



## LINK BETWEEN THE DEFAULT RATE AND THE ECONOMIC SITUATION

By

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### ABSTRACT

The goal of this study is to explain the evolution of default rate through macro-economic factors which highlight the fragility of enterprises facing the extreme macroeconomic shocks for the case of France. Tests of hypothesis are relative to: the evolution of the default rate is contra-cyclic of the economic activity; to seek whether the effect of economic situation on the default rate happens with lateness; to see if there is contagion effect between the default rates of the different finalities. Two approaches have been used through the descriptive analysis and the econometric modeling by using a Vector Error Correction Model (VECM) with exogenous variables. Results indicate that in short term, the default rates in the finalities of development, creation and financial restructuration can be explained by worsening of defaults in those same finalities but, at long term, the effects of contagion between finalities are noticed. Therefore, it is necessary to set up, a structural policy to boost economic activity, a circumstantial policy to create employment to stimulate domestic demand and competitiveness. Finally, to bring down average rate of interest on the monetary market so as not to harm the banks.

**Keywords:** Default, Finality, VECM, Macroeconomic