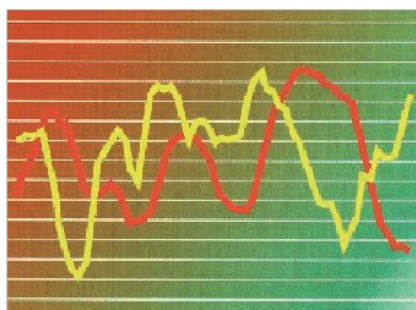


INSEE CONJONCTURE

POINT DE CONJONCTURE



27 MAY 2020

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Introduction

This *Point de Conjoncture* is the first to be published since the lockdown started to be lifted in France. As in previous editions, we attempt to measure change in economic activity (GDP) and household consumption almost in real time, using “high-frequency” data available on a daily basis, direct feedback from businesses and professional federations and also the results of business tendency surveys for May.¹

Although the easing of lockdown is underway, this process is still as difficult as before: we now have to measure phenomena that are not only extreme but which are also shifting, rather like a photographer trying to capture an unusual subject that is constantly in motion. There is a risk that the photo will be a little more blurred than usual. However, we believe that despite the uncertainties inherent in the exercise, some fairly clear trends emerge, in particular a definite, though still partial, upswing in French economic activity, and occasionally a much stronger rebound in household consumption.

Economic activity is certainly picking up, slowly but surely, in most of the major sectors: industry, construction, services. Activity lost as a result of the health crisis is now believed to be “only” around –21% (against the estimate of –33% at the beginning of May). In other words, the French economy appears to be operating at about four-fifths of its pre-crisis level (against only two-thirds during lockdown).

At the same time, during the first week out of lockdown, the expected rebound in household consumption materialised, perhaps even more vigorously in France than in Italy or Spain. We estimate that during that week, consumption was probably “only” 6% down on its pre-crisis level (against –32% estimated in early May). The logical explanation for this sharp rebound is the reopening on 11 May of a large number of shops and activities that had been closed during lockdown. This is partly a one-off rebound, corresponding to purchases that had been postponed. For this reason, the size of the rebound does not, at this stage, indicate what the “steady state” of consumption will be during the next few weeks.

In this respect, the household survey carried out in May provides a wealth of information on the way people view the economic situation: notably, the balance of opinion on the future standard of living in France is at its lowest, while the current saving capacity is at its highest. And households are a little less pessimistic about their personal financial situation than about the situation in France generally. For some, this is because during lockdown they were “forced” to build up savings which can now be used to boost their consumption.

After almost two months of just ticking over, as if holding its breath, the French economy is now trying to come up for air. However, it is resurfacing in a world that is no longer exactly the same as before the health crisis. The virus has changed the game, both geopolitically and economically. Despite massive monetary and fiscal support, there are many reasons why the economy will not return to normal for many months to come. On the supply side, some activities still remain closed at this time, international value chains have been profoundly disrupted, health safety protocols may affect productivity, and the job destructions already recorded in Q1 will now reduce potential activity. On the demand side, all areas may be affected, whether it be foreign trade, corporate investment or household consumption, all of which may be gripped by a wait-and-see attitude in this unprecedented situation.

Assuming that in June, the French economy closes the gap that still separates it from its pre-crisis level by a third, GDP could decline by about 20% in Q2 2020 (after –5.8% in Q1): this is a dizzying figure, but nevertheless in line with what has happened in the world in recent months. Even if economic activity were to return fully to its pre-crisis level by July, French GDP would fall by 8% over 2020; however, such a rapid return to normal seems fairly unrealistic. The overall impact of the health crisis in 2020 will therefore certainly be greater than this figure, because economic recovery, in France and in the world, can be at best only gradual in H2. ■

1. We would like to thank all the partners who have given us continuing support in producing this document, in particular: the CB Bank Card Group, the Directorate-General for Enterprises, SNCF Réseau, RTE, Enedis, France Industrie, the French Federation of Mechanical Engineering Industries, Rexecode, and the Medef, and the major retail outlets that cooperate with INSEE. The estimates in this document are the sole responsibility of INSEE.

Outlook surveys for May 2020: between lockdown and post-lockdown

In May, the business tendency and household consumption surveys were carried out over a period spanning lockdown and post-lockdown. Households express strong pessimism about the French economic situation. They say – as one would expect – that they are more likely to make major purchases than they were in April. On average, they say their saving capacity has increased as a result of lockdown, although this overall result may mask some large individual discrepancies.

Regarding businesses, indicators of future activity are no longer falling, but declared prospects remain bleak.

Household survey: people express greater pessimism about the general economic situation in France than about their personal financial situation

The economic outlook household survey was carried out between 28 April and 16 May 2020. The results show a marked degree of pessimism about the general economic situation in France, both in prospects for unemployment and for standard of living. As a result, the balance of opinion on the future standard of living in France in April stood at its lowest since the beginning of the series. There are significantly more households now than in April who

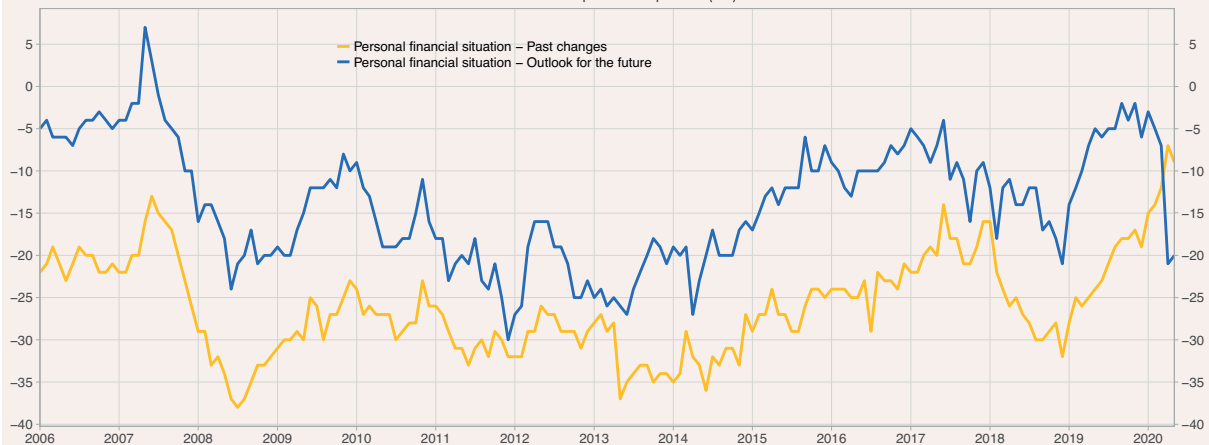
believe that prices have risen over the last twelve months; however, after increasing sharply for two months, their fears about future inflation receded in May, while still remaining strong.

Households are a little less pessimistic, however, about their personal financial situation (*Graph 1*). Although the balance of opinion on their future personal financial situation fell sharply in March, it stabilised in May. However, the balance of opinion on their past personal financial situation is still well above its long-term average.

At the same time, in May more households consider that it is a good time to save than was the case in April (*Graph 2*). In fact, the balance of opinion on the current saving capacity is at its highest level,

1 - Balances of opinion on personal financial situation (past change and prospects for change)

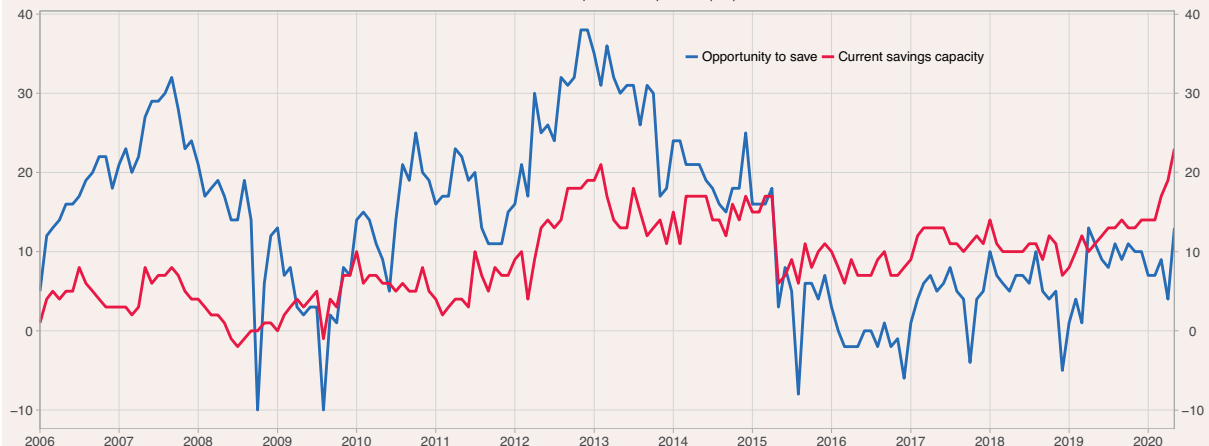
Balances of opinion in points (SA)



Source: Monthly household business survey, INSEE

2 - Balances of opinion on current saving capacity and possibility of saving

Balances of opinion in points (SA)



Source: Monthly household business survey, INSEE

probably reflecting the fact that some households were “forced” into saving during lockdown. These savings may now be used to boost consumption: after a very severe but unsurprising fall in April, the balance of opinion on the opportunity to make major purchases rebounded in May (*Graph 3*).

