

Coronavirus – COVID 19

Monitoring the situation internationally - **France**

6 November 2020

This report intends to provide DI's members with information on essential developments related to the Corona crisis in France.

As of now, reports are also available on the situation in the US, UK, China, Germany and Sweden.

For comments and further information about the situation in France, please contact:

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Situation summary

Last week, the French government decided on a second national lockdown taking effect on October the 29th and for a period of four weeks. In the light of the untamed spreading of the corona virus, confirmed by Monday's new record of 52,518 Covid-19 cases over the past 24 hours, a second lockdown appeared inevitable.

This second lockdown is a slightly lighter version of spring's lockdown. As a matter of fact, schools remain open. However, more restrictions are imposed in school such as wearing masks, now for all children from six years old.

French people must work from home. If it is not an option, as for the construction sector or public services, employers must put in place strict measures to limit contact between employees. Restaurants and cafes, or more generally speaking non-essential shops, must remain closed but take-away providers, food shops and supermarkets, pharmacies, tobacco shops, petrol stations, are to stay open.

In particular, the above decision started a wave of protests from small shops owners and some local authorities as large-scale retailers have been allowed to sell books and other items considered non-essential, while small businesses must stay close. With no online presence, these shops can't compete with larger retailers. The debate is not yet concluded, but the French Economy Minister raised the prospect of providing financial as well as technical support for small businesses digitalization, so they will too be able to sell their products online. In addition, he raised the possibility of re-opening some shops if the situation allows it from mid-November.

Masks remain compulsory in all public spaces and public gatherings of any kind, aside from authorised industrial actions, are forbidden.

Public transport is still functioning, albeit with more limited services. All non-necessary travel outside the region where a person is registered is strictly prohibited. As in the first lockdown, French people must fulfil a certificate for activities outside home, including commuting to and from work, buying food, taking children to and from school, etc. ¹ The certificate can be

¹ <https://www.gouvernement.fr/en/coronavirus-covid-19>

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downloaded here (in English): https://www.gouvernement.fr/sites/default/files/locale/piece-jointe/2020/11/attestation_anglais.pdf

Without such a form, first-time offenders risk a fine of €135. An electronic version of the certificate is also available (in French only) and may be presented to authorities on a smartphone.

The battle against the virus is far from being won and is also a battle to keep the economy afloat. For businesses, the announcement of a second lockdown, although anticipated, is a massive blow. Even though the government has announced another €15 billion package to support companies and workers, sectors such as tourism, restauration, travel industry, aviation are bleeding. Boeing confirms it will cut thousands more jobs.

The government is expected to provide details of the package in the weeks to come.

After an optimistic rebound of the economy in the third quarter, it now looks inevitable that it will contract again between now and the end of the year. The government predicts a 11% fall in GDP for the whole of 2020.

- **France's economy to shrink 11% this year instead of 10% as early foreseen**

The second lockdown is bound to alter the otherwise ongoing economic recovery, although it is difficult to predict in which extent.

Oxford Economics has made a forecast for the economic growth after the spread of the Corona virus worldwide.

Real growth in GDP in 2020									
	January	February	March	April	May	June	August	September	October
World	2,5	2,3	0,0	-2,8	-5,1	-5,0	-4,4	-4,4	-4,2
US	1,7	1,6	-0,2	-4,1	-6,1	-6,1	-4,0	-3,7	-3,5
China	6,0	5,4	1,0	-0,2	0,8	2,0	2,5	2,3	2,3
Eurozonen	1,0	0,8	-2,2	-5,1	-7,8	-8,0	-7,8	-7,9	-7,5
- France	1,2	0,9	-3,1	-5,3	-9,8	-10,6	-10,1	-10,1	-9,0
- Germany	0,7	0,5	-2,1	-3,9	-6,1	-6,1	-6,3	-5,8	-5,3
- Sweden	1,2	1,0	-1,9	-4,7	-3,6	-3,6	-4,0	-4,0	-4,0
UK	1,0	1,0	-1,4	-5,1	-8,3	-10,8	-10,9	-9,7	-9,6

