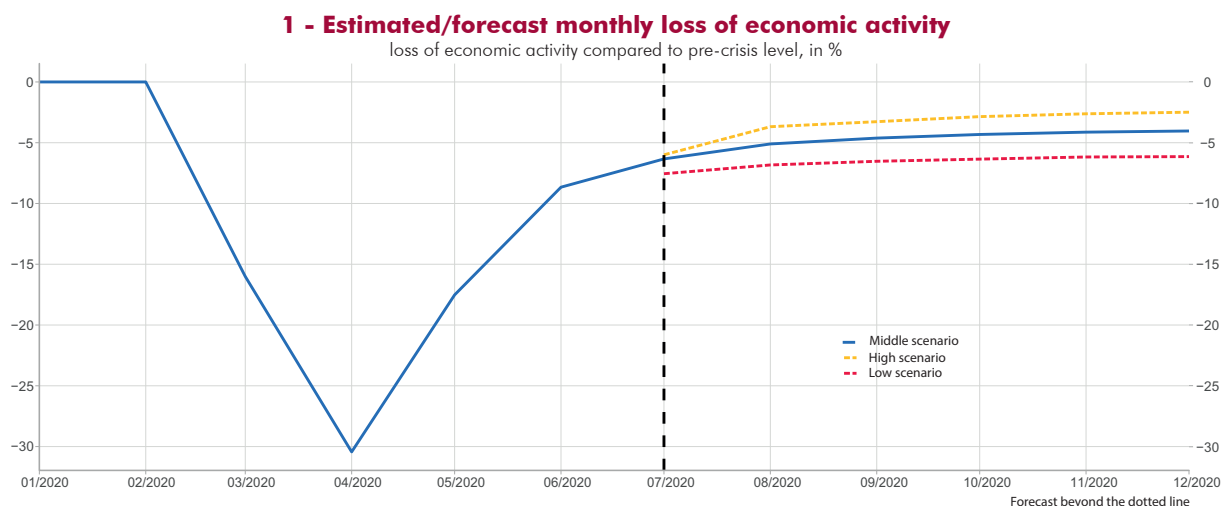


# Economic activity

According to the information available as of 8 September, the loss of economic activity in Q3 2020 is expected to settle at about -5% compared to its pre-crisis level, after -19% in Q2. The summer period saw the rebound that started in May and June continue; however, the pace of recovery looks set to slow by the end of the year, with a probable loss of activity in Q4 of -4%. Uncertainty over the health situation in the coming months has increased and at the same time some of the restrictions linked with the fight against the epidemic remain in force. According to the replies from businesses to the ACEMO-Covid survey carried out by DARES with INSEE support and based on the pace at which they expect to resume activity, economic activity at the end of the year is likely to remain slightly below its pre-crisis level. Assuming that the pandemic remains under control and that health measures remain stable, at this stage, the forecast for a fall in GDP in 2020 is maintained at around -9%.

**The increase in French economic activity observed at the end of Q2 is likely to continue, but the pace of recovery is expected to slow by the end of the year**

Publication of the quarterly accounts at the end of July then at the end of August resulted in an adjustment to the estimate for loss of activity in Q2: it now stands at -19% compared to Q4 2019 (Table 1), against -21% forecast in the *Point de Conjoncture* of 8 July. This revision is made as a result of the strength of the rebound triggered in May and June after lockdown was lifted. Shops, businesses and administrations reopened, and the use of short-time working was reduced. Loss of activity, which stood at -30% of GDP in April compared to a normal situation, is likely to have declined in May (-18%) then again in June (-9%) (Graph 1).



How to read: in April, economic activity appears to have decreased by around 30% compared to its pre-crisis level. By the end of the year, according to the responses from businesses to the ACEMO-Covid survey, it is expected to be around -4%.

