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SMEs see a pick-up in business in 2010, but delay investment

Jean-Luc Cayssials and François Servant

Companies Directorate

Companies Observatory

Small and medium-sized enterprises (SMEs) in France saw a pick-up in business in 2010, driven largely by exports. The increase was gradual and gathered momentum at year's end. As activity levels rose, working capital requirements grew slightly as inventories were replenished and trade credit expanded.

Profit margins increased – although not to pre-crisis levels – on the back of a reduction in taxes and duties linked to production in the wake of reforms to the business licence tax.

Return on equity increased to 10% on average as a result of a higher return on operating capital, associated with low interest expense. However, the overall upturn masked sizeable differences, and the improvement mainly concerned SMEs that were the worst performers in 2009.

SMEs are maintaining a cautious stance, building their cash holdings and equity. They are strengthening their capital structure as they keep debt in check. Growth in bank debt is flat, with only short-term loans showing an increase as a result of the financing needs generated by the pick-up in business.

Capital expenditure fell for the second year running, taking the investment rate to its lowest level relative to value-added since 1996. In view of the substantial amount of cash on SME balance sheets, investment may recover, provided the economic environment stabilises and the outlook for demand is positive.

Keywords: SMEs, activity, profitability, debt, investment

JEL codes: E22, G30, G33, L23, L25

I | SMEs' business picked up gradually on the back of exports

I | I | Sales and value-added recovered partially in 2010

SMEs in France began to feel the benefits of the economic upswing in 2010. Their sales rose more than 3%, having contracted by 6% in 2009 (Table 1). However the pick-up in activity was gradual and slightly more intense in the second half than in the first. Judging from the tax returns collated in early August 2011, covering 80% of the balance sheets expected for the second-half 2010 close, the recovery is likely to be slightly firmer than the currently available accounting data suggest. Since some of the financial statements covering periods ending after 31 July are temporarily unavailable, the increase in SMEs' sales is likely to be underestimated (Box 1). It is currently put at 3.2% but could reach 3.8% once all the accounting data have been received.

SMEs' business proved resilient in 2010 owing to a gradually firmer economic situation. This was sustained in particular by a recovery in industrial order books, as identified in various surveys (e.g. Banque de France, Insee). The recovery was more noticeable for entities linked to an SME with multiple legal units than for companies comprising a single unit. Some sectors, such as manufacturing, transport and business support services, generated a real knock-on effect. Moreover, these were the sectors hardest hit by the 2009 shock.

Table 1 SMEs' business in 2009 and 2010

SMEs' business in 2009 and 2010						
(%)						
	Distribution of value-added		Annual change in sales		Annual change in value-added	
	2009	2010	2009	2010	2009	2010
SMEs with a single legal unit	43.6	43.9	-5.0	2.7	-2.7	2.3
SMEs with multiple legal units	46.2	46.7	-6.1	3.1	-5.2	3.8
Foreign SMEs	10.1	9.3	-11.2	5.7	-8.1	5.3
All SMEs	100.0	100.0	-6.3	3.2	-4.4	3.3
o/w main sectors:						
<i>Manufacturing</i>	22.8	23.3	-10.7	3.8	-9.8	3.9
<i>Construction</i>	16.3	16.4	-4.6	-0.4	-3.2	-1.5
<i>Trade</i>	27.4	28.0	-5.1	2.8	-3.1	3.3
<i>Transport and storage</i>	5.5	5.5	-8.0	5.3	-2.7	2.4
<i>Business services</i>	12.2	11.8	-6.6	4.9	-3.3	5.0

Scope: SMEs as defined by the Economic Modernisation Act that filed balance sheets in 2009 and 2008 (FY2009), or 2010 and 2009 (FY2010).

Source: Companies Directorate – FIBEN database, August 2011.

In the trade sector, business volume also grew but at a slightly slower pace than for SMEs as a whole. By contrast, the outlook for construction was worrying.

By and large, value-added improved in similar proportions. For SMEs in the transport sector, however, the improvement was less marked than sales growth, namely 2.4% compared with 5.3%. The gap is mainly due to a sharp rise in the cost of inputs.¹

I | 2 SMEs' business boosted by exports

The pick-up in international trade gave a strong lift to SMEs' business in 2010 (Table 2). Companies that generate a substantial portion of their sales outside France (i.e. with an export rate in excess of 20%) were able to take advantage of a brisk recovery in demand on many markets, notably Asia, North and South America, and Central and Eastern Europe. With a well above average percentage of exporters, SMEs in industry and transport, along with legal units belonging to a group in general, were able to boost their overall business volume.

Foreign-owned SMEs have a specific profile in this regard: three-quarters of them have an export business and were able to increase their sales by between 80% and 110% more than other SMEs.

Table 2 Export sales of SMEs in 2010

	Proportion of exporting firms (%, relative to number of firms)	Annual change		Export rates	
		in SME sales	in SME export sales	All SMEs	Exporting SMEs in 2009 and 2010
SMEs with a single legal unit	25.4	2.7	10.0	7.2	21.5
SMEs with multiple legal units	38.9	3.1	10.4	8.7	20.7
Foreign SMEs	75.4	5.7	11.5	27.0	32.9
All SMEs	31.0	3.2	10.6	10.0	23.5
o/w main sectors:					
Manufacturing	56.5	3.8	9.5	19.3	27.8
Construction	6.7	-0.4	5.2	0.8	9.9
Trade	33.7	2.8	10.7	8.5	20.1
Transport and storage	44.3	5.3	17.2	13.5	25.0
Business services	31.8	4.9	4.9	11.5	28.8

Scope: SMEs as defined by the Economic Modernisation Act that filed balance sheets in 2009 and 2010

Note: The export rate is the ratio between export and total sales.

Source: Companies Directorate – FIBEN database, August 2011.

¹ The higher costs were the natural result of a rise in fuel prices, the main cost centre of the transport sector. In 2010 the price of diesel rose by 24.7% in France, taking into account unfavourable currency effects (Insee, December 2010). All in all, the Raw Materials and Supplies item for transport-sector SMEs that filed accounts in 2009 and 2010 increased by 12.5% (including the change in inventories).

Box I

Gradual recovery
Trends in industry and trade

The economic recovery that began in 2010 did not proceed at the same pace over time. Measuring changes in SMEs' annual business for each quarter, it emerges that sales generally stopped falling only for companies that closed their accounts from third quarter 2010 onwards (Chart). This situation was particularly noticeable in two sectors, industry and trade, which together account for 68% of SMEs' sales and 80% of their export business.

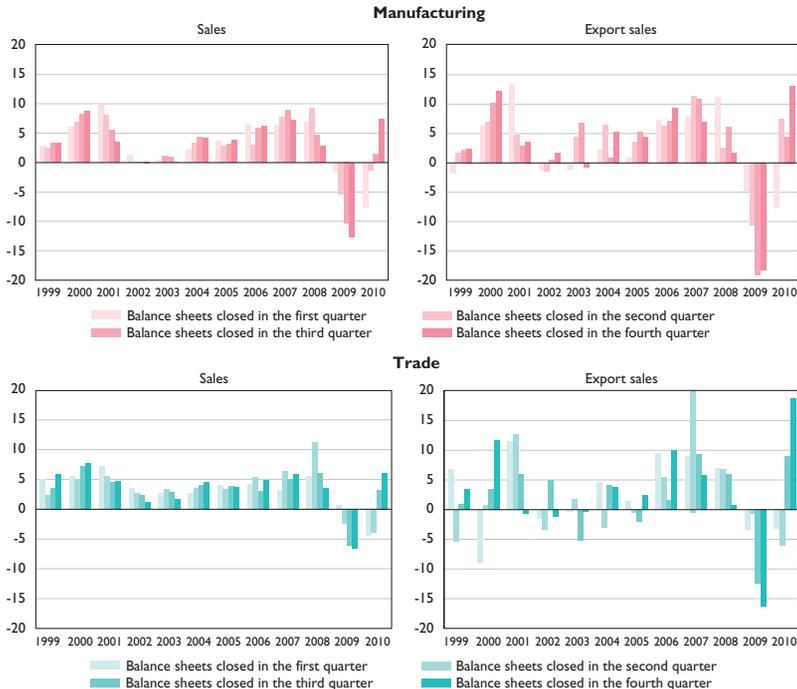
The sub-annual breakdown emphasises two factors specific to the 2008-2009 crisis:

- its markedly recessive nature, as compared with the previous slowdown (2001-2002), when activity did keep growing;
- its magnitude as regards companies with international exposure.

Second, the gradual pace of recovery, and especially the fact that it is identified through financial statements whose year-end closes are staggered over time, skews any measurements made before all the individual data have been collected.

Pick-up in the business of SMEs in industry and trade

(annual change in %, calculated for each quarter closing)



Scope: SMEs as defined by the Economic Modernisation Act.
Source : Companies Directorate – FIBEN database, August 2011.

.../...

The weighting currently assigned to year-end balance sheets is adjusted based on the average share of SMEs' quarterly sales in total annual sales. Calculated in this way, the bias suggests that the rate of growth of SMEs' business has been underestimated by 0.6 percentage point in terms of total sales and by 1.1 points for export sales alone. Based on final data, therefore, the total sales and export sales of SMEs may have increased by 3.8% and 11.7%, respectively, in 2010.

In the case of industrial SMEs, the bias could be 0.7 point of both total sales and export sales. Accordingly, the growth rate for industrial SMEs' total sales in 2010 may reach 4.5% while exports sales may have increased by 10.2%.

The bias in the trade sector is potentially of the same magnitude for total sales, i.e. 0.6 point. It is more pronounced as regards export sales, at 2 points,¹ though this has little effect on the overall business of the companies concerned because of their low export ratio (8.5%). On this basis, trade SMEs' total sales in 2010 grew by 3.4% and their export sales by 12.7%.

¹ Export sales in the trade sector in 2010 were highly volatile during the course of the year, with a sharp recovery – visible in the chart – at the end of the year.

I | 3 The cyclical upswing prompted a moderate increase in the operating WCR of SMEs...

SMEs' operating working capital requirement (WCR) increased by a moderate 2.2% on average in 2010 (Table 3). The increase was 3.3% for SMEs comprising a single legal unit and slightly less among SMEs belonging to groups.

The factors behind the increase in SMEs' operating WCR varied from one sector to another. Fuller order books allowed SMEs in manufacturing to look ahead to a lasting upturn in demand and thus begin rebuilding inventory without delay.

For SMEs in trade and transport, however, this process combined with the emergence of financing needs owing to the change in trade credit. For these firms, the intensification of the production cycle coincided with an increase in accounts payable and an even larger increase in accounts receivable.

In the trade sector, trade credit was negative in 2009 and 2010, and fell by 17.3% year-on-year. Among affected companies, this meant a decline in funding resources in 2010 (Note (a) of Table 3). Still, the decline had only a limited impact on the change in operating WCR, the level of which varies chiefly with changes in inventory in this sector. The volume of inventory, which is higher in the trade sector than in the rest of the

economy, explains the dominant share (42.4%) occupied by the sector in the overall WCR of SMEs.

SMEs in construction had a second difficult year. Sales contracted by 0.4% in 2010 and operating WCR rose by 5.3% in the space of a year, propelled by the surge in trade credit. This situation may seem worrying since it is occurring in a sector that already has a long operating cycle. However, the movement mainly shows that, while business volume is contracting, payment conditions are becoming significantly tighter, with a rise in days sales outstanding and a decline in days payable outstanding.²

Some sectors benefit from a reduction in their operating WCR, albeit as part of activities that usually generate little in the way of financing needs. Of these sectors, the most representative from a macroeconomic perspective, namely business services (11.8% of value-added and 3.2% of the operating WCR of SMEs) benefits mainly from a reduction in its other accounts payable and receivable.

Table 3 SMEs' operating working capital requirement

	Distribution of operating WCR	Change 2010/2009	Of which	
			Trade credit	Inventory
SMEs with a single legal unit	40.5	3.3	11.3	2.3
SMEs with multiple legal units	46.9	2.5	14.0	1.5
Foreign SMEs	12.7	-2.5	-0.5	1.2
All SMEs	100.0	2.2	10.3	1.8
o/w main sectors:				
<i>Manufacturing</i>	35.4	3.2	0.8	4.8
<i>Construction</i>	11.3	5.3	18.4	-3.4
<i>Trade</i>	42.4	2.9	-17.3 (a)	1.9
<i>Transport and storage</i>	1.2	9.1	7.8	8.4
<i>Business services</i>	3.2	-2.2	6.9	2.7

Scope: SMEs as defined by the Economic Modernisation Act that filed balance sheets in 2009 and 2010.

Note: Operating working capital requirement is made up of trade credit, inventory and the balance of other accounts payable and receivable.

(a) Trade credit of SMEs in the trade sector was negative in 2009 and 2010. It was therefore a financing resource for companies, because the financing provided by suppliers exceeded credit granted to customers. A decline in trade credit thus indicates a decline in financing resources (or increased financing requirements), and vice-versa.

Source: Companies Directorate – FIBEN database, August 2011.

² Average days sales outstanding (DSO) among SMEs in the construction sector increased by two days to 74 days of sales, while days payable outstanding fell by one day to 66 days of purchases. Without an improvement in DSO and unless their business sees a lasting recovery in 2011, construction SMEs could face real cash problems when the temporary exemption agreements relating to payment periods expire in late 2011.

1|4 ...and encouraged the use of outside personnel

In 2010, SME employment grew by 1.9% (Table 4), with an especially noticeable increase among companies consisting of a single legal unit. Meanwhile, personnel expenses increased to a larger degree (3%), largely because of higher labour costs. Overall, labour costs increased by 2.9% in 2010, because of wage increases (2.6% year-on-year) as well as, to a lesser degree, cuts to exemptions on employer costs and measures to close loopholes included in the 2010 Social Security Funding Act (Insee statistics).

Use of temporary workers played a key role. Among manufacturing SMEs, the relative share of costs for external personnel in SMEs' total wage costs increased by 0.8 of a point, offsetting the expected downside impact of the decline in the staff.

Among companies that recorded above-average sales (SMEs with multiple legal units, as well as those in industry, transport and business services), use of temporary staff provided some flexibility in adjusting to the new demand situation.

Table 4 Staffing and personnel expenses

(%)					
	Distribution of permanent staff	Change 2010/2009			
		Permanent staff	Personnel expenses	o/w expenses for external personnel	% share of expenses for external personnel in 2010
SMEs with a single legal unit	46.2	2.5	3.0	8.0	4.2 (+ 0.2 pt)
SMEs with multiple legal units	46.9	1.5	3.0	10.3	6.7 (+ 0.4 pt)
Foreign SMEs	6.8	0.5	3.4	12.7	5.3 (+ 0.4 pt)
All SMEs	100.0	1.9	3.0	9.7	5.5 (+ 0.3 pt)
o/w main sectors:					
<i>Manufacturing</i>	24.0	-0.3	2.3	16.0	6.7 (+ 0.8 pt)
<i>Construction</i>	17.2	0.8	1.7	2.3	10.2 (+ 0.1 pt)
<i>Trade</i>	29.0	1.9	2.7	7.4	3.2 (+ 0.1 pt)
<i>Transport and storage</i>	6.3	2.6	3.9	21.3	5.4 (+ 0.8 pt)
<i>Business services</i>	11.4	5.3	4.7	13.3	3.5 (+ 0.3 pt)

Scope: SMEs as defined by the Economic Modernisation Act that filed balance sheets in 2009 and 2010.

Note: Permanent staff are measured and external personnel are excluded. However, personnel expenses are restated to capture expenses for external personnel. Permanent staff do however include personnel supplied by temp agencies that are themselves SMEs. Looking at the economy as a whole, the staff of temp agencies increased in 2010 by 15% for agencies that are SMEs and by 19% for agencies that are mid-tier firms.

Source: Companies Directorate – FIBEN database, data for August 2011.

I | 5 SME performance indicators show an improvement, but questions remain over their long-run level

Supported by more robust demand compared with a year previously, and helped by growing sales and a more measured increase in operating WCR, SMEs improved their profit margins and return on operating capital in 2010 (Charts 1 and 2).

