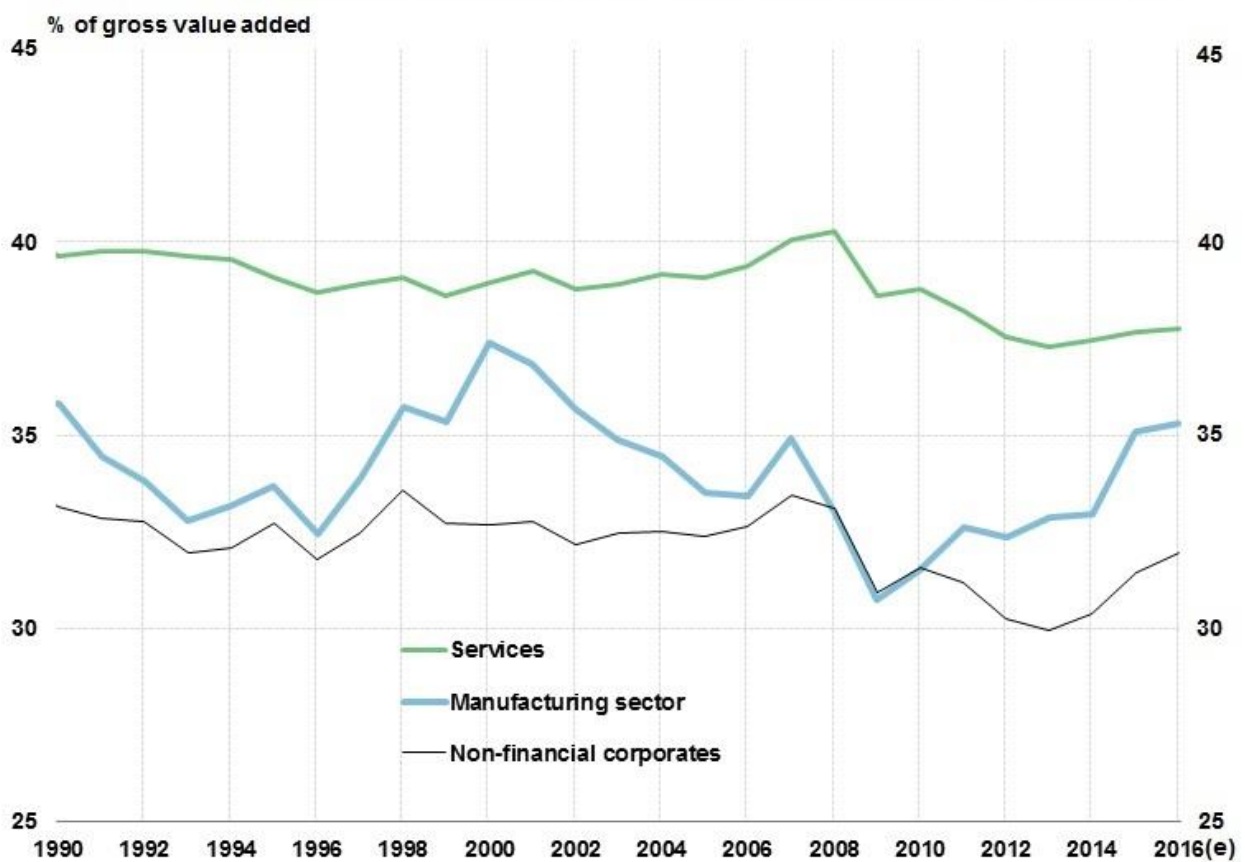




## France: a substantial but incomplete rise in corporate profit margins



Source: INSEE

The profit margins ratio of French non-financial corporates has been on the rise for three years. In Q2 2016, it reached 31.7% of gross value added. However, even if it stands about 2 points above its trough of end 2013, it is still below its pre-crisis peak level of mid-2007 by about 2 points too.

The details by sectors shed light on this mixed improvement: on the one hand, profit margins have significantly risen in the manufacturing sector, where they are back to their pre-crisis level (35%), but on the other hand, in the services sector, their fall has only been halted. Actually, the factors behind the recent pick-up in profit margins (a package of measures to reduce the cost of labor and the fall in commodities prices) are, by nature, more beneficial to the manufacturing sector than to services, where, in addition, wages grow more rapidly and productivity gains are lower.