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FRANCE

## French consumers on a spending spree

French households were definitely back at the shops in the second half of May, with some spending categories catching up to their pre-crisis average. This swift rebound could soften 2Q20 GDP contraction and could – if sustained – point to a strong third quarter



In May, French household consumption spending bounced back from its historical low in April.

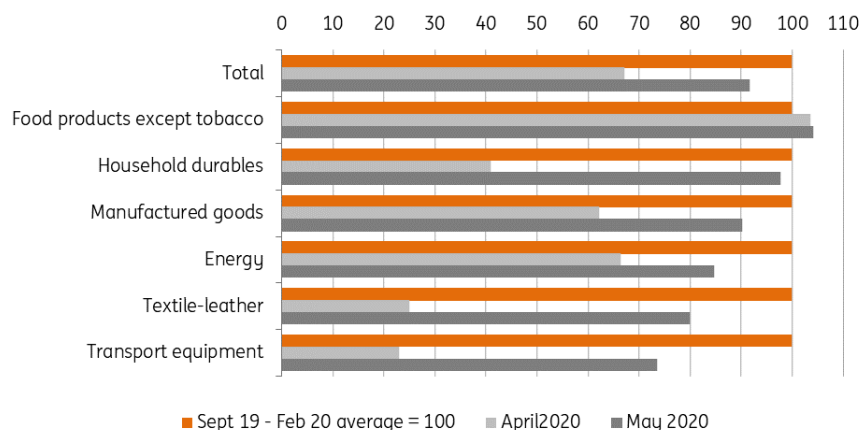
Compared to a pre-crisis level defined as the average between September 2019 to February 2020, April spending was down 33%. This ranged from -77% in transport equipment spending to +4% in food expenditures. Energy consumption was down 34%.

With the end of the lockdown and the reopening of most shops in the second half of May, household expenditures went back to 91% of their pre-crisis level and showed only a 7.2% drop compared to February. As this catch-up was concentrated in the last two weeks of May, it means that towards the end of the month, household spending in goods was back at its pre-crisis level.

Of course, some spending categories bounced back more than others. In particular, household durables, which were 60% below their pre-crisis level in April when most shops closed, caught up to 98% of their pre-crisis level. Spending on manufactured goods came back from 66% to 85% of their pre-crisis levels. In the meantime, as most forms of catering services were still closed in May, food expenditures continued to be 4% higher than before the crisis. At the

opposite end, transport material spending remained 27% below pre-crisis levels. We expect the new subsidies for buying new electric cars to help in the coming months.

### Consumer spending levels (in % of pre-Covid average)



Source: INSEE, ING computations

### Too good to be true ?

The fact that the May average looked so close to pre-crisis levels actually means that expenditures caught up towards the end of the month. Given that lockdowns only ended on 18 May, the catch-up looks remarkably swift.

On one side, the numbers don't lie and were flagged in recent consumer confidence surveys, which gave an encouraging signal that consumer spending could already make the 2Q20 recession less deep than anticipated, and was certainly a good sign for the third quarter.

On the other hand, one will have to see if these levels of confidence and spending can be maintained once the holidays are over and the euphoria of renewed freedom of movement. It is likely that we will see a return to more cautious saving and consumption behaviour after the summer on the back of higher unemployment risks.

In any case, today's figures confirm the fact that the rebound in activity in the third quarter will be driven primarily by household consumption.

We expect growth to reach 45% QoQ annualised in 3Q20, which should allow the 2020 recession to remain south of 10%.

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