

## International developments

*In 2020, the health crisis affected all Western economies. On the supply side, the trade, transport services, and accommodation and food services sectors contracted particularly sharply. On the demand side, the main consequence of the abrupt decline in activity was a drop in private consumption. At the end of the year, industrial production was maintained despite the tightening of health restrictions associated with the second wave of the epidemic, while retail sales were more seriously affected by lockdowns and curfews. In addition, the maintenance of health restrictions this winter has raised fears of a decline in activity in the worst-affected countries, as reflected by the «high frequency» indicators, despite a slight improvement at the end of February.*

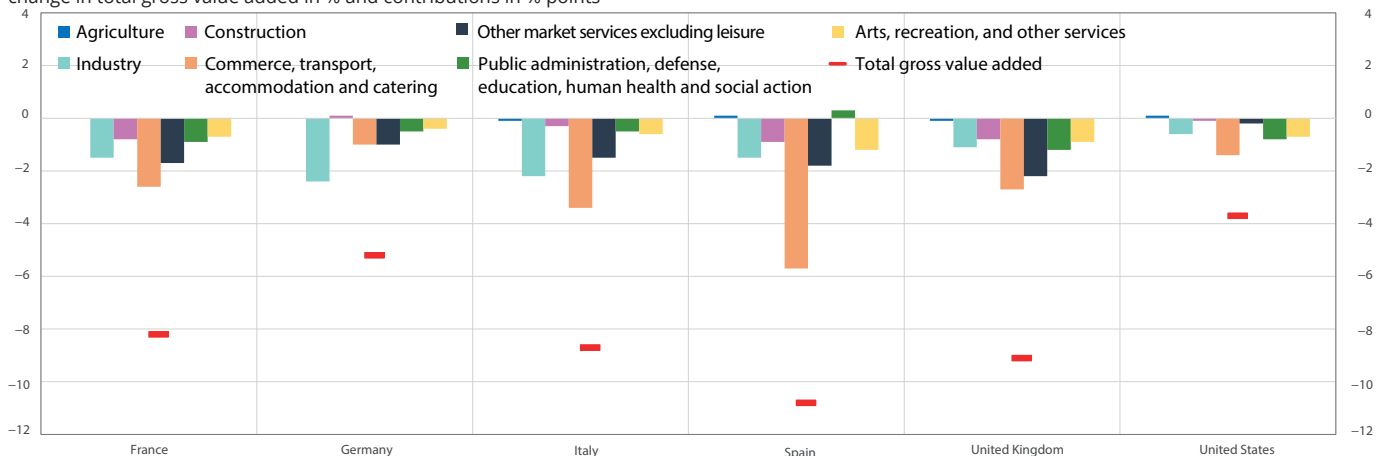
### In 2020, the health crisis affected all the major Western economies, albeit to different extents

Global economic activity was severely disrupted by the health-crisis-related restrictions in 2020. On average over the year, GDP in the main European countries contracted by 5.3% in Germany, 8.2% in France and 8.9% in Italy (► **figure 1**). GDP dropped more markedly in Spain (-11%) and the United Kingdom (-9.9%). In the United States, the contraction in activity was more moderate, at -3.5%.

On the supply side, all productive sectors contributed to the drop in total value added (► **figure 2**). With the exception of Germany, the trade, transport, and accommodation and food services sectors made the largest contribution to the decline in total value added – of between 1 and 3 percentage points – in France, Italy, the USA and the United Kingdom. The negative contribution made by these sectors reached almost 6 points in Spain given the importance of tourism (10% of GDP). German industry, on the other hand, was hit harder by the partial production stoppages and the decline in foreign trade in 2020, contributing 2.4 percentage points to the drop in total value added. In the other countries monitored, industry also contributed to the decline in total value added, but to a lesser extent: from -0.6 to -2.2 points depending on the country. Conversely, on average during 2009, the industrial sector had made the biggest negative contribution to the decline in activity in all of these countries. In 2020, the downturn in activity in Europe was also driven by the decline in other market service activities excluding leisure; it contributed 1 to 2 points to the drop in GDP depending on the country, in contrast to the United States, where this sector made an almost neutral contribution.

