International developments

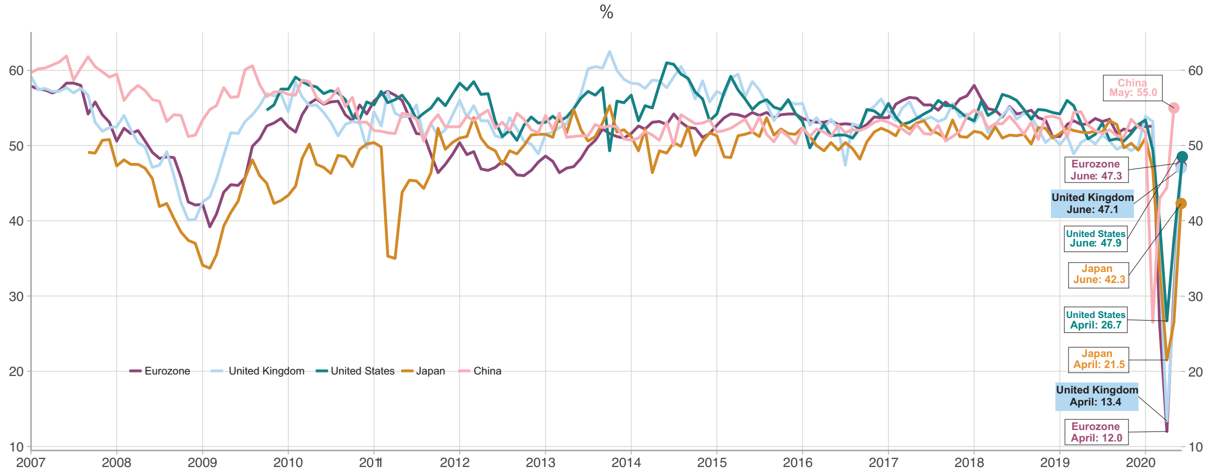
In June 2020, the lifting of restrictions on activity continued in the Eurozone, then later in the United Kingdom. However, the return of the epidemic in the United States and in some areas of Germany and Spain has led to some US States and German and Spanish local authorities reintroducing lockdown 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

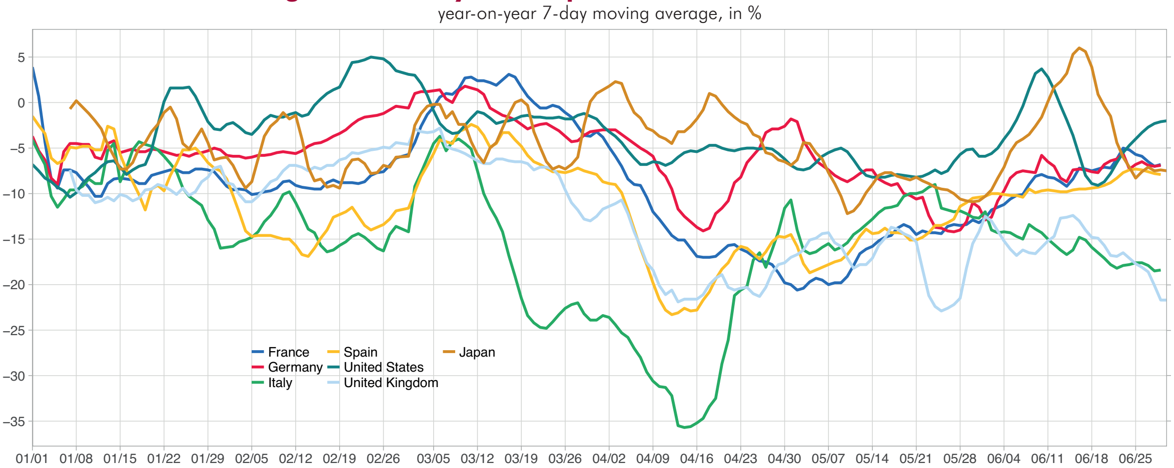
Another indicator of overall activity is the concentration of nitrogen dioxide in the air, which is affected by production activities, road transport and the heating of buildings (*Graph 3*). Like electricity consumption, concentrations of particulate pollutants in the four main Eurozone economies continue 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 still 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

