

Country Insight Snapshot

France

February 2021





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 reforms through, popular resistance and the pandemic could limit the 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

Business failures are expected to rise as payment delays lengthen to 15.65 days, with retail, hospitality and travel services likely to be at greatest risk.

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



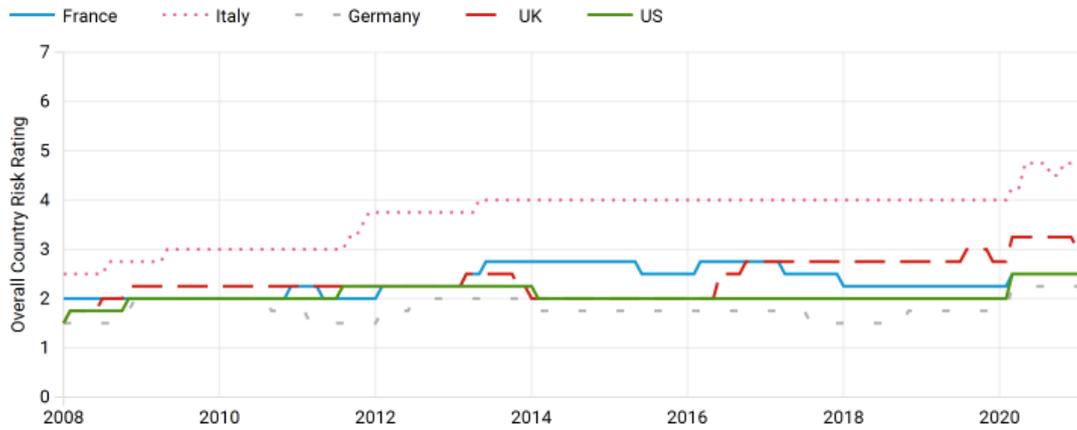
Trend: Deteriorating

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

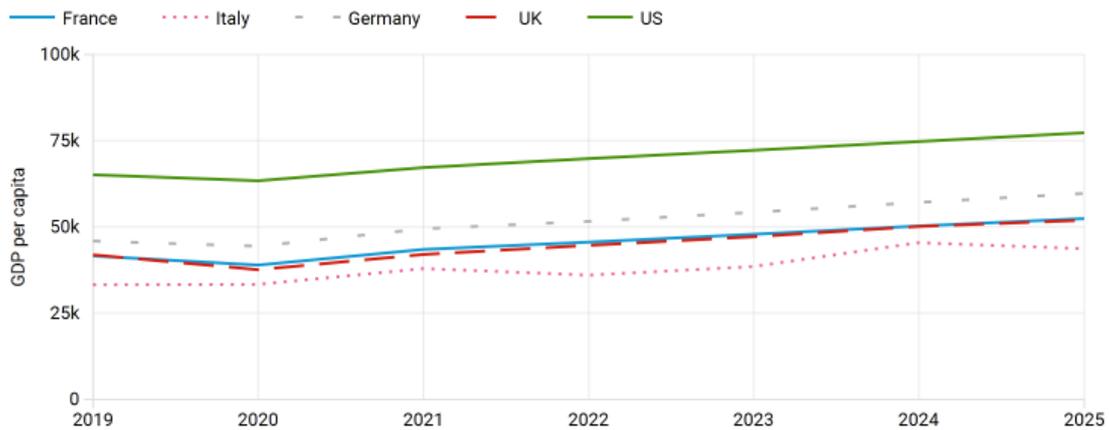
Rating History and Comparison



Source: Dun & Bradstreet

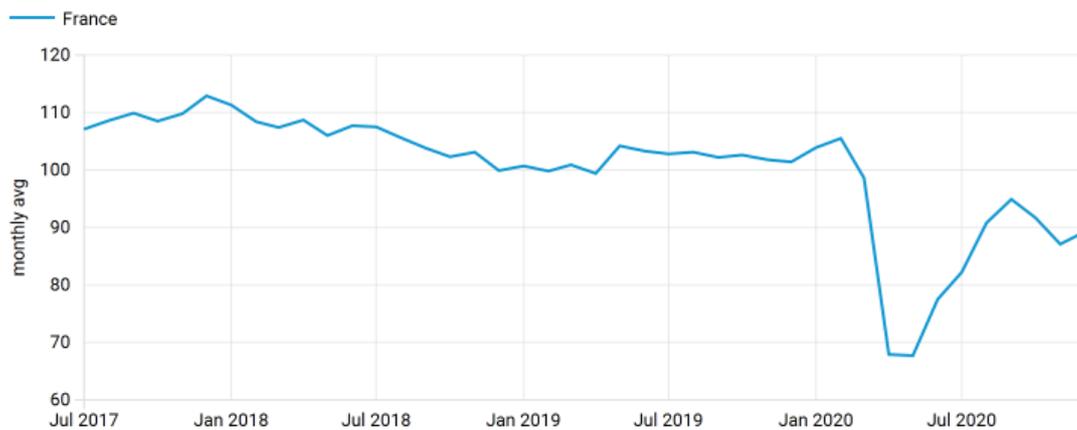
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source: National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
C/A balance % GDP	-0.6	-0.7	-2.4	-1.9	-1.7	-1.6	-1.5	-1.4
Govt balance, % GDP	-2.3	-3.0	-9.5	-6.5	-4.8	-3.5	-3.0	-2.9
Inflation, annual avge %	2.1	1.3	0.5	0.9	1.1	1.5	1.7	1.8
Real GDP Growth, %	1.7	1.3	-8.3	4.5	3.2	2.1	1.9	1.9
Unemployment (annual avge, %)	9.0	8.5	8.0	10.8	9.8	9.5	9.3	9.0