However, the scale of this recovery, coming on the heels of a difficult period, should not be overestimated. Over the long run, the increase in SMEs' profit margins and return on operating capital remains relative. During the last 15 years, the two indicators have been on a neutral trend, highlighting genuine sector weaknesses.³ The profit margin of manufacturing SMEs began shrinking in the 2000s and has never managed to climb back up to the average. Meanwhile, in the space of three years, construction firms lost the lead they had built up over SMEs as a whole during the decade before the crisis. Only SMEs providing business support services (11% of value-added and of the payroll employment of SMEs) have improved their profitability over the long term. This is a boon for these companies, which are exposed to fierce international competition and whose activities can most easily be moved abroad.⁴

In Europe, only German manufacturing SMEs managed to improve their economic performance between 2000 and 2008. But their situation, like that of small businesses in France, worsened in 2009 (ECCBSO, BACH ESD).⁵

Yet the cost variables that shape profit margins did not deteriorate markedly in 2010 (Table 5). Payroll costs increased to a controlled degree, reflecting the change in labour costs (moderate wage inflation) and increased use of temporary staff (previous point). At the same time, SMEs were helped by significant, across-the-board breaks in production-related taxes and duties, particularly as a result of reforms to the business licence tax.

This trend is part of a longer-term shift: since 1999, the share of personnel expenses has fluctuated in a range between 71.4% and 73.7%, while the share in value-added of production-related taxes and duties fell from 6.1% to 4.8% between 1996 and 2010 (FIBEN data).

Overall, this question of profitability – coupled with uncertainty about the strength of the global recovery and fears voiced by some companies

³ Since some of the financial statements closed at the end of the year are temporarily unavailable, the 2010 profit margin is probably overestimated. In fact, the margin is reverting to its level of 1996-1997, i.e. at the lower end of the range that the ratio has been in for the last 15 years. The bias, evidenced here in the series breaks in 2009, stems from the often inverse relationship between the quality of balance sheets and the date when they are made available, that is, for a given closing date, struggling companies tend to publish their accounts later (Charts).

⁴ Cf. El Mouhoub 2011.

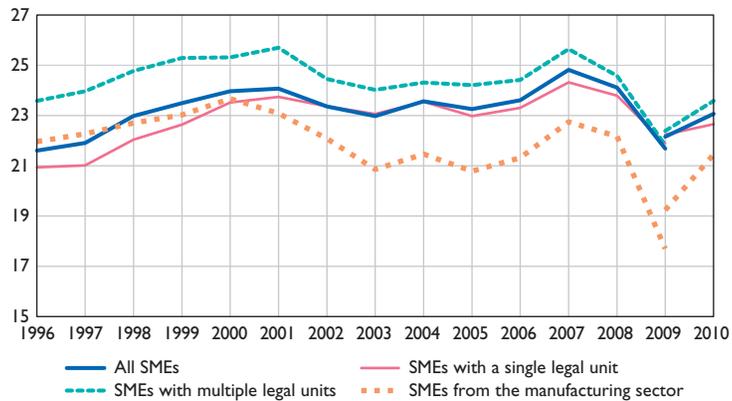
⁵ Operating income divided by sales of German small and mid-sized industries (sales between EUR 10-50 million) was 3.8% in 2000, 5.3% in 2008 and 3.3% in 2009. Among the same group of firms in France, the ratio was 3.9% in 2000, 4.2% in 2008 and 2.8% in 2009.

about future access to credit – is probably one of the major reasons for the wait-and-see stance suggested by the measures taken by SMEs to boost cash, bolster equity and keep investment flat.

Chart 1 Profit margin

Gross operating income/value-added

(%)



Scope: SMEs as defined by the Economic Modernisation Act.

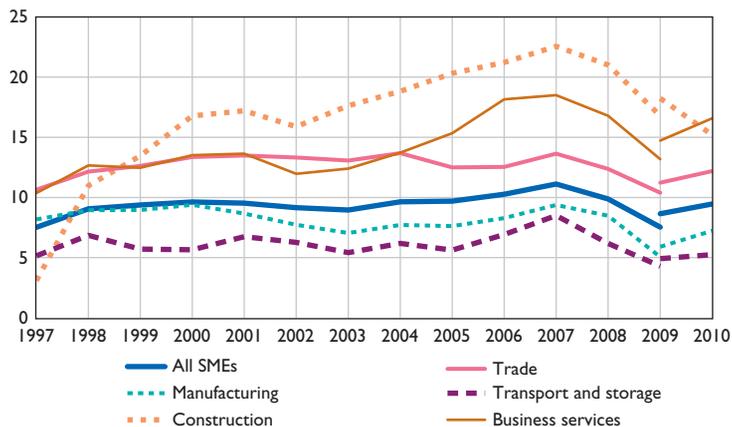
Note: Because not all balance sheets are available yet for FY2010, the 2010/2009 comparison is based on a sample of companies that were present in both years, hence the last two separated points on each chart.

Source: Companies Directorate – FIBEN database, August 2011.

Chart 2 Net return on operating capital

Net operating income/operating capital

(%)



Scope: SMEs as defined by the Economic Modernisation Act.

Note: Cf. Chart 1.

Source: Companies Directorate – FIBEN database, August 2011.

Table 5 Components of the profit margin, change between 2009 and 2010

	Change 2010/2009				
	Value added	Personnel expenses	Duties and taxes linked to production (a)	Operating subsidies	Gross operating income
(%)		(1)	(2)	(3)	(4)
SMEs with a single legal unit	2.3	3.0	-14.7	9.1	4.2
SMEs with multiple legal units	3.8	3.0	-9.2	-4.7	9.3
Foreign SMEs	5.3	3.4	-3.9	6.2	14.9
All SMEs	3.3	3.0	-10.9	2.5	7.5
o/w main sectors:					
<i>Manufacturing</i>	3.9	2.3	-13.6	8.8	15.8
<i>Construction</i>	-1.5	1.7	-18.1	10.3	-10.8
<i>Trade</i>	3.3	2.7	-8.3	4.1	8.2
<i>Transport and storage</i>	2.4	3.9	-17.0	12.6	2.9
<i>Business services</i>	5.0	4.7	-8.1	4.2	9.1
Structure of value-added (1) + (2) - (3) + (4)	100	72.7	4.8	0.6	23.1

Scope: SMEs as defined by the Economic Modernisation Act that filed balance sheets in 2009 and 2010.

(a) Duties and taxes linked to production (= duties and taxes excluding corporate tax).

Source: Companies Directorate – FIBEN database, data for August 2011.

2| The balance sheet structure of SMEs reveals continued caution

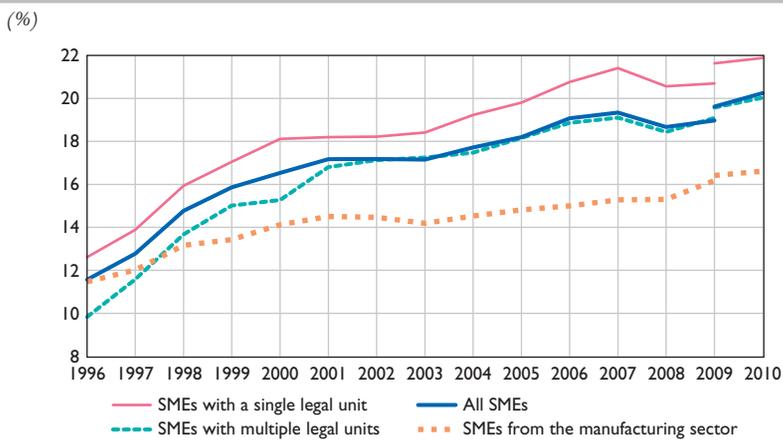
2| I SMEs continue to boost cash holdings

In 2010, SMEs increased cash levels still further, by 8.4% compared with 2009. Cash and cash equivalents now account for more than one-fifth of total assets, or almost double the share recorded in 1996 (Chart 3).

Cash occupies a higher share among single-legal-unit firms than among other SMEs (22% and 20% respectively); both the level and the growth rate are lower in the manufacturing sector.

Cash and cash equivalents consist of cash, securities held for sale and short-term claims on the group and associates. Cash proper accounts for half the total, or 10% of SMEs' total assets (13% in the case of SMEs comprising a single legal unit).

Chart 3 Share of cash holdings on the balance sheet



Scope: SMEs as defined by the Economic Modernisation Act.

Note: Cf. Chart 1.

Source: Companies Directorate — FIBEN database, August 2011.

However, this overall result masks fairly wide disparities. Cash makes up less than 5% of assets among one-quarter of SMEs, but over 37% of assets among the quarter of firms at the other end of the spectrum.

Classifying SMEs into four groups (the same number of companies as defined by the Economic Modernisation Act) according to cash levels reveals very different standard profiles (Table 6 and Chart 4).

SMEs with high levels of cash (final quarter of the population, whose cash accounts for over 63% of assets on average) are characterised:

- on the funding side, by a substantial level of equity (61% of funding resources), combined with low financial debt (18% of funding resources);
- on the assets side of the balance sheet, by a low proportion of fixed assets (under 30%) and low WCR;
- by an investment rate (6% of value-added) that is half that of SMEs generally, but that is trending upwards, in contrast with the rest of the population;
- by higher net profitability, owing to low interest expense and net charges for depreciation, amortisation and provisions;
- by a relatively low saving rate (share of dividends paid out, and to a lesser extent government taxes and duties, particularly corporate tax).

Conversely, SMEs with low levels of cash (first quarter of the population, whose cash accounts for just 2% of assets on average) are characterised by:

- greater use of financial debt (around 43% of funding resources), notably bank debt;
- a high proportion of fixed assets (over 64% of assets);
- a high investment rate (25% of value-added);
- net profitability pulled down by interest expense and net charges for depreciation, amortisation and provisions;
- a saving rate boosted by the low share of dividends paid out and taxes.

These classifications are characteristic of certain sectors of activity. In particular, industry is well represented among SMEs with low levels of cash.

Return on investment also has to be considered in the light of firms' specific characteristics. Investment spending does not always give rise to a regular flow of expenditure in each accounting period. Productive capacities are usually overhauled after several years following a period in which cash is built up. Accordingly, the fact that SMEs with substantial savings are simultaneously increasing their cash levels (16%) and investment (7%) is not paradoxical; it may result in the subsequent transformation of a larger share of these savings into productive capital.⁶

The analysis reveals relationships between SMEs' cash levels and their capital structure (Chart 4). While the investment rate declines as the cash level rises, there is a threshold beyond which this relationship has little effect. Between the third and fourth quarters of companies examined, there is a substantial difference in cash, but only a small decline in investment. The impacts on profit margin and the saving rate are weaker. Furthermore, it appears that companies' cash levels go up as capital intensity (proportion of operating fixed assets) goes down and equity increases.

⁶ Indeed, the SMEs with the most cash are also those that have gone furthest towards paying off their productive capacities.

Table 6 Classification of SMEs, by share of cash holdings on the balance sheet, 2010

	Total	1st quarter	2nd quarter	3rd quarter	4th quarter
Share of cash holdings on balance sheet		Under 4.9%	4.9% to 16.5%	16.5% to 37.3%	Over 37.3%
Average amounts (EUR thousand, except permanent staff)					
Cash holdings	705	84	447	882	1,408
Total funding resources	3,559	4,029	4,447	3,529	2,231
Shareholders' equity	1,459	1,096	1,667	1,710	1,363
Financial debt	1,117	1,714	1,470	871	411
<i>o/w bank debt</i>	732	1,186	1,023	534	186
Value-added	1,307	1,015	1,450	1,471	1,292
Permanent staff	20	17	24	23	18
Restated asset structure (%) (a)					
Fixed operating assets	50.0	64.2	53.7	43.4	27.6
Other fixed assets	18.5	17.9	22.4	19.2	11.0
Operating WCR	12.3	15.6	13.7	12.8	2.8
<i>o/w trade credit</i>	4.3	3.9	4.4	5.8	2.7
<i>o/w inventory</i>	14.4	15.4	14.4	14.3	12.8
Non-operating WCR	-0.7	0.2	0.2	-0.4	-4.5
Cash holdings	19.8	2.1	10.1	25.0	63.1
Restated liability structure (%) (a)					
Shareholders' equity	41.0	27.2	37.5	48.5	61.1
Depreciation, amortisation and provisions	27.6	30.2	29.5	26.9	20.5
Financial debt	31.4	42.5	33.0	24.7	18.4
<i>bank debt</i>	20.6	29.4	23.0	15.1	8.3
<i>o/w short-term bank loans</i>	3.3	5.2	3.2	2.1	1.7
<i>other financial debt</i>	10.8	13.1	10.1	9.6	10.1
Structural ratios (%) (a)					
Financial debt/shareholders' equity	76.5	156.3	88.1	50.9	30.2
Investment rate	14.7	24.9	18.2	11.9	6.1
Profit margin	23.1	21.6	22.3	23.5	24.6
Net cash flow/total funding resources	4.0	0.9	2.7	5.7	9.3
Net cash flow/shareholders' equity	9.7	3.4	7.1	11.7	15.2
Saving rate	12.7	14.3	14.0	12.6	10.0
Annual change (%) (b)					
Cash holdings	8.4	-41.1	-0.2	10.2	15.9
Investment	-11.3	-23.0	-6.7	-6.9	6.7
Shareholders' equity	6.7	6.7	5.7	6.2	8.4

Scope: SMEs as defined by the Economic Modernisation Act.

Note: Total funding resources (restated liabilities) comprise shareholders' equity, financial debt and total amortisation, depreciation and provisions. This total is therefore different from the non-restated balance sheet total (total assets or liabilities net of amortisation, depreciation and provisions and before restatement of WCR).

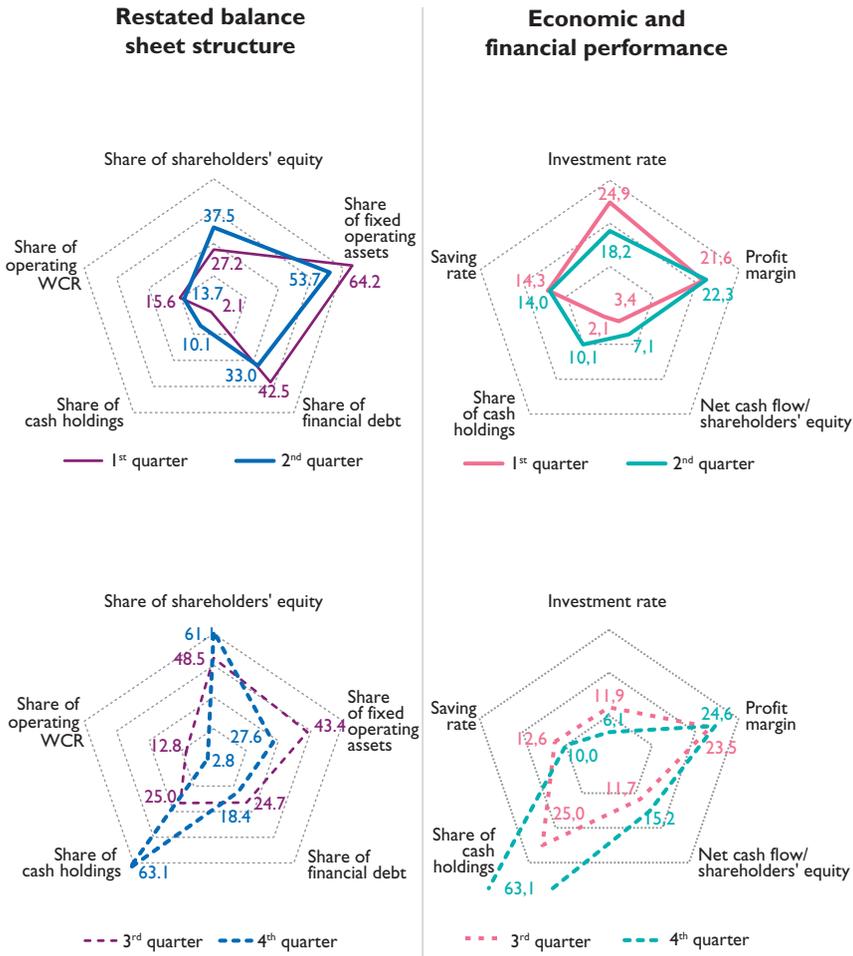
(a) Non-sliding data (firms as defined by the Economic Modernisation Act).

