

## Activity by branch

The dynamism of GDP in Q3 2021 (► **Figure 1**) was mainly reflected in the automatic rebound in activity in those services that had previously been subject to health restrictions (accommodation-catering, transport, leisure, etc.). In industry and construction, activity grew at a much more moderate pace, even declining in some industrial branches (manufacture of transport equipment in particular).

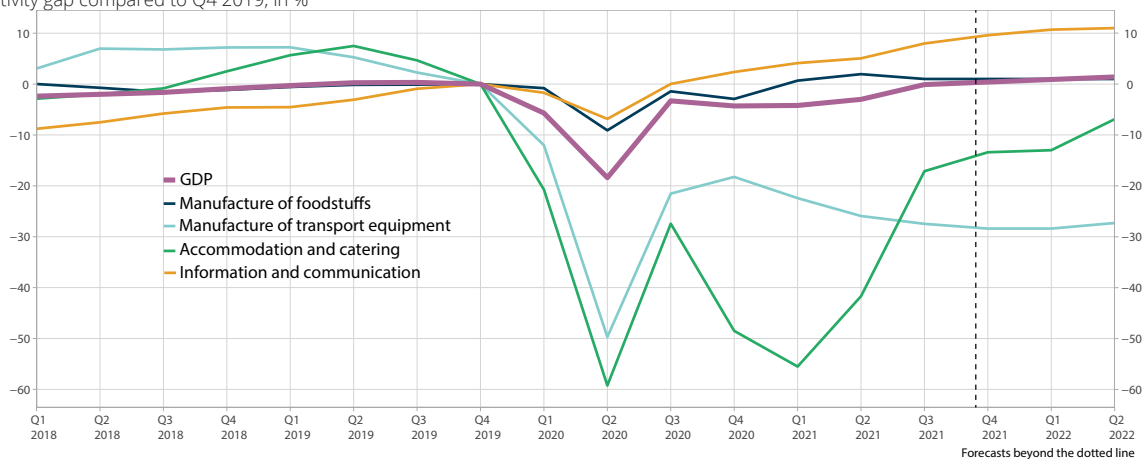
The economic outlook in Q4 appears to be one of contrasts. Business climate indicators, based on business tendency surveys, are at very high levels. They remained high in October and November, on the basis of responses from business leaders, most of which were collected before the strong resurgence of the virus (► **Figure 2**). At the same time, production capacity, especially industrial capacity, was subject to increasing tensions: supply chain difficulties, which in October were at historic levels, the highest since this series began (► **Box 1**), and record rises in production prices. Lastly, the deterioration in the health situation, which has not as yet resulted in further restrictions, is likely to affect activity in services, through reduced air travel, for example.

In this context, the increase in activity in Q4 2021 is likely to result mainly, as in Q3, from the increase in market services, especially those that are still below their pre-crisis level and are now able to benefit from potential catch-up. In industry, the increase in activity is expected to be less, mainly because of further deterioration in activity in transport equipment (especially the automobile industry).

In H1 2022, GDP is again expected to be driven mainly by market services, especially those where the catch-up continues. However, some branches are likely to still remain well below their pre-crisis level into Q2 2022: accommodation-catering and transport services, in a context of only partial recovery still in international tourism, and transport equipment, due to supply chain problems that are slow to clear up. Finally, after the significant catch-up recorded in H1 2021 and relative stability during the rest of the year, construction is likely to weaken in Q1 and Q2 2022, since housing starts were less dynamic in 2021 than pre-crisis. ●