Source: Oxford Economics

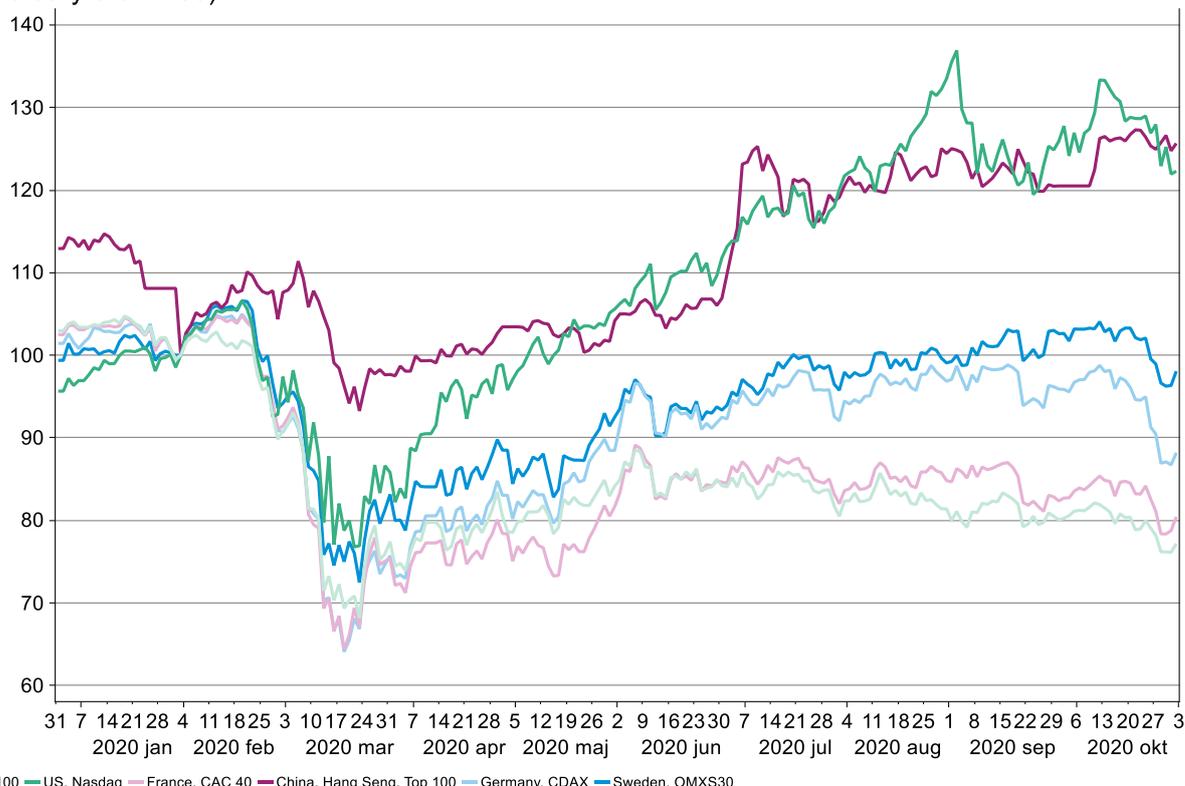
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- **CAC 40 index**

International stock index

Index (February 3rd = 100)



Source: Macrobond

- **The partial activity scheme extended**

The number of job seekers reached its highest historical level in June with more than six million unemployed in France in all categories (A, B and C). A total of 8.8 million employees benefited from the partial activity scheme in April and a little less than 4.5 million people in June. In August, the partial activity scheme covered 1.3 million people from private sector. As of today, 7% of employees work in a company which activity is still partially or fully affected by the pandemic.