(b) 2009-2010 sliding data, based on legal units.

Source: Companies Directorate – FIBEN database, data for August 2011.

Chart 4 Four SME profiles by share of cash holdings

(average ratios in %)



Scope: SMEs as defined by the Economic Modernisation Act.

Notes: SME Profiles:

1st quarter: cash holdings < 4.9 % of restated balance sheet total.

2nd quarter: cash holdings make up 4.9% to 16.5% of restated balance sheet total.

3rd quarter: cash holdings make up 16.5% to 37.3% of restated balance sheet total.

4th quarter: cash holdings > 37.3% of restated balance sheet total.

Definition of indicators used:

Shares expressed as a percentage of restated balance sheet total for indicators of structure.

Saving rate: cash flow /distributed income.

Investment rate: investment (tangible and intangible)/value-added.

Profit margin: gross operating income/value-added.

Source: Companies Directorate – FIBEN database, August 2011.

2|2 Equity reaches high levels

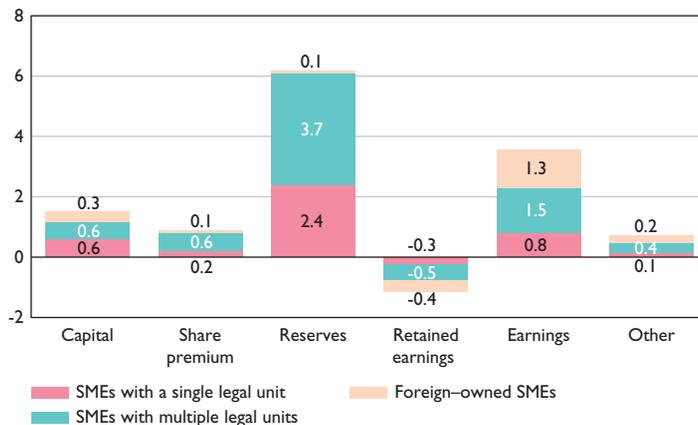
In 2010, the shareholders' equity of small and mid-sized firms increased by 6.7% after growing by 3.8% in 2009. The ratio of equity to total funding resources has risen constantly since the end of the 1990s, when it was below 35%, to climb to 41%.⁷ The crisis certainly slowed the increase in the ratio in 2008 and 2009, but as earnings improved, the ratio rose again in 2010 (Chart 5).

Chart 5 SME shareholders' equity

Components of shareholders' equity

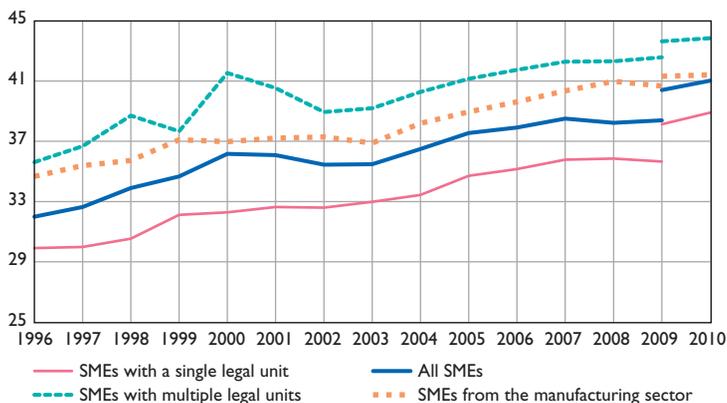
Change 2010/2009: increase of EUR 11.7 billion (+ 6.7%)

(amounts in EUR billion)



Share of shareholders' equity on the balance sheet

(%)



Scope: SMEs as defined by the Economic Modernisation Act.

Note (right-hand graph): Cf. Chart 1.

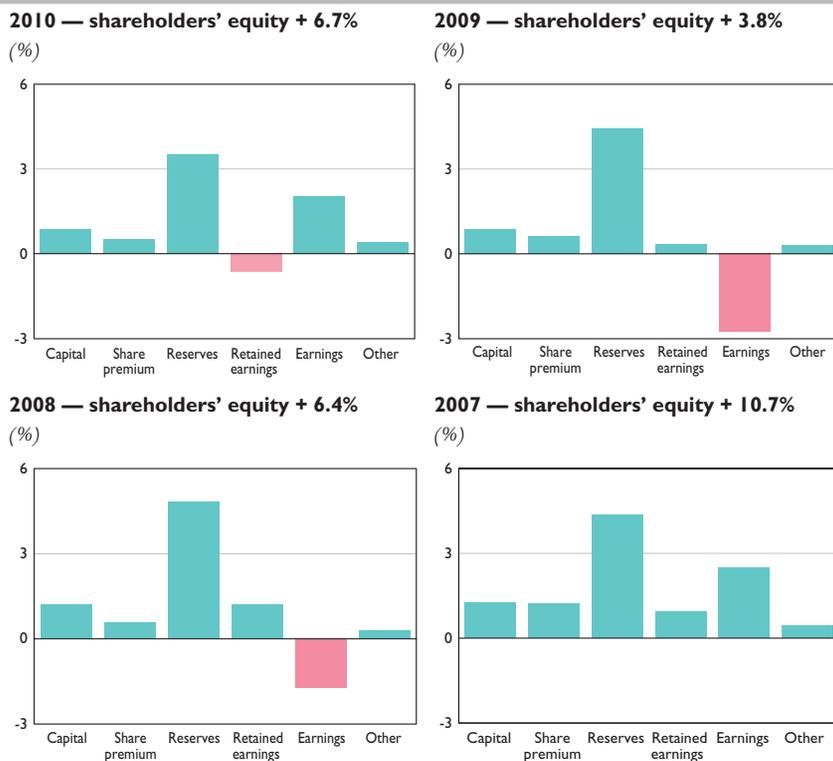
Source: Companies Directorate – FIBEN database, August 2011.

⁷ Eliminating double counting caused by the aggregation of the balance sheets of legal units belonging to the same company would give a slightly lower ratio, but one that was still up compared with 2009. However, at the time when this study was carried out, not all balance sheets had been collected, so this measurement remains an approximation for now.

Shareholders' equity has several components and is notably driven by the share of retained earnings from past years. Thus, 2010 showed a gain of around EUR 11.7 billion, stemming mainly from an increase in reserves but also from earnings growth in 2010. By contrast, retained earnings played a negative role in 2010, as a consequence of the fall in earnings in 2008 and 2009 (Chart 6).

Accordingly, lower earnings in those two financial years affected the change in equity, even though equity did continue to grow⁸ (by 6.4% and 3.8% respectively). Before the crisis, all components contributed positively to equity growth (10.7% overall in 2007).

Chart 6 Contribution of components to the change in SME shareholders' equity



Scope: SMEs as defined by the Economic Modernisation Act.

Note: The charts illustrate the contribution of each component to the overall change in shareholders' equity. For example, in 2009, the decline in earnings had a negative impact (2.8 points) on the change in shareholders' equity (+3.8%).

Source: Companies Directorate — FIBEN database, August 2011.

⁸ For equity to decline in absolute terms over a year n , it is necessary, all other things being equal, for earnings in year n to fall by more than undistributed profit in year $n-1$, since this profit will increase reserves and retained earnings.

The distribution of the equity ratio in 2010 reveals fairly wide disparities. One quarter of SMEs had equity of less than 26% of their funding resources in 2010, 10% had equity of less than 10%, and 5% had negative equity.⁹ Based on 2009 financial statements, the capital needed to ensure that no SME exceeds a debt ratio (financial debt over equity) of 200% is estimated at EUR 18.7 billion.

2|3 The investment rate of SMEs is at one of its lowest levels since 1996

The upturn in activity did not stimulate SMEs' capital expenditure, which fell by 11% in 2010. Relative to value-added, investment fell significantly between 2009 and 2010, reaching one of its lowest levels since 1996 in virtually all sectors (Chart 7). However, the decline was partly the result of the increase in value-added (3.3%) and was half the size of the fall of 2008-2009. Moreover, stripping out real estate activities, investment was down by less than 8%.¹⁰

Unlike large corporations, whose high levels of capital intensity often necessitate a structural investment flow, SMEs typically commit these expenses on a case by case basis, depending on visibility on the markets and the obsolescence of their equipment. A large proportion of SMEs make few regular fixed capital acquisitions annually (three-quarters of SMEs had

**Table 7 SME investment in 2010
(including acquisitions through leasing)**

Table 7 SME investment in 2010 (including acquisitions through leasing)				
(%)				
	Distribution of investment	Change 2010/2009	Investment rate	
			2009	2010
SMEs with a single legal unit	38.8	-11.1	13.7	12.0
SMEs with multiple legal units	51.4	-8.2	16.3	14.5
Foreign SMEs	9.8	-25.3	19.6	13.9
All SMEs	100.0	-11.3	15.5	13.4
o/w main sectors:				
Manufacturing	22.3	-4.1	13.6	12.6
Construction	10.4	-12.3	9.3	8.3
Trade	22.3	-9.1	12.0	10.6
Transport and storage	8.0	-12.1	22.4	19.2
Business services	9.8	-8.2	12.9	11.3

Scope: SMEs as defined by the Economic Modernisation Act that filed balance sheets in 2009 and 2010.

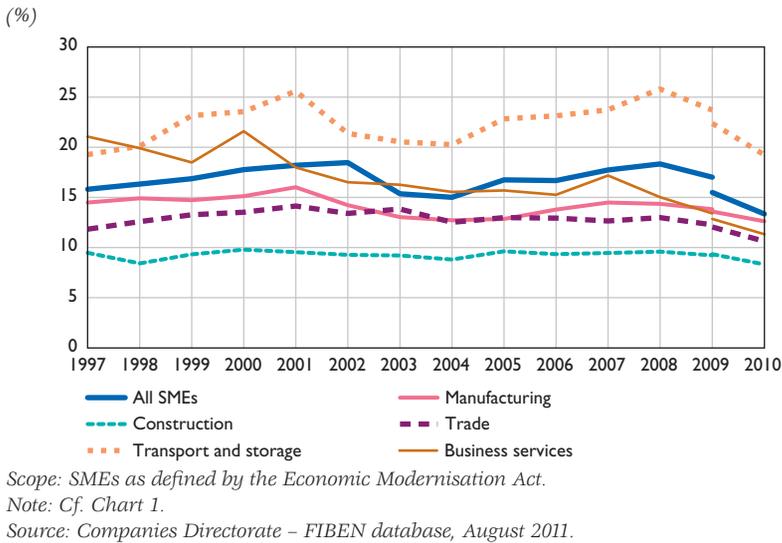
Note: Taking into account all available balance sheets (not only those present in 2009 and 2010), the investment rate is 14.7% in 2010 and 17% in 2009.

Source: Companies Directorate – FIBEN database, data for August 2011.

⁹ This ratio was likely underestimated at the time when the study was carried out, since the results for 2010 are based on an incomplete sample mainly containing the balance sheets of the healthiest companies.

¹⁰ The overall investment rate is highly sensitive (large variable total investment combined with weak value-added).

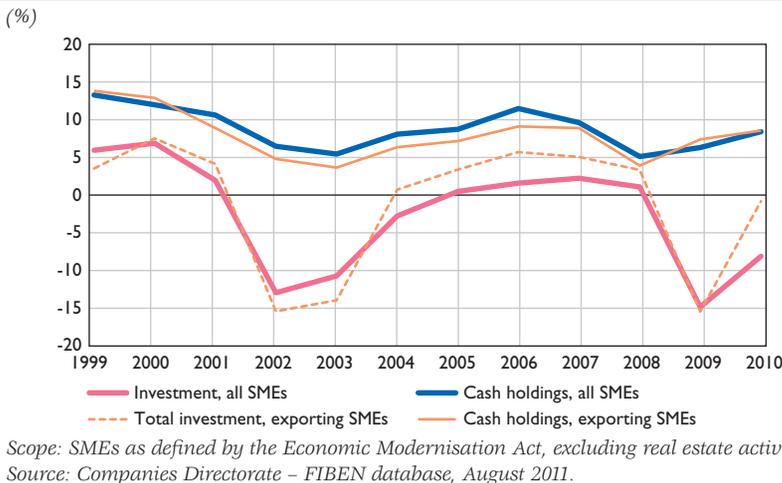
Chart 7 Investment rate/value-added



investment rates of less than 11 % in 2010 and more than half of SMEs had rates of 4% or less) and there is significant turnover in the population of SMEs that do invest.

The increase in SMEs' cash levels since 2008 could have allowed some of them, particularly export-led firms, to boost their investments during 2010 (Chart 8). This was not the case, although the downturn in

Chart 8 Annual growth rate of investment and cash holdings, SMEs
 All SMEs and exporting SMEs, 1998 – 2010



2010, which was smaller than that of 2009, may be seen as a positive sign. The existence of a critical mass of cash seems to be a pre-requisite for any major programme, particularly as far as financial partners are concerned, but is not enough by itself. The perception of persistent economic risk may therefore have prompted some firms to cancel investments or postpone their main investment decisions to 2011 or beyond.¹¹

3| SMEs are making little use of debt

3|1 SMEs are keeping their financial debt contained...

Use of financial debt increased by just 1.5% in 2010 (Table 8). Of the components of financial debt, only short-term bank loans increased (2.9%), in connection with the pick-up in WCR. Factoring (18% of short-term bank loans) rebounded by more than 17%.¹²

Over the long run, SMEs have gradually modified their sources of financing, scaling back the share of short-term bank loans in their financial debt and significantly increasing medium and long-term bank financing. Since 1996, the share of short-term bank loans has halved to make up just 11% of the

Table 8 SMEs' financial debt in 2010

	Distribution of financial debt	Change 2010/2009				
		Financial debt	1: Bank debt	1.1: Short-term bank loans	2: Bonds	3: Intra-group, associates and other
SMEs with a single legal unit	32.7	-0.3	-1.4	1.4	-4.2	3.5
SMEs with multiple legal units	52.3	3.4	1.9	-0.8	11.4	6.4
Foreign SMEs	14.9	-0.7	-1.1	27.7	-39.5	2.2
All SMEs	100.0	1.5	0.3	2.9	-5.3	4.7
o/w main sectors:						
Manufacturing	19.2	5.0	5.6	0.6	-7.4	4.5
Construction	8.3	0.3	-0.9	-1.4	18.3	2.5
Trade	27.1	0.5	-0.9	1.8	2.7	3.7
Transport and storage	4.6	-0.8	-1.4	18.6	4.9	1.6
Business services	7.1	4.2	-0.3	3.8	-7.3	12.2

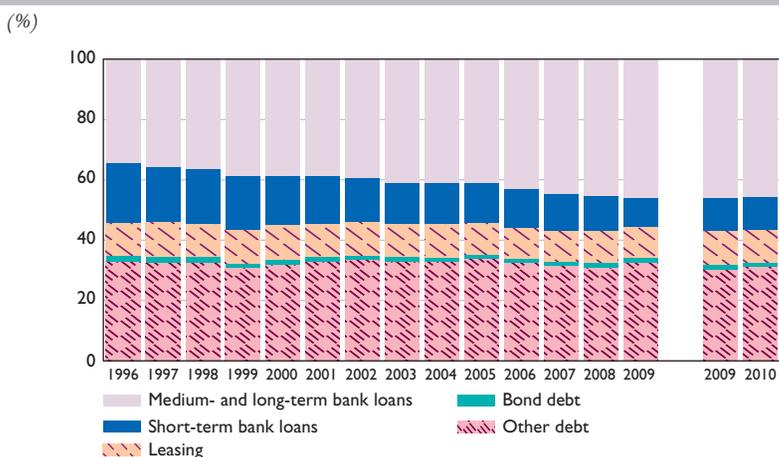
Scope: SMEs as defined by the Economic Modernisation Act that filed balance sheets in 2009 and 2010.

Source: Companies Directorate – FIBEN database, data for August 2011.

¹¹ The OSEO half-yearly survey of business conditions in July 2011 showed that investment by SMEs picked up sharply in 2011.

¹² Owing to developments in financial analysis methods, it is now possible to include factoring in short-term bank loans, under the same heading as unmaturing discounted bills.

