TSS INDEX – 2025 EDITION

BCG Transform & Special Situations Index 2025

France

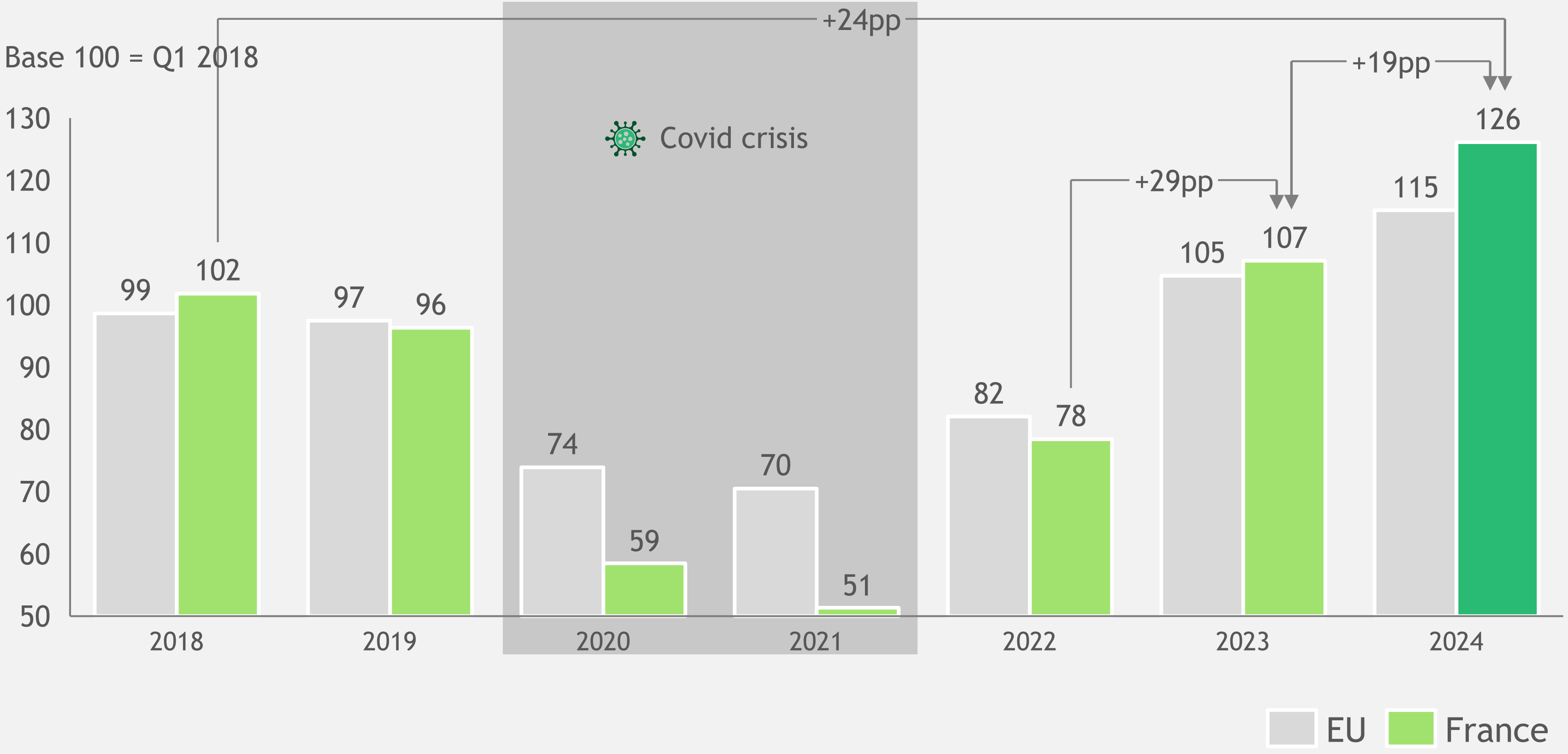
JULY 2025

France

Bankruptcy rate increase for French companies slows: +19pp in 2024 vs. +29pp in 2023, but remains higher than pre-COVID

Bankruptcy filings: Q1 2018 through Q1 2025

Indexed development of # of insolvencies



Source: Eurostat, BCG analysis, IMF

+19pp	+10pp
+29pp	+23pp

Bankruptcies 2024 vs. 2023

Bankruptcies vs. 2023 vs. 2022

- Government aid during COVID (15.2% of GDP), which included guaranteed state loans, moderated insolvency rates vs. EU peers (6.7% of GDP)
- France's insolvency cases surged by 18pp over 2023, surpassing post-pandemic EU average and pre-COVID level

~70k Total bankruptcies in 2024

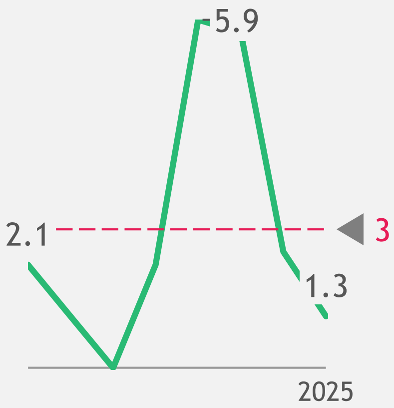
France

Conflicting macro signals: Mild improvements in inflation, interest rates, and GDP growth offset by heightened geopolitical risk and global uncertainty

Inflation returns closer to historical levels

Consumer inflation (%)

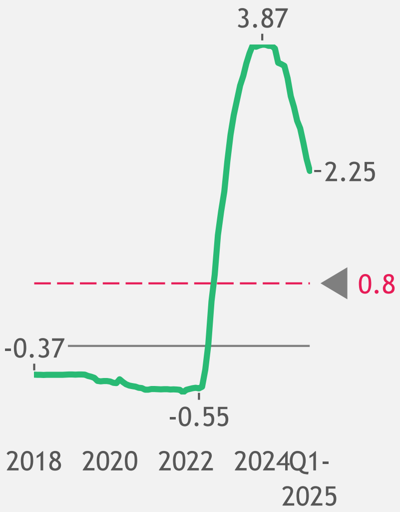
-- 7-year avg, 2018–2025



Interest rates declined vs. last year

3M Euribor rate (%)

-- 7-year avg, 2018–2025

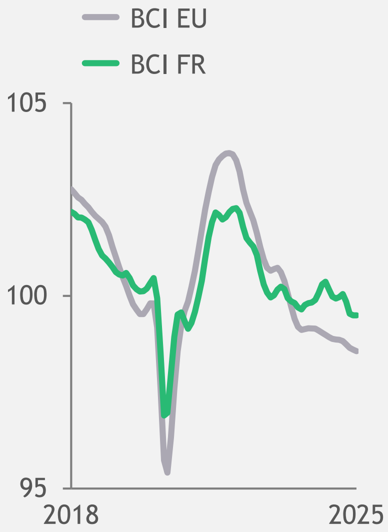


GDP rising modestly since 2023

Real GDP (% change p.a.)

