



Decide with Confidence

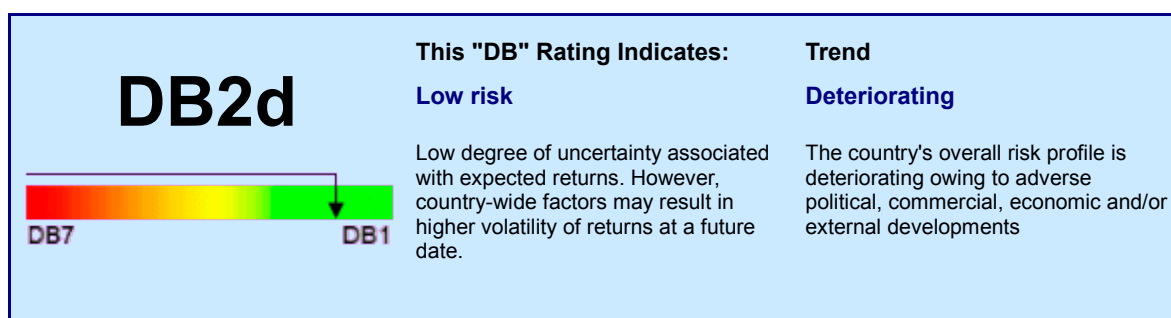
D&B Country RiskLine Report

FRANCE

Region : Western Europe

Edition : September 2013

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 Francois HOLLANDE
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

France's commercial environment has been on a deteriorating trend for several years amidst the unwillingness of the political leadership to implement painful but much-needed reforms. This negative trend is reflected in the country's ranking in the World Economic Forum's *Global Competitiveness Report*. In the past three years, France's rating fell from 15 to 21 (out of 144 countries surveyed). The most problematic factors when doing business in France are (according to the companies that participated in the survey) restrictive labour market regulations, access to financing, tax rates, tax regulations and the insufficient capacity to innovate. We expect the country's commercial environment to worsen further over the outlook period.

Export Credit Agencies

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

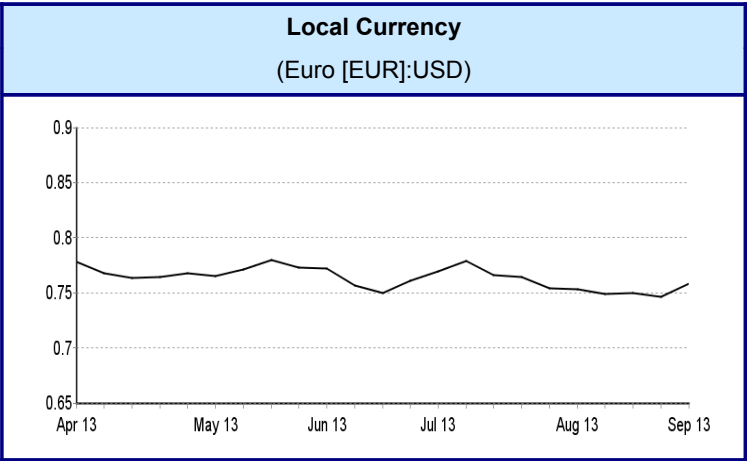
Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	1.6	2.0	0.0	-0.1	0.7
Inflation, annual ave, %	1.7	2.3	2.0	1.2	1.7
Govt balance, % GDP	-7.1	-5.3	-4.8	-3.8	-3.2
Unemployment, %	9.7	9.6	10.3	11.0	11.3
C/A balance, % GDP	-1.5	-2.0	-2.3	-1.9	-1.7

Inflation and unemployment are based on EU-harmonised data.

