

# Economic activity

After stability in Q1, GDP grew in Q2 2021 (+1.1%), reflecting the rebound in activity in May and June after the April lockdown. If we assume that there will be no further health restrictions now that the vaccination campaign is underway, our scenario remains one of a continuing recovery until the end of the year at a more moderate pace month by month after the very high level reached in June, as described in the Economic Outlook of September 2021. In Q3, activity is expected to be about -0.6% compared to the pre-crisis level, i.e. an increase of 2.7% compared to Q2. GDP should then rise by about 0.5% in Q4, generally returning to its pre-crisis level. In H2, growth in activity is expected to be driven mainly by household consumption, after still being very much affected by health restrictions in H1. The contribution of investment is likely to be more limited, after the buoyancy of previous quarters, and that of foreign trade looks set to

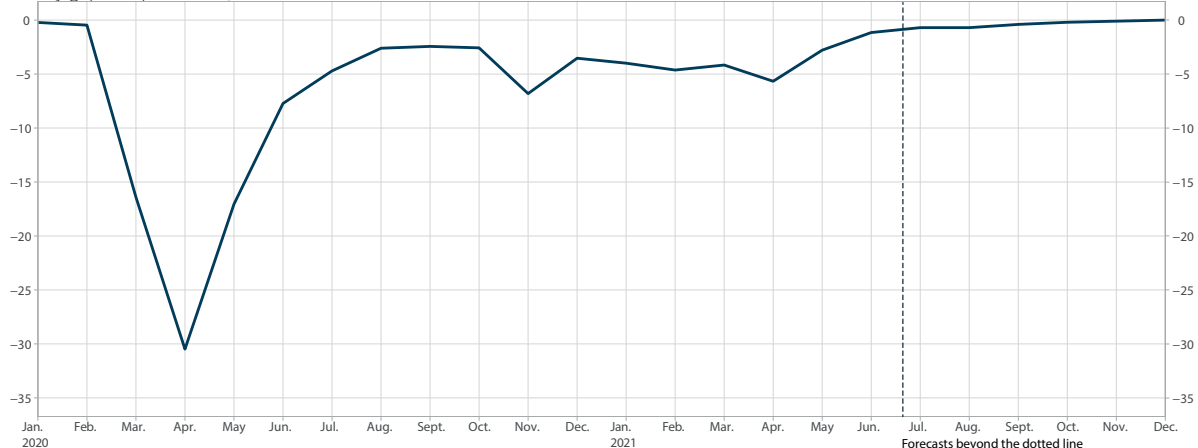
remain negative, with domestic demand boosting imports, while exports still remain well below their pre-crisis level. All in all, across all of 2021, GDP is expected to grow by 6¼% compared to 2020 (after -8.0%).

## Economic activity bounced back strongly in May and June

In Q2 2021, according to the detailed results in the quarterly accounts, economic activity was 3.2% below its pre-crisis level (after -4.3% in Q1). After a further drop in activity during the third lockdown in April (► Figure 1), the lifting of the main restrictions in May and June led to a vigorous rebound, with activity in June reaching -1.2% compared to pre-crisis. Activity in construction was revised upwards and continued to rebound in Q2. Industry levelled off overall, with some contrasts between