Business confidence decreasing

OECD Business confidence index[1]



Geopolitical instability impacts global trade

- **Tariff Volatility:** Sudden shifts in trade policy (e.g., US-China) fuel pricing uncertainty and weaken investor confidence.
- **Ukraine War:** Severed supply chains, especially energy and grain, driving price spikes and regional instability.
- **Red Sea Turmoil:** Attacks forced shipping detours, raising freight costs and disrupting global delivery timelines.

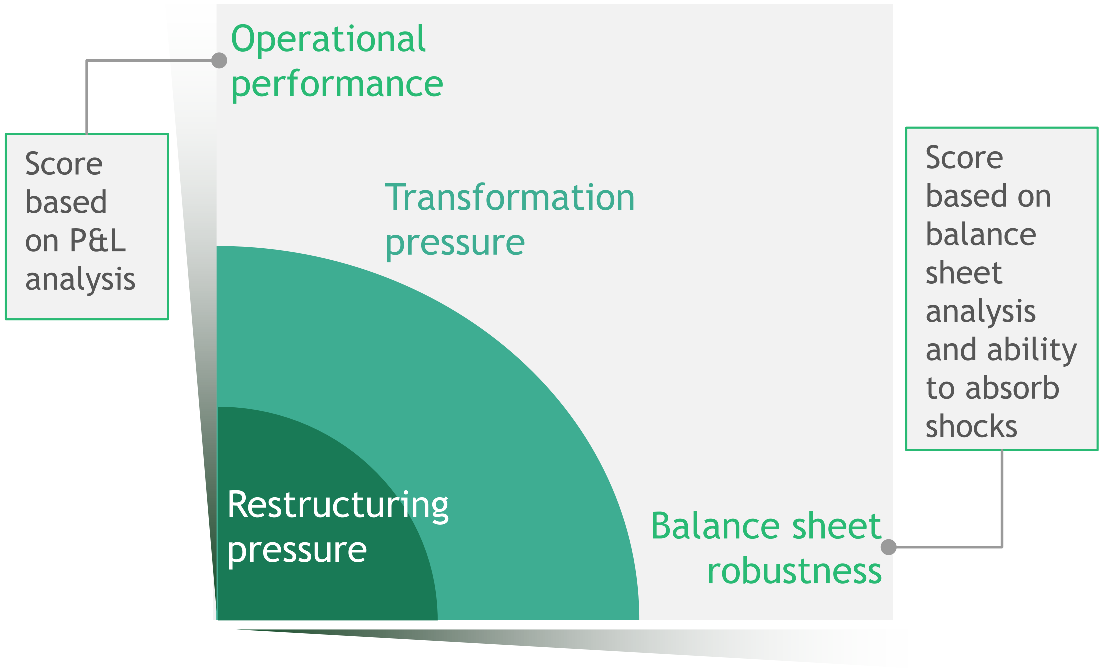
Note: Latest data available as of 05/22/2025
Source: Eurostat; European Central Bank; Oxford Economics; OECD; BCG analysis

France

Our study identified the most vulnerable companies based on their financial health—measured using BCG's Transform & Special Situations (TSS) Index—and their exposure to macroeconomic risks

1 Financial health based on TSS index

Assessment of c.400 French listed companies based on 12 performance and financial stability KPIs



Score based on P&L analysis

Operational performance

Transformation pressure

Restructuring pressure

Balance sheet robustness

Score based on balance sheet analysis and ability to absorb shocks

2 Exposure to macro risks

Assessment of sector vulnerability accounting for impact of trade tariffs and demand-supply dynamics

Impact of revised trade tariffs, accounting for their severity on a specific sector and economic interdependencies with the US

Future demand-supply dynamics considering demand resilience, evolving production landscape, and sector-specific disruptions

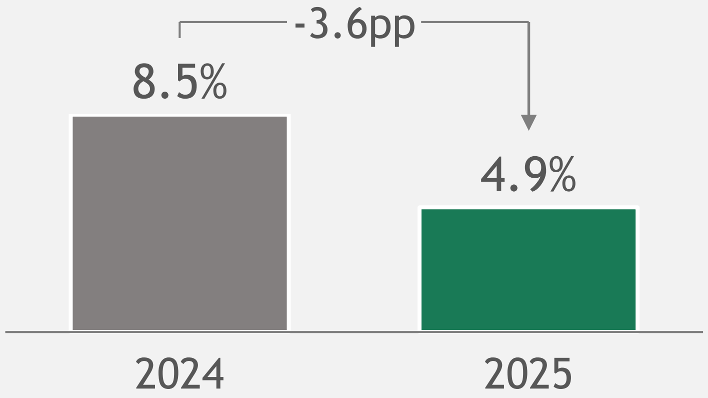
Based on targeted in-depth interviews with industry experts

Transformation pressure: Initial signs of weakening operational performance and financial stability require optimization
Restructuring pressure: Clear signs of weak or negative operational performance and undercapitalization required more structural steps to recover
Source: BCG analysis

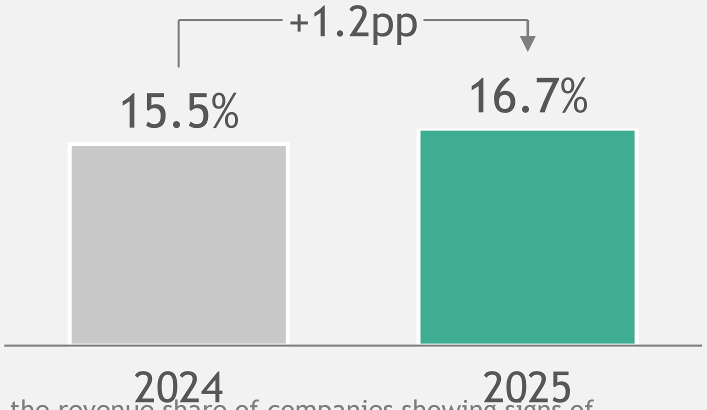
France

Pressure is easing in France: 17% of companies are under transformation pressure, of which 5% face more severe (restructuring) pressure; overall stress down slightly from 2024

