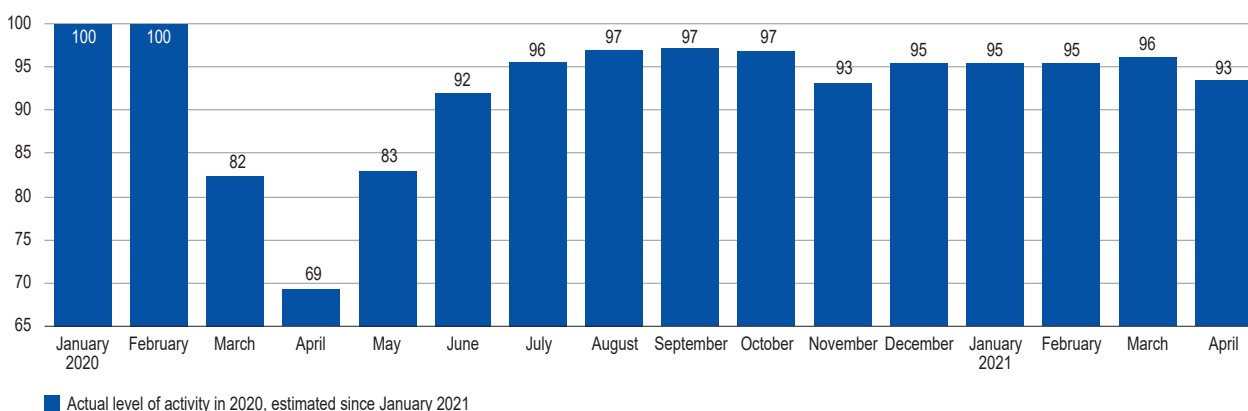


Update on business conditions in France at the end of March 2021

Health measures were gradually extended in March, with enhanced restrictions introduced first in 16 and then 19 *départements* starting on 20 March. Despite this, activity firmed in industry, market services and construction, according to our survey of 8,500 businesses and establishments between 29 March and 6 April. Overall, we estimate the loss of GDP compared with pre-crisis levels at 4% in March, following a 5% loss in February. Over the first three months of the year, GDP grew slightly compared with the previous quarter.

Business leaders expect activity to dip in April. Note that approximately 80% of them responded after tougher health measures were announced on 31 March (restrictions extended nationwide, nurseries and schools shut down for three to four weeks). Taking this into account, we estimate that the loss of GDP compared with pre-crisis levels will be 7% in April, i.e. on a par with the last lockdown in November (although nurseries and schools stayed open during that period) and between four and five times less than the loss sustained during the first lockdown in April 2020. This reflects the economy's increased resilience to the health restrictions.

Level of activity (as a % of the normal level)



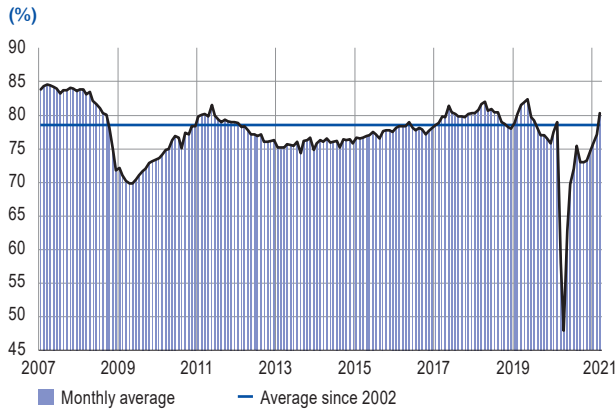
1. In March, activity increased in industry, business services and construction

In industry, market services and construction, activity increased more vigorously than expected last month.

