



## **\*\*Coronavirus Covid-19 Update\*\***

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

# Country Insight Snapshot

## France

August 2020





## OVERVIEW

### OVERALL COUNTRY RISK RATING: DB2c

**Low risk:** Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



**Rating Outlook:** Stable

## CORE OUTLOOK

- + World-class infrastructure will continue to support the country's long-term economic growth potential.
- + The euro is backed by large communal FX earnings and international reserves, virtually eliminating France's liquidity risk despite the low level of import cover.
- France has a long history of political sclerosis: while the Macron administration has pushed through a number of reforms, popular resistance could curb the pace and scope of change.
- Despite some recent changes, labour market regulations remain relatively inflexible and labour taxes are still high, potentially deterring business expansion.

## KEY DEVELOPMENT

The economic uptick gains ground after the sharp H1 shock, but downside risks remain severe.

### CREDIT ENVIRONMENT OUTLOOK



**Trend:** Stable

Key Development has had a neutral impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK



**Trend:** Deteriorating

Key Development has had a negative impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK



**Trend:** Stable

Key Development has had a negative impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK



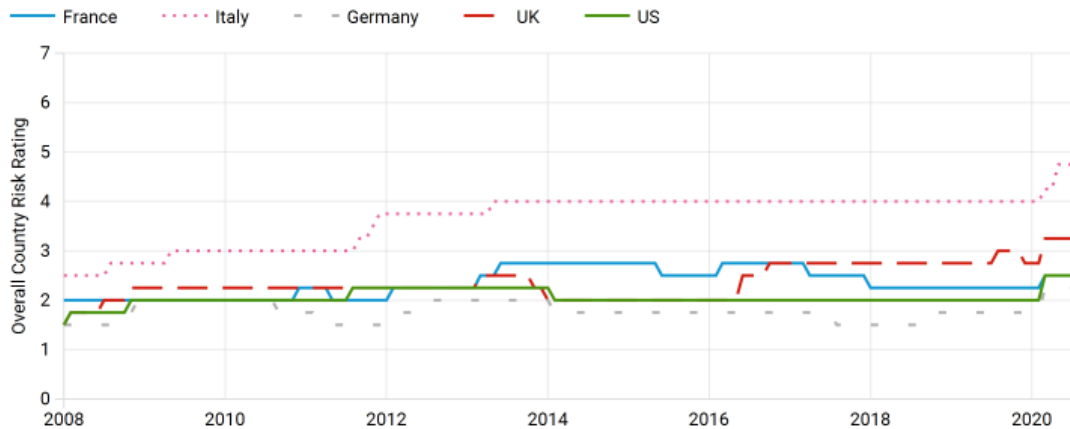
**Trend:** Deteriorating

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

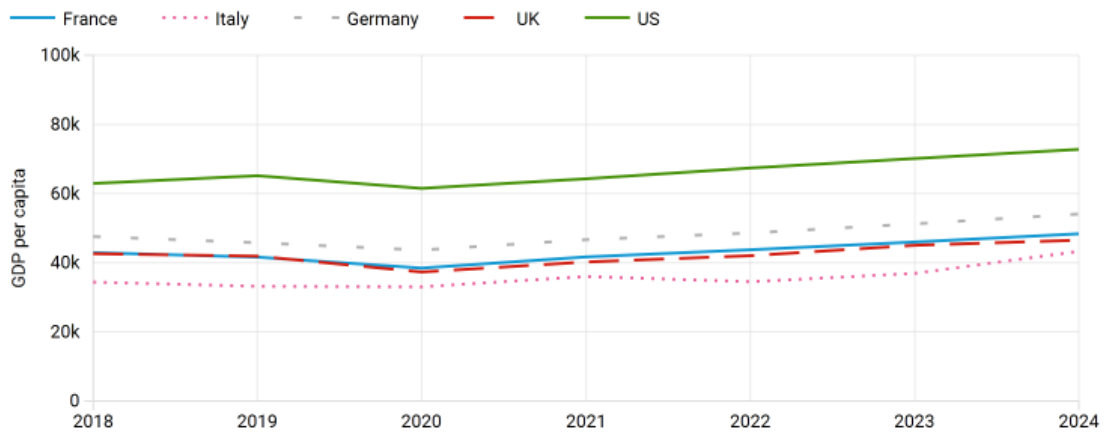
### Rating History and Comparison



Source: Dun & Bradstreet

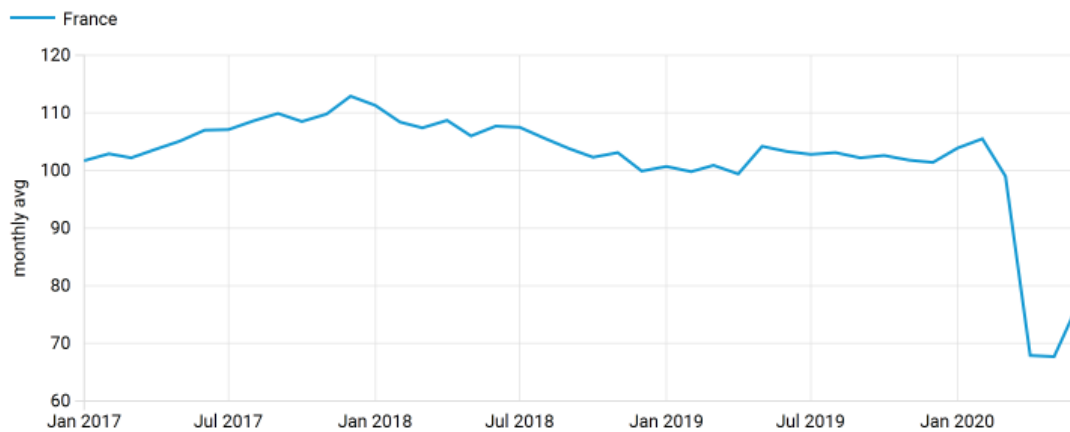
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

### Economic Sentiment Indicator



Source: National Statistical Offices / Haver Analytics



## Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-0.7	-0.6	-0.7	-1.4	-1.2	-0.9	-1.0	-0.9
Govt balance, % GDP	-2.9	-2.3	-3.0	-6.5	-4.0	-3.5	-3.0	-2.5
Inflation, annual avge %	1.2	2.1	1.4	0.5	0.9	1.3	1.5	1.7
Real GDP Growth, %	2.4	1.7	1.3	-8.7	5.9	3.0	2.1	2.0
Unemployment (annual avge, %)	9.4	9.0	8.5	10.5	11.2	10.2	9.5	9.0

Source: Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

While we generally recommend trading with French firms on an OA basis, we also advise close monitoring of key suppliers and customers in the current economic climate, and adjustment of credit terms if appropriate. Various measures have been put in place to support businesses during the coronavirus pandemic. Nevertheless, the severe economic shock in H1, and ongoing uncertainty in H2, is having a detrimental effect on cashflows in many businesses. This has already pushed up payment delays: according to Dun & Bradstreet's World Wide Network partner Informa, payment delays in France rose to an average 13.73 days in Q2 (up from 12.95 days in Q1 and 12.98 days in Q2 2019), broadly on par with the UK but significantly worse than Germany. Such pressure will in turn push up bankruptcies once the filing regulations are re-tightened: although Dun & Bradstreet's World Wide Network partner Altares showed failures fell by 53.5% in Q2, there was an ominous jump in failure rates for larger businesses. As such, vigilant management of credit terms is advised.

## TRADE TERMS AND TRANSFER SITUATION

### Minimum Terms: OA

*The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.*

### Recommended Terms: OA

*Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### Usual Terms: 30-120 days

*Normal period of credit associated with transactions with companies in the stated country.*

### Local Delays: 0-1 month

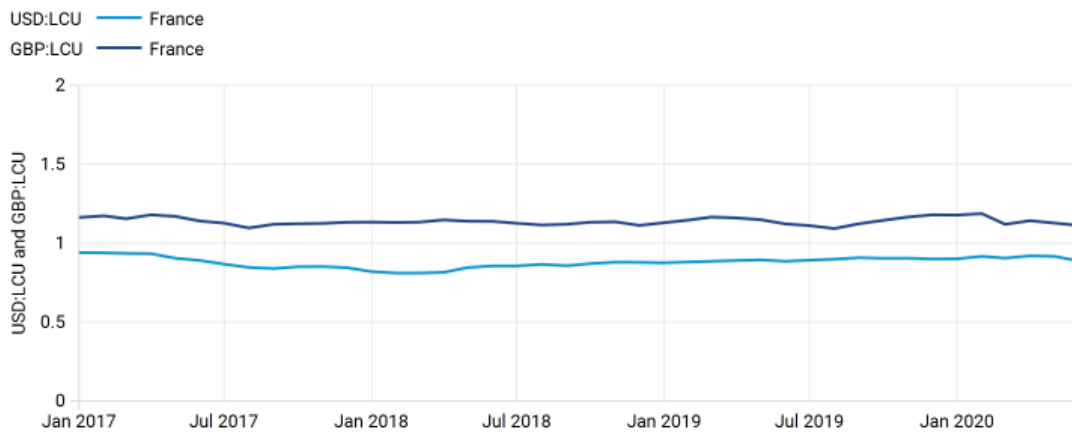
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### FX/Bank Delays: No delays reported

