



Decide with Confidence

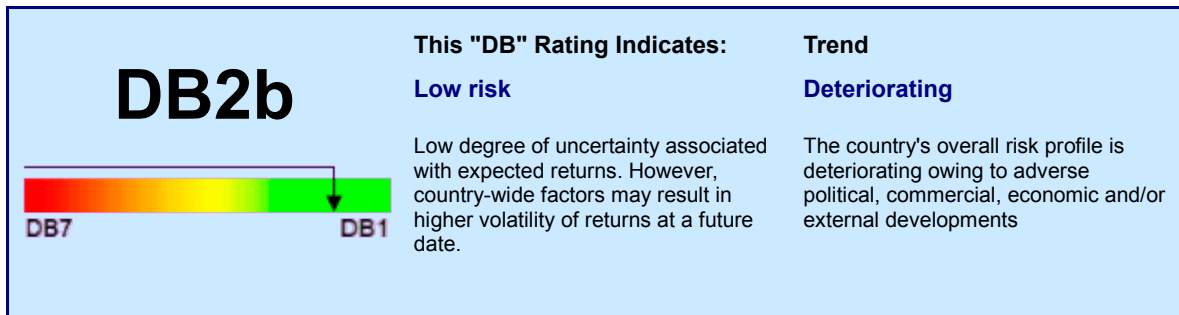
D&B Country RiskLine Report

FRANCE

Region : Western Europe

Edition : February 2012

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	62.8m
Surface area (sq km):	551,500
Capital:	Paris
Timezone:	GMT +01:00
Official language:	French
Head of state:	President Nicolas SARKOZY
GDP (USD):	2.6trn
GDP per capita (USD):	41,015
Life expectancy (years):	81
Literacy (% of adult pop.):	99.9

Country 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.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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
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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.

Trade & Commercial Environment

Payments performance in France and the euro area more broadly is likely to deteriorate in 2012. With the EU economy showing signs of progressively slowing, firms' revenues will suffer, making it harder for them to fulfil their payment obligations. Moreover, the euro-zone debt crisis is likely to cause further troubles for the financial sector: lending terms are already tight, and likely to tighten further, while banks' obligation to increase capital buffers (as requested by the EU) will also contribute to making access to credit more difficult. On the upside, a euro-depreciation will boost the price-competitiveness of companies that export to countries outside the euro area. We recommend SD terms for those trading with France-based firms.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

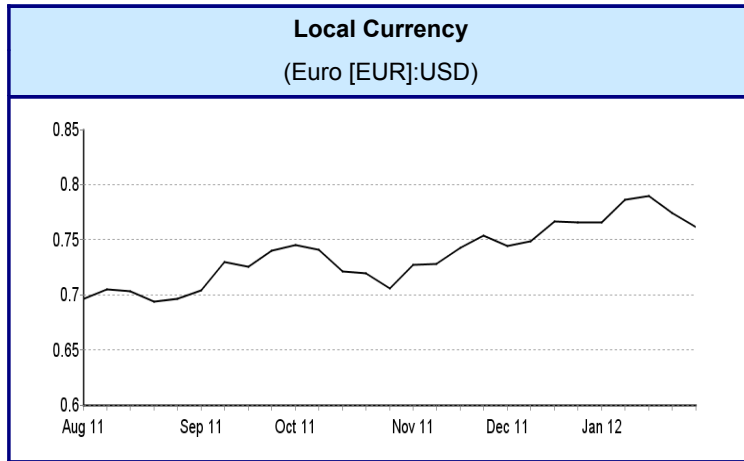
Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	-2.6	1.4	1.6	0.2	1.2
Inflation, annual ave, %	0.1	1.7	2.2	1.7	1.8
Govt balance, % GDP	-7.5	-7.1	-5.6	-4.7	-3.1
Unemployment, %	9.5	9.8	9.8	9.9	9.7
C/A balance, % GDP	-1.5	-1.7	-2.3	-2.5	-2.6

Inflation and unemployment are based on EU-harmonised data.

