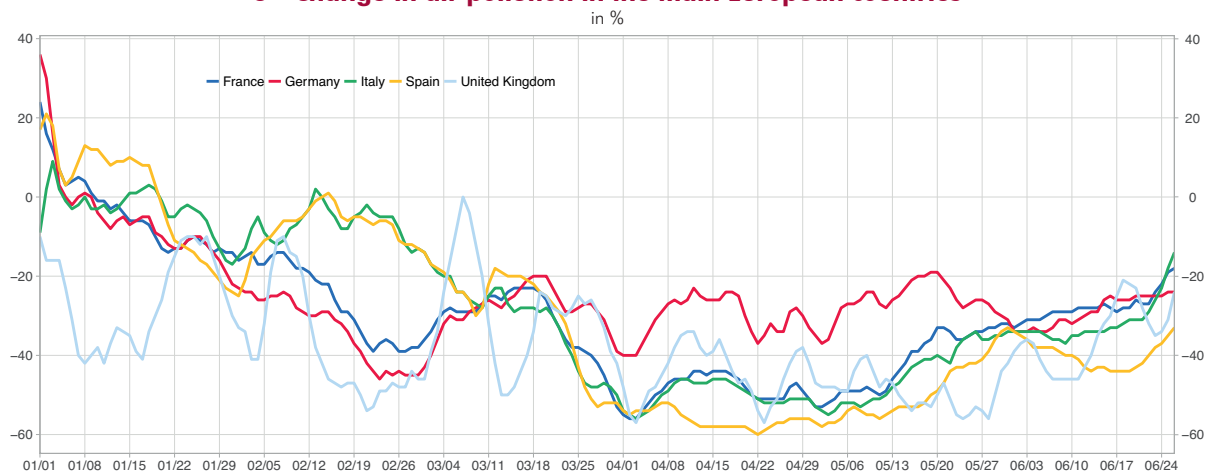
### 2 - Change in electricity consumption in the main advanced countries



Note: each point represents the difference between average daily electricity consumption in 2020 compared to a corresponding day in 2019 (compared to the 2015-2019 average for the US and the UK). Eurozone data have been adjusted for temperature effects.

Source: data from the *ENTSO-E Transparency platform* for electricity consumption in the EU countries, *US Energy Information Administration (EIA) website* for electricity consumption in the US

### 3 - Change in air pollution in the main European countries



Note: each point represents the difference between the average weekly concentration (7-day moving average of daily data) of nitrogen dioxide (NO<sub>2</sub>) measured in the air at monitoring stations across the entire country in 2020 compared to the average of this concentration in the same week in the years 2016-2019. The calculated average is not adjusted for meteorological variations nor weighted. From 1st to 5 June, the concentration of nitrogen dioxide in the air in the United Kingdom was on average 38% lower than the average between 2016 and 2019.

