Introduction by the Director General of INSEE

Just a year ago, as France was preparing to enter its first lockdown, INSEE was on the threshold of an unprecedented period in its history; from the point of view of economic analysis, it was no longer a question of dissecting each business tendency survey to assess whether growth in the next quarter would be at 0.2 or 0.4% – we now had to mobilise all the information we could in order to give an indication of the magnitude of the collapse of consumption and economic activity.

One year later, as we publish the most comprehensive Economic Outlook since the start of the health crisis, I feel it is useful to draw some lessons from all the effort put in over the last twelve months by the analysts at INSEE, and many of their colleagues at the Banque de France, the French Council of Economic Analysis, in economic research institutes, and in international organisations.

1) It is clear that, in the vast majority of countries, France included, the economic outlook is still dependent on the evolution of the pandemic and the health measures that it imposes. For example, if we consider how consumption will change in the weeks and months to come, what counts above all is the scenario of our fight against the coronavirus disease, and when we will see the lifting of the restrictions that are preventing or hindering activity in certain sectors; given this situation, there is little to be gained from referencing the usual determinants of consumption such as precautionary savings.

2) Under these conditions, what are the essential issues? To take stock as quickly as possible of changes in economic activity, consumption and employment. Many have tried their hand at epidemiology to construct crisis-exit scenarios, but for the moment the virus and its variants have foiled these predictions. Many continue to publish forecasts for the years to come, mainly by trying to put a date on when we will return to the GDP level of the end of 2019. However, while these efforts continue to receive media attention, they still seem very uncertain to me for as long as we are unable to set out a timetable for a return to normal. Last December, INSEE tried once again to produce a forecast for the following two quarters, opting for a favourable scenario with the lifting of restrictive measures... But this was immediately thwarted by the appearance of the "UK variant".

3) For INSEE, the priority therefore remains to report, as quickly as possible, on sudden change in the main economic aggregates. To do this, we have transformed our usual tools, and turned to large amounts of high-frequency data. This Economic Outlook illustrates the point, with Focus reports on bank card transaction data, the use of search engines, analysis of news articles, and even electricity consumption by large industrial companies. It seems to me that we must also focus on the specific economic effect of each health measure, even though this is difficult to do. Lastly, we have to turn to original sources to observe the appearance of new insecurities, because although the established statistical apparatus enables us to measure inequalities in household income and business accounts, the time lag is too long, linked to the processing of administrative data, especially tax data. In this issue of Economic Outlook, after the Council of Economic Analysis, you will find an analysis of changes in the current accounts of customers of a major bank.

I would like to take this opportunity to thank all the partners who have enabled us to innovate, both in the last year and in the future. At the peak of the first wave, all these forms of cooperation were very much voluntary and free of charge. Pending a possible change in our legal framework, INSEE is not unwilling to make a financial contribution for carrying out statistical analysis in partnership, except when it comes to making available to us data that already exist in the right format; most of our partners understood our position.

4) In terms of methodology, we are currently caught in a middle ground which makes the job of the economic analyst particularly tough. On the one hand, given the magnitude of the effects of closures and restrictive measures, we have not yet returned to a situation where the traditional business tendency surveys are once again fully relevant. On the other hand, high-frequency data have proved to be very useful for estimating the major upward or downward shocks of 2020, but they are more difficult to use when we are looking at areas where activity is still fluctuating, but by only a few percentage points at most per quarter; we then realise that there are many phenomena that disrupt these data – statistical noise. As we can see, this is the trickiest period for the analyst.

5) Over the past year, when we looked at other countries, it was more to compare changes in high-frequency data than to analyse economic links from one country to another. The reason is understandable: it was in industry in particular, and to a lesser extent in certain market services, that foreign trade influenced the resources-uses balance specific to each country; these sectors are now close to normal, with the notable exception of aeronautics (which is in fact the subject of a Focus report in this issue). Deviations from normal activity are mainly found in the sheltered sector, especially personal services and trade, which react in their own distinctive way to restrictions decided on at national or infra-national level.

Nevertheless, it seems to me that with the resilience of the economy in much of Asia, and the scale of successive income support plans in the United States, the time is approaching when analyses at a less national level will again be useful, for example on the phenomenon of rising inflation.

Thank you to the teams at INSEE, those in the short-term economic analysis department and also all those who lent their support consistently over the last twelve months to respond to the unprecedented challenges associated with this health crisis. ●

Jean-Luc Tavernier