Chart 9 Composition of SMEs' financial debt



Scope: SMEs as defined by the Economic Modernisation Act.

Note: Cf Chart 1.

Bank debt = short-term bank loans + medium-/long-term bank loans.

Source: Companies Directorate – FIBEN database, August 2011.

total financing of SMEs in 2010. The share of medium and long-term loans has increased from 34% to 46% over the same period (Chart 9).

Use of other types of financing has been very stable over the same period: non-bank non-market financing (other debt) accounts for about one-third of SMEs' financing (33% in 2010) while leasing accounts for between 10% and 12% (11% in 2010). SMEs are marginal users of market financing, mainly because the barriers to entry are relatively high for small firms.¹³

3|2 ...as reflected in flat growth in bank debt

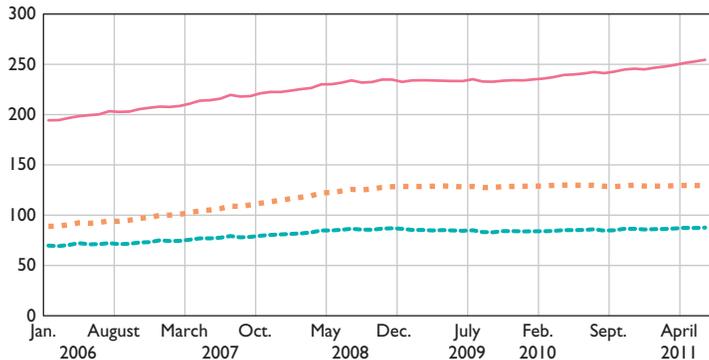
Bank debt is the main component of SMEs' financial debt, accounting for over 67% of the total. It showed flat growth in 2010. This trend can be compared against monthly data published based on information about credit distribution gathered by France's Central Credit Register.¹⁴ If these two statistical sources are rendered consistent, and taking care to measure credit across a comparable group of SMEs (i.e. only those for which a balance sheet is available in the FIBEN database, called "SMEs with balance sheets"), the year-on-year change in outstanding loans to SMEs with balance sheets was close to zero between 2009 and June 2011 (Chart 10).

¹³ SMEs have real problems in accessing equity and bond markets. The merger of several exchange operators, which has played a part in distancing SMEs from market intermediaries, is now compounding the longer-standing question of the cost of market access.

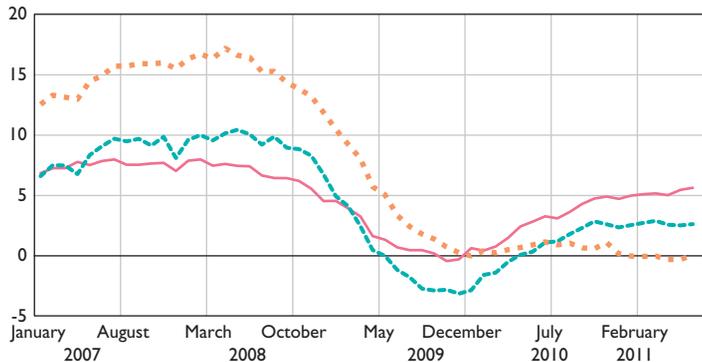
¹⁴ These results are released every quarter in a STAT INFO report devoted to SMEs (<http://www.banque-france.fr/fr/statistiques/economie/economie-entreprises/credit-type-entreprise.htm>).

Chart 10 Outstanding bank loans to SMEs

(outstanding amount in EUR billion)



(year-on-year growth rate, %)



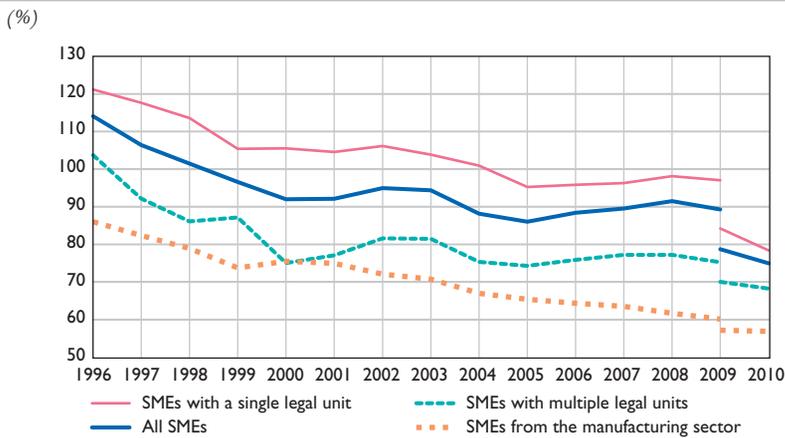
— Stat Info on SMEs (all legal units covered by the Central Credit Register)
 - - - Stat Info on SMEs (legal units with balance sheets covered by the Central Credit Register)
 - - - SMEs as defined by the Economic Modernisation Act with balance sheets covered by the Central Credit Register

Source: Banque de France, Companies Directorate – Central Credit Register, August 2011.

The growth in outstanding loans as measured by the Central Credit Register (5.6% year-on-year in June 2011) can be explained by several factors:

- this source covers an extremely broad sample of legal units classified as SMEs (over 1.3 million), compared with the population of SMEs with balance sheets (167,000 legal units); it includes information on companies for which no accounting data are available;
- the relative share of agriculture and social work activities is particularly high (more than one-third of outstandings, compared with 5% among SMEs with balance sheets);
- the information available in balance sheets makes it possible to identify SMEs based on criteria taken from the implementing decree for the Economic

Chart 11 Debt ratio Financial debt/shareholders' equity



Scope: SMEs as defined by the Economic Modernisation Act.

Note: Cf. Chart 1.

Source: Companies Directorate — FIBEN database, August 2011.

Modernisation Act (Annexes 1 and 2). This results in differences in the way that legal units are classified and hence in the composition of the two populations. Thus, according to the Central Credit Register, growth in outstanding loans was extremely sharp among SMEs belonging to groups (8.7% in June 2011), but some of these firms are reclassified as mid-tier enterprises or large companies under the definitions of the Economic Modernisation Act;

- finally, real estate activities, which are excluded from the scope of SMEs under the Central Credit Register's definition, are partly classified as SMEs in the balance sheets analysis (and this sub-group has seen a slowdown in outstanding loans over the recent period).

3|3 With the increase in equity, the debt ratio of SMEs is falling

Against this backdrop, the debt-to-equity ratio has fallen for the second year in a row (Chart 11). After growing slightly between 2005 and 2008, it fell again to reach a record low in 2010 (75%).¹⁵

3|4 Return on equity and the saving rate are both up

Helped by low debt and a favourable interest-rate environment, interest expense fell by 11%. This decline, combined with the reduction in charges for provisions, amortisation and depreciation, led to an improvement

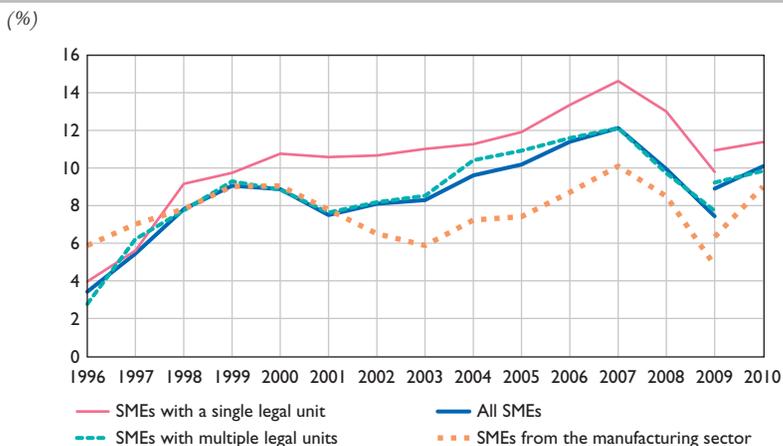
¹⁵ Once the process of gathering the 2010 balance sheets is over, this rate is likely to rise but the downtrend should remain in place.

in net cash flow (21% increase in 2010). The return on equity (ROE) of SMEs improved in 2010, returning to around 10%. SMEs in manufacturing recorded ROE close to that of 2007 (Chart 12).

However, substantial differences exist: 20% of SMEs for which the 2010 balance sheet is available have negative net cash flow. The level of ROE below which 50% of SMEs analysed are to be found was stable (12.3%), as was the level of the first quartile (25% of the population has ROE of less than 3.3%). The value of the first decile (first ten percentage points of the population) improved, however, from -11.4% to -8.1%. This reflects a significant improvement among companies that posted the worst performances in 2009.

The improvement in ROE lifted the saving rate, which gained 0.6 of a point to 12.6%, although it failed to return to its pre-crisis level (14% in 2007). The small increase is due to the stability of dividend payouts, whose share of total income declined slightly, and the reduced share of government taxes and levies (following reforms to the business licence tax) and more importantly of lenders (low debt and favourable interest rate conditions). Even so, many SMEs were unable to generate positive savings: 10% of them posted a negative saving rate of below -5% of total income.

Chart 12 Return on equity
Net cash flow/shareholders' equity



Scope: SMEs as defined by the Economic Modernisation Act.

Note: Cf. Chart 1.

Source: Companies Directorate — FIBEN database, August 2011.

Annex I

FIBEN data

Database of individual company financial statements

The branches of the Banque de France collect the financial statements of individual companies. These companies account for one-third of the companies taxed on their business profits or their real normal profits. Financial statements are collected for all enterprises doing business in France with sales greater than EUR 0.75 million or bank debt in excess of EUR 0.38 million. The enterprises covered account for more than 75% of jobs in most sectors and this percentage is 80% or more in trade and industry.

Scope used for the analysis of individual company financial statements

All commercial activities, except for the following sectors: KZ (finance, excluding holding companies) and OQ (General Government). Public establishments and semi-public companies are also excluded.

The main ratios used

The financial analysis methodology and definitions of the ratios used can be found at: http://www.banque-france.fr/fr/statistiques/telechar/economie/entreprises/statent/OBS10_142_DOSSIER_STAT_SE_2009_Final.pdf

Financial links

The Banque de France records financial links and tracks the percentage of equity owned by other enterprises, distinguishing between non-financial companies (including holding companies), financial institutions (banks, collective investment schemes, insurance companies), natural persons (individual or employees), the government and non-resident enterprises. Standalone companies are distinguished from those that belong to a group, whether large or small.

The Central Credit Register

Each month, the Central Credit Register records the loans granted by credit institutions to each of their customers for amounts that exceed a given threshold, which was set at EUR 25,000 in January 2006. The outstanding amounts are divided into “drawn loans” and “undrawn loans available”. The drawn loans include short-term, medium-term and long-term loans, financial leases and securitised loans.

Annex 2

Definition and presence of SMEs in FIBEN

Attribution of sizes and sectors for the analysis of SMEs' individual company financial statements

The implementing decree for the Economic Modernisation Act of December 2008 defines the statistical notion of an enterprise.¹ It follows the European Commission's definitions and specifies the size categories for enterprises and the criteria used to determine them. There are four such criteria: employees, sales, total assets of the legal units and the financial links between them.

The first three criteria are assessed for each enterprise, considered as the smallest combination of legal units constituting an organisational unit for the production of goods and services with a degree of autonomy for decision-making (defined by financial links). Financial links are considered when they represent ownership of 50% or more of the equity in a legal unit.

When an enterprise is made up of multiple legal units, as opposed to a single legal unit, the individual financial statements of the legal units are aggregated to define the "enterprise". This approach does not make it possible to eliminate double counting between units in the same enterprise.

SMEs are companies with fewer than 250 employees, with sales of less than EUR 50 million or total assets less than EUR 43 million. They may be a single unit or else be made up of several legal units that report to a French or foreign parent company.

The activity sector is based on the authorised 2008 classification, which is derived from the NAF rév. 2 classification. For enterprises made up of several legal units, the activity sector is determined by grouping the legal units by sector. The designated sector is the one of the legal units representing the largest proportion of sales in the enterprise, as long as this exceeds 50%. If this is not the case, the various "groups" of legal units are classified by sector according to the number of employees working in each sector, with the same requirement that the proportion be greater than 50%. Failing this, the classification reverts to a sales basis, and the sector of the units accounting for the largest share of sales is designated.

Double counting is not restated in this analysis.

The aggregation of the individual financial statements of legal units results in double counting, which should normally be restated at the level of each company. To be able to carry out this restatement correctly, it is necessary

¹ Cf. Decree 2008-1354 at <http://www.legifrance.gouv.fr>

to have all the 2010 balance sheets, which was not the case when the study was performed.² However, double counting, which affects, in particular, shareholders' equity, financial debt and interest expense or income, is of relatively small importance among SMEs.

Economic presence of SMEs in 2010, based on data available in early August 2011

(staff in thousands, sales, value-added, financial debt, bank debt and shareholders' equity in EUR billion)

	Number of firms*	Permanent staff	Sales	Value-added	Financial debt	Bank debt	Equity
Total	137,559	2,794.6	611.8	179.8	153.6	100.7	200.7
SMEs with a single legal unit	95,076	1,285.4	260.1	78.7	48.9	36.8	60.3
SMEs with multiple legal units	37,245	1,317.6	286.3	84.5	82.0	53.4	118.9
Foreign SMEs	5,238	191.6	65.5	16.6	22.8	10.5	21.5
Main sectors	22,417	205.2	118.5	41.2	28.1	19.0	48.6
<i>Manufacturing</i>	23,680	472.3	74.1	29.0	12.4	8.4	21.2
<i>Construction</i>	50,597	800.8	289.5	49.5	39.6	26.7	60.3
<i>Trade</i>	5,709	175.1	24.5	9.8	6.6	5.3	6.2
<i>Transport and storage</i>	12,185	312.9	42.5	20.9	10.5	6.0	17.1
<i>Business services</i>	23,680	472.3	74.1	29.0	12.4	8.4	21.2
Distribution (%)							
SMEs with a single legal unit	69	46	43	44	32	37	30
SMEs with multiple legal units	27	47	47	47	53	53	59
Foreign SMEs	4	7	11	9	15	10	11
Main sectors							
<i>Manufacturing</i>	16	7	19	23	18	19	24
<i>Construction</i>	17	17	12	16	8	8	11
<i>Trade</i>	37	29	47	28	26	27	30
<i>Transport and storage</i>	4	6	4	5	4	5	3
<i>Business services</i>	9	11	7	12	7	6	9

Scope: SMEs engaging in all commercial activities except for sectors KZ (finance) and OQ (general government).

* Companies as defined by the Economic Modernisation Act.

Source: Companies Directorate - FIBEN database, August 2011.

² See the annual study carried out at the end of the year for all businesses.

Average size of each SME category in 2009

(number or EUR million)

	Number of firms*	Average permanent staff	Average sales	Value-added	Financial debt	Bank debt	Equity
Total	137,559	20	4,448	1,307	1,117	732	1,459
SMEs with a single legal unit	95,076	14	2,736	827	514	387	634
SMEs with multiple legal units	37,245	35	7,686	2,269	2,201	1,434	3,193
Foreign SMEs	5,238	37	12,504	3,175	4,345	2,000	4,100

Scope: SMEs engaging in all commercial activities except for sectors KZ (finance) and OQ (general government).

* Companies as defined by the Economic Modernisation Act.

Source: Companies Directorate - FIBEN database, August 2011.

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Companies after the crisis

Banque de France Seminar - 28 June 2011

Directorate General Cash Management and Branch Network Activities
Directorate General Economics and International Relations
Directorate General Statistics

At the initiative of the three Directorate Generals of the Banque de France, a seminar was organised on 28 June 2011 on the topic of “companies after the crisis”.¹ This seminar provided a forum to compare the points of view of institutional observers, bankers, business leaders and academics on the impact of the crisis on non-financial corporations, in particular with respect to their financing conditions and capacity for growth. A consensus emerged on several points. First, it is difficult to draw definitive conclusions on the impact of the crisis on companies for several reasons: the uncertainties regarding macroeconomic trends, the persistence of major global imbalances and the absence of a recognised theoretical model capable of reflecting the global economic situation. Second, all the available information — statistical and survey data, responses of those involved, etc. — tends to show that the impact of the crisis on companies has been manageable: on the one hand, their financing conditions became stable as of 2009 and, overall, there has been no credit rationing; and, on the other, while the crisis may partly explain the significant growth in business failures between 2008 and 2010, the demographic effect related to the large number of business formations between 2003 and 2007 appears to be an equally determining factor. Third, the rapid and effective mobilisation of all parties involved was stressed by everyone as having played an important role in companies’ ability to weather the crisis. This mobilisation included the responsiveness of companies themselves (by adapting their market positioning or adjusting their financial structure), the intervention by monetary authorities and governments (by deploying crisis management arrangements in particular) and banks’ behaviour.