### ► 1a. Estimated and then forecast monthly activity losses overall

economic activity gap compared to Q4 2019, in %

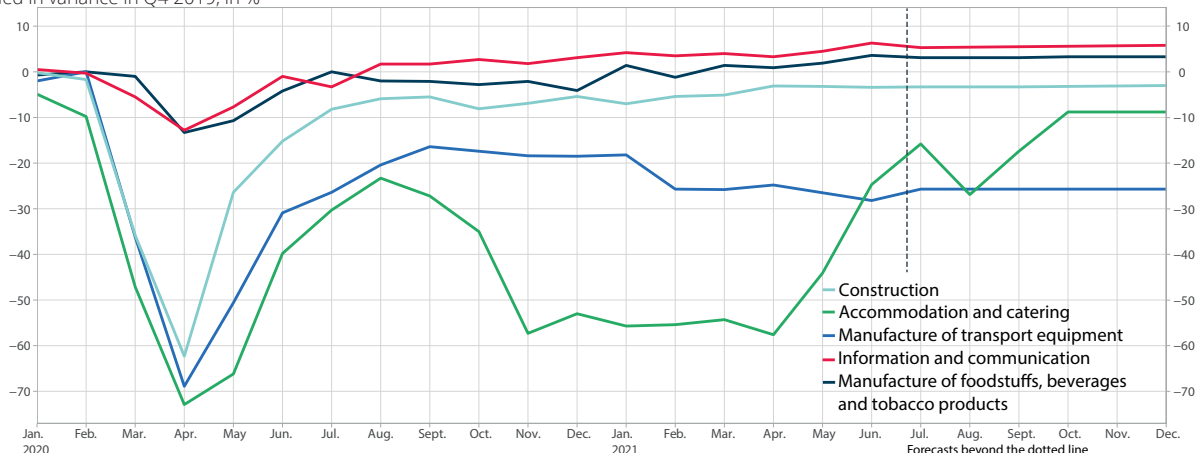


How to read it: in March, economic activity was down by about 5% compared to its Q4 2019 level. In April, it would appear to be settled at -5½% compared to this level

Source: INSEE calculations from various sources

### ► 1b. Estimated and then forecast monthly activity losses, for some branches of activity

value added in variance in Q4 2019, in %



Source: INSEE calculations from various sources

# French economic outlook

branches handicapped by sourcing difficulties and others that are more dynamic. Meanwhile, improvements in part of the services sector were the result of the gradual lifting of restrictions.

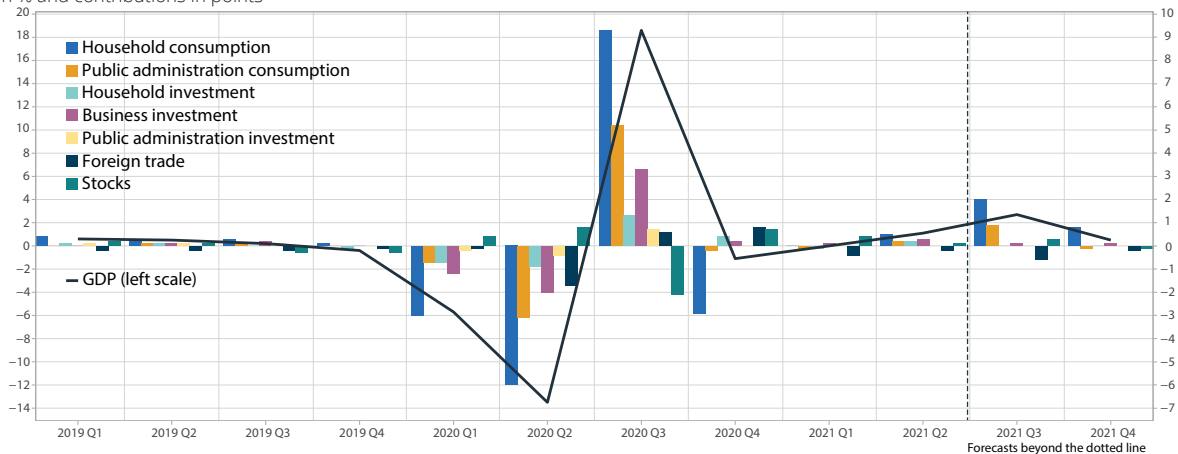
All in all, GDP increased by 1.1% in Q2 2021 (► **Figure 6**). Concerning demand, household consumption was stimulated by the lifting of restrictions in the spring, and was the main driving force behind this growth (contribution of 0.5 points, ► **Figure 2a**). Corporate investment was particularly dynamic, above its pre-crisis level. However, foreign trade once again hampered growth (-0.2 points).

