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# PANORAMA

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## FRANCE

### Growth takes a time-out

COFACE ECONOMIC PUBLICATIONS

By Coface Group Economists



**F**rench growth has taken a time-out in Q2. The political uncertainties in the United Kingdom, the strikes in May and the floods affecting Ile-de-France are all likely suspects responsible for this surprise halt. However, the figures are expected to recover in Q3. The extent of the negative impact of stocks in the second quarter suggests we can forecast a particularly good rebound. Household confidence grew in August, and business confidence continues to outperform its long-term average. The risks facing the French economy remain primarily external, originating mainly from our trading partners who one by one are taking the

tricky step of planning a referendum. Coming just a few weeks after Brexit, the Italian government would not survive if the electorate decides to vote against its proposed reforms to the Senate. There is every likelihood that France will suffer a significant economic fallout from any prolonged period of political uncertainty in Italy (even though this risk has not yet actually materialised in the case of the UK).

Despite these uncertainties, Coface predicts growth of 1.6% in 2016 (followed by 1.3% in 2017). This should be sufficient to lower the rate of company insolvencies by 3.4% this year, with Ile de France, Centre and Corsica being the only regions to not benefit from

this improvement. The rise in insolvencies in the agri-food sector is in turn evidence of the heightened risk for companies still reeling from a poor harvest.

There is good news, however, with automotive having been downgraded to low risk in our sector analysis. France is making up for lost time in terms of new car registrations, which is providing upstream benefits for the sector. The overseas expansion of vehicle and parts manufacturers, affecting areas with the highest added value, will however have a substantial impact on the suppliers of the companies only in the mid-term.

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