

Household consumption

With the introduction of the second lockdown, household consumption declined sharply in November 2020 (-15% compared to the pre-crisis level of Q4 2019) before picking up fairly quickly in December (-4% compared to the pre-crisis level), especially with the strong rebound in consumption of manufactured goods. In January, partly in reaction to this and with the further strengthening of health restrictions (curfew gradually brought forward to 6pm instead of 8pm), delayed winter sales and uncertainty over the way the health situation was developing, consumption would appear to have fallen once again (-7% compared to its pre-crisis level). Consumption of manufactured goods in particular looks set to decline after the strong rebound in December. Consumption of services would appear to have remained stable overall, but still depressed in the sectors directly affected by the restrictive measures in place for the health crisis.

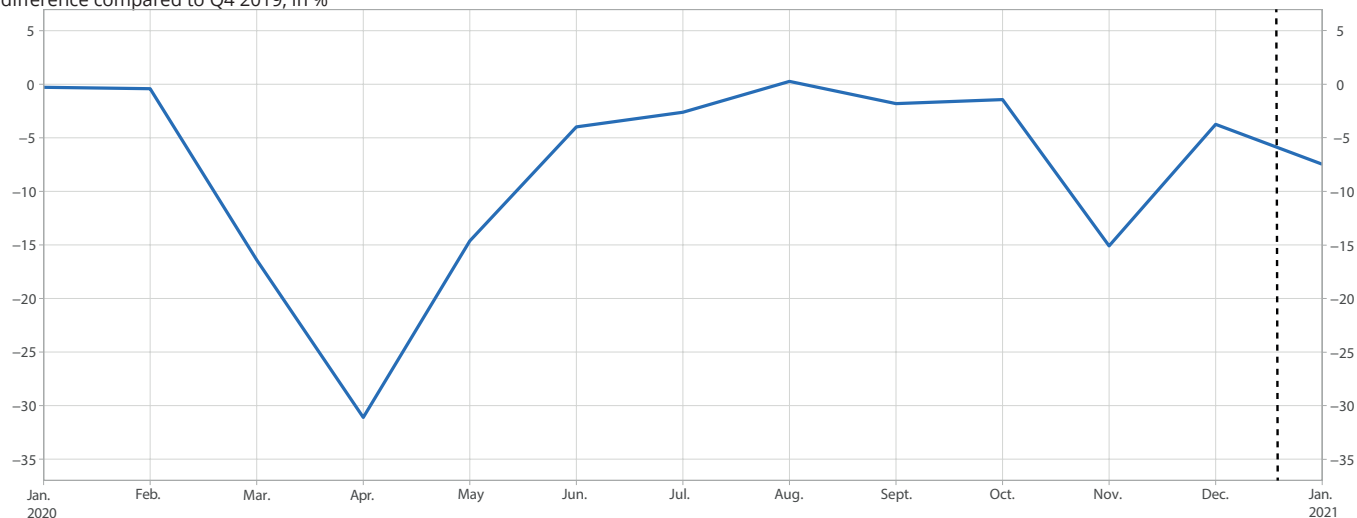
Since the Economic Outlook of 15 December 2020, the first estimate from the Q4 2020 accounts confirms the drop in household consumption for this quarter (-5.4% compared to the previous quarter, a slightly more moderate decline than the -6% forecast in the last

Outlook). In Q4 2020, household consumption stood at -7% from its pre-crisis level, after -1% in Q3, an indication of the decline in consumption during the second lockdown (► **Figure 1**). Thus the loss of consumption in Q4 is close to, though a little below, the forecast in the last Economic Outlook (-8% compared to the pre-crisis level). In particular, the increase in consumption of electrical and electronic equipment was even stronger than forecast in Q4 (+13% above its pre-crisis level against +6% forecast). Spending on construction work was also above its pre-crisis level (+1% against a forecast of -10%). In services to households, even though consumption remained sharply depressed in Q4, the loss of consumption turned out to be smaller than anticipated (-27% compared to the pre-crisis level against a forecast of -36%).

Using bank card transaction amounts and scanner data from major retail outlets, available up to 24 January, an estimate of household consumption can be produced for January. This is likely to be down on December, with a loss of consumption reaching 7% in January after -4% in December (compared to Q4 2019). The profile of CB bank card transaction amounts illustrates this decline since after the strong rebound observed in December,

► 1. Estimated and forecast monthly consumption

difference compared to Q4 2019, in %



How to read it: in January 2021, household consumption is expected to stand at 7% below its Q4 2019 level.

