

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

January was marked by the continuation and extension of the curfew, which was gradually brought forward from 8 p.m. to 6 p.m. throughout France. Despite this context, activity remained stable overall throughout the month compared with December according to our Monthly Business Survey (MBS), which was conducted between 27 January and 3 February among 8,500 businesses or establishments. After the improvement observed in December, activity changed little in industry, services and construction, and remains extremely subdued in accommodation and food services. Overall, we estimate the loss of GDP in January at 5% compared with the pre-crisis level, i.e. the same level as in December and compared with losses of 7% in November and 3% in October.

In February, business leaders are expecting activity to be stable in industry and construction and to decline very slightly in services, while pointing to increased uncertainty about their outlook. This would imply a loss of GDP compared with the pre-crisis level that remains around 5%. Even more than usual, there is a high degree of uncertainty surrounding these estimates, as they are highly dependent on changes in health measures.

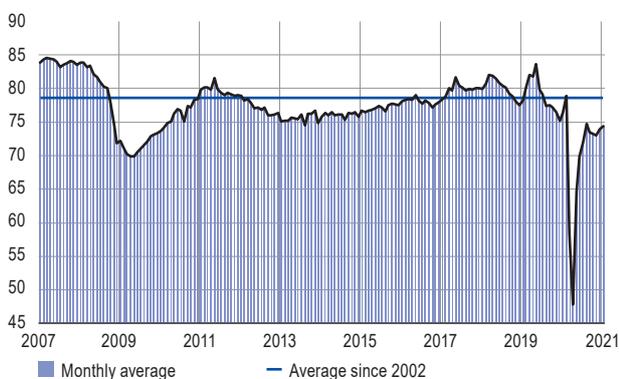
1. In January, activity was stable in industry, services and construction

In accordance with business leaders' forecasts in the previous monthly survey, activity levels in industry, services and construction remained stable overall in January.

In industry, activity changed little in January. The capacity utilisation rate remained stable at an average of 74% over the month (compared with 79% before the crisis). The rate for the automobile sector rose, from 68% to 70%, as did that of the aeronautics and other transport sector, which, while remaining at a fairly low level, increased from 64% to 66%. By contrast, the chemicals industry capacity utilisation rate fell, from 82% to 80%.

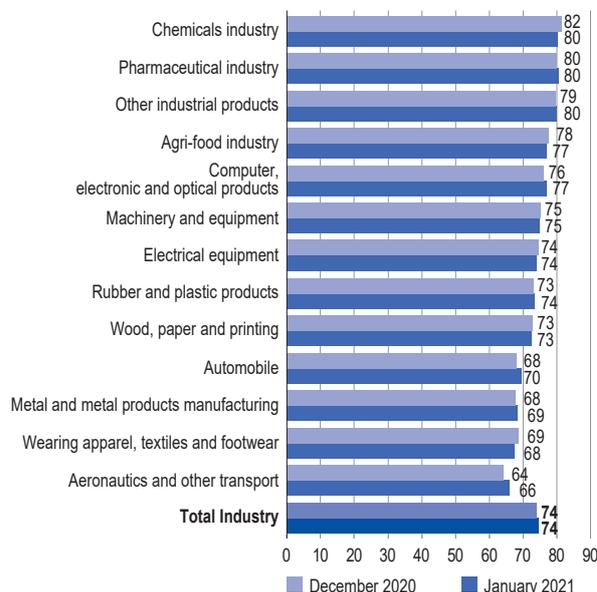
Capacity utilisation rate in industry

(as a %)



Capacity utilisation rate

(as a %)



Activity is close to its pre-crisis levels in several sectors, such as chemicals, agri-foods and other industrial products. It remains well below its pre-crisis level, however, in the automobile industry and in particular in the aeronautics and other transport sector.

The overall stability of activity in **services** continues to belie significant inter-sector differences: while activity remains at a low level in accommodation and food services, business services are buoyant, in particular advertising and management consultancy as well as equipment and car renting. As for personal services (hairdressing salons in particular), after a December marked by a very high level of activity linked to the catch-up following the reopening of shops at the end of November and to the end-of-year holiday season, activity slowed in January, with curfew times and health concerns contributing to the decline.

In **construction**, activity was stable overall in January and remains close to its pre-crisis level, at more than 96%.

The outlook for industry's **cash position** continued to improve in January and is now above its long-term average level. In services, it remains well below its pre-crisis level.