### ► 1. Economic activity compared to pre-crisis, for different branches

economic activity gap compared to Q4 2019, in %

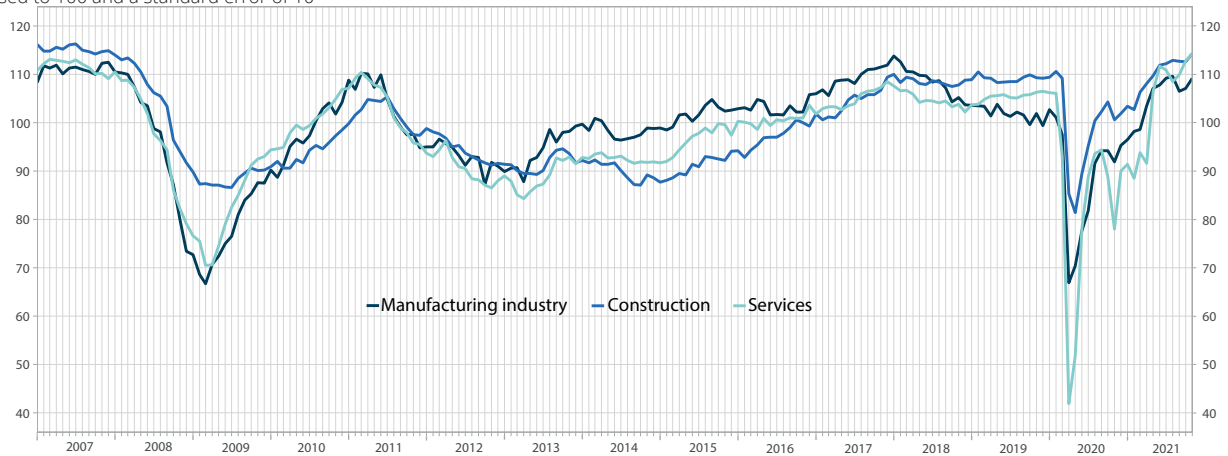


How to read it: in Q3 2021, economic activity had virtually returned to its Q4 2019 level; in Q2 2022, it is expected to exceed this level by 1.4%.

Source: INSEE calculations from various sources

## ► 2. Business climate

normalised to 100 and a standard error of 10



Source: INSEE

## ► 3. 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				2022	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture, forestry and fishing</b>	<b>2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.8</b>	<b>-1.8</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-1.3</b>
<b>Industry</b>	<b>14</b>	<b>-5.2</b>	<b>-21.3</b>	<b>-5.8</b>	<b>-3.5</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-2.4</b>	<b>-2.1</b>	<b>-1.8</b>	<b>-1.2</b>
Manufacture of food products, beverages and tobacco-based products	2	-0.8	-9.1	-1.4	-2.9	0.7	1.9	1.0	1.0	1.0	1.0
Coke and refined petroleum	0	6.8	28.2	19.6	31.5	127.2	98.7	18.6	15.6	15.6	15.6
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-7.1	-23.6	-7.7	-4.0	-2.2	-2.8	-0.3	1.7	2.7	3.7
Manufacture of transport equipment	2	-12.0	-49.7	-21.5	-18.3	-22.4	-25.9	-27.5	-28.4	-28.4	-27.3
Manufacture of other industrial products	6	-5.9	-22.6	-5.6	-3.4	-1.4	-1.9	-2.0	-1.5	-1.1	-0.6
Extractive industries, energy, water, waste treatment and decontamination	3	-2.4	-12.1	0.0	3.5	2.6	4.4	6.4	6.5	7.1	7.7
<b>Construction</b>	<b>6</b>	<b>-12.6</b>	<b>-35.0</b>	<b>-6.4</b>	<b>-6.7</b>	<b>-6.0</b>	<b>-2.8</b>	<b>-3.0</b>	<b>-2.6</b>	<b>-3.3</b>	<b>-3.9</b>
<b>Mainly market services</b>	<b>-5</b>	<b>-5.4</b>	<b>-17.7</b>	<b>-4.6</b>	<b>-6.2</b>	<b>-6.5</b>	<b>-4.6</b>	<b>-0.2</b>	<b>0.6</b>	<b>1.3</b>	<b>2.0</b>
Trade; repair of automobiles and motorcycles	10	-6.1	-17.2	-0.2	-2.1	-2.6	-3.5	-1.8	-1.9	-1.5	-1.0
Transport and storage	5	-11.0	-33.6	-18.3	-21.5	-19.0	-15.4	-8.4	-7.6	-6.1	-5.3
Accommodation and catering	3	-20.7	-59.2	-27.4	-48.5	-55.5	-41.7	-17.1	-13.4	-13.0	-6.9
Information and communication	5	-1.7	-6.8	0.0	2.4	4.1	5.1	8.0	9.6	10.7	11.0
Financial and insurance activities	4	-4.7	-15.2	-2.7	-1.8	-0.6	1.0	3.5	4.3	5.0	5.6
Real estate activities	13	-1.3	-3.8	-0.8	-0.5	-0.3	0.4	1.4	1.8	2.1	2.4
Scientific and technical activities; administrative and support services	14	-4.4	-17.7	-2.9	-2.0	-2.5	-0.8	1.9	2.4	3.2	3.4
Other service activities	3	-9.6	-41.2	-13.3	-25.7	-27.6	-22.4	-5.6	-3.5	-2.3	-0.6
<b>Mainly non-market services</b>	<b>22</b>	<b>-4.6</b>	<b>-15.0</b>	<b>1.2</b>	<b>-0.2</b>	<b>0.2</b>	<b>-0.1</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>
<b>Total VA</b>	<b>100</b>	<b>-5.5</b>	<b>-18.3</b>	<b>-3.5</b>	<b>-4.5</b>	<b>-4.4</b>	<b>-3.2</b>	<b>-0.4</b>	<b>0.2</b>	<b>0.6</b>	<b>1.1</b>
<b>Taxes and subsidies</b>		<b>-7.4</b>	<b>-19.0</b>	<b>-1.4</b>	<b>-2.9</b>	<b>-3.1</b>	<b>-1.5</b>	<b>2.2</b>	<b>2.5</b>	<b>2.8</b>	<b>3.4</b>
<b>GDP</b>		<b>-5.7</b>	<b>-18.4</b>	<b>-3.3</b>	<b>-4.3</b>	<b>-4.2</b>	<b>-3.0</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.9</b>	<b>1.4</b>

