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**Statement by Mr. Rosen, Ms. Shortino, and Mr. Westphal on France  
(Preliminary)  
Executive Board Meeting  
January 13, 2021**

We would like to thank staff for this report and Mr. Buissé and Mr. Rozan for their informative buff. We welcome Mr. Buissé’s note that the authorities remain committed to continuing France’s medium-term reform agenda after the pandemic recedes. France was particularly hard-hit both economically and with the COVID-19 crisis. The authorities responded swiftly to the pandemic with multiple rounds of lockdowns and extensive fiscal measures totaling 22 percent of GDP. As in many countries, the authorities will need to continue to provide fiscal support to avoid jeopardizing the economic recovery while carefully timing eventual fiscal consolidation to facilitate the stabilization of France’s debt dynamics over the medium-term. It will also be important to navigate rising corporate and financial sector risks.

As in previous reports, staff note concerns with France’s high levels of **public and private debt**, and with continued **fiscal deficits**. Staff and the authorities agree on the need for immediate fiscal support through the current crisis and advise that “once the recovery is on firm ground, an expenditure-based consolidation effort will be needed to place debt on a downward path.” *Could staff provide specific recommendations for potential areas for consolidation in the future given this persistent concern?* Staff also note that the loan guarantee program deployed as part of the fiscal response to the pandemic has had much higher uptake than similar programs in peer countries. As in many countries, businesses seem to be holding these funds as excess savings to maintain high levels of liquidity given ongoing uncertainty. We would welcome tangible recommendations from staff for how governments can encourage corporates to invest excess savings to support growth as the COVID-19 pandemic abates.

France's **GDP growth** has contracted sharply during lockdowns, and also rebounded quickly during periods of reopening. This leaves us optimistic for France's growth prospects after the pandemic is over. We also note, however, that staff's forecasts show France's GDP as comparatively further below trend growth than Europe as a whole. We would welcome insights from staff regarding this discrepancy and whether there are any policies that could help France to close the output gap.

We echo staff that the **corporate sector** has faced significant insolvency risks from the crisis and protracted lockdowns. We note with concern that France registers the highest rate of annual insolvencies worldwide, and we agree with staff that an increase in insolvencies from the pandemic could overwhelm court capacity, risking indiscriminate firm liquidation. Temporarily increasing the administrative capacity of France's out-of-court restructuring mechanisms in the near term could prevent this and enable viable firms to restore their financial health.

While the **financial sector** entered the crisis well-capitalized and with low NPLs, we agree with staff that the accumulation of risks and continued uncertainty surrounding the pandemic will require vigilance going forward. Monitoring banks' capital levels and the profitability of insurance companies will be especially important.