

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%.

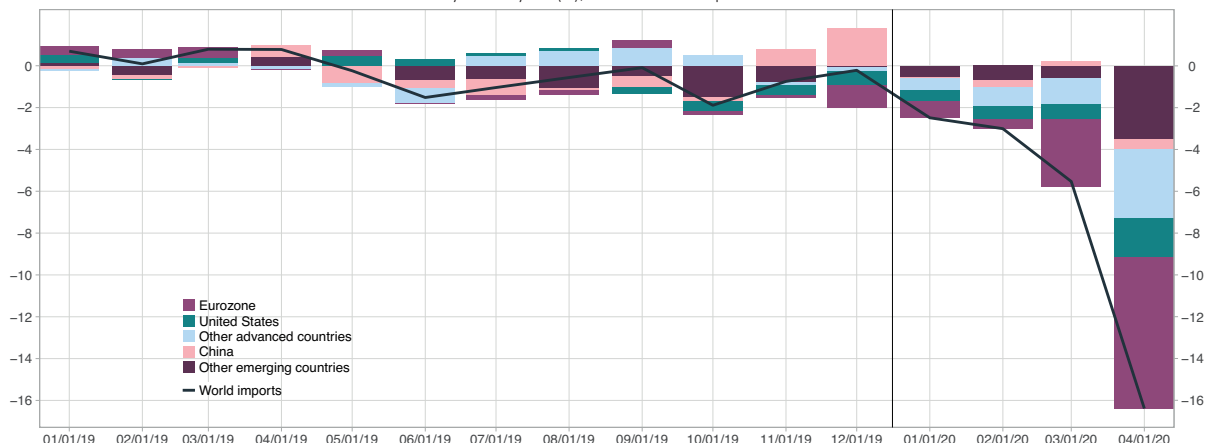
In recent months, foreign trade in the advanced countries has been penalised more by the Covid-19 crisis than that in the emerging countries. Although the first lockdown measures were put in place from the end of January in Asian countries, imports by the emerging countries declined by only 2.7% in February 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
year-on-year (%), contributions in points



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,

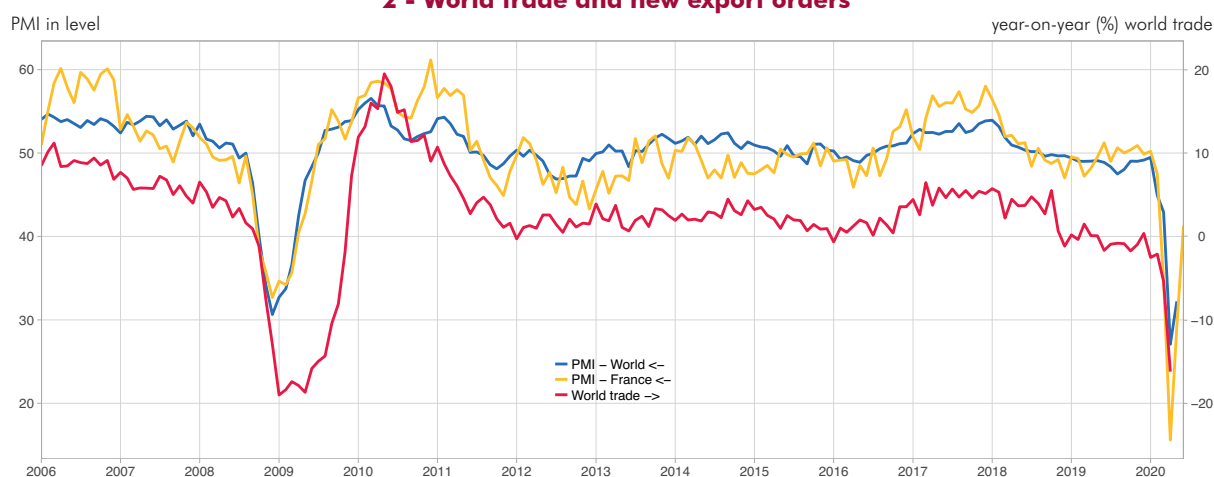
but to a lesser extent (-5 points and -7 points respectively).