■ Forecast

How to read it: in Q4 2021, activity in the accommodation-catering branch is expected to be at -13.4% compared to its pre-crisis level; in Q1 2022, it is expected to be at -13.5%.

Source: INSEE calculations from various sources

## Box 1- According to business leaders, supply difficulties persist

Business leaders report unprecedented levels of supply chain disruption in the business tendency surveys. Specifically, the branches most severely affected are transport equipment and capital goods. In October 2021, 72% and 58% respectively of businesses in these branches said that supply chain difficulties were restricting their production, levels that have never been seen since these series began in 1991 (► **Figure 4**).

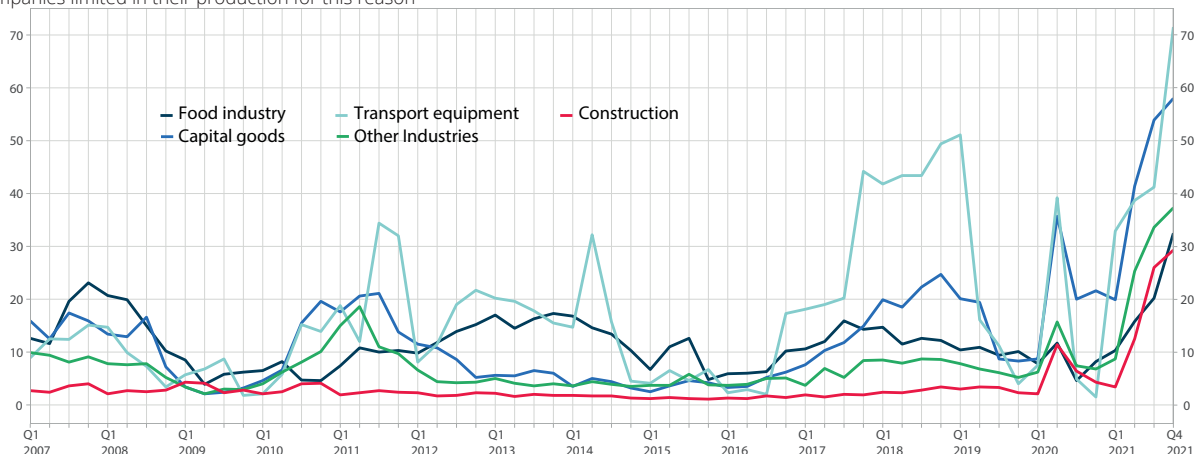
Added to these problems are hiring difficulties, especially in services, where 51% of companies reported in October that they had experienced such difficulties, a record level since the series began in 2000 (► **Figure 5**). These problems go hand in hand with a particularly buoyant employment climate, at its highest since 2011.

