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WHAT HAS GONE WRONG WITH FRANCE'S VACCINATION STRATEGY?

Berenberg Macro View

France is near the bottom of the ranking in Bloomberg's worldwide Covid-19 vaccine tracker. As of 6 February, merely 2.7% of the population have received one shot of the vaccine, and just 0.3% have been fully vaccinated since the start on 27 December last year. Confronted with harsh criticism over the slow vaccination roll-out, the French government has promised to accelerate it. At the current pace, France will not be able to reach its target of around 15 million people vaccinated (or 25% of the total population) by June 2021. Lagging behind in distributing the vaccine and with the prospect of supply hurdles and logistics failures, the French government may have to enact tougher restrictions for longer that will delay the economic recovery. The economy could contract twice in a row (-1.3% qoq in Q4 2020 and in Q1 this year). We currently project a decline in GDP of 1.6% qoq for Q1, with the risks tilted to the downside. A delayed rebound in activity would show up in less growth in 2021 but more in 2022 as more of the recovery in activity would then show up in 2022. The slow and problem-ridden vaccination start is also weighing on the popularity of President Emmanuel Macron. Although it is far too early to jump to any conclusions, this could raise the tail risk that France's far-right leader Marine Le Pen could win at least the first round of the presidential election in April 2022, thus increasing France's risk premiums.

What was wrong with France's vaccine strategy?

- In the early stages, France's vaccination strategy mostly consisted in pandering to anti-vaxxers. A strong distrust in vaccination reflects a broad lack of confidence in the health system after a series of scandals that have left a lasting stain on its reputation over the past thirty years. A study from IPSOS released in October 2020 before vaccinations started showed the extent of the problem: only 54% of the population was willing to get vaccinated against SARS-CoV-2 versus 87% in India, the highest level in the ranking, and 67% in Germany. To get around this problem, the government opted for a slow rollout that raised further distrust among the general public in the vaccine. It reinforced the idea, among anti-vaxxers and vaccine skeptics, that the authorities are afraid of potential side effects of the vaccine.
- The French government mismanaged the supply of vaccines, with preference for the vaccine developed by a local player, the French pharmaceutical company Sanofi, which is not expected before several months after interim results showed a low immune response in older adults. Since mid-January, the French government has pressed Sanofi to use its facilities to make vaccine from other companies in an effort to reduce supply bottleneck.
- France's vaccination strategy relied, at first, on general practitioners instead of setting up mass vaccination centres, thus slowing down the overall implementation. At the launch of the campaign on 27 December last year, it took about five to six days between being notified of eligibility for vaccine and actually being vaccinated due to a slow procedure of informed consent. People first needed to see their general practitioner for a 45-60 minute pre-visit to be informed of all the consequences of the vaccine. If people preferred not to receive a jab thereafter, they had four days to withdraw their consent.



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A lower target: The French government partially reversed its strategy in mid-January by opening vaccination centres across the whole country and by introducing a system of online vaccine reservations in addition to reservations by phone. In December 2020, the French government communicated its objective of vaccinating about 23-25 million people by June 2021. Reaching this goal would imply an average of 140,000 people vaccinated on a daily basis seven days a week - which seemed unrealistic given supply chain constraints and a slow rollout at the beginning of the process. Last Thursday, the French government spokesman revised downward the target to 15 million people, at best. It is still optimistic, in our view. [At the current vaccination speed](#), the target would be reached by the end of the summer 2021 and 60% to 70% of the population would be vaccinated by mid-2022.