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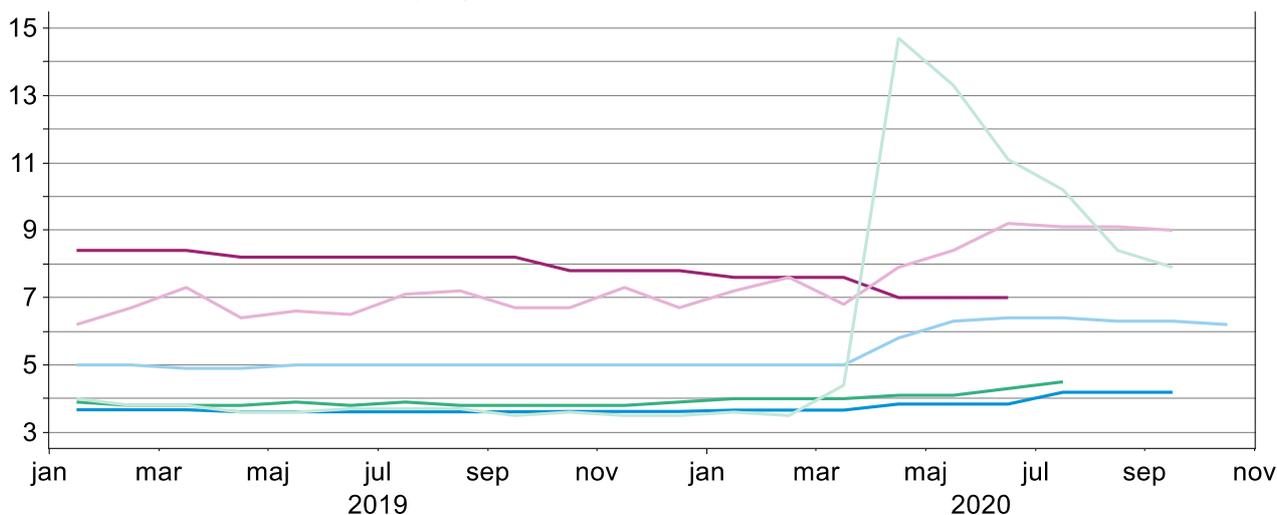
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Prime Minister Jean Castex wants unemployment to be his government's priority for the next 18 months. From July the 1st, France will extend the partial activity scheme for up to two years for companies experiencing a long-lasting drop in activity related to the pandemic. According to the government, there will be less of a prominent loss in terms of skills and human capital if companies could keep people until the crisis is over, especially for sectors such as the aeronautics and car industry.

Employers must contribute 15 percent to their workers' salaries. For the hard-hit industries such as tourism, culture, restaurants and commerce, the government will pay 100 percent of employees' salaries.

Unemployment

Percent of labour force, seasonally adjusted



— United States (BLS) — Sweden (SCB) — Germany (BfA)
 — United Kingdom (ONS) — France (INSEE) — China, Urban Registered Unemployment Rate (NBS)

Kilde: Macrobond

On a more practical level, the government has issued guidelines by sector to help companies protecting their employees. They are accessible online (in French): <https://travail-emploi.gouv.fr/le-ministere-en-action/coronavirus-covid-19/proteger-les-travailleurs/article/fiches-conseils-metiers-et-guides-pour-les-salaries-et-les-employeurs>