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)

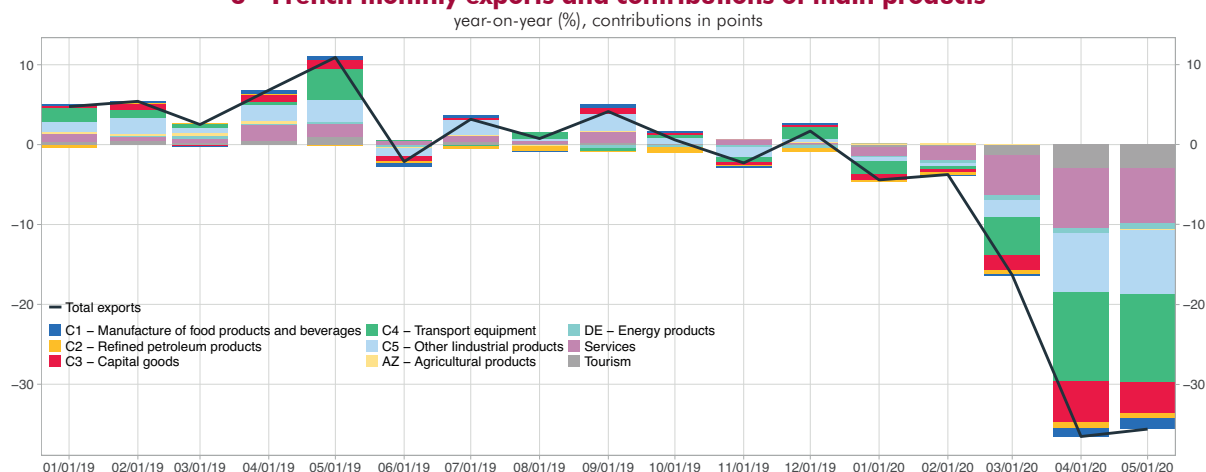
Imports tumbled by 32.5% year-on-year in April, a similar pace to the estimated loss of economic activity in the *Points de Conjoncture* (Graph 4). The main reason for this downturn is that demand for foreign manufactured goods (contribution -23 points) came to a temporary halt, especially capital goods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

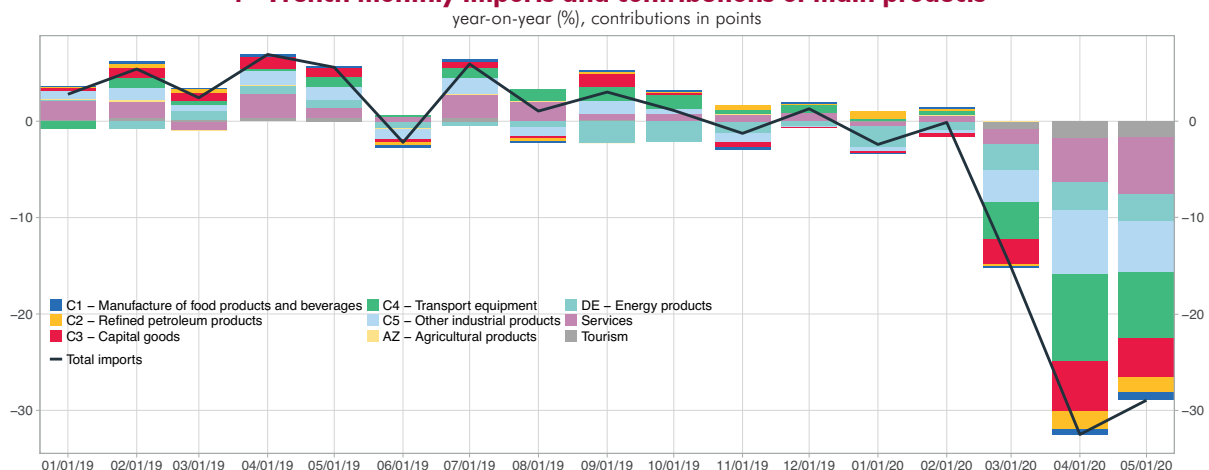
Thus in May, foreign trade had still deteriorated more than national production which was in the recovery phase.

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