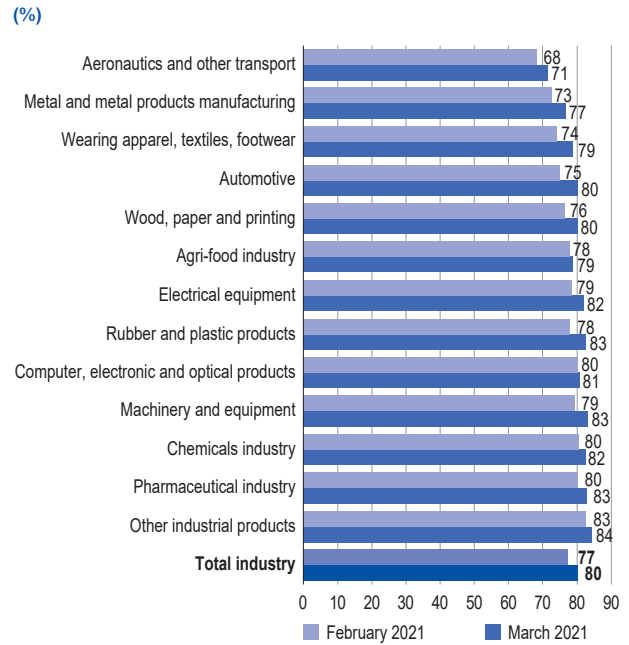
In industry, activity continued to pick up in March. The capacity utilisation rate climbed three points to 80%, regaining a level comparable to that seen before the crisis (79% in February 2020). The rate improved across the board, with especially significant increases for the automotive sector (from 75% to 80%), wearing apparel, textiles and footwear (from 74% to 79%), and rubber and plastic products (from 78% to 83%). The capacity utilisation rate was fairly uniform across sectors and exceeded 79% in all cases except aeronautics and other transport and metals, where it remained low, at 71% and 77% respectively.

Business leaders believe that activity is once again close to pre-crisis levels in sectors such as agri-food and manufacturing of rubber and plastic products. Conversely, activity remains at three-quarters of its pre-crisis level in the aeronautics and other transport sector.

Capacity utilisation rate in industry



Capacity utilisation rate



As in February, but to a more pronounced degree, business leaders reported that prices of raw materials and finished goods went up in March.

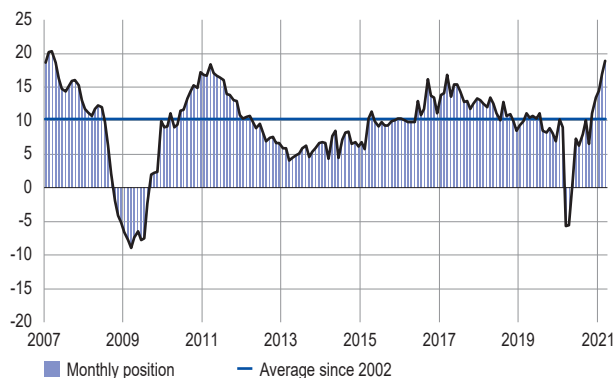
In **market services**, activity improved in most sectors. The trend was particularly noticeable in transport services, information services and some business services, such as legal and accounting activities and management consultancy. However, activity is still extremely depressed in accommodation and food services.

Activity is growing in the **construction** sector, reaching levels close to those observed before the crisis, according to business leaders.

The balance of opinion on **cash positions** improved further in industry, heading sharply above its long-term average. It also rose in services, closing the gap with the long-term average, although the overall improvement masks contrasting sector situations. In particular, cash positions are deemed to be very poor in accommodation and food services.

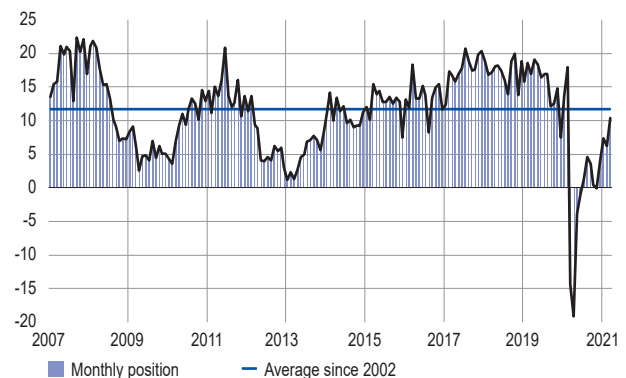
Cash position in industry

(balance of opinion)



