

Update on business conditions in France at end-July 2020

In the second quarter of 2020, GDP fell by 13.8%, in line with the forecast of a 14% decline estimated last month in our “Update on business conditions at the end of June 2020”. For July, we estimated that GDP was 7% lower in a typical week compared with the pre-crisis level, based on the expectations expressed in our monthly business survey (MBS). Our latest survey, conducted between 22 July and 5 August among 8,500 businesses or establishments, confirms this estimate.

According to the business leaders surveyed, activity continued to recover in July in **industry**, **services** and **construction**, but at a lower pace than the previous month. Overall, activity remained significantly below its pre-crisis level, but with considerable differences across sectors. Activity is expected to be stable or to slightly improve in August. The bird’s wing recovery scenario therefore appears to be borne out, with an initial phase of marked rebound in activity after the end of lockdown, followed by a second slower recovery phase.

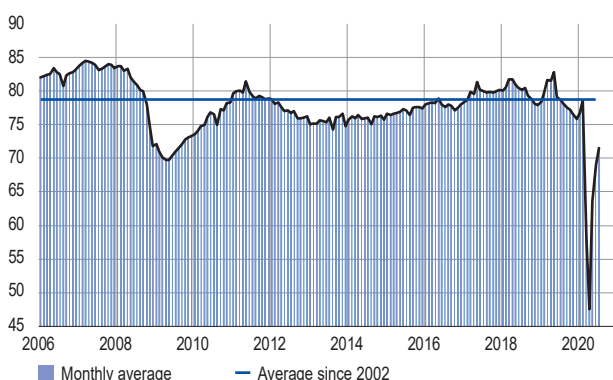
1. Activity continued to recover in July at a moderate pace, in line with last month’s forecast

The increase in activity observed by business leaders in July was broadly in line with their expectations a month ago, in industry as well as in services and construction. In all three sectors, the pace of recovery weakened compared to June.

In **industry**, the capacity utilisation rate recovered by 3 percentage points, to 72% on average in July after 69% in June (and 79% before the crisis). It recovered particularly robustly in rubber and plastic products, from 66% in June to 71% in July, but fell slightly in IT products, electronics and optics, from 77% to 75%.

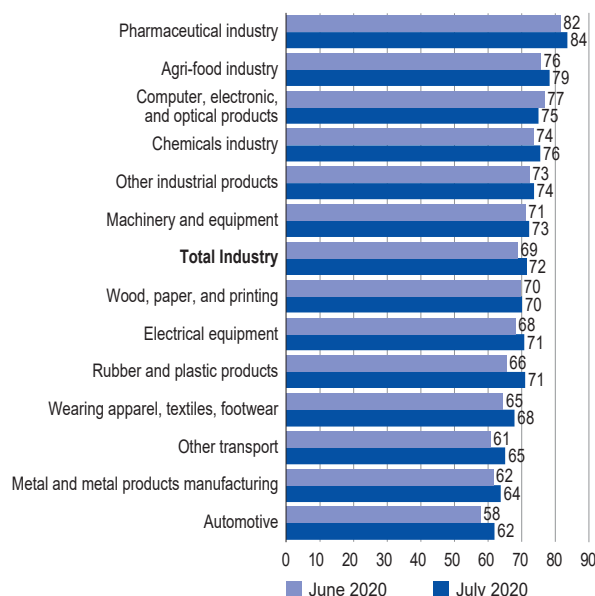
The capacity utilisation rate In industry

(%)



Capacity utilisation level

(%)



Activity was close to its pre-crisis level in sectors such as agri-food and pharmaceuticals. However, it remained very weak in other sectors, particularly in the metalworking, automotive and other transport sectors.

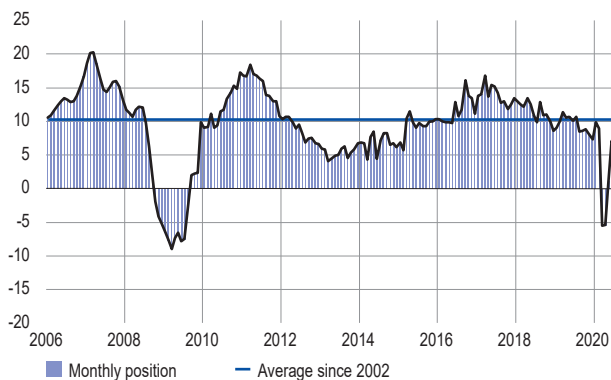
In **services**, the recovery continued but activity remained well below normal in the hotel and catering, rental (equipment, cars), advertising and market research sectors. Conversely, activity was close to its pre-crisis level in sectors such as automobile repair and IT and information services.