Source: INSEE calculation from various sources

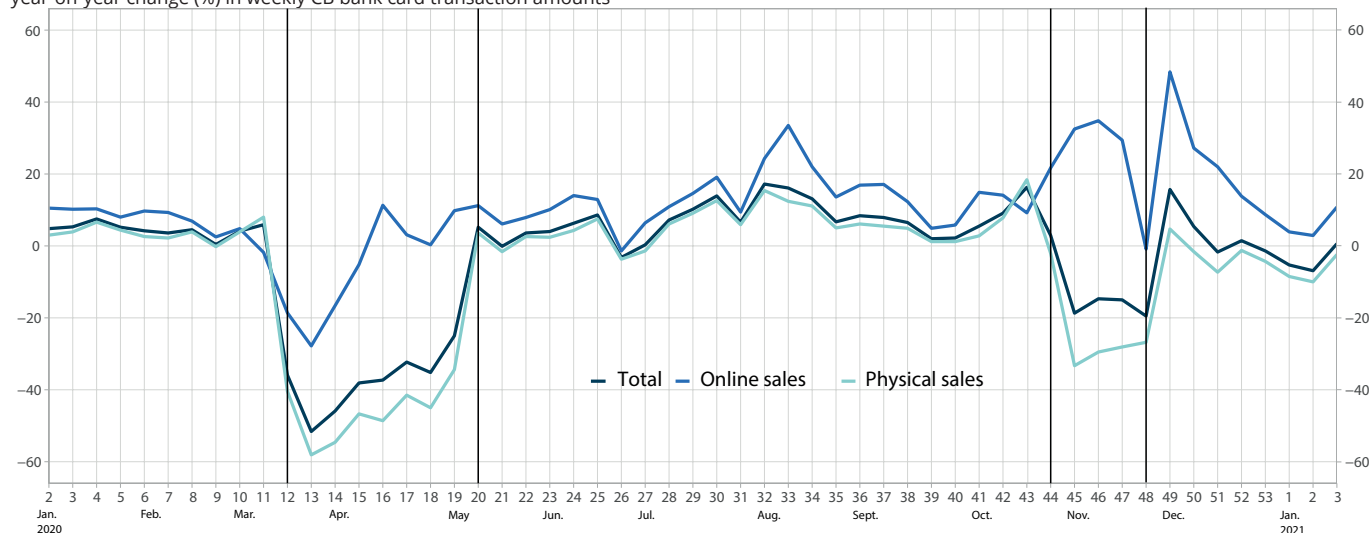
transactions (year-on-year) appear to be significantly less dynamic in the first three weeks of January (► **Figure 2**). This weak momentum also applies to online sales, in contrast to previous months, which saw an upturn in this type of purchase. In addition to the delaying of the winter sales, which started on 20 January this year instead of 8 January last year, the drop in consumption may also be due to the earlier curfew at 6pm instead of 8pm, which was at first limited to fifteen departments then gradually introduced nationwide from 16 January: by reducing in particular the numbers of customers going into shops, this measure seems to have affected household spending overall (► **Focus**). In addition, the climate of uncertainty regarding the changing health situation could

also have contributed to slowing household spending. In this regard, the latest results from the Household Economic Outlook Survey, published on 27 January, show a substantial increase in the balance of opinion on the opportunity to save, combined with a sharp decline in the balance of opinion on the opportunity to make major purchases (► **Figure 3**).

The drop in consumption in January would appear to be mainly the result of consumption of industrial goods. Household spending on these goods would seem to be slightly below that of its pre-crisis level (-1%, or a contribution of -1 point to total loss of consumption, ► **Table**). Purchases of electrical and electronic

