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 %
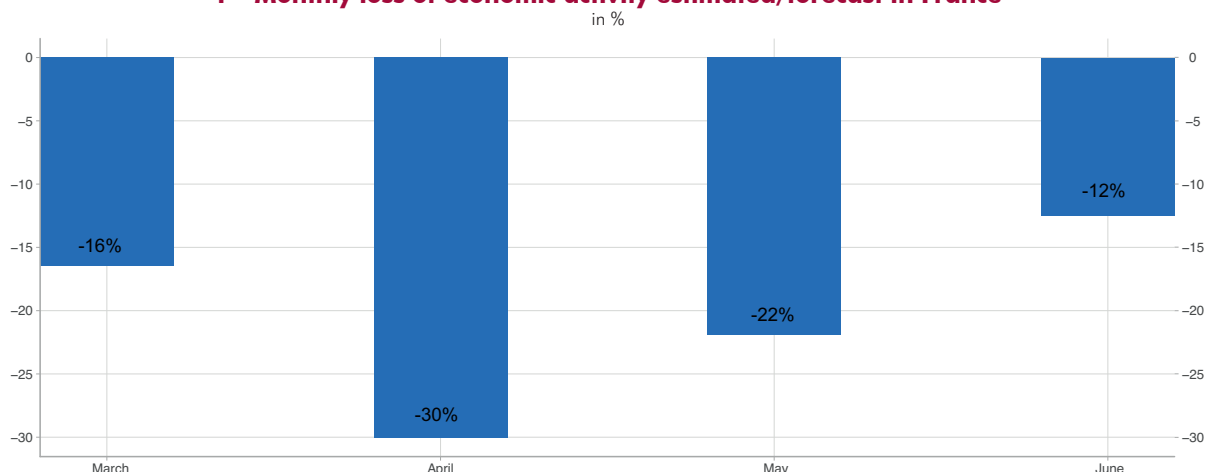
Source: INSEE calculations from various sources

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 %)
Agriculture, forestry and fishing	**2**	**–12**	**–8**	**–4**	**–0.1**	**–8**
Industry	**14**	**–32**	**–19**	**–14**	**–1.9**	**–22**
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
Construction	**6**	**–61**	**–47**	**–31**	**–1.7**	**–46**
Mainly market services	**56**	**–29**	**–22**	**–13**	**–7.3**	**–21**
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
Mainly non-market services	**22**	**–25**	**–19**	**–7**	**–1.5**	**–17**
Total	**100**	**–30**	**–22**	**–12**	**–12**	**–21**
of which mainly market	*78*	*–31*	*–23*	*–14*	*–11.0*	*–23*
of which mainly non-market	*22*	*–25*	*–19*	*–7*	*–1.5*	*–17*
Total mainly merchants excluding rents	**65**	**–37**	**–27**	**–17**	**–11**	**–27**

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*

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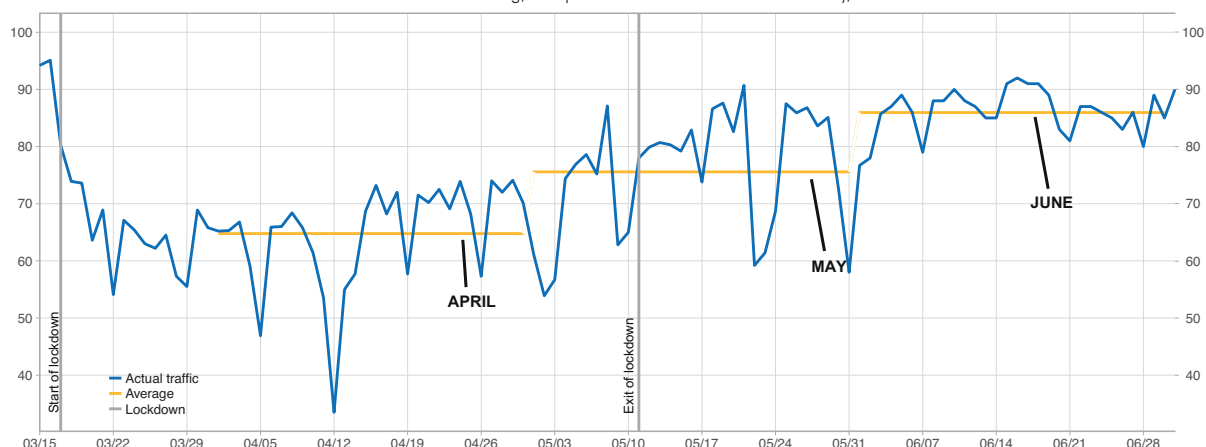
How to read it: on 28 June 2020, actual rail freight traffic on the SNCF network was 80% compared to a benchmark day.
Sources: SNCF Réseau, INSEE calculations