## In H2 2021, activity is expected to continue to grow but more moderately, after the high level reached in June

During the summer period, despite the fourth wave of the epidemic, and for the first time since October 2020, the economy was almost fully reopened at national level. However, the situation has not fully returned to normal, although vaccination coverage is making considerable progress: specific measures had to be applied in the overseas departments, where there was a sharp deterioration in the health situation. In addition, some general measures remain in place (wearing masks

### ► 2a. Quarterly variations in GDP and contributions of main demand items

variations in % and contributions in points

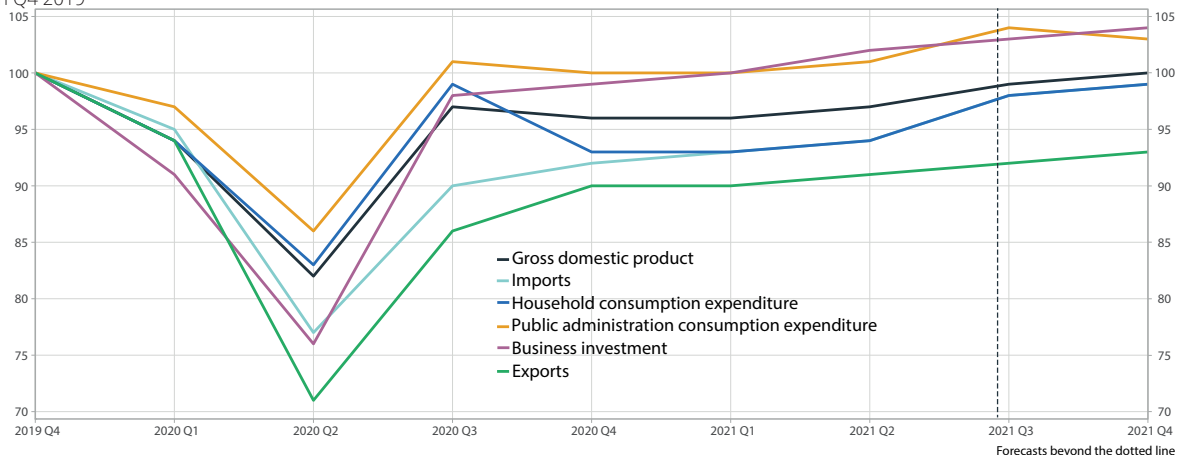


How to read it: in Q3 2021, GDP would appear to have increased by 2.7% compared to Q1 2021; the contribution of household consumption would appear to have been about 2 points.

Source: INSEE calculations from various sources

### ► 2b. Quarterly changes in GDP, imports and main demand items, compared to Q4 2019

base 100 in Q4 2019



Note: general government consumption expenditure groups together collective consumption spending (defence, justice, etc.) and so-called individualised spending (mainly health care, education).

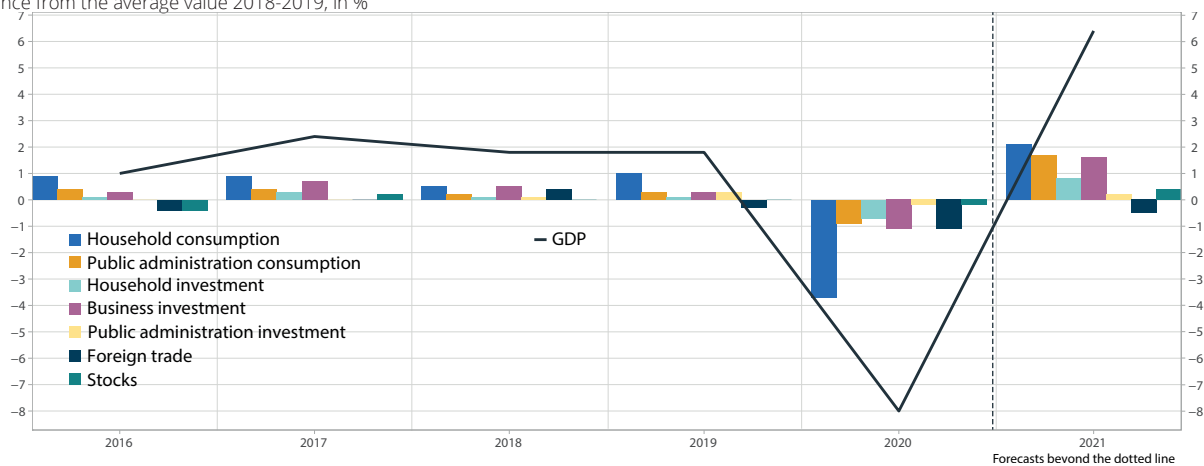
Source: INSEE calculations from various sources

indoors, social distancing) or have been introduced (health pass). In August, manufacturing production increased once again (+1.1% after +0.7% in July). After slipping back in August, the business climate improved a little in September, although with some disparities between sectors (decline in climate in industry, increase in services). In any event, both the business climate and employment remain well above their long-term average.

