

# Economic activity

In a year of economic fluctuations on an unprecedented scale, GDP fell by 8.2% as an annual average in 2020, according to the detailed results in the quarterly accounts published at the end of February. The shock associated with the second lockdown at the end of 2020 was less severe than in the spring. At the start of 2021, the rebound is likely to be correspondingly less vigorous than in the summer, in a health context that is continuing to weigh heavily on activity.

Q1 2021 is likely to be seen as a middle ground: the health situation is affected by both the spread of Covid variants and progress in the vaccination campaign; many restrictive measures remain in force, but without going so far as another national lockdown, at least at the time of writing. Compared to the second national lockdown in November 2020, the restrictive measures that have been gradually introduced since January are indeed less strict (national curfew, no restriction on mobility apart from local exceptions), more targeted (closure of non-food retail outlets in large shopping centres) and more localised (weekend lockdown in some areas where the virus has reappeared). They should affect the economy a little less than at the heart of Q4 2020, when there was a further decline in activity, especially in services. In this context, activity is expected to remain virtually stable between January and March, around 4% below its pre-crisis level. Over Q1 2021 as a whole, it is expected to grow slightly (+1% as a quarterly variation).

In Q2, and as has been the case since the health crisis began, change in economic activity is likely to be closely

linked to any change in the health situation and the associated restrictive measures. Assuming a gradual easing of restrictions from mid-April, activity would then return to a similar level in June to that of September-October 2020, about -3% below the pre-crisis level, and would thus increase by 1% compared to Q1. The growth overhang for 2021 at the end of H1 would then be 5½%.

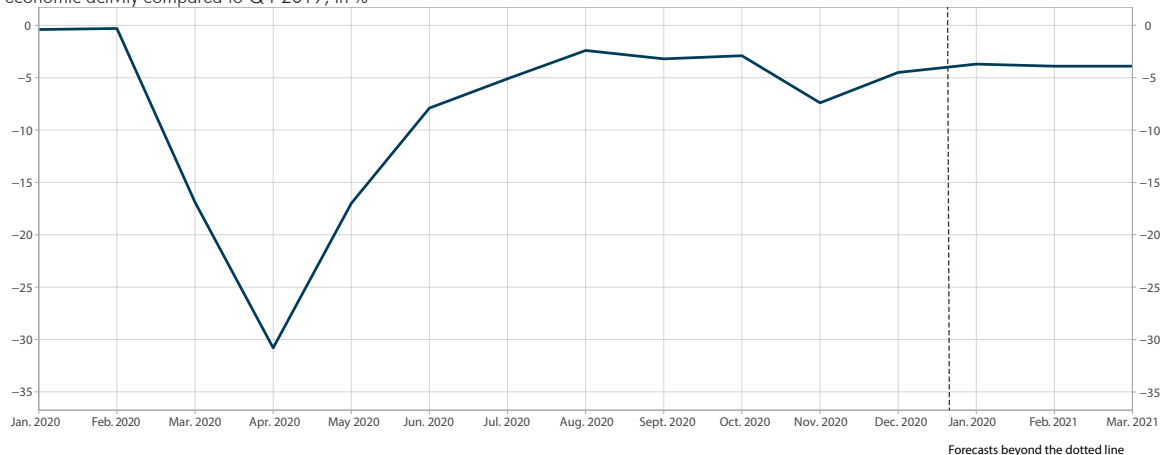
## In Q4 2020, French economic activity was affected by the second lockdown, but to a lesser extent than in the spring

Since the Economic Outlook of 4 February, the detailed results for the Q4 accounts have been published confirming the economic activity profile between October and December. After October was stable at 3% of loss of activity compared to the pre-crisis level (Q4 2019), the lockdown introduced between 30 October and 14 December, which notably included the closure of “non-essential” businesses until 27 November and some restrictions in movement, resulted in a new decline in economic activity. In November, it stood at around 7½% below its Q4 2019 pre-crisis level; the loss of activity was then reduced to 4½% in December (► figure 1).