Keywords: financial crisis, business failure, credit, production capacity

JEL codes: G01, G33, E51, E22

¹ The articles presented are available at: <http://www.banque-france.fr/fr/publications/revues/seminaires-et-colloques/hm/seminaires/2011/colloque-Banque-de-France-les-entreprises-apres-la-crise.asp?espace=null&interet=macroeconomie>.

Three Directorate Generals of the Banque de France (Directorate General Cash Management and Branch Network Activities, Directorate General Economics and International Relations, and Directorate General Statistics) organised a seminar on 28 June 2011 entitled “Companies after the crisis”, which was held at the Centre for Strategic Analysis (CAS). This seminar brought together a broad audience, comprising economists, academics, business leaders and representatives of public institutions and banks.

Opening the seminar, Jean-Paul Redouin, Deputy Governor of the Banque de France, recalled that knowledge of companies was one of the strategic priorities of the Banque de France, making it a key player in the Eurosystem. In this respect, the Bank was naturally led to assess the impact of the unprecedented macroeconomic shock on the financial position of companies. First, should the increase in the number of business failures be attributed exclusively to the crisis or to other factors as well, such as demographic considerations in particular? Second, have companies encountered funding problems during the crisis? With regard to this question, Jean-Paul Redouin recalled that one of the major challenges in handling the crisis was for the central banks to maintain a financial intermediation function, in order to stabilise the financing conditions in the economy. Lastly, what conclusions can be drawn from the arrangements set up during the crisis for the prevention and treatment of corporate difficulties? In this respect, Jean-Paul Redouin pointed out that, thanks to the credit mediation duties entrusted to the Banque de France, of the 25,000 cases handled since November 2008, 63% of the negotiations between companies and their banks have been successfully resolved. In addition, the credit mediation initiative has contributed to a growing mutual awareness of the need to start discussions on possible funding difficulties at the earliest possible stage.

Vincent Chriqui, General Manager of the Centre for Strategic Analysis, recalled that the topic of the seminar was an important issue for the Centre, in particular in connection with its work on potential growth. He considered, in particular, the impact of the crisis going forward on companies' ability to innovate. The self-financing capacity of firms will be a determining factor for renewed investment, as will the allocation of external finance to the most productive uses.

I | Corporate financing during the crisis

This session, chaired by Jacques Fournier, Director General, Directorate General Statistics of the Banque de France, was devoted to analysing financing flows and their characteristics during the crisis, in particular

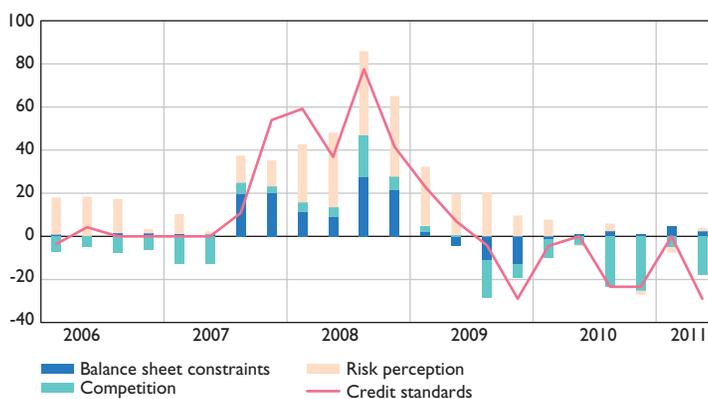
the respective contributions of supply and demand factors to changes in firms' financing conditions.

Renaud Lacroix, Head of Division in the Monetary and Financial Statistics Directorate of the Banque de France, observed that changes in corporate lending (non-financial corporations) during the crisis had broadly been in line with changes in GDP in both France and the euro area.² The decline in short-term loans was the most marked, especially in the case of loans to large enterprises. This decline resulted principally from the lower demand for credit as of the first quarter of 2008 and from the tightening of credit standards; risk assessment, with a reassessment of counterparty risk, was a major factor in the tightening of credit standards during the crisis (see Chart 1). However, credit standards returned to normal before the demand for credit recovered. All in all, firms' financing needs and their debt flows continued to change at the same pace. Indeed, even in 2009, access to funding was not reported as a major obstacle by small- and medium-sized enterprises (SMEs) in France and the euro area. Credit approval rates for SMEs remained close to 80% in France, which is higher than that observed in Germany (around 65%).³

Élisabeth Kremp, head of the Companies Observatory of the Banque de France, presented the results of a study⁴ aimed at determining whether the changes in lending to SMEs observed during the crisis resulted from

Chart 1 Factors determining credit standards for lending to non-financial corporations in France

(Balance of opinions, as a %)



Source: Banque de France

² Renaud Lacroix: "Some lessons drawn from comparing sources available at the Banque de France".

³ During the most recent period covered by the latest European Central Bank (ECB) survey (September 2010-February 2011), the rate was 76% in France whereas in Germany it had improved to 79%.

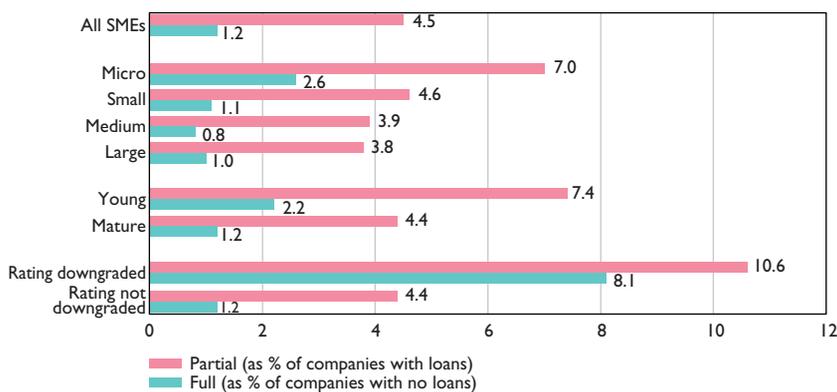
⁴ Élisabeth Kremp and Patrick Sevestre: "Did the crisis result in an increase in credit rationing for French SMEs?".

a decline in demand for credit or from a reduction in the supply, which could have induced credit rationing. As bank credit is the main source of external finance for SMEs, independent SMEs are the most likely to suffer rationing, while SMEs controlled by a group can draw on financial resources collected at group level. The model estimated by the authors was derived from the standard economic disequilibrium models, but has been adapted to the microeconomic data used. Indeed, at the firm level, the absence of bank lending does not necessarily reflect credit rationing, but potentially the lack of demand for credit (in which case, no interest rate is observed). The estimates, obtained from balance sheet data on nearly 60,000 independent SMEs for the period 2000–2010, produced results consistent with those derived from the ECB's half-yearly surveys on SMEs' access to credit in the euro area: in France, only a small proportion of SMEs appear to have suffered from credit rationing, including during the crisis years, 2008 and 2009.

Patrick Ordonneau, head of the retail market benchmarking group at BNP Paribas, drew on experience in the field to underline the excellent responsiveness of companies themselves to deal with the crisis, in particular with regard to their working capital management. The crisis has also served as a catalyst for the changes currently under way, such as seeking out new markets, even through investment projects and external growth strategies were necessarily hampered. Overall, SMEs appear to have weathered the crisis fairly well. Changes in amounts of external financing were relatively small compared with the strong decline in activity, with sharp falls seen only in short-term loans, associated directly with the decrease in working capital requirements.

Chart 2 Assessment of credit rationing 2004–2010

(as a %)



Source: Banque de France

Philippe Messenger, President of the French Corporate Treasurers' Association, recalled that the crisis affected the financial system before companies. Like Patrick Ordonneau, he observed that the responsiveness of all players – companies, banks, the authorities – had contributed significantly to reducing the scale of the crisis. However, as regards the future, Philippe Messenger remained concerned about the adoption of the new Basel III regulations. Because of their impact on banks' capital and liquidity, the new regulatory requirements could lead to a reduction in the intermediation function of banks, which would penalise companies.

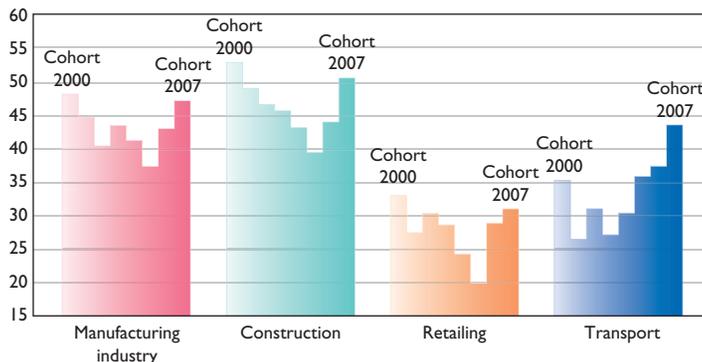
In his closing remarks for this session, Jacques Fournier stressed that the new international regulations on liquidity, by leading to a lengthening of maturity of bank funding, should contribute to limiting the impact of an impaired functioning of the very short-term interbank market on the financing of the economy. This should in turn make the economy more stable. In the shorter term, it must be acknowledged that French firms have benefited from financing conditions that are among the most favourable in Europe both in terms of interest rates and loan volumes.

2| Crises and business failures

This session, chaired by Henri Jullien, Director General, Directorate General Cash Management and Branch Network Activities of the Banque de France, considered two questions: to what extent can the increase in business failures during the crisis be said to be due to the crisis, and what conclusions can be drawn from the authorities' crisis management arrangements?

Chart 3 Proportion of business failures due to the crisis, by cohort

(as a %)



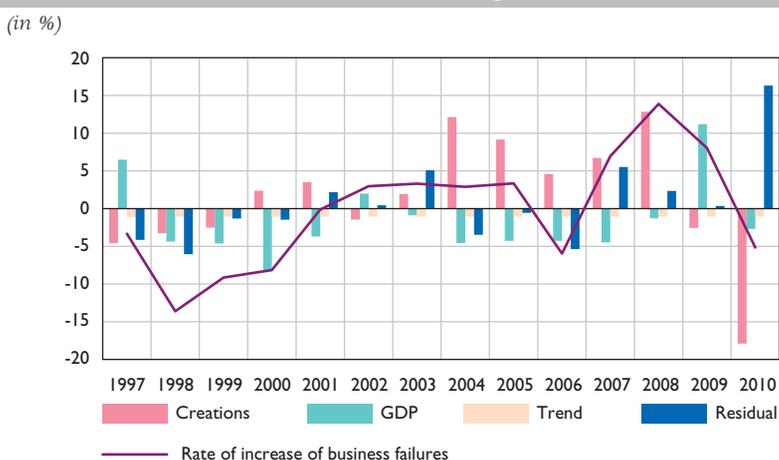
Note: 434,100 companies

Source: Banque de France; authors' calculations

Business failures were analysed using two complementary approaches, a microeconomic approach based on individual data, and a macroeconomic approach, in which the fundamental determinants of business failures were examined at an aggregate level.

First, Denis Fougère and Cécile Golfier, economists in the Microeconomic and Structural Analysis Directorate and the Companies Directorate of the Banque de France, presented the results of a microeconomic study⁵ that aimed to distinguish between those business failures in 2008–2010 that were due to the crisis and those resulting from the acceleration in business formations in 2003. The sample, drawn from the Banque de France database, comprised more than 400,000 firms created between 2000 and 2007 and operating in the four sectors most exposed to the risk of failure: construction, transport, manufacturing and retailing. For each of these sectors, the occurrence of failure was studied using a semi-parametric proportional risk duration model taking account of the quarter in which the company was created, its age at the time of failure, the occurrence and the number of payment incidents involving trade bills due to inability to pay, and incorporating time indicators showing whether the failure occurred between 2008 and 2010. The 2008 crisis had a material impact that varied between sectors: in retailing, 27% of failures in 2008–2010 appear to have been due to the crisis, compared with 46% in construction. The most recent firms (those created in 2006 and 2007) were more affected than those created between 2003 and 2005.

Chart 4 Contributions to annual changes in business failures



Source: Directorate General of the Treasury

⁵ Denis Fougère, Cécile Golfier, Guillaume Horny and Élisabeth Kremp: "What is the impact of the crisis on business failures?"

On the basis of a macroeconometric analysis of factors underlying business failures,⁶ Thibault Guyon, head of the economic analysis Division at the French Treasury (DGT), observed that the strong increase in the number of business failures between 2007 and 2009 can partly be explained by the economic crisis (because of lower activity levels) but also by a demographic effect: the large number of companies created between 2003 and 2007 led to an almost mechanical increase in business failures in the later period (see Chart 4). In 2008, in particular, the increase in failures can mainly be explained by this demographic effect. Nevertheless, in 2009, changes in business failure rates result more from a macroeconomic effect (a decrease in activity). However, thanks to measures to stimulate and support corporate cash flows, the increase in failures observed in 2009 was less marked than the severity of the economic crisis could have suggested. Conversely, business failures remained at high levels during the first half of 2010, despite the recovery in activity and more favourable demographics, no doubt due to the effects of the stimulus measures and the introduction of the *auto-entrepreneur* status.

Fanny Letier, General Secretary of the Interministerial Committee on Industrial Restructuring (CIRI) recalled the origins of this committee, set up in 1982 to assist companies with more than 400 employees faced with financial and/or industrial restructuring.⁷ The CIRI's role is to verify the industrial and economic relevance of projects with all the partners of the company, while respecting the order of responsibilities (shareholders, banks and other creditors, and the State, which plays a secondary role on an exceptional basis). During the crisis, the CIRI worked in liaison with the operational unit set up at the end of 2008 at the departmental level to direct cases of struggling companies towards the most appropriate body. Between the start of the crisis and the end of 2010, of the 108 companies (mainly industrial and with 1,600 employees on average) that applied for assistance from the CIRI, 57 cases were successfully resolved, saving 76,000 jobs. Despite the recovery, the CIRI's activities have remained sustained in 2011, with a number of medium-sized enterprises continuing to experience financial difficulties.

Jean-Claude Volot, mediator for inter-industrial relations and subcontracting, assessed the mediation system he has headed for just over a year. Implemented at the regional level by 25 regional mediators, it aims to improve relations between contractors and subcontractors. Given the volume of trade credit, but also often the imbalance in financial and operational relationships between companies, the crisis has sometimes revealed significant tensions that prove harmful to some

⁶ Thibault Guyon: "Business failures during the crisis: a macro-econometric analysis" (in collaboration with Cathy Dolignon: "Explanatory factors for recent trends in French business failures: an econometric analysis" TRÉSOR-ECONOMICS No. 84 – February 2011 Marie Bessec: DGT internal note).

⁷ Fanny Letier: "CIRI's action in a crisis period".

companies. The Mediator has intervened at two levels. First, following identification of "bad practices" (36 identified to date), a Charter of Best Practices governing relations between contractors and SMEs was adopted on 11 February 2010 under the aegis of the Ministry of the Economy and Finances (approximately 130 companies have signed it). Second, the Mediator intervenes in conflicts regarding the application of a contractual clause or the performance of a contract, when one or more applications for assistance are received. To date, the mediation for inter-industrial relations and subcontracting has had an 85% success rate.

Winding up this session, Henri Jullien stressed that the impact of the crisis on companies was limited by their responsiveness. Other players such as monetary and government authorities and banks were also highly responsive. Fairly paradoxically, it is often in the area of inter-company relations that a degree of harmful inertia has been observed during the crisis.

3| How are companies placed as the crisis ends?

This session, chaired by Pierre Jaillet, Director General of the Directorate General Economics and International Relations of the Banque de France, sought to throw light on the situation of companies as the crisis ends, in particular as regards their debt policy, adopting both an empirical and theoretical approach, in an economic and financial context marked by numerous sources of uncertainty.

