

Household consumption

After rebounding as soon as lockdown was lifted in May, household consumption continued to rise in June and in Q3 would appear to have been maintained at a level close to that of Q4 2019. However, this overall dynamic masks contrasting consumption profiles between products that have clearly caught up (mainly manufactured goods) and others where spending is still below the pre-crisis level, especially in sectors subject to restrictions. As these restrictions continue, and the catch-up effects disperse, it is likely that consumption in Q4 will be slightly behind that of the previous quarter. Over the whole year, consumption is expected to be down 7% compared to 2019.

Compared to the previous *Point de Conjoncture*, the first feedback from the turnover indices for July and the publication of the consumption of goods data for August have meant that the estimate for household consumption for July and August could be refined. This confirms that household consumption remained at a fairly similar level to that before the crisis (Q4 2019), after the rebound that began in May as soon as lockdown restrictions were lifted and continued into June. Thus, household consumption in July would seem to have been around 4% below its Q4 2019 level and 2% below in August.

In September, consumption is expected to deteriorate slightly, but still remain close to its pre-crisis level (–4%). In this regard, over the first three weeks of September, the total amount of bank card transactions suggests a downturn in the dynamic observed during July and August (*Graph 1*). This is especially the case for transactions relating to purchases of clothing-footwear and household equipment, which took advantage of the summer sales (15 July – 11 August). Spending on accommodation and catering, as measured in bank card transactions, also seems to be in decline since the start of September, after a much more buoyant summer season (*Tourism Focus*). In addition, according to the monthly Consumer Confidence Survey, the balance of opinion on the

opportunity to make major purchases, which had rebounded significantly as lockdown was lifted, has decreased since July (*Focus*). Conversely, the balance of opinion on the opportunity to save continued its sharp rise, which began in May, and in September reached a level not seen in the last five years.

Over the whole of Q3, household consumption would appear to have been 3% lower than its Q4 2019 level, increasing by 16% compared to Q2 (*Table 1*). This return to an overall level of consumption close to the pre-crisis level nevertheless reveals some contrasting consumption dynamics when considering products in detail. On the one hand, the consumption of certain products rebounded sharply from May onwards and would appear to be maintained during Q3 at a higher level than before the crisis (*Table 2*). This is especially the case for manufactured goods (household equipment, purchase of cars, clothing-footwear, etc.), as they benefitted from a catch-up effect as a result of purchases of items postponed during lockdown or incentive measures (e.g. exceptional conversion bonus in the case of car purchases). For other products, on the other hand, especially services, their consumption recovered much more slowly, and in Q3 it was still far below the pre-crisis level (*Graph 2*). This is particularly true for spending on accommodation and catering, transport services, cultural activities and to a lesser extent spending on fuel. The upturn in consumption in these sectors has been restricted further by the continuing application of health measures, the decline in international tourism, and the increased use of teleworking.

Change in household consumption for the end of 2020 is surrounded by uncertainty, and heavily dependent on any change in health conditions and households' consumption and savings behaviour. Consumption is likely to be on a downward trend in Q4 (–1% compared to the previous quarter). On the one hand, spending on goods is expected to return to

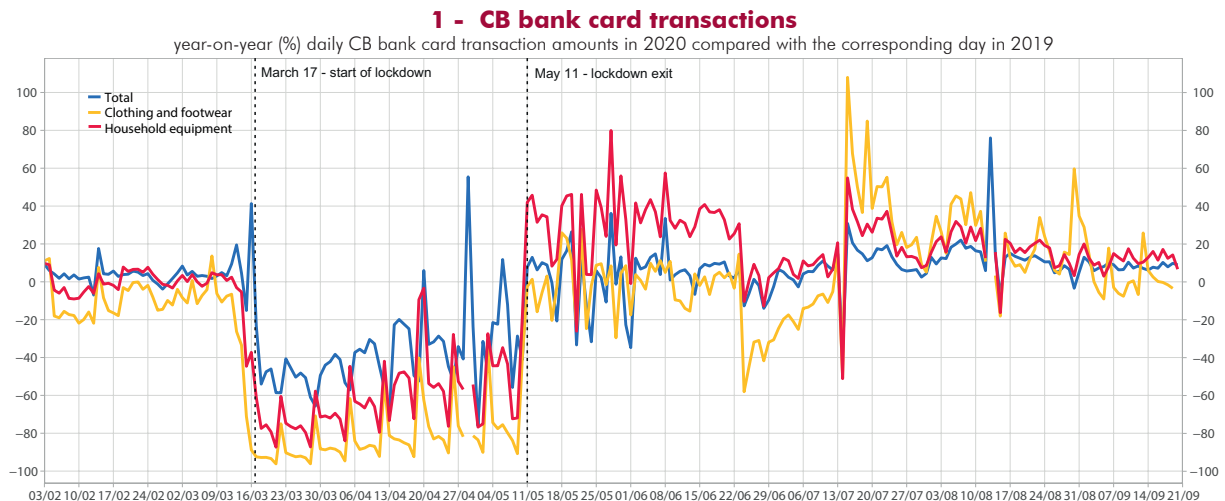
Table 1 - Estimation then forecast of household consumption losses in 2020