Business survey: prospects for activity remain very bleak but less so than in April

Since 11 May, France has started to lift the general lockdown introduced on 17 March. Business leaders who responded to the May 2020 business tendency surveys (*Method*) stress the violence of the economic shock that they experienced, indicating a much greater decline than in the previous month in their activity over the preceding three months. However, prospects for activity for the next three months are a little less bleak than in April. Irrespective of whether they are operating in industry, services or retail trade, business leaders appear less negative about general prospects for activity in their sector: the corresponding balance of opinion has recovered

a little after a very sharp decline in April (*Graph 4*); it remains very low, however, well below its average level. Business leaders are also less devastated than in April about their own prospects for activity: in particular, this balance of opinion has picked up in industry. Nevertheless, they remain very worried about demand for their goods: in industry, the balances of opinion on order books, both overall and from abroad, are at a very low level; in services, opinion on future demand has improved after tumbling in April, but the balance remains very much deteriorated.

In wholesale trade, where the survey is conducted every two months, all the main balances of opinion show a very serious downturn compared with March.

At sub-sector level, the agrifood industry appears to be resisting relatively well compared with the other industrial sectors; conversely, in the service sector, the opinion of business leaders is particularly depressed in accommodation-catering and, to a lesser extent, in real estate activities. ■

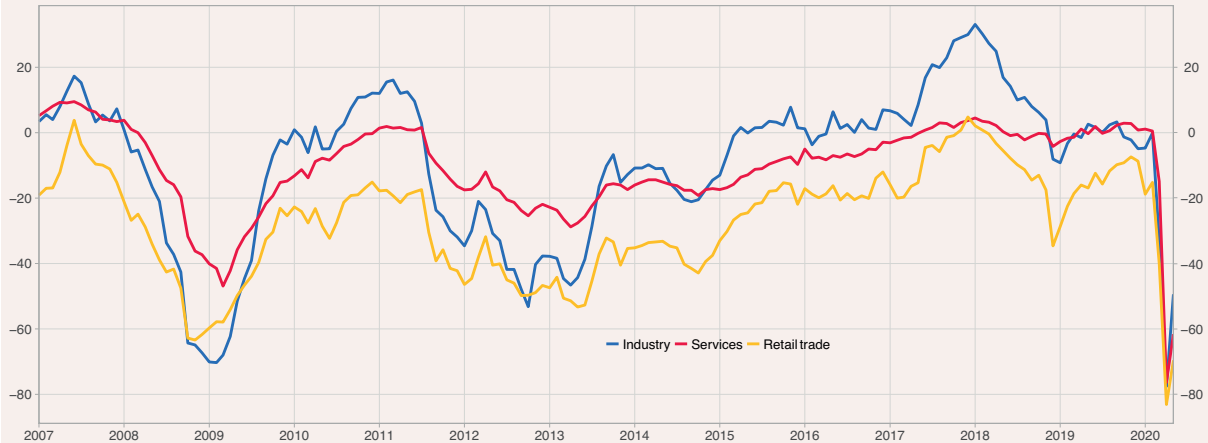
3 - Balance of opinion on the likelihood of making major purchases

Balances of opinion in points (SA)



Source: Monthly household business survey, INSEE

4 - In May 2020, the opinion of business leaders on general prospects for activity in their sector shows less deterioration than in April in industry, services and retail trade



Source: Monthly household business survey, INSEE

Method

Responses from the businesses interviewed for sectoral outlook surveys were collected between 28 April and 19 May 2020, i.e. for the most part during the general lockdown. For the services survey, for example, three quarters of responses were collected before 11 May. As in the previous month, responses were collected online only. Response rates remained lower than usual but were better than in April. By the time the responses were analysed for publication of the month's provisional results, almost half of the industrial companies questioned had responded, against only a little over a third last month. At the other end of the spectrum, only one in three building construction companies had responded by the time the responses for May were analysed, since the paper questionnaire is still often the preferred method for the construction sector units.

For the *Informations rapides* published in May 2020, the method used to correct for non-responses was modified compared with the usual method where non-responding companies' previous responses are carried over.¹ This time only those companies that responded were used. We consider that units that did not respond in April or May would have responded in the same way as the average of the responding units in the elementary stratum to which they belong, rather than repeating their previous responses. Regarding the seasonal adjustment (SA) of the series, the relevant models and parameters are re-estimated once a year, for a publication in the summer. Between two seasonal adjustment campaigns, the SA coefficients are extended over one year. The sharp drop seen in most series, starting in March 2020 and continuing into April, is therefore not interpreted here as a drop in the average level of activity for the months concerned.

The new method adopted here to correct for non-responses means substantial downward revisions compared to the April publication. However, by dispensing with the construction of a constant sample and not carrying over previous responses, this method reflects the very brutal short-term shock of the Covid-19 health crisis and the reactions of businesses more directly. ■

1. See Focus "Business tendency surveys for April 2020: the business climate at its lowest ebb", *Point de Conjoncture* 23 April 2020, pp. 8-11.

Economic activity

From the end of lockdown, and according to information available on 27 May, economic activity in France is expected to see a significant upswing compared with previous weeks, although still remaining 21% lower than in a normal situation. According to some high-frequency indicators, there is likely to be a gradual upturn in activity around 11 May, the date when lockdown was lifted.

Unless there is a resurgence in the Covid-19 epidemic, the economic recovery should continue gradually over the next few months, although a return to the pre-crisis level of economic activity could take some time. We believe that, in the light of previous estimates, French GDP is likely to decline by about 20% in Q2 2020 (after -5.8% in Q1). This would be the worst recession since the French national accounts were created in 1948.

After the end of lockdown, French economic activity is expected to rebound but is still likely to remain below normal activity, by around -21%

As of 11 May, the date when lockdown was lifted, economic activity is expected to be down 21% compared with a “normal” situation. This loss is still likely to represent a rebound of more than 10 percentage points compared with the previous estimate, published on 7 May, and which covered the last two weeks before the end of lockdown (-33%). In the market branches alone, lost economic activity is expected to be 25% (against -39% before the end of lockdown). This relative recovery in economic activity can be seen in all branches where activity is allowed. Notably, in construction the loss in economic activity is likely to be halved (-38% against -75% before lockdown ended) reflecting the

resumption of some projects. In industry, the loss of activity is expected to have recovered fourteen points compared with previous weeks (-24% against -38%). Although the resumption of work has been able to continue, activity is still expected to be affected for several reasons, including failing demand and large inventory to sell. In services, the loss of economic activity is likely to be around the same level. The restrictions and limitations imposed on activity (accommodation-catering, transport, cultural activities, etc.) as well as the decline in national demand look set to slow down recovery.

The overall upswing in activity around the date that lockdown was lifted is likely to be gradual rather than sudden (Box), in contrast to what was observed for household consumption. The situation may differ from one branch to another (especially in some branches of services where activity has been allowed only from 11 May), perhaps suggesting anticipatory behaviour on the part of businesses or maybe because they were gradually putting in place suitably adapted working conditions before the end of lockdown so that activity could resume.

With an economic activity scenario still affected in June, GDP could drop by around 20% in Q2 2020

The May ACEMO-Covid survey carried out by DARES, with support from INSEE, questioned¹ businesses on the pace at which they expected to resume economic activity after 11 May. Their responses are broken down by branch, and on the basis of estimates of lost economic activity published in the *Point de Conjoncture* of 7 May, a scenario can be drawn up for a resumption of activity for June.²

1. The survey covers non-agricultural private-sector companies with 10 or more employees. They were surveyed between 1st and 12 May 2020.

The question used to establish the economic activity scenario for June was as follows: “As of 11 May, when the lockdown is due to be lifted, how long do you think it will be before economic activity in your establishment is back to normal?” The alternative responses were:

1. Activity has not been affected or is already back to normal
2. Activity will return to normal
3. Activity will return to normal very quickly, one month after the end of the crisis
4. Activity will return to normal in two or three months
5. Activity will need more than three months before it returns to normal
6. Activity has been affected in the longer term and will not return to the pre-crisis situation before the end of the year
7. Don't know.