Pierre-Olivier Cousseran, Director of Monetary and Financial Statistics Directorate of the Banque de France, first observed that French companies' business investment had started to recover in 2010, whereas destocking was interrupted.⁸

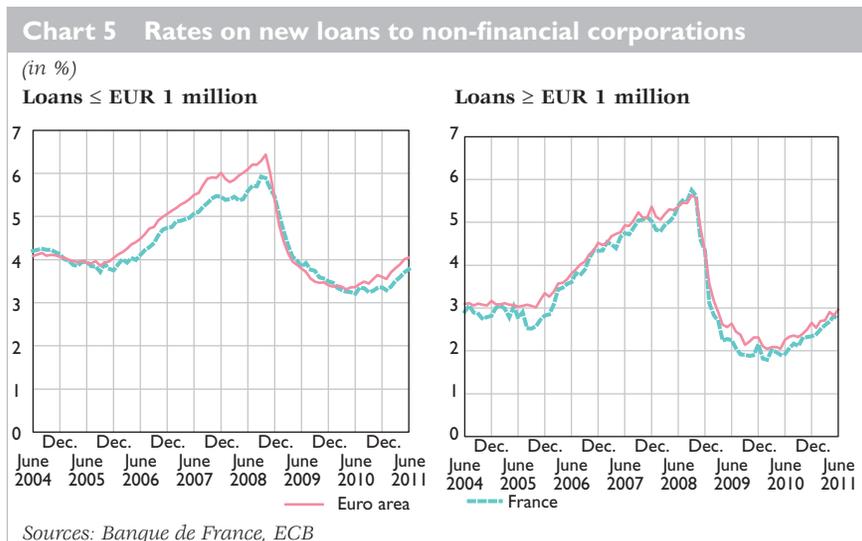
However, companies' self-financing ratios also improved after declining sharply in 2008, but nonetheless did not return to pre-crisis levels. However, use of external funds has remained moderate: most external funding took the form of bank loans, with companies making less use of market-based debt financing than in 2009, when many large enterprises successfully secured and consolidated their funding by significantly increasing their bond issuance. Although bank lending rates have increased slightly since mid-2010, they remain at historically low levels and, on average, French companies' financing conditions continue to be more favourable than in the euro area as a whole (see Chart 5). In this context, growth in lending is becoming gradually firmer: at the beginning of 2011, outstanding cash loans returned to a positive trend and investment loans continued to grow

⁸ Adeline Bachelier and Pierre-Olivier Cousseran: "Financial behaviour and conditions of financing of business: recent trends and outlook".

at an annual rate of 3 to 4%. It should be noted that the recovery in lending was greater for SMEs than for large enterprises and parent companies. In the current end-of-crisis phase, the outlook for credit remains positive: lending hardly seems dampened by supply factors and companies' demand for financing should continue to grow as inventories are rebuilt and the recovery in investment accelerates.

Guillaume Horny,⁹ an economist in the Microeconomic and Structural Analysis Directorate of the Banque de France, recalled that in the 2000s, debt ratios of non-financial corporations had increased strongly in France, Italy and Spain and have then fallen slightly since the last quarter of 2010. While a number of specific domestic factors are naturally at play, this trend is primarily driven by bank lending dynamics in all the countries considered. The corporate deleveraging currently observed both vis-à-vis banks and markets reflects in particular companies' strategies to adapt their capital structure to a more uncertain environment. This situation is likely to continue until default risks return to a level considered satisfactory. Relevant economic literature points to a relatively long period of deleveraging of around 6 to 7 years after financial crises. Furthermore, these periods are generally characterised by a reduction in investment, in particular in research and development (R&D). In this context, this raises questions as to long-term trends for growth, potential growth and productivity, which are strongly linked to growth in R&D investment.

Éric Dubois, Director of the Economic Studies and National Accounts Directorate of INSEE, based his analysis of the outlook



⁹ Juan Carluccio and Guillaume Horny: "Corporate finance and the crisis: International comparisons".

for companies' financial positions on possible changes in profit margins.¹⁰ He started by noting that while non-financial corporations' profit margins remained relatively high at the end of the crisis, they had nevertheless reached their lowest point in the last 20 years in 2009. Based on an accounting breakdown of profit margins, Éric Dubois showed that a number of factors made the outlook for companies' financial positions uncertain. First, the impact of the reform of French business tax on profit margins, while positive in 2010, remains uncertain in the long term. Second, profit margins could deteriorate via the terms of trade, given the continuing high risk of a further increase in commodity prices. Third, depending on the factors underlying lacklustre productivity since 2008 – an atypical productivity cycle or a lasting decline in productivity growth – profit margins could evolve in very different ways in the medium term.

Jean-Paul Betbèze, Chief Economist of Crédit Agricole S.A, stressed companies' astonishing resilience when faced with a sharp and rapid deterioration in their sales, compared with the previous crisis of 1992-1993.¹¹ Companies themselves have used several levers, such as adjustment of inventories, postponement of investment projects, non-renewal of fixed-term employment contracts, etc. Moreover, supported in particular by the *Société de financement de l'économie française*, French banks have also enabled companies to stabilise their financing conditions. As the crisis recedes, companies appear to be less indebted and more responsive. However, as the recovery has been less marked than expected, they have adopted a wait-and-see attitude, questioning their ability to invest in new markets, as can be seen from the fact that recovery in investment remains constrained. From a more structural viewpoint, French companies, in particular when compared to their German counterparts, continue to suffer from a certain number of well-known handicaps in a very competitive environment, including in particular the limited size of exporting firms.

In conclusion, Pierre Jaillet recalled that prudence was required before drawing definitive conclusions as to the impact of the crisis on companies, given the uncertainties surrounding the economic and financial environment and the models used to explain the crisis. At this stage, the information available to us, and in particular that presented in this seminar, tend to show that companies, overall, have displayed an undeniable resilience, thanks to the rapid and effective mobilisation of all parties involved.

¹⁰ Éric Dubois: "What outlook for companies' financial positions?".

¹¹ Jean-Paul Betbèze: "How are companies placed as the crisis ends?".

Fiscal and monetary policy challenges in the short and long run

Summary of the Banque de France-Bundesbank conference
held on 19 and 20 May 2011 in Hamburg

Laurent Clerc
Financial Stability Directorate

Hubert Kempf and Xavier Ragot
Monetary and Financial Analysis Directorate
Monetary Policy Research Division

On 19 and 20 May 2011 in Hamburg, the Bundesbank and the Banque de France held their third joint conference, following those in Eltville in 2007 and Montvillargenne in 2009. The conference was devoted to the challenges that macroeconomic policy –in the form of monetary, fiscal and tax policy– must address in the short and long run. Organised by Heinz Erhmann (Deutsche Bundesbank), Laurent Clerc and Hubert Kempf (Banque de France), it brought together ten contributions from leading academics, a speech by the Governor of the Banque de France, Christian Noyer, on “Monetary policy: lessons from the crisis”, and one of the very first public speeches given by the President of the German central bank, Jens Weidmann.¹ These contributions made it possible to assess the management of public debt, fiscal and tax policy, and macro-prudential policy, in the face of financial crises.

Keywords: crisis, monetary policy, public debt, fiscal consolidation, macro-prudential policy

JEL codes: E3, E4, E5, E6, G2, G3

¹ All of the articles presented are available on the Bundesbank's website:
http://www.bundesbank.de/Nfevfz_lkonferenzen_aktuellen.php#fruehjahrskonferenz.

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The first part of the conference, which focused on public debt, began with a presentation by Alan Auerbach (UC Berkeley) on the institutions that are desirable in a currency union. The other contributions addressed two types of response to the drift in public finances that are particularly noteworthy in the economic debate: raising inflation and sovereign default.

Fiscal and tax policies were addressed in the second part of the conference. The aim was first of all to quantify the optimal profile of fiscal consolidation, by seeking a trade-off between short-term macroeconomic costs and longer-term gains. The research presented also addressed the issue of international cooperation between countries involved in international trade when monetary policies are liable to reach the zero lower bound. The remainder of the session was devoted to assessing the robustness of the fiscal multipliers estimated using macroeconomic models of the DSGE type, and taking account of wealth disparities between agents in the study of the effects of tax policy.

The last session was devoted to the topic of macroprudential policy in response to financial crises. Possible overborrowing by private agents and the means of curbing it were the subject of the first presentation. Bank runs were the theme of the second presentation.

Jens Weidmann summarised the contributions of different pieces of research. In particular, he stressed the importance of sound scientific research for central banks, both from the point of view of decision-making and communication to the public. In this perspective, he also underscored the need for central banks and fiscal authorities to learn the lessons from the current crisis. While they have been able to manage the crisis, they must now organise a return to normal policies, failing which they will subject their economies to the increased risk of further crises.

The conclusions to be drawn from this research were summed up by the Banque de France’s Governor, Christian Noyer. After stating that

the foundations of modern monetary policy, namely the absence of a long-run trade-off between inflation and unemployment and the merits of an objective of low and stable inflation have not been invalidated by the crisis, the Governor pointed out that the crisis has shown up some limits to the consensus on monetary policy, making necessary a reappraisal of the latter both in theoretical terms and in terms of the practical conduct of monetary policy. Christian Noyer nevertheless concluded that central banks are well-equipped to cope with the future monetary and financial problems that the crisis has thrown up.

Public debt

Alan Auerbach undertook a wide-ranging discussion of the institutions desirable in a currency union, particularly in terms of tax and fiscal discipline, based on a comparison between the euro area and the United States. Of course, an important difference between the two areas is that the United States has a federal government and therefore a federal Treasury, whose macroeconomic weight is significant, which is not the case for the euro area. Alan Auerbach bases his discussion on a simple methodological observation: the external cross-border effects of national fiscal and tax policies create interdependence among Member States of a currency union that needs to be managed. Two mechanisms allow this to be done: on the one hand, countries can cooperate or coordinate fiscal and tax policies; and on the other, they can impose “fiscal discipline” on themselves in order to limit the negative cross-border effects. This is the choice that the euro area had to make. The Stability and Growth Pact that was established by the Treaty of Amsterdam (1997) is an example of a disciplinary process. But the EU countries' recent interventions to bail out Greece, Ireland and Portugal are examples of cooperation. In Alan Auerbach's view, fiscal rules are justified when they are designed to assist governments in identifying the fiscal and tax policies that are in their own interest, rather than forcing them to follow pre-defined policies.

Two types of response to the drift in public finances, which in economists' jargon is referred to as the unsustainability of public debt, are particularly noteworthy. The first is raising inflation, the second is sovereign default. Michael Krause and Stéphane Moyen (Deutsche Bundesbank) study the former, Francisco Roch and Harald Uhlig (University of Chicago), and Klaus Adam (European Central Bank) and Michael Grill (Mannheim University), the latter.

Inflation can reduce a country's debts so long as they are not inflation-linked and the inflation expectations at the time of issuance, factored into the contractual interest rates, are lower than the inflation recorded. In this

situation, economists speak of an inflation tax. However, Michael Krause and Stéphane Moyen note that the effectiveness of unexpected inflation in reducing public debt depends on two key factors: the response of inflation expectations and the maturity structure of newly-issued debt. The first factor determines nominal interest rates at the time of issuance, the second the fraction of public debt that can be inflated away. Michael Krause and Stéphane Moyen develop a New-Keynesian DSGE model calibrated on US data in order to assess the impact of these two key factors. In particular, they show that the additional public debt caused by the 2007 crisis could be erased by a sudden and lasting 4% increase in inflation. By contrast, a temporary increase in inflation would have only negligible effects after ten years. In other words, it would require a very substantial increase in inflation to achieve a significant effect. Given the negative consequences of inflation, the question needs to be asked as to whether such a policy is appropriate. Francisco Roch and Harald Uhlig investigate the default option. They start by looking at the time preference of the fiscal authority and show how this can cause it to precipitate default for reasons of political expediency. The fact that the country can be bailed out can only reinforce this risk-taking behaviour, without structurally improving the position of the indebted country. Francisco Roch and Harald Uhlig went on to address the problem of sovereign default in the context of a monetary union. Being part of a monetary union changes the terms of a country's sovereign debt crisis. On the one hand, the country no longer has at its disposal a major instrument of economic management, i.e. its exchange rate, which makes it more difficult for the country to become solvent again and to regain access to financial markets. It is therefore much more constrained financially speaking than if it had full monetary sovereignty. However, it is extremely difficult to exit a monetary union as the time needed to prepare this exit is such that it leaves the country extremely exposed to a large-scale banking and financial crisis. On the other hand, it gives the country the possibility of being helped by its partners, if only out of self-interest: first, the default of a country inevitably has macroeconomic consequences via the economic and financial linkages that bind the member countries of a currency union together; and second, the risk of contagion from the default through self-fulfilling mechanisms is high. As Francisco Roch and Harald Uhlig state, sovereign default in a monetary union is a "tragedy of the commons" situation.

Klaus Adam and Michael Grill investigate the optimal default policy when governments can credibly commit themselves to their future policy.² They start by studying the scenario in which default costs are low. These costs may be a loss of credibility in the eyes of lenders or ostracism by the international community. When the costs are low, the authors show that it may be optimal to default frequently as this allows countries to

² Klaus Adam and Michael Grill: "Optimal sovereign debt default".

respond to negative economic shocks. The default policy can thus make the repayment of the debt contingent on certain events. When the default costs are high, the optimal policy is to only default in the event of a major negative shock. This analysis is based, however, on the assumption that lenders anticipate the government's default policy perfectly.

Fiscal and tax policy

The current high levels of public debt raise the question of the optimal moment for fiscal consolidation via tax increases or spending cuts. On the one hand, rapid fiscal retrenchment might lead to a serious recession as a result of the negative effect on aggregate demand. On the other hand, delaying consolidation causes the debt to rise, which tends to push up interest rates and discourage investment. This trade-off is studied by Giancarlo Corsetti (Cambridge University), Keith Kuester, André Meier and Gernot Muller (Bonn University) in a New Keynesian model. The authors show that, for most parameters, gradual consolidation is the least negative for economic activity. However, when the monetary policy interest rate reaches the zero lower bound and public debt levels are very high, an early reduction in public spending may be desirable.

The coordination of fiscal and tax policies is one response to an international crisis, i.e. a crisis that affects several countries simultaneously, either because they experience the same shock or as a result of their economic and financial interdependence. But this coordination may come up against obstacles that limit their room for manoeuvre. This is the type of situation that David Cook and Michael Devereux (University of British Columbia) investigate, looking at the international cooperation between countries involved in international trade in a scenario in which monetary policy is liable to reach the zero lower bound. Using a theoretical two-country model, David Cook and Michael Devereux show how the degree of trade openness between two countries determines their coordinated response to a demand shock affecting one of them. First, the degree of trade openness determines whether a liquidity trap arises; second, it affects the coordinated response to a demand shock. In particular, the "adjustment burden" may be unequally shared between the partner countries. For example, one country may have to implement a less accommodative monetary policy than if it decided on its policy unilaterally, because the terms of trade might exacerbate rather than cushion the impact of demand shocks. David Cook and Michael Devereux conclude that the international pass-through of shocks and therefore the economic policy responses to them are determined by the trade openness of the economies concerned.

The issue of the value of the fiscal multiplier is once again at the heart of macroeconomics in the current crisis. This value determines the effectiveness of fiscal policies in restarting the economy. Eric Leeper, Nora Traum and Todd Walker (Indiana University) presented a study that estimates the fiscal multiplier empirically using three different DSGE models.³ They show that the choice of model can bias the *a priori* results, sometimes in opposite directions. They conclude that the empirical estimation of multipliers based on DSGE models cannot provide a robust estimate of these multipliers at this stage as the latter are too dependent on theoretical approaches on which there is no consensus.