Source: *European agency for environment, INSEE calculations*

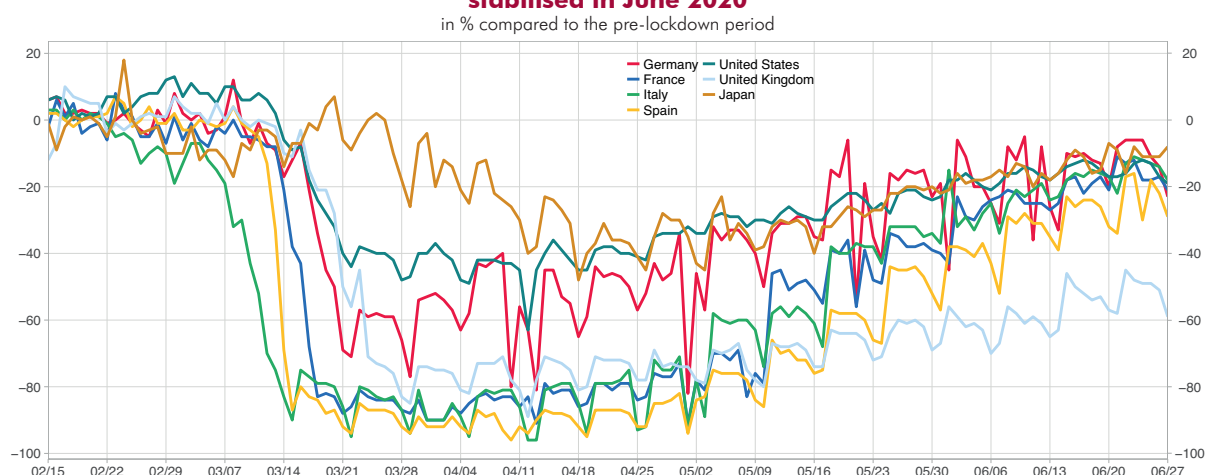
## International developments

these countries. Teleworking therefore seems to be decreasing little by little, yet the upswing in economic activity is more rapid than the increase in home-work travel: a sizeable proportion of teleworking is therefore continuing. In the other advanced countries, teleworking is also declining slightly, but there are wide variations in levels. According to the *Google Maps Mobility* reports, office attendance still appears to be 50% down in the United Kingdom (after a decline of 70% to 80% in the last few days of March and throughout April), 36% down in the United States (after a decline of around 50% in April) and 12% down in Japan (after a decline of about 25%, excluding public holidays).

### The number of visitors to non-food retail outlets suggests a gradual recovery in household consumption

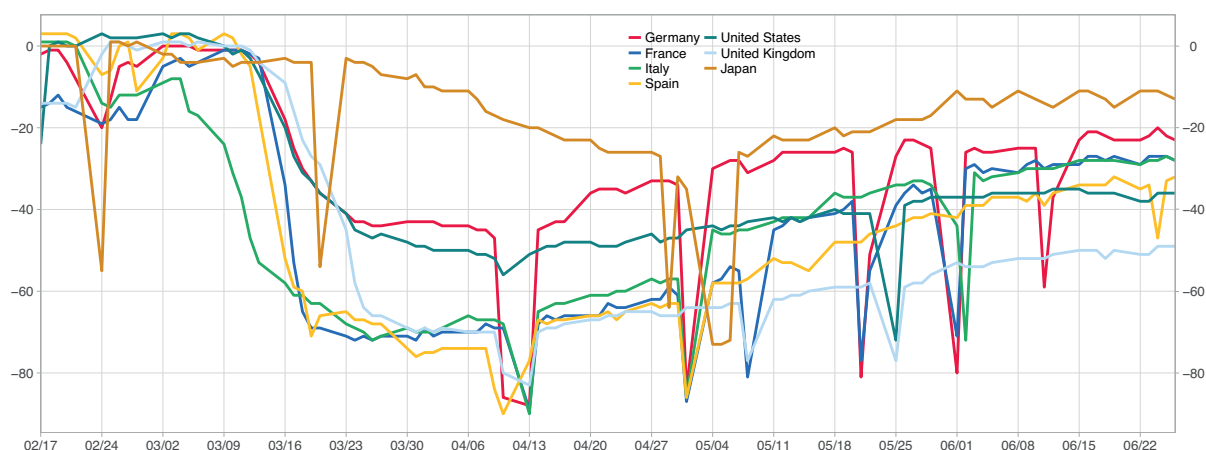
The easing of lockdown restrictions saw a significant rebound in the number of people visiting non-food retail outlets and places of recreation. These numbers then increased steadily during June with the reopening of cinemas, theatres, museums and sports centres – with the exception of the United Kingdom – as can be seen from the *Google Maps Mobility* data concerning households returning to these places (*Graph 5*). According to this indicator, the decline in numbers of visitors to non-food retail outlets and places of recreation was around –52% in Germany compared to the reference period, around –82% in France and Italy and –89% in Spain, but these numbers increased by almost 20 points in the days following 11 May. Between 15 and 26 June,

#### 4 - After an increase at the beginning of May, numbers going to their workplaces stabilised in June 2020



Note: these data measure the difference between numbers at the workplace on the day indicated on the x-axis and the average frequentation across all the corresponding days of the week, over the period 3 January to 6 February. For example, if the day on the x-axis is a Monday, then the reference is the average frequentation over all the Mondays in the five weeks between January and February. Saturdays and Sundays have been hidden on the graph for more clarity. Source: *Google Maps Mobility Reports*

