

EcoBrief

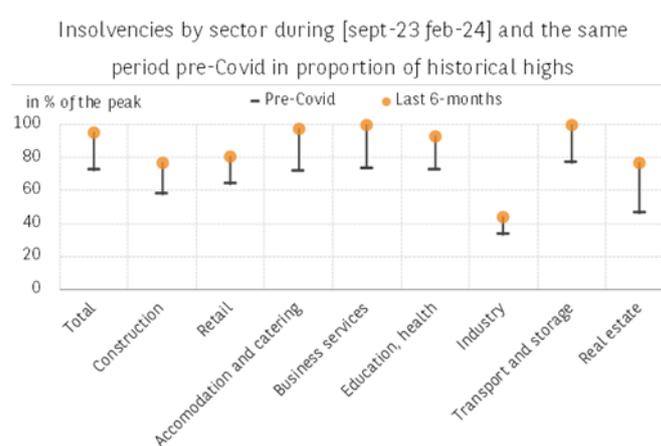
France: business insolvencies stabilised at a high level in Q1 2024

In Q1 2024, business insolvencies in France reached nearly 15,000 units. This is only slightly less than in Q4 2023, which was marked by a sharp rise. Although the construction and retail trade sectors are facing a significant increase in the number of businesses affected, insolvencies in these sectors remain below historic highs. On the other hand, records were set in business services and in transport and storage services.

According to Banque de France data, the number of business insolvencies has consistently come close to or exceeded 5,000 per month since September 2023, a threshold that had not been crossed since March 2016. Such persistence has resulted in significant cumulative figures: nearly 15,000 insolvencies in Q1 2024 (a preliminary figure that will probably be revised upwards), after around 15,500 in Q4 2023; cumulative insolvencies over 12 months therefore total 58,287 units.

Construction and retail trade are the sectors with the highest number of insolvencies. If we analyse the data between September 2023 (when the threshold of 5,000 units per month was reached) and February 2024 (as the March data is preliminary, it remains incomplete), insolvencies in both these sectors are respectively 33% and 26% higher than in the equivalent pre-COVID period, a logical result given that the current economic climate is more difficult for both these sectors than it was then.

The chart¹ below shows this cumulative figure over six months (from September 2023 to February 2024) and over the equivalent pre-COVID period as a proportion of historic highs: the most recent figure remains below the peak at 23% for construction (peak in 2009) and 19% for retail trade (peak in 1997). This is due to the existence of more buffers than in the past, particularly in terms of cash positions (as shown, in particular, by the INSEE business survey in these sectors). Conversely, a number of sectors – including transport and storage (mainly freight transport) and business services – have recorded a historic peak in insolvencies over the last six months or are coming close to it (accommodation and catering). These sectors share a marked deterioration in their business climate and cash position indices (according to the INSEE business survey for services).



Source: national sources, BNP Paribas calculations

^[1] Reading the chart: measured cumulatively between September 2023 and February 2024, insolvencies in the construction sector reached 74% of their peak (2009), while their cumulative total over the last six months before COVID (September 2019 to February 2020) represented 58% of this peak. The chart includes the main sectors (with at least 1,000 insolvencies per half-year). The order in which the sectors are represented corresponds to the current number of insolvencies (from highest to lowest).

Stéphane Colliac
 Senior Economist - France and Germany
stephane.colliac@bnpparibas.com