Given this context, and assuming that no new health restrictions will be introduced, the scenario of continuing recovery in H2 is confirmed, as already described in the *Economic Outlook* of 7 September 2021. Overall, economic activity in Q4 should return to its pre-crisis level (► **Figure 2a**), despite some sectoral differences (► **Figure 1b**).

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

in difference from the average value 2018-2019, in %



How to read it: in 2021, GDP is expected to increase by 6 ¼% compared to 2020; the contribution of household consumption is expected to be 2 points.  
Source: INSEE calculations from various sources

### ► 4. Estimate then forecast of losses of economic activity in 2021 by branch, on average quarterly

difference to the fourth quarter of 2019, in %

Branch	weight	2020				2021			
		Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
<b>Agriculture, forestry and fishing</b>	2	0.2	0.2	0.1	-0.8	-1.8	-2.4	-1	-1
<b>Industry</b>	14	-5.2	-21.3	-5.6	-3.5	-2.7	-2.7	-2	-2
Manufacture of food products, beverages and tobacco-based products	2	-0.6	-9.4	-1.4	-3.0	0.5	2.1	3	3
Coke and refined petroleum	0	6.8	28.2	21.7	31.0	128.4	103.0	103	103
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-7.0	-23.9	-6.7	-4.1	-2.4	-3.4	-1	-1
Manufacture of transport equipment	2	-12.7	-50.1	-21.1	-18.1	-23.2	-26.5	-26	-26
Manufacture of other industrial products	6	-5.7	-22.4	-5.9	-3.3	-1.3	-1.5	-1	0
Extractive industries, energy, water, waste treatment and decontamination	3	-2.7	-11.7	0.6	3.5	2.4	3.9	2	2
<b>Construction</b>	6	-12.6	-34.6	-6.5	-6.8	-5.9	-3.2	-3	-3
<b>Mainly market services</b>	57	-5.4	-17.9	-4.5	-6.1	-6.3	-4.5	-1	0
Trade; repair of automobiles and motorcycles	10	-6.2	-17.4	-0.3	-2.1	-2.3	-3.2	-2	-1
Transport and storage	5	-11.0	-33.7	-18.2	-21.5	-19.0	-14.8	-8	-8
Accommodation and catering	3	-20.6	-59.6	-26.9	-48.4	-55.1	-42.1	-20	-9
Information and communication	5	-1.7	-7.2	0.0	2.5	3.9	4.7	5	6
Financial and insurance activities	4	-4.7	-15.2	-2.8	-1.9	-0.3	1.7	4	4
Real estate activities	13	-1.3	-3.8	-0.8	-0.5	-0.3	0.4	1	1
Scientific and technical activities; administrative and support services	14	-4.4	-17.7	-2.7	-1.7	-2.3	-0.9	0	1
Other service activities	3	-10.3	-41.6	-13.3	-25.1	-27.1	-22.0	-12	-8
<b>Mainly non-market services</b>	22	-4.6	-15.1	1.2	-0.1	0.2	-0.1	2	2
<b>Total VA</b>	100	-5.5	-18.4	-3.5	-4.4	-4.3	-3.2	-0.7	-0.2
<b>Taxes and subsidies</b>		-7.1	-18.8	-1.5	-3.5	-4.1	-3.2	-0.7	-0.2
<b>GDP</b>		-5.7	-18.4	-3.3	-4.3	-4.3	-3.2	-0.6	-0.1

■ Forecast

How to read it: in Q3 2021, loss of activity in the accommodation-catering branch would appear to have been 20% compared to the pre-crisis level.  
Source: INSEE calculations from various sources