These different problems are having a very serious effect on the production capacity of the businesses concerned. For example, in October and November almost half of companies in the building construction sector reported that they could not increase production if they were to receive more orders.

As a result, tensions over selling prices are growing ever stronger. This trend is particularly pronounced in the manufacturing industry (► **Figure 6**). In November 2021, the balance of opinion on the expected change in selling prices reached its highest ever level in this branch since the series came into existence, and the same was true in retail trade (including the automobile trade) and wholesale trade. ●

### ► 4. Supply chain difficulties in the major industrial sectors and building construction

% of companies limited in their production for this reason

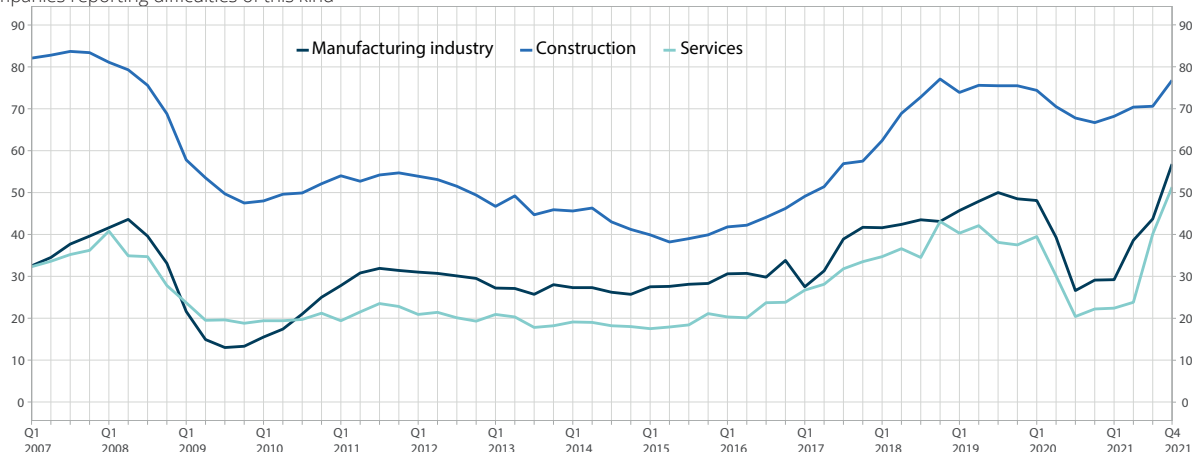


How to read it: results are weighted by turnover. Last point: October 2021

Source: INSEE, business surveys

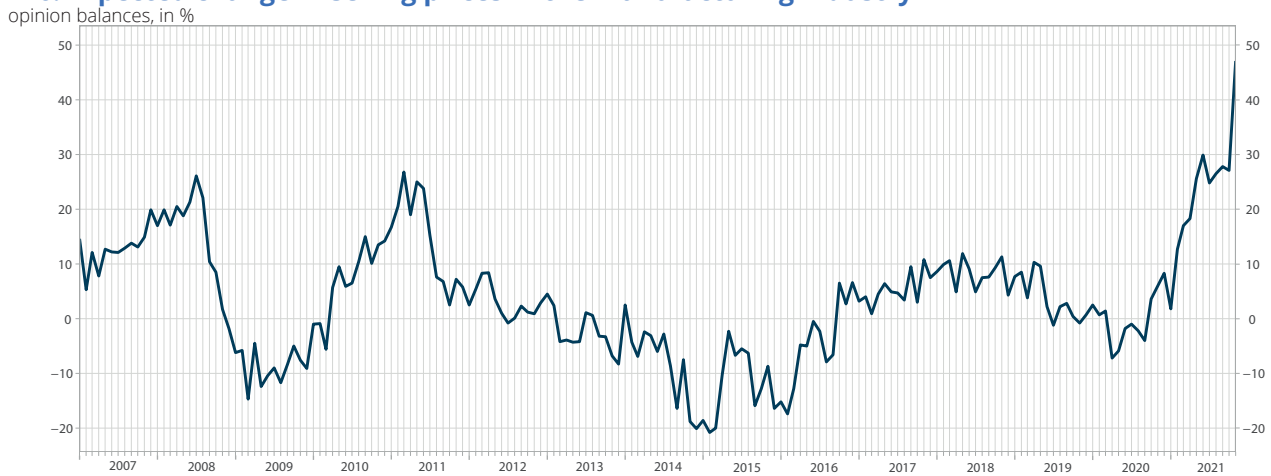
### ► 5. Hiring difficulties in the manufacturing industry, building construction and services