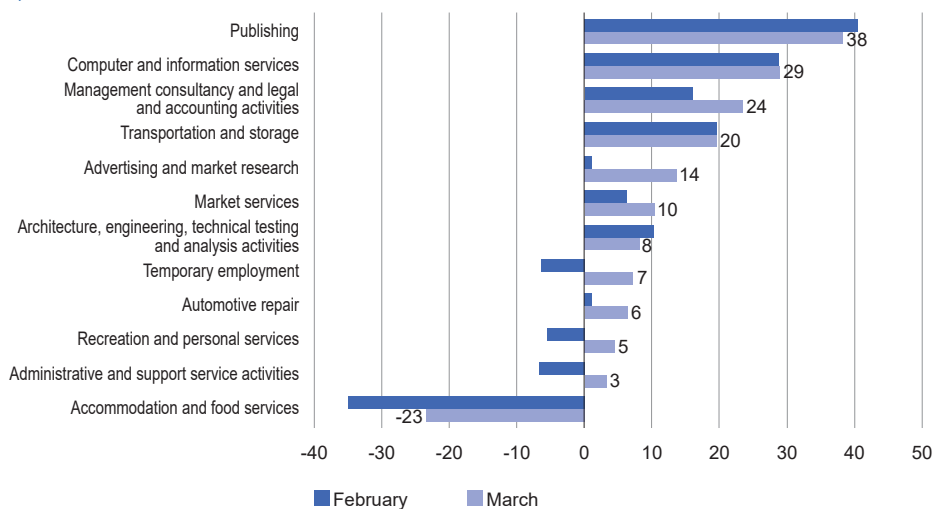
Cash position in market services

(balance of opinion)



Cash position in market services – sector focus

(balance of opinion)



2. In April, business leaders expect activity to flag in services while remaining roughly stable in industry and construction

With tougher health restrictions being imposed, business leaders expect activity to flag, but reckon the decline should remain contained overall.

Note that about 80% of businesses responded after the new restrictions were announced on 31 March.

In **industry**, activity is expected to remain roughly stable overall. The wearing apparel, textiles and footwear sector is poised for a pronounced decline, while activity should increase in the chemicals industry. Output in the aeronautics and other transport sector is also expected to go up, while remaining well below pre-crisis levels.

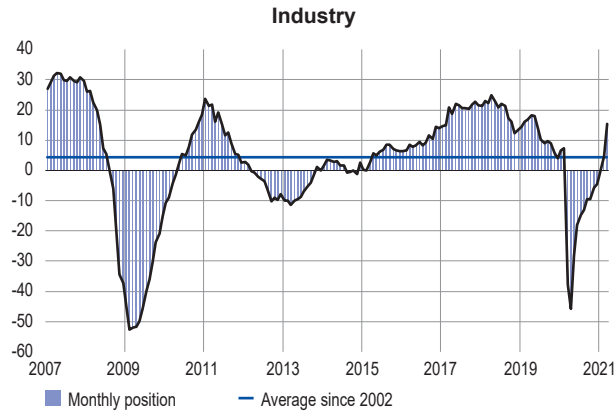
Services are expected to record a particularly sharp decrease in automotive repair and equipment and car rental. Activity is also set to deteriorate in recreation and personal services, as well as in accommodation, where levels are already extremely low.

Activity in the **construction** sector is not expected to change much.

Looking beyond the short-term impact of the health measures, order books remain in good shape: the balance of opinion on **order books** improved in March in industry and likewise in construction, where order books regained pre-crisis levels.