## French economic outlook

At sectoral level, industry is expected to grow slowly in H2, reaching -2% compared to its pre-crisis level (► **Figure 4**). This change will probably still be limited by persistent sourcing difficulties, which in July many companies reported as being an obstacle to production, and this was the case in all branches of industry (► **Focus** and the **Economic Activity** sheet in *Economic Outlook* of 7 September 2021). However, "other industrial branches" (chemical products, textiles, metallurgy, etc.) are expected to return almost to their pre-crisis level, also the manufacture of capital goods. On the other hand, shortages affecting the automobile sector and the occasional closure of some production lines are expected to continue to affect activity in the transport equipment

branch, which is likely to remain a long way from its pre-crisis level until the end of the year. After picking up in Q2 with a boost from investment, activity in building construction was then linked to the slowdown in housing starts, and looks set to remain stable in Q3 and Q4 2021, at -3% compared to Q4 2019.

In mainly market services, activity is expected to be 1% below pre-crisis level in Q3, then returning more or less to this pre-crisis level in Q4. However, at the end of the year, the situation will probably remain variable. On the one hand, activity is expected to be well above the pre-crisis level in those branches that have already exceeded it and which are now growing at trend pace (information-

### ► 5. Estimate then forecast monthly of losses of economic activity in 2021 by branch

difference to the fourth quarter of 2019, in %

Branch	weight	2021									
		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	
<b>Agriculture, forestry and fishing</b>	2	-2	-2	-2	-2	-2	-2	-2	-2	-1	-1
<b>Industry</b>	14	-1	-4	-3	-3	-3	-2	-2	-2	-2	-2
Manufacture of food products, beverages and tobacco-based products	2	1	-1	1	1	2	4	3	3	3	
Coke and refined petroleum	0	111	127	148	142	95	73	103	103	103	
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-1	-3	-4	-3	-5	-3	-2	-1	-1	
Manufacture of transport equipment	2	-18	-26	-26	-25	-26	-28	-26	-26	-26	
Manufacture of other industrial products	6	1	-3	-2	-2	-2	-1	-1	-1	-1	
Extractive industries, energy, water, waste treatment and decontamination	3	4	1	2	3	5	4	2	2	2	
<b>Construction</b>	6	-7	-5	-5	-3	-3	-3	-3	-3	-3	
<b>Mainly market services</b>	57	-6	-7	-6	-8	-4	-1	-1	-2	-1	
Trade; repair of automobiles and motorcycles	10	-2	-3	-3	-7	-2	0	-1	-2	-2	
Transport and storage	5	-20	-19	-19	-19	-14	-12	-8	-7	-8	
Accommodation and catering	3	-56	-55	-54	-58	-44	-25	-16	-27	-17	
Information and communication	5	4	3	4	3	5	6	5	5	5	
Financial and insurance activities	4	-1	0	0	-1	2	4	3	4	4	
Real estate activities	13	0	0	0	0	0	1	0	1	1	
Scientific and technical activities; administrative and support services	14	-2	-3	-2	-3	0	1	0	1	1	
Other service activities	3	-27	-28	-27	-31	-21	-14	-10	-13	-12	
<b>Mainly non-market services</b>	22	0	0	0	-1	0	1	2	2	3	
<b>Total VA</b>	100	-4.0	-4.7	-4.2	-5.4	-2.9	-1.3	-0.7	-0.7	-0.4	
<b>Taxes and subsidies</b>		-4.3	-4.0	-3.9	-7.6	-2.1	0.0	-0.7	-0.7	-0.4	
<b>GDP</b>		-4.0	-4.6	-4.2	-5.7	-2.8	-1.2	-0.7	-0.7	-0.4	

■ Forecast

How to read it: in July 2021, loss of activity in the accommodation-catering branch would appear to have been -16% compared to the pre-crisis level.

Source: INSEE calculations from various sources

### ► 6. Estimated then forecast loss of economic activity in 2021

	2020				2021				2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Quarterly variation (in %)	-5.7	-13.5	18.6	-1.1	0.0	1.1	2.7	0.5	-8.0	6 ¼
Difference compared to pre-crisis level (Q4 2019)	-5.7	-18.4	-3.3	-4.3	-4.3	-3.2	-0.6	-0.1		

■ Forecast

How to read it: In Q3 2021, GDP would appear to stand at -0.6% compared to the pre-crisis level (Q4 2019), an improvement (+2.7%) compared to Q2 2021.

