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EcoBrief

France: in Q3 2023, business insolvencies exceeded their pre-Covid level by 4%

With +4% in Q3 and +5% in Q2, total business insolvencies over 3 months were, for the second consecutive quarter, higher than their pre-Covid level over the same period, according to preliminary data from Banque de France. Over 12 months, industry, accommodation & catering and real estate are among the sectors with higher insolvencies than before Covid. Overall, the phenomenon is likely to increase with a greater proportion of liquidations than in the past and a higher number of large and medium-sized companies affected by insolvencies.

According to Banque de France, in Q3 2023, French total business insolvencies over 3 months exceeded their level observed over the same period in 2019 by 4%, compared with +5% in Q2 and -3% in Q1. Business insolvencies are returning to their 2019 level for the first time, according to the more usual 12-month cumulative measurement. Thus, after hitting a low point during the Covid-19 pandemic, their level seems to have normalised. However, the level remains 5% below its average over 2000-2019, which could be reached again in 2024, and 17% below the average recorded during the 2009-2016 peak in terms of insolvencies.

Several sectors are already experiencing more insolvencies than before Covid-19 (12-months sum to the end of August). These include industry (+8%), accommodation & catering (+3%) and real estate (+3%), sectors affected by cash, profitability or demand issues. In retail trade, the number of insolvencies is close to returning to its pre-Covid level (-1%) due to the increase in costs and the drop in demand. In construction, the good performance of the building maintenance/improvement sector and the investment of companies in construction offset the drop in activity in the residential sector; the overall momentum of insolvencies thus remains contained (8% below pre-Covid).

A first point of attention is related to a deterioration in payment behaviour: for example, the proportion of companies experiencing late payments increased to 36.2% in carcase work (building), according to the INSEE July survey (compared to 23.9% in the April survey), with the risk that this will increase the number of insolvent companies.

A second point of attention belongs to the cost in terms of jobs. The greater proportion of liquidations (66% of insolvencies in January-September 2023 compared to 52% in the same period of 2019 according to the commercial court clerks' statistics) is likely to increase this risk. At the same time, Banque de France's figures show that 50 large and medium-sized companies have been subject to collective proceedings over the past 12 months, twice as many as pre-Covid, with a preponderance in the textile retail trade.

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