

Update on business conditions in France at the end of September 2020

After an estimated GDP loss of about 7% over a typical week of activity in July, compared with the pre-crisis level, and 5% in August, our new monthly business survey (MBS), conducted between 28 September and 5 October among 8,500 businesses or establishments, allows to estimate that the loss of GDP remained at 5% in September. Taking into account our estimates of activity losses for the past three months, we continue to expect an increase in GDP of approximately 16% in the third quarter of 2020 (compared to the previous quarter).

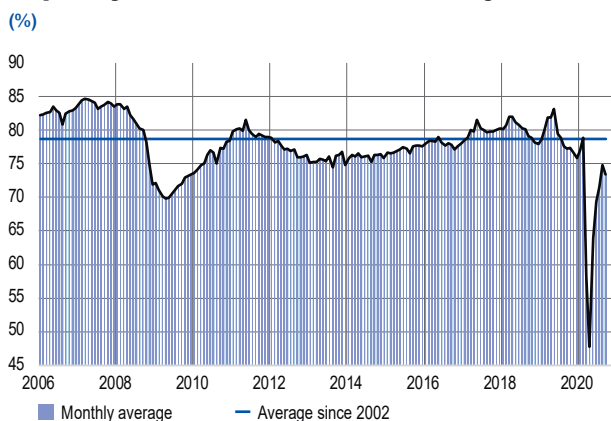
According to the business leaders surveyed, activity was, as forecast a month ago, stable in September in industry as well as in services and construction. Overall, activity remained significantly below its pre-crisis level, but with considerable differences across sectors. The outlook for October also suggests that activity in industry, services and construction will remain relatively stable.

1. In September, activity was generally stable according to business leaders with significant sectoral disparities

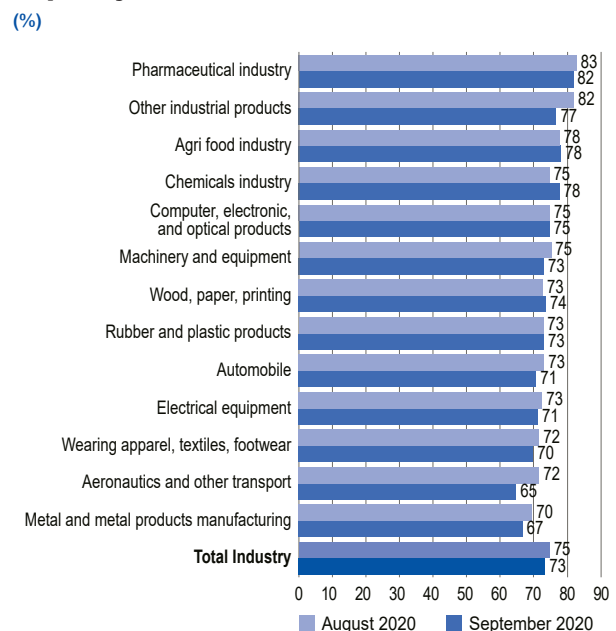
In September, there was little change in the level of activity in industry.

The capacity utilisation rate declined slightly to stand at an average of 73% in September, after 75% in August (and 79% before the crisis). It rose in the chemicals sector, but dropped significantly in the aeronautics and other transport sectors.

Capacity utilisation rate in industry



Capacity utilisation rate



Activity was close to pre-crisis levels in sectors such as agri-food and pharmaceuticals. However, it remained subdued in other sectors such as the electrical equipment manufacturing, automobile, and aeronautics and other transport sectors.

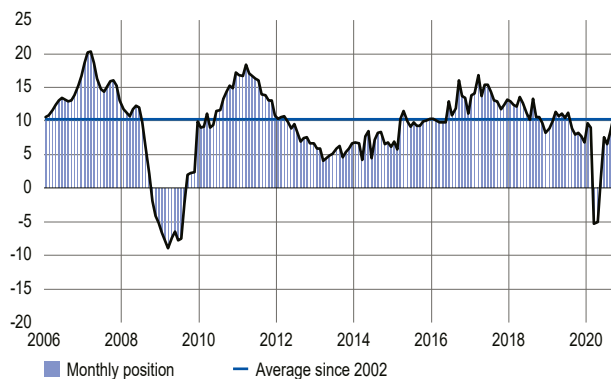
On average, activity was stable in services in September. It improved and returned to normal in publishing. The temporary work sector also grew. Conversely, activity declined in accommodation and food services. It remained well below its pre-crisis level in both of these sectors.

In **construction**, activity was stable in September. Business leaders consider that activity returned to almost normal levels in both structural and finishing works.