2. The survey was also used to estimate in part economic activity after 11 May.

Thus, given the information available on 27 May, economic activity in June could be around 14% below normal (after -25% on average in May and -35% on average in April; see previous *Points de Conjoncture*). In Q2, GDP therefore looks set to decrease by around 20% after -5.8% in Q1, the worst recession since the French national accounts were created in 1948. This forecast must nevertheless be viewed with caution since the rates at which businesses expect to resume activity are by their nature very uncertain, and also because a large number of businesses

declared that they did not know the pace of their economic recovery (these replies account for a quarter of employees).

If there were a drop in economic activity like that forecast in H1, followed by an immediate return to normal in July, this would result in a loss of almost 8 points in the pace of annual GDP growth for 2020. However, the overall impact of the epidemic in 2020 will certainly be greater, because on the face of it economic recovery, both in France and throughout the world, will continue gradually in H2. ■

Table 1 - Estimation

Branches	Share of GDP (in %)	Loss of activity (in %)	Contributions to loss of activity (GDP points)	Loss active estimated May 7th (in %)
Agriculture, forestry and fishing	2	-6	-0.1	-13
Industry	14	-24	-3	-38
Manufacture of food products, beverages and tobacco-based products	2	-2	0	-5
Coke and refined petroleum	0	-35	-0,1	-55
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-42	-1	-61
Manufacture of transport equipment	1	-54	-1	-69
Manufacture of other industrial products	6	-25	-2	-43
Extractive industries, energy, water, waste treatment and decontamination	2	-14	0	-23
Construction	6	-38	-2	-75
Mainly market services	56	-25	-14	-36
Trade; repair of automobiles and motorcycles	10	-27	-3	-47
Transport and storage	5	-40	-2	-59
Accommodation and catering	3	-90	-3	-90
Information and communication	5	-23	-1	-31
Financial and insurance activities	4	0	0	0
Real estate activities	13	-1	-0.1	-2
Scientific and technical activities; administrative and support services	14	-26	-3	-44
Other service activities	3	-63	-2	-76
Mainly non-market services	22	-7	-2	-14
Total	100	-21	-21	-33
of which mainly market	78	-25	-20	-39
of which mainly non-market	22	-7	-2	-14
Total mainly merchants excluding rents	65	-30	-20	-46

How to read it: as of 7 May 2020, economic activity is expected to have declined by 21% compared with a normal situation, while it had decreased by 33% as of May 7. The industry sector, where loss of activity is estimated at 24%, is likely to contribute around 3 percentage points to this decline.

Source: INSEE calculations from various sources

Box: activity appears to have resumed gradually on and around 11 May

The loss of economic activity estimated for 27 May (-21%) is corroborated by various high-frequency indicators: rail freight traffic published by SNCF Réseau and electricity consumption by businesses measured by RTE (Electricity transmission network). Both suggest a gradual return to activity, with no sudden change on and around 11 May.

Rail freight traffic on the SNCF network has gradually resumed since the end of April

Since lockdown began, INSEE has been using daily information on rail freight traffic moving on the SNCF network compared with a reference situation, defined as “normal”. These data provide an estimate of the loss of rail freight activity but can also be seen as a more general indicator of the loss of activity overall, since the transport of goods by rail correlates with the volume of goods traded in the economy.

While rail freight traffic declined significantly during the first month of lockdown, with an average of around 63% of trains in circulation, it picked up slightly in the last two weeks before the lockdown was lifted (69%; *Graph 1*). Since the end of April, freight train traffic has increased considerably but at a steady pace, and has reached an average of 78% of its normal traffic since 11 May. This increase in freight traffic is therefore similar to the relative recovery in economic activity in general, suggesting the gradual nature of this recovery.

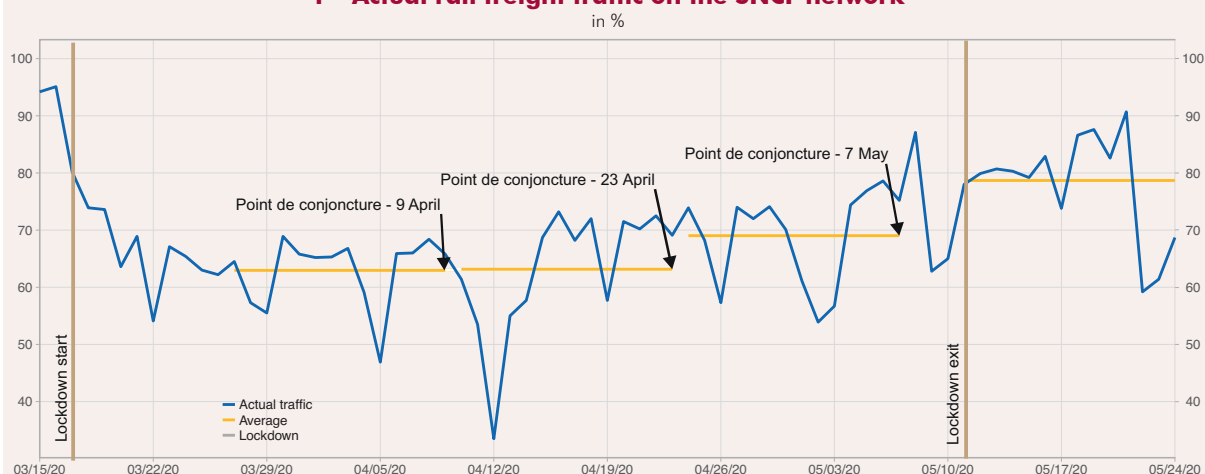
Electricity consumption by businesses is picking up little by little, a sign of a gradual upswing in activity

Daily electricity production and consumption data for France reflect the change in behaviour brought about by the crisis and are useful for monitoring changes in activity in real time. As electricity is one of the forms of energy that is used most in the production process, variations in its production and consumption reflect major changes in GDP.

In particular, RTE’s electricity consumption data provided an early estimate of the effect of lockdown and then of the easing of lockdown for certain sectors of activity¹ (*Graph 2*). Some strong sectoral disparities can be seen between 23 March and 10 May, during lockdown (the first week of lockdown is excluded as it produced behaviour involving a gradual adjustment and is therefore not representative), then from 11 May with the gradual easing of lockdown. The sector with the greatest decline was transport and storage (around 60% between 23 March and 10 May); the reason for this could be the particularly large reduction in activity by SNCF and urban transport companies. Electricity consumption in this sector has gradually climbed back up since the lifting of lockdown began (-40% between 11 and 18 May). There was also a relatively strong decline in manufacturing industries (around 20% between 23 March and 10 May), followed by a slow recovery during all of the month of April, and reaching -5% between 11 and 18 May. All in all, electricity consumption, like rail freight traffic, increased gradually but with no sudden changes around 11 May. ■

1. Those where a certain number of businesses, and not necessarily the most representative, are connected directly to the network.

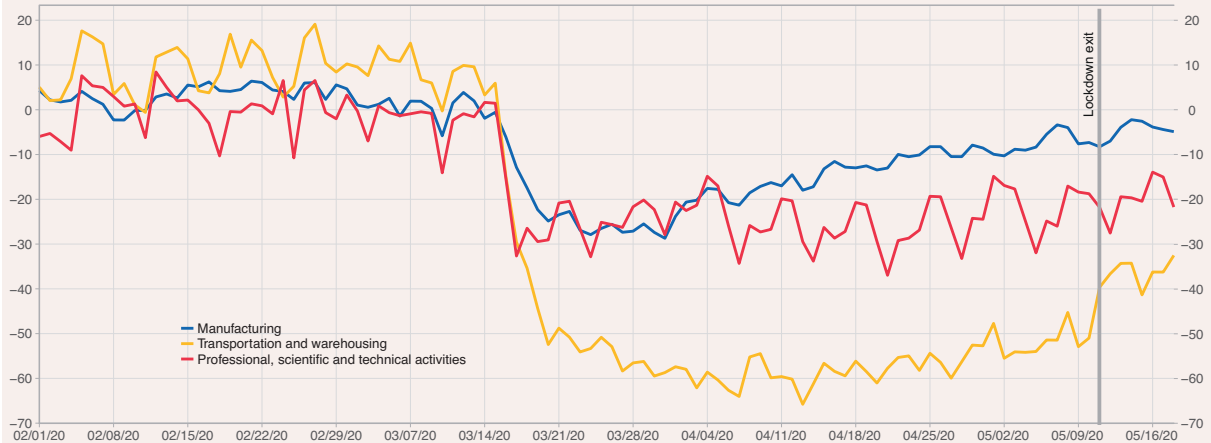
1 - Actual rail freight traffic on the SNCF network



How to read it: on 15 March 2020, actual rail freight traffic on the SNCF network was 94% compared to a reference day.

Sources: SNCF Réseau, INSEE calculations

2 - Electricity consumption by sector for customers connected to RTE, adjusted for working days deviation from average level (%)



How to read it: on Wednesday 1st April 2020, electricity production was 6% lower than the average level for a Tuesday in April experiencing an identical average temperature to that recorded on that day. This average level is estimated over a period from 1st January 2012 to 24 February 2020.