% of companies reporting difficulties of this kind



Source: INSEE, business surveys

## ► 6. Expected change in selling prices in the manufacturing industry



Source: INSEE, business surveys

### Bibliography

Broin M. (2021), "Workforce shortage, sourcing difficulties: from inconvenience to bottlenecks", Insee *Economic outlook* October 2021. ●

## Box 2- "High-frequency" indicators are sending out mixed signals

In an increasingly uncertain health context, searches for specific terms using the *Google* search engine suggest a slight downturn in the trend for leisure activities (► [Figure 7](#)). In particular, the beginning of October coincided with a decline in searches for "restaurant", "hotel", "train" and even "cinema" compared to the reference period. The indicators for "restaurant" and "hotel" have not rebounded since, in line with the dynamics of bank card transactions (► [Household Consumption and Investment Sheet](#)). For all the keywords considered, searches remain at or have moved back below their baseline level. These indicators therefore present a more contrasted signal than the latest business tendency surveys.

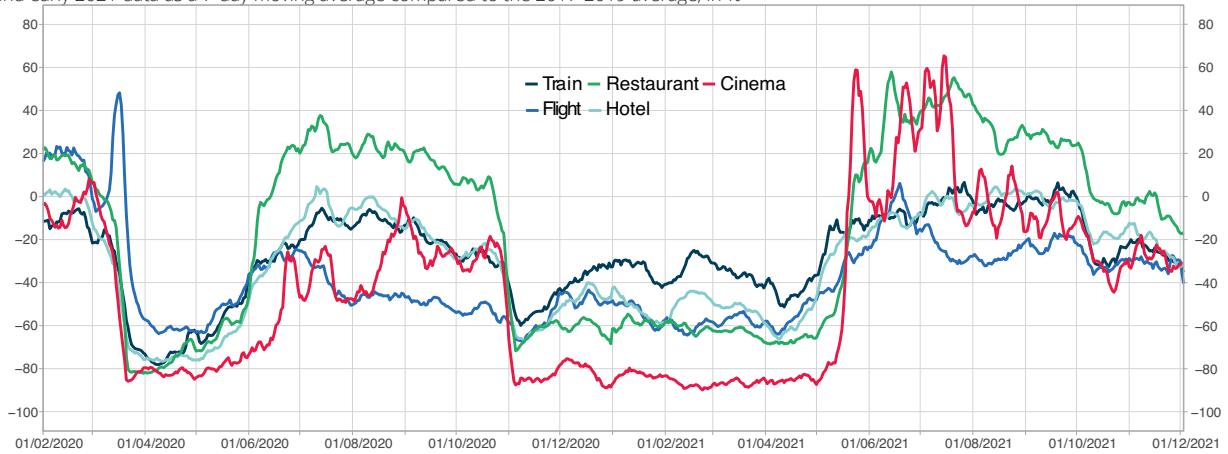
Concerning the change in road traffic in France, monitored in real time by the Centre for Studies and Expertise on Risks, the Environment, Mobility and Urban Planning (Centre d'études et d'expertise sur les risques, l'environnement, la mobilité et l'aménagement - CEREMA), mobility overall (all vehicles) is down on levels in November after the peak during the All Saints holiday, although since the series is not seasonally adjusted, interpretation is difficult (► [Figure 8](#)). At the beginning of December, it was virtually back to its pre-crisis baseline level, which it had exceeded since May. For heavy goods vehicles, the mobility indicator at the end of November was back to a similar level to September, higher than the pre-crisis reference level.

