

Corporate bankruptcies – France • October 2020

Period under review: September 2020

In September 2020, the number of corporate bankruptcies decreased by 30.5% year-on-year

- This decrease does not reflect a reduction in the number of distressed firms, but rather the impact of the lockdown on the operation of commercial jurisdictions and regulatory changes that temporarily modify the dates for characterising and declaring a firm as insolvent.
- It can be observed in all sectors of activity and for most sizes of companies, without it being possible to analyse it from an economic point of view.
- The gradual phase-out of these temporary provisions is reflected in a reversal of trend observable on data calculated on average over a sliding three months period. In seasonally adjusted data, the average number of insolvencies from July to September increases by 51.9% compared with the average number from April to June, which includes part of the lockdown period. However, the number of insolvencies over the last three months under review remains nearly 40% lower than the number observed over the same period in 2018 and 2019 (see chart on page 3).

To find out more: data on business start-ups are reported by the French National Institute of Statistics and Economic Studies (INSEE): [Business start-ups on the INSEE's website](#)

A – Corporate bankruptcies by sector

Bankruptcies in number of legal units, year on year change (%)

Business sector	Aggregate over the last 12 months ^a (gross data)					Quarter to Quarter	Monthly data			
	Sep. 19	Sep. 20	Sep. 20/Sep. 19	Oct. 20 prov.	Oct. 20/Oct. 19	sa / wda ^{bc}	Sep. 20	July 20	Aug. 20	Sep. 20
Agriculture, forestry and fishing (AZ)	1,389	1,012	-27.1 %	924	-33.1 %	97.6 %	116	98	71	71
Industry (BE)	3,705	2,459	-33.6 %	2,326	-34.4 %	39.5 %	151	253	187	187
Construction (FZ)	11,403	7,478	-34.4 %	6,889	-38.9 %	72.4 %	573	792	412	412
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	11,268	8,106	-28.1 %	7,538	-32.8 %	48.7 %	610	814	472	472
Transportation and storage (H)	2,073	1,486	-28.3 %	1,390	-33.3 %	59.8 %	94	140	90	90
Accommodation and food service activities (I)	7,089	5,027	-29.1 %	4,722	-33.1 %	47.4 %	413	516	338	338
Information and communication (JZ)	1,297	980	-24.4 %	941	-26.4 %	46.8 %	72	92	65	65
Financial and insurance activities (KZ)	1,120	816	-27.1 %	771	-31.5 %	5.6 %	56	73	51	51
Real estate activities (LZ)	1,660	1,218	-26.6 %	1,149	-30.1 %	49.0 %	116	112	109	109
Advisory & Business support activities (MN)	5,992	4,271	-28.7 %	4,069	-31.1 %	49.9 %	322	365	362	362
Education, human health and social work services, Arts, entertainment and recreation, Other service activities (P to S)	5,342	3,545	-33.6 %	3,314	-36.9 %	26.4 %	294	386	228	228
All firms^d	52,569	36,537	-30.5 %	34,165	-34.3 %	51.9 %	2,853	3,628	2,453	2,453

Source: Banque de France – database: Fiben. Data available in early November 2020: final for September, provisional for October.

Calculation : Banque de France – Companies Directorate – Companies Observatory

^a Aggregate number of corporate bankruptcies over the past 12 months compared to the same aggregate one year ago

^b Aggregate number of corporate bankruptcies over the past 3 months compared to the same aggregate three months ago

^c sa : seasonally adjusted – wda : working day adjusted

^d The line « All firms » includes legal units whose business sector is not known

B – Corporate bankruptcies by firm size

Bankruptcies in number of legal units, year on year change (%)

Size	Aggregate over the last 12 months ^a (gross data)				Quarter to quarter sa / wda ^{b,c}		Monthly data sa / wda ^c		
	Sep. 19	Sep. 20	Sep. 20/Sep. 19	Oct. 20 prov.	Oct. 20/Oct. 19	Sep. 20	July 20	Aug. 20	Sep. 20
SME, among them	52,529	36,492	-30.5 %	34,117	-34.3 %	52.2 %	2,851	3,627	2,446
Micro-enterprises and unknown firm's size	49,619	34,336	-30.8 %	32,064	-34.7 %	55.5 %	2,702	3,445	2,305
Very small firms	1,712	1,273	-25.6 %	1,208	-27.8 %	11.6 %	89	107	73
Small firms	840	607	-27.7 %	579	-28.9 %	9.7 %	36	46	49
Medium-sized firms	358	276	-22.9 %	266	-25.7 %	-8.0 %	20	22	19
ISE – Large Firms	40	45	12.5 %	48	23.1 %				
All firms	52,569	36,537	-30.5 %	34,165	-34.3 %	51.9 %	2,853	3,628	2,453

Source: Banque de France – database: Fiben. Data available in early November 2020: final for September, provisional for October.