year-on-year 7-day moving average, in %

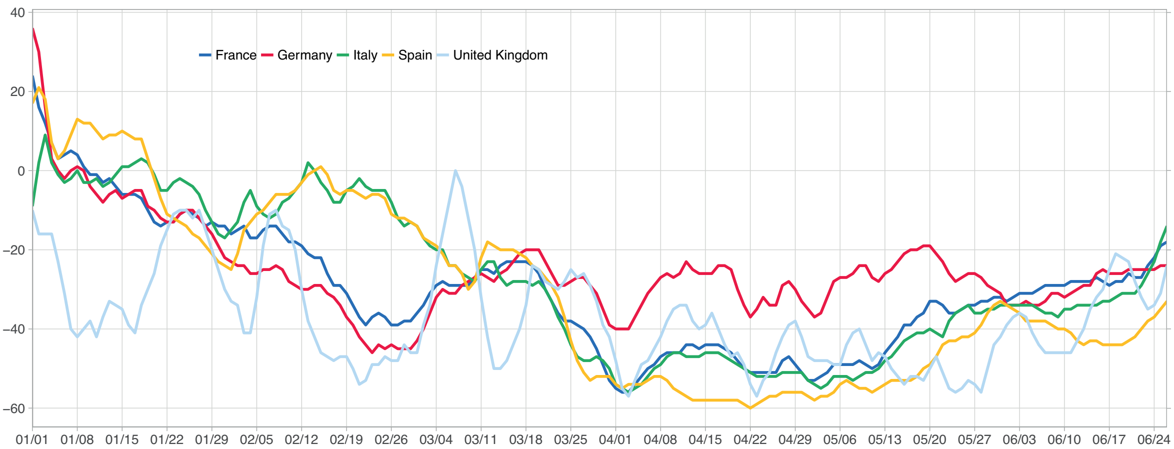


Note: each point represents the difference between average daily electricity consumption in 2020 compared to a corresponding day in 2019 (compared to the 2015-2019 average for the US and the UK). Eurozone data have been adjusted for temperature effects.

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

in %



Note: each point represents the difference between the average weekly concentration (7-day moving average of daily data) of nitrogen dioxide (NO2) 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.

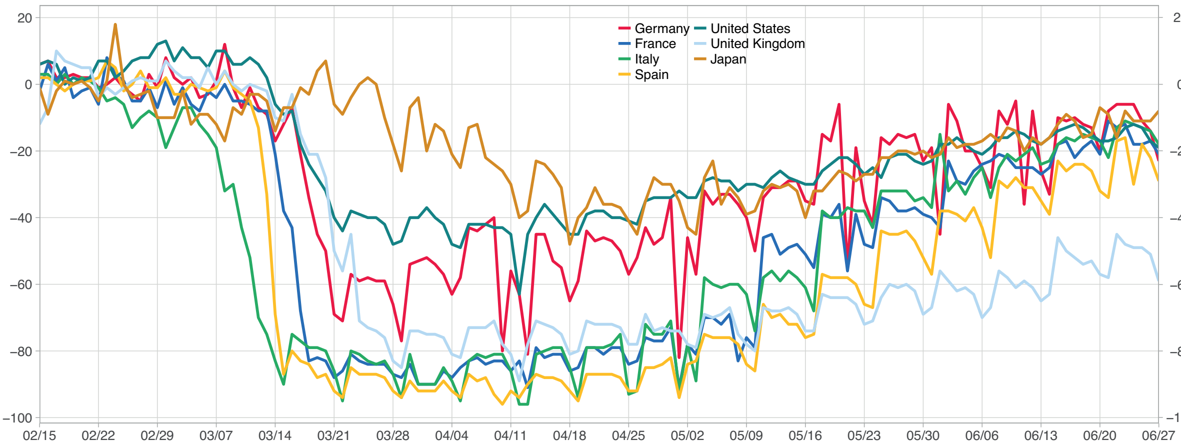
Source: European agency for environment, INSEE calculations these countries. Teleworking therefore seems to be decreasing little by little, yet the upswing in economic activity is more rapid than the increase in home-work travel: a sizeable proportion of teleworking is therefore continuing. In the other 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,

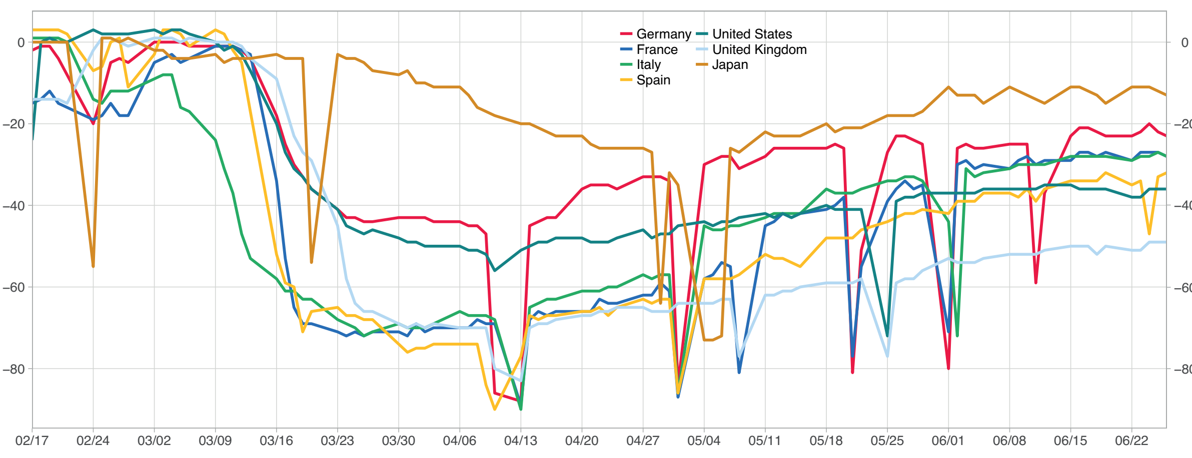
4 - After an increase at the beginning of May, numbers going to their workplaces stabilised in June 2020

