

Paris, on 10 December 2019

## **Business failures in France are less frequent, but of a larger size.**

***While the number of companies facing corporate insolvency has decreased since the beginning of the year, their cost has increased, both financially and in terms of the number of jobs affected.***

After a difficult first quarter, marked by the repercussions of the “yellow vests” movement, the number of corporate insolvencies since the beginning of the year in France is set to decline for the fourth consecutive year. However, Coface expects a slight rebound in insolvencies in 2020 (+0.9%), mainly due to the expected slowdown in the construction sector, which was largely driven by public works in 2019 in the run-up to the municipal elections.

### **The contrasted two-phase impact of the “yellow vests” movement**

Although the *gilets jaunes* (yellow vests) movement caused an increase in corporate insolvencies at the beginning of the year, the subsequent tax measures implemented by the government and the dynamism of the labour market led to an increase in household purchasing power and, ultimately, a sharp decline in insolvencies in the consumer-dependent sectors of retail services and distribution.

On the other hand, transport continues to be penalized by the increase in the number of taxi driver and road hauler insolvencies, and the automotive sector has seen an increase in the cost of failures, despite the decrease in their frequency. This apparent contradiction is explained by the difficulties encountered in 2019 by vehicle equipment manufacturers, whose share of the market is significant despite their limited number.

More generally, the first ten months of the year were marked by an increase in insolvencies for companies that generated more than €5 million in revenue – notably, six companies with a turnover of more than €200 million initiated insolvency proceedings during the period.

### **A relative optimism tempered by the national and, above all international economic prospects**

According to the survey conducted by Coface in September 2019 among industry business leaders, French companies are relatively positive about the evolution of their cash flow in 2020. But they are much less so regarding the French economy and, above all, the global economy. For example, half of the respondents believe that their export activity will continue to be mainly threatened by trade tensions and geopolitical risk, much more so than by Brexit or a possible recession in the United States.

Despite these risks, 2020 will also bring export opportunities, particularly to the rest of the European Union, which companies believe will be the most dynamic market next year, ahead of North America and Asia.

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