► 2. Weekly CB bank card transaction amounts

year-on-year change (%) in weekly CB bank card transaction amounts



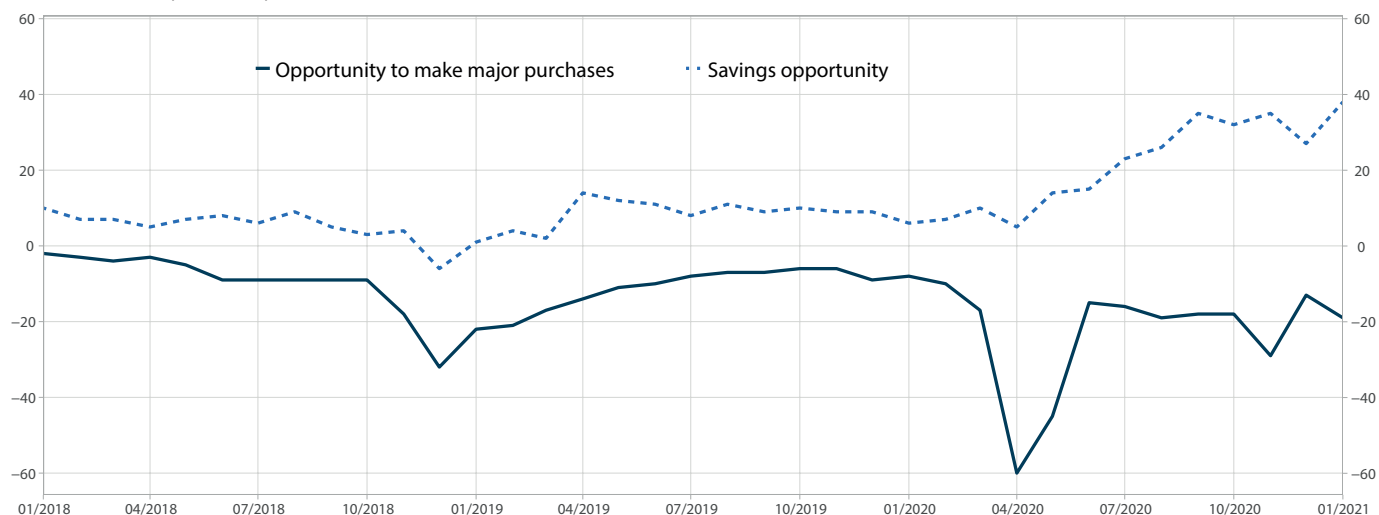
How to read it: in week 3 of 2021 (18–24 January), total CB bank card transaction amounts were 1% higher than the amount in week 3 of 2020. The vertical lines show the dates that “non-essential” stores closed and reopened during the two 2020 lockdowns.

Note: the dynamism of these transaction amounts from March onwards may reflect a higher use of bank card payments, a trend that was corrected when estimating losses or increases in consumption compared to the pre-crisis level.

Source: Cartes Bancaires CB, INSEE calculations

► 3. Balance of opinion on the opportunity to make major purchases and the opportunity to save

balance of CVS responses, in points



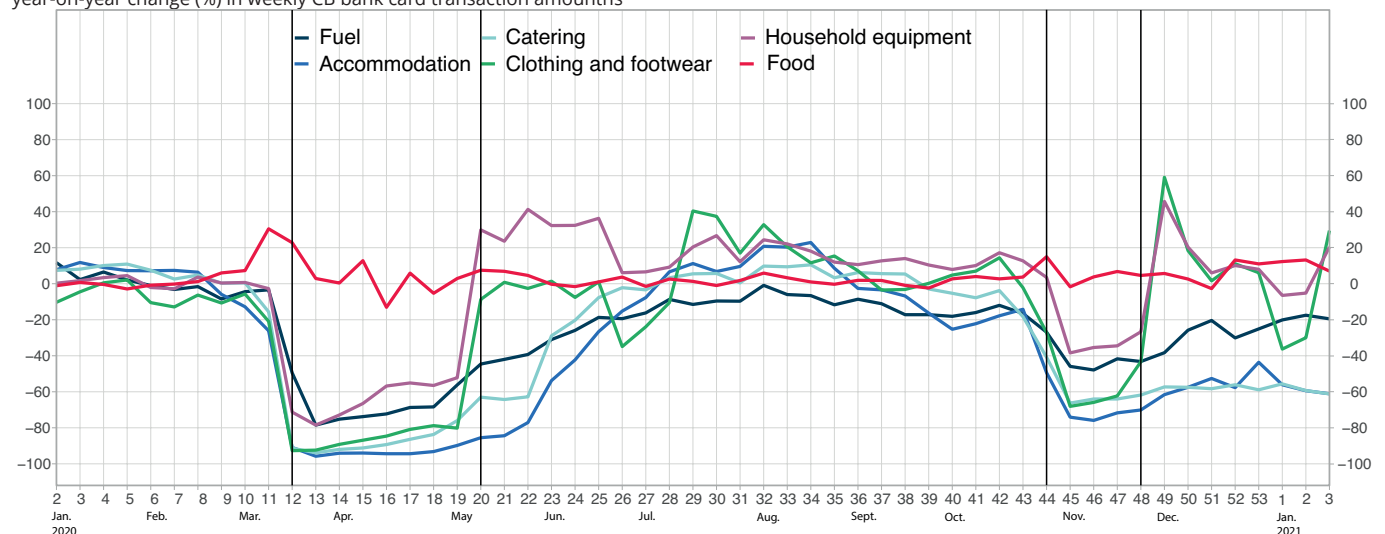
Source: INSEE economic survey of households