Restructuring pressure



Transformation pressure

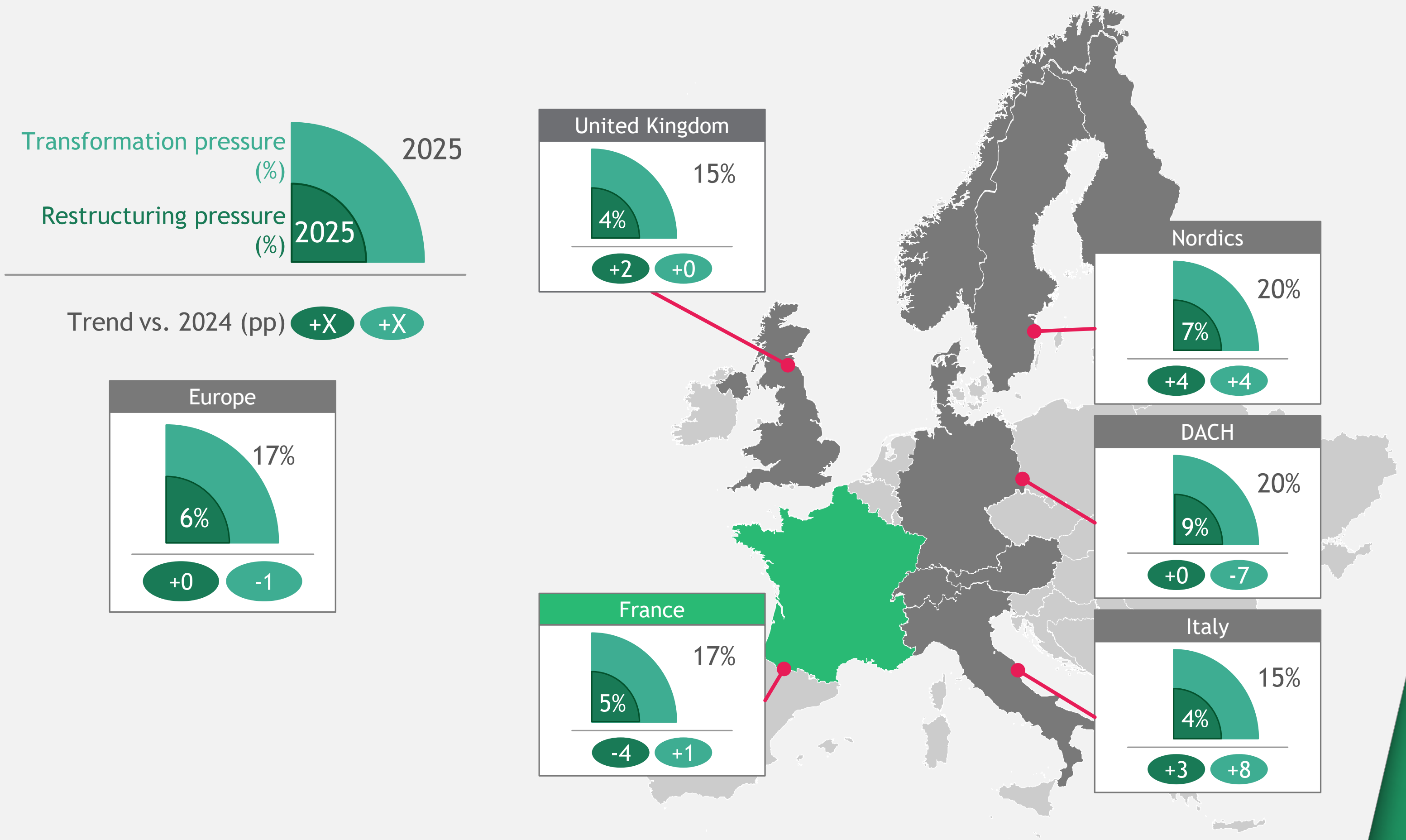


About 5% of French companies under significant restructuring pressure

About 1 in 6 French companies under significant transformation pressure

Note: The Transform and Special Situations Index reflects the revenue share of companies showing signs of operational challenges and financial instability compared with the total revenues of all companies under review. This weighting has been done to better reflect the importance and impact of the pressured companies in the sample than a pure counting of companies would do.
Source: Capital IQ, BCG analysis

France's restructuring pressure matches EU's overall and is slightly milder than Germany's and the Nordics'



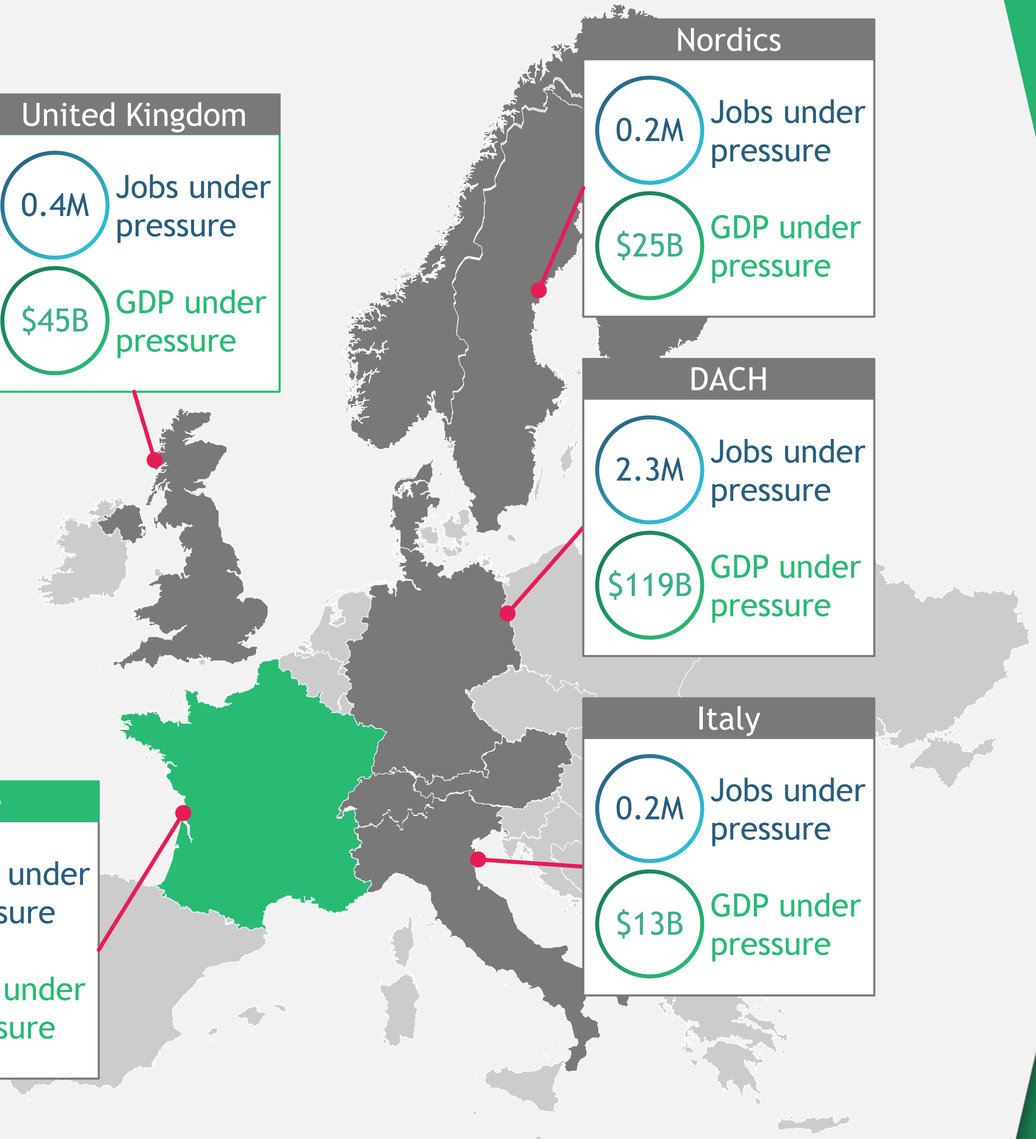
Note: DACH: Germany, Austria, and Switzerland; Nordics: Denmark, Finland, Norway, and Sweden
Source: Capital IQ, BCG analysis