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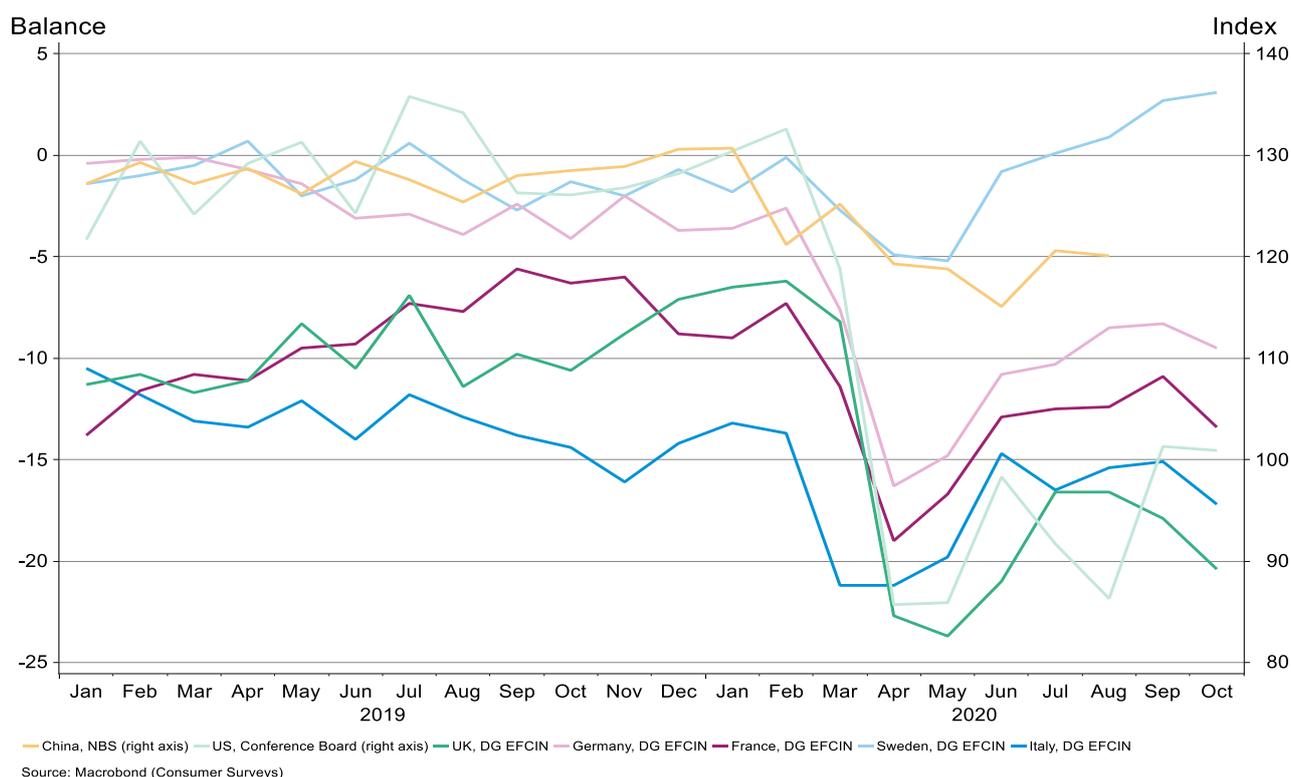
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- Consumer Impact in France**

The consumer confidence is a survey among consumers asking their views on both the current and future general economic situation as well as the household financial situation. Combined with a question on their current purchase on larger goods, it provides information on optimism among consumers.

Even if fear of unemployment remains at a high level, consumer confidence keeps increasing.

Consumer confidence



- Managerial impact**

The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index summarising whether

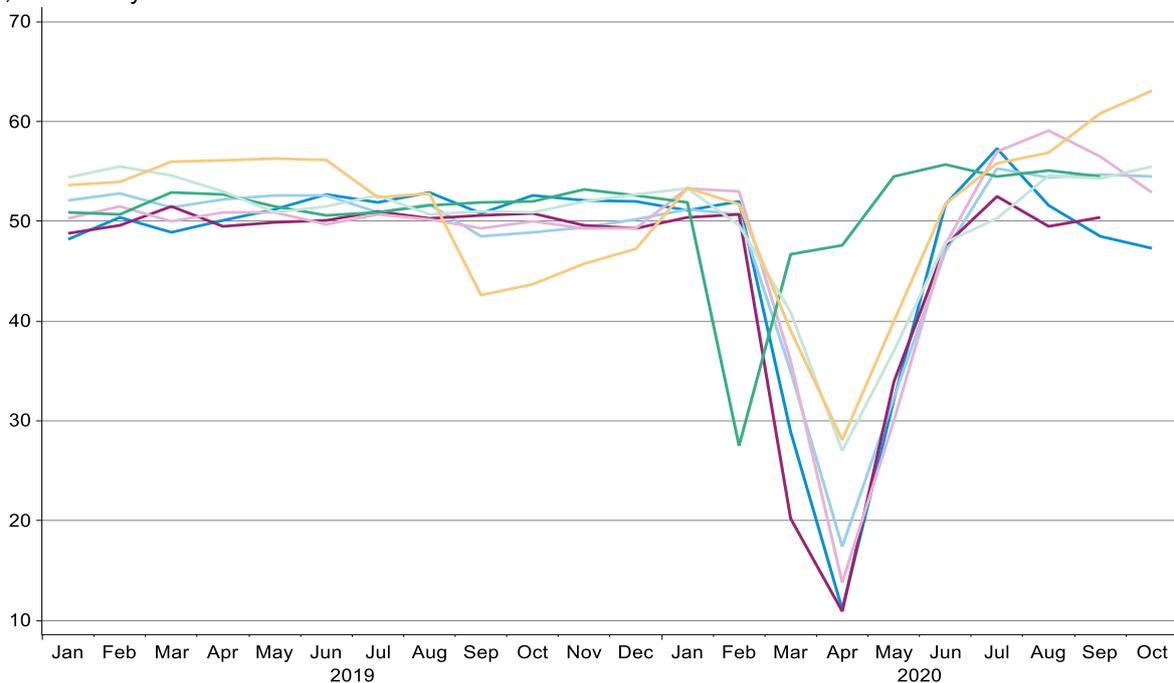
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market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. Business confidence gained further ground in September, but the announcement of a second lockdown is likely to damp optimism over the country's economic recovery.