equipment, and household equipment in general, look set to maintain a higher level of consumption than before the crisis, although to a lesser extent than in Q4 (► **Figure 4**, where the negative year-on-year figures for the first two weeks of January are affected by the delaying of the winter sales). For other products, the strong rebound in December would seem to have given way to a level of consumption in January below the pre-crisis level, as in clothing-footwear, for example, probably also linked to the shifting of the start of the winter sales to 20 January (► **Figure 4**). Lastly, some spending would appear to have increased nevertheless, although still remaining below the pre-crisis level: this would have appeared to be the case for spending on fuel in particular (► **Figure 4**).

However, consumption of market services in January would appear to have been 14% below its pre-crisis level (7-point contribution to total loss). This loss of consumption, similar to that in December, probably reflects consumption levels that are still in a depressed state in the sectors directly affected by the restrictive measures: catering has accommodation trailing in its wake (► **Figure 4**) also leisure activities. The figures are also expected to reflect contrary movements, with consumption of transport services improving in January (more trips than in December) and conversely, consumption of personal services deteriorating. Household spending on construction would appear to have recovered its pre-crisis level, the same for mainly non-market services. ●

► 4. Weekly CB bank transaction amounts and sales by major hyper and supermarkets, for various types of goods and services

year-on-year change (%) in weekly CB bank card transaction amounts



How to read it: in week 3 of 2021 (18–24 January), CB bank card transaction amounts related to purchases of fuel were 20% lower than amounts in week 3 of 2020. The vertical lines show the dates that “non-essential” stores closed and reopened during the two 2020 lockdowns.

Note: the dynamism of these transaction amounts from March onwards may reflect a higher use of bank card payments, a trend that was corrected when estimating losses or increases in consumption compared to the pre-crisis level.

Source: Cartes Bancaires CB, INSEE calculations

►Tableau. Estimated and forecast level of household consumption

compared to Q4 2019, in %

Products	Share of consumption*	Q4 2020	Oct. 2020	Nov. 2020	Déc. 2020	Jan. 2021	Contrib. for January 2021 (in percentage points)
Agriculture, forestry and fishing	3%	-5.6	-3	-9	-5	-5	0
Industry	44%	-2.9	3	-16	4	-1	-1
Manufacture of food products, beverages and tobacco-based products	15%	1.3	4	-2	1	1	0
Coke and refined petroleum	4%	-14.4	-4	-27	-12	-4	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3%	13.2	13	-9	36	19	0
Manufacture of transport equipment	6%	-9.8	-2	-19	-8	-8	0
Manufacture of other industrial products	12%	-5.9	2	-33	14	-6	-1
Extractive industries, energy, water, waste treatment and decontamination	4%	2.5	12	-5	1	1	0
Construction	2%	0.7	2	0	0	0	0
Mainly market services	46%	-13.4	-8	-18	-14	-14	-7
Trade; repair of automobiles and motorcycles	1%	-4.7	0	-11	-4	-5	0
Transport and storage	3%	-48.2	-33	-58	-54	-46	-2
Accommodation and catering	7%	-47.1	-27	-61	-53	-55	-4
Information and communication	3%	-2.8	-2	-7	0	-3	0
Financial and insurance activities	6%	0.9	1	1	1	1	0
Real estate activities	19%	1.8	2	2	2	2	0
Scientific and technical activities; administrative and support services	2%	-8.8	-8	-9	-10	-11	0
Other service activities	4%	-27.1	-16	-43	-23	-30	-1
Mainly non-market services	5%	-0.8	2	-4	0	0	0
Total	100%	-6.8	-1	-15	-4	-7	-7

* weight in final household consumption spending in 2018 (excluding territorial correction)

■ Forecast

How to read it: in January 2021, the level of household consumption of accommodation and catering services would appear to be 55% lower than in Q4 2019.

Source : INSEE calculations from various sources