



Croissance France 2020 – Commentaires et analyse d'Euler Hermes

In Q4 2020, French GDP contracted by -1.3% quarter-on-quarter (well above the consensus at -4%) due to the second lockdown, after an historical rebound of 18.5% (+0.2pt revision) in Q3. The loss of activity in Q4 (-5% y/y) was much more moderate than during the first lockdown in March-May 2020 (-18.8% y/y). Over the full year, the French GDP fell sharply by -8.3% in 2020 (well above our forecast at -9.5% and the consensus at -9.3%) after having expanded by 1.5% in 2019.

The effects of the second lockdown and store closures were mainly reflected in the decline of consumption. In line with our forecast, consumption fell back sharply in Q4 (-5.4% after +18.2% in Q3). Consumption clearly moved away from its pre-crisis level (-6.8% y/y), whereas it had almost caught up with it in the previous quarter (-1.1% y/y). Over the full year 2020, consumption fell dramatically by 7.1%, after +1.5% in 2019.

The resilience of investment was the key surprise element in Q4, as it pursued its recovery (+2.4% after +24.0%) under sanitary restrictions. The softer nature of the second lockdown (schools remained open) and the generous state support to the economy throughout the year supported investment activity in Q4. Investment in market services was very dynamic in Q4 (+7.1% after +5.7%), driven by a remarkably high number of property transactions, reflecting a catch-up effect from previous quarters. Construction investment remained steady this quarter (+0.2%) but remained below (-6.3%) its pre-crisis level year-on-year. The softer nature of the second lockdown (e.g. construction permits continued to be delivered) helped to prevent a collapse of investment as we observed in Q2 (-32.4% y/y drop). Over the entire year 2020, total GFCF declined dramatically by -9.8% (after +4.3% in 2019).

In line with our forecast, foreign trade also pursued its recovery in Q4. For the second quarter in a row, exports increased more than imports (+4.8% after +21.9% for exports and +1.3% after +16.2% for imports). The trade deficit narrowed in Q4 by half, compared to its low point in the second quarter (-EUR 9.4 bn in Q4 vs. -EUR 18.8 bn in Q2). However, foreign trade remained well below its pre-crisis level: -11.0% in volume terms y/y for exports this quarter, -8.1% for imports. On annual basis, in 2020 the contribution of foreign trade to GDP growth was largely negative (-1.5 points) in 2020.

Overall, the last quarter of 2020, total domestic demand (excluding changes in inventories) fell again, contributing -2.7 points to GDP growth after +19.4 points in the previous quarter. Foreign trade made a positive contribution to GDP growth this quarter: +0.9 points, after +0.8 points in Q3 2020. Finally, changes in inventories made a positive contribution to GDP growth in Q4 (+0.4 points after -1.7 points in Q3) because of the more pronounced impact of the lockdown on consumption than on production. Over the full year 2020, inventories built up slightly to contribute by +0.2 points to GDP growth.

We see increasing downside risks to the economic activity in Q1 2021. We expect the GDP to stagnate or decline slightly in the first quarter of 2021, depending on the severity of the future sanitary measures to be announced by the government. Our annual 2021 growth forecast of +5.4% is highly dependent on the evolution of the sanitary situation and additional fiscal support measures to be announced.

Regarding public finances, the cost of a four-week lockdown reaches EUR 15-20 bn (against EUR 6 bn for the current curfew). We expect at least 2% of GDP (EUR40bn) additional fiscal relief measures to be announced by the French government in 2021. On the other hand, the prolongation of the sanitary crisis puts the execution of the EUR100bn of fiscal stimulus at risk in 2021. The EUR 40 bn stimulus, which should be cashed out this year, may also be diverted from investment towards relief measures with moderate impact on growth.

Contact médias :

Maxime Demory

Euler Hermes France

Responsable RP & Social Media

+33 (0)1 84 11 35 43 / maxime.demory@eulerhermes.com