Against this backdrop, which is also marked by the provision of support to businesses via state-guaranteed loans (SGLs), the cash position improved slightly in industry in September and returned to its pre-crisis level. In services, the cash position was almost stable but still remained below its pre-crisis levels.

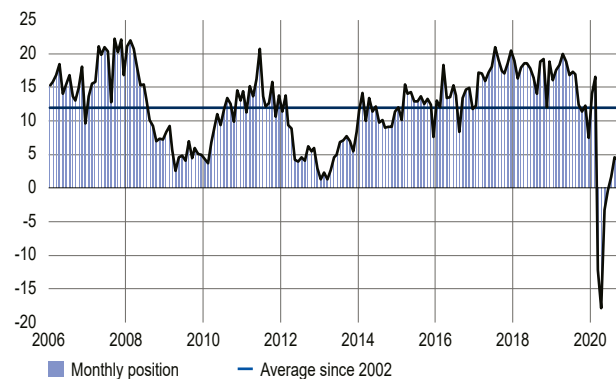
Cash position in industry

(balance of opinion)



Cash position in market services

(balance of opinion)



For October, business leaders expect overall stability in their activity but with ongoing significant sectoral disparities

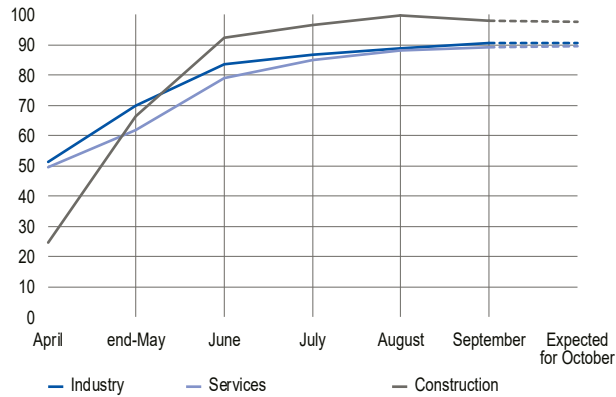
Overall, little change is expected in October in **industry**, **services** or **construction**. However, certain sectors are expected to experience fluctuations. For instance, according to the business leaders surveyed, activity is expected to increase in the automobile industry as well as in the aeronautics and other transport sectors. By contrast, it is expected to decrease in accommodation, although it is already at a very low level in this sector. In accommodation, as well as in catering, the survey indicators relating to the outlook for activity and demand (especially foreign demand) remain severely depressed, reflecting the concerns of business leaders.

Business leaders' expectations of stable activity in October could partly reflect their lack of visibility regarding their outlook. Indeed, they remained uncertain as to the speed of the recovery in the coming months. In **industry**, order books improved slightly but remained relatively weak. However, order books in **construction** were almost stable in September and were close to their long-term average level.

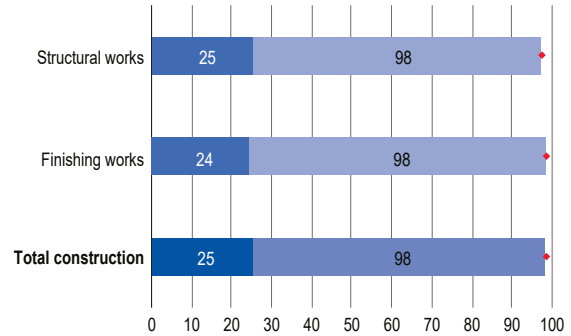
Opinion of business leaders regarding their level of activity and forecasts for October

(as a % of the level deemed "normal")