Market services were the most affected by the second lockdown, with a loss of activity of around 10% in November compared to pre-crisis, a reduction by almost a third, however, compared to April. The branches most affected since the start of the health crisis,

### ► 1. Estimated then forecast monthly loss of activity

difference in economic activity compared to Q4 2019, in %



How to read it: in December, economic activity was down by about 4½% compared to its Q4 2019 level. In January it is expected to settle at -4%.  
Source: INSEE calculations from various sources

## French economic outlook

accommodation-catering, other service activities (leisure, culture, sport, etc.) and transport and storage services, were affected again in November then in December – but less so than in April, as adaptations to the restrictions were already in place and travel was allowed for the end-of-year celebrations, which were partly maintained. Trade fell sharply in November, due mainly to the closure of “non-essential” shops, but rebounded in December, back to its pre-crisis level. After falling back in November, the activity of mainly non-market services also returned to its pre-crisis level in December, driven mainly by the buoyancy of health services (catching up with care, tests and vaccinations as well as fewer postponements of treatment than in the spring). Lastly, industry and construction were not much affected by the second lockdown in November but their activity declined in December, perhaps due to carry-over effects and a deterioration in the health situation for a number of our partners.

The breakdown of the different demand items also shows that, across all of Q4 2020, household consumption declined once again (–5% compared to the previous quarter), while investment, in contrast, continued to increase slightly (+1%), as did exports and imports. The

contribution of investment to the quarterly variation in GDP was therefore slightly positive in Q4 2020, as was that of foreign trade (► [figure 2](#)). All in all, at the end of the year, GDP dropped by 1.4% as a quarterly variation and by 4.9% year-on-year (► [figure 3](#)).

### In a context that remains very uncertain, economic activity is expected to improve slightly in Q1 2021

In January and February 2021, companies’ expectations, as expressed at the beginning of February in INSEE’s business tendency surveys and the ACEMO-Covid flash survey,<sup>1</sup> carried out by DARES in association with INSEE, suggest an overall stabilisation of economic activity compared to December 2020, especially in services. According to the industrial production index, activity should also improve in industry in January.

The restrictive measures in force since the beginning of the year are an extension of those introduced at the end of the second lockdown. The curfew in force since 15 December restricted people’s movement, onsite work and consumption opportunities in the evenings, first after 8pm, then after 6pm: this earlier deadline

<sup>1</sup> This survey questions businesses on their expectations regarding their pace of recovery. Their responses are aggregated at sector level, so that a trajectory can be established for change in activity in the coming months, provided there is no new shock to activity related to a tightening of restrictive health measures in the event of a return of the epidemic.

## ► 2. Goods and services: resources-uses balance at chain-linked prices for the previous year

variations T/T-1 (en %), données CVS-CJO

	2019				2020				2021	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
<b>Gross domestic product</b>	<b>0.5</b>	<b>0.3</b>	<b>0.2</b>	<b>-0.2</b>	<b>-5.9</b>	<b>-13.5</b>	<b>18.5</b>	<b>-1.4</b>	<b>1</b>	<b>1.5</b>	<b>-8.2</b>
Imports	1.3	0.1	0.5	-0.9	-5.8	-17.1	16.4	1.8	1	2.6	-11.5
Total resources	0.6	0.2	0.2	-0.4	-5.7	-14.3	17.8	-0.4	1	1.6	-8.9
Household consumption expenditure	0.6	0.4	0.4	0.3	-5.6	-11.5	18.1	-5.4	1	1.5	-7.0
General government consumption expenditure**	0.3	0.5	0.5	0.4	-3.3	-11.0	16.1	-1.2	1	1.6	-4.0
of which individual general government expenditure	0.3	0.5	0.4	0.4	-3.6	-10.9	16.2	-1.2	1	1.7	-4.2
of which collective general government expenditure	0.3	0.4	0.8	0.3	-1.3	-8.2	11.8	1.3	-1	1.7	-1.0
Gross fixed capital formation (GFCF)	1.1	1.4	1.2	0.2	-10.6	-15.0	24.1	1.1	2	4.3	-10.3
of which Non-financial enterprises (NFE)	0.8	1.1	1.3	0.0	-9.1	-14.1	20.7	0.9	2	3.7	-9.6
Households	0.3	1.2	0.6	0.3	-14.3	-17.7	31.9	4.2	2	1.8	-12.8
General government	2.3	2.0	1.6	0.4	-10.6	-15.7	27.2	-2.1	2	7.7	-9.9
Exports	0.5	-0.4	-0.5	-1.0	-6.9	-25.0	22.1	5.8	1	1.8	-16.3
Contributions (in points)											
Domestic demand excluding inventory**	0.6	0.7	0.6	0.3	-6.3	-12.3	19.3	-2.9	1	2.2	-7.1
Changes in inventories**	0.2	-0.2	-0.2	-0.4	0.7	0.9	-1.7	0.4	0	-0.4	0.3
Foreign trade	-0.3	-0.2	-0.3	0.0	-0.3	-2.2	0.8	1.0	0	-0.3	-1.5