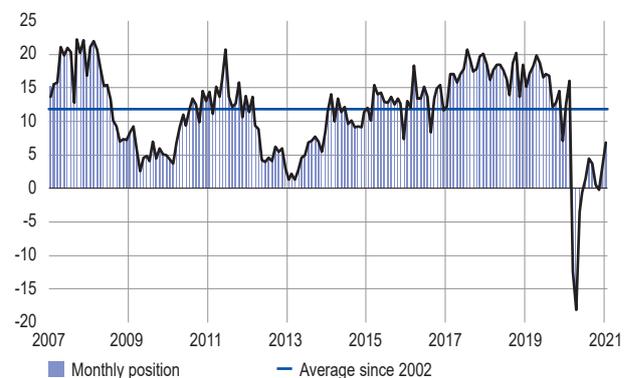
Cash position in industry

(balance of opinion)



Cash position in market services

(balance of opinion)



2. In February, in a context of high uncertainty, business leaders in industry and construction expect activity to be stable, while once again the outlook for services is marked by significant disparities

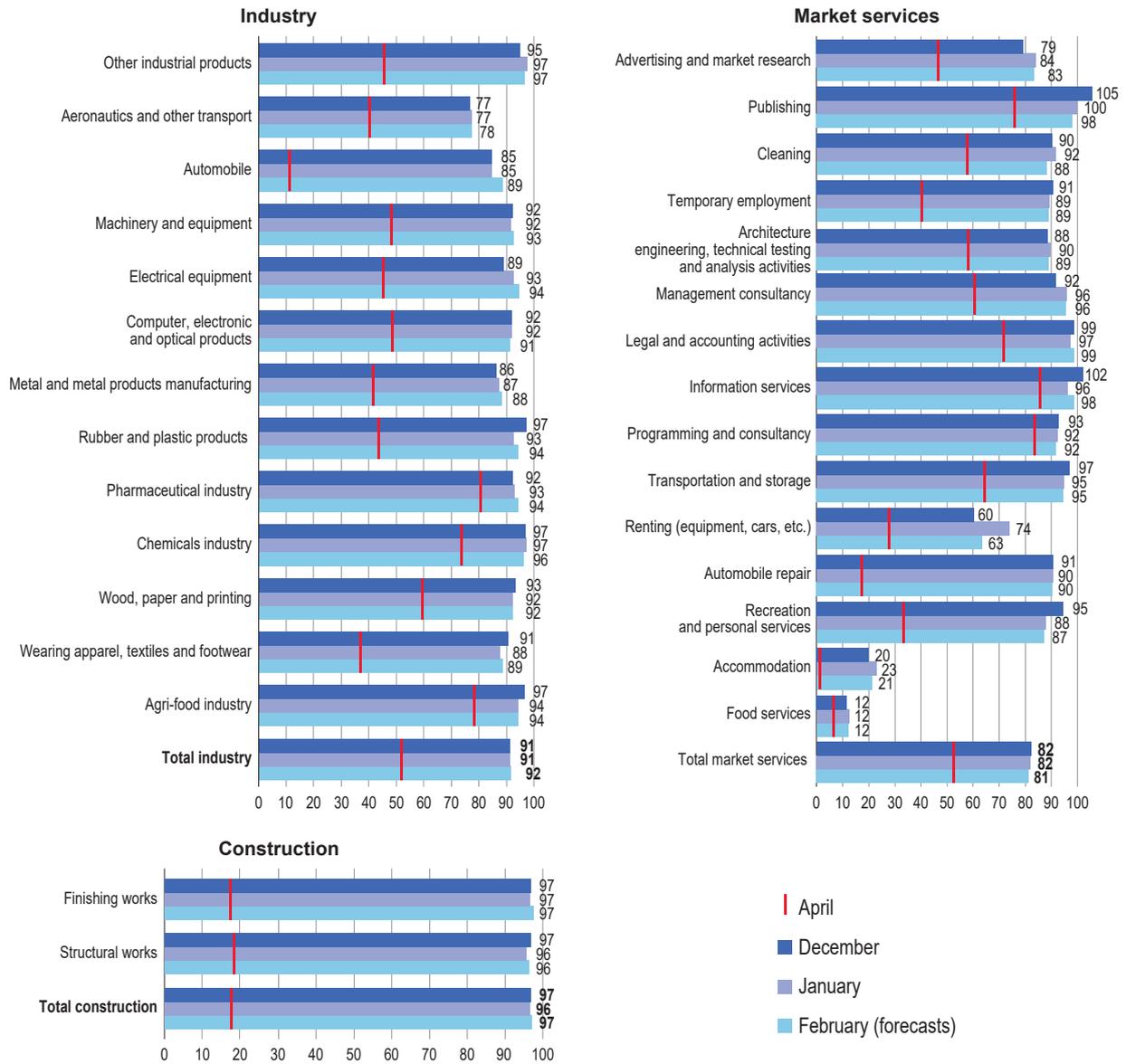
The business leaders interviewed see little change in activity in February, for both **industry** and **construction**.