### ► 1. Apart from in Germany, the trade, transport, and accommodation and food services sectors made the largest contribution to the contraction of total value added in 2020

change in total gross value added in % and contributions in % points



Note: for the United States, detailed data for Q4 2020 have not yet been published: the contributions are therefore calculated on the basis of Q3 data. The breakdown per sector corresponds to NACE Rev. 2, level A\*10, with the reaggregation of information, communication, financial, insurance and real estate activities, professional, scientific and technical activities, and administrative and support services into the “Other market services excluding leisure” category. Source: Eurostat, Destatis, Istat, ONS, Bureau of Economic Analysis

In all of these countries, the drop in GDP was mainly due to the decline in private consumption, which contributed more than 3 points in France and Germany, more than 6 points in Italy, and almost 7 points in Spain and the United Kingdom. Indeed, the health measures were the main brake on household consumption, unlike during the 2008 financial crisis when investment had made a greater contribution to the decline in activity. In 2020, investment was nonetheless impacted by the health crisis in all countries, and contributed to the contraction in activity, from around 1 point in Germany and the United States to more than 2 points in France and Spain. The contribution of foreign trade varied from one country to another: negative in France, Germany and Italy by around 1 point, marginal in the United States and Spain, and positive in the United Kingdom (+0.7 points). Government consumption, which may have been accounted for differently in different countries, particularly in the spring, also made a variable contribution from one country to another.

## At the end of 2020, the resurgence of the epidemic affected retail sales more than industrial production, but the latter still remained below its pre-crisis level

In Europe and the United States, industrial production remained broadly stable at the end of the year. In December, it was below its pre-crisis levels everywhere (► [figure 3](#)). The introduction of tougher health measures in certain countries, including lockdowns (see below), was not accompanied by significant declines in industrial production. The IPI, excluding construction,

rose slightly in the United States. In most European countries, production stabilised at the end of the year, except in Germany where it approached its end-2019 level, marking a return to the pre-crisis levels of variance with other European countries.

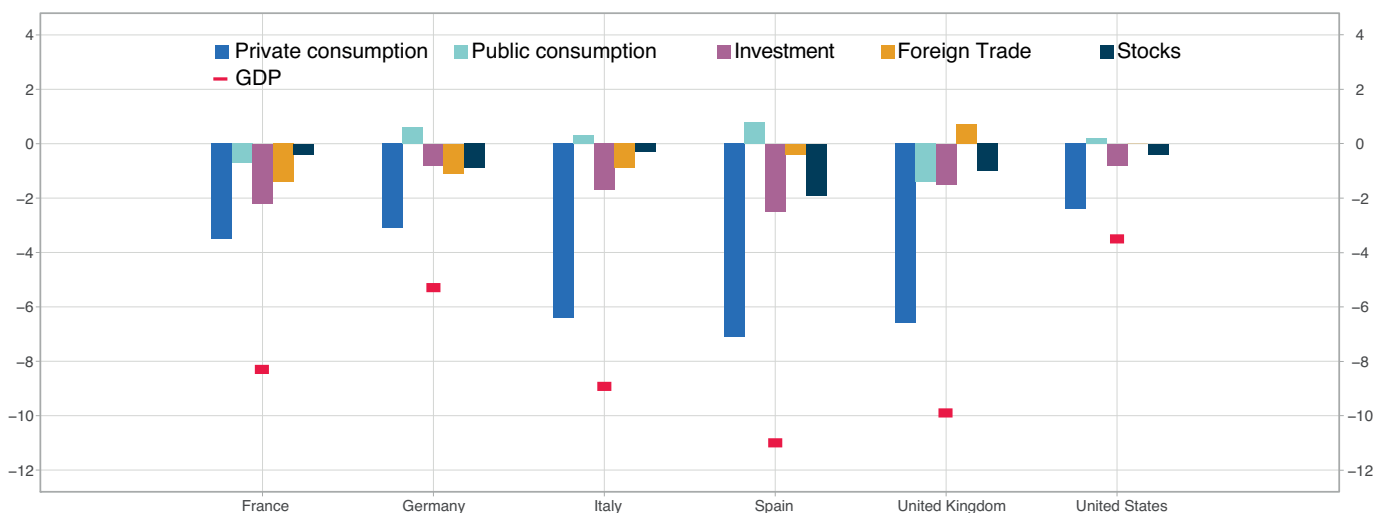
In January, production remained resilient despite the introduction of more stringent health measures. In the major European economies and the US, it remained below its 2019 level. In Europe, the situation was variable: although the IPI weakened slightly in Germany and Spain (dropping by -0.4 points and -0.7 points compared to the average for Q4 2019, to 98.0 and 97.0, respectively), it increased moderately in Italy (+1.0 point to 98.1) and more strongly in France (+3.1 points to 98.4). On the other side of the Atlantic, the US index rose by 0.9 points to 97.8.