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

Taking into account the information available on 8 September (first feedback on industrial production in July, daily data on rail freight traffic and travellers and the aggregated amounts of bank card transactions, ACEMO-Covid survey), the loss of economic activity in July is expected to be reduced by a third compared to June, bringing it to –6% against the pre-crisis level, then –5% in August. During the summer break the epidemic was fairly well contained, with people returning to work as others were going on holiday; meanwhile, household consumption, which climbed back rapidly from mid-May, is expected to remain at a level close to normal (*Household Consumption sheet*).

**The recovery is expected to continue across the economy, although more slowly in some branches affected particularly badly by the health crisis**

As in previous *Points de Conjoncture*, forecasts made up to the end of the year are based on the pace at which businesses expect to recover, as expressed in the ACEMO-Covid SURVEY.<sup>1</sup> The responses received from companies are aggregated at sector level, then projected onto estimates for economic activity for recent months. From this a series of scenarios was established – low, high and middle (Box) – for the recovery of economic activity up to the end of the year (*Graph 1*).

1. The fifth edition of the special ACEMO-Covid survey, conducted by DARES with support from INSEE, was applied here. A sample of non-agricultural private-sector companies with 10 or more employees was surveyed between 30 July and 18 August 2020, on their situation and the employment conditions of the workforce in July.

**Table 1 - Estimated loss of activity in Q3 and Q4, compared to pre-crisis level (Q4 2019)**

Sectors	Share of GDP (in %)	Loss of activity in Q2 2020 (in %)	Loss of activity in Q3 2020 (in %)	Loss of activity in Q4 2020 (in %)	Contributions to loss of activity in Q3 2020
<b>Agriculture, forestry and fishing</b>	<b>2</b>	<b>-6</b>	<b>-1</b>	<b>-1</b>	<b>0</b>
<b>Industry</b>	<b>14</b>	<b>-23</b>	<b>-5</b>	<b>-3</b>	<b>-1</b>
Manufacture of food products, beverages and tobacco-based products	2	-9	-2	-1	0
Coke and refined petroleum	0	-1	0	0	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-23	-2	-2	0
Manufacture of transport equipment	1	-50	-17	-12	0
Manufacture of other industrial products	6	-25	-6	-4	0
Extractive industries, energy, water, waste treatment and decontamination	2	-15	-1	-1	0
<b>Construction</b>	<b>6</b>	<b>-32</b>	<b>-5</b>	<b>-3</b>	<b>0</b>
<b>Mainly market services</b>	<b>56</b>	<b>-17</b>	<b>-6</b>	<b>-5</b>	<b>-4</b>
Trade; repair of automobiles and motorcycles	10	-20	0	0	0
Transport and storage	5	-28	-20	-19	-1
Accommodation and catering	3	-53	-22	-21	-1
Information and communication	5	-9	-4	-3	0
Financial and insurance activities	4	-8	-2	-1	0
Real estate activities	13	-3	-1	-1	0
Scientific and technical activities; administrative and support services	14	-20	-7	-4	-1
Other service activities	3	-36	-26	-25	-1
Mainly non-market services	<b>22</b>	<b>-17</b>	<b>-3</b>	<b>-2</b>	<b>-1</b>
<b>Total</b>	<b>100</b>	<b>-19</b>	<b>-5</b>	<b>-4</b>	<b>-5</b>
<i>of which mainly market</i>	78	-19	-6	-5	-5
<i>of which mainly non-market</i>	22	-17	-3	-2	-1

How to read it: in Q3 2020, economic activity is expected to be down 5% compared to Q4 2019. Mainly market services, where the estimated loss of activity is expected to be 6% in Q3 against 17% in Q2, are likely to account for about 4 percentage points of this decline.

Source: INSEE calculations from various sources

## French economic outlook

The recovery trajectories estimated in the middle scenario (*Graphs 2 and 3*) indicate considerable variation between branches in H2. Transport equipment, for instance, which declined in Q2 (-50% loss of activity compared to its pre-crisis level, the greatest decline in all of industry) is likely to achieve less of a catch-up than other branches. In construction, however, the loss of activity should be reduced to less than 5% in Q3 and Q4, after -32% in Q2, as worksites start up again.