Taking into account disparities in wealth between economic agents is important to understand the impact of tax policy. In particular, high-income households have a greater propensity to save than poor households after a tax cut. Tommaso Monacelli and Roberto Perotti (Bocconi University) study the impact of tax policy in an economy in which the poorest households face borrowing constraints.⁴ These constraints depend negatively on the cost of borrowing, i.e. on the interest rate. The authors show that the impact of tax policy depends on the degree of price stickiness of the final goods. If prices are sticky, a tax policy that taxes high-income households and redistributes resources to poor households may increase total output in the short run, whereas output may fall if prices are flexible. An essential element to achieve an expansionary effect with sticky prices is the sensitivity of borrowing levels to the interest rate. These levels need to be sufficient to obtain an expansionary effect.

Financial crises and macroprudential policy

Possible overborrowing by private agents and the means of curbing it are the subject of the article by Javier Bianchi and Enrique Mendoza (University of Maryland).⁵ The authors investigate a small open economy in which agents have to provide collateral against their borrowing. In other words, banks only lend to agents a fixed fraction of the value of their financial and real estate assets. They show that the sale of assets by agents leads to a fall in prices and therefore to a drop in the assets' value. The amount of lending to the economy falls, which leads to a further drop in prices. This mechanism is an externality: the agents that sell off their assets have not internalised the impact of their actions on the amount of lending extended to the economy. The authors show that having a benevolent planner that has taken this externality on board would lead to less debt. This lower debt would reduce the magnitude of the fall in output during

3 Eric Leeper, Nora Traum and Todd Walker: "The Fiscal Multiplier Morass: A Bayesian Perspective".

4 Tommaso Monacelli and Roberto Perotti: "Tax Cuts, Redistribution and Borrowing Constraints".

5 Javier Bianchi and Enrique Mendoza: "Overborrowing, Financial Crises and Macro-prudential Policy".

a recession. The authors therefore develop a theory of overborrowing based on the externality deriving from the value of collateral. Lastly, they show that an optimal borrowing policy can be achieved by taxing debt and subsidising dividends.

The crisis that started in 2007 saw the re-emergence of a phenomenon that the developed economies thought they had eradicated: bank runs. The UK bank Northern Rock was subject to a bank run in September 2007 and was only rescued by being nationalised by the UK Government. A year later, the failure of the US investment bank Lehman Brothers triggered a financial crisis on an unprecedented scale that resembled a bank run. Evidently, the bank deposit insurance mechanisms in place proved inadequate, contrary to what was generally expected. Russell Cooper and Hubert Kempf undertook a theoretical investigation of the issue of public intervention after a bank run, when a bank is no longer able to honour its commitment of ensuring that its depositors can freely withdraw their funds. The public authority, which has the ability to levy taxes, can use them to make transfers between agents that have been able to withdraw their deposits and the less fortunate depositors that have not been able to do so. In other words, the authors do away with the traditional assumption made since the seminal study by Douglas Diamond and Phil Dybvig (1983)⁶ that the public authority can commit itself *ex ante* to guaranteeing withdrawals. By introducing an assumption of heterogeneous agents in terms of their income and therefore in terms of the size of their bank deposits, they show that the decision to intervene is the result of a trade-off between welfare gains due to deposit insurance and welfare costs due to the potentially distortionary taxes levied by the public authority.

The Bundesbank President, Jens Weidmann, summarised the contributions of the different pieces of research. In particular, he stressed the importance of sound scientific research for central banks, both from the point of view of decision-making and communication to the public. In this perspective, he also underscored the need for central banks and fiscal authorities to learn the lessons from the current crisis.

- Stabilisation is of particular concern during a crisis, but it should not be at the expense of a market economy's ability to give private agents appropriate incentives. The consequences of stabilisation measures therefore need to be assessed well beyond their immediate effects during the crisis.
- Monetary policy and fiscal policy have succeeded in stabilising financial markets and the real economy. The challenge is now to return to the normal policy mix, even if this is particularly difficult in a volatile macroeconomic environment.

⁶ Douglas Diamond and Phil Dybvig: "Bank runs, deposit insurance and liquidity", *Journal of Political Economy*, No.91, pp. 401-419.

- The crisis should therefore encourage decision-makers to think how they can improve the current framework in order to limit future crises, with priority given to new rules for financial markets and public finances.
- Public support is crucial to the success of economic policy measures, particularly crisis exit strategies.

The conclusions to be drawn from this research were summed up by the Banque de France's Governor, Christian Noyer, whose speech dealt with the lessons to be learned from the crisis in terms of monetary policy. After stating that the foundations of modern monetary policy, namely the absence of a long-run trade-off between inflation and unemployment and the merits of an objective of low and stable inflation have not been invalidated by the crisis, the Governor pointed out that the crisis has shown up some limits to the consensus on monetary policy, making necessary a reappraisal of the latter both in theoretical terms and in terms of the practical conduct of monetary policy. In his view, five lessons need to be learned from the crisis:

- As suggested by Charles Kindleberger,⁷ at that time a dissenting voice, macroeconomic stability does not of itself guarantee financial stability and may even sow the seeds of future financial instability.
- The conjunction of macroeconomic (in)stability and financial (in)stability should lead policy-makers to supplement monetary policy proper with macroprudential policy and to coordinate monetary and macroprudential instruments as necessary.
- Inflation forecasts are not on their own sufficient statistical indicators for the conduct of monetary policy. Having a range of indicators, in particular monetary indicators, like those used by the European Central Bank, makes it possible to better anticipate the build-up of systemic risks.
- The liquidity trap (and the zero lower bound) is in all likelihood a lasting problem that central banks will have to manage.
- In this context, there is a need to broaden the spectrum of views available to central bank policy-makers and to beware of "groupthink" and "intellectual capture".

Christian Noyer concluded that central banks are well-equipped to cope with the future monetary and financial problems that the crisis has thrown up.

⁷ Kindleberger (C.), 2005, *Manias, panics, and crashes: a history of financial crises*, Palgrave Macmillan, 5^e édition.

After the collapse, the reshaping of international trade

Summary of the BdF/PSE/CEPII conference of 25 and 26 May 2011

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Following the sudden, massive and synchronised plunge in global trade towards the end of 2008 and in early 2009, a recovery was subsequently observed. The conference co-organised by the Banque de France (BdF), the Paris School of Economics (PSE G-MonD) and the Centre d'études prospectives et d'informations internationales (CEPII) set out to ascertain the sustainability of this recovery.

While efforts by the World Trade Organization (WTO) to alleviate tensions between countries succeeded in limiting protectionist measures and enforcing multilateral rules, the world economy nevertheless remained extremely fragile as it became increasingly difficult for a country to rely on its partners, which were also affected by the global crisis, in order to stabilise output.

Furthermore, the ongoing trade imbalance between surplus countries, such as China or Germany, and deficit countries, like the United States, appears to be widening again after having stabilised for several months, due to a combination of industrial competitiveness gaps and macroeconomic imbalances (e.g. savings-investment).

The over-reliance of African countries on commodity exports, which often constitute their main source of foreign currency, was stressed. Moreover, the relative weakness of African countries' financial systems was another adverse factor for exporters.

All these factors act as a headwind to a strong recovery in global trade, which was growing twice as fast as GDP before the crisis. There are no guarantees that trade will regain its pre-crisis vigour.

Key words: financial crisis, international trade, global imbalances, intensive and extensive margins, protectionism, emerging countries

JEL codes: F02, F10, G01

¹ The programme and the articles presented may be consulted at the following address:
<http://www.banque-francefrigb/publications/seminaires/articles-presentes/After-the-collapse-the-reshaping-of-trade.htm>.

Following the sudden, massive and synchronised plunge in global trade towards the end of 2008 and in early 2009 in most countries, the ensuing recovery raises a number of questions.

- Is this recovery sustainable?
- Will trade growth return to its pre-crisis trend?
- To what extent will trade be redistributed between countries?

The symposium was divided into three sessions, chaired respectively by Christian Pfister (Banque de France), Gunther Capelle-Blancard (CEPII) and Thierry Verdier (PSE).

- Is the trade crisis over?
- Will developed countries return to growth?
- Reshuffling of trade in favour of emerging countries.

Nine studies were presented, giving rise to three discussions by Matthieu Bussière (Banque de France), Thierry Mayer (*Sciences Po Paris* and CEPII) and Frank van Tongeren (OECD) respectively.

Two lectures were given; the first by François Bourguignon (PSE): “Can Africa benefit from the recovery in trade?”, and the second by Kevin O’Rourke (Trinity College): “The 2008-2009 trade collapse in historical perspective”.

The symposium was brought to a close with a round table chaired by Marc Roscam Abbing (Centraal Planbureau – Netherlands – CPB). The latter brought together Marc Bacchetta (WTO), Fabien Besson (Directorate General of the Treasury), Lucian Cernat (European Commission), Willem van der Geest (formerly at the International Trade Center – ITC, Geneva), Stéphanie Guichard (OECD) and Pierre Jacquet (*Agence française de développement* – AFD).

Firstly, this one-and-a-half-day conference revealed that the recovery in trade, which did actually occur, did not take place at the same pace in all countries, and does not necessarily imply a return to pre-crisis trends. While compliance with multilateral rules, notably in the framework of the WTO, has limited the use of protectionist measures that would have exacerbated the crisis, any direct gains that could be expected from a possible conclusion of the Doha Round should not be overestimated. It is likely that future trade dynamics will shift towards trade between emerging countries, while the conclusion of the Doha Round will primarily consolidate the framework of multilateral trade rules.

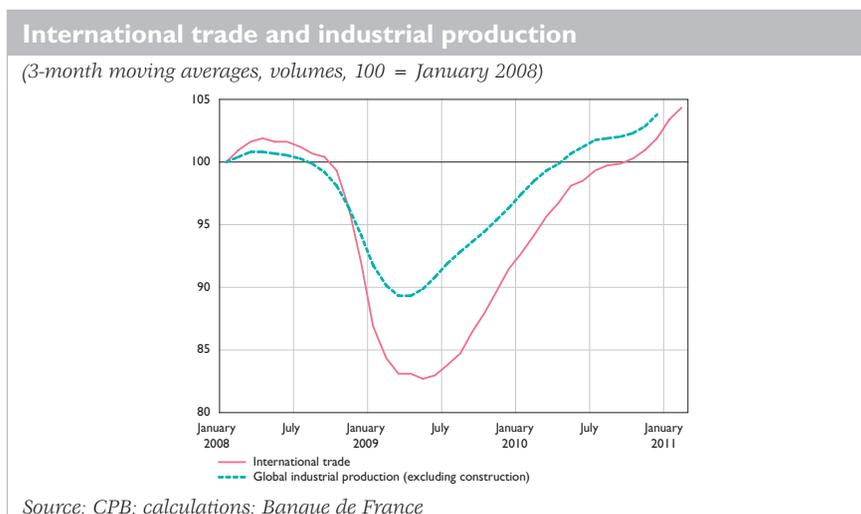
I | Is the trade crisis over?

Despite the undeniable recovery in world trade (where 100 = 2008 on a three-month moving average basis, global trade volumes fell to 82.7 points in May 2009 and only exceeded the 100 mark in October 2010, see Chart), numerous uncertainties remain as to the shape of trade after the crisis.

First, not all countries recovered to the same extent. Second, even though the recovery in trade can partly be attributed to catching-up effects, the factors behind this recovery are not necessarily the same as those responsible for its collapse, as shown by Andrei Levchenko, Logan Lewis and Linda Tesar (University of Michigan).¹

Indeed, as credit only played a minor role in the collapse of trade, which mainly affected durable and intermediate goods, trade may not correspondingly benefit from an improvement in financing conditions. Similarly, it is unlikely that the recovery in the demand for capital goods and more generally durable goods will be as marked as its collapse was at the end of 2008.

Using an augmented gravity model,² Abdul Abiad, Prachi Mishra and Petia Topalova (International Monetary Fund – IMF) analyse import and export dynamics in the light of 179 crisis episodes from 1970 to 2009 to assess how lasting the effects on trade might be. They find that there is a sharp



¹ Andrei Levchenko, Logan Lewis and Linda Tesar, "The US trade recovery: what goes down must come up?"

² Abdul Abiad, Prachi Mishra and Petia Topalova, "How does trade evolve in the aftermath of financial crises?". International trade gravity models transpose the gravity model used in physics into the area of international trade. The "weights" are often represented by GDP or a similar variable and the distances by those between countries, giving an estimate of transport costs.

decline in a country's imports in the year following a financial crisis (19%, on average) and that this decline is persistent, with imports recovering to their gravity-predicted levels only after 10 years. A global crisis, as is the case of the current crisis, is an aggravating factor. Indeed, when all partner countries are simultaneously affected by a financial crisis, international trade is impacted for a more prolonged period.

The sustainability of this recovery may be threatened by measures to consolidate public finances implemented by most developed countries, which could weigh on their imports. Daria Taglioni (World Bank) shows that this risk is nevertheless limited in view of the growing trade autonomy among Southern countries.³ To do this, she analyses past developments, the structure of and outlook for the trade of Southern countries.

The share of Southern countries exports to other Southern countries has thus increased, with South-South trade outstripping North-South trade since the start of the 2000s. Moreover, exports of low and middle-income countries are buoyant in both the manufacturing sector and in many parts of the service sector, which points to a degree of diversification.

In the 2000s, growth in Southern trade was notably underpinned by the development of export capacities (total factor productivity, the supply of input factors, the increase in intermediate goods imports, etc.) and the fragmentation of value added chains. The reduction of trade barriers also remains an essential long-term determinant for South-South trade dynamics, even though the impact of the conclusion of the Doha Round on world growth appears to be limited (see Part 3).

2| Will developed countries return to growth?

Using a unified error-correction framework, Filippo di Mauro (ECB) draws conclusions from a collective study available on the European Central Bank website.⁴ He stresses that the gap between the current level of trade and its equilibrium level is closing slowly worldwide, but more rapidly in the United States where markets of destination/sectoral specialisation, and the exchange rate, play a key role. While supply chains do not appear to have contributed to structural change in trade elasticities, they have increased trade volatility.

³ *Daria Taglioni*, "Is the pre-crisis model of South export-led growth over?"

⁴ "Recovery and beyond: lessons for trade adjustment and competitiveness", http://www.ecb.int/pub/pdf/other/recoveryandbeyond_en.pdf.

Following the trade crisis, global imbalances (record deficits in the United States, surpluses in China, Germany, and Japan in particular) initially narrowed slightly before widening again. As an illustration, Robert Dekle (University of Southern California), Jonathan Eaton (University of Pennsylvania), and Samuel Kortum (University of Chicago) assessed the implications of eliminating current account imbalances for relative GDP, real wages, and real absorption.⁵ How much relative GDP needs to change depends on flexibility of two forms: factor mobility and the adjustment in sourcing of imports, with more flexibility requiring less change. Changes in relative GDP may be significant but are partially offset by the contemporaneous decline in domestic prices, so that changes in real GDP are small.

Bernard Hoekman (World Bank) stresses the role of structural reforms⁶ in reducing global imbalances. He advocates both voluntary mechanisms focusing on reform agendas for services and international cooperation that result in policy commitments. These approaches are consistent with the fact that a reduction in trade deficits is not just a trade issue but would also require a decrease in domestic savings-investment imbalances, as recalled in the final round table.

To establish the possible avenues for trade following the current crisis, a broader view should be taken, which is what Kevin O'Rourke does in his historical perspective on the crisis. The collapse in global trade was greater but it recovered much faster than in the crisis of the 1930s. The over-adjustment of global trade in the current crisis can partly be explained by a composition effect. Indeed, at present, trade is more intensive in industrial products, particularly durable goods, whose sales are more affected in times of crisis. This relatively faster recovery compared with the 1930s can be ascribed notably to the more sizeable automatic stabilisers and more responsive monetary policy. Kevin O'Rourke notes that, in the 1930s, protectionist policies did not cause the crisis but rather were a result of it, due to a breakdown in consensus on trade liberalism, in particular on the part of the gold-bloc countries that were hampered by inappropriate monetary and exchange-rate policies. He questions the soundness of the world trade system given the current wariness about globalisation in Western democracies, confronted with entrenched unemployment and seeking the security of supplies. History has shown that balances based on confidence in the openness of international markets are fragile.

⁵ Robert Dekle, Jonathan Eaton and Samuel Kortum, "Global rebalancing with gravity: measuring the burden of adjustment".

⁶ Bernard Hoekman, "Structural reform to support rebalancing of global growth".

