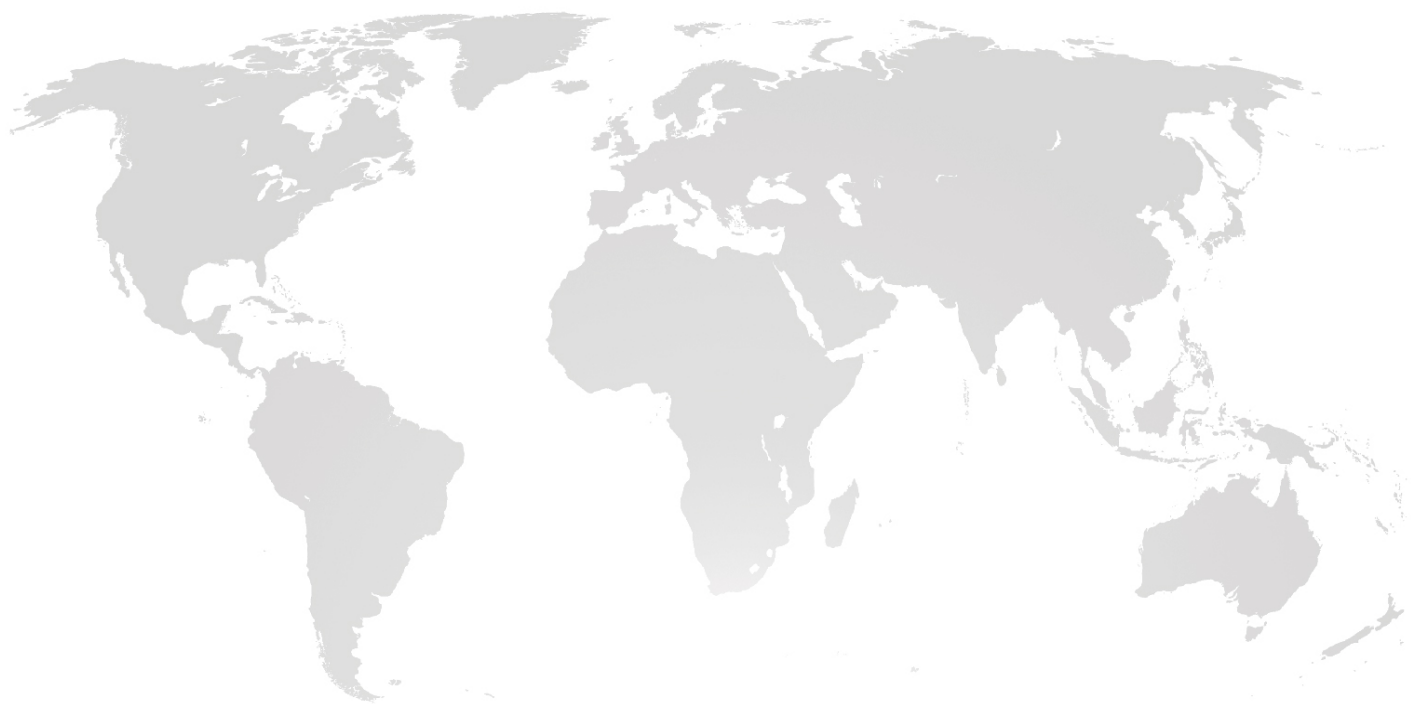




# D&B Country Insight Snapshot: France

*July 2015*



Written 24 July 2015



## 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 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

The growth forecast is revised upwards once again on the back of encouraging first-quarter results and strengthening forward-looking indicators.

Credit Environment Outlook 

Key Development has had a positive impact on the outlook.

Supply Environment Outlook 

Key Development has had a positive impact on the outlook.

Market Environment Outlook 

Key Development has had a positive impact on the outlook.

Political Environment Outlook 

Key Development has had a neutral impact on the outlook.