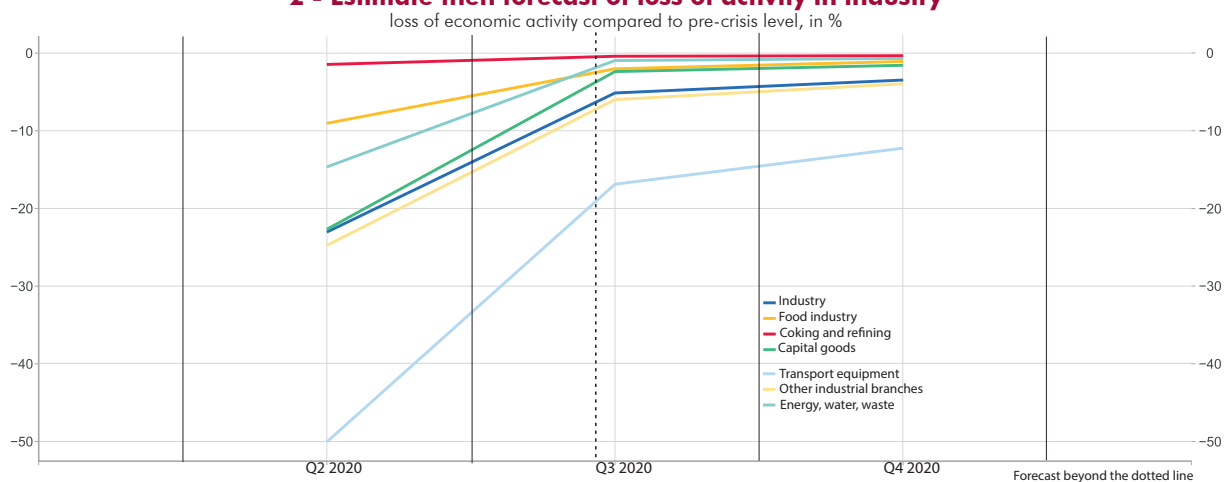
In market services, there are also two distinct profiles. Some sectors (transport services, accommodation and catering, other service activities including various services to households, associations) showed a very heavy loss of activity in Q2, then a slower pace of recovery than in the

other sectors. Tourism in particular looks set to continue to affect these sectors, despite French tourists partly replacing international tourists during the summer period, and restrictions are still likely to apply to a large number of cultural activities. In the other sectors, however, their loss of activity compared to their pre-crisis level is expected to be less than 10% as of Q3.

**At the end of 2020, economic activity will probably still be slightly below its pre-crisis level**

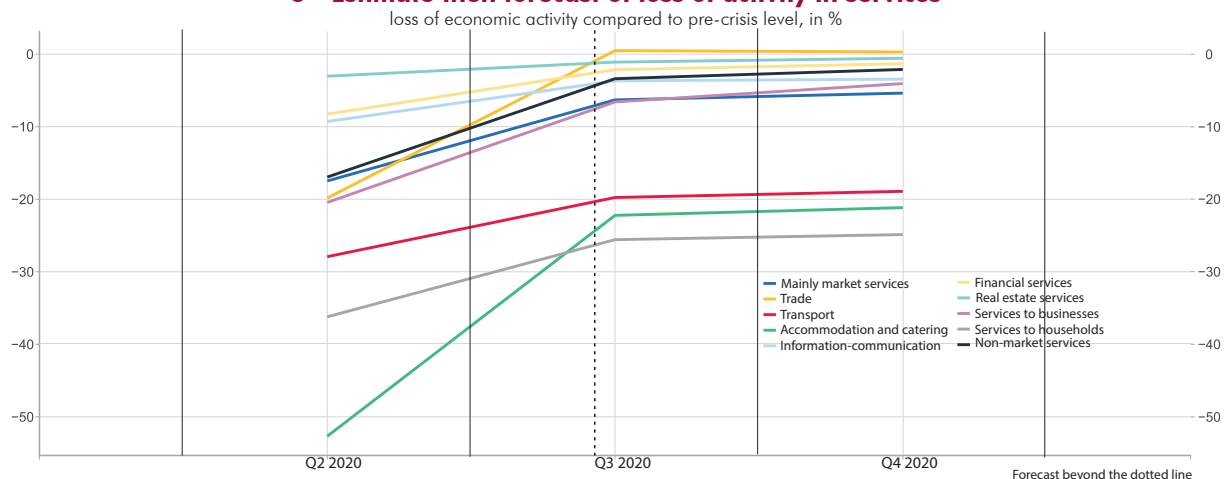
All in all, in Q3, and in the middle scenario, activity is likely to be 5% below its pre-crisis level, an automatic rebound to some extent of