Retail sales in 2020 indicated that demand was gaining ground at a faster pace in the major European economies and in the United States (► [figure 4](#)): by the end of the summer, they had already reached their pre-crisis levels. However, in comparison to supply, the retail trade was hit harder by the health restrictions during Q4.

In November, retail sales plummeted, notably in France and Italy (and to a lesser extent in the UK). In France, they bounced back strongly in December thanks to the reopening of “non-essential shops”, whilst they stagnated in Italy, where shops remained closed in some areas. Meanwhile, the German retail trade slumped after the closure of “non-essential” stores in mid-December. In Spain, the retail sales index was very gradually approaching its pre-crisis level by the end of the year.

## ► 2. In 2020, private consumption made the largest contribution to the decline in activity in all countries

GDP change in % and contributions in % points



Source: INSEE, Destatis, Istat, INE, ONS, Bureau of Economic Analysis

# International economic outlook

Demand in the US was more vigorous than in Europe: in January 2021, US retail sales were almost 10% above their pre-crisis level, in contrast to European retail sales, all of which remained below their pre-crisis levels in January. In France, Germany and the United Kingdom, they stood at around -5% compared to their pre-crisis level, while in Italy they were -10% down.

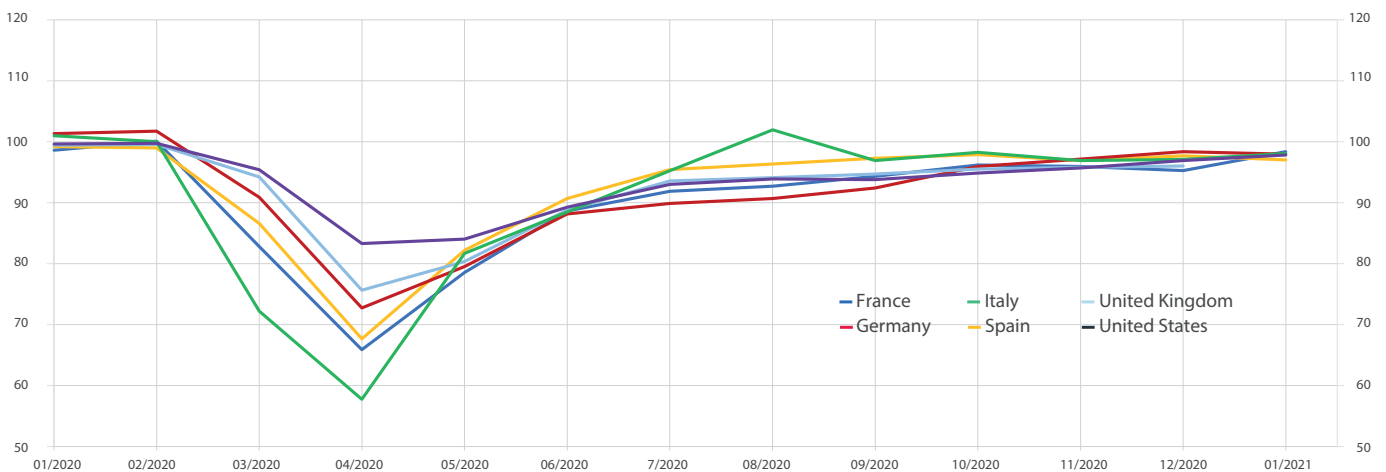
## In both Europe and the United States, certain health restrictions have been extended