- **France shows signs of recovery**, thanks largely to the strong performance of Health Care and Consumer & Retail (down 7pp and 14pp, respectively, in restructuring pressure since last year)
- **Transformation pressure remains steady in France**, mostly elevated by T&L (with a 34pp increase over 2024) and Automotive (up 24pp over 2024)
- **France's trend is consistent with easing trend in DACH**, but contrasts with the increasing pressure Italy and the UK are experiencing

France

xx Jobs under pressure

xx GDP under pressure



Europe

3.6M Jobs under pressure

$317B GDP under pressure

United Kingdom

0.4M Jobs under pressure

$45B GDP under pressure

Nordics

0.2M Jobs under pressure

$25B GDP under pressure

DACH

2.3M Jobs under pressure

$119B GDP under pressure

Italy

0.2M Jobs under pressure

$13B GDP under pressure

France

0.5M Jobs under pressure

$115B GDP under pressure

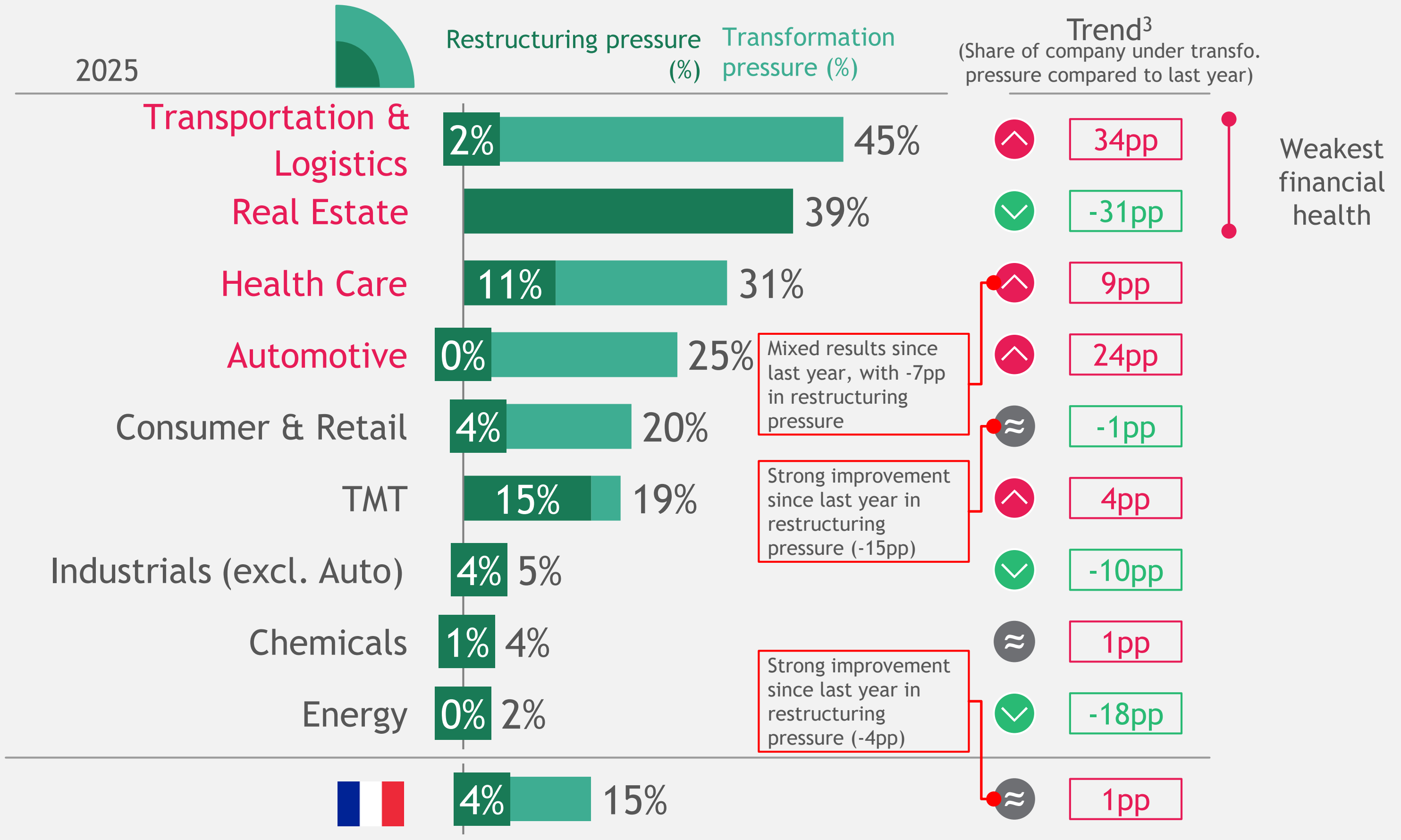
Overall, 500,000 jobs are under pressure in France, representing $115B in GDP

Our restructuring pressure is calculated based primarily on public companies. To estimate the broader impact on GDP and jobs, we extrapolated these findings to the private sector.
Specifically, we applied the share of public companies under restructuring pressure (weighted by revenue) to the total GDP and employment contribution of private companies with more than 250 employees.