Sources: RTE, INSEE calculations

Household consumption

The first week out of lockdown saw a sharp rebound in household consumption, although levels did not return to “normal”. According to information collected over the period 11 to 17 May 2020, household consumption appears to be around 6% below its expected level in a normal period of activity (Table 1), an increase of 25 percentage points over its estimated level in the Point de Conjoncture of 7 May (–32% loss of consumption). This strong rebound relates particularly to spending on manufactured goods, linked to the reopening of non-essential businesses (household equipment, textiles, clothing, etc.), and to the consumption of services (personal services to households). In the case

of some consumption expenditure the increase has been less dynamic (fuel, transport services), while spending associated with activities that are still subject to restrictions remains low (accommodation, cultural activities, etc.).

As in the previous Points de Conjoncture, this estimate is based on assumptions of loss or gain in consumption compared to a “normal” period of activity, applied to different goods and services. These assumptions are based on information from various sources (bank card transactions and scanner data account for 50% of consumption amounts) and external information (accounts for 4%). For 45% of consumption, the assumptions

1 - Estimated difference in household consumption level compared with a “normal” situation

Products	Share of consumption* (%)	Difference (%)	Contributions (percentage points)	Reminder of estimated difference in Point de Conjoncture of 7 May** (%)
Agriculture, forestry and fishing	3	8	0	3
Industry	44	6	3	-33
Manufacture of food products, beverages and tobacco-based products	15	10	1	5
Coke and refined petroleum	4	-41	-2	-72
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3	57	2	-35
Manufacture of transport equipment	6	-16	-1	-89
Manufacture of other industrial products	13	15	2	-54
Extractive industries, energy, water, waste treatment and decontamination	5	1	0	3
Construction	2	-39	-1	-75
Mainly market services	46	-17	-8	-31
Trade; repair of automobiles and motorcycles	1	14	0	-68
Transport and storage	3	-56	-2	-80
Accommodation and catering	7	-67	-5	-87
Information and communication	3	3	0	-9
Financial and insurance activities	6	0	0	0
Real estate activities	19	0	0	0
Scientific and technical activities; administrative and support services	2	-28	-1	-52
Other service activities	4	-15	-1	-77
Mainly non-market services	5	-19	-1	-37
Total	100	-6	-6	-32

* weight in final household consumption spending (excluding territorial correction)

** the estimate given in the Point de Conjoncture of 7 May 2020 covered the period 6 to 26 April 2020.

How to read it: the level of household consumption of products derived from coke and refined petroleum products (or agrifood industries) is currently 41% lower (or 10% higher) than that usually seen in a normal period of economic activity, contributing a 2 percentage point decline (or a 1 percentage point increase) to household consumption overall.

Source: INSEE calculations from various sources

also reflect the consequences of regulatory measures taken to combat the spread of Covid-19 (business closures, etc.) and specific consumption behaviours (constant need for certain types of product, etc.).

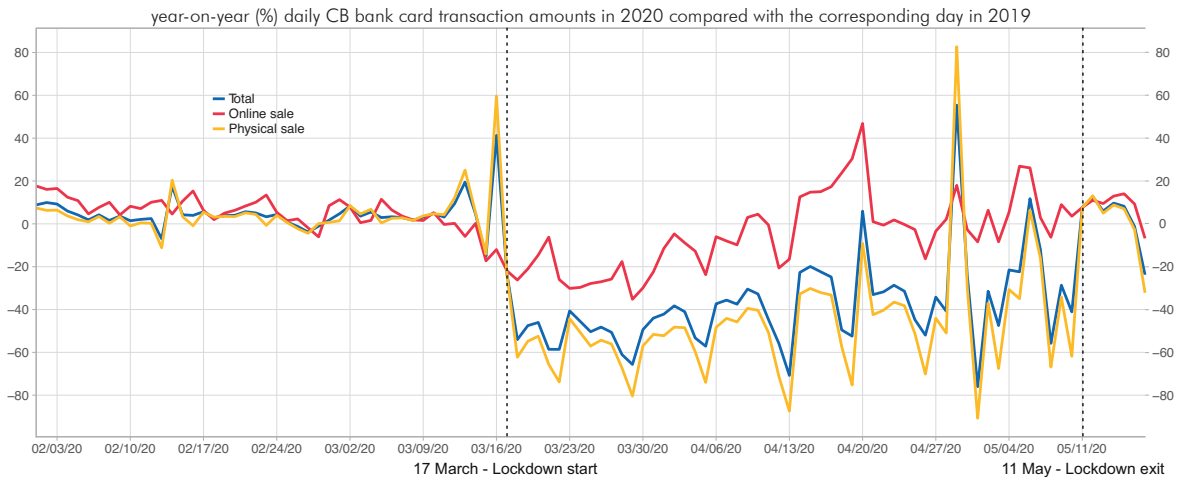
Taking into account the availability of the different types of data used, this estimate covers the first week out of lockdown, i.e. from 11 to 17 May. This differs slightly from the estimate for loss of activity, which covers a longer time period, including the second week after the lifting of lockdown (see *Economic Activity Sheet*).

During the week of 11 to 17 May, household consumption expenditure seems to have been “only” 6% below its pre-crisis level, an increase of 25 percentage points over the estimate given in *Point de Conjoncture* of 7 May.¹ This rebound in consumption is reflected in the total amount

of bank card transactions, up sharply compared with the period in lockdown (*Graph 1*). In particular, the rebound in payments relating to physical sales reflects the reopening of non-essential businesses and the return to more normal consumption habits.

Consumption of manufactured products appears to have exceeded its level for a normal period of activity by 6%, contributing 3 points to the upturn in total consumption with an increase of 39 percentage points over the estimated level in the *Point de Conjoncture* of 7 May. Some spending certainly appears to have rebounded strongly, as a result of the reopening of non-essential businesses. For example, bank card transaction spending on clothing and footwear was much closer to the 2019 level than it had been during lockdown, while transactions for household

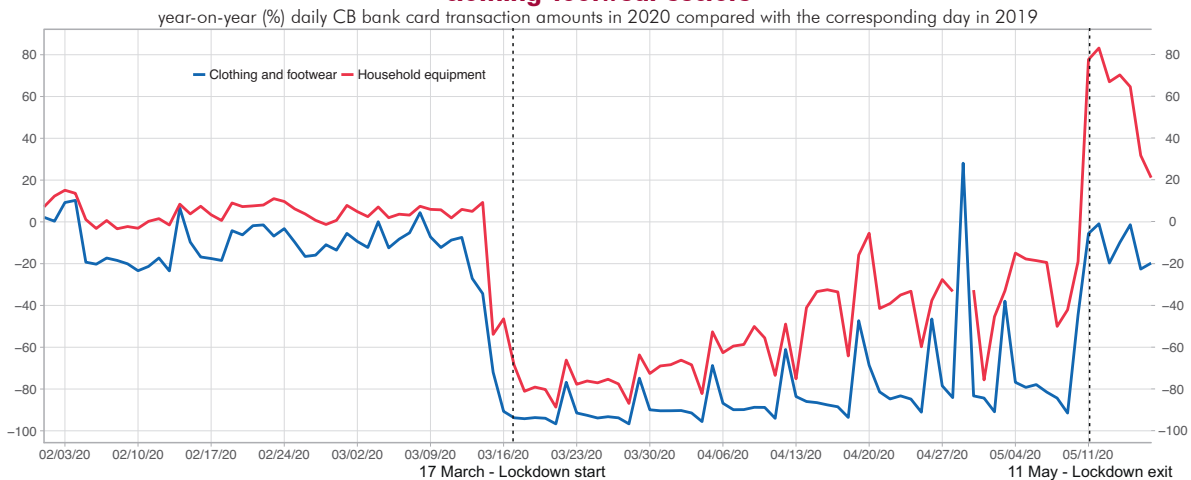
1 - CB bank card transactions in store and online



Note: the very high year-on-year level on Wednesday 29 April 2020 is linked to the fact that the corresponding day in 2019 was Wednesday 1st May, a public holiday, when CB bank card transaction amounts, all types of sale combined, were particularly low.

Source: Cartes Bancaires CB, INSEE calculations

2 - CB bank card transactions in the household equipment and clothing-footwear sectors



How to read it: the amount in CB bank card transactions for purchases of clothing-footwear on Monday 11 May 2020 was 6% lower than on Monday 13 May 2019.

Note: for a clearer understanding, the value corresponding to household equipment for Wednesday 29 April 2020 has been removed because the corresponding day in 2019 was Wednesday 1st May, when the associated year-on-year amount was very high.