In Europe, the health measures put in place in December and January were maintained and extended in February – and until at least the beginning of March in some countries – as shown by the Oxford indicator measuring

the stringency of health restrictions (► [figure 5](#)). In France, the 6 p.m. curfew was maintained, along with the closures of bars and restaurants. Local lockdowns were also introduced at weekends. In Germany, the lockdown that began on 16 December was extended in February until 28 March, including an extended closure of “non-essential” businesses and schools. However, since the beginning of March, the reopening of some “non-essential” shops and schools has been authorised by certain Länder. The gradual easing of lockdown measures in Germany is expected to continue throughout March and early April, depending on the 7-day incidence rates in the different Länder. Similarly, in the United Kingdom, the lockdown declared at the beginning of January remains in force in England: schools reopened on 8 March, but

## ► 3. At the end of the year, industrial production remained relatively stable in Europe and the United States, despite the health restrictions

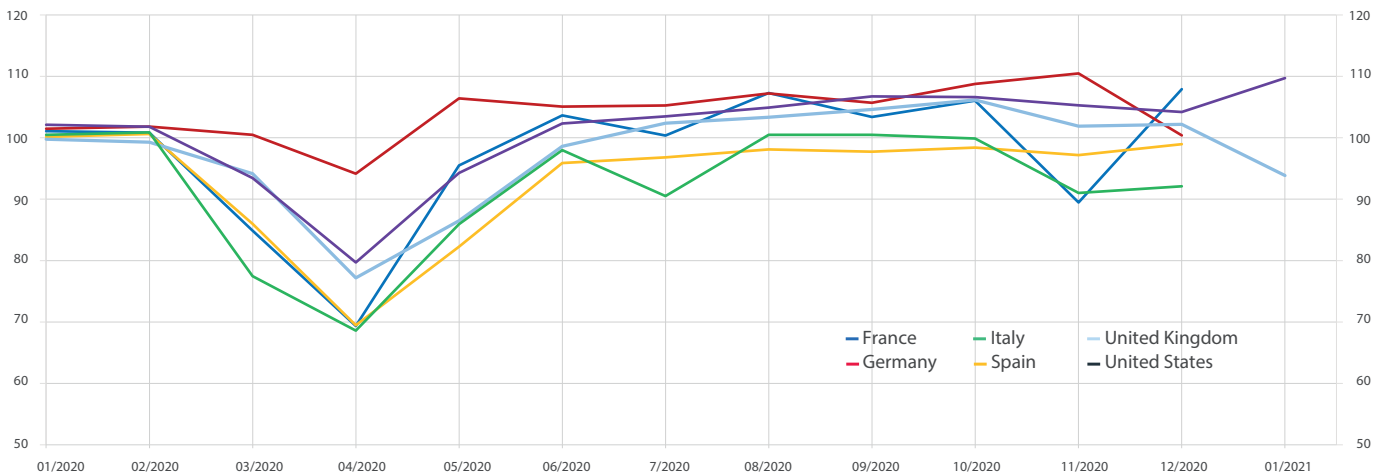
IPI excluding construction per level (base 100 = T4 2019)



Source: ONS, Istat, INE, Destatis, INSEE, Federal Reserve Board

## ► 4. Adversely affected by lockdowns, retail sales trends were variable at the end of 2020

Retail sales per level (base 100 = T4 2019)



Source: Eurostat, ONS, Census Bureau

“non-essential” stores remain closed. The other British nations are locked down under similar conditions to the English restrictions. In Italy, the number of regions classified as orange under the COVID colour-code system was reduced at the end of January following a drop in the number of cases, allowing bars and restaurants to open temporarily until 6 p.m. However, the circulation of the so-called “English variant” reversed this trend at the end of February, leading to an increase in the number of areas classified as orange, and by definition, to the closure of bars and restaurants in the areas concerned. Lastly, in Spain, the measures decided at the regional level were generally maintained at an equivalent level in February, with an easing of restrictions in only a few local cases, such as in Extremadura and Galicia, or conversely a reinforcement of measures in the Valencian Community.

On the other side of the Atlantic, the health situation is clearly improving with a significant decrease in the number of cases since mid-January, allowing California, for example, to end its lockdown.

