

INSOLVENCIES IN THE FRENCH HOSPITALITY SECTOR ARE ACCELERATING



According to data provided by Altares, the number of defaults in the French hospitality sector rose by nearly 20% in the first nine months of this year compared to last year. There were 208 insolvencies in the "Hotels and Similar Accommodation" category this year, up from 176 last year and 160 in 2020.

In addition, there were 68 defaults in the "Tourist Accommodation and Other Short-Term Accommodation" category, increasing from 58 last year and 26 in 2020. Experts are not surprised by this significant rise in insolvencies.

The study identifies several factors explaining this phenomenon. Firstly, **due to state aid, the post-COVID period saw a historically low level of defaults**, a trend that had persisted for 30 years and was expected to increase.

Additionally, consumer spending decreased because of inflation. The hotel and restaurant sectors were among the most affected, as professionals struggled with rising raw material costs while still needing to repay their state-guaranteed loans. The escalating expenses and insufficient revenues have led some companies to fail.

Lastly, during the post-COVID recovery, there was a sudden increase in available accommodation and dining options. With too many competitors entering the market simultaneously, the most vulnerable businesses could not survive.

Experts highlight the challenges of attracting talent in the tourism industry, mainly due to seasonal fluctuations. This issue can create difficulties for companies trying to maintain a stable workforce. Additionally, establishments must continually work to retain and attract new customers. Many businesses in the French hospitality sector faced restrictions during the pandemic that prevented them from operating despite investing significant resources. As a result, they accumulated debt. If customers do not return, repaying that debt can quickly become complicated.

According to figures provided by Altares, **insolvencies in the French hospitality sector are projected to increase by nearly 20% in 2024**, reaching levels similar to those of 2018 or 2019 for hotels. These figures align closely with the claims made by Umih, which reports a 20% rise in insolvency claims over the past 12 months. The union expresses concern that the sector is particularly affected by the rising raw materials and energy costs, leading to "shallow margins." Additionally, the employers' organization is advocating for mandatory staff training to help reduce the number of insolvencies.

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