#### 5 - Visitors to non-food retail outlets and places of recreation increased steadily in June 2020



Note: see note to *Graph 4*. In this case Saturdays and Sundays are shown. Source: *Google Maps Mobility Reports*

the numbers of people in these places were only 11% down on the pre-crisis level in Germany, 16% down in France and Italy, and 25% in Spain. In Japan, numbers of visitors to non-food retail outlets and places of recreation also picked up, and were only about 11% down on the pre-crisis level. In the United States, however, due to the effect of the new lockdown measures, these visitor numbers fell back once again, reaching -19%. Depending on how the epidemic evolves and the restriction measures put in place, this decline could continue and even escalate in July. In the United Kingdom, the fact that restrictions were lifted later than in the Eurozone resulted in fewer people visiting these places (-52% on average in the second half of June). However, a slight upswing is perceptible.

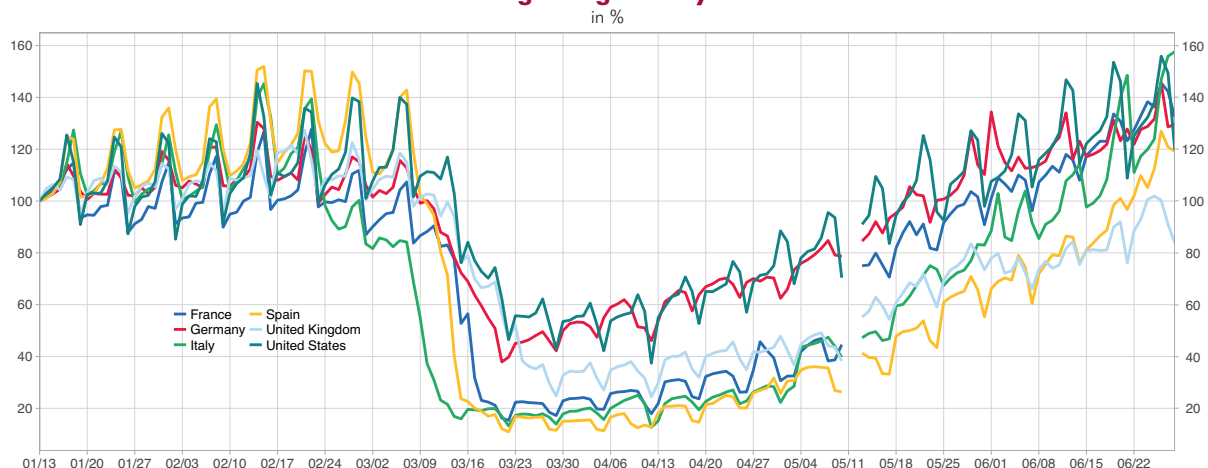
### The gradual recovery of output and consumption is accompanied by a return to transport use

Economic activity is closely linked to the movement of the population, irrespective of the means of transport used. According to the Apple mobility indicator, which gathers together route search data on the Apple Maps application, car journey searches continued to increase in all the advanced countries in June 2020 (Graph 6). Searches at the end of June exceeded their January 2020 levels for all the Eurozone countries and the United States, but not for the United Kingdom. In addition, over the last two weeks of June, the French and Italian indices for the number of searches overall matched the level of the German index. The Spanish index has accelerated sharply since the lifting of the state of alert came into effect on 22 June, the date when people were allowed to travel freely throughout the country. However, it is still lower than the

German, French and Italian indices. This gap can also be observed in the TomTom Traffic Index of road congestion, which shows the extra travel time needed compared to the minimum time with no congestion (Graph 7). The upswing in the volume of traffic in the major German and French cities was greater than in Italian cities, and especially Spanish cities. While the traffic index increased from 18% to 33% in France between the week of 11 May and the week of 22 June, it increased by only 4 points in Spain, from 7% to 11%. In the United Kingdom, the TomTom Traffic Index is still lower than in the pre-crisis period, reaching only 17% in the last week of June against about 35% in January. Similarly, car journey searches in the United Kingdom are still about 10% less than their level in January, which again reflects the fact that fewer people are travelling to their workplaces, as mentioned above. In the United States, where there is less home-work travel than in the Eurozone, numbers of car journey searches are very high (133% on average compared to the reference date, or still 25% higher than from 13 to 31 January), however, the TomTom Traffic Index of road congestion still remains very low, at about 10%, probably reflecting an increased number of people working remotely.