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



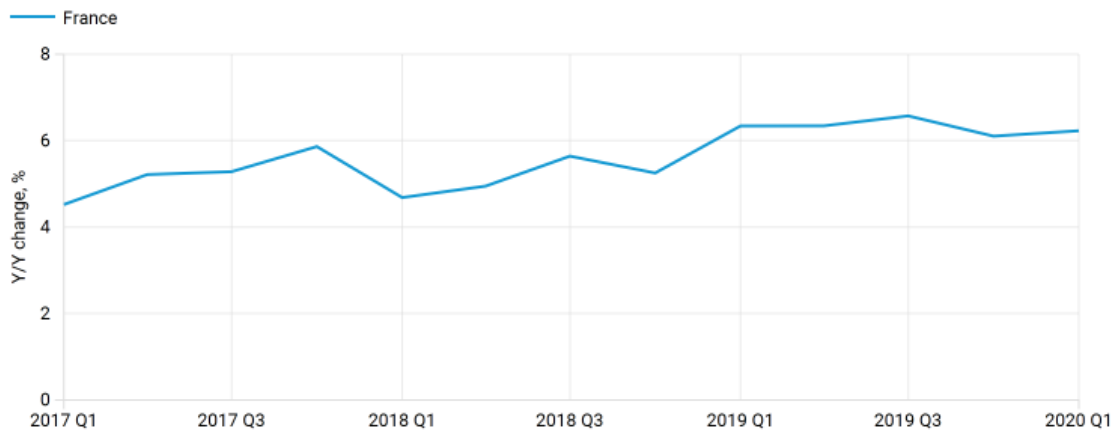
## Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

*LCU (local currency unit) = euro*

## Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



## RISKS AND OPPORTUNITIES

### Short-Term Economic Outlook

#### *Uncertain uptick follows H1 shock*

First estimates from Insee (the national statistics office) confirm the sharp economic shock in Q2, when GDP contracted by 19.0% y/y; in H1 overall, the economy fell by 12.4%. Reflecting the severity of the lockdown measures imposed in March-May, there were big falls in household consumption in Q2 (down 15.6% y/y), government consumption (10.3% lower) and investment (down a quarter), all of which contributed to sharp drops in the production of goods, services and construction. However, the global pandemic also harmed France's external trade, with exports down 30.9% and imports falling by 21.9% y/y in Q2.

Containment measures have since eased, releasing a degree of pent-up demand and pushing up production. This is reflected in the IHS Markit Flash Composite Output Index for France, which rose to 57.6 in July, a 30-month high and above the neutral 50-mark dividing growth from contraction. However, businesses and households are likely to remain cautious about investing or spending well into 2021, either out of necessity as revenues struggle to recover and unemployment rises, or because of the ongoing uncertainty as localised outbreaks erupt and external markets continue to struggle. Eurostat's economic sentiment indicator (ESI) for France reflects this increased level of caution: although the ESI rose to 82.3 in July, this was still well down on February (105.5); though rising, Eurostat's employment expectations indicator also remained relatively weak in July (86.6). Taking these factors into account, we currently expect GDP to contract by 8.7% in 2020, followed by growth of 5.9% in 2021; however, downside risks remain severe and the short-term outlook is highly uncertain.

### Transfer Risk

#### *Financial sector risks rise*

French banks are generally considered resilient: according to the ECB, the Tier 1 capital ratio of French banks stood at 15.7% at end-Q1 2020, while the non-performing loan ratio was 2.4%. Together with measures put in place by the French authorities and the ECB, this has meant that banks have been able quickly to make funds available to businesses and individuals in need: according to the central bank, outstanding loans to businesses rose by 10.8% y/y in May to total EUR1,140bn; and loans to households were up 5.2% in June to EUR1,319bn. Nonetheless, the economic shock and uncertain trajectory of the recovery has exacerbated banking sector risk. In particular, the rise in lending (already being fuelled by the ultra-low interest rate environment) could put banks under pressure if businesses and individuals start to delay or default on their loan repayments as bankruptcy rates and unemployment rise.

### Business Regulatory Environment

#### *FDI scrutiny tightens*

Investors are generally aided by France's transparent and effective legal system, and strong protection for property rights. Although FDI inflows slowed in 2019 after a particularly strong 2018, France was the top FDI destination in Europe, according to EY's *Attractiveness Survey 2020*. However, FDI inflows are expected to fall further in the near term due to the current economic turbulence. Investors from outside the EU could also be deterred by tighter rules on investments: in July the threshold for triggering scrutiny of acquisitions in listed companies was lowered from 25% to 10%, effective from August until end-December.