### 2 - Estimate then forecast of loss of activity in industry



How to read it: in Q3, economic activity in the transport equipment branch in terms of production is expected to be down 17% compared to the pre-crisis level.  
Source: INSEE, DARES, Acemo-Covid survey, INSEE calculations from various sources

### 3 - Estimate then forecast of loss of activity in services



How to read it: in Q3, economic activity in the accommodation-food services branch in terms of production is expected to be down 22% compared to the pre-crisis level.  
Source: INSEE, DARES, Acemo-Covid survey, INSEE calculations from various sources

+17% as a quarterly variation compared to Q2 (Table 2). This increase is slightly less than that forecast in the *Point de Conjoncture* of 8 July (+19%), with the smaller loss of activity recorded in Q2 accounting for the reduction in the size of the rebound in Q3. In Q4, the increase in activity is expected to be much lower, around +1% compared to the previous quarter, reflecting the divergence between those sectors that have almost returned to normal and others that remain depressed with restriction measures still in place, or because international demand is still weak, or because of the ongoing block on international tourism. This divergence is also likely to be seen in the change in payroll employment, which should remain stable overall in H2 (*Employment sheet*).

Thus, at the end of the year, economic activity is expected to remain below its pre-crisis level, between -2% and -6% in December depending on the different scenarios, or -4% on average. In a context of growing uncertainty in the coming months –the proportion of companies responding to the ACEMO survey who were not able to put a date on their return to normal stands at 30%, after 21% in June– these forecasts must be considered with caution. In the middle scenario, and as described in the *Point de Conjoncture* of 8 July, GDP is expected to decline by about 9% in 2020 compared to 2019, which would be the greatest annual contraction since the national accounts were created in 1948. ■

**Table 2 – Estimate then forecast of loss of economic activity in 2020**

	Q1	Q2	Q3	Q4	2020
GDP growth (quarterly variation)	-5.9	-13,8	+17	+1	-9
Average loss of activity in terms of GDP (compared to pre-crisis level)		-19	-5	-4	

■ Forecast

How to read: in Q3, the loss of activity compared to the pre-crisis level is estimated at -5%, or a rebound in GDP of about 17% compared to Q2, after -13.8%.

Note: the loss of activity shown in this table is the average of estimated/forecast monthly losses of activity. 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: IINSEE calculations from various sources (forecasts from Q3 onwards)

### Box

The survey question used was as follows: “How long do you think it will be before economic activity in your establishment returns 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 the pre-crisis situation before the end of the year
6. Don't know

The difference between the three scenarios is 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 to three months”, the low scenario retains only the latest hypothesis, i.e. three months, while the high scenario retains only the earliest scenario, i.e. two months. The middle scenario is the average of these two. Given the increased uncertainty surrounding the end of the year, assumptions regarding the interpretation of some response modalities are a little less favourable than those selected in the *Point de Conjoncture* of 8 July. For the fifth modality, it was decided to consider that recovery took place in Q3 2021 for the high scenario, while for the low scenario, the loss of activity in the sector was assumed to remain constant in the medium term. Responses to the “Don't know” modality were added to the responses to modality 5. Lastly, certain sectors that were not going to see a return to normal in the medium term were processed differently, separately from the expectations expressed in the ACEMO-Covid survey. This was the case, for example, for accommodation and catering, cultural activities, and some transport services (especially air transport). ■