Household consumption

After staying very close to its pre-crisis level in Q3, household consumption would appear to have deteriorated slightly in October, mainly due to the tightening of the health restrictions. The introduction of lockdown on 30 October is likely to lead to a much sharper decline in November, although it should be less abrupt than during the first lockdown: consumption is expected to settle at 15% below its Q4 2019 level (against about 30% at the start of the first lockdown). As was the case in April, the spending most severely affected will probably be that on fuel, non-essential manufactured goods and, in services, accommodation and catering, transport and leisure.

As presented in the *Economic Outlook* of 6 October 2020, publication of the quarterly accounts (first estimate for Q3 published on 30 October) confirmed that household consumption in Q3 remained close to its pre-crisis level (–2% compared to the level in Q4 2019).

Since then, household consumption for October and for the first days of November has been estimated, in a context affected by the tightening of health restriction measures and, from 30 October onwards, by the introduction of a second lockdown. As during the first lockdown, the estimation method consisted in applying assumptions of loss or gain in consumption to disaggregated goods and services, compared to Q4 2019. These assumptions are based on information from CB bank card transactions and scanner data from several major retail outlets, available up to and including 8 November, with all data aggregated by product. As in April, they reflected both the consequences of the regulatory measures put in place, and specific consumption behaviours (constant need for certain type of product, etc.).

In October, household consumption would appear to have deteriorated slightly compared with the previous three months, settling at 4% below its Q4 2019 level. In fact, the slowdown in CB bank card transaction amounts, already observed in September, continued into October (*Graph 1*). The decline in consumption in October is probably due mainly to reduced spending on accommodation and catering, in connection with the successive tightening of health restriction measures (partial or complete closures of bars and restaurants in some major cities, curfew introduced on 17 October in some departments then extended to others on 24 October). Consumption of manufactured goods appears to have remained buoyant, despite less expenditure on fuel and fewer purchases of transport equipment.

1 - Weekly CB bank card transaction amounts
year-on-year change (%) in weekly CB bank card transaction amounts in 2020
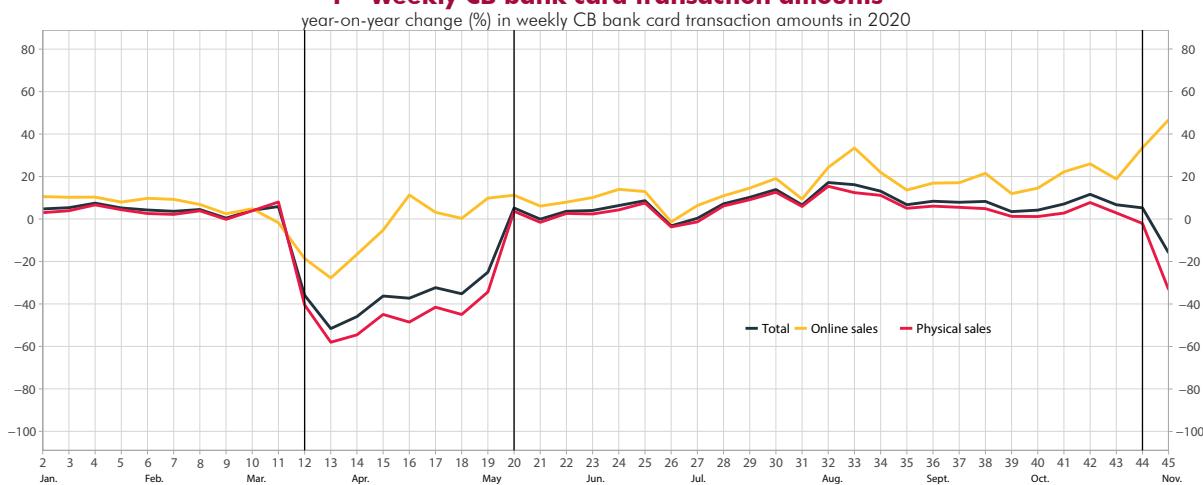
How to read it: in week 45 (2-8 November), the total amount of CB bank card transactions was 16% lower than the amount for week 45 of 2019
Note: the dynamism of these transaction amounts from March onwards may be due to a higher proportion of payments by bank card.
Source: Cartes Bancaires CB, INSEE calculations

French economic outlook

The introduction of the second lockdown on 30 October is likely to lead to a much sharper decline in November, with consumption at 15% below its Q4 2019 level. The CB bank card transaction data do indeed show a significant decrease in transaction amounts for the first full week of lockdown (week 46) and in the previous week too, which was affected by a decline in physical sales. Online sales, on the other hand, showed a dynamic upward trend, offsetting overall loss, in contrast to what had been observed during the first lockdown (*Focus*).