In **construction**, activity continued to improve and neared its pre-crisis level.

Against this backdrop, also marked by the provision of support to businesses via state-guaranteed loans (SGLs), **cash positions** barely changed in industry and remained close to pre-crisis levels. In services, cash positions continued to recover but remained below pre-crisis levels.

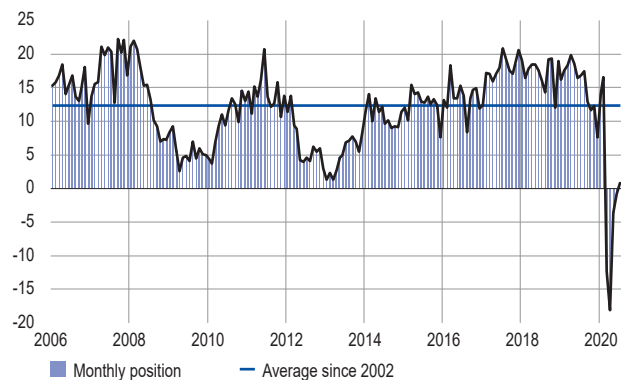
Cash position in industry

(balance of opinion)



Cash position in services

(balance of opinion)



In August, activity is expected to level off in both industry and services

In **industry**, business leaders expect relatively stable activity in most sectors. However, the improvement should continue in the automotive sector.

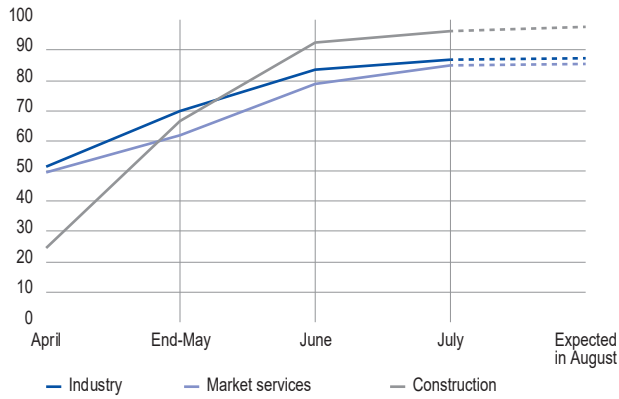
In **services**, activity is expected to be stable overall.

Activity is expected to recover slightly in **construction** and should reach a near-normal level.

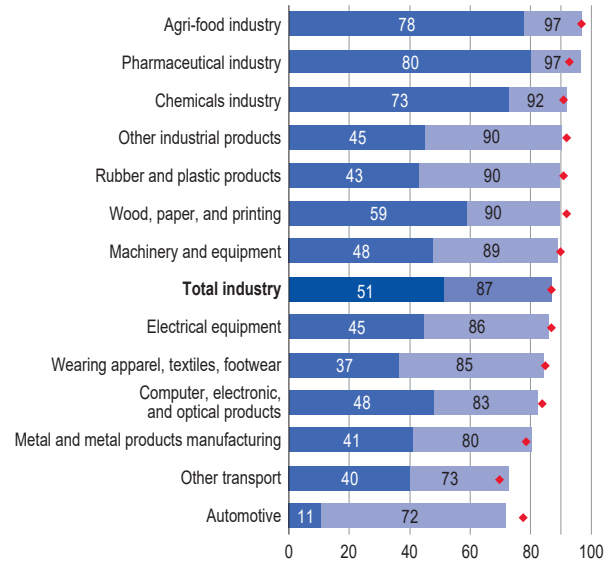
Business leaders' expectations regarding their level of activity in August

(% of the level deemed "normal")