Currency Information

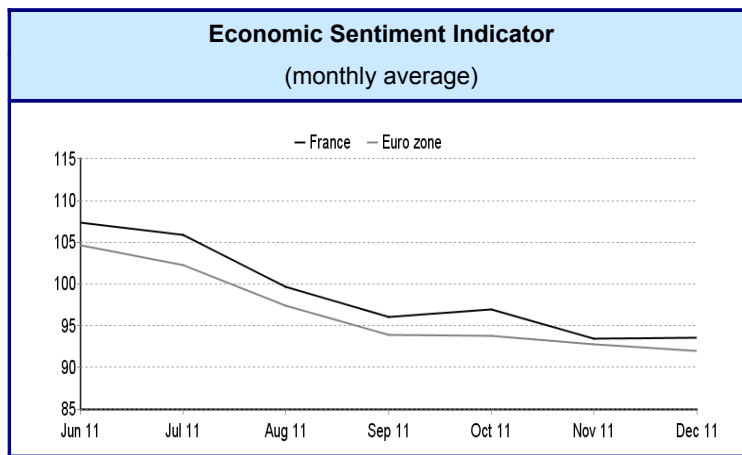
Exchange Rates	
(London, 23 Jan 12)	
GBP	1.2018
JPY*	1.0037
USD	0.774
*(x 100)	



Local Currency
(Euro [EUR]:USD)

	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12
Week 1	0.696	0.704	0.745	0.727	0.745	0.765
Week 2	0.705	0.729	0.741	0.728	0.748	0.786
Week 3	0.704	0.726	0.721	0.742	0.766	0.790
Week 4	0.694	0.740	0.720	0.754	0.765	0.774
Week 5	0.696		0.705			0.762

Economic Sentiment Indicator



Data Table

Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11
107.4	105.9	99.7	96.0	96.9	93.4	93.5
104.6	102.3	97.4	93.9	93.8	92.8	92.0

Risk Factor

With the economy struggling to grow and political uncertainty rising ahead of the 2012 presidential election, D&B has downgraded France's risk indicator by one quartile to DB2b while maintaining a 'deteriorating' outlook. In the months ahead, fiscal austerity measures will provide a further drag on an already weak economy, while pre-election political uncertainty is likely to further undermine business and household confidence. President Nicolas Sarkozy, already trailing in public opinion polls, saw his re-election chances further damaged in January when ratings agency S&P downgraded France's sovereign credit rating from triple-A status as a result of the country's relatively high level of government debt (85.3% of GDP in Q3 2011), its rigid labour market and the broader euro-zone debt problem. Further downgrades of its sovereign rating would risk a significant increase in France's borrowing costs, in turn undermining the sustainability of its public debt. With its deficit-cutting targets threatened by the weaker-than-expected economy, the government is under fresh pressure to deliver policies to spur growth as well as those that simply cut spending and raise revenues.

Economic indicators paint a relatively bleak picture for the months ahead, with France facing the risk of renewed recession. The economy lost 29,900 jobs in November 2011, bringing the number of unemployed to a 12-year high of 2.85m. With the unemployment rate at 8.9%, household spending is likely to remain constrained. Meanwhile, expansion and hiring in both the manufacturing and service sectors will be undermined by weak domestic and external demand, concerns over the unresolved euro-zone debt crisis, and the upcoming election. In December, the manufacturing *Purchasing Managers' Index* (PMI), compiled by Markit, rose only marginally to 48.9 (from 47.3 in November), leaving it below the 50.0-point expansion threshold for the fourth consecutive month; output and new orders fell. Although the service sector PMI registered 50.3 in December, eclipsing 50.0 for the first time in three months, new business opportunities continued to decline.

For its part, the government has begun to shift its emphasis to growth-stimulating reforms that would increase labour market flexibility and boost the competitiveness of French firms. In January, President Sarkozy announced a EUR430m package to help ease the country's growing unemployment problem; the plans include support for training programmes and a partial employment scheme, which allows companies to keep workers on reduced hours. However, plans for deeper labour market reforms, which include shifting the cost burden of hiring workers from employers to a new 'Social VAT', have already been met with resistance from the country's unions.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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Recommended Terms:

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:

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

Local Delays:

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

F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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