Note: DACH: Germany, Austria, and Switzerland; Nordics: Denmark, Finland, Norway, and Sweden
Source: Capital IQ, BCG analysis

France

Sector-wise, T&L and Automotive face heightened pressure; Real Estate and Health Care stabilize despite sustained financial stress



Mixed results since last year, with -7pp in restructuring pressure

Strong improvement since last year in restructuring pressure (-15pp)

Strong improvement since last year in restructuring pressure (-4pp)

Note: Transportation & Logistics including Leisure & Tourism; Source: Capital IQ, BCG analysis

T&L pressures increased markedly

- Leisure travel operators struggled with labor shortages and stringent environmental regulations forcing fleet modernization
- Commercial freight faced pressure from supply-chain disruptions, volatile fuel costs, and investments needed for decarbonization

Real estate shows signs of recovery despite high transformation pressure

- House prices rose in 2024, driven by tight supply and robust demand
- Transaction volumes for commercial real estate were up in 2024, led by industrial and prime office assets

Health Care sees improvement despite rising transformation pressures

- Increased government funding and efficiency gains from digital health initiatives partly offset ongoing strains
- Higher operational costs, along with heightened regulatory scrutiny, increased pressure on providers' profitability

Automotive had a difficult year, with stagnating demand and eroding margins (due to inflation, the rise in labor costs)

France

Looking ahead, sector resistance to macro shocks varies. Chemicals, T&L, and Consumer are the most exposed, facing weak demand and margin pressure

2025		Trade tariff impact[1]	Demand dynamics	Supply landscape	Disruptive trends
Chemicals	$1.3B	🔴	🔴	🔴	🟡
Transportation & Logistics[2]	$1.3B	🟡	🔴	🟡	🔴
Consumer & Retail	$1.9B	🟢	🟡	🔴	🔴
Industrials	$4.8B	🔴	🟡	🔴	🟢
Automotive	$0.8B	🟡	🟡	🟡	🟡
Real Estate	$1.2B	🟢	🟡	🟡	🟡
TMT	$0.3B	🟢	🟢	🟡	🟢
Energy	$0.0B	🟢	🟢	🟢	🟡
Health Care	$0.3B	🟢	🟢	🟢	🟢
	$7.8B / $77B				

Most exposed sectors

Some exposure to macro shocks (e.g., industrials exposed to trade tariffs)

Most resilient sectors

🔴 More pessimistic outlook 🟡 Uncertain outlook 🟢 More optimistic outlook

1. Tariffs impact = Sector tariffs rate per country * Trade $ value (on imports & exports) / Sector Value-added output
2. T&L tariffs impact computed as a weighted average of other sectors to reflect trade value loss

Source: Oxford Economics, USITC, US Census, BCG analysis

Chemicals under pressure

- A significant oversupply from China and the Middle East is expected to weaken the competitive position of European players
- Further pressured by declining demand amid a downturn in industrial activity across Europe

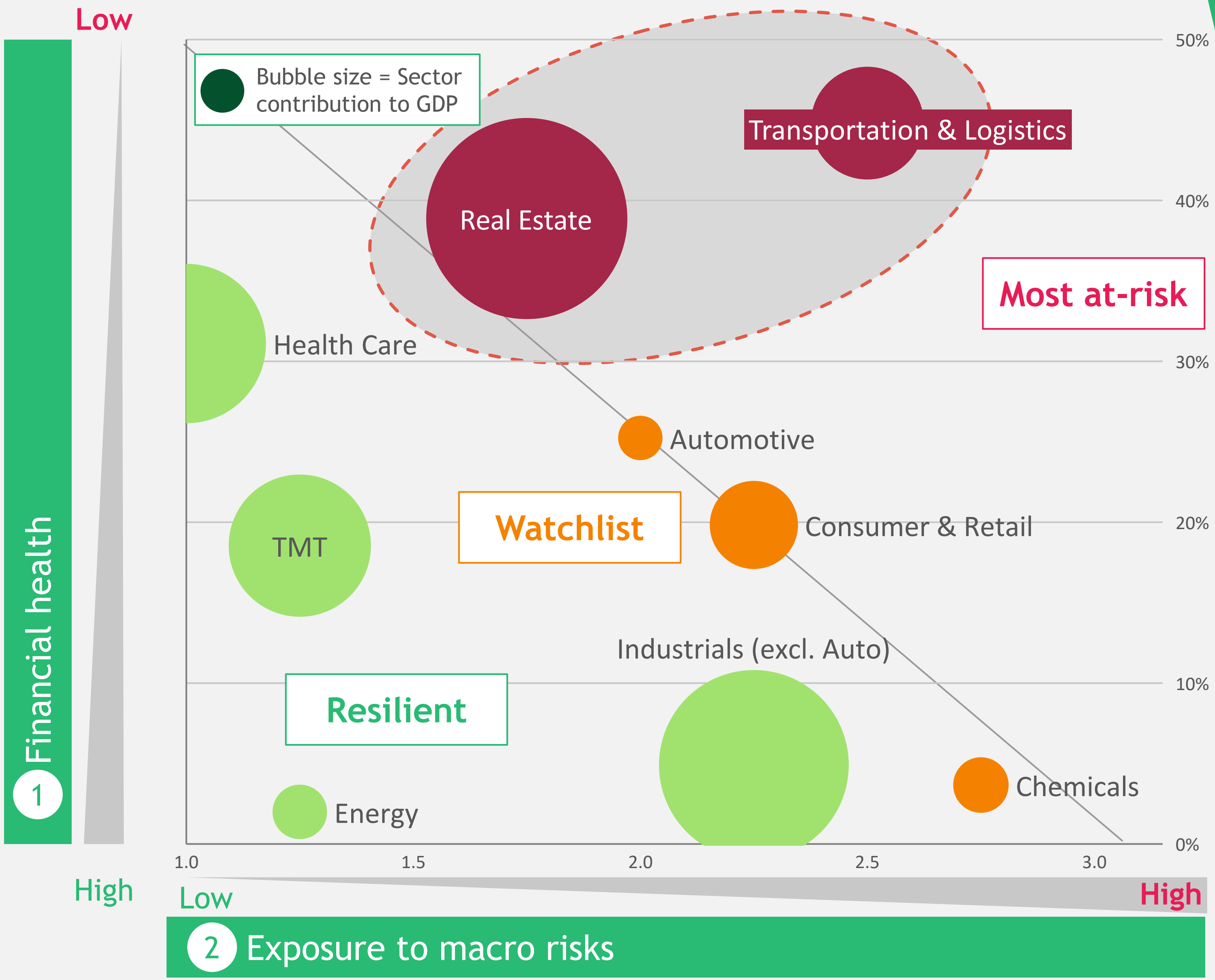
Transportation & logistics strained

- Trade volatility and global tensions expected to put prolonged strain on global demand
- Meanwhile, shipping lane disruptions, driver shortages, and port congestion will put pressure on supply chains; T&L players will partly offset through pricing power
- Tightening green regulations will force fleet modernization, with large CapEx required