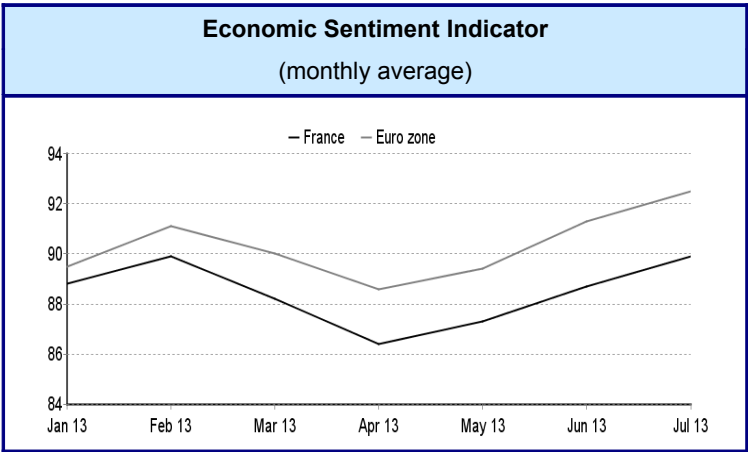
Currency Information

Exchange Rates (London, 02 Sep 13)	
GBP	1.1732
JPY*	0.773
USD	0.7584
*(x 100)	



Local Currency (Euro [EUR]:USD)						
	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13
Week 1	0.778	0.765	0.772	0.769	0.753	0.758
Week 2	0.768	0.771	0.756	0.779	0.749	
Week 3	0.764	0.780	0.750	0.766	0.750	
Week 4	0.764	0.773	0.761	0.764	0.746	
Week 5	0.768			0.754		

Economic Sentiment Indicator



Data Table						
Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
88.8	89.9	88.2	86.4	87.3	88.7	89.9
89.5	91.1	90.0	88.6	89.4	91.3	92.5

Risk Factor

After having contracted in quarter on quarter (q/q) terms in Q4 2012 and Q1 2013, real GDP expanded by 0.5% q/q in April to June. A breakdown by components of demand shows that the end of recession in Q2 was due to increased household consumption (up by 0.4% q/q) while imports expanded roughly as quickly as exports (+1.9% q/q versus 2.0%). Worryingly, investment was still falling in Q2 (-0.5% q/q), the sixth consecutive quarter of contraction. Despite the supportive monetary policy of the ECB and its record low key refinancing rate of 0.5%, credit to the corporate sector remains virtually flat amidst pessimistic businesses and tight bank lending terms. For 2013 as a whole, we stick to our forecast of a 0.1% real GDP contraction while for 2014, we forecast 0.7% growth.

Our rather pessimistic outlook scenario originates from the reading of forward-looking indicators. The Purchasing Managers' Index (PMI, compiled by Markit) for the manufacturing sector did not record any change in August. It came in at 49.7 points, the eighteenth consecutive month of contraction. In the retail sector, things are looking more positive as the PMI remained above the 50-points growth threshold for the second consecutive month (coming in at 51.0 points) in August. That said, with unemployment still rising and households remaining pessimistic about the 12 months ahead, headwinds are still strong. Besides weak export demand stemming from the euro-zone crisis (the destination of 47.4% of France's exports in 2012), rigidities in the labour and product markets have caused a loss of price competitiveness on export markets and thereby problems for export-orientated businesses. Negatively, the Socialist government under President Francois Hollande and Prime Minister Jean-Marc Ayrault remains unwilling to address pressing issues like much-needed pension reform; we do not forecast a less regulated and more business friendly operating environment in France in 2013-14.

Meanwhile, the poor economic outlook and record-high levels of unemployment have not (so far) impacted on the number of business failures; only a few sectors posted a rise in insolvency risk in Q1 2013. Some 16,507 firms went bankrupt in January-March, a decrease of 3.0% compared with Q1 2012. Sectors with rising insolvency risk in Q1 were horeca (+3.0% year on year) and real estate (+10.2%), while transportation (-11.3%), financial and insurance activities (-11.5%), construction (-13.4%), as well as information and communication (-15.4%) experienced impressive decreases. The sector with the highest insolvency risk remains construction, with business failures of 26.3%. We expect the likelihood of business failures in France to rise in the outlook period. SD are our recommended terms, especially when conducting business with new customers.

Glossary & Definitions

DEFINITIONS

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Usual Terms:

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Local Delays:

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F/X Bank Delays:

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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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Email: CustomerService@dnb.com

Rest of World

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