Source: INSEE calculations from various sources

communication and services to businesses in particular). On the other hand, it is likely to remain depressed in accommodation-catering, leisure services and transport services, where some factors have a longer-lasting effect on demand (increased use of teleworking, uneven recovery of international tourism and business travel, etc.) despite the lifting of restrictions.

As a quarterly variation, GDP is expected to rise by 2.7% in Q3, reflecting its dynamic acceleration in May-June and good performance in the summer months, then by 0.5% in Q4 (► **Figure 6**). As in Q2, it will be domestic demand, and especially household consumption, that drives this growth (contributions of +2.0 points in Q3 then +0.8 points in Q4, ► **Figure 2a** and **2b**), after H1 was severely affected by the health restrictions.

Government consumption is also likely to contribute substantially to change in GDP in Q3, linked to the return to normal of schools –Q2 had been affected by the closure of some schools and nurseries– and the consumption of vaccines and tests. The latter should

decline in Q4, resulting in a downturn in government consumption by the end of the year.

After its buoyancy in H1, investment is expected to make only a moderate contribution to GDP growth in H2. In fact, it has already exceeded its pre-crisis level, in corporate, general government and household investment. At the start of the year, this dynamism was driven mainly by investment in construction, which may have been the result of catch-up effects from an accumulated delay in building sites in 2020 and the effect of support measures.

Finally, foreign trade is expected to continue to hamper change in activity (contributions of –0.6 points in Q3 then –0.1 points in Q4). The buoyancy of domestic demand is likely to lead to a sharp rise in imports, especially in Q3. Exports are expected to grow at a more moderate pace: in Q3, they will probably be driven by the return, albeit partial, of international tourism, slowing in Q4 in a context where world trade is affected by sourcing problems (► **Figure 7**). At the end of 2021, of all the

## ► 7. Goods and services: resources-uses balance at chain-linked prices for the previous year, in quarterly and annual change

changes Q/Q-1 (in %), seasonally adjusted data - YTD

	2019				2020				2021				2019	2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Gross domestic product</b>	<b>0.6</b>	<b>0.5</b>	<b>0.2</b>	<b>-0.4</b>	<b>-5.7</b>	<b>-13.5</b>	<b>18.6</b>	<b>-1.1</b>	<b>0.0</b>	<b>1.1</b>	<b>2.7</b>	<b>0.5</b>	<b>1.8</b>	<b>-8.0</b>	<b>6 ¼</b>
Imports	1.9	0.0	-0.1	-1.0	-5.0	-18.6	16.6	1.5	1.2	1.7	3.9	1.2	2.4	-12.2	8.4
Total resources	1.0	0.5	0.0	-0.7	-5.4	-14.7	18.0	-0.3	0.4	1.5	2.7	0.6	2.1	-8.9	7.1
Household consumption expenditure	0.8	0.4	0.5	0.2	-5.7	-11.6	18.3	-5.5	0.0	1.0	4.0	1.5	1.9	-7.2	4.1
General government consumption expenditure**	0.2	0.3	0.4	0.2	-2.9	-11.6	17.8	-0.8	-0.3	0.7	3.3	-0.5	1.0	-3.5	6.2
of which individual general government expenditure	-0.1	0.2	0.2	0.2	-4.1	-13.1	20.9	-1.6	-0.1	0.8	5.3	-0.9	0.6	-4.9	7.7
of which collective general government expenditure	0.5	0.4	0.8	0.1	-0.7	-8.4	13.4	1.2	-0.8	0.1	0.0	0.1	1.8	-0.1	4.2
Gross fixed capital formation (GFCF)	1.0	1.5	1.1	-0.3	-9.4	-15.8	26.2	2.5	0.4	2.4	0.5	0.5	4.1	-8.9	11.9
of which Non-financial enterprises (NFE)	0.1	1.1	1.3	0.1	-9.4	-15.8	28.2	1.6	1.1	1.9	0.7	0.6	2.7	-8.1	12.5
Households	1.1	1.4	0.0	-0.9	-12.1	-17.8	28.8	6.9	-1.3	4.1	0.4	0.4	2.8	-12.2	15.1
General government	2.8	2.4	2.0	-0.1	-4.9	-12.0	18.1	0.5	-0.5	1.3	-0.2	0.2	9.1	-4.4	5.9
Exports	1.4	-0.8	-0.6	-1.4	-5.5	-25.0	21.1	4.4	0.0	1.0	2.0	0.8	1.5	-16.1	7.2
Contributions (in points)															
Domestic demand excluding inventory**	0.7	0.6	0.6	0.1	-5.9	-12.6	20.2	-2.5	0.0	1.2	3.0	0.7	2.2	-6.7	6.5
Changes in inventories**	0.2	0.1	-0.3	-0.3	0.4	0.8	-2.3	0.6	0.4	0.1	0.3	-0.1	0.0	-0.2	0.4
Foreign trade	-0.2	-0.2	-0.2	-0.1	-0.1	-1.7	0.6	0.8	-0.4	-0.2	-0.6	-0.1	-0.3	-1.1	-0.5

