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# PANORAMA

## France

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By Coface Group Economists



**T**enuous but confirmed. These are the terms that best describe France's current growth - as illustrated by the figures for the third quarter, published in early November. Household consumption has increased, even if only modestly, due to gains in purchasing power as a result of almost zero inflation and despite the ever-rising unemployment rate. Corporate investment has also risen, but at a less rapid rate than the majority of France's neighbours and at a slower pace than has been historically observed during phases of economic recovery. External support from reduced oil prices and government measures, such as the Tax Credit for Competitiveness and

Employment (CICE) , are also helping to restore company margins.

The change in company insolvencies shows that they have begun to take advantage of the effects of this tentative recovery. Insolvencies have now fallen for three consecutive half-years, regardless of company size. Companies are, however, still faced by cloudy weather in some areas, for example in the Centre and Auvergne regions, where the number of insolvencies are still rising, and in the Ile-de-France, where they remain stable.

Coface's sector analysis of France highlights these persistent risks. While most of the sectors have a similar risk level to

those of the European average, the transport and construction sectors are more risky. Despite the fall in oil prices, France's transport sector is ranked as high-risk, a notch above its European counterparts.

Construction remains the Achilles' heel of the French economy. Moreover, while new housing sales have certainly risen in 2015, we remain cautious as prices have only been slightly adjusted downwards since 2008, pointing towards a new drop in 2016. Lastly, segments are suffering from the divestiture of public players and regional disparities remain strong. The sector's insolvencies in the Ile-de-France and Rhone Alpes regions remain in the red.