



Decide with Confidence

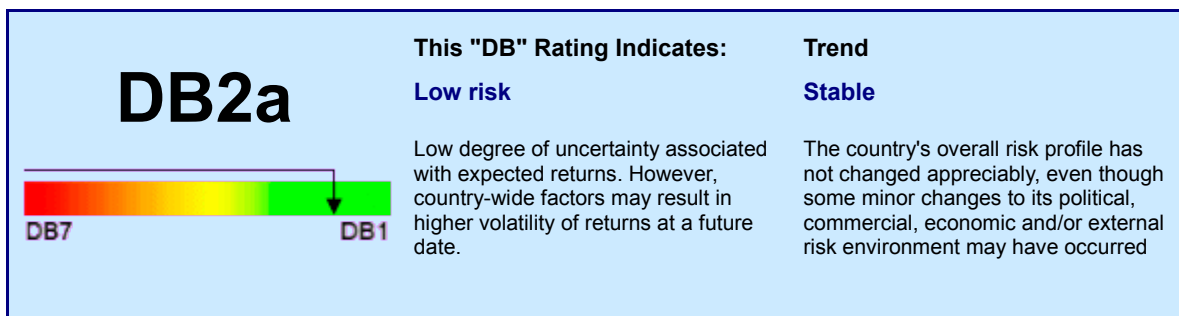
D&B Country RiskLine Report

FRANCE

Region : Western Europe

Edition : September 2010

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:	62.3m
Surface area (sq km):	551,500
Capital:	Paris
Timezone:	GMT +01:00
Official language:	French
Head of state:	President Nicolas SARKOZY
GDP (USD):	2.7trn
GDP per capita (USD):	42,802
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

Payment risks have stabilised and remain lower than in many other EU countries. D&B's proprietary payments performance data show that French companies paid 5.6% of their bills 30 or more days over agreed terms in the year to end-Q2 2010, down from 5.7% in the year to end-Q1. This is a better performance than the average in the six largest EU economies (France, Germany, Italy, the Netherlands, Spain and the UK). However, payment delays will remain a source of concern in the coming months as businesses continue to struggle, despite the onset of a mild recovery: according to the latest official data, the number of corporate insolvencies rose by an estimated 1.6% in the year to June 2010, with particularly sharp increases in the IT (up 9.0%) and transport (5.0%) sectors.

Export Credit Agencies

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

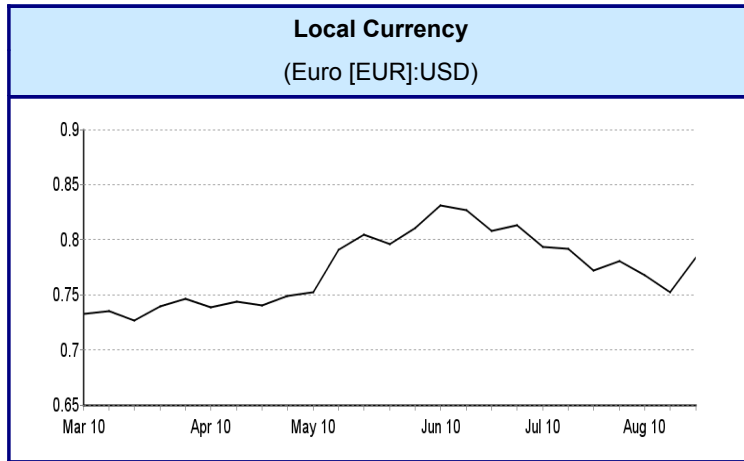
Economic Indicators

	2007	2008	2009	2010f	2011f
Real GDP growth, %	2.3	0.3	-2.2	1.5	1.2
Inflation, annual ave, %	1.6	3.2	0.1	1.5	1.4
Govt balance, % GDP	-2.7	-3.3	-7.5	-8.1	-6.3
Unemployment, %	8.3	7.8	9.4	10.0	9.9
C/A balance, % GDP	-1.0	-1.9	-1.9	-1.8	-1.7

"Payments Performance" chart reflects experiences of EU rather than US companies. Inflation and unemployment are based on EU-harmonised data.