■ Forecast

\* Consumption expenditure of general government and non-profit institutions serving households (NPISH)

\*\* Changes in inventories include acquisitions net of valuable items

How to read it: in Q1 2021, exports are expected to grow by 1% compared to Q4 2020; the contribution of foreign trade to quarterly GDP growth is expected to be zero.

Source: INSEE calculations from various sources

concerned only a few departments at first but was gradually extended to the entire country. The closure of restaurants and many leisure activities has remained in force since the start of the second lockdown. Coastal municipalities in Alpes-Maritimes and the Dunkerque conurbation – i.e. about 2% of the French population – have been subjected to local weekend lockdowns since the end of February.

The high-frequency indicators available for the first weeks of the quarter also suggest a relative stability in activity or a slight increase. Regarding road traffic, all vehicle traffic remained stable in January and February, apart from a peak in late February, probably linked to the school holidays. Heavy goods traffic, which was not affected much during the second lockdown due to the lesser impact of the restrictive measures on movement related directly to industrial activity, has been relatively stable since September (apart from the seasonal lull associated with the Christmas holidays) and even increased at the end of February (► [figure 4](#)). Daily electricity consumption by businesses connected directly to RTE also gives an idea of change in economic activity in certain specific branches: it suggests a slight

increase in activity in “other branches of industry” (textiles, chemical products, metallurgy, etc.) and stability but at a lower level in the manufacture of transport equipment and in transport services (► [focus](#)). The number of Google searches suggests, both in February and January, that searches relating to the sectors most exposed to restrictive measures remained at a very low level (► [figure 5](#)). Searches related to the semantic field “shops” fell dramatically in mid- and late January when non-food shops in large shopping centres closed and the possibility of another lockdown was raised, but they subsequently returned to a similar level to that of October. Searches related to the semantic fields “hotel” and “train” spiked at the end of February, but this was not the case for “air” because of the major restrictions on international tourism that are still in place. Lastly, the correlation between the indicator for time spent at home per week and the loss of economic activity has lessened since November, probably associated with the growth of teleworking; a slight change was observed over the second half of February, however, perhaps linked to the short-lived rise in temperatures or the school holiday period (► [figure 6](#)).

### ► 3. Estimated then forecast loss of economic activity until Q2 2021

	2020				2021		2020	ovhg mid-2021
	Q1	Q2	Q3	Q4	Q1	Q2		
Quarterly variation (in %)	-5.9	-13.5	18.5	-1.4	1	1	-8.2	5 1/2
Difference compared to pre-crisis level (Q4 2019)	-5.9	-18.6	-3.5	-4.9	-4	-3		