Although consumption of industrial goods was above its Q4 2019 level from June onwards, it is likely to settle significantly lower than this in November (–13%, or a contribution of –6 points to total loss of consumption, Table). This sharp decrease will probably be due in particular to the decline in the consumption of fuel, linked with the restrictions on travel, and of manufactured goods such as clothing-footwear or household equipment, linked with the closure of non-essential businesses (*Graph 2*). However, consumption of electrical and electronic products is expected to remain above its pre-crisis level, continuing the momentum that started in May.

Consumption of mainly market services is expected to be 19% down on its Q4 2019 level (contribution of –9 points to total loss of consumption). The decline in spending on accommodation and catering is the main contributor to this fall, due to measures in place restricting activity. Spending on leisure is also likely to be affected, also spending on transport services, as was the case in the spring.

In mainly non-market services, consumption is expected to decline more moderately, and settle at 8% below its Q4 2019 level, contributing only marginally to total loss of consumption. The context of the second lockdown, especially with schools remaining open and full access to outpatient care, should certainly ensure a smaller decline in non-market consumption than that observed in April. Similarly, in the construction branch, the introduction of health and safety protocols is expected to ensure that renovation work can continue, but at a slower pace: consumption will probably be 14% below its Q4 2019 level, contributing marginally to the loss of consumption overall.

Compared with the consumption losses recorded in April, the second lockdown is expected to result in a less sudden decline in consumption than in the first lockdown, in all the consumer items affected by this decline (*Graph 3*). Manufactured goods, and especially transport materials and capital goods, are the consumer items where the decline in consumption in November is likely to be the lowest compared to that observed in April. Accommodation and catering are expected to be among the items most affected in November, as was also the case in April. ∎

2 - Weekly CB bank card transaction amounts for various types of goods and services

year-on-year change (%) in weekly CB bank card transaction amounts in 2020
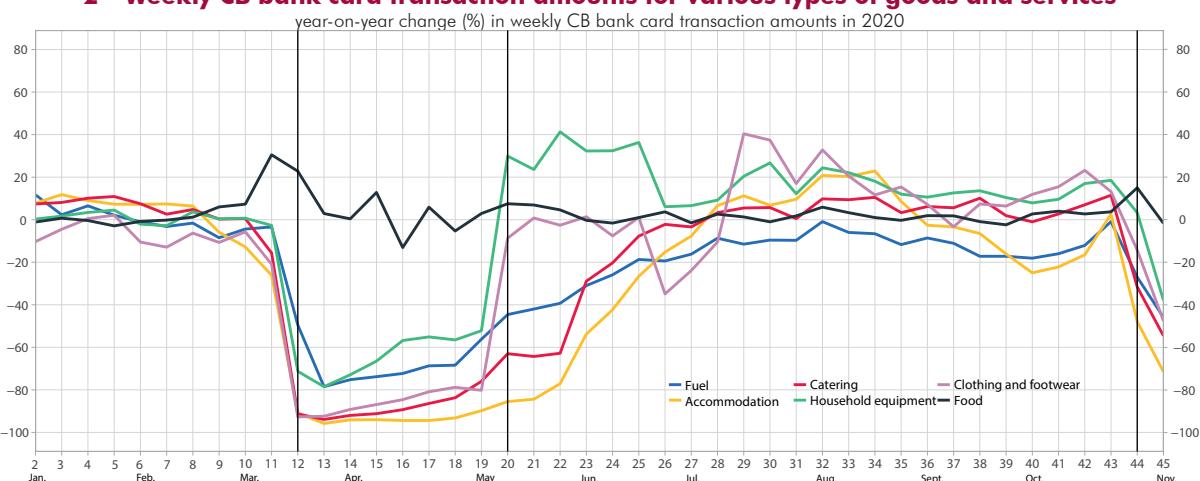
How to read it: in week 45 (2-8 November), CB bank card transaction amounts in catering were 55% lower than in week 45 of 2019.
Note: the dynamism of these transaction amounts from March onwards may be due to a higher proportion of payments by bank card.
Source: Cartes Bancaires CB, cash register data of several supermarket and hypermarket signs, INSEE calculations