In addition, according to the Google Maps Mobility indicator, the numbers using public transport in Germany were 19% lower at the end of June than in the reference period from 3 January to 6 February, but against a decline of 32% at the beginning of June. The same increase can be seen for France where the decline in user numbers went from -37% at the beginning of June to -24% at the end of June, for Italy and Spain (decline in user numbers went from -40% to -29%), and for the United States (from -35% to -28% on average), Japan (from -29% to -21%) and to a lesser extent the United Kingdom (from

**6 - The Apple mobility indicator suggests a greater number of journey searches than at the beginning of the year in France**



Note: journey search indicators, base 100 on 13 January 2020. Data for 11 and 12 May are not available.

Source: Apple mobility reports



## International developments

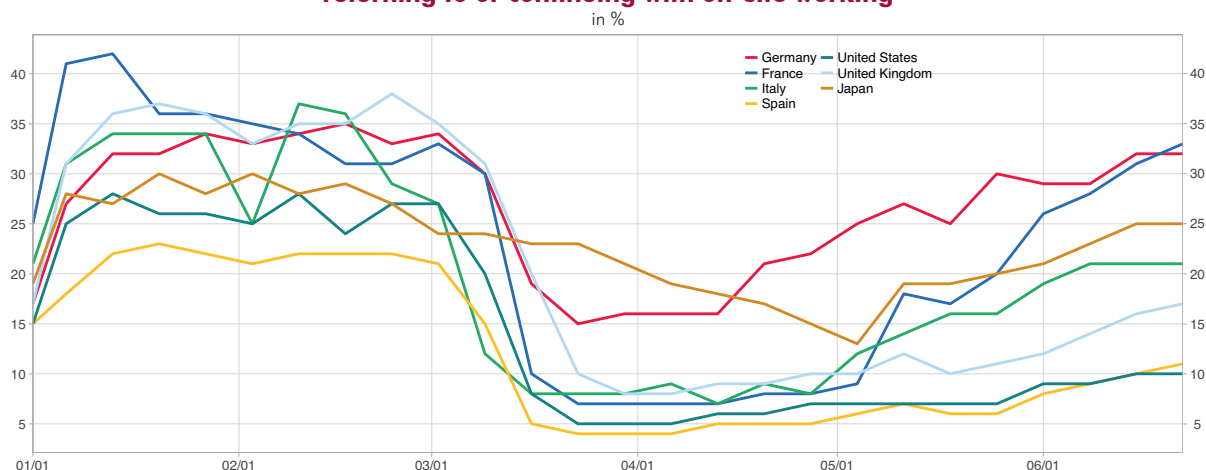
–54% to –48%). Finally, air transport is resuming its activities only very gradually, with a 40% drop in activity in Germany compared to the number of flights operated in the weeks before lockdown, 42% in France, 49% in Italy, 68% in Spain, 61% in Japan, 62% in China, 65% in the United States (along with a 78% drop in the number of passengers on weekdays and a 98% drop in the last weekend in June) and 86% in The United Kingdom (Table). ■

**Table 2 – Indicator of air traffic conditions**  
in %

Indicators	Air traffic			
	week of 11 May	week of 18 May	week of June 1 <sup>st</sup>	week of 22 June
Germany	–43	–65	–46	–40
France	–71	–62	–50	–42
Italy	–80	–70	–58	–49
Spain	–76	–80	–75	–68
United States	–76	–72	–68	–65
United Kingdom	–90	–90	–88	–86
Japan	–80	–80	–75	–61
China	–65	–62	–60	–62

Source: Flightradar24 website for air traffic, ratio of the number of flights cancelled to the number of flights usually scheduled in the country's 3 largest airports

### 7 - Road congestion in the main cities of the advanced countries suggests that workers are returning to or continuing with on-site working



Note: a congestion index of 30 means that the travel time to complete a given journey increases by 30% compared to a situation with no traffic.  
Source: TomTom live traffic index

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