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EcoBrief

France: the 60,000 business insolvencies threshold is exceeded

In May 2024, cumulative 12-month business insolvencies exceeded 60,000 for the first time since August 2016, according to Banque de France data. This threshold has only been exceeded four times in the past. However, the dynamism of business creations and the specific nature of post-Covid normalisation reveal a clear difference between the recent and previous peaks in business insolvencies.

In May 2024, business insolvencies reached 60,210 units cumulatively over 12 months, according to Banque de France data. This number is constantly increasing (56,000 insolvencies in 2023 and 41,000 in 2022), exceeding the levels that prevailed before the Covid-19 pandemic (51,000 defaults in 2019).

The threshold of 60,000 insolvencies over 12 months has only ever been exceeded four times in the past: during the 1993 recession, after the 1996 economic dip, during the 2009 Great Recession, and finally during the Eurozone crisis in 2012.

However, the recent rise is taking place under specific conditions:

- Three years below normal: 33,300 insolvencies per year on average over 2020–2022, compared with an average of 58,700 over 2010-2019;
- The sudden increase in interest rates, against a backdrop of an inflation shock, which is all the more pronounced as it is occurring after an exceptionally long period without any monetary tightening (no tightening observed between August 2011 August and July 2022);
- A (more common) phenomenon of reduced growth.

The combination of these three effects (post-Covid, interest rates and low growth) may explain the high number of insolvencies currently observed, unlike previous peaks where these three effects were spread out over several years.

The persistent momentum of business creations is another element that distinguishes the current period from previous periods, putting the extent of the rise in insolvencies into perspective. With the exception of businesses in the construction sector and estate agencies (which are operating in a specific context), business creations have reached a record total of 965,000 over the last 12 months (at the end of April 2024 according to data published by INSEE). This momentum contradicts the declines observed during previous episodes of increased business insolvencies.

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