Calculation : Banque de France – Companies Directorate – Companies Observatory

^a Aggregate number of corporate bankruptcies over the past 12 months compared to the same aggregate one year ago

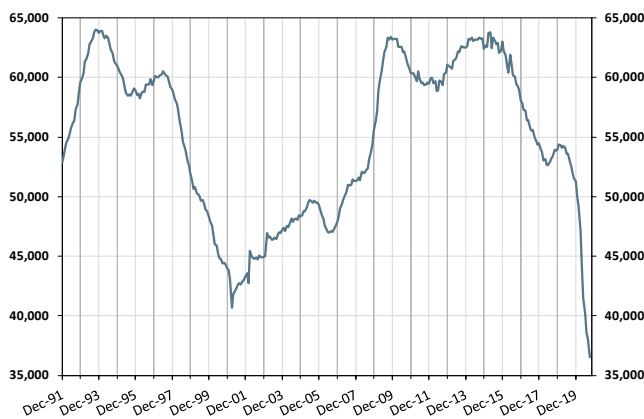
^b Aggregate number of corporate bankruptcies over the past 3 months compared to the same aggregate three months ago

^c sa : seasonally adjusted – wda : working day adjusted

C – Changes in corporate bankruptcies

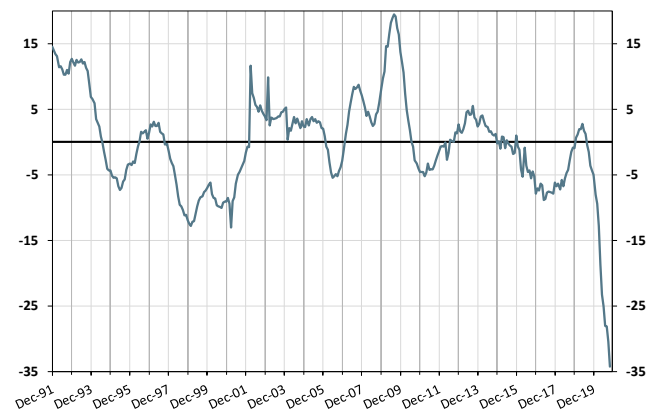
1 – Number of bankruptcies

Aggregate number of bankruptcies over the past 12 months
From Dec. 1991 to September 2020



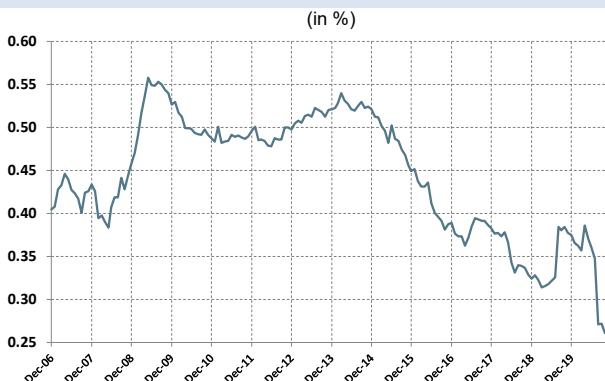
2 – Change in bankruptcies

Year-on-year change in the 12-month aggregate
From Dec. 1991 to September 2020 (+October 2020 provisional)
(in %)



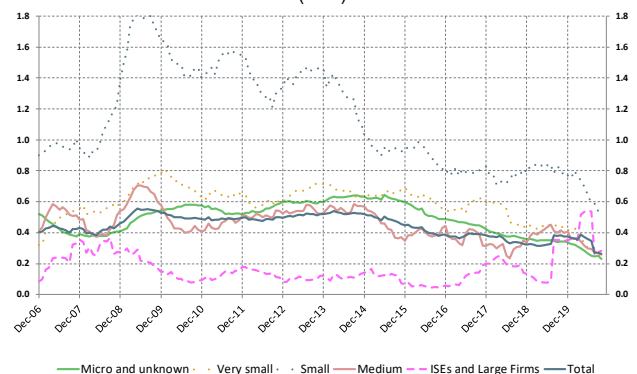
3 – Loan amounts of bankrupt non-financial firms over loan amount of all firms