	Q1	Q2	Q3	Q4	Years 2020
Growth in household consumption (quarterly change)	–5.8	–11.5	+16	–1	–7
Loss of consumption (compared to the fourth quarter 2019)	–5.8	–16.7	–3	–4	

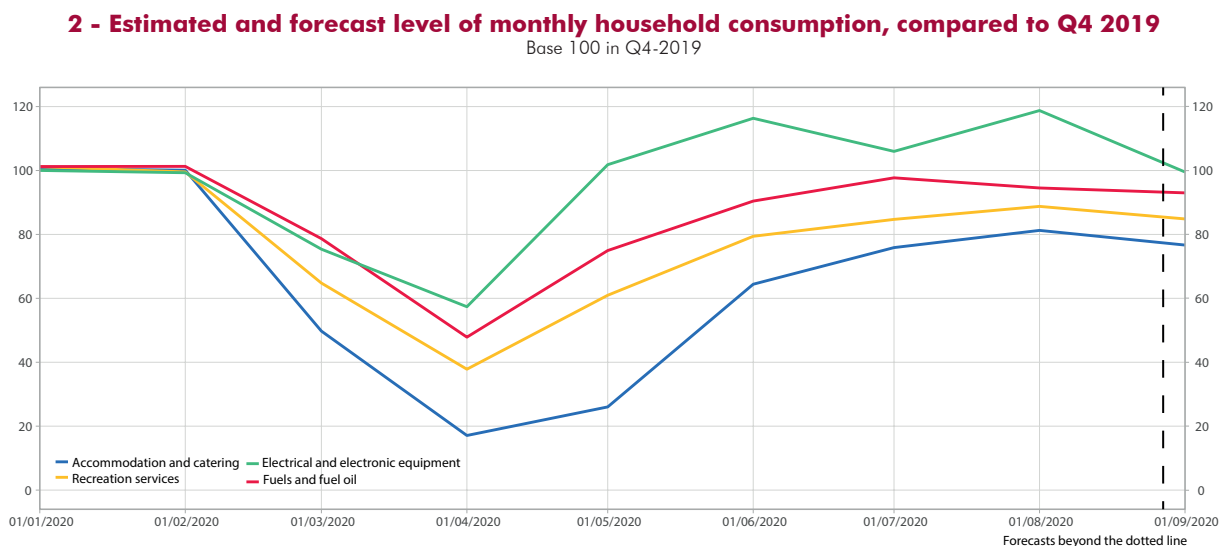
Forecast
Source: INSEE

its pre-crisis level, with the catch-up effects observed in Q3 gradually dissipating, as well as the support measures for vehicle purchase. On the other hand, the upturn in spending on services is likely to fade, due to the strengthening of health measures to combat the resurgence of the epidemic. In total, across the whole year,

household consumption is likely to see a historic decline of 7%. After a substantial increase in households' savings ratio in Q2 (+7.7 points, Focus), in Q3 it is expected to return to a level closer to its long-term average, or a little higher (17% in Q3 then 18% in Q4). ■



How to read it: on Tuesday 15 September 2020, the total amount of CB bank card transactions was 8% higher than on Tuesday 17 September 2019.
 Note: from March onwards, the dynamism of these transaction amounts may be due to a higher level of payment by bank card.
 Source: Cartes Bancaires CB, INSEE calculations



How to read it: in April 2020, household spending on accommodation-catering services was 17% of the average level in Q4 2019.
 Source: INSEE calculations from various sources

2 - Estimated loss of final household consumption linked to lockdown measures

Products	Share of consumption* (%)	Q2 2020 (difference in %)	3Q 2020 (difference in %)	Contributions to the variance for the 3rd quarter (in percentage points)
Agriculture, forestry and fishing	3	-5	-5	0
Industry	44	-15	1	0
Manufacture of food products, beverages and tobacco-based products	15	4	0	0
Coke and refined petroleum	4	-29	-5	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3	-8	8	0
Manufacture of transport equipment	6	-36	2	0
Manufacture of other industrial products	13	-28	-1	0
Extractive industries, energy, water, waste treatment and decontamination	5	-2	3	0
Construction	2	-24	-4	0
Mainly market services	46	-19	-6	-3
Trade; repair of automobiles and motor-cycles	1	-24	5	0
Transport and storage	3	-47	-29	-1
Accommodation and catering	7	-64	-22	-2
Information and communication	3	-5	1	0
Financial and insurance activities	6	1	1	0
Real estate activities	19	1	1	0
Scientific and technical activities; administrative and support services	2	-19	-6	0
Other service activities	4	-41	-14	-1
Mainly non-market services	5	-32	-7	0
Total	100	-17	-3	-3

*weight in final household consumption spending excluding territorial correction (2017)

How to read it: the level of household consumption of accommodation and food services would be 22% lower in the third quarter than in the fourth quarter of 2019, contributing to total household consumption being 1.6 percentage points lower than normal.

Source: INSEE calculations from various sources