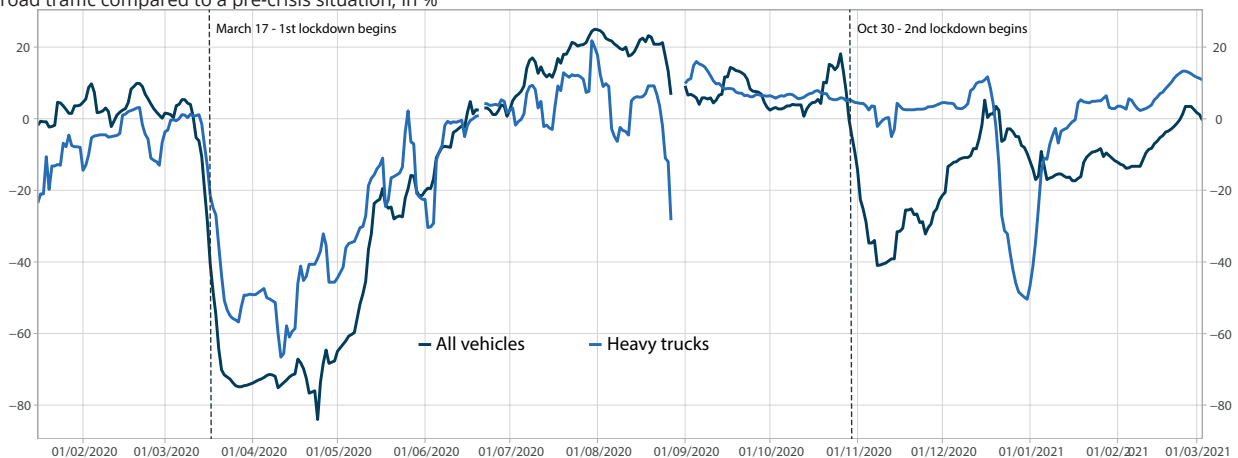
■ Forecast

How to read it: in Q1 2021, GDP is expected to be at -4% compared to the pre-crisis level, i.e. growth of 1% compared to Q4 2020

Source: INSEE calculations from various sources

### ► 4. Road traffic in France

loss of road traffic compared to a pre-crisis situation, in %



How to read it: on 8 November 2020, road traffic in France was -2% lower for heavy goods vehicles and -41% lower for all vehicles, compared to a similar day before the crisis.

Note: the index is constructed by comparing current traffic with “pre-crisis” traffic. In order to make this reference as “fair as possible”, it is calculated on the average daily flow from 13 January to 2 February 2020 to avoid effects related to school holidays and the start of lockdown. For more clarity, the series has been smoothed with a 7-day moving average. The last point represents 3 March.

Source: Cerema, INSEE calculations

# French economic outlook

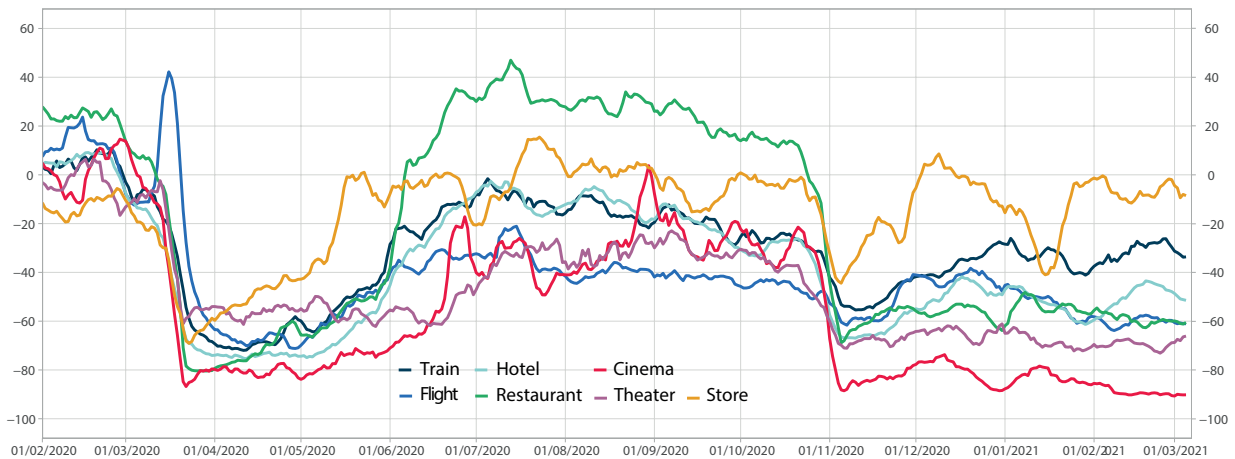
As a result, activity in January and February would appear to have been about -4% compared to its pre-crisis level (Q4 2019), similar to December.

In March, the weekend lockdown was extended to the Pas-de-Calais department, representing another 2% of the French population in addition to the local lockdowns already in force in Alpes-Maritimes and Dunkerque. On average over Q1 2021, however, these restrictions are likely to affect activity less than in Q4 2020 and in March it is expected to stay at the same level as February, with local lockdowns affecting only a small proportion of the population.

