France: A third lockdown and a worsened outlook

Just one year after the first lockdown, part of France is going into lockdown for the third time. This worsens the economic outlook for the second quarter of 2021 and further delays the start of the recovery

A third lockdown for one-third of the population

The French Prime Minister announced this evening a third lockdown for the regions of France most affected by the coronavirus: the Ile-de-France region, which includes Paris, the Hauts-de-France region (north of the country), the departments of Alpes-Maritime (Mediterranean coast), Seine-et-Marne and Eure (close to Paris). The third lockdown implies, for a period of 4 weeks, a closure of shops considered as non-essential, a ban on travel between regions, a drastic limitation on the movement of people authorised only with a certificate, and teleworking at least 4 days out of 5. As in the November lockdown, schools will remain open.

This third lockdown will affect 33% of the French metropolitan population. In addition, the regions that will be placed under lockdown again this Friday evening represent almost 40% of French GDP. As a result, the new lockdown will have a significant impact on economic activity and further deteriorate France's economic outlook for the first part of 2021.

Worsened outlook

After a fourth quarter marked by a second lockdown in November and a decline in GDP of 1.4% quarter-on-quarter, the first quarter of 2021 is likely to be synonymous once again with very weak economic activity. Since the beginning of the year, the restrictions on activity were already very strong: 6:00pm curfew, closure of bars, restaurants, cultural and leisure venues, ski lifts and large shopping centres, as well as weekend lockdowns in two areas of the country since the end of February. The new restrictions that will come into force on 20 March will further weigh on economic activity in the first quarter. As a result, we expect quarterly GDP growth to be close to 0% in the first quarter. This implies that GDP will still be 5% below its pre-crisis level at the end of 1Q.

> *We expect quarterly GDP growth to be close to 0% in 1Q21, which implies 5% below its pre-crisis level*

Obviously, the new lockdown will also weigh on the economy in 2Q as it is expected to last until at least mid-April. Moreover, the current slow pace of the vaccination campaign leaves little hope for a full lifting of the restrictions after the end of the 4-week lockdown. As of 17 March, only 8.63% of the population had received at least one dose of the coronavirus vaccine. The resumption of vaccination with AstraZeneca from 19 March, after the suspension decided at the beginning of the week, could allow the campaign to accelerate slightly. But the temporary suspension is likely to have had a severe impact on the already low confidence in the AstraZeneca vaccine and in the overall vaccination campaign, severely limiting the potential for the campaign to accelerate. The government's promise that 10 million French people (15.1% of the population) will have received a first dose of vaccine by mid-April looks increasingly difficult to achieve. In this context, no timetable for easing measures can be envisaged yet. It will probably take until the end of 2Q for the lifting of restrictive measures to allow a real recovery in household consumption. Therefore, due to the third lockdown, GDP growth in 2Q is likely to be lower than previously expected, although it will probably be positive. We now expect 5.2% growth for the whole of the year.

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