Source: Cartes Bancaires CB, INSEE calculations

French economic outlook

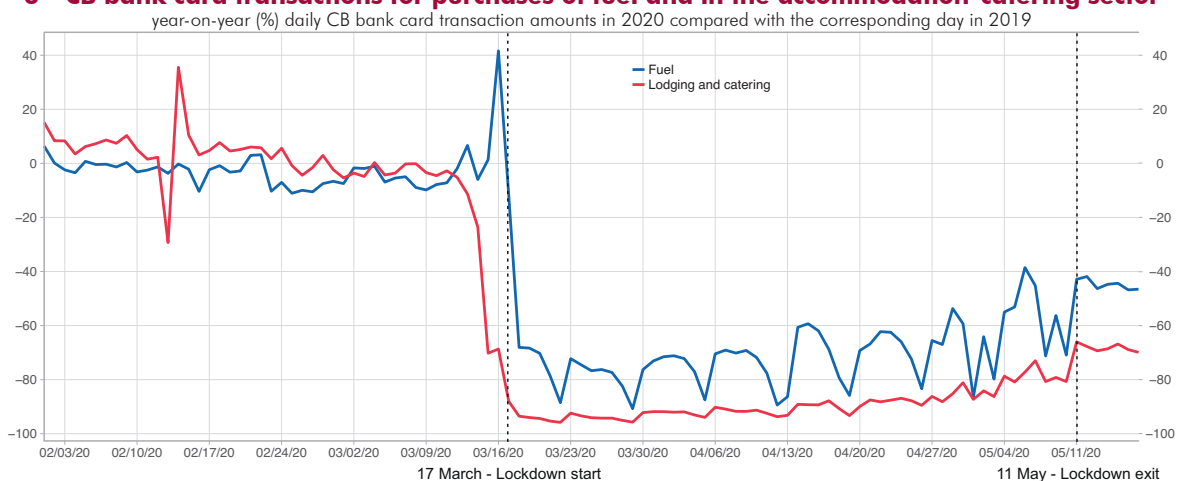
equipment even appear to have greatly exceeded their 2019 level (*Graph 2*). Spending on fuel also appears to have increased, but to a lesser extent, probably as a result of the restrictions on long distance travel (*Graph 3*). The exit from lockdown does not appear to have affected the buoyancy of household spending on agrifood products (*Graph 4* on spending on agricultural and agrifood products excluding tobacco, based on scanner data).

Consumption of mainly market services seems to be 17% down on a normal activity situation, contributing -8 points to the overall decline in household consumption, but this is nevertheless an increase of 14 percentage points over the level estimated in the *Point de Conjoncture* of 7 May. This rebound is probably due mainly to the consumption of personal services to households (laundry, hairdressing, etc.) and repair services. Unsurprisingly, services associated with activities that are still subject to restrictions appear to have

remained at particularly low consumption levels, for example air transport, activities related to the arts and entertainment, and also accommodation and catering, although for these last two, consumption has increased slightly compared with lockdown (*Graph 3*).

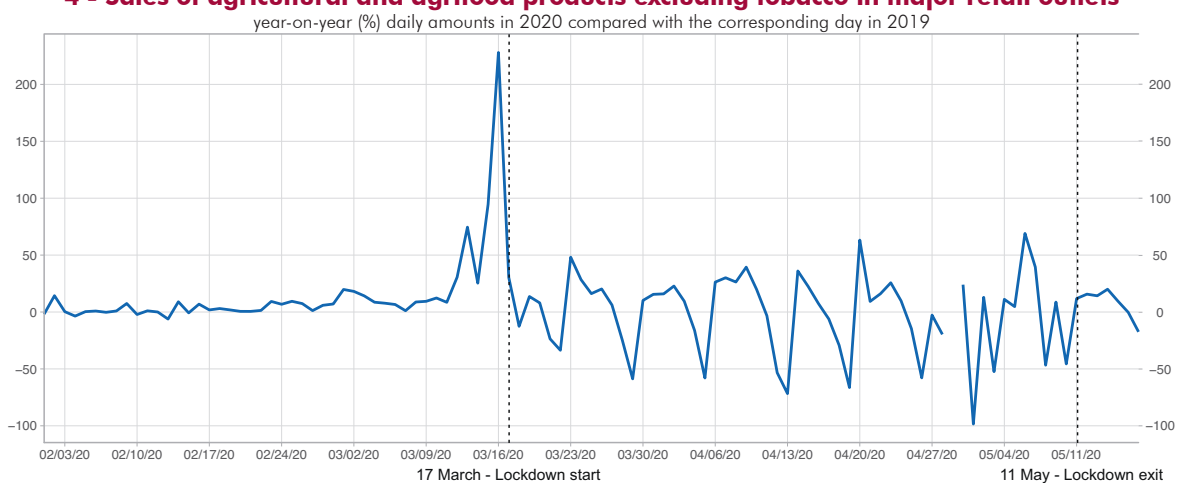
Mainly non-market services also seem to have experienced a rebound in consumption, through the resumption of local outpatient care and market teaching services, although they have not yet returned to their normal level of activity (-19% loss of consumption, contributing -1 point to overall loss). With the upswing in home renovation also, household consumption in the construction branch appears to have increased compared with lockdown, but only gradually (-39% loss of consumption, or a contribution of -1 point to overall loss, and after -75% loss in the *Point de Conjoncture* of 7 May). Finally, consumption of agricultural products seems to be 8% up on its normal level, the same as agrifood products.

3 - CB bank card transactions for purchases of fuel and in the accommodation-catering sector



How to read it: the amount in CB bank card transactions for purchases of fuel on Monday 11 May 2020 was 42% lower than on Monday 13 May 2019
Source: Cartes Bancaires CB, INSEE calculations

4 - Sales of agricultural and agrifood products excluding tobacco in major retail outlets



How to read it: the amount in sales of agricultural and agrifood products excluding tobacco in major retail outlets on Monday 4 May 2020 was 11% higher than on Monday 6 May 2019.

Note: for a clearer understanding, the value corresponding to Wednesday 29 April 2020 has been removed because the corresponding day in 2019 was Wednesday 1st May, when the associated year-on-year amount was very high.

Source: scanner data from several major supermarkets and hypermarkets, INSEE calculations

These changes relate to the first week post-lockdown and do not anticipate subsequent changes. In some cases, the rebound in consumption is directly linked to the lifting of lockdown, especially where levels exceed “normal” consumption: these levels of

consumption are on the face of it unlikely to be sustained over the long term. However, in the case of other consumption items, whose growth is currently more limited, they have only just begun to catch up and it is therefore likely that they will continue to increase. ■

International developments

Several countries have started to ease the lockdown measures put in place in March to contain the Covid-19 epidemic: from the end of April in Germany and the United States and early May or mid-May for Italy, Spain, France and the United Kingdom. Since then, high-frequency indicators suggest that there has been a slight upswing in economic activity.

Economic activity in the Eurozone is resuming gradually, in step with the different calendars for the lifting of lockdown

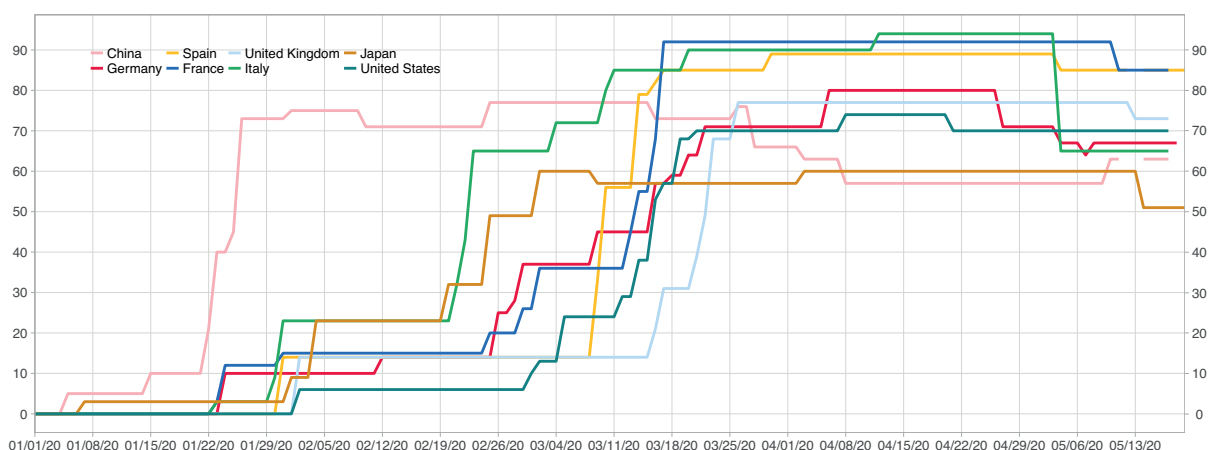
The 'Stringency Index' produced by the University of Oxford's Blavatnik School of Government records and combines into a single score all health measures relating to the lockdown of the population, such as limiting people's movements and closing businesses, administrations and schools, in about a hundred countries. While the lifting of lockdown began on 11 May in France, this process started a little earlier in the other three major Eurozone economies (Graph 1). In Germany in particular, from 20 April, businesses with a surface area of less than 800 m² were allowed to reopen to the public, and on 27 April some age groups were able to return to school. On 6 May, further measures to ease restrictions were decided on, such as the possibility of opening all shops, under some conditions, and the resumption of outdoor sports activities, followed on 11 May by the opening of restaurants. In Spain, phase 0 of the four-phase plan to lift lockdown restrictions

began on 4 May when notably small non-food businesses were allowed to reopen, although limited to 30% of their normal capacity. On 11 May, 13 autonomous communities moved into phase 1 of the plan authorising the opening of café terraces, hotels and concert halls with a capacity of fewer than 30 people. In Italy too, 4 May marked the resumption of the most important productive activities for the economy, in the manufacturing industry, construction, wholesale trade and partially in catering with permission to sell takeaway food. In the United Kingdom and the United States, where some States relaxed lockdown restrictions and allowed businesses to reopen from 21 April, lockdown was still less strict than in France and Spain.