## Key Indicators

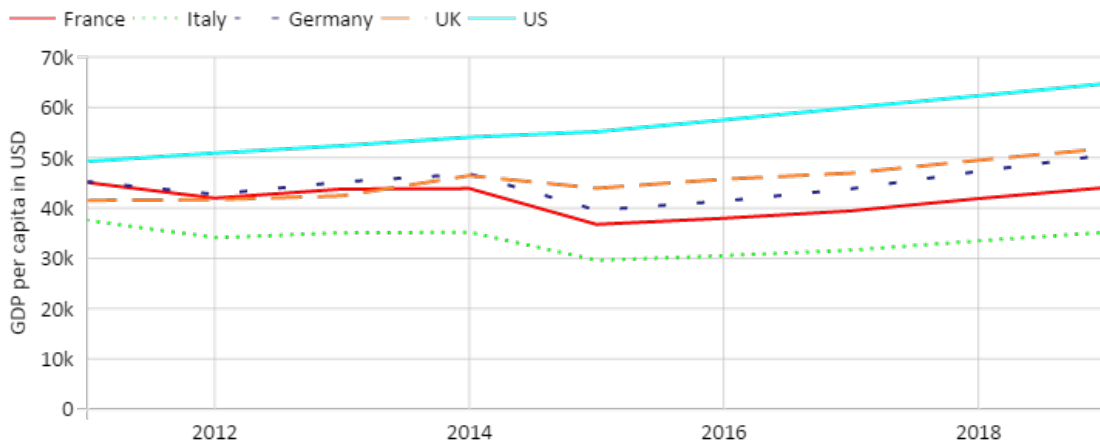
### Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : D&B

### Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics

## Economic Indicators

Indicator	2012	2013	2014	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-1.6	-1.4	-1.5	-0.5	-0.6	-0.3	0.0	0.3
Govt balance, % GDP	-4.8	-4.1	-4.0	-4.3	-3.4	-3.0	-2.4	-2.3
Inflation, annual avge %	2.2	1.0	0.6	0.3	1.2	1.7	2.0	1.9
Real GDP Growth, %	0.2	0.7	0.2	1.4	1.7	1.8	1.9	2.0
Unemployment, %	9.8	10.3	10.3	9.6	9.3	9.0	8.7	8.5

Source : Haver Analytics/D&B

## Trade and Commercial Environment

France is ranked a mediocre 31st (out of 189 countries surveyed) in the World Bank's *Doing Business 2015* report, up seven positions on last year. The only three fields in which France scores well are 'enforcing contracts' (10th), and 'trading across borders' (10th, up from a poor 36th last year), as well as 'protecting investors' (17th). 'Starting a business' (28th) and 'getting electricity' (60th) are areas in which France achieves only an adequate score. France's worst scores come in 'dealing with construction permits' (86th) and 'registering a property' (126th); indeed, it lags its Western European and OECD peers in most categories. Despite recent government attempts, we believe that red tape will continue to undermine the country's attractiveness.

## Trade Terms and Transfer Situation

### Minimum Terms: OA

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

### Recommended Terms: SD

*D&B'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

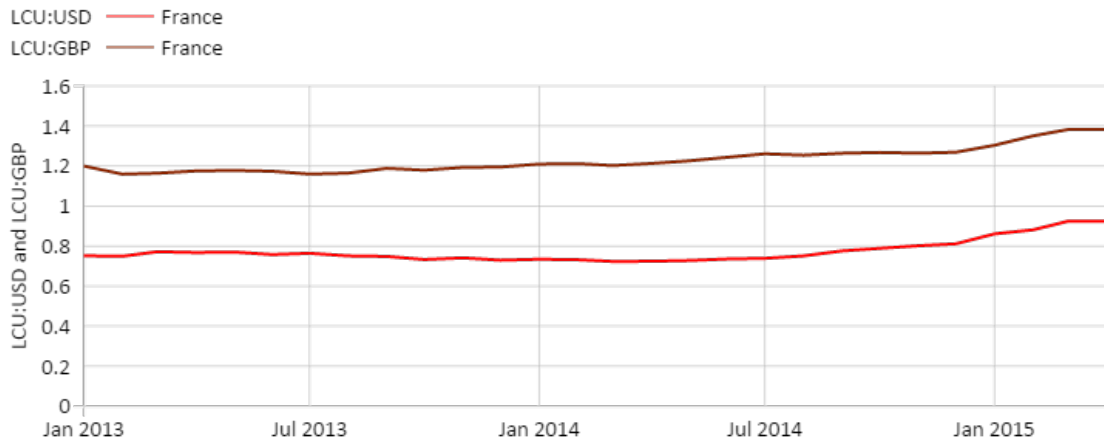
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