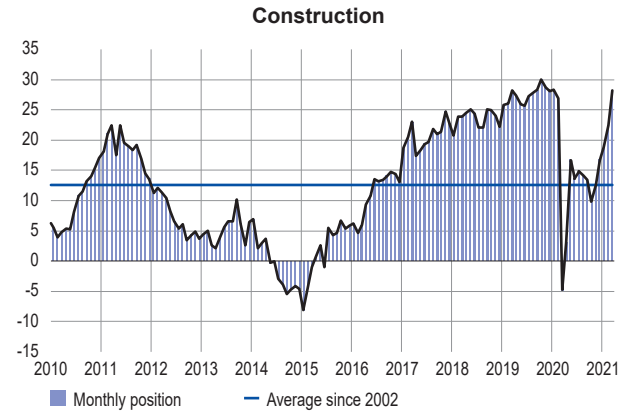
Level of order books

(balance of opinion)



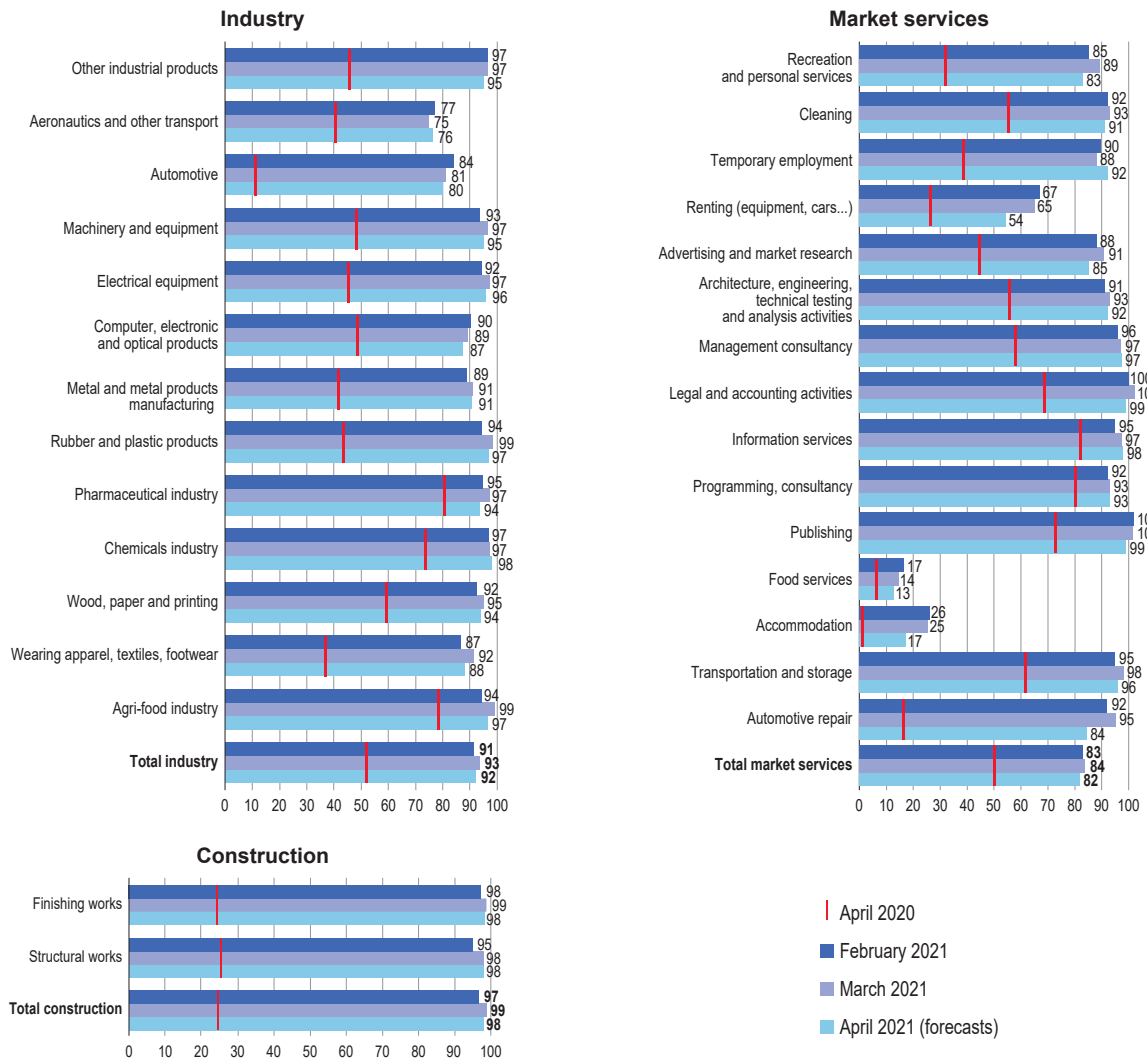
Level of order books

(balance of opinion)