The extension of these restrictive measures has impacted services more negatively than industry, as shown by the slight deterioration in the service-sector PMI in France and Germany in February (45.6 after 47.3, and 45.7 after 46.7, respectively). In Italy and Spain, the lower level of restrictions led to an increase in the service-sector PMI in February (+4.1 points and +1.4 points, respectively) but the levels remain below the expansion threshold (48.8 in Italy and 43.1 in Spain). In the United Kingdom, after falling at the beginning of the year due to the lockdown, the service-sector PMI surged by

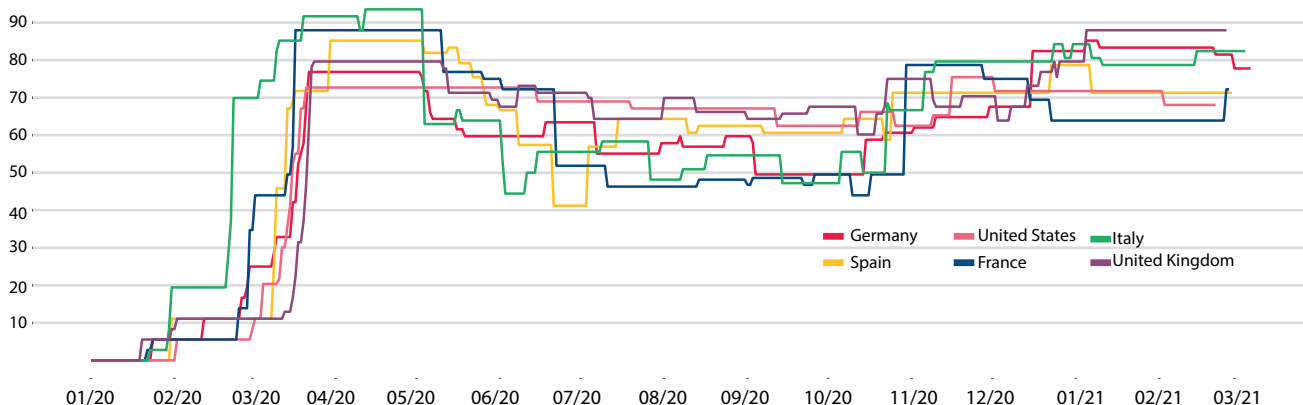
10.0 points in February after the low point reached in January, placing it just below the expansion threshold (49.5). The US service-sector PMI recorded a moderate improvement, reaching a high level (59.8 in February after 58.3). Meanwhile, manufacturing-sector PMIs rose throughout Europe, all exceeding the expansion threshold in February, in contrast to the service-sector PMIs in these same countries. The manufacturing-sector indices rose sharply in France, Germany and Spain (+4.5 points to 56.1, +3.6 points to 60.7 and +3.6 points to 52.9, respectively). The rise in Italy, however, was more moderate (+1.8 points to 56.9). In the United Kingdom, a more modest increase of +1.0 point to 55.1 was recorded. In the United States, after reaching a historic high, the manufacturing-sector PMI slipped back slightly in February (-0.6 points to 58.6) but remains well above the expansion threshold.

## «High-frequency» indicators improved slightly at the end of February but are still affected by health restrictions

Consumption behaviour continues to be affected by the health restrictions: “high frequency” indicators reflect a situation that has deteriorated since the beginning of the year, despite a slight improvement at the end of February. Consequently, there appears to have been a relative improvement in the number of visitors to non-food retail outlets and recreational facilities (► [figure 6](#)), except in Italy where they are stabilising after the dip linked to the end-of-year festivities: after slumping to -45% compared to the pre-crisis level in January,

## ► 5. With the exception of France and Germany, the severity of sanitary restrictions remained constant in Western countries at the end of February

Oxford University Stringency Index



Note: this index lists and summarises all health containment measures in a single indicator, including personal mobility restrictions and closures of businesses, administrations and schools. Last update between 22 February and 7 March depending on the country