3 - Heavy vehicle road traffic in France
loss of heavy vehicle road traffic compared to a "normal" situation, in %
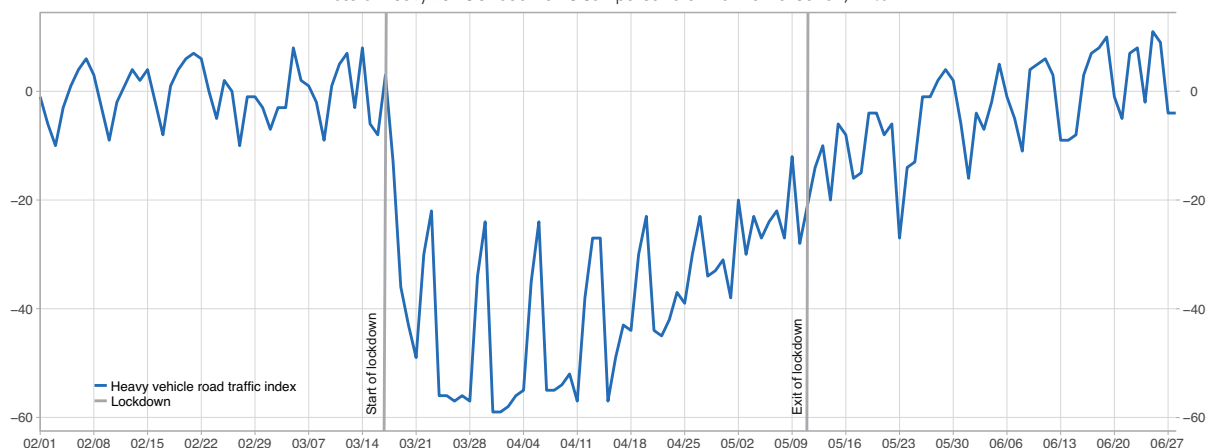
Note: the index is constructed by comparing actual traffic with pre-crisis traffic. In order to make this benchmark as "fair" as possible, it is calculated on the average daily flow from 13 January to 2 February 2020 to avoid effects related to school holidays and to the start of lockdown. In addition, 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,[1] 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[2] onto estimates of economic activity for the last few months, a series of return to activity scenarios can be established – low, high or middle[3] – right up to the end of the year (*Graph 4*). At the end of 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. ■

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.

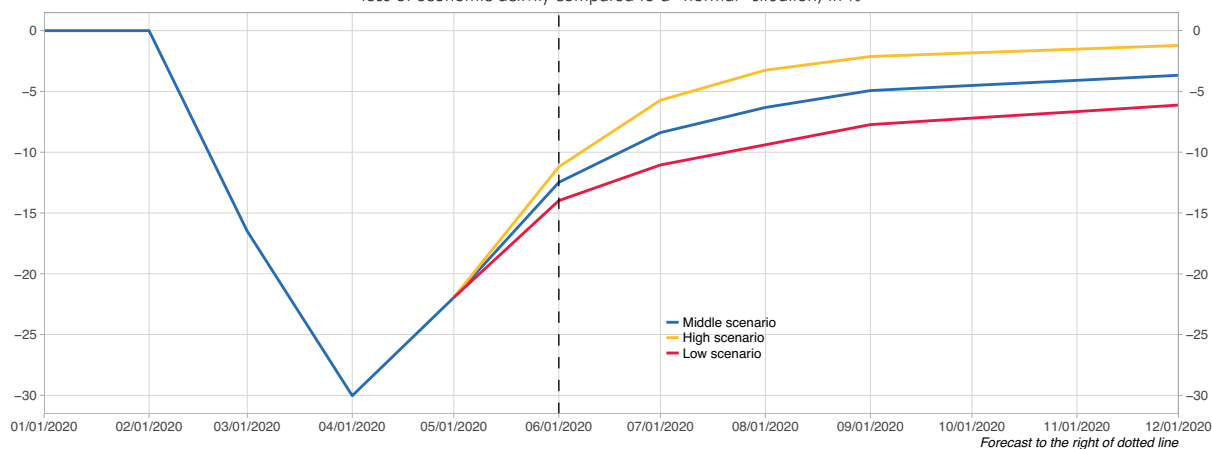*Source: INSEE calculations from various sources (forecasts from Q2 onwards)*