Opinion of business leaders regarding their level of activity and forecasts for April

(as a % of the level deemed normal)



3. Estimates based on the survey results by sector point to a loss of activity of around 4% in March 2021, representing a small improvement on our previous estimate. The loss for April should be held to 7%, reflecting the economy's increased resilience to the tougher health restrictions.

In our last update, which was published on 8 March 2021, we estimated the loss of activity at around 5% for the months of February and March compared with the situation before the Covid-19 epidemic. **Based on the survey's sector results, we estimate that the economy held up better in March and kept the loss of activity to 4%.**

March saw stepped-up health restrictions introduced for 16 *départements* beginning on Friday 19 March at midnight, with a further three *départements* following suit at midnight on Friday 26 March. Despite these restrictions, firms' assessment of their activity levels improved in March compared with February, while remaining below pre-Covid-19 normal levels. Balances of opinion on activity round out this assessment, with some more positive changes in industry and construction, and more contrasting results in services.

Using the survey information at the most granular level possible, we estimate the loss of activity at 4% for March. Activity is close to normal and broadly stable in sectors not directly exposed to health measures, especially industry excluding transport equipment and excluding coking and refining, information and communication services, financial and property services, and business services. Conversely, the most directly affected sectors, such as transport equipment, transport services, accommodation and food services and household services, continue to feature elevated levels of lost activity.

This assessment is corroborated by the high-frequency data that we monitor for additional information, particularly on sectors that are not covered by the survey, such as trade and transport. For example, Google Mobility indicators (movement to and from the place of residence, shops and leisure), electricity consumption and road traffic were broadly stable over the months of February and March, while bank card transactions and the noise indicator for the Île-de-France region seem to point to a slight improvement.

Based on these estimates, over the first three months of the year, GDP grew slightly compared with the previous quarter.

The April forecast is subject to a higher margin of uncertainty than those of recent months, owing to the entry into force on Saturday 3 April at 7:00pm of stricter health measures for the entire country. In order of their value added contribution, the sectors hardest hit by these measures are expected to be trade, transport, household services and non-market services. Business expectations gathered during the survey mostly account for the new measures, particularly those concerning the closure of primary and secondary schools in France from Monday 5 April 2021.

Impact of the Covid-19 crisis on value added by industry

(%)

Activity sector	VA share	January	February	March
Agriculture and industry	15	-3	-6	-3
Agriculture and agri-food	4	-2	-3	-2
Energy, water, waste, coking and refining	3	-2	-6	-3
Manufacturing industry excluding food, coking and refining	9	-3	-7	-4
Construction	6	-6	-6	-4
Market services	57	-7	-7	-7
Wholesale and retail trade, transport, accommodation and food services	18	-14	-14	-13
Financial and property services	17	0	0	0
Other market services	22	-6	-7	-7
Non-market services	22	1	1	1
Total	100	-5	-5	-4

Based on the survey results, coupled with assumptions for sectors that are partially or not covered by the survey, we estimate the loss of activity to be close to 7% in April. This estimate, while subject to various uncertainties, reflects the economy's increased resilience to the stepped-up health restrictions.

Despite the additional measure of the temporary shutdown of primary and secondary schools, the new health restrictions in April are therefore expected to lead to a loss of activity of around 7%, i.e. on a par with that experienced during the November lockdown. In terms of magnitude, this is in no way comparable to the situation during the first lockdown, which resulted in a loss of activity of 31% in April 2020.