Over Q1 2021 as a whole, the gradual recovery in industry is expected to continue until it reaches -3% below its pre-crisis level (after -4% in the previous quarter); similarly for construction, at -6% (after -8% in Q4 2020). In "other branches of industry" (textiles, chemical products, metallurgy, etc.) the gap between levels of activity is expected to be reduced even further, while capital goods are likely to exceed their pre-crisis level slightly; however, transport equipment will probably remain at the same low level as in the previous quarter, still experiencing difficulties with trade outlets but perhaps also with supply (► [figure 7](#)). Services are

## ► 5. Frequency of keyword searches on internet

in %



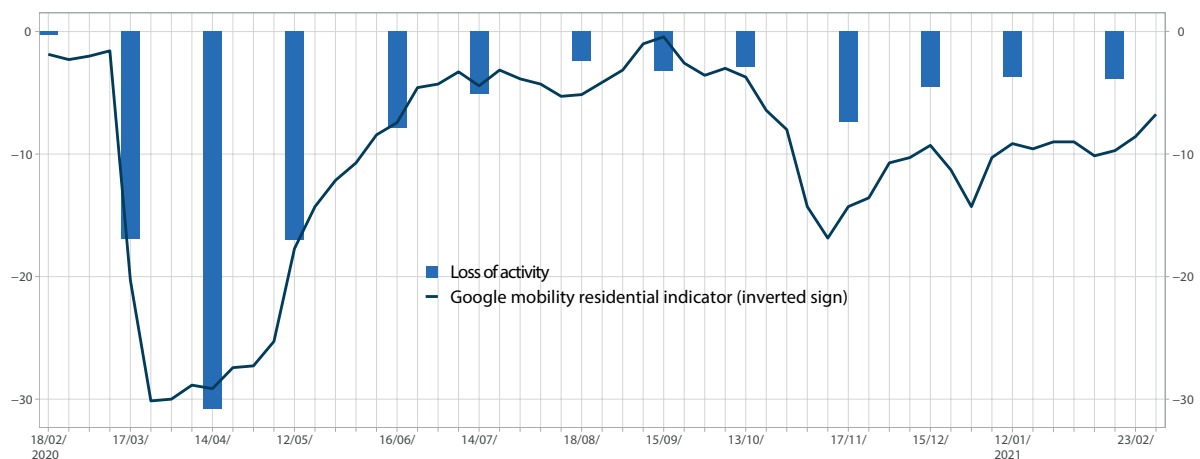
How to read it: the 7-day moving average for the number of searches for the word "restaurant" on Google in France was 55% lower on 29 January compared to the average of the 7-day moving averages for every 29 January between 2016 and 2019.

Note: the date of the last item is 5 March.

Source : Google Trends, calculs Insee

## ► 6. Indicator of total time spent at home monthly (compared to a normal situation) and estimated and forecast monthly loss of activity

in %



How to read it: during the first week of December, time spent at home was 10% more than in a normal situation.

Note: Idata for the indicator are currently available up to 5 March. Weekly values are the average of daily indicator values.

Source : Google Mobility Reports, INSEE calculations

expected to be at practically the same level as at the end of 2020, but still with some significant disparities between sectors. In trade and services to business the gap between their pre-crisis level and their Q4 2020 level is expected to be reduced still further, while information-communication, financial and insurance activities and real estate activities – which adapt more easily to teleworking – are likely to be very close to or even above their pre-crisis level. Meanwhile, activity

in those branches that are still subject to severe restrictions – accommodation-catering, other service activities and transport and storage – is expected to remain depressed. Finally, as in Q4 2020, activity in non-market services is likely to be stable, as administration is barely affected by the restrictions and activity in health services remains dynamic. All in all, GDP in Q1 should grow by 1% as a quarterly variation, and settle at 4% below the pre-crisis level