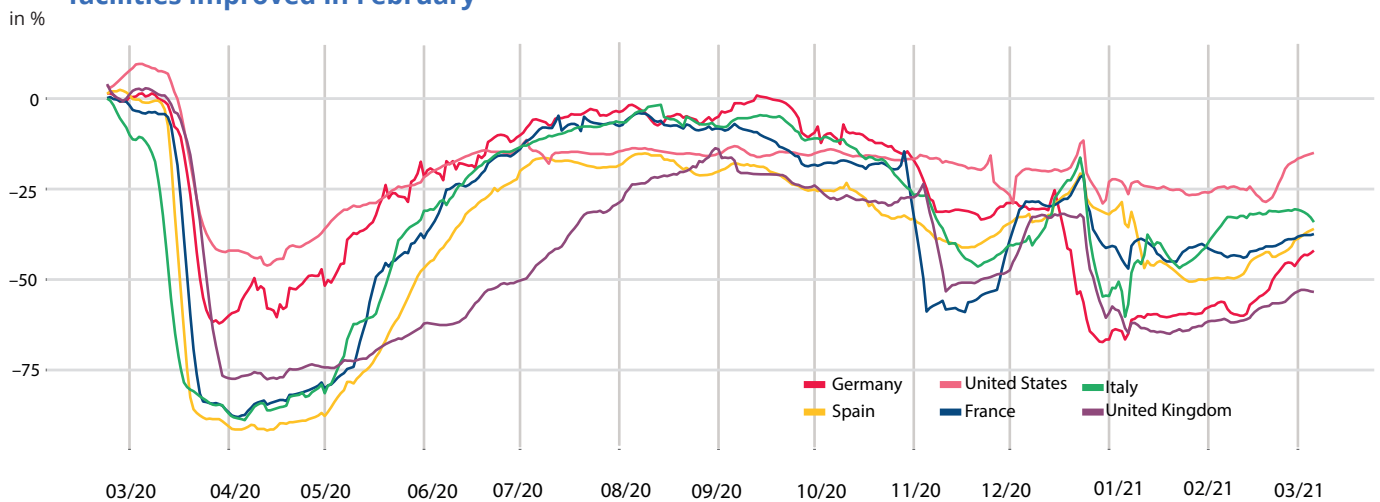
Source: Hale, T., Webster, S., Petherick, A., Phillips, T., et Kira, B. (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government

# International economic outlook

visitor numbers picked up slightly to -30% at the end of February. In other countries, the number of visitors to these outlets improved at the end of February, although they were still significantly down, standing at around -55% and -45% in the United Kingdom and Germany – the countries with the strictest lockdowns. The impacts on visitor numbers were appreciably lower in Spain and France (around -40%), and much lower in the United States (-20%).

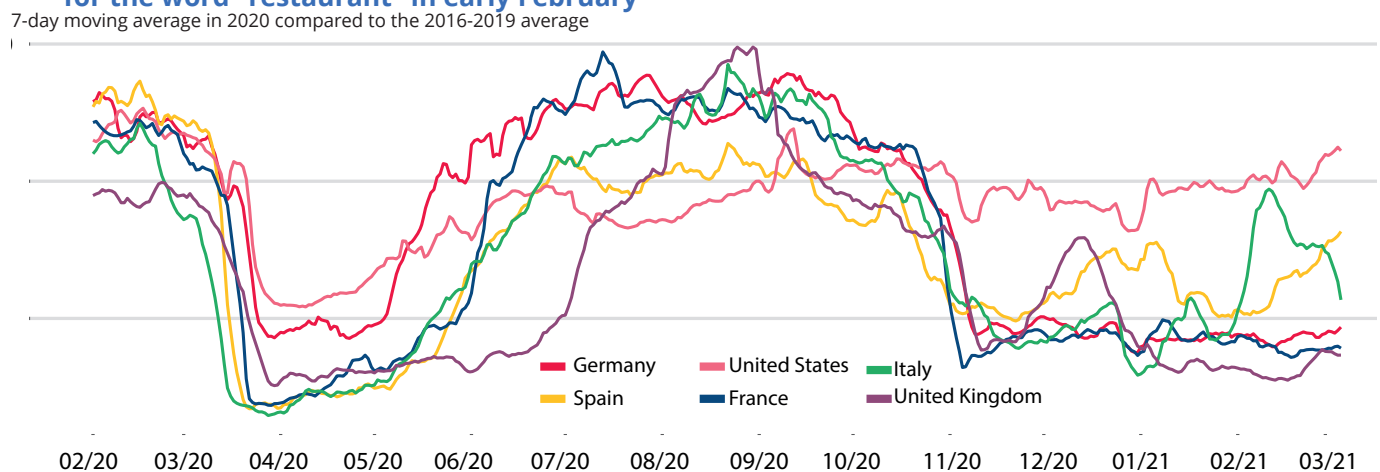
This relative improvement in consumer behaviour compared to the beginning of the year was also reflected by the number of searches for the word «restaurant» on Google (► figure 7). This number of searches was close to the level reached during the March lockdown in the UK, Germany and France, but recovered slightly at the end of February and beginning of March in these same countries. In Spain, the situation had deteriorated in January in relation to the end-of-