Currency Information

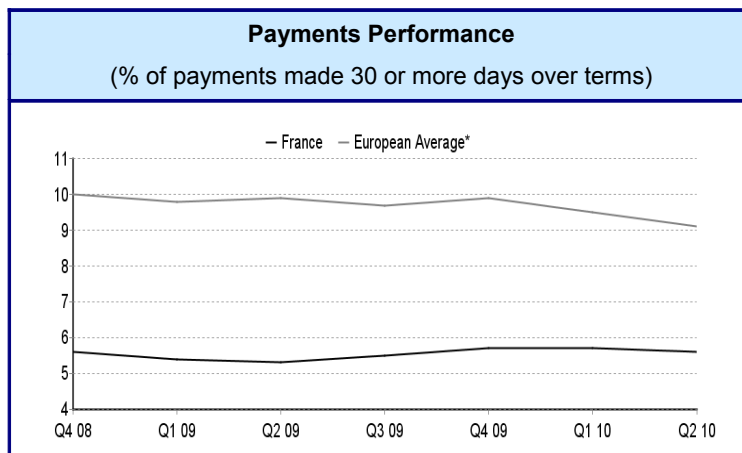
Exchange Rates	
(London, 16 Aug 10)	
GBP	1.2214
JPY*	0.9075
USD	0.7836
*(x 100)	



Local Currency
(Euro [EUR]:USD)

	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10
Week 1	0.733	0.739	0.752	0.831	0.794	0.768
Week 2	0.735	0.744	0.790	0.827	0.792	0.752
Week 3	0.727	0.740	0.805	0.808	0.772	0.784
Week 4	0.739	0.748	0.796	0.814	0.780	
Week 5	0.746		0.811			

Payments Performance



Data Table

Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
5.6	5.4	5.3	5.5	5.7	5.7	5.6
10.0	9.8	9.9	9.7	9.9	9.5	9.1

Risk Factor

The French economy recorded a healthy expansion in Q2, but D&B remains concerned about a slowdown in the second half of the year. According to data from the French statistics office (INSEE), the economy expanded by 0.6% quarter on quarter (q/q) in Q2, up from 0.2% in Q1. The breakdown of GDP data reveals that domestic demand was the key driver of growth in Q2, led by private consumption and investment activity, and with inventory restocking also contributing. Positively, corporate investment rebounded for the first time in two years; this indicates increased optimism among companies with regard to future demand. Meanwhile, household consumption expanded despite a recent slowdown in the consumption of manufactured goods, indicating that services led consumption in Q2. Finally, net exports detracted from real GDP as a result of a surge in imports.

Q2 figures highlight that the recovery remains dependent on domestic demand, although France has also benefited from a rebound in exports amid stronger demand from the US and Asia, as well as the depreciation of the euro in Q2. Worryingly, INSEE's latest household confidence indicator shows that in July consumer confidence remained at its lowest level since May 2009, well below its long-term average. Fears about unemployment persist. Indeed, in June France's EU-harmonised unemployment rate rose to 10.0% following a gradual increase from 7.6% in early 2008. High unemployment weakens household disposable incomes. Low consumer confidence and high unemployment suggest that domestic demand will come under renewed pressure in the second half of the year, particularly amid a gradual withdrawal of government incentives for car purchases. We also remain concerned that public spending cuts and tax rises announced by the government in recent months (to reduce the wide budget deficit) pose significant downside risks to domestic demand; the government aims at raising around EUR13.2bn (0.6% of GDP) from tax increases in 2011. With foreign demand likely to ease in the second half of 2010 (amid weaker demand in the US and China) there is an increasing risk that the pace of France's recovery will be unsustainable if domestic demand falters.

In terms of sectoral performance, low consumer confidence and rising unemployment have already dampened household consumption of manufactured goods in recent months. Prospects for the service sectors remain more favourable than those for manufacturers: in July the Purchasing Managers' Index (PMI) for the manufacturing industry fell to a 10-month low, reflecting weaker expansions of output and new orders and an accelerating decline in employment, while the service sector PMI expanded healthily. Hence, trading companies should remain vigilant with regards to potential payment delays in the manufacturing sector.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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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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