Purchasing Managers' Index

Index, seasonally



— Sweden (PMI, Swedbank) — US (PMI, Markit) — China (PMI, Markit) — UK (PMI, Markit) — Italy (PMI, Markit) — Germany (PMI, Markit) — France (PMI, Markit)
Source: Macrobond

Operational Restrictions

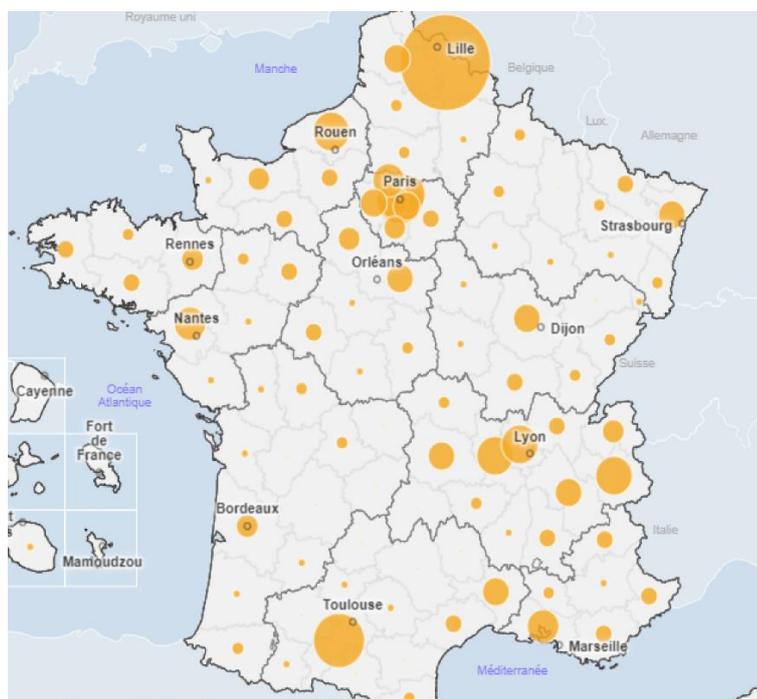
- **Travelling between different parts of France not allowed**

Internal European borders remain open but external borders are closed except for essential travel. All travellers arriving in France will be tested at airports and ports. Travel to France from outside the European zone remains restricted.

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Everyone using public transport, including trams, trains or the metro, must wear a face mask. Masks are also mandatory outdoors in public spaces for everyone aged 11 and over. The virus is active clusters are located around big cities, such as Paris, Bordeaux, Lyon and Marseille.



Source : Santé Publique France

Masks are also mandatory at work. The supplying of masks is the obligation of the employer.

The StopCovid smartphone application has been available since 2 June. The Bluetooth-based app allows users to be informed if they have been in close and sustained contact (less than one meter for more than 15 minutes) with someone infected by coronavirus.

A new version of the StopCovid app is expected before the end of the year.

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- **Transport of goods authorized to enter the French territory but temporary border checks**

There might be some checks, at the borders and elsewhere, and people involved in transport operations are required to show the usual documents (ID, certificates for the transport of goods where relevant).

- **Temporary and limited relaxation of the enforcement of driving and rest times for drivers**

France has notified a temporary and limited relaxation of the enforcement of driving times for the drivers of vehicles transporting goods. It will apply to drivers involved in the delivery of goods both domestically and internationally.