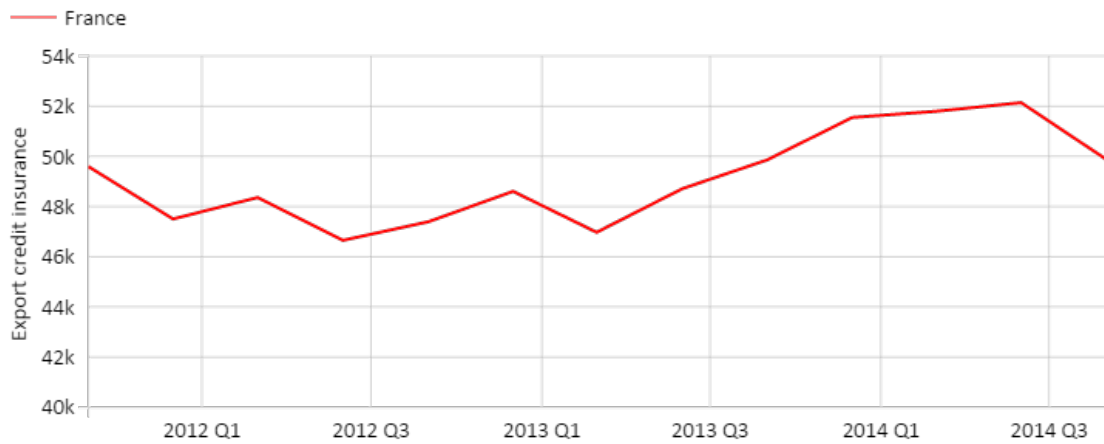
## Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

*LCU = Local Currency Unit*

## Credit Conditions



Source : Haver

*Insured export credit exposures, USDm*

## Risks and Opportunities

### Short-Term Economic Outlook

#### *Growth forecast revised upwards once again*

For the second time this year, Dun & Bradstreet has revised its real GDP growth forecast for France upwards. After a 0.2 percentage points (pp) increase (from 0.8% to 1.0%) in April we have decided to adjust the 2015 growth forecast figure by 0.4pp to 1.4% while changing the 2016 forecast to 1.7% (from a previous 1.6%). Our optimism stems from two developments. Firstly, relatively high growth was recorded in Q1 with real GDP expanding at its highest rate in five quarters, and twice as quickly as the UK and Germany (in q/q terms). This base effect will help to drive growth in the remaining quarters of the year as it provides the economy with much-needed momentum. Secondly, the development of several forward-looking indicators also indicates increasing tailwinds for the French economy. The EU's *Economic Sentiment Indicator* (ESI) has been slowly but steadily improving and now stands at its highest reading since September 2011. Only one of the index's five sub-components (the construction sector) has remained on a downward trend in 2015 to-date, while industrial, consumer, retail and service sector confidence indicators have improved as a general trend. The *Purchasing Managers' Index* (PMI, compiled by Markit) mirrors the ESI's positive development, as the manufacturing sector PMI reached growth territory for the first time in 14 months in June, the service sector PMI indicated the sharpest rate of growth in almost four years, and in the retail sector the PMI now stands only narrowly below the growth threshold. Looking ahead, headwinds for the French economy remain clearly visible (most notably if the euro-zone crisis flares up again) but Dun & Bradstreet remains confident that the country's growth outlook is much better than in the past three years.