4 - Monthly losses of economic activity, estimated then forecast
loss of economic activity compared to a "normal" situation, in %
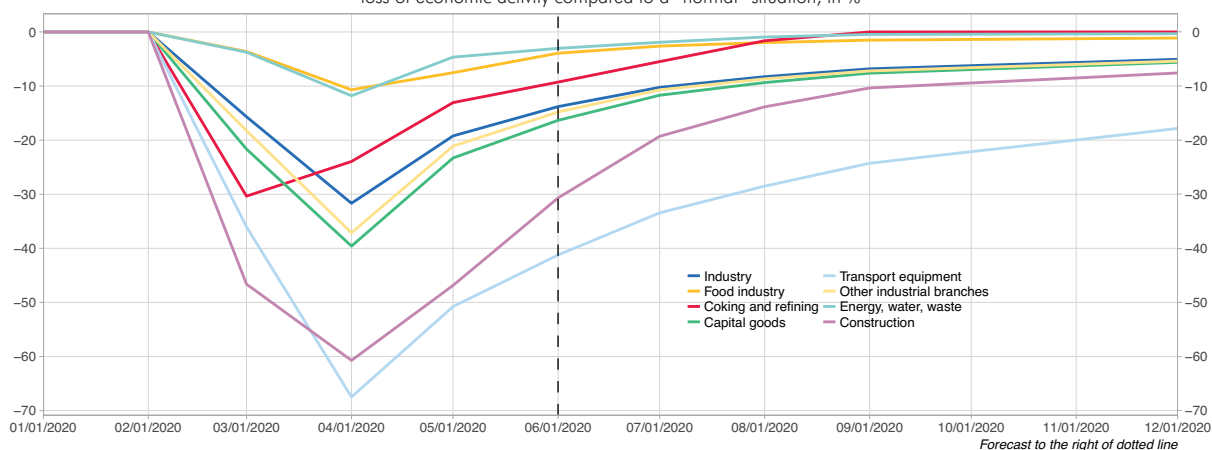

How to read it: in April, economic activity would appear to have declined by about 30%. By the end of the year, according to companies' responses to the Acemo-Covid survey, it is expected to settle at around –4%.
Sources: INSEE, DARES, Acemo-Covid survey, INSEE calculations from various sources

5 – Monthly losses of economic activity, estimated then forecast in industry and construction
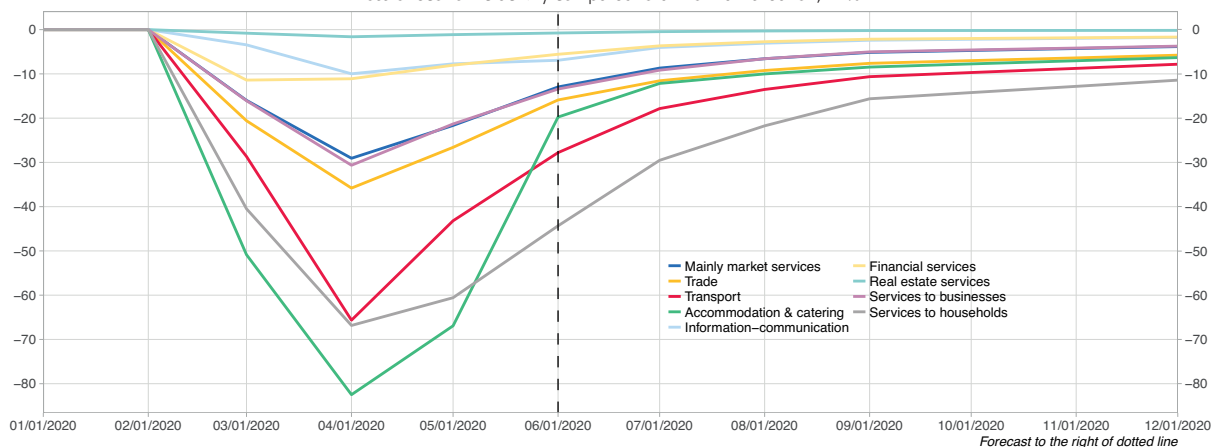loss of economic activity compared to a "normal" situation, in %

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