



France

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture



Remains Poor

The industry has been impacted by higher input prices and environmental issues, while sales prices have remained subdued. The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Agriculture value added is forecast to shrink by almost 4% in 2020 after a modest 0.6% contraction in 2019.

Automotive/Transport



Remains Bleak

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment to cope with the shift away from combustion engines towards e-mobility. Automotive value added is expected to contract by more than 43% in 2020.

Despite comprehensive stimulus measures (e.g. direct spending and tax break measures), many Tier 1 and Tier 2 subcontractors, and even some medium-sized businesses, are facing increased credit risk. Due to this and the subdued performance outlook of the industry, it is expected that the number of insolvencies will increase substantially in the coming six to twelve months. A suspension of the obligation for businesses facing severe liquidity issues to file for court proceeding expired at the end of August.

Chemicals/Pharmaceuticals



Remains Fair

Many chemical businesses are suffering from a drop in demand linked to disruptions in their downstream chain. Logistic issues also have had a negative impact, although to a lesser extent on pharmaceuticals than on chemicals businesses. Chemicals value added is forecast to contract 11% in 2020, while a 4% growth rate is expected for pharmaceuticals.

Construction/ Construction Materials



Remains Bleak

The industry was already performing poorly before the coronavirus outbreak, with increased cash difficulties for businesses due to difficulties funding their working capital requirements. Operating margins are very tight, with increased credit risk mainly to smaller players. Construction value added is expected to shrink by 18% in 2020. Due to the economic slump and lockdowns, businesses are affected by a significant decrease in activity, postponement of projects and reduced order volumes, which has reduced the level of incoming cash flow and hurts profitability. Insolvencies are expected to substantially increase in the coming six to twelve months. A suspension of the obligation for businesses facing severe liquidity issues to file for court proceeding expired at the end of August.

Consumer Durables



Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. There has been a significant drop in activity with a reduced level of incoming cash flow. Despite ongoing stimulus measures by the government, subdued consumer sentiment and rising unemployment seem to hamper a rebound in the short-term. Retail value added is expected to decrease by 13% in 2020, and insolvencies are forecast to sharply increase in the coming six to twelve months. A suspension of the obligation for businesses facing severe liquidity issues to file for court proceeding expired at the end of August.

Electronics/ICT



Up from Bleak to Poor

Sales have sharply deteriorated due to the closure of businesses related to the lockdown in H1 of 2020. Some retail businesses face a reduced level of incoming cash flow. However, spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. While ICT value added is expected to decrease by more than 5% in 2020, the decrease in activity will be less than in other sectors, and the rebound will happen faster (a 7% ICT value added rebound is forecast for 2021).

Industry performance

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Financial Services



Up from Bleak to Poor

Rising financial troubles for businesses and consumers alike leading to increased non-performing loans remains a major downside risk for the industry. However, the financial sector is supported by a significant amount of cash injected by the government to support businesses (state guaranteed loans) and by the fact that private households savings have increased, providing additional resources.

Food



Remains Poor

An increasing number of businesses are suffering from the closure of several distribution channels, the most drastic one being the outside home consumption (restaurants and snacking), which will continue to remain closed for the time being. This and the negative effects on the catering distribution channel are impacting the whole food industry, with value added forecast to contract 0.5% in 2020.

Machines/Engineering



Remains Bleak

The business outlook has deteriorated as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive and aeronautics has deteriorated, and is expected to remain subdued in the coming months. Engineering value added is expected to contract by more than 11% in 2020, and for many businesses, the high level of fixed costs will be difficult to absorb. It is expected that insolvencies will increase in this sector in the coming six to twelve months.

Metals



Remains Bleak

Metal producers and traders have suffered due to deteriorating demand from key buyer sectors (automotive, aeronautics, construction and machines) and/or supply chain disruptions. The demand situation will remain subdued in the coming months, with no major rebound expected. Metal manufacturing value added is expected to contract by more than 17% in 2020 and to recover by only 6.5% in 2021. Many metal businesses struggle with decreased cash flow while facing high fixed costs, and it is expected that insolvencies will increase in this sector in the coming six to twelve months.

Paper



Remains Bleak

Paper producers are impacted by less demand due to lockdown measures and the ongoing digitalization. After a 3.3% contraction in 2019, value added is expected to shrink again, by 2%.

Services



Remains Bleak

Due to the comprehensive lockdown measures and the ongoing pandemic, many segments suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. In Q2 of 2020 alone, business to consumer services decreased 38% year-on-year. Hotels and catering value added is forecast to contract 20% in 2020. The government has implemented several stimulus measures to support the sector. However, many businesses have not reopened yet and may never even do so. The outlook for the next six months is subdued, and any recovery is expected to be slow.

Steel



Remains Bleak

Steel producers and traders have suffered due to deteriorating demand from key buyer sectors (automotive, aeronautics, construction and machines) and/or supply chain disruptions. The demand situation will remain subdued in the coming months, with no major rebound expected. After a 6% decrease in 2019, steel value added is expected to contract by more than 21% in 2020, followed by a 10% increase in 2021. Many steel businesses struggle with decreased cash flow while facing high fixed costs, and it is expected that insolvencies will increase in this sector in the coming six to twelve months.

Textiles



Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally affected by deteriorating sales due to the lockdown and declining private consumption. Activity in both textile production and retail is expected to remain low in the coming months. After shrinking in 2018 and 2019, textiles value added is expected to contract again in 2020, by 16%. Mainly brick-and-mortar retailers struggle with low cash flow while facing high fixed costs, and it is expected that insolvencies will increase in the coming six to twelve months.