## COUNTRY PROFILE AND STATISTICS

### Overview

France has the largest surface area of any country in Western Europe. Its biggest neighbour (and main partner for trade and foreign policy) is Germany: these two founding members of the EU have long been the driving force behind European integration. France's domestic politics were traditionally characterised by fierce ideological differences between parties of the left and right, but the country is now governed by President Emmanuel Macron's centrist party. Trade unions form an important part of the French polity, with their powers of public mobilisation giving them a large role in opposing government policy.

Economically, France is a prosperous country with a large industrial base, substantial agricultural resources and a highly skilled labour force. Productivity is high by international standards, and many big French companies are leading global players in their respective markets. Nonetheless, the state has an influential role in the economy, reflected in extensive public services, a strong social safety net and world-class infrastructure.

### Key Facts

Key Fact	Detail
Head of state	President Emmanuel MACRON
Capital	Paris
Timezone	GMT +01-00
Official language	French
Population (millions)	65.1
GDP (USD billions)	2,710.3
GDP per capita (USD)	41,614
Life expectancy (years)	82.4
Literacy (% of adult pop.)	99.9
Surface area (sq km)	551,500

Source: Various sources/Dun & Bradstreet

### Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	1.0	1.0	2.4	1.7	1.3
Nominal GDP in USDbn	2,439	2,470	2,591	2,789	2,710
Nominal GDP in local currency (bn)	2,198	2,232	2,299	2,362	2,420
GDP per Capita in USD	37,842	38,190	39,957	42,914	41,614
Population (year-end, m)	64.5	64.7	64.8	65.0	65.1
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.8	0.9
Current Account in USDbn	-9.1	-12.2	-17.9	-16.9	-18.5
Current Account (% of GDP)	-0.4	-0.5	-0.7	-0.6	-0.7
FX reserves (year-end, USDbn)	333.9	344.4	353.2	378.4	386.6
Import Cover (months)	1.4	1.5	1.4	1.3	1.4
Inflation (annual avge, %)	0.1	0.3	1.2	2.1	1.4
Govt Balance (% GDP)	-3.6	-3.6	-2.9	-2.3	-3.0

Source: Haver Analytics/Dun & Bradstreet





## Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-8.7	5.9	3.0	2.1	2.0
Nominal GDP in USDbn	2,510	2,727	2,869	3,023	3,187
Nominal GDP in local currency (bn)	2,221	2,371	2,473	2,562	2,656
GDP per Capita in USD	38,446	41,676	43,741	45,983	48,359
Population (year-end, m)	65.3	65.4	65.6	65.7	65.9
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.8	0.8
Current Account in USDbn	-35.3	-33.0	-27.2	-29.0	-28.9
Current Account (% of GDP)	-1.4	-1.2	-0.9	-1.0	-0.9
FX reserves (year-end, USDbn)	407.1	423.7	440.9	463.3	542.0
Import Cover (months)	1.4	1.3	1.3	1.2	1.3
Inflation (annual avge, %)	0.5	0.9	1.3	1.5	1.7
Govt Balance (% GDP)	-6.5	-4.0	-3.5	-3.0	-2.5

Source: Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	France	Italy	Germany	UK	US
Income per Capita (USD)	38,446	33,013	43,664	37,304	61,499
Country Population (m)	65.3	60.5	83.8	67.9	331.0
Internet users (% of population)	85.6	61.3	89.6	94.8	76.2
Real GDP Growth (% p.a., 2020 - 2029)	0.5 - 2.5	0.1 - 3.3	0.5 - 2.5	1.5 - 2.8	1.5 - 3.3

Source: Various sources/Dun & Bradstreet



## LINKS

### User Guide

Please click [here](#) to visit our online user guide.

### Other Dun & Bradstreet Products and Services

#### Sales

Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)  
Telephone  
UK: +44 20 7149 5000  
US: +1 800 234 3867  
Rest of World  
contact your local office  
or call +44 20 7149 5000

#### Publisher

Dun & Bradstreet  
The Point  
37 North Wharf Road  
London W2 1AF  
United Kingdom  
Tel: +44 20 7149 5000  
Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

Dun & Bradstreet, a leading global provider of business decisioning data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Visit [www.dnb.com](http://www.dnb.com) for details.

Additional information relevant to country risk can be found in the online *International Risk & Payment Review*, which provides timely and concise economic, political and commercial information and analysis on 132 countries. This subscription-based service ([www.dnbcountryrisk.com](http://www.dnbcountryrisk.com)) carries essential information on payment terms and delays. It also includes the unique Dun & Bradstreet Country Risk Indicator to help monitor changing market conditions.

### Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

### Disclaimer

*Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.*