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Insolvencies in France: more than 22,000 businesses in suspended animation

January 2021 continued the trend seen in 2020 in terms of business insolvencies as the number of insolvencies fell by 38% year-on-year – exactly the same decline as in 2020. While the economic crisis resulting from the health restrictions has not affected all sectors in equal measure, the number of insolvencies has dropped significantly across the board, including in sectors that have been out of business for several months (bars, clubs, restaurants, hotels, gyms). Even the smallest businesses, which are usually more vulnerable during recessions, saw a decrease in the number of insolvencies. There was one exception however: the number of insolvencies in businesses with a turnover of more than € 100 million per year rose from 8 in 2019 to 21 in 2020, with the four largest being in the clothing sector. As such, the average turnover of insolvent businesses has increased by 52%, and the financial cost of insolvencies – measured by total outstanding trade payables – is up 3% compared to 2019. On the other hand, the impact on employment remained limited, with 126,000 jobs affected by insolvencies over the year – the lowest level since 2006.

The atypical nature of this crisis and the unprecedented scale of the government's relief measures have, at least temporarily, broken the link between economic activity and business insolvencies. As a result, Coface has included the main business support measures (furlough scheme, state-backed loans, Solidarity Fund) in its insolvency forecasting model. Taking these measures into account, along with the drop in turnover by sector, the number of business insolvencies should have risen by 6.5% in 2020 in France. According to Coface's forecasting model, there should have been nearly 54,000 insolvencies in France in 2020, yet last year only 31,490 insolvency procedures were actually initiated. While it is difficult to precisely predict when these 22,500 "hidden" insolvencies will occur, they are expected to materialise between now and 2022, as normal activity gradually returns and support measures come to an end. According to Coface's forecasting model, there are an estimated 8,600 "hidden" insolvencies in France in the construction sector, 3,000 in the hospitality industry, 1,800 in retail, 1,500 in manufacturing, 1,200 in business services and nearly 800 in transport.