Table - Estimated and forecast level of household consumption, compared to Q4 2019

Products	Share of consumption*	Q2 (difference in %)	Q3 (difference in %)	Estimate for October (difference in %)	Forecast for November (difference in %)	Contribution to difference for November (in percentage points)
Agriculture, forestry and fishing	**3%**	**–5**	**–5**	**–5**	**–5**	**0**
Industry	**44%**	**–14**	**1**	**2**	**–13**	**–6**
Manufacture of food products, beverages and tobacco-based products	15%	4	0	2	0	0
Coke and refined petroleum	4%	–29	–5	–10	–39	–2
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3%	–8	11	27	16	0
Manufacture of transport equipment	6%	–35	1	–6	–10	–1
Manufacture of other industrial products	12%	–25	3	3	–33	–4
Extractive industries, energy, water, waste treatment and decontamination	4%	–2	3	2	0	0
Construction	**2%**	**–24**	**0**	**–3**	**–14**	**0**
Mainly market services	**46%**	**–21**	**–6**	**–9**	**–19**	**–9**
Trade; repair of automobiles and motorcycles	1%	–24	–1	–8	–13	0
Transport and storage	3%	–78	–29	–30	–42	–1
Accommodation and catering	7%	–64	–18	–31	–69	–5
Information and communication	3%	–7	–4	–4	–5	0
Financial and insurance activities	6%	1	1	0	0	0
Real estate activities	19%	1	2	0	0	0
Scientific and technical activities; administrative and support services	2%	–20	–9	–8	–8	0
Other service activities	4%	–39	–15	–18	–40	–1
Mainly non-market services	**5%**	**–22**	**3**	**0**	**–8**	**0**
Total	**100%**	**–17**	**–2**	**–4**	**–15**	**–15**

* weight in final household consumption spending (excluding territorial correction)
How to read it: the level of household consumption in accommodation and catering services in November is expected to be 69% lower than that usually observed in a normal period of economic activity, contributing a 9-percentage point reduction in household consumption overall, compared to Q4 2019.
Source: INSEE calculations from various sources

3 - Estimated level of household consumption in April and forecast in November

compared to Q4 2019
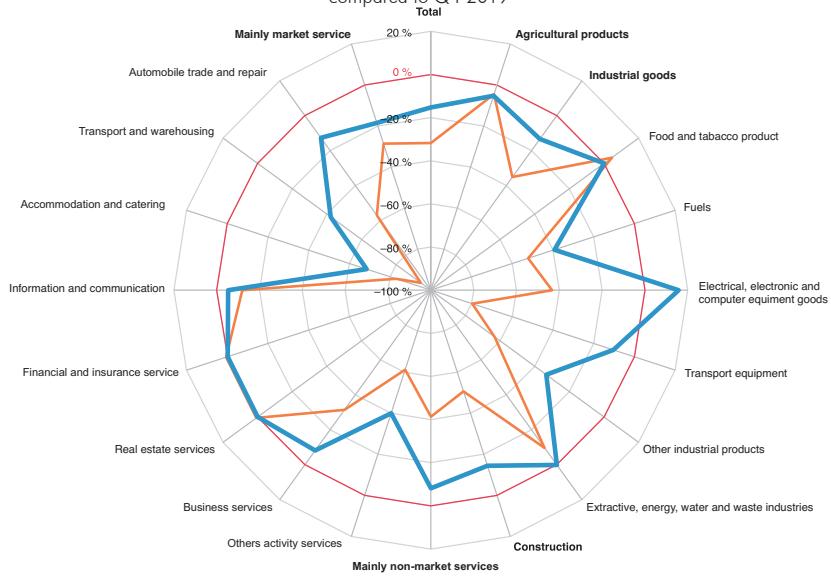
How to read it: the loss of activity in accommodation and catering is forecast at –69% in November 2020 against –83% estimated in April (compared to Q4 2019).
Source: INSEE calculations from various sources