

Country Insight Snapshot

France

May 2017



Written 08 May 2017

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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.

G

Rating Outlook: Improving

CORE OUTLOOK

- + World-class infrastructure will continue to support long-term growth potential.
- + The euro is backed by large communal FX earnings and international reserves, which virtually eliminates France's liquidity risk despite its low import cover.
- France has a long history of political sclerosis; business-friendly reforms are overdue.
- Dismissal protection and a high minimum wage distort the labour market.

KEY DEVELOPMENT

Dun & Bradstreet upgrades France's country risk rating following the election of centrist Emmanuel Macron as new president on 7 May.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Improving

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

G

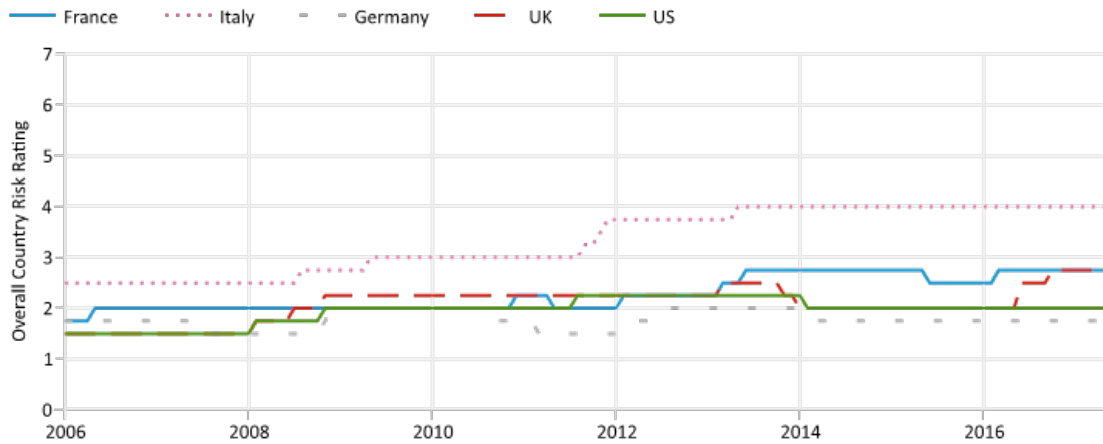
Trend: Improving

Key Development has had a positive impact on the outlook.



KEY INDICATORS

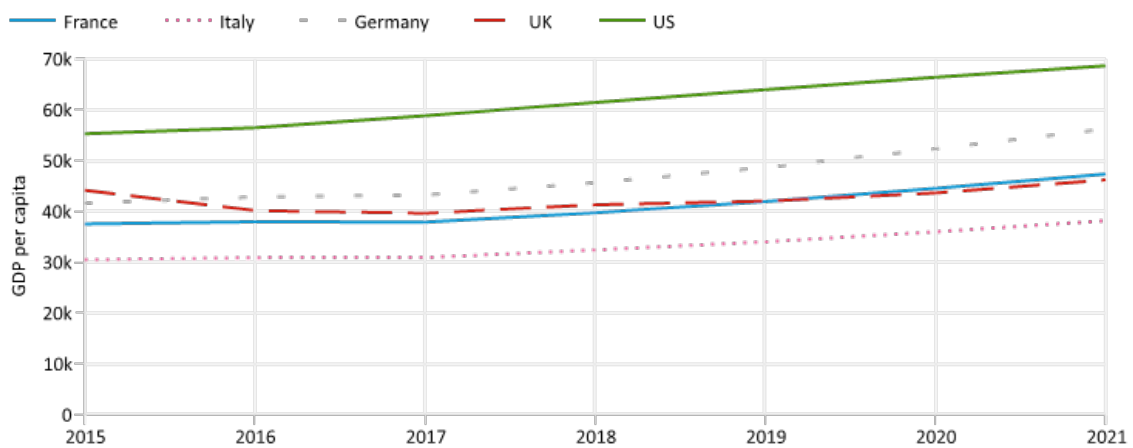
Rating History and Comparison



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	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	-1.4	-0.2	-0.9	-1.2	-1.1	-0.7	-0.4	-0.2
Govt balance, % GDP	-3.9	-3.6	-3.4	-3.0	-2.4	-2.3	-2.3	-2.3
Inflation, annual avge %	0.6	0.1	0.3	1.4	1.5	1.9	1.9	2.0
Real GDP Growth, %	0.7	1.2	1.1	1.4	1.8	2.0	2.0	2.0
Unemployment, %	10.3	10.4	10.1	9.8	9.2	8.4	8.0	7.5