Consumer & retail outlook remains fragile

- Persistent pressure on disposable income is intensifying the consumer focus on value for money. At the same time, rising input costs (e.g., labor, warehousing) are compressing margins
- Digital-native players continue to disrupt the landscape with tech-driven retail innovation

France

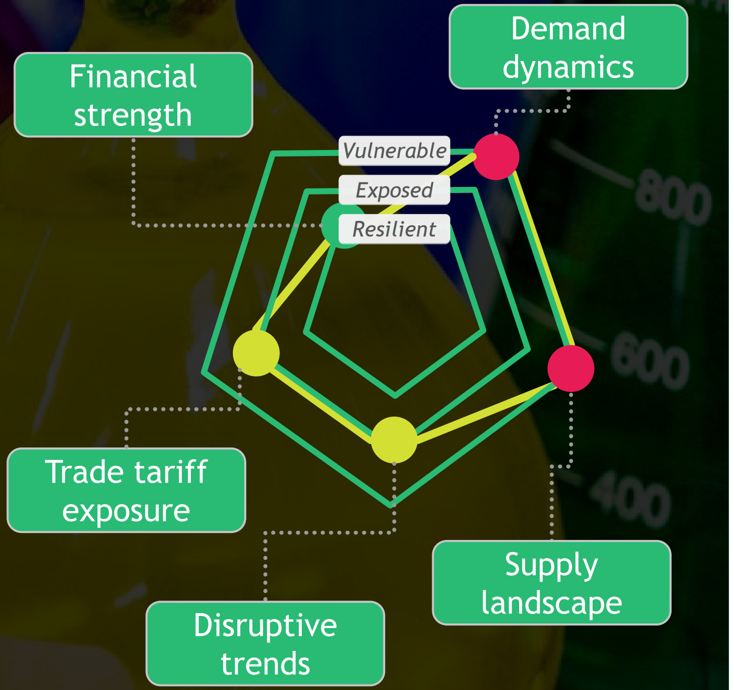


Note: Financial pressure set as share of companies, weighted by revenue, that are under transformation and restructuring pressure based on stability & performance KPIs; Macro pressure set as the combination between Demand, Production, Disruptive trends & impact of tariffs increase

When financial health & exposure to macro-risks are combined, Transportation & Logistics and Real Estate companies are the most at-risk

France

Chemicals



2024 Performance: Beneath the resilience headline, underlying strains

- Outperforming peers: Production volume contracted only ~1% in the French chemical industry since 2023, thanks to strong niches (e.g., perfume and cosmetics). The drop was much smaller than the ~8% decline seen across the EU.
- Global overcapacity, especially in China and the Middle East, led to a surge of low-cost chemical exports into the EU, thus disrupting the supply-demand balance and intensifying price competition.
- European producers faced a double squeeze: Persistent inflation and elevated feedstock costs severely eroded margins and weakened cost positioning.
- As a result, EU suppliers operated at just 74% utilization, well below historical norms, and delivered weak financial performance across the region.

Sector Outlook: Continued pressure on supply and demand, with limited relief

- Best case, only about +1% volume growth is expected in 2025 for France's chemical production, as sustained high input costs constrain the outlook.
- Overcapacity from Chinese and Middle Eastern producers is expected to persist and continue flowing into the EU, sustaining pressure on local players.
- Demand remains weak, driven largely by the Industrials sector, which is structurally declining in Europe.

Disruptive Trends: Competitive pressure partly offset by protective regulation

- Investment is increasingly being redirected to Asia and the US, where integrated ecosystems and generous subsidies offer more attractive returns. France's chemical firms plan to cut growth-oriented CapEx by ~40%, diverting funds to regulatory compliance and maintenance, prioritizing investment in fast-growing regions.
- Regulation plays a double-edged role, shielding local producers from higher-emission Asian and Middle Eastern imports. But it also increases compliance costs, further compressing already thin margins.
- Demand for specialty and green chemicals is also uncertain, as European producers struggle to compete on cost—particularly when exporting to markets without strict green regulations.

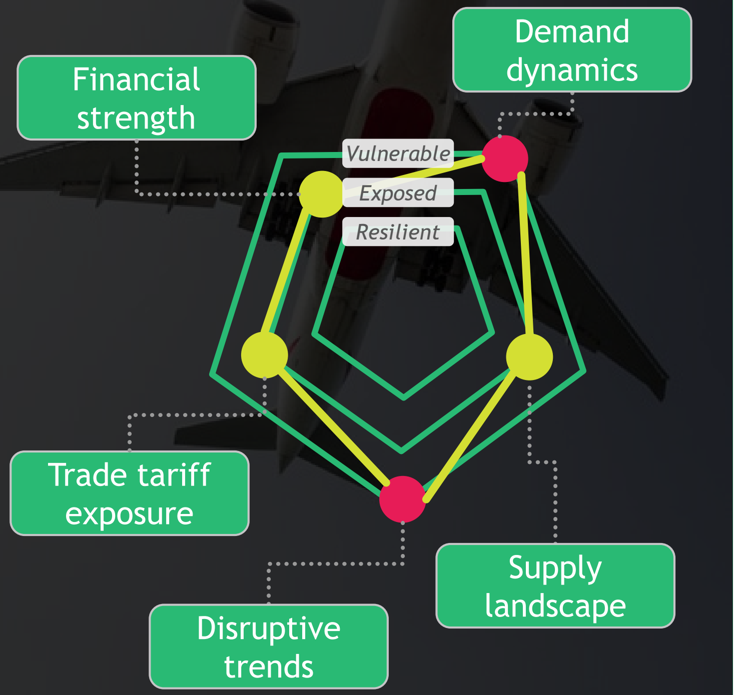
What can Chemicals CEOs do to weather the storm?