Aggregate over the past 12 months
From Dec. 2006 to September 2020 (+ October 2020 provisional)



4 – Loan amounts of bankrupt non-financial firms over loan amount of all firms – broken down by firm size

Aggregate over the past 12 months
From Dec. 2006 to September 2020 (+ October 2020 provisional)
(in %)

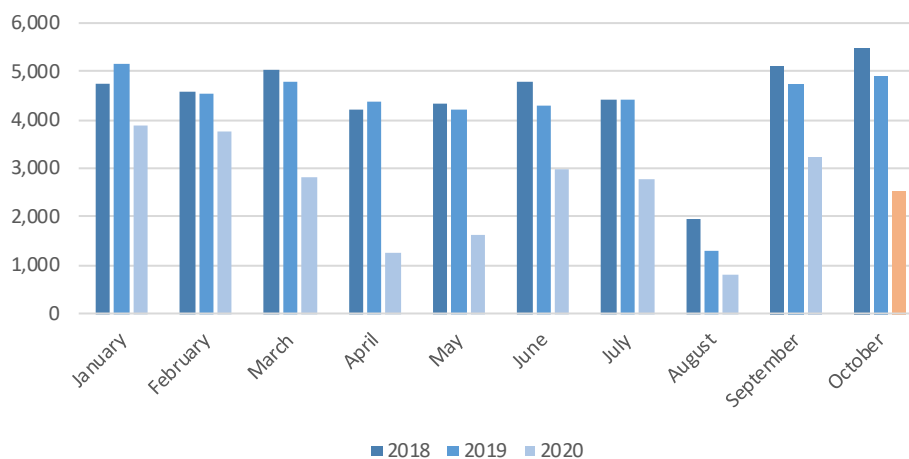


Source: Banque de France, Companies Directorate. Data available in early November 2020: final for September, provisional for October.

Impact of the lockdown and of the adaptation of the regulations concerning companies in difficulty on corporate bankruptcies statistics

In the context of the Covid-19 health crisis, at a time when economic activity slowed down sharply, putting a large number of companies in difficulty, the number of corporate bankruptcies paradoxically posted a marked decline. This can be explained both by the lockdown which affected the functioning of commercial courts, and by the adaptation of regulations which temporarily granted additional time both to assess the state of insolvency and to report it.

Number of monthly corporate bankruptcies (gross data, 2018 – 2020)



Source: Banque de France, Companies Directorate. Data available in early November 2020.

Note for the reader: Final data up to September 2020, provisional for October 2020.

The closure from 16 March 2020 of all courts (with the exception of courts that have to judge "essential disputes", which do not include the commercial courts) sharply reduced the activity of commercial courts, which was essentially dematerialised during the lockdown. As a result, the opening or conversion of a large number of proceedings was postponed.

The Order 2020-341 of 27 March 2020 adapting the rules regarding companies and agricultural holdings in difficulty to the health emergency and amending certain provisions of criminal proceedings, also introduced changes likely to postpone the examination of situations of insolvency for companies whose situation worsened during the period of economic slowdown. In particular, it provides that until 24 August 2020:

- the assessment of the situation of insolvency be frozen at 12 March 2020 (Article 1, I, 1°) ;
- conciliation periods be automatically extended (Article 1, II);
- safeguard plans be extended by decision (Article 1, III).

Thus, for the period from 12 March to 24 August 2020, a company that would have been considered as being insolvent under the previous regulations will not be considered as such since its situation will be assessed at 12 March 2020, the date on which it was not insolvent. At the end of this period, companies have 45 days (legal timeframe, see Article L631-4 of the French Commercial Code) to declare themselves in a situation of insolvency if applicable.

At the same time, Order 2020-306 of 25 March 2020 provides that the requests for the initiation of collective proceedings, for any company considered insolvent, due to be made between 12 March 2020 and 24 June 2020, be deemed to have been made within the legal timeframe, if they are made within the legal timeframe as from 24 June 2020 (i.e. 45 days, see Article L631-4 of the French Commercial Code). Thus, declarations that would otherwise have been made earlier will be carried forward after this date.