## ► 7. Estimated then forecast loss of economic activity in 2020 and in January 2021 by branch

écart au quatrième trimestre 2019, en %

Branch	weight	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Contrib. Q1 2021
<b>Agriculture, forestry and fishing</b>	<b>2</b>	<b>-1.3</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-1.1</b>	<b>0</b>	<b>0</b>
<b>Industry</b>	<b>14</b>	<b>-5.7</b>	<b>-23.1</b>	<b>-6.7</b>	<b>-4.4</b>	<b>-3</b>	<b>0</b>
Manufacture of food products, beverages and tobacco-based products	2	-0.7	-9.7	-1.5	-3.5	-3	0
Coke and refined petroleum	0	-19.4	-17.7	-29.0	-20.3	-26	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-5.9	-24.1	-5.6	-3.0	1	0
Manufacture of transport equipment	2	-13.8	-50.7	-20.8	-16.4	-17	0
Manufacture of other industrial products	6	-5.7	-23.8	-5.6	-3.0	-1	0
Extractive industries, energy, water, waste treatment and decontamination	3	-4.2	-14.9	-5.0	-1.7	0	0
<b>Construction</b>	<b>6</b>	<b>-14.0</b>	<b>-31.6</b>	<b>-5.8</b>	<b>-8.2</b>	<b>-6</b>	<b>0</b>
<b>Mainly market services</b>	<b>57</b>	<b>-5.5</b>	<b>-18.1</b>	<b>-4.5</b>	<b>-6.6</b>	<b>-6</b>	<b>-3</b>
Trade; repair of automobiles and motorcycles	10	-7.8	-19.5	-2.9	-4.4	-2	0
Transport and storage	5	-8.6	-30.1	-11.6	-15.9	-16	-1
Accommodation and catering	3	-13.8	-52.7	-13.2	-37.1	-42	-1
Information and communication	5	-2.4	-10.2	-4.1	-0.8	0	0
Financial and insurance activities	4	-3.3	-10.3	-1.6	-1.7	0	0
Real estate activities	13	-1.0	-3.1	0.1	0.5	1	0
Scientific and technical activities; administrative and support services	14	-5.9	-20.0	-4.6	-4.9	-3	0
Other service activities	3	-10.8	-42.6	-15.2	-27.1	-24	-1
<b>Mainly non-market services</b>	<b>22</b>	<b>-4.1</b>	<b>-14.4</b>	<b>1.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>
<b>Total VA</b>	<b>100</b>	<b>-5.6</b>	<b>-18.4</b>	<b>-3.6</b>	<b>-4.9</b>	<b>-4</b>	<b>-4</b>
<b>Taxes and subsidies</b>	<b>0</b>	<b>-7.8</b>	<b>-19.6</b>	<b>-2.9</b>	<b>-5.5</b>	<b>-4</b>	<b>-4</b>
<b>GDP</b>	<b>0</b>	<b>-5.9</b>	<b>-18.6</b>	<b>-3.5</b>	<b>-4.9</b>	<b>-4</b>	<b>-4</b>

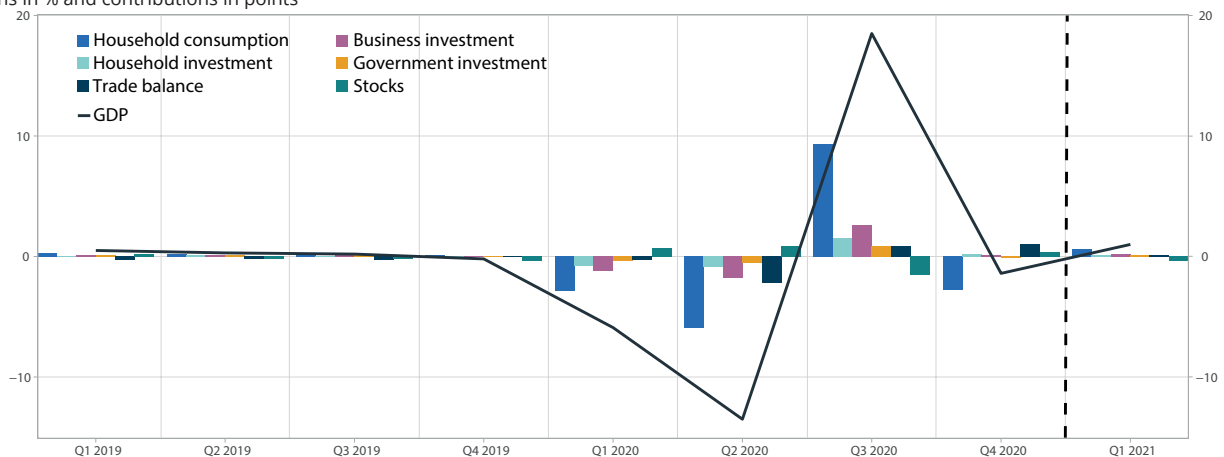
■ Forecast

How to read it: in Q1 2021, the loss of activity in the transport and storage branch is expected to be 16% compared to its pre-crisis level; the contribution of this branch to total loss of activity is expected to be -1 percentage point.