- Streamline operations for profitability and resilience: Double down on high-margin activities; exit low-return segments and outsource selectively, balancing cost efficiency with supply chain redundancy to mitigate potential geopolitical challenges.
- Fund innovation without margin erosion: Drive product innovation with strong market fit and use balance sheet levers (e.g., carve-outs, green bonds) to finance decarbonization and R&D without overextending.

Source: Capital IQ, BCG analysis and BCG expert views, BCG C-Suite survey 2024

France

Transportation & Logistics



Transportation & Logistics

2024 Performance: Resilient pricing tempers disruption

- Freight volumes fell in 2024 due to global tensions (Red Sea, Russia–Ukraine), disrupting shipping routes and increasing transit times.
- Despite lower volumes, persistent port congestion added pressure across supply chains; sea freight firms preserved margins through effective pricing.

Outlook: Inflationary pressures, diverging impacts

- International freight faces renewed inflation risk with ongoing and potentially new disruptions (Red Sea, Panama Canal).
- Intra-regional freight, especially road freight, is less affected geopolitically but hit hard by labor shortages. Truck driver shortage is critical: Europe may see roughly 2 million unfilled jobs by 2026.

Regulation & Investment Gap: IMO pressure rising

- Stricter IMO rules may limit operations to newer, compliant ships while smaller and short-sea operators are at risk as CapEx is lagging.

Travel & Leisure

2024 Performance: Travel rebounds

- Air and cruise sectors fully recovered: Europe's 2024 air passenger volumes hit ~102% of 2019; global cruise volumes, 107%.
- Revenues and margins improved: Tourism spend was up 7.8% YoY to €705 billion in 2024, and airlines returned ~4% net margin.

Outlook: Sustained growth and the green transition

- Global travel demand keeps expanding with international tourist arrivals projected to reach ~1.8 billion by 2030 (≈20% above 2019).
- Consumer behavior shifts: hybrid work and videoconferencing curb business travel; eco-conscious tourists favor greener alternatives.

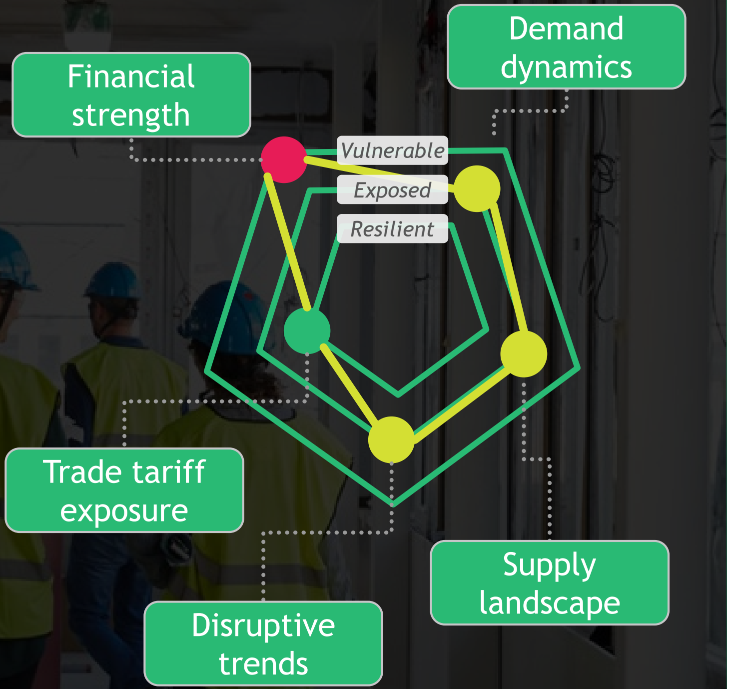
What can Transportation & Logistics CEOs do to weather the storm?

- Build resilient and diversified revenues: Redesign pricing models, adapt services (e.g., multimodal, warehousing), and expand geographically into growth corridors to offset tariff and demand shocks.
- Simplify and modernize the cost base: Beyond cost-cutting, digitize core operations (e.g., routing), automate terminals and warehouses, and streamline processes to drive both savings and agility.
- Decarbonize at pace: Transition to low-emission fuels (bio-LNG, hydrogen), electrify short-haul fleets, cut empty miles, and lead in carbon pricing readiness to stay ahead of regulation.

Source: Capital IQ, Reuters, IRU, IATA, BCG analysis and BCG expert views

France

Real Estate



2024 Performance Overview: Downturn in housing, mixed commercial results

- Residential market slumps: New housing starts collapsed to roughly 250,000 units in 2024, lowest level since the 1950s, as soaring mortgage rates and construction costs froze development. Home sales volumes plunged ~17% year-on-year, and house prices slipped ~3%–4% amid eroded buyer affordability.
- Office leasing remains subdued: Corporate caution and hybrid-work trends dampened the office sector. Greater Paris office take-up fell ~11% in 2024 to about 1.75M m² – nearly 20% below the 10-year average.
- Logistics moderates but stays resilient: After a record run, warehouse demand cooled slightly; major hubs such as Paris, Lyon, and Marseille saw 2024 take-up fall well below average levels.

Future Under Pressure: Slow recovery amid lingering headwinds

- Housing slump bottoming out: Residential demand may gradually revive in 2025 if inflation eases and mortgage rates peak. However, any rebound will be from a low base; new construction is not expected to recover before 2026, given developers' financial strains and strict land-use rules.
- Office facing oversupply risks: A wave of nearly 1 million m² of new office projects is slated for Greater Paris in 2025, likely pushing vacancies higher in the near term. Tenant downsizing and space efficiency efforts will continue as hybrid work endures, meaning demand growth will lag behind pre-pandemic norms.

Disruptive Trends: Reshaping the competitive landscape

- Green regulations and ESG pressure: Stringent climate policies are transforming real estate. France's new energy rules will progressively ban the leasing of poorly insulated homes. Regulations will force owners to invest in retrofits and sustainable design, favoring players who upgrade portfolios early.
- E-commerce and omni-channel retail: Digital commerce continues to blur lines between retail and logistics. Retailers are adopting omni-channel models, using stores as experience centers and fulfillment nodes.
- Demographics and urban dynamics: France's population is aging, and household sizes are shrinking, generating demand for senior-friendly housing and smaller units. Younger generations prioritize affordability and flexibility, contributing to growth in rental, co-living, and student housing segments.