In **services**, company executives in most sectors expect their activity to dip slightly, except in personal services, which are forecast to remain stable, and legal and accounting activities and information services, where activity is expected to increase.

According to these business leaders, this outlook is nevertheless marked by increased uncertainty.

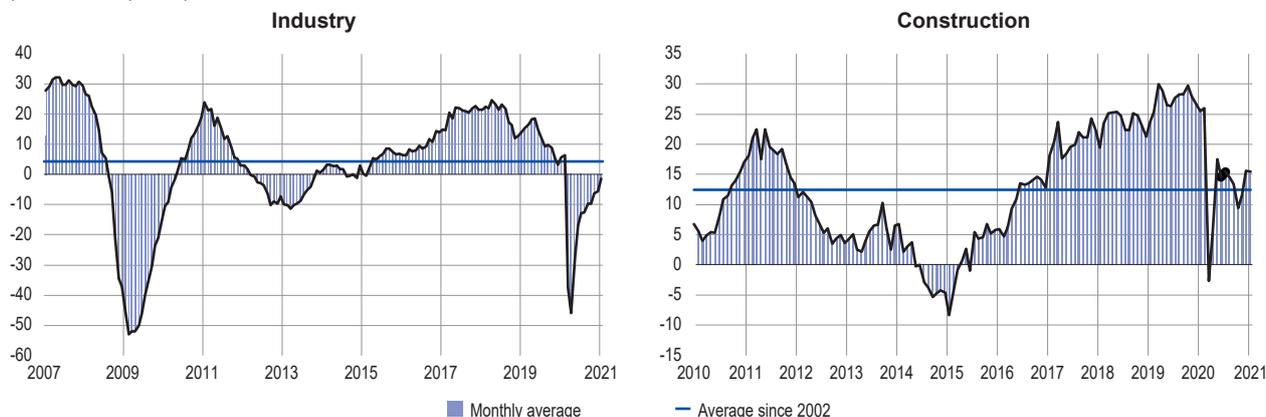
The balances of opinion on order books in industry rose sharply in January. In construction, they stabilised at a level that, while admittedly lower than its pre-crisis level, was slightly above its long-term average.

Business leaders' opinion regarding their level of activity and forecasts for February
(as a % of the level deemed "normal")



Level of order books

(balance of opinion)



3. Based on the survey results by industry, we estimate the loss of GDP at around 5% in January

In our last update on business conditions published on 13 January, we estimated a loss of GDP of 11% for November and 7% for December, based on the results of the survey on the level of firms' activity combined with high-frequency data for sectors partially or not covered by the survey. At the end of January, based on the quarterly accounts for Q4 published by INSEE, we have revised upwards our activity forecast, thus reducing our estimate of loss of GDP to 7% for November and 5% for December (with an unchanged loss of 3% for October). The revisions relate in particular to sectors partially or not covered by the survey, such as retail, transport and non-market services. In market services, the upward revision for November is mainly due to retail and transport. That for December is mainly due to retail, which rebounded strongly, as well as to accommodation and food services.

Based on the January survey, we have adjusted our estimate of loss of GDP in January (from its pre-pandemic level) to 5%.

In the update on business conditions published at the end of December, we estimated, based on firms' expectations, that the loss of GDP in January would be identical to that in December. At the end of January, businesses' assessment of their level of activity for the month confirmed this stabilisation, with the nationwide extension of the curfew to 6 p.m. seeming not to have excessively dented economic activity. We have therefore adjusted the loss for January to 5%, the same level as in December, based on the revised estimate following the publication of the quarterly accounts.

With the exception of the agri-food sector, we expect the level of activity in industry to be stable compared with December. By contrast, with the exception of business services, we believe that activity in the market services activity will be expected to decline slightly in January.

