



Decide with Confidence

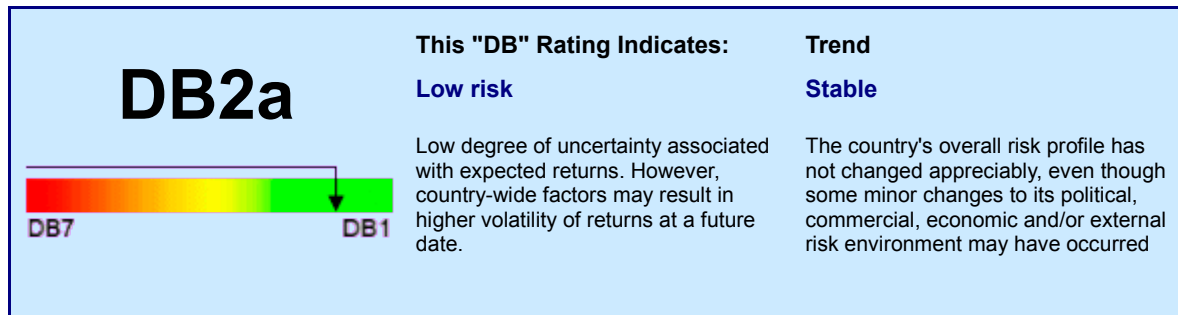
## D&B Country RiskLine Report

# FRANCE

Region : Western Europe

Edition : April 2008

### D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country. Essentially, the indicator seeks to encapsulate the risk that country-wide factors pose to the predictability of export payments and investment returns over a time horizon of two years. The 'DB' risk indicator comprises a composite index of four overarching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, foreign exchange reserves, size of external debt and all such factors that determine whether a country can generate enough foreign exchange to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth and a commensurate expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	64.0m
<b>Surface area (sq km):</b>	551,500
<b>Capital:</b>	Paris
<b>Timezone:</b>	GMT +01:00
<b>Official language:</b>	French
<b>Head of state:</b>	President Nicolas SARKOZY
<b>GDP (USD):</b>	2.5trn
<b>GDP per capita (USD):</b>	34,936
<b>Life expectancy (years):</b>	80.6
<b>Literacy (% of adult pop.):</b>	99.0

### Country Overview:

France has the largest surface area of any country in Western Europe. Its biggest neighbour (and main partner for trade and foreign policy) is Germany: these two founding members of the EU have long been the driving force behind European integration. France's domestic politics are characterised by fierce ideological differences between parties of the left and right. Trade unions form an important part of the French polity; their powers of public mobilisation give them a large role in opposing government policy.

Economically, France is a prosperous country with a large industrial base, substantial agricultural resources and a highly skilled labour force. Productivity is extremely high by international standards, and many big French companies are leading global players in their markets. Nonetheless, the state has an influential role in the economy, reflected in extensive public services, a strong social safety net and world-class infrastructure.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	OA
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The minimum advisable form of documentation or trading method under which D&B advise customers to pursue any form of export trade with stated country.

<b>Recommended Terms:</b>	SD
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

<b>Usual Terms:</b>	30-120 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on foreign exchange controls, foreign exchange availability and the efficiency of the local banking system.

### Trade & Commercial Environment

The fiscal deficit grew to 2.7% of GDP in 2007 (from 2.4% in 2006) as spending rose faster than revenues. Weaker economic growth and rising commodity prices are likely to squeeze corporate profits in 2008, depressing corporate taxes and putting the government's deficit target of 2.3% of GDP beyond reach; we expect at least 2.7%, with rising public debt threatening to crowd out the private sector. Euroland inflation accelerated to a provisional 3.5% year on year in March (from 3.3% in February), reducing the scope for the ECB to cut interest rates (we do not expect any reduction in the next 12 months). This will help to maintain upward pressure on the euro exchange rate, prompting growing concern within France over eroding export competitiveness and slowing FDI from the US.

### Export Credit Agencies

<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	Full cover available no discretionary limits
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Full ST cover available

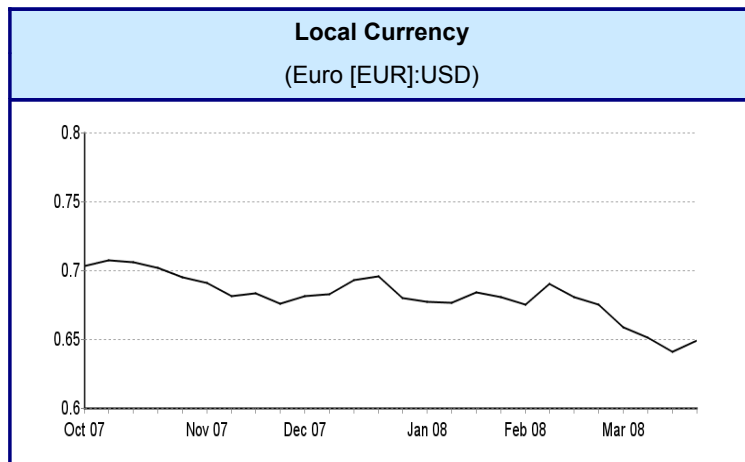
### Economic Indicators

	2005	2006	2007e	2008f	2009f
<b>Real GDP growth, %</b>	1.7	2.0	1.9	1.7	2.0
<b>Inflation, annual ave, %</b>	1.9	1.9	1.6	2.5	2.0
<b>Govt balance, % GDP</b>	-3.0	-2.4	-2.7	-2.7	-2.4
<b>Unemployment, %</b>	9.2	9.2	8.3	7.7	7.5
<b>C/A balance, % GDP</b>	-0.9	-1.3	-1.2	-1.3	-1.4

\*Average payment performance in the six largest EU economies (France, Germany, Italy, the Netherlands, Spain and the UK); data for these countries describe European and not US companies' experiences.