3| Reshuffling of trade in favour of emerging countries

As regards the trade of African countries, two weaknesses emerge; one associated with the crisis and the other predating it. Nicolas Berman (*Institut de hautes études internationales et du développement* – IHEID) and Philippe Martin (*Sciences Po Paris*) show that the relative under-development of financial systems in sub-Saharan Africa make them more vulnerable to the disruption of trade during a crisis.⁷ Moreover, François Bourguignon stresses the fact that African exports are still overly reliant on commodities, as there is not a large enough industrial sector. But the development of such a sector presupposes a series of reforms, in particular in the area of governance. The poor quality of infrastructures remains a major obstacle, limiting the possible benefits of a better access to developed and emerging markets.

Alessandro Nicita (United Nations Conference on Trade and Development - UNCTAD), Hiau Looi Kee and Cristina Neagu (World Bank) showed that the use of protectionist measures was limited during the crisis.⁸ Indeed, only some countries such as Russia, Argentina, Turkey and China raised their import duties significantly on certain imported goods. However, the United States and the European Union mainly used antidumping rights to protect their industry. Overall, while the increase in import duties and antidumping rights may have led to a decline in trade of around USD 43 billion, it explains less than 2% of this decline during the crisis. The current moderate recourse to protectionism can, no doubt, chiefly be ascribed to WTO multilateral rules, even though it is not easy to quantify the gains achieved through compliance with these rules.

In the future, the expected benefits from a further goods and services trade liberalisation in the framework of the WTO, together with trade facilitation measures and an improvement in port infrastructures are around USD 187 billion in the medium term, according to an estimate by Yvan Decreux (International Trade Center) and Lionel Fontagné (PSE).⁹ Trade facilitation accounts for half the gains expected from this Doha Round. As regards developing countries, the erosion of the trade preferences they currently enjoy could result in losses, which, precisely, could only be offset by an ambitious trade facilitation programme. This estimate explains the importance negotiators place on trade facilitation in the run-up to the forthcoming ministerial meeting.

7 Nicolas Berman and Philippe Martin, "The vulnerability of sub-Saharan Africa to the financial crisis: the case of trade".

8 Hiau Looi Kee, Cristina Neagu and Alessandro Nicita, "Is protectionism on the rise? Assessing national trade policies during the crisis of 2008".

9 Yvan Decreux and Lionel Fontagné, "Economic impact of potential outcome of the DDA".

Insurance companies' investments at the end of 2010

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Investments by French insurance companies, whose total outstandings amounted to close to EUR 1,700 billion at end-2010, play a vital role in the financing of the economy by virtue of their sheer size. This article provides an analysis, the third of its kind, of these investments. One of the main inputs this analysis brings to the table this year is the look-through approach it applies to the Undertakings for the Collective Investment of Transferable Securities (UCITS) funds that insurance companies hold in their portfolios. The look-through approach makes it possible to identify the final beneficiaries of the investments managed by insurance companies. The study also examines households' life insurance investments, regardless of whether they are placed in euro or unit-linked contracts.

Generally speaking, insurance companies have not significantly restructured their portfolios since 2009. They continue to invest chiefly in securities issued by originators resident in France and the other euro area countries. The former account for 40.5% of these securities, and the latter for 34.7%. These are mainly (68.3%) long-term debt securities, and particularly securities issued by governments and financial institutions. Investments in equities, including UCITS equity funds, remain a small fraction of investments at 11.6%.

Including debt securities held indirectly by insurance companies, via their UCITS investments, in this analysis modifies neither returns nor levels of total credit risk exposure to this asset class. The average rate of return on debt securities held directly and indirectly hovers at 4% before and after application of the look-through approach, and their creditworthiness remains virtually unchanged, with some 80% of these securities rating as investment-grade. However, it does lead to the lengthening, by over one year, to close to 10 years, of the average residual maturity of the portfolios examined.

Keywords: Insurance companies, life insurance companies, mixed life insurance companies, non-life insurance companies, technical provisions, euro contracts, unit-linked contracts, financial investments, look-through approach, household savings, financing channels, debt securities, bonds, equities.

JEL code: G22.

NB: The authors wish to thank Franck David, Sylvaine Ravaux and their teams at the Cross-functional and Specialised Supervision Directorate of the General Secretariat of the Prudential Supervisory Authority for the considerable work they put into collecting and processing preliminary data.

This study on the investments made by insurance companies in 2010,¹ conducted jointly by the Banque de France's Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel – ACP*) and Directorate General Statistics, is the third of its kind. Like the previous studies, it uses the data provided in the various annual investment statements submitted by insurance companies to the *ACP*, cross-referenced with the Banque de France's databases on securities and issuers.² For 2010, it also draws on the new regulatory statements filed by insurance companies. The standardised content of these statements makes it possible to refine and enhance the analysis in different areas.

As in previous years, the study makes a distinction between two types of companies within the insurance sector: life and mixed life insurance companies on the one hand, and non-life insurance companies on the other. Life and mixed life insurers manage the lion's share of “euro contracts” and all “unit-linked contracts”, insurance products that are mainly household savings vehicles. Non-life insurance companies cover most types of risk of damage to property as well as personal risk: they mainly undertake short-term commitments (one year on average) and, in general, settle outstanding claims within a period of less than two years, with a few exceptions, such as civil liability and construction risk. Life insurance companies are therefore the source of most of the investments made by the insurance sector.

In the first section, we analyse the structure of insurers' investments by type of instrument, receiving sector and geographical origin of the issuer.

In the second section, we examine households' investments, more than half of which are in life-insurance products. Comparisons are drawn between euro contracts and unit-linked contracts. This is a crucial distinction from the prudential standpoint because the risk is borne by the insurer in the first instance and by the policyholder in the second.

Source Data

The analysis is mainly based on the annual statements filed with the Prudential Supervisory Authority by insurers, pursuant to Article A.344-3 of the French Insurance Code: summary statements of investments as well as the TCEP (tableau complémentaire aux états des placements) – the new supplementary tables to investment statements filed with the ACP since 2010, which record all assets held, security by security, and present the information previously disclosed in the detailed investment statements in a standardised and enhanced format.

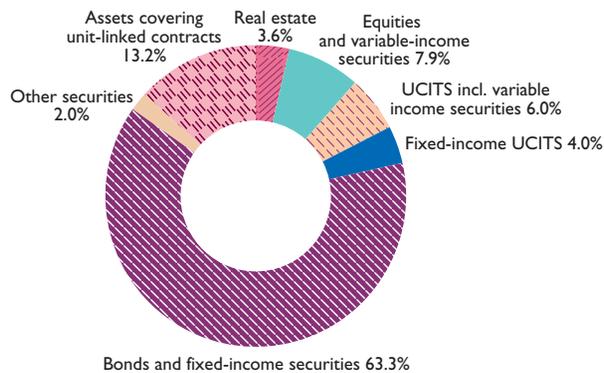
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¹ This study is based on data submitted by insurance companies for the closing of accounts for the 2010 financial year. It therefore does not take into account changes on the financial markets since the start of 2011.

² See “Recent developments in the structure of insurers' investments”, Banque de France – Quarterly Selection of Articles, No. 16, Winter 2009-2010.

The study centres on a sample of 314 insurance companies operating in France, which hold a total of EUR 1,676 billion in investments, i.e. over 99% of the total portfolio of EUR 1,687 billion held by insurance companies (excluding reinsurance companies) regulated by the French Insurance Code. In addition to reinsurance companies, provident institutions and mutual insurance companies are also excluded from the sample. Unless otherwise stated, the data present assets at realisable value¹ on 31 December of each year considered. Investments by life and mixed life insurers amount to close to 90% of the assets of insurance companies in the sample, i.e. a share identical to that observed for the sector as a whole.

Structure of insurance companies' investments on 31 December 2010 (summary statements)



NB: Total investments: EUR 1,687 billion
Source: Prudential Supervisory Authority

Data from the TCEP make it possible to break down all the portfolios by type of financial instrument, geographical origin and issuing sector, as well as by maturity and yield of the investment vehicles. In addition, the look-through analysis of UCITS held by the insurance companies, using data on French UCITS collected by the Banque de France, makes it possible to substantively identify the final beneficiaries of investments. Rather than considering the UCITS funds held by insurers, this analysis pinpoints the securities in which the UCITS invest on the insurers' behalf. When certain instruments cannot be identified using an ISIN code (International Securities Identification Numbers) or any other feature, the assets are grouped under the "Other investments" heading. This is the case for unlisted shares, real estate (identified as such in the summary statements) and derivatives, which in certain cases, are not itemised on the detailed statements or represent a smaller share than that recorded on the corresponding summary statements. For instance, at 4.7%, the proportion of directly-held equities that can be identified in the detailed statements is significantly smaller than the 7.9% recorded in the summary statements. Obviously, because it identifies the equities held .../...

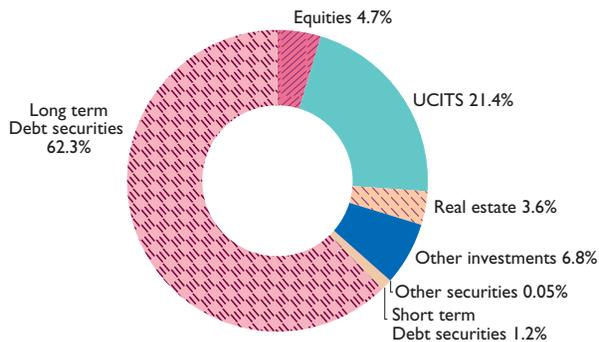
¹ The realisable value is the market value of insurance companies' investments and thus includes unrealised gains and losses. The latter are calculated as the difference between the realisable value and the net book value.

in UCITS' portfolios, the look-through analysis ultimately results in a significant increase in the proportion of equities held in insurance companies' portfolios (11.6%).

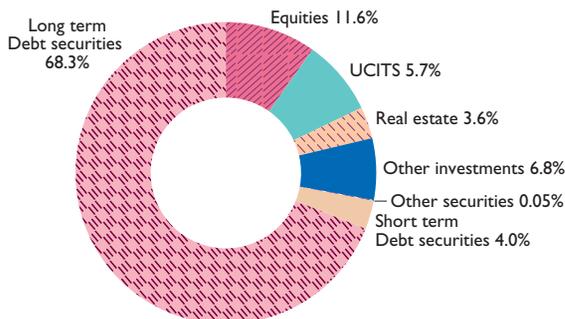
The charts present the structure of insurance companies' investments on 31 December 2010 as shown by the study's three data sources: summary statements of investments, detailed statements and UCITS data collected by the Banque de France.² The first chart represents the information derived from the summary statements, which present investments in their accounting categories (real estate, equities, UCITS, etc.). The next two charts present the investment structure based on the data from the detailed statements, before and after the look-through analysis of UCITS held by insurers. The look-through approach covered 21.4% of the securities held by insurers. These securities were then divided into three categories of financial instruments: debt securities (8.8%), equities (6.9%) and UCITS (5.7%).

Structure of insurance companies' investments on 31 December 2010 (detailed statements)

Before the look-through approach applied to UCITS



After the look-through approach applied to UCITS



NB: Total investments: EUR 1,676 billion.

Sources: Prudential Supervisory Authority, Banque de France.

² In the different sections of the study, the three sources used are selected based on the level of granularity required in investment data.

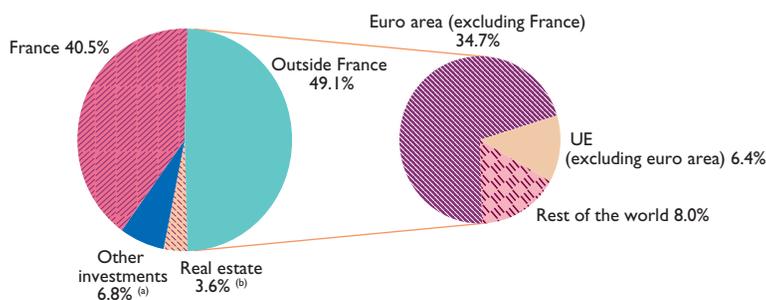
I | Structure of insurers' financial investments by type of instrument and receiving sector

In this study, investments have been analysed without regard for the prudential criteria usually implemented in the area of insurance. The breakdown obtained therefore groups investments matching regulated liabilities, those matching unit-linked contracts and the so-called "free" assets, which are capital resources in excess of minimum regulatory requirements. With more than 87%, the first category accounts for the largest proportion of investments by far.

I | I | Geographical and sectoral breakdown of investments

The look-through analysis applied to mutual fund holdings showed that, at end-2010, securities issued by non-residents amounted to 49.1% of all investments, a slightly higher percentage than the 46.4% recorded in 2009. These non-resident issuers were still mainly from other euro area economies and they accounted for 34.7% of all investments, compared to 35.6% in 2009. However, euro area issuers' share decreased as that of issuers from other European economies rose from 4.3% to 6.4%, and that of issuers operating outside the European Union rose from 6.4% to 8%.

Chart I Geographical distribution of issuers of securities held by insurance companies in 2010 (after the look-through approach applied to UCITS)



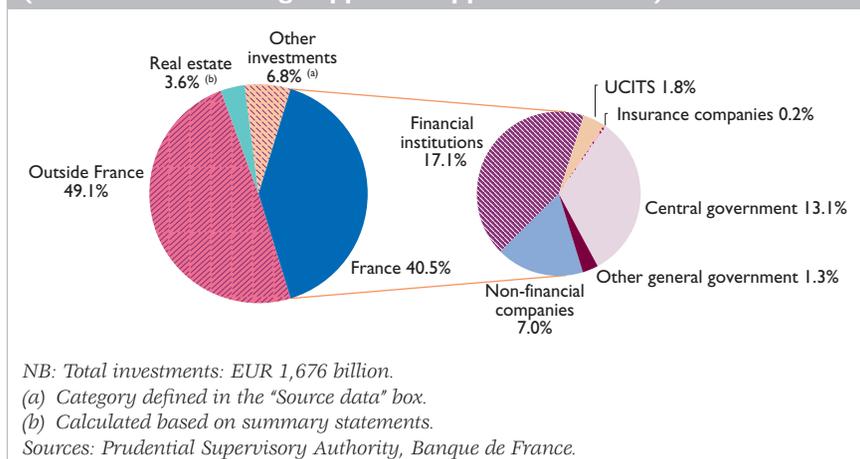
NB: Total investments: EUR 1,676 billion.

(a) Category defined in the "Source data" box.

(b) Calculated based on summary statements.

Sources: Prudential Supervisory Authority, Banque de France.

Chart 2 Sectoral breakdown of insurance companies' investments in 2010 (after the look-through approach applied to UCITS)



Securities issued by French institutions made up 40.5% of insurance companies' portfolios at end-2010, up from 36.7% at end-2009. 14.4% of these securities were government securities, issued primarily by central government. This was a significant increase from the 12.3% of government securities recorded in 2009. Insurers also increased their share of securities issued by resident financial institutions (excluding insurance) from 14.6% in 2009 to 17.1%. However, the proportion of their assets made up of listed securities issued by resident non-financial companies (NFC) remained fairly stable at 7%, after 7.1% in 2009.

As Table 1 shows, the sectoral breakdown of investments in securities issued by other euro area residents is similar to that of investments in securities issued by French residents. General government securities amounted to 13.6% of assets in 2010, down from 15.1% in 2009, while securities issued by financial institutions slipped to 12.5% from 13.2% in 2009 and those issued by non-financial companies rose to 4.6% from 3.8% in 2009.

I | 2 Debt securities

I | 2 | 1 General structure of debt security portfolios

The management of insurance companies' assets is subject to several constraints, chief among them being the need to be able to meet commitments to policyholders at all times, while also ensuring duration matching of assets and liabilities; and the need to maintain the company's profitability while complying with regulatory requirements. The guaranteed minimum remuneration rate on euro contracts, which make up 85% of life insurance policies, is an incentive for life insurance companies to hold mainly debt securities, preferably at fixed rates, as this class of assets best meets this constraint.

In 2010, debt securities accounted for 72.3% of all insurers' investments; this was a sharp rise from the 66.8% posted in 2009. While 63% of these debt securities were held directly, 9.3% were held indirectly via portfolio mutual funds. Application of the look-through approach allowed the corresponding outstanding