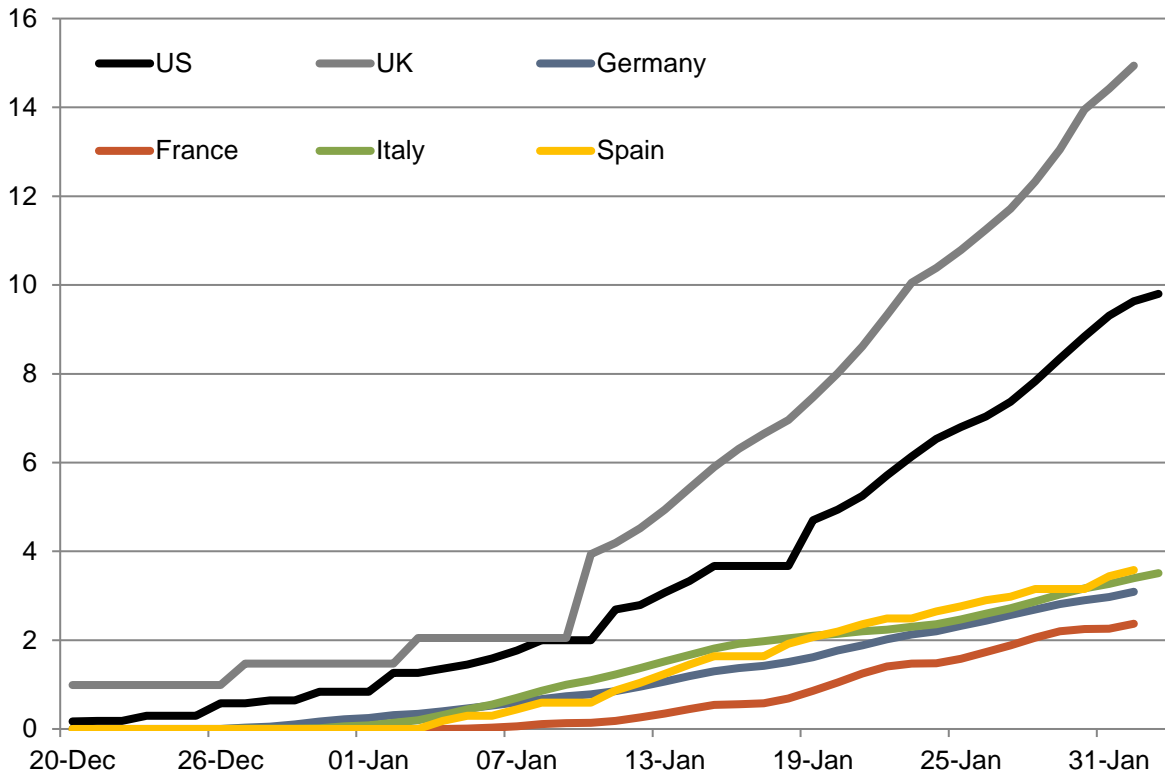
Lockdown risk looms larger than before: Despite daily new Covid-19 cases and hospitalisations edging higher, the French government wants to avoid at all cost the re-introduction of a strict lockdown that could increase risks of a push back from a population wearied by successive restrictions and that could stifle the economic recovery. Earlier today, France's National Institute of Statistics and Economic Studies (abbreviated INSEE) released its first industry investment survey for 2021. After a drop of 13% in value in 2020 compared to 2019, business leaders in the manufacturing sector now expect a strong rebound in their investment, up 10% in value. Four factors explain the upturn in investment intentions: 1) the expected fiscal impulse from France's recovery plan which amounts to €100bn (c. 4% of GDP); 2) the healthy financial situation of French companies before the crisis; 3) the easy access to cheap, external finance in the midst of the pandemic and; 4) the need to further invest in digital transformation that was exacerbated by the use of telecommuting. Until now, the French government has seen the strict night-time curfew from 18:00-06:00 that has been put in place after the second lockdown ended in December 2020 as a way to avoid a full national lockdown. But with the UK variant spreading very fast across the country (it now represents around 14% of new SARS-CoV-2 versus less than 3% two weeks ago), the prospect of a new lockdown, with the re-introduction of exemption forms to leave home and the closure of non-essential shops, looms a little larger than before, in our view.

Political uncertainty and polarization: Economic spillover effects resulting from the pandemic, such as widening income disparity, and Covid-19 vaccination bungle could fuel a revival in populism on the European continent, especially in France. All recent polls for the 2022 presidential election confirm that France's far-right leader Le Pen is making a comeback. If the election were held today, Le Pen would win over Macron in the first round before ultimately losing in the second round by a smaller margin than that of the 2007 in the second round (12 points versus 33 points in 2017 according to an IPSOS poll on 27 January). See also [slow start to EU vaccinations: the risks](#). Le Pen is tapping into anger over economic inequality, that previously fuelled the Yellow Vest Movement, and she benefits from public perception that the pandemic is handled poorly by the French government. Without any serious rival emerging at the moment from other political parties, Macron and Le Pen look set to duel for the presidency for the second time. But it is very early days, and the experience of Francois Fillon in early 2017, who led the polls before dropping out of the race ahead of the election, shows the potential for surprises.



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Chart: Total number of COVID-19 vaccinations administered per 100 people



Source: Our World in Data



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