What can Real Estate CEOs do to weather the storm?

- Diversify and reposition portfolios: Proactively rebalance investments toward resilient segments and away from structurally challenged assets (e.g., vacant office space).
- Accelerate sustainability initiatives: Make energy efficiency and carbon reduction a top priority. Retrofitting buildings ahead of regulatory deadlines will not only ensure compliance but also reduce operating costs and protect asset values.
- Strengthen agility: Build a buffer against volatility by shoring up balance sheet and funding capacity.

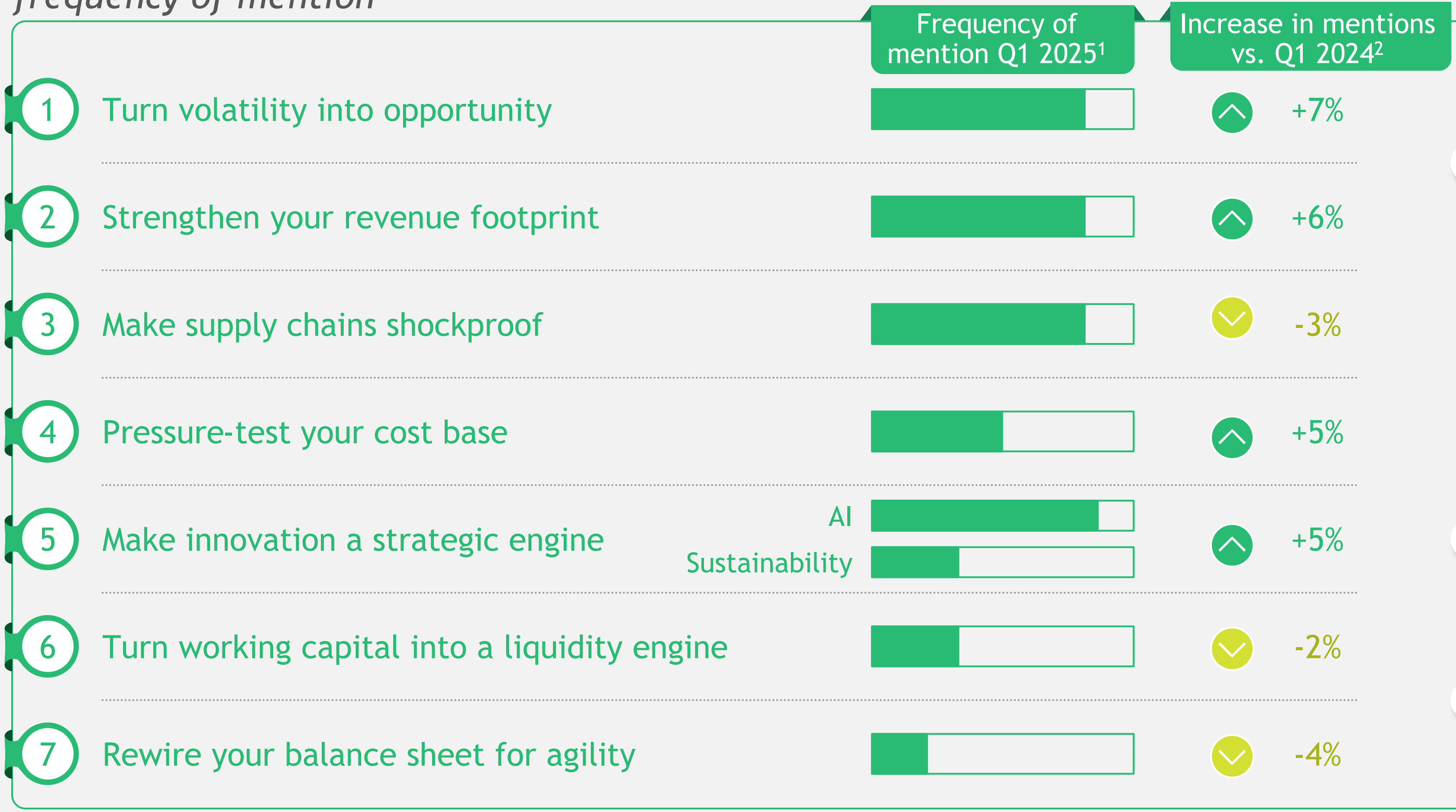
Source: Capital IQ, Reuters, IRU, IATA, BCG analysis and BCG expert views

The CEO agenda: 7 actions to weather the storm

1. **Turn volatility into opportunity** – Instability is unlocking new demand and M&A opportunities—act fast to capture the advantage
2. **Strengthen your revenue footprint** - Proactively build tariff-resilient revenues by redesigning pricing, adapting products, and shifting market focus wherever possible
3. **Make supply chains shockproof** - Diversify suppliers across regions to reduce exposure to tariffs, disruptions, and political risk
4. **Pressure-test your cost base** - Identify 3-5 high-impact levers to protect margins before volatility bites harder
5. **Make innovation a strategic engine** – Focus investments where innovation (incl. AI) drives measurable results as it must fuel core growth, competitiveness, and productivity
6. **Turn working capital into a liquidity engine** – Free up trapped cash now; it's your lowest-cost funding lever in today's environment
7. **Rewire your balance sheet for agility** - High funding costs and volatility require leaner, smarter capital structures—don't wait to adjust

Amid tariff concerns, CEOs are focused on revenue and M&A—overlooking how cost and liquidity efficiency bolster resilience

Topics discussed in earnings calls, in order of frequency of mention



		Frequency of mention Q1 2025[1]	Increase in mentions vs. Q1 2024[2]
1	Turn volatility into opportunity		+7%
2	Strengthen your revenue footprint		+6%
3	Make supply chains shockproof		-3%
4	Pressure-test your cost base		+5%
5	Make innovation a strategic engine	AI Sustainability	+5%
6	Turn working capital into a liquidity engine		-2%
7	Rewire your balance sheet for agility		-4%

Revenue and M&A/market opportunity are the main topics discussed by CEOs, even more in the context of trade tariffs uncertainty

Sustainability has slipped among CEOs' priorities, despite being a key long-term transformative topic

As trade tariffs dominate the discussions, focus on balance sheet items has declined, helped by a progressive decrease of interest rates

1. Share of companies that mentioned the keyword in Q1 2025 at least once 2. Based on the number of related words occurrences in earnings in Q1 2025 vs. Q1 2024
Source: BCG Market Sensing Portal, BCG Marketing Analysis April 2025, AlphaSense, BCG analysis