### Currency Information

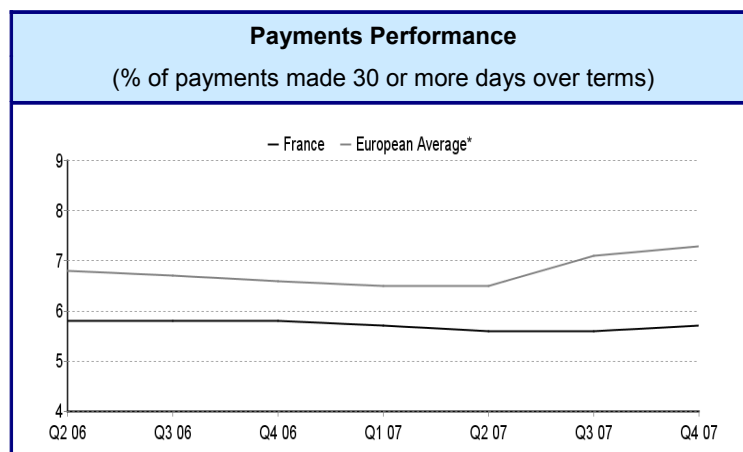
<b>Exchange Rates</b>	
(London, 31 Mar 08)	
GBP	1.2623
JPY*	0.6376
USD	0.6343
	0.0
*(x 100)	



**Local Currency**  
(Euro [EUR]:USD)

	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08
<b>Week 1</b>	0.703	0.690	0.681	0.677	0.675	0.659
<b>Week 2</b>	0.707	0.681	0.682	0.676	0.690	0.651
<b>Week 3</b>	0.706	0.683	0.693	0.684	0.681	0.641
<b>Week 4</b>	0.702	0.676	0.696	0.680	0.675	0.649
<b>Week 5</b>	0.695		0.680			

## Payments Performance



**Data Table**

Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
5.8	5.8	5.8	5.7	5.6	5.6	5.7
6.8	6.7	6.6	6.5	6.5	7.1	7.3

## Risk Factor

Following the virtual electoral rout of his Union for a Popular Movement (UMP) in municipal elections in mid-March, President Nicolas Sarkozy received a much-needed boost from his state visit to the UK in late March, the first such visit by a French President in more than 12 years. Sarkozy talked of turning an "entente cordiale" between France and the UK into an "entente amicable", while the British prime minister, Gordon Brown, hailed the beginnings of an "entente formidable".

Since coming to power in May 2007, Sarkozy has pursued a marked change in some areas of foreign policy. A far more Atlanticist figure than his predecessor, Jacques Chirac, Sarkozy is seeking to strengthen co-operation with the US on a number of security issues, particularly regarding policy towards the Middle East, and has expressed an inclination for France to rejoin NATO's integrated military command (albeit with a number of conditions). Moreover, Sarkozy does not enjoy a close personal bond with the leader of France's traditional European ally, Germany's Chancellor Angela Merkel, and appears to be trying to create a countervailing balance of power with the UK. Thus Sarkozy and Brown announced plans to create a "partnership of pioneers" to tackle global crises, climate change and reform of international institutions such as the IMF and the UN Security Council. The two leaders also pledged increased collaboration on defence (by pooling aircraft carriers and maritime aircraft for national, EU-led or NATO operations) and a common set of planning rules for nuclear power stations. In particular, Sarkozy and Brown pushed for greater transparency on the global financial markets, urging banks to make "full and prompt disclosure" about write-downs in the wake of the credit squeeze (both countries have been hit by the recent financial market turbulence, with France's Societe Generale losing almost EUR5bn when it was forced to unwind more than EUR50bn of apparently unauthorised deals in unfavourable markets).

However, any short-term boost that Sarkozy might glean from appearing statesmanlike on the world stage might not last long, given that French citizens are becoming increasingly gloomy about the country's economic prospects. According to the monthly survey of consumer confidence conducted by the Insee national statistics institute, consumer sentiment reached a record low in March, presaging a growing unwillingness to spend on big-ticket items. A cooling property market, uncertainty generated by financial market turbulence and, above all, higher inflation (driven by food and oil prices) are working together to discourage consumer spending: the index of buying propensity fell to an 11-year low in March, despite a further improvement in the official rate of unemployment.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms :

The minimum advisable form of documentation or trading method under which D&B advise customers to pursue any form of export trade with stated country.

#### Recommended Terms :

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

#### Usual Terms :

Normal period of credit associated with transactions with companies in the stated country

#### Local Delays :

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays :

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on foreign exchange controls, foreign exchange availability and the efficiency of the local banking system.

#### C/A (current account) balance, % GDP :

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), % :

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP :

The balance of government expenditure and receipts.

Real GDP growth, % :

GDP adjusted for inflation..

Inflation, % :

The increase in prices over a given period.

## GLOSSARY

C L/C	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
L/C	Letter of Credit
LT	Long-term
MT	Medium-term
OA	Open Account
SD	Sight Draft
ST	Short-term

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Telephone: 1-800 234-3867 ext 7002  
Email: [CountryRiskServices@dnb.com](mailto:CountryRiskServices@dnb.com)

#### Rest of World

Telephone: +44 1628 492700  
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### D&B Customer Services

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Email: [CustomerHelp@dnb.com](mailto:CustomerHelp@dnb.com)

#### USA

Telephone: 1-800 234-3867  
Email: [CustomerService@dnb.com](mailto:CustomerService@dnb.com)

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