

Service sectors suffering the biggest losses

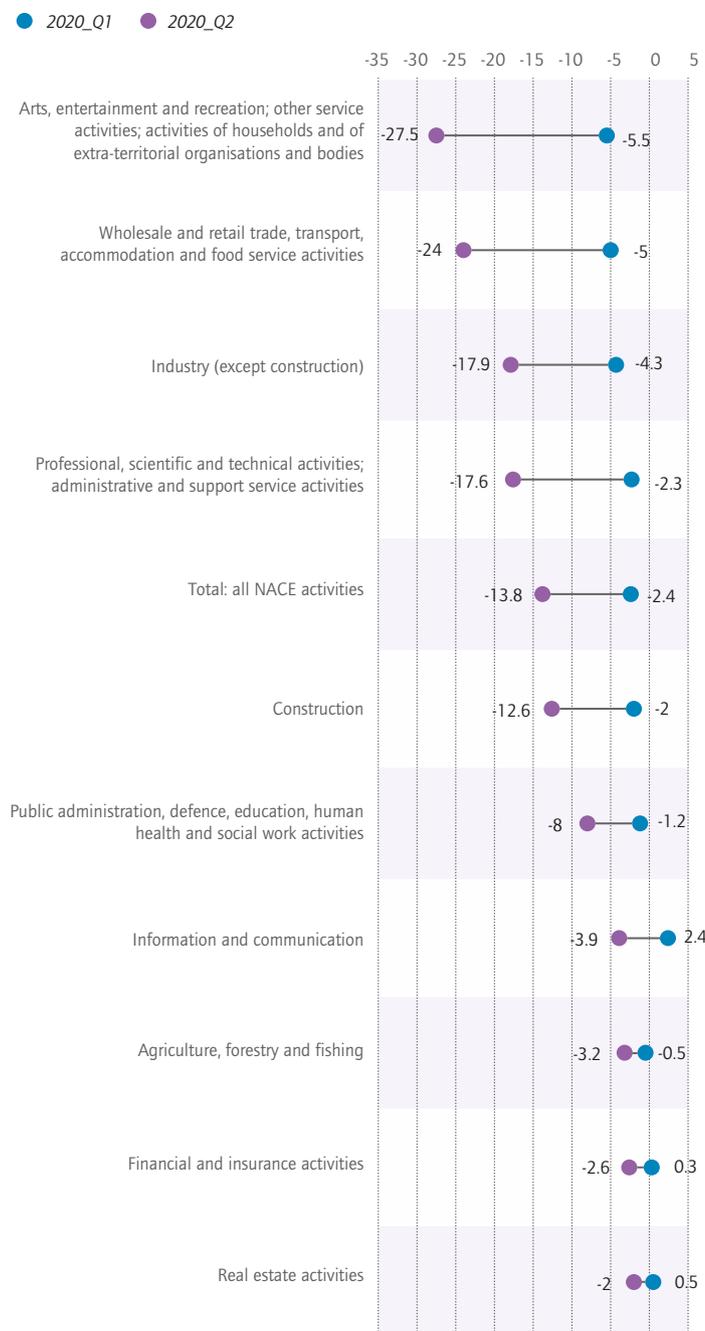
The forced stop in activity imposed by governments across Europe on large parts of their economies did not affect all sectors equally. Activities that revolve around social interaction and which require physical contact evidently suffered more constraints than others; at the same time, some sectors have been deemed as 'essential' and had to carry on despite the risks, while others could carry on their activities thanks to teleworking or virtual operation (e.g. e-commerce).

Figure 1.7 shows how the different economic sectors fared in the first two quarters of 2020 (percentage change in real value added compared to the same

quarter in 2019) in the EU27. 'Arts, entertainment and recreation' and 'wholesale and retail trade, transport, accommodation and food service activities' were the two sectors most heavily affected, with their real gross value added dropping by 28% and 24% respectively in the second quarter of 2020 (-5.5% and -5% in the first quarter of 2020). These are service sectors which are labour intensive and hence a drop in demand in them is linked to relatively high job losses (see Chapter 2). Other sectors whose gross value added shrank by more than average in the first two quarters of 2020 were the 'professional, scientific and technical activities; administrative and support service activities' (-15.5 and -3.1% in Q2 and Q1 respectively) and 'industry (except construction)' (-14.4 and -3.5% in Q2 and Q1 respectively). The shared characteristics of these sectors are that they include activities which are not amenable to social distancing or teleworking and are not considered 'essential'. The sector including 'professional, scientific and technical activities; administrative and support service activities' is evidently very heterogeneous; many of these activities can be performed by teleworking, but also several others, such as 'private security and services to buildings' (e.g. cleaning), whose demand suffered due to the fact that many other services started being performed via telework and also due to bans on travelling and limitations on social contact; examples include travel agencies, tour operators, and the organisation of conventions and trade shows. More information on the classification of activities under the various sectoral headings can be found [here](#).

While demand for the activities of some sectors, such as restaurants, arts and entertainment, and tourism, should be expected to bounce back once the pandemic is over (even though there will be inevitable permanent closures of individual firms in these sectors), there are others, such as business travel or professional and restaurant services around large office areas in big cities, which may not ever recover to their pre-crisis intensity. The use of virtual means for meetings, in combination with a drive to meet emission reduction targets (see Chapter 3 in this volume) may permanently reduce professional travelling. Moreover, the extent of teleworking is expected to increase, so it is not clear whether work from a professional office will resume to the same extent as what was the rule prior to the pandemic. This may be especially the case for large metropolitan areas in which congestion, high housing costs and long commuting times have an impact on the quality of life. The form in which other activities such as retail trade take place may also shift (e.g. from physical to virtual stores), although it is not clear whether demand and turnover for these activities will bounce back or not.

Figure 1.7 Change in real gross value added (change from same period in previous year), by industry



Source: Eurostat NAMQ_10_A10 CLV_PCH_SM.