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

In the World Economic Forum's *Global Competitiveness Report 2016-17*, the trade and commercial environment in France is ranked the 21st best in the world (out of 138 countries covered). According to survey respondents, the biggest obstacle for doing business are restrictive labour market regulations. Meanwhile, the latest edition of Transparency International's *Corruption Perceptions Index*, shows that things have moved in the right direction in France in the past year. Compared with the 2014 edition, France's ranking improved from 26th to now 23rd (out of 168 countries covered), with its overall score improving from 69 to 70 (with the best-ranked country, Denmark, scoring 91 on the 0-100 scale). While scoring comparatively well internationally, France's ranking remains below most of its Western European peers (such as Germany, the UK, and Luxembourg - joint 10th; Belgium is ranked 15th, while the US is ranked 16th).

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

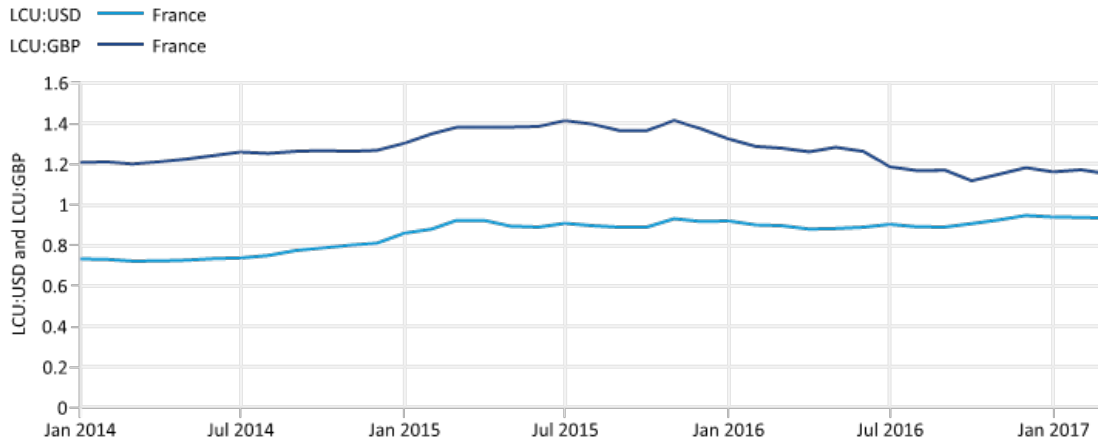
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

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.



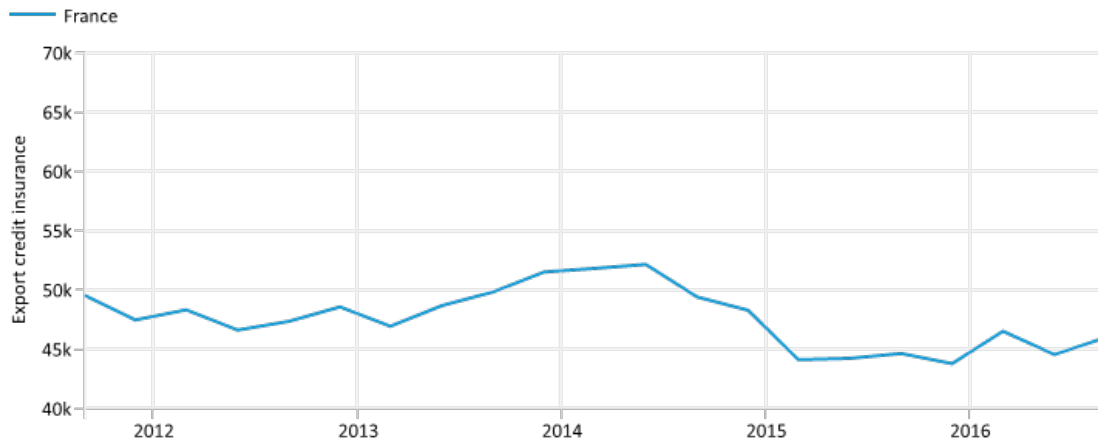
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

Risk rating upgraded

As a result of the election of centrist and business-friendly Emmanuel Macron as new French president on 7 May, Dun & Bradstreet has lifted the country's risk rating from a previous DB2d to now DB2c, while simultaneously upgrading the risk outlook from 'stable' to now 'improving'. Macron managed to secure almost two-thirds of the vote against Marine Le Pen, his far-right, anti-free-trade contender in the run-off. In his election campaign, Macron has vowed to reform the country's heavily regulated labour market, cut the notorious red tape, while also supporting free-trade arrangements between the EU and overseas markets.