The easing of lockdown measures is reflected in PMIs

Composite PMIs, advance indicators for all economic activity compiled from balances from surveys of businesses, picked up sharply in most countries after hitting record lows in April (in February for China, Graph 2). Linked with lockdown measures and then the lifting of lockdown, recovery is still very limited, although it seems more clearly defined in the United States than in the Eurozone: the composite PMI stood at 30.5 in May in the Eurozone after dipping to 13.7 in April; in the United States, the index reached 36.4 after dipping to 27.0 in April. However, recovery is still very gradual: in all these countries, activity remains largely below the expansion threshold. In the United Kingdom, the effects of

1 - University of Oxford Stringency Index



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

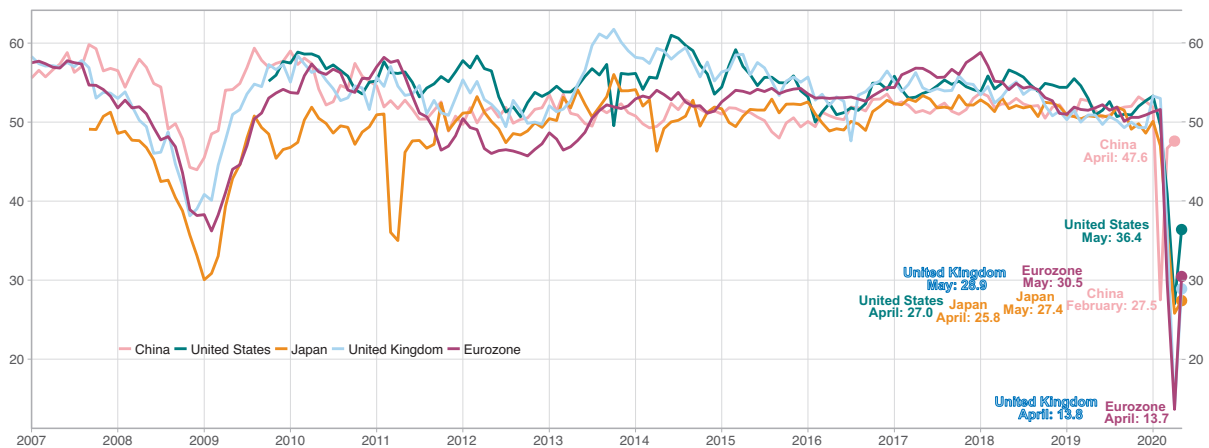
the continuing lockdown are felt in the composite PMI, which is lower than in the Eurozone (28.9 in May after 13.8 in April).

Differences between measures to ease lockdown in the different countries of Europe are reflected in their electricity consumption

Electricity consumption is a representative indicator of countries' activity overall, in terms of both production and consumption (Graph 3). In the European countries, the indicator reveals two facts. First, throughout its lockdown period Germany was the major European country where electricity consumption declined least. On average, between 1st April and 24 May, electricity consumption fell by only 8% in Germany compared with the same period in 2019, against a loss of 15% in France and the United Kingdom, 17%

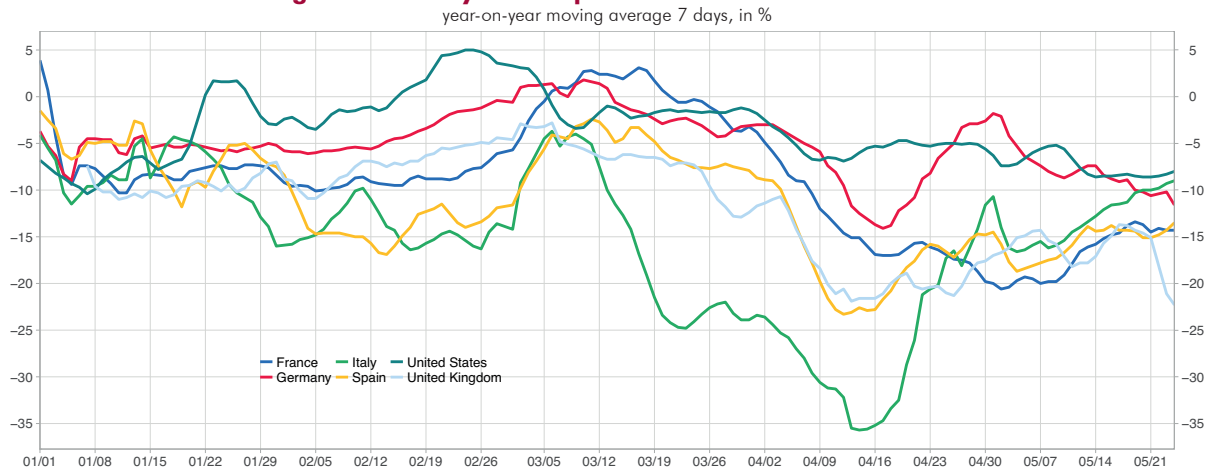
in Spain and 20% in Italy (and 6% in the United States). Second, although electricity consumption declined more moderately in France than in Italy and Spain between the beginning of March and mid-April, consumption levels in these two countries rose above that of France from the end of April, which coincided with the very gradual resumption of activity in some businesses. This upswing was particularly noticeable in Italy: in the period 18 to 24 May, electricity consumption was only 10% below the equivalent week in 2019, as was the case in Germany. In France, it was only after 11 May that electricity consumption saw a slight upswing, from a year-on-year level of almost -20% on 11 May to -14% on 24 May, the same as Spain. In the United Kingdom, where lockdown is still in force, electricity consumption is fluctuating between -15% and -20% of its seasonal average. Finally, in the United States, electricity consumption remains at around 5 to 10% below its average between 2015 and 2019.

2 - composite PMIs



Sources: IHS Markit

3 - Change in electricity consumption in the main advanced countries



Note: Each point represents the difference between daily average electricity consumption in 2020 compared with the corresponding day in 2019 (compared with 2015-2019 average for the United States). Eurozone data adjusted for temperature effects.

Sources: Data from the ENTSO-E Transparency platform for electricity consumption in the EU countries, US Energy Information Administration (EIA) website for electricity consumption in the United States

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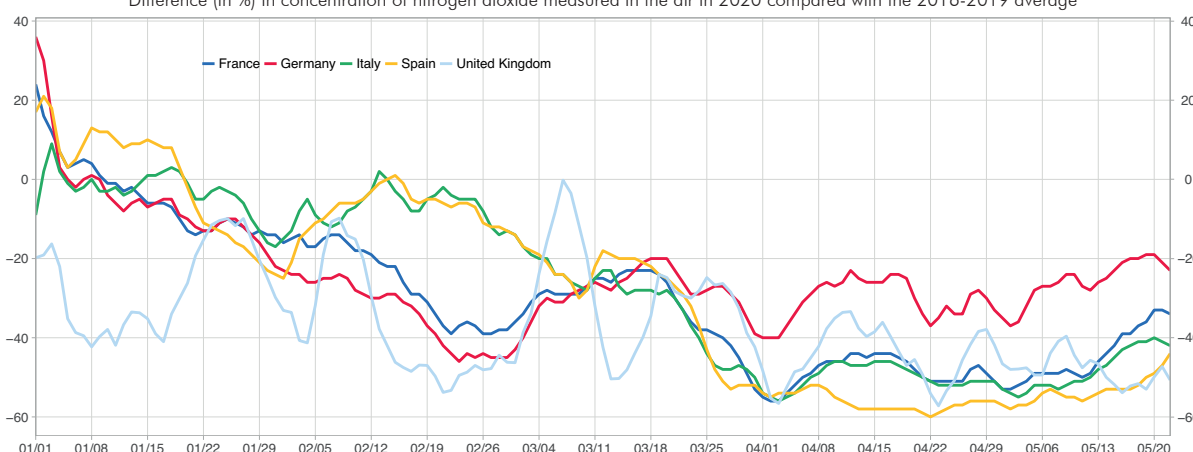
Another indicator of overall activity is the concentration of nitrogen dioxide in the air, which is affected by production activities, road transport and the heating of buildings (*Graph 4*). During the week of 18 May 2020, the fall in this concentration was 20% compared with the average for 2016-2019 in Germany, against 31% in France, 41% in Italy and 48% in Spain. At the beginning of May, before lockdown ended, this concentration had declined by 31% in Germany, 51% in France and almost 55% in Italy and Spain. In the United Kingdom, the concentration of nitrogen dioxide in the air is still about half of the usual levels for this time of year, which would indicate that activity is still very slow. In China, from late April and early May, nitrogen dioxide emissions and air concentration exceeded their levels for the same date in 2019, and they continue to grow.