Finally, data from the Google Mobility Reports indicate an increase in time spent at home since mid-October, consistent with the change in the weather (► [Figure 9](#)). The start of the strengthening of rules on teleworking, linked to the fifth wave of the epidemic, may also help explain this trend. However, the indicator remains very much lower than at the same period last year, which was marked by the second lockdown. ●

# French economic outlook

## ► 7. Frequency of keyword searches on internet

2020 and early 2021 data as a 7-day moving average compared to the 2017-2019 average, in %



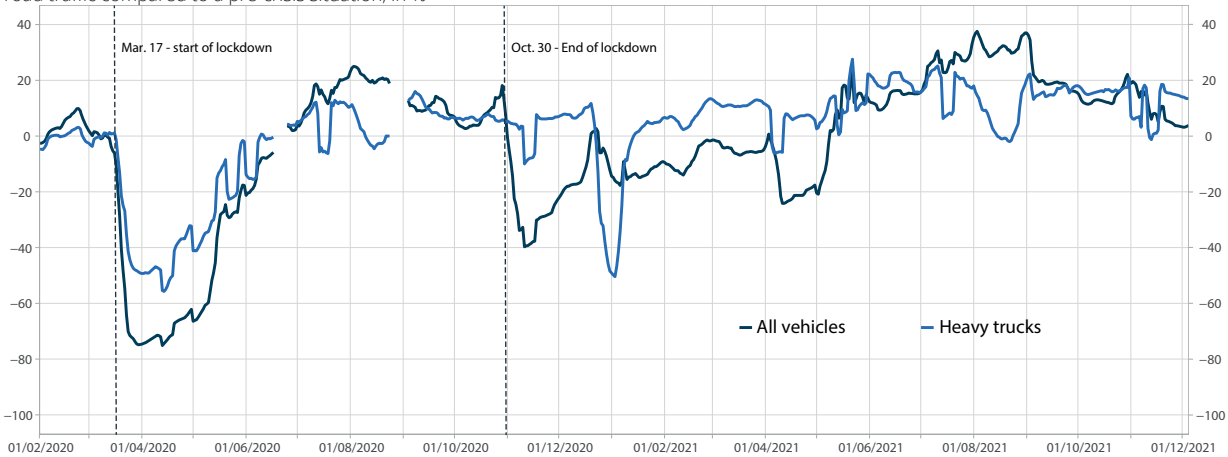
How to read it: the 7-day moving average for the number of Google searches in France in the semantic field “restaurant” was 17% lower on 1<sup>st</sup> December to 17% compared to the average of the 7-day moving averages for every 1<sup>st</sup> December between 2017 and 2019.

Note: the last point represents 3 December 2021.

Source: Google Trends, INSEE calculations

## ► 8. Road traffic in France

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



How to read it: on 1<sup>st</sup> December 2021, road traffic in France was 14% higher for heavy goods vehicles and 3.2% higher for all vehicles combined, compared to a similar day before the crisis

Note: the date of the last point is 5 December 2021. The index is constructed by comparing current traffic to “pre-crisis” traffic. For this reference to be as “fair” as possible, it is calculated from the average daily flow from 13 January to 2 February 2020 to avoid effects associated with the school holidays in February and the start of lockdown. For more clarity, the series was smoothed with a 7-day moving average.

Source: Cerema, INSEE calculations

## ► 9. Indicator of total time spent at home

difference in %



How to read it: on 1<sup>st</sup> December 2021, the 7-day moving average for time spent at home was 4% higher than the median value calculated by Google between 3 January and 6 February 2020.

Note: the last point represents 3 December 2021.

Source: Google Mobility Reports, INSEE calculations