Source: INSEE calculations from various sources

## ► 8. Quarterly variations in GDP and contributions of main demand items

variations in % and contributions in points



How to read it: in Q4 2020, GDP declined by 1.4%; the contribution of household consumption to this change was -2.8 points.

Source: INSEE calculations from various sources

# French economic outlook

The breakdown of the different demand items also shows that consumption looks set to contribute most significantly to the rebound early in the year (► **figure 8**), whereas the contribution of investment is expected to be only just positive; the contribution of foreign trade is expected to be zero and inventories, which were positive in Q4 2020, are likely to be slightly negative.

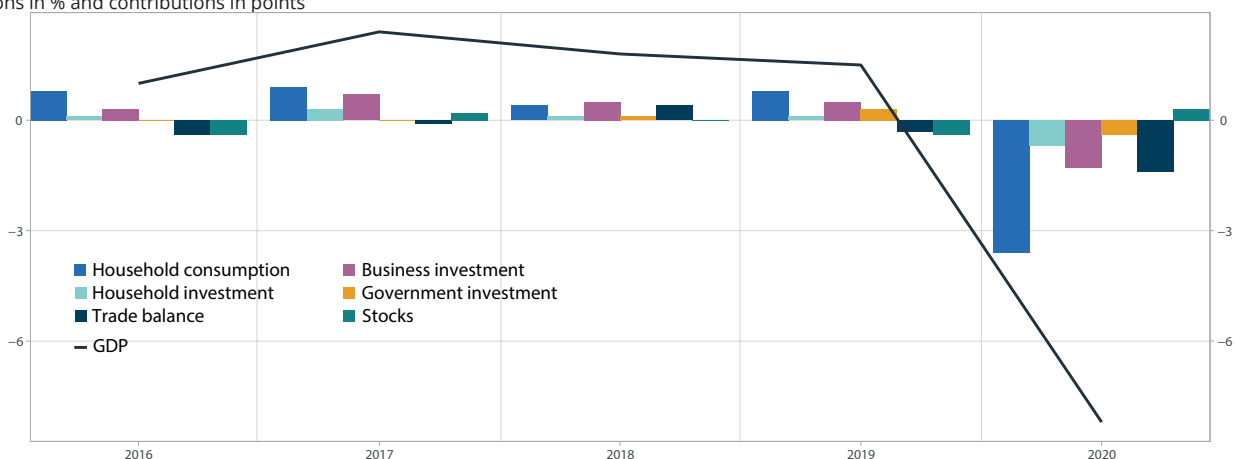
## In Q2 2021, an easing of restrictions from mid-April is expected to lead to a further upturn in economic activity

Economic activity in Q2 2021 is surrounded by uncertainty over the way the health situation may develop along with related restrictive measures. The scenario considered here is one of a gradual easing

of restrictive measures from mid-April, affecting in particular those branches that are still subject to restrictions, with the potential reopening of restaurants and bars and an upturn in leisure activities that are currently closed, but also more generally a lifting of the curfew during the week and of local weekend lockdowns. The resulting levels of activity would be similar to those of October in transport and storage and other service activities, and mid-way compared to October for accommodation-catering. According to this scenario, GDP should increase once again in Q2, by 1%, and the difference in activity would be -3% compared to Q4 2019, i.e. a high point since the beginning of the crisis (comparable to the -3.5% reached in Q3 2020). The annual growth overhang at the end of H1 2021 would then be 5½% (► **figure 3**). ●

### ► 9. Annual variations in GDP and contributions of main demand items

variations in % and contributions in points



How to read it: in 2020, GDP declined by 8.2%; the contribution of household consumption to this change was -3.6 points

Source: INSEE calculations from various sources