However, worryingly, it is yet to be seen if Macron will be able to deliver on his promises. His main problem will be securing a parliamentary majority for most of his policy goals, as the French constitution gives the president very little powers beyond foreign policy and defence matters. With the two rounds of the federal elections taking place on 11 and 18 June, and Macron's 'En Marche' movement only having been created a little more than a year ago, it seems likely that the new president will lack a majority in parliament. In such a scenario, he would rely on the support of other parties and his pro-business agenda could be watered down significantly.

Short-Term Economic Outlook

Forward looking indicators are robust

On top of falling political risk after the defeat of the protectionist far-right candidate in the presidential election, confidence indicators continue to paint a more optimistic near-term outlook. Eurostat's Economic Sentiment Indicator (which combines industrial, consumer, retail, services and construction sector confidence indicators) rose to 106.3 points in April (before the election of Macron), up from 101.3 points one year earlier and the highest value since July 2011. The Purchasing Managers' Index (PMI) in the manufacturing sector, compiled by Markit, mirrors this encouraging development, reporting the highest new export order inflow since April 2011. Equally positive, retail and service sectors PMI also reported an upturn in economic activity in April. While stubbornly high unemployment (around 10%) will provide a drag on growth, Dun & Bradstreet expects the economy to expand by 1.4% this year and 1.8% next year (up from 1.1% in 2016), as investment activity should pick up while export performance will also help to spur growth.

Business Continuity

Payments performance improves

According to data from Altares, Dun & Bradstreet's Paris-based World Wide Network partner, payments performance in France has improved in the final quarter of 2016. The average payment delay of 11.3 days is at an all-time low, down from the 12.9 days recorded in Q4 2015. In a European comparison, France ranks better than the average (12.9 days) but lags neighbouring (and top-performing) Germany, where the average payment delay in Q4 2016 stood at only 6.3 days. Looking ahead, higher growth will have positive ramifications for payments performance in France, thereby positively impacting the credit environment outlook.



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 are characterised by fierce ideological differences between parties of the left and right. 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 extremely high by international standards, and many big French companies are leading global players in their 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)	64.7
GDP (USD billions)	2,458.8
GDP per capita (USD)	38,022
Life expectancy (years)	82
Literacy (% of adult pop.)	99.9
Surface area (sq km)	551,500

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	0.2	0.6	0.7	1.2	1.1
Nominal GDP in USDbn	2,682	2,810	2,842	2,420	2,459
Nominal GDP in local currency (bn)	2,087	2,116	2,141	2,181	2,223
GDP per Capita in USD	42,197	44,011	44,315	37,580	38,022
Population (year-end, m)	63.6	63.8	64.1	64.4	64.7
Exchange rate (yr avge, USD-LCU)	0.78	0.75	0.75	0.9	0.9
Current Account in USDbn	-32.9	-24.4	-39.9	-4.7	-22.6
Current Account (% of GDP)	-1.2	-0.9	-1.4	-0.2	-0.9
FX reserves (year-end, USDbn)	332.5	331.0	327.6	333.9	344.4
Import Cover (months)	1.3	1.3	1.3	1.5	1.5
Inflation (annual avge, %)	2.2	1.0	0.6	0.1	0.3
Govt Balance (% GDP)	-4.8	-4.0	-3.9	-3.6	-3.4

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	1.4	1.8	2.0	2.0	2.0
Nominal GDP in USDbn	2,463	2,594	2,748	2,929	3,127
Nominal GDP in local currency (bn)	2,285	2,360	2,452	2,548	2,650
GDP per Capita in USD	37,941	39,783	41,977	44,569	47,406
Population (year-end, m)	64.9	65.2	65.5	65.7	66.0
Exchange rate (yr avge, USD-LCU)	0.93	0.91	0.89	0.87	0.85
Current Account in USDbn	-28.4	-27.4	-20.3	-13.0	-5.3
Current Account (% of GDP)	-1.2	-1.1	-0.7	-0.4	-0.2
FX reserves (year-end, USDbn)	358.4	376.7	395.9	416.0	432.9
Import Cover (months)	1.6	1.5	1.5	1.4	1.4
Inflation (annual avge, %)	1.4	1.5	1.9	1.9	2.0
Govt Balance (% GDP)	-3.0	-2.4	-2.3	-2.3	-2.3

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	France	Italy	Germany	UK	US
Income per Capita (USD)	37,580	30,511	41,666	44,210	55,326
Country Population (m)	64.4	59.8	80.7	64.7	321.8
Internet users (% of population)	84.7	65.6	87.6	92	74.5
Real GDP Growth (% p.a., 2017 - 2026)	1.3 - 2.5	0.5 - 2	1.8 - 3	1.8 - 3.5	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



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Email: countryinsight@dnb.com

Telephone

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or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

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