■ 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 Q3 2021, exports would appear to have grown by 2.0% compared to Q2 2021; the contribution of foreign trade to quarterly GDP growth would appear to be –0.6 points.

Source: INSEE calculations from various sources

## French economic outlook

different demand items, exports are likely to be lagging furthest behind compared to pre-crisis (-6.9%), whereas household consumption is expected to have almost returned to its level of two years earlier (► [Figure 8](#)).

All in all, as an annual average, GDP looks set to rebound vigorously in 2021 (+6¼% after -8.0%, forecast unchanged from the last *Economic Outlook*). Household consumption, which contributed most to the loss of activity in 2020, is likely to mirror this by contributing significantly to the rebound in 2021, at +2.1 points (► [Figure 7](#)). Investment (corporate, household and general government) is expected to contribute +2.6 points. The contribution of foreign

trade is likely to be slightly negative in 2021, the same as in 2019 and 2020.

This scenario for the end of 2021 remains conditional on the absence of any new health restrictions, both in France and among our main trading partners. It assumes that sourcing problems will stabilise at a high level until the end of the year. If these problems were eased by then, if the rebound in consumption increased, or if the health conditions in France and among our partners were to develop more favourably than expected (enabling international tourism to return more quickly, for example), activity in Q4 could prove to be more dynamic than in our forecast scenario. ●

### ► 8. Goods and services: resources-uses balance at chain-linked prices for the previous year, compared to pre-crisis

changes Q/Q-1 (in %), seasonally adjusted data - YTD

	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Gross domestic product</b>	<b>-5.7</b>	<b>-18.4</b>	<b>-3.3</b>	<b>-4.3</b>	<b>-4.3</b>	<b>-3.2</b>	<b>-0.6</b>	<b>-0.1</b>
Imports	-5.0	-22.6	-9.8	-8.5	-7.3	-5.8	-2.1	-0.9
Total resources	-5.4	-19.3	-4.8	-5.0	-4.7	-3.3	-0.7	0.0
Household consumption expenditure	-5.7	-16.7	-1.4	-6.8	-6.8	-5.9	-2.1	-0.6
General government consumption expenditure**	-2.9	-14.1	1.1	0.3	0.0	0.7	4.0	3.5
of which individual general government expenditure	-4.1	-16.6	0.8	-0.9	-1.0	-0.2	5.2	4.2
of which collective general government expenditure	-0.7	-9.1	3.1	4.3	3.5	3.6	3.6	3.7
Gross fixed capital formation (GFCF)	-9.4	-23.8	-3.8	-1.3	-1.0	1.4	1.9	2.4
of which Non-financial enterprises (NFE)	-9.4	-23.7	-2.2	-0.6	0.5	2.3	3.1	3.7
Households	-12.1	-27.8	-7.0	-0.6	-1.9	2.2	2.5	2.9
General government	-4.9	-16.3	-1.1	-0.6	-1.1	0.2	-0.1	0.1
Exports	-5.5	-29.1	-14.1	-10.4	-10.4	-9.5	-7.7	-6.9

■ Forecast

\* Consumption expenditure of general government and non-profit institutions serving households (NPISH)  
How to read it: in Q3 2021, imports would appear to be at 2.1% compared to the pre-crisis level (Q4 2019).

Source: INSEE calculations from various sources