### Business Continuity

#### *Insolvency risk falls in Q1*

Meanwhile, the recent data release from Altares, Dun & Bradstreet's Paris-based World Wide Network partner, shows that the number of business failures in the April-June period dropped by 6.6% y/y. After rising by 7.6% y/y in Q1, the fall in insolvencies is very welcome news. However, there are significant disparities in regional insolvency patterns, ranging from a 25.6% drop in Brittany in Q2 to a 11.6% y/y increase in the Bourgogne. In total, 5 of the 22 regions recorded increases and in general, despite the shortfall in Q2, insolvency risk is still elevated in historic terms. Between 2001 and 2014, the number of business failures in France rose from around 45,000 per year to 60,000.

In terms of prompt payments, Altares figures for Q1 2015 show that the average payment delay in France is 13.3 days, compared with 18.8 days in the UK and 5.8 days in Germany. Overall, around 37% of all French companies paid their bills without any delays in January-March 2015, largely unchanged from the level seen in Q4 2014 but up from the 33% seen in Q1 2014.

## 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; their powers of public mobilisation give 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 Francois HOLLANDE
Capital	Paris
Timezone	GMT +01-00
Official language	French
Population (millions)	64.6
GDP (USD billions)	2,835.2
GDP per capita (USD)	43,861
Life expectancy (years)	82
Literacy (% of adult pop.)	99.9
Surface area (sq km)	551,500

Source : UN / Haver Analytics / D&B

### Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	1.88	2.09	0.21	0.75	0.17
Nominal GDP in USDbn	2,649.8	2,864.3	2,682.3	2,812.9	2,835.3
Nominal GDP in local currency (bn)	1,997	2,058	2,086	2,118	2,134
GDP per Capita in USD	41,906	45,049	41,952	43,752	43,861
Population (year-end, m)	63.23	63.58	63.94	64.29	64.64
Exchange rate (yr avge, USD-LCU)	0.75	0.72	0.78	0.75	0.75
Current Account in USDbn	-21.9	-29.5	-41.8	-40.2	-42.8
Current Account (% of GDP)	-0.83	-1.03	-1.56	-1.43	-1.51
FX reserves (year-end, USDbn)	300.24	316.71	332.54	330.96	327.6
Import Cover (months)	1.33	1.19	1.31	1.29	1.4
Inflation (annual avge, %)	1.7	2.3	2.2	1	0.6
Govt Balance (% GDP)	-6.8	-5.1	-4.8	-4.1	-4

Source : D&B

## Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	1.4	1.7	1.8	1.9	2
Nominal GDP in USDbn	2,386.9	2,478.4	2,588.3	2,761.3	2,918.8
Nominal GDP in local currency (bn)	2,169.9	2,232.8	2,311.0	2,401.1	2,494.7
GDP per Capita in USD	36,731	37,945	39,431	41,863	44,045
Population (year-end, m)	65	65.3	65.6	66	66.3
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.9	0.9
Current Account in USDbn	-12.6	-13.8	-6.7	0.8	8.5
Current Account (% of GDP)	-0.53	-0.56	-0.26	0.03	0.29
FX reserves (year-end, USDbn)	360	380	385	390	400
Import Cover (months)	1.5	1.5	1.3	1.4	1.5
Inflation (annual avge, %)	0.3	1.2	1.7	2	1.9
Govt Balance (% GDP)	-4.3	-3.4	-3	-2.4	-2.3

Source : D&amp;B

## Comparative Market Indicators

Indicator	France	Italy	Germany	UK	US
Income per Capita (USD)	43,861	35,180	46,760	46,431	54,086
Country Population (m)	64.6	61.1	82.7	63.5	322.6
Internet users (% of population)	81.9	58.5	84	89.8	84.2
Real GDP Growth (% p.a., 2015 - 2024)	1.2 - 2.1	-0.5 - 1.5	2 - 3	1.5 - 3.5	1.5 - 3

Source : D&amp;B



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