Notably, the lifting of lockdown results in a considerable upswing in household consumption

The effect of the gradual reopening of non-food retail businesses is reflected in Google searches for shopping centres (*Graph 5*). During the second half of April 2020, the number of searches for German shopping centres was only 41% less than the 2019 level over the same period, against -70% for Spanish shopping centres and around -80% for French and Italian shopping centres. In the United States, the number of searches increased rapidly from the week of 21 April and was then only about 20% lower than in the same week in 2019. In the Eurozone countries and according to this indicator, the increase in the

4 - Change in air pollution in the main European countries

Difference (in %) in concentration of nitrogen dioxide measured in the air in 2020 compared with the 2016-2019 average

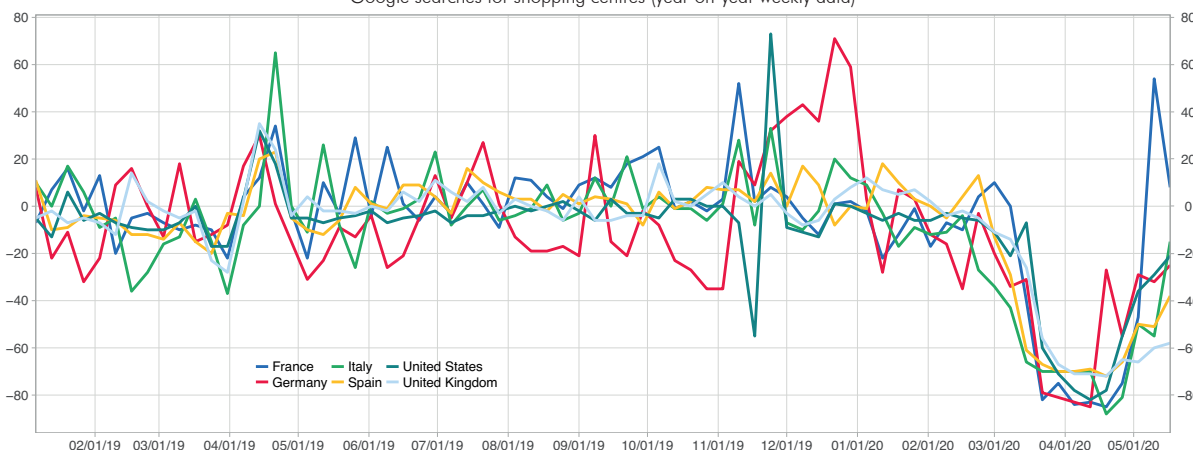


Note: Each point represents the difference between the average weekly concentration (moving average 7 days of daily data) of nitrogen dioxide (NO₂) measured in the air at monitoring stations across the entire country in 2020 compared with the average of this concentration in the same week in the years 2016-2019. The calculated average is the simple average, without adjustment for meteorological variations or demographic weighting. From 18 to 24 April, the concentration of nitrogen dioxide in the air in the United Kingdom was on average 53% lower than the average for 2016-2019.

Source: Agence européenne de l'environnement, INSEE calculations

5 - Google Trends search queries for shopping centres suggest an upswing in activity in the Eurozone and the United States

Google searches for shopping centres (year-on-year weekly data)



Note: search volumes are the average number of searches for different shopping centres in the largest cities in the countries.

Source: Google Trends, INSEE Calculations

numbers of people frequenting shopping centres was more apparent from mid-May. In the week of 11 May, the number of searches in France increased by about 50% compared to 2019, then by 8% in the week of 18 May, although this change is atypical. In the other three main European economies, the index had not yet returned to its pre-health-crisis level by mid-May, although it continued to rise. In the week of 18 May, the number of Google searches remained 25% below its 2019 level in Germany, 15% below in Italy and 38% below in Spain.

Google Mobility Maps (Table 1), indicators showing mobility trends in public places, and in particular in non-food retail outlets, reveal on the one hand a smaller decline in mobility in Germany than in France, Italy and Spain, even post-lockdown, and on the other hand a gradual increase in the number of consumers returning to non-food retail outlets, as they gradually reopened. These indicators therefore suggest a rebound in the consumption of goods other than food by mid-May, a rebound that is probably more pronounced in France, Italy and the United States than in Spain, Germany and the United Kingdom. Indeed, in mid-May, the drop in numbers of people going to non-food retail stores in France and Italy was 51% and 61% respectively, after being between 80% and 90% in April, an increase of almost 30 percentage points against a gain of around 20 points in Spain and Germany. In the United States, mobility trends for retail outlets and places of entertainment were down about 30% in mid-May, after a 45% drop at the start of April. In the United Kingdom, however, mobility trends for non-food retail outlets and places of entertainment still stood at about one quarter of their usual level after a decline of 82% in the first days of lockdown.

The gradual resumption of production and consumption is accompanied by a return to the use of transport

Both production and consumption are closely linked to the movement of the population, irrespective of the method of transport they use. According to the Apple Mobility indicator, which gathers together requests for directions on the Apple Maps application, searches for car journeys picked up in all countries (Graph 6), with some national variations: the recovery is much more advanced in Germany and the United States, where requests were in excess of their 13 January levels, than in France, Italy, Spain and the United Kingdom. The upswing in searches in France has been fairly pronounced since 11 May, perhaps linked to the restriction on travelling more than 100 km and distance checking, with the result that it is not so easy to compare this with other countries. According to the Google Maps Mobility indicator, the use of public transport in France mid-May was 43% less than “normal” (median use from 3 January to 6 February 2020), a significant increase compared to April, when it was down by almost 80% (Table 1). In Italy and Spain, public transport use mid-May was down by 53% and 59% respectively, against 80% in April. In the United Kingdom, the decline eased slightly (-58%, after -70% at the start of April). In the United States, public transport use increased slightly, while still remaining about two thirds lower than usual. However, while the number of commercial flights in the United States declined by approximately 78% (Table 2), the number of travellers measured by numbers passing through Transport Security Administration checkpoints declined by around 90% compared with 2019.

Table 1 - Indicator of people frequenting public places in April in the advanced countries
in %

Indicators	Google Maps Mobility: retail trade and entertainment				Google Maps Mobility: food shops and pharmacies				Google Maps Mobility: public transport			
	6 Apr	26 Apr	7 May	16 May	6 Apr	26 Apr	7 May	16 May	6 Apr	26 Apr	7 May	16 May
Germany	-56	-52	-40	-35	0	3	-1	-6	-48	-39	-28	-28
France	-86	-83	-76	-51	-39	-58	-27	-12	-79	-77	-70	-43
Italy	-86	-92	-63	-61	-42	-74	-28	-26	-78	-81	-52	-53
Spain	-92	-92	-84	-76	-44	-66	-38	-31	-84	-82	-64	-59
United States	-45	-42	-29	-30	-7	-16	-3	-3	-49	-48	-42	-34
United Kingdom	-82	-78	-67	-74	-41	-37	-15	-25	-70	-64	-62	-58
Japan	-30	-45	-31	-40	4	-9	1	-12	-48	-58	-44	-55

Note: Comparison of numbers of people frequenting different places on a given date compared with a reference situation. For the most recent data, this situation is given by the median number of people visiting these places each Tuesday (corresponds to Tuesday of the week of 7 May).