## ► 6. With the exception of Italy, the number of visitors to non-food retail outlets and recreational facilities improved in February



How to read it: the number of visitors to non-food retail outlets and recreational facilities in Germany was 60% lower on 13 February (calculated as a 7-day moving average) than the median value calculated by Google between 3 January and 6 February 2020. Note: the date of the last point is March 2, 2021. Source: Google Maps Mobility

## ► 7. The reopening of restaurants in many parts of Italy led to a significant increase in Google searches for the word “restaurant” in early February



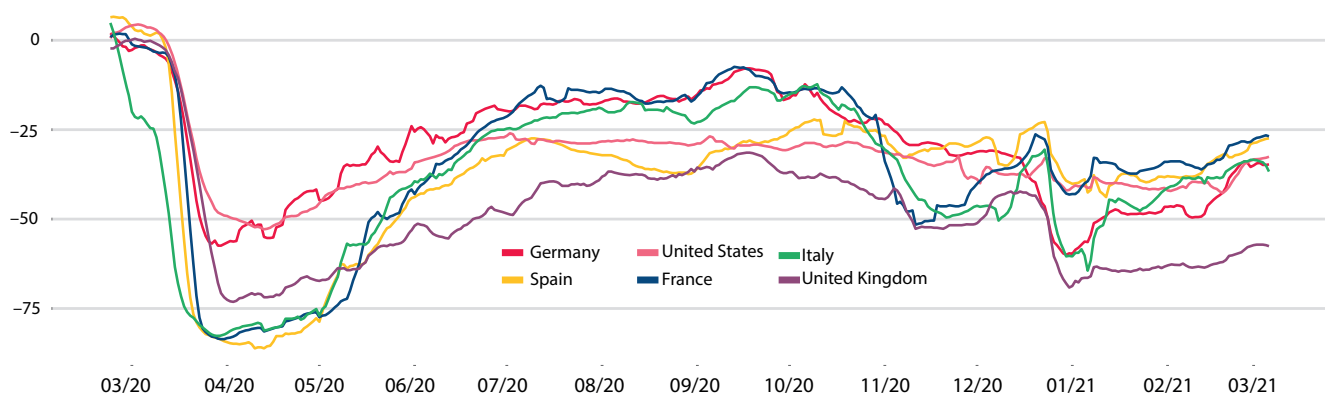
How to read it: on February 19, the 7-day moving average for the number of searches for the word “restaurant” on Google in France was 61% lower than the average of the 7-day moving averages recorded on 15 January between 2016 and 2019. Note: the date of the last point is March 5, 2021. Source: Google Trends

year holiday period, but it improved more markedly at the end of February due to the easing of some local restrictions. In Italy, there was a sharp increase the number of these searches: from -50% to 0% in a fortnight, corresponding to the temporary reopening of restaurants in a large number of regions. The renewed closure at the end of February then reversed this trend, causing the number of searches to drop to -25% below its pre-crisis level in mid-February, and then to almost -40% in early March. In the United States, since mid-January, these searches have been back above their average levels recorded between 2016 and 2019.

Continued restrictions in these countries are still hampering mobility, as evidenced by public transport passenger numbers (► [figure 8](#)). However, mobility picked up at the end of February, in line with the improvement in the number of visitors to retail stores: from -50% to -35% in Germany, consistent with the public transport passenger levels in Italy and the United States. It also increased in France and Spain, reaching -30% compared to the pre-crisis levels. And despite a slight improvement, mobility in the UK remains the most affected, at around -60% below its pre-crisis levels. ●

## ► 8. Public transport use also picked up at the end of February in all countries

in %



How to read it: The number passengers using public transport in Italy was 40% lower on 13 February (calculated as a 7-day moving average) than the median value calculated by Google between 3 January and 6 February 2020.

Note: the date of the last point is March 2, 2021.

Source: Google Maps Mobility