in % compared to the pre-lockdown period



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.

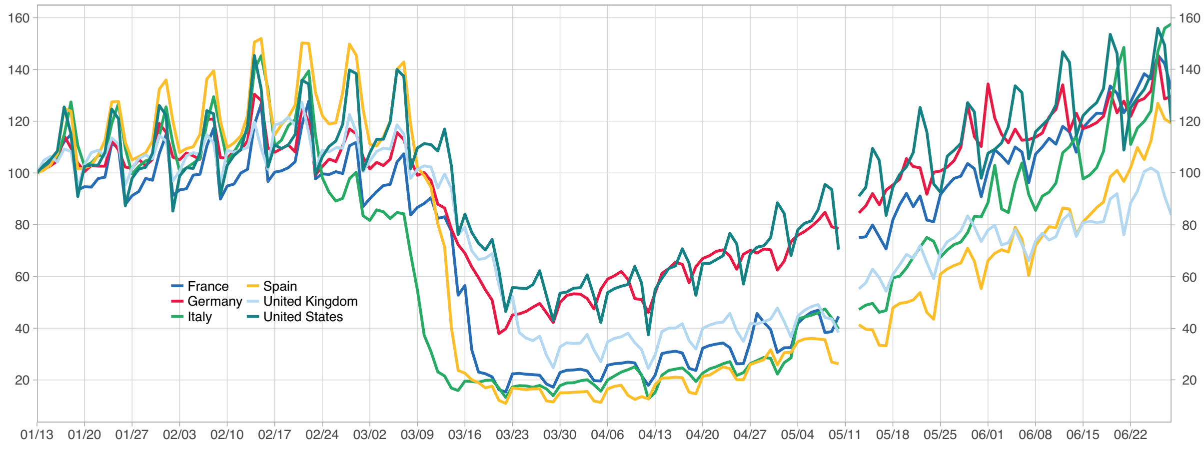
The gradual recovery of output and consumption is accompanied by a return to transport use

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

in %



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

–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

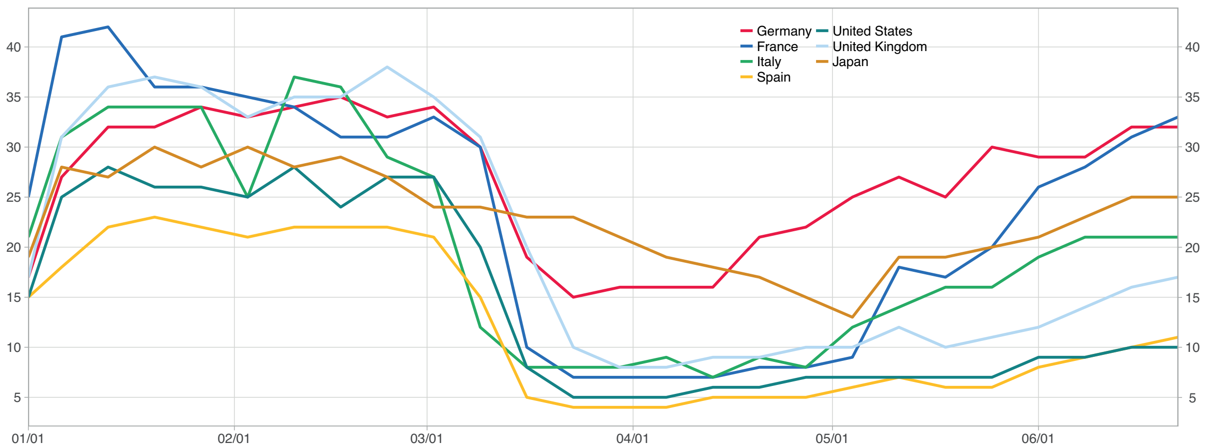
in %

Indicators	Air traffic			
	week of 11 May	week of 18 May	week of June 1st	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

in %



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