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## **Uberisation of French economy: a positive impact on employment but will it last?**

- **France is one of the leaders in collaborative economics in Europe, with more than 50 companies in this field**
- **Prior to 2012, an imbalance between supply and demand in traditional sectors. Situation of near monopoly for taxis and the hotel industry in the Greater Paris region with only 4,000 additional taxi licences created in last 70 years and a deficit of 7,000 hotel rooms in Paris**
- **Following 2012 and the arrival of Uber and AirBnB, the Parisian hotel occupancy rate remained stable - until the recent attacks; 45,000 private hire vehicles created in France since 2009**

### **Taxi company insolvencies are largely being offset by the creation of private hire vehicles in the Greater Paris region**

Taxi company insolvencies in France increased by nearly 60% in one year, rising from 141 cases in August 2015, to 224 at the end of August 2016 and resulting in the loss of 3.38 jobs on average. In the Greater Parisian region, taxi company insolvencies rose by 135% between 2013 and 2016, representing a quarter of total taxi insolvencies in France. Contrastingly, the creation of private hire vehicles has multiplied by seven since 2013, to reach 14,404 entrepreneurs by the end of August 2016 and generate 12,964 jobs. The Greater Paris region has experienced the highest rise in creations, multiplying by 9.5 over the same period, and accounts for 78% of all creations of private hire vehicles in France (in August 2016).

The comparison between data on taxi insolvencies and the creation of private hire vehicles in France shows that the arrival of private hire vehicles on the market largely covers insolvencies in the sector - even after three years, a critical age for a company.

### **In Paris traditional hotel sector reacted less sharply to the arrival of Airbnb, until the attacks**

Despite the arrival of Airbnb in the French capital in 2012, insolvencies in the hotel sector fell sharply between 2012 and 2014, by 58%. This was despite the fact that the number of rooms available via Airbnb increased by a factor of eight. As the supply of hotel rooms in Paris was inadequate, this extra supply only served to fill the void.

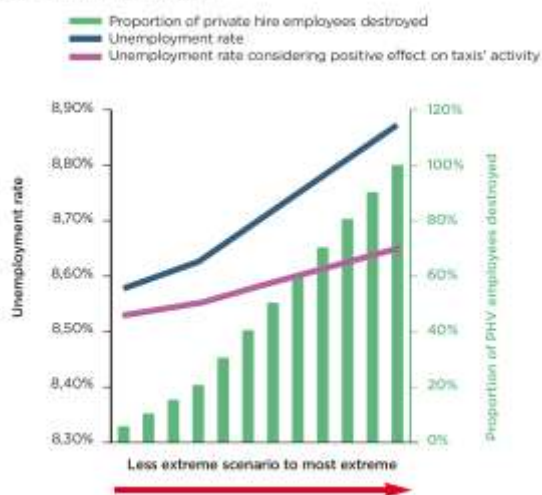
However, in 2015, this dynamic began to reverse and company insolvencies in the sector experienced a sharp increase of 117%. The terrorist attacks at the start and the end of the year crippled hotel stays in Paris, which fell by around 5 points (between June 2015 and June 2016), although air traffic increased by 3% over the same period. Airbnb has certainly captured a percentage of this difference, with Airbnb rooms doubling in one year, to exceed 55,000 as of the end of August 2016.

To counter this pressure on the traditional hotel sector, the government plans to put stricter controls on these hubs. Potential measures include the taxation of additional revenues for hire companies, limitations on the number of days a main residence can be rented out for and the harmonisation between access conditions for private hire vehicles and taxi statutes.

**A 20% fall in the supply of private hire vehicles could push the unemployment rate up by 0.15 points**

The new regulatory framework aims, amongst other things, to reduce the supply of private hire vehicles. Nevertheless, the negative impact on employment could be significant in the Greater Paris region.

Evolution of the unemployment rate in Ile-de-France based on a scenario of private hire vehicle destruction



Sources: Insee, Ellipse, Coface

In order to determine if these reforms are favourable or harmful to the real economy, Coface has created a model that explains the consequences on the unemployment rate, if private hire vehicles were to be removed from the Greater Paris region (in combination with the subsequent drop in traditional taxi company insolvencies).

If we take into account the effect on traditional taxi companies, the analysis shows that a 20% drop in the supply of private hire vehicles would result in an increase in the unemployment rate of 0.15 points. The more this supply falls, the greater unemployment levels would rise.

## Company insolvencies in France: a further fall in 2017

The upcoming presidential elections in April and May 2017 are causing uncertainty among French entrepreneurs. They could well delay investment decisions until later in 2017. This safeguarding of investment capital will, at least, have the merit of being beneficial for companies in the short term. 2016 has shown some good signs and Coface forecasts a fall in insolvencies of -3.8% for 2016, followed by a further reduction of -1% in 2017.

In Q3 2016, 58,970 company insolvencies were recorded - a fall of 1% over one year. Conversely, the costs concerned (up 2%, to €3.78 billion) and number of jobs lost as a result (up by 1.4%, or around 186,000 people) have increased over one year. This trend reflects the increasing average size of insolvent companies, which have risen by +1.2% (with an average turnover of €543,000). This trend is palpable in the metals sector, where the average size of insolvent companies has increased by 25%.

At the same time, companies are more solid. The average age of an insolvent company has risen to 79.75 months, the highest since 2011. This is due to favourable financing conditions and healthy profit margins (with 31.6% forecast for 2017).

Finally, the three sectors that stand out most this quarter in terms of insolvencies are :

- textiles-clothing, food processing and transportation. Textiles-clothing has seen the greatest hike in insolvencies, at +15.5% over one year. This sector has been particularly badly affected by increased competition from the giants such as Inditex and by internet sales;
- Challenges in the food-processing sector have notably been experienced by butchers and bakers, who have suffered from the stagnation in private consumption over the last two quarters;
- The transportation sector has been weakened by the rise in taxi insolvencies.

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