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The current account deficit ballooned to EUR53.3bn in 2020 (2.4% of GDP), with the goods deficit growing by a third and the services surplus contracting by two-thirds, according to central bank data. Trade picked up m/m in December but remained much lower than a year earlier. Over the course of 2020, goods exports were down 18.2% to EUR438.0bn, compared with a 13.9% drop in imports (to EUR500.6bn); meanwhile service exports fell by 17.5% (to EUR216.5bn), against a 13.5% fall in imports (to EUR208.6bn). Trading conditions remain disrupted in Q1 2021 due both to Covid cases and control measures in the EU and the effects of new trading rules with the UK. While demand patterns should start to normalise from H2, manufactured goods are likely to recover quicker than travel and tourism services, with the latter unlikely to return to more usual volumes until well into 2022 (depending crucially on the global trajectory of the pandemic). While we expect France's current account deficit to stay elevated in 2021-22, averaging 1.8% of GDP, significant risk remains.

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

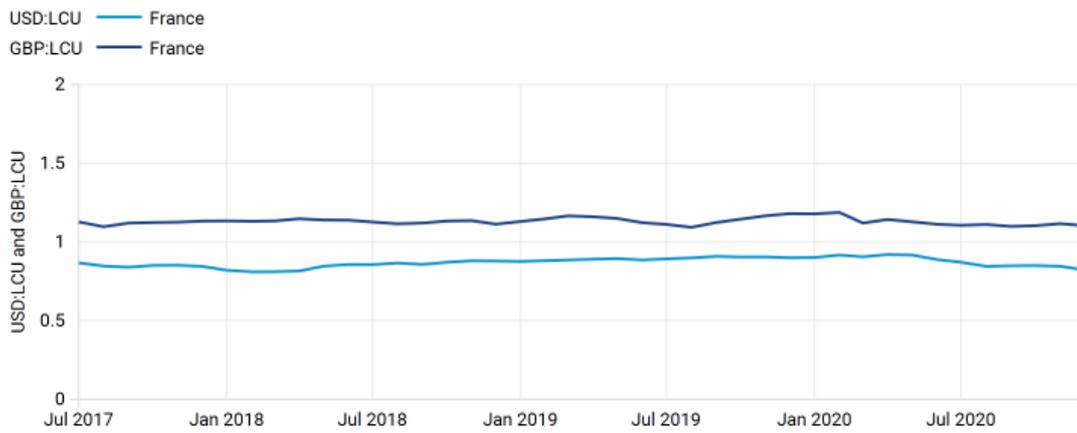
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



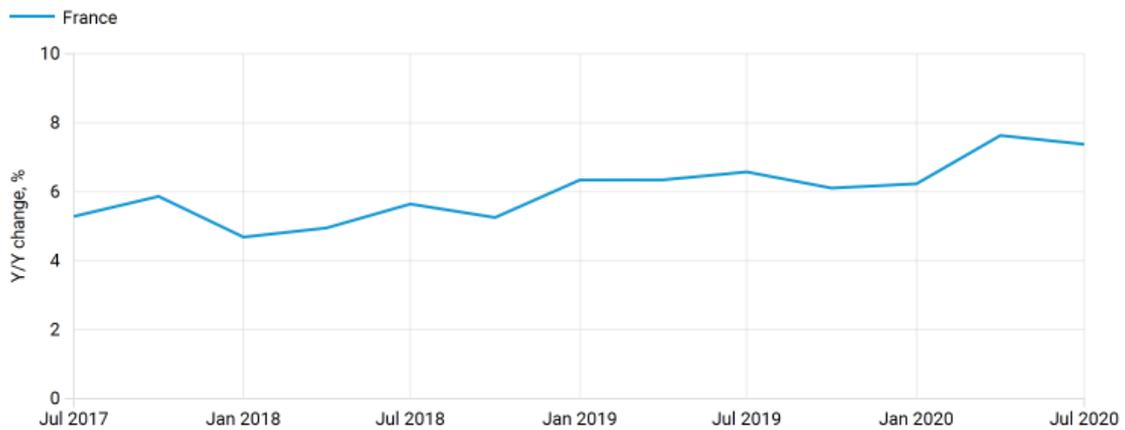
Exchange Rate



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

Outlook mixed as services struggle

The economy contracted by 1.3% q/q in Q4 2020 and by 5.0% y/y, according to the first estimates from Insee (the national statistics office): for the year overall, GDP fell by 8.3%. Manufactured goods grew q/q in Q4, with food production also rising and construction remaining stable. However, while the production of goods continued to move towards prior-year levels (down 4.6% y/y in Q4 after a fall of 8.2% in Q2), services fell further (down 5.0% y/y, from a 3.4% drop). The drop in services was reflected in the renewed slump in household spending (down 8.1% y/y in Q4, and by 7.1% for the year), with investment also continuing to contract (down 9.8% in 2020); government spending was flat in Q4, but was down 3.1% for the year. Although internal demand exerted the greatest drag on the economy, external trade also contributed to the overall contraction: exports fell 11.0% in Q4, resulting in a 16.7% contraction for the year; imports were down 8.1% in Q4 and by 11.6% for the year.