Further information: <https://ec.europa.eu/transport/sites/transport/files/temporary-relaxation-drivers-covid.pdf>

In addition, a series of measures has been taken to ensure safety of the lorry drivers: <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000041746694&dateTexte=&categorieLien=id>

Relief measures

On March 18th, the French government announced a series of measures aimed at keeping its economy afloat. The first series of measures were the below (non-exhaustive list):

- an **Amending Finance Act for 2020**, which includes a state guarantee of up to €300 billion to bank loans to companies
- emergency measures such as:
 - ✓ Cash flow support: direct or indirect financial help for businesses facing significant hardship and whose survival is at stake
 - ✓ A solidarity fund financed jointly by the state and the French regions for microbusinesses, SMEs and independent workers whose turnover is less than €1

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million and who suffered a 70% decline of their turnover between March 2019 and March 2020 (cumulative criteria). They will get a monthly €1 500 grant.

- ✓ Employment law to limit layoffs through a simplified and reinforced partial unemployment system.
- ✓ Bankruptcy law with measures adapting bankruptcy rules and related regulations
- ✓ Delayed payment of rent or utility bills

Read the full overview her: <https://www.jdsupra.com/legalnews/france-s-emergency-package-in-response-10850/>

The government added following measures:

- **tax related measures** aiming to help taxpayers, such as postponements of direct tax payments if companies can prove that they are financially affected by Coronavirus. However, only the deferral of direct taxes (including corporate income tax) is currently possible. VAT has not been included in the measures taken. Authorities have also committed to accelerate faster reimbursement of VAT credits.
- **the recognition by the state of coronavirus as a case of "force majeure"**. Consequently, penalties for delays with public contracts will not be applied.
- **subsidies for wages**: The State will cover 100% of the wages paid under the short time scheme.

For more information, please contact: Direction Générale des Entreprises, covid.dge@finances.gouv.fr or the business organisation MEDEF, covid19@medef.fr

Additional measures

A plan to support French exporting companies has been unveiled. The plan will secure their access to liquidity and ensure they can bounce back on the international market after the crisis. The plan consists of four measures:

- The provision of guarantees by the State on surety bonds and bridge financing through Bpifrance Assurance Export will be increased to ensure that exporting companies have access to liquidity. The guaranteed cover will be increased to 90% for all SMEs and ETIs. The validity period for bridge financing guarantee arrangements will be extended

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to six months. The period of cover for existing prospection insurance policies will be extended by a year.

- An additional €2 billion will be provided for short-term export credit insurance thanks to the expansion of the public reinsurance scheme Cap Francexport. The scheme will cover every country worldwide.
- Support and information provided by Team France Export's operators (Bpifrance, Business France and chambers of commerce and industry) will be stepped up.

The French government is planning to tighten restrictions on non-European investments in French companies facing difficulties until the end of the year. The objective is to prevent companies from being bought at a discount price by foreign investors. The list of companies that cannot receive foreign investments now includes thousands of biotech companies.

The rescue plan for the transport industry will include environmental conditions: Air France will have to "drastically" reduce its domestic air traffic in exchange for state loan guarantees.

France has also announced an €8bn rescue plan for its car industry, which has been severely impacted by the coronavirus pandemic. In return, the two main French car producers Renault and PSA have promised to focus production in France and focus on green energy. The goal is to make France Europe's top producer of clean vehicles by bringing output to more than one million electric and hybrid cars per year over the next five years.

France Reboot

On September the 3rd, the government announced a €100 billion recovery plan to reboot the French economy. 40% of the package will be provided by the European Union's €750 billion Recovery Fund agreed in July. The remaining €60 billion will come from the state coffers and the Banque Publique d'Investissement — a publicly-funded investment bank. According to Prime Minister Jean Castex, it is the most massive recovery plan among European countries in proportion to national wealth. It is a three-axes economic compass with a clear focus on green transition, France's economic sovereignty and social programmes and healthcare, with:

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- €30 billion for green transition with a massive renovation plan for public and private buildings and a boost for investments in environmentally friendly industries and technologies;
- €35 billion to boost companies' competitiveness through a €20 billion reduction in taxes on production and funds to help companies in strategic sectors scale-up and/or relocate;
- €35 billion for social and territorial “cohesion” to boost youth employment and training.

This pro-business plan guaranteeing cuts in business taxes worth €10 billion annually has been largely welcomed by business organisations.