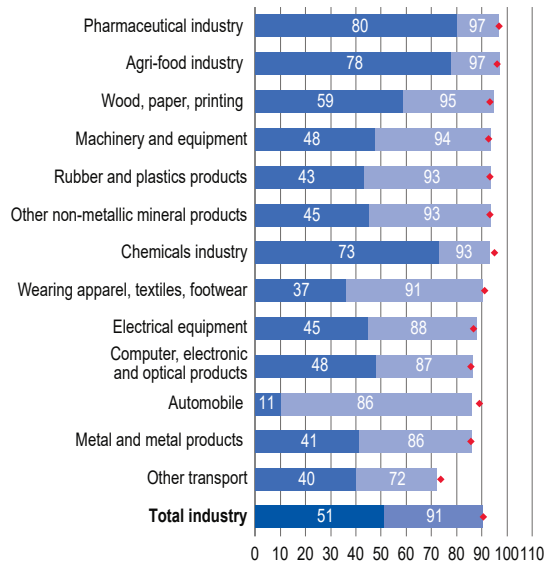
A "bird's wing" recovery



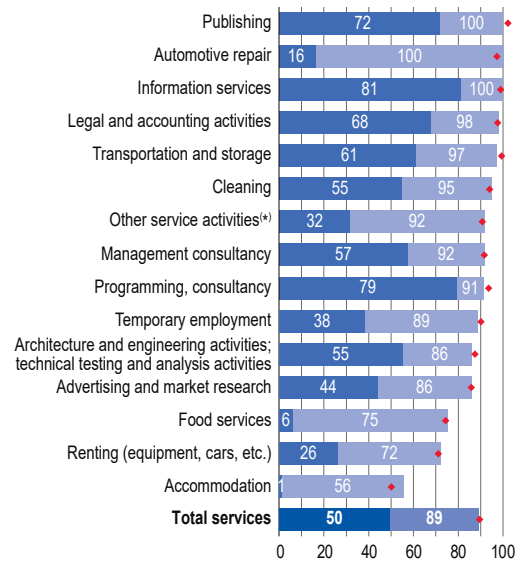
Construction



Industry



Services



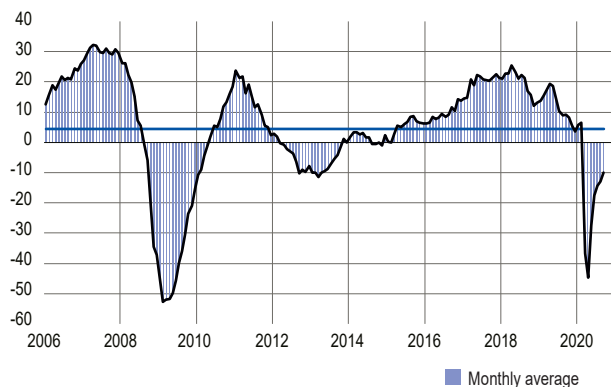
■ Level of activity in April (%) ■ Level of activity in September (%) ◆ Level of activity expected in October (%)

Interpretation: in the automotive industry, activity was deemed by business leaders to be 11% of normal levels; in September, activity in this sector reached 86% of "normal" levels; business leaders in the automotive industry expect activity in October to stand at 89% of normal levels.

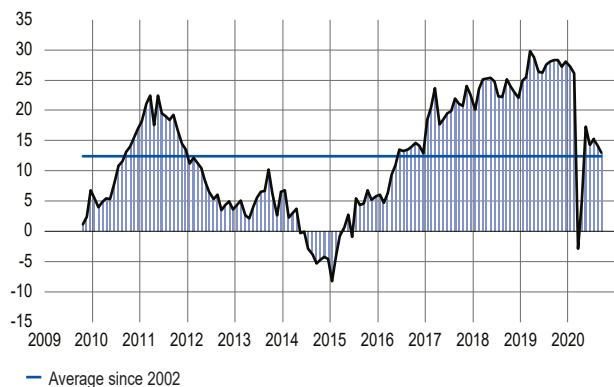
Level of order books

(balance of opinion)

Industry



Construction



2. Based on the survey's sector-level data, we estimate a loss of around 5% of GDP in September

In our previous update on business conditions published on 14 September, we estimated a loss of around 5% of GDP in August, which represented a slight improvement compared with July.

In September, the opinion of business leaders regarding their level of activity was generally stable compared to August, but remained well below its normal level.

Using this information at the most granular level possible, we have updated our estimate of the GDP loss in September to 5%. Our estimates suggest significant sectoral disparities. For the vast majority of sectors, representing nearly 90% of the economy, their level of activity was close to normal (greater than or equal to 90% of normal activity). These sectors include the pharmaceutical and agri-food industries, telecommunications and part of business services. Conversely, other sectors, such as transport equipment, accommodation and catering, and entertainment and recreational activities, remain severely affected.

The figures for activity in September compared to those at end-August are also corroborated by other high-frequency data sources, such as temperature-adjusted electricity consumption and credit card payments.

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

(%)

Activity sector	VA share	Impact on value added in September
Agriculture and industry	15	-6
	4	-2
Agriculture and agri-food industry	4	-2
Energy, water, waste, coking and refining	3	-6
Manufacturing industry excluding food, coking and refining	9	-7
Construction	6	-7
Market services	57	-5
Wholesale and retail trade, transport, accommodation and food services	18	-6
Financial and real-estate services	17	-2
Other market services	22	-7
Non-market services	22	-3

Note: The estimates presented in this table may differ from the business opinions on their level of activity in previous charts. In addition to differences in scope, the estimates in the table also use other information, such as the number of closure days, balances of output and activity changes and capacity utilisation rates.

Taking into account our estimates for the loss of activity in July, August, and September, we estimate that GDP in the third quarter of 2020 will grow by around 16% compared to the previous quarter (after -13.8% in the second quarter), unchanged from last month's estimate.

The business outlook suggests a stabilisation of activity in October.