Economic activity remains compromised in Q1 2021 due to the resurgence of Covid cases and accompanying control measures. As in Q2 and Q4 2020, this is likely to affect service sectors in particular: the IHS Markit Services Business Activity Index fell to 47.3 in January (from 49.1 in December), indicating a deepening contraction; in contrast the Manufacturing Purchasing Managers' Index stood at 51.6 in January (up from 51.1), pointing to ongoing growth in the sector. We expect this pattern to persist over H1. Beyond that, the timing and strength of the recovery in 2021 will largely be determined by the speed of vaccination (including against new Covid variants) and how quickly more normal patterns of economic activity can resume: overall, we expect GDP to grow by 4.5% in 2021 and 3.2% in 2022.

Transfer Risk

Failures checked, but payment delays lengthen

While we generally recommend trading with French firms on an OA basis, the economic shock has pushed up payment delays: these averaged 15.65 days in Q4 2020 (up from 12.95 days in Q1), according to Dun & Bradstreet's World Wide Network partner Informa, and are likely to lengthen further in 2021. State aid, together with the temporary easement of filing requirements and longer conciliation periods, suppressed business insolvencies in 2020: 32,184 firms failed, down 38.1% y/y, according to a report by Dun & Bradstreet's World Wide Network partner Altares.

Around 75% of failures occurred in micro firms, with limited companies accounting for just under half of total failures. All sectors saw a drop in failures, but construction firms accounted for the biggest share of failures (23%), followed by the trade sector (22%), business services (14% - with office services and travel seeing a rise in failures) and the food and accommodation sector (13%); agriculture, ICT and financial services experienced far fewer failures. However, failures are expected to rise in 2021-22 as payment delays lengthen and uncertainty lingers, with the retail and hospitality sectors likely to be particularly affected in the near term due to the curtailment of activities in Q4 2020 and Q1 2021. As such, we advise close monitoring of key suppliers and customers, and, if appropriate, the prompt adjustment of credit terms.



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)	65.3
GDP (USD billions)	2,543.1
GDP per capita (USD)	38,961
Life expectancy (years)	82.5
Literacy (% of adult pop.)	99.9
Surface area (sq km)	551,500

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2016	2017	2018	2019	2020e
Real GDP growth (%)	1.0	2.4	1.7	1.3	-8.3
Nominal GDP in USDbn	2,470	2,591	2,789	2,710	2,543
Nominal GDP in local currency (bn)	2,232	2,299	2,362	2,420	2,231
GDP per Capita in USD	38,191	39,957	42,914	41,614	38,961
Population (year-end, m)	64.7	64.8	65.0	65.1	65.3
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.8	0.9	0.9
Current Account in USDbn	-12.2	-17.9	-16.9	-18.5	-61.2
Current Account (% of GDP)	-0.5	-0.7	-0.6	-0.7	-2.4
FX reserves (year-end, USDbn)	344.4	353.2	378.4	386.6	421.9
Import Cover (months)	1.5	1.4	1.3	1.4	1.6
Inflation (annual avge, %)	0.3	1.2	2.1	1.3	0.5
Govt Balance (% GDP)	-3.6	-3.0	-2.3	-3.0	-9.5

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2021f	2022f	2023f	2024f	2025f
Real GDP growth (%)	4.5	3.2	2.1	1.9	1.9
Nominal GDP in USDbn	2,846	2,992	3,150	3,314	3,464
Nominal GDP in local currency (bn)	2,352	2,452	2,540	2,630	2,728
GDP per Capita in USD	43,504	45,620	47,907	50,291	52,447
Population (year-end, m)	65.4	65.6	65.7	65.9	66.1
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	-55.4	-51.8	-50.6	-50.4	-49.7
Current Account (% of GDP)	-1.9	-1.7	-1.6	-1.5	-1.4
FX reserves (year-end, USDbn)	439.0	456.8	480.1	519.7	584.9
Import Cover (months)	1.5	1.4	1.4	1.4	1.4
Inflation (annual avge, %)	0.9	1.1	1.5	1.7	1.8
Govt Balance (% GDP)	-6.5	-4.8	-3.5	-3.0	-2.9

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	France	Italy	Germany	UK	US
Income per Capita (USD)	43,504	37,951	49,491	42,052	67,239
Country Population (m)	65.4	60.4	83.9	68.2	332.9
Internet users (% of population)	82.0	74.4	89.7	94.9	87.3
Real GDP Growth (% p.a., 2021 - 2030)	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.

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