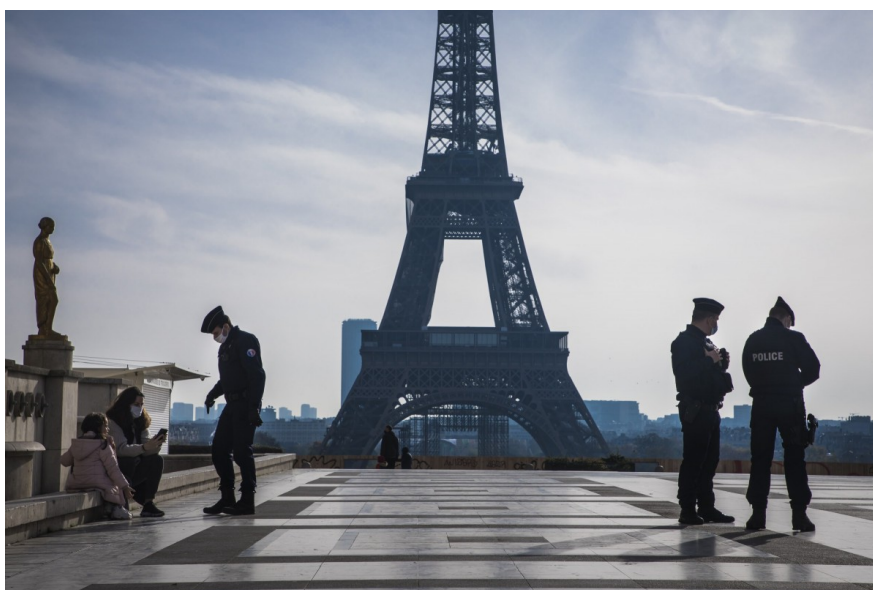


France: household confidence hits bottom in November but December should be better

French consumer confidence has plunged to the lowest level since the “yellow vest” crisis in 2018, due to the latest lockdown measures. But announcements of a gradual lifting of restrictions should lead to an improvement



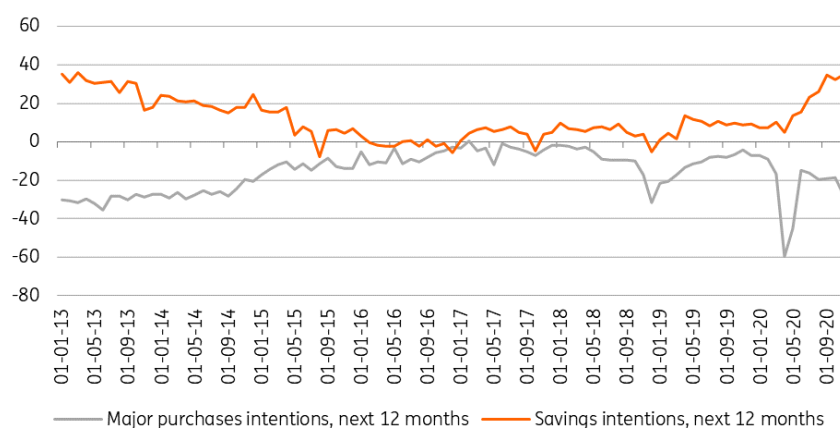
Covid-19 Second wave lockdown in Paris, France - 07 Nov 2020

Source: Shutterstock

Sharp deterioration of consumer confidence

In November, French consumer confidence deteriorated sharply due to the second lockdown. At 90, the indicator is now below its April level during the first lockdown, and has reached the lowest level since the December 2018 “yellow vest” crisis. Households believe that the outlook for their personal financial situation, for the standard of living in France and for unemployment is deteriorating sharply. Despite the labour market support policies implemented by the French government (including partial unemployment), household fears about the future development of unemployment are increasing. In November, the indicator reached its highest level since June 2013. At the same time, households feel that this is not the time to make major purchases and

want to save even more in the next 12 months. Saving intentions are also at their highest level since 2013.



Source: INSEE

Some easing of restrictions in sight

While the data for November is not encouraging, the good news is that the situation should improve in December. Indeed, President Emmanuel Macron has announced some easing of the lockdown, which should allow a gentle recovery in some sectors in December and lead to an improvement in household confidence. In particular, under pressure, the French officials have decided to reopen non-essential shops from 29 November. The lockdown is nevertheless maintained, which means that a certificate is required to move around and that travel between regions is not allowed. The end of the lockdown is scheduled for 15 December, health conditions permitting. On this date, all movement will be allowed during the day, but a curfew between 9pm and 7am will be introduced. Bars, restaurants and sports facilities must remain closed until at least 20 January 2021. Although crucial for winter tourism in France, the ski lifts in the ski resorts have not been allowed to reopen for the end-of-year holiday period and will also have to wait until January to hope for a relaunch. By planning a very cautious easing of measures in different phases, French officials are trying to avoid the mistakes made during the first deconfinement that led to the second wave of the pandemic, and at the same time satisfy French companies and households who are asking for clarity.

Uncertainty remains

Thanks to this relaxation of measures, the month of December should be better from an economic point of view than the month of November. Nevertheless, the restrictions on movement, the curfew and the closure of bars, restaurants and ski resorts throughout the month will not allow a return to the level of economic activity that prevailed in September and October. We therefore still expect a contraction of around 5% of GDP quarter-on-quarter in the fourth quarter of 2020.

With President Macron's announcements, we already know that January will continue to be negatively impacted by health restrictions. But the question remains open as to what will happen after in 2021. Everything will depend on the evolution of the disease, and in particular, whether the restrictive measures, coupled with the vaccination campaign, will make it possible to avoid a third wave. In addition, the question of household consumption and savings remains crucial for 2021. It remains to be seen whether the expected rebound in confidence will be sufficient to push

households to use the savings accumulated in 2020. At this stage, and given the surveys, it is not clear how quickly this will be the case. Consequently, we will probably have to wait until the second half of 2021 to start seeing a de-accumulation of savings and thus a real catch-up in consumption.

Author

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.