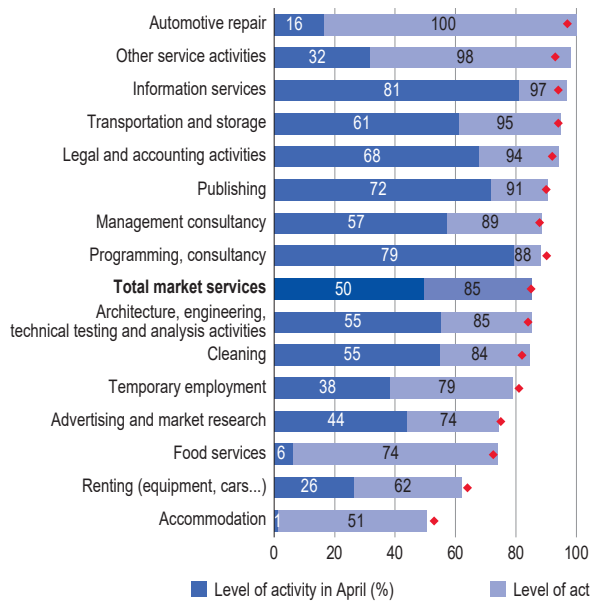
A bird's wing recovery



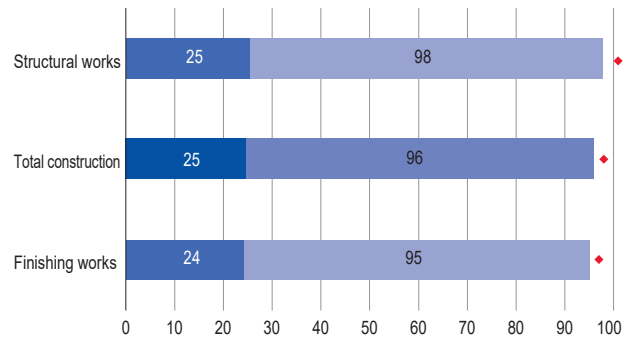
Industry



Services



Construction

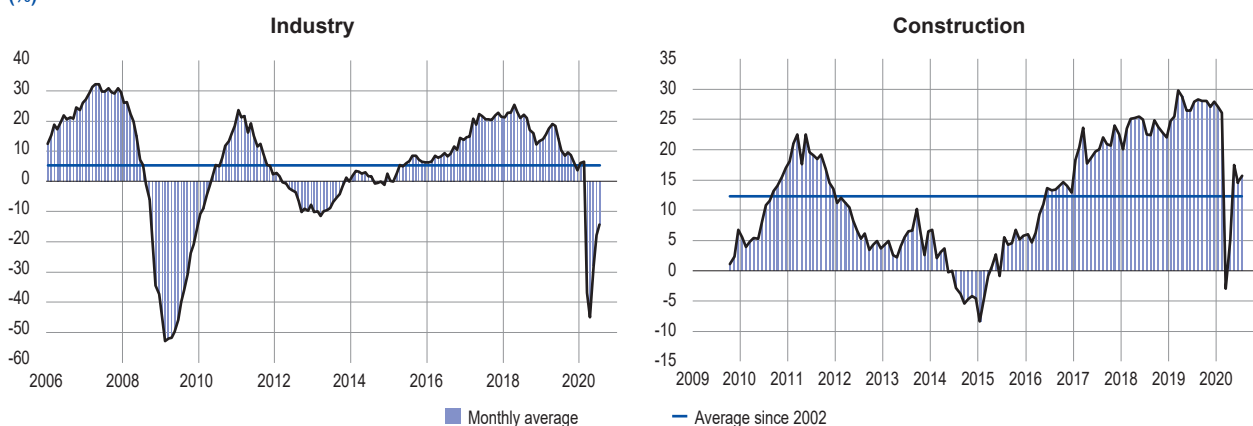


Interpretation: in the automotive industry, in April, activity was deemed by business leaders to be 11% of normal levels; in July, activity in this sector reached 72% of "normal" levels; business leaders in the automotive industry expect activity to pick up in August to reach 78% of normal levels.

Business leaders continued to voice uncertainty over the speed of the recovery in the coming months. In **industry**, order books improved slightly but remained weak. Order books in **construction** have been virtually stable since May, at a level slightly above their long-term average.

Level of order books

(%)



2. The survey's sector-level data confirm a loss of activity of around 7% over a typical week in July

In our previous publication on July 7th, we estimated the loss of activity over a typical week in July to be 7% (after 9% over a typical week in June).

July's survey corroborates this gradual improvement in the situation compared with the start of lockdown, although activity still remains below its normal level. Indeed, the balances of opinion on output in manufacturing industry and activity in services show a gradual recovery compared to the previous few months. The capacity utilisation rate in industry and business leaders' opinions of activity levels in July also point to a slight additional absorption of the shock compared with June.

These data confirm our estimate of activity being 7% down on a typical week in July. The recovery in activity in July compared with June is also corroborated by other high-frequency data sources, such as credit card payments and temperature-adjusted electricity consumption.

The outlook for activity in August, which should be viewed with caution in this mid-summer period, suggests that activity will stabilise or improve very slightly.