Source: Google Maps Mobility

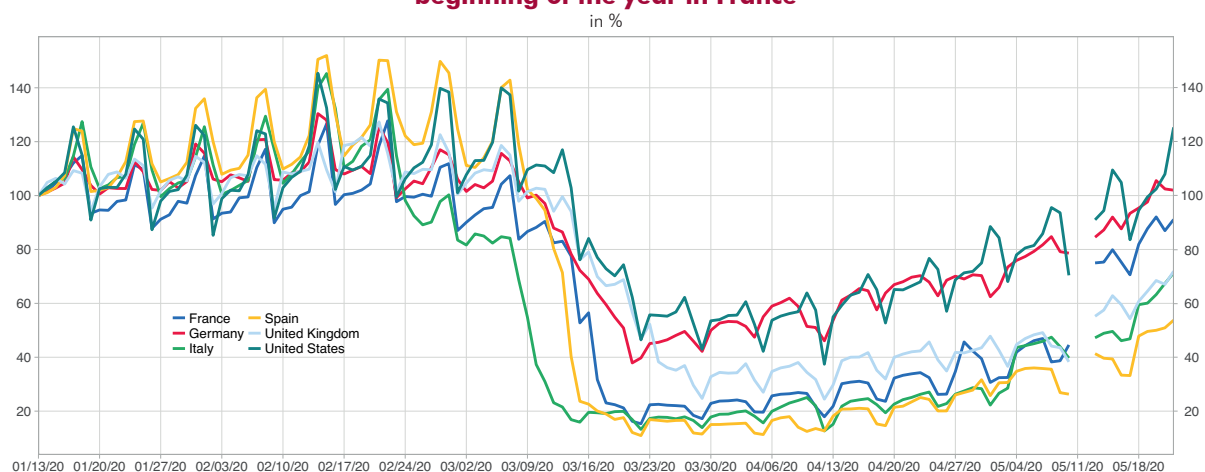
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Lastly, the TomTom Traffic Index of road congestion in the main cities of Europe reveals an increase in car use. In Germany, the Index remained very close to its level for the same period in 2019, down 6% in the week of 18 May (Table 2). In the other Eurozone countries, the rebound was fairly sudden, in France for example, with the traffic congestion index in mid-May 26% lower than in 2019, after a decline of almost 61% in early May, therefore a gain of almost 35 percentage points. This index is still very low in the United States, down 78% compared with its 2019 levels, and the same is true in the United Kingdom (-65%).

The first available accounting or short-term data confirm the sharp decline in activity in Q1 2020

Since the last *Point de Conjoncture*, more European countries have published their first estimates of GDP growth for Q1 2020, confirming the indications suggested by the high-frequency data. The decline in activity in the advanced countries has been at least as strong as that experienced at the height of the 2008 crisis.

6 - The Apple Mobility indicator suggests a steady upswing and a return to levels similar to the beginning of the year in France



Source: Apple Mobility reports. Journey search indicators, base 100 on 13 January 2020. Data for 11 and 12 May are not available

Tableau 2 – Indicator of road traffic conditions in major cities and air traffic
in %

Indicators	Road traffic (congestion index)			Air traffic		
	week of 13 April	week of 11 May	week of 18 May	week of 13 April	week of 11 May	week of 18 May
Germany	-34	-1	-6	-40	-43	-65
France	-80	-61	-26	-74	-71	-62
Italy	-75	-66	-16	-75	-80	-70
Spain	-66	-58	-10	-77	-76	-80
United States	-85	-76	-78	-70	-76	-72
United Kingdom	-80	-69	-65	-92	-90	-90
Japan	-48	-50	-40	-60	-80	-80
China*	-59	-53	-53	-58	-65	-62

* For China, the variation is not that of road traffic but the variation of all types of interurban public transport.

Source: TomTom website for road traffic in major cities, difference between daily average of traffic congestion index from 11 to 15 April and average of the index in 2019; Flightradar24 website for air traffic, ratio of the number of flights cancelled to the number of flights usually scheduled in the country's 3 largest airports. For China, the change in the index of congestion is not the congestion of road traffic but the variation of all types of interurban public transport.

According to these early estimates, Germany is the European country least affected by the health crisis in Q1 2020, with a 2.2% drop in activity, against a 5.8% decline in France, 5.2% in Spain and 4.7% in Italy. Differences in growth rates between countries should however be interpreted with care. Estimates produced in this unprecedented context have relied on less conventional methods and indicators which are less comparable than usual, and are therefore liable to be revised more substantially than usual.

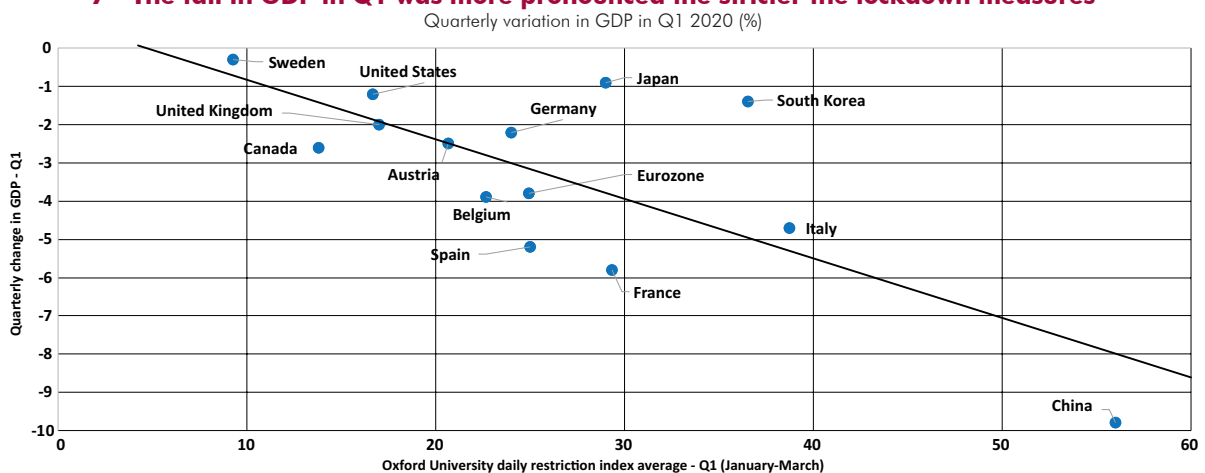
In Germany, Spain and France, countries for which details of GDP are available, all demand items have fallen. Private consumption appears to have declined more sharply in Spain than in France and Germany (-7.5% against -6.1% and -3.2%). In addition, imports and exports fell to a similar degree in France and Spain, by almost -8% in Spain and around -6% in France. In Germany, imports and exports saw a smaller decline, by -1.6% and -3.4% respectively. These first estimates suggest a 3.8% fall in activity in Q1 for the Eurozone overall, which is more than at the height of the Great Recession (-2.4% decline in activity in Q1 2009). In the United Kingdom, according to the first estimate from the *Office for National Statistics* (ONS), the drop in GDP was a little less pronounced (-2.0%; -1.7% for household consumption and stable for corporate investment). In April in the United Kingdom, retail sales plummeted by 18.1% in value and

22.6% in volume, although this was not evenly distributed: clothing sales tumbled by 30% but online sales increased by 15.8%. In the United States, lockdown was declared from 19 March in California and on the following days for most of the other States, although to very varying degrees. In Q1, the US GDP fell by 1.2% (with consumption down 1.9% and a decline of 2.2% in corporate investment).

Quite logically, and with all the reservations inherent in comparing GDP estimates under these exceptional circumstances, changes in economic activity in Q1 appear to be negatively correlated (coefficient of approximately 0.7) to the average of the University of Oxford's Stringency Index for this same quarter (*Graph 7*, see *Graph 1* for the Stringency Index).

In the United States, following on from the results for Q1, some new data have been produced for April. Since a lot of these data are not yet available for other countries at such a detailed level, these American data can provide a point of comparison and an order of magnitude, especially for the sectors most seriously affected. Services, and especially accommodation-catering and retail trade were the branches most affected by the drop in activity, as can be seen from the retail sales data produced by the Department of Commerce and the employment data from the Department of Labor and the *Bureau of Labor*

7 - The fall in GDP in Q1 was more pronounced the stricter the lockdown measures



Note: The average for the Stringency Index in the Eurozone was calculated using each country's share in the Eurozone GDP.

Source: National statistical institutes of the countries concerned, Hale, T., Webster, S., Petherick, A., Phillips, T., and Kira, B. (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government

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Statistics (BLS): in April, retail sales fell 16.4%, and between February and April retail sales in clothing fell by almost 90%. Since mid-March, almost 37 million Americans have applied for unemployment insurance, almost a quarter of the labour force. According to the BLS data, in April 20.5 million jobs were destroyed, of which 7.7 million were in accommodation-catering and leisure, 2.5 million in education and health, 2.1 million in retail trade, 2.1 million in services to businesses, 1.3 million in the

manufacturing branch and even 980,000 federal jobs. The unemployment rate, which stood at 3.5% in February, shot up to 14.7% in April. American data on industrial production are already available for April: industrial production fell by 11%, mainly due to the decline in the production of durable consumer goods (-36%) and especially automobiles (-62%), also capital goods and especially transport equipment (-60%), as a result of the closure of automobile factories. ■

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

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