This assessment is corroborated by the high-frequency data that we monitor for additional information, such as credit card transactions, temperature-adjusted electricity consumption, the daily ambient noise indicator in Ile-de-France and Google Mobility data. For example, Google Mobility indicators (travel to and from homes, shops and leisure facilities) and business electricity consumption have been stable since mid-January, despite the curfew extension.

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

(%)

Activity sector	VA share	October	November	December	January	February
Agriculture and industry	15	-3	-5	-4	-5	-4
Agriculture and agri-food industry	4	-2	-3	-2	-3	-3
Energy, water, waste, coking and refining	3	3	-4	-4	-4	-4
Manufacturing industry excluding food, coking and refining	9	-5	-6	-6	-6	-5
Construction	6	-5	-7	-6	-7	-6
Market services	57	-5	-11	-6	-6	-7
Wholesale and retail trade, transport, accommodation and food services	18	-8	-21	-10	-10	-11
Financial and real estate services	17	0	0	0	0	0
Other market services	22	-6	-10	-8	-8	-9
Non-market services	22	1	0	0	0	0
Total	100	-3	-7	-5	-5	-5

The survey also enables us to estimate the loss of activity in February, which is expected to be unchanged from January, at around 5%

Business leaders expect their level of activity to be relatively stable in February, in a nevertheless very uncertain health context. This would lead to an activity level comparable to that of January. However, in the accommodation and food services and retail sectors, activity is expected to be affected by the closure of ski facilities and shopping centres of 20,000 sq.m. or more.

Even more than usual, there is a high degree of uncertainty surrounding these estimates, as they are highly dependent on changes in health measures.

Weekly consolidated financial statement of the Eurosystem as at 12 February 2021
(in EUR millions)

Assets	Balance as at 12 February 2021	Difference compared with last week due to transactions	Liabilities	Balance as at 12 February 2021	Difference compared with last week due to transactions
1 Gold and gold receivables	536 544	0	1 Banknotes in circulation	1 431 580	2 073
2 Claims on non-euro area residents denominated in foreign currency	339 663	-229	2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	3 740 027	4 591
2.1 Receivables from the IMF	85 220	-1	2.1 Current accounts (covering the minimum reserve system)	3 116 321	-93 274
2.2 Balances with banks and security investments, external loans and other external assets	254 443	-228	2.2 Deposit facility	623 706	97 865
3 Claims on euro area residents denominated in foreign currency	25 785	402	2.3 Fixed-term deposits	0	0
4 Claims on non-euro area residents denominated in euro	11 477	589	2.4 Fine-tuning reverse operations	0	0
4.1 Balances with banks, security investments and loans	11 477	589	2.5 Deposits related to margin calls	0	0
4.2 Claims arising from the credit facility under ERM II	0	0	3 Other liabilities to euro area credit institutions denominated in euro	11 179	-381
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	1 792 915	270	4 Debt certificates issued	0	0
5.1 Main refinancing operations	427	270	5 Liabilities to other euro area residents denominated in euro	685 502	31 577
5.2 Longer-term refinancing operations	1 792 488	0	5.1 General government	600 350	33 732
5.3 Fine-tuning reverse operations	0	0	5.2 Other liabilities	85 152	-2 154
5.4 Structural reverse operations	0	0	6 Liabilities to non-euro area residents denominated in euro	222 113	-11 654
5.5 Marginal lending facility	0	0	7 Liabilities to euro area residents denominated in foreign currency	8 620	350
5.6 Credits related to margin calls	0	0	8 Liabilities to non-euro area residents denominated in foreign currency	3 746	-261
6 Other claims on euro area credit institutions denominated in euro	45 498	7 635	8.1 Deposits, balances and other liabilities	3 746	-261
7 Securities of euro area residents denominated in euro	4 004 639	25 185	8.2 Liabilities arising from the credit facility under ERM II	0	0
7.1 Securities held for monetary policy purposes	3 809 129	25 022	9 Counterpart of special drawing rights allocated by the IMF	54 799	0
7.2 Other securities	195 509	162	10 Other liabilities	300 707	-1 636
8 General government debt denominated in euro	22 626	0	11 Revaluation accounts	512 529	0
9 Other assets	299 988	-9 190	12 Capital and reserves	108 333	1
Total assets	7 079 135	24 663	Total liabilities	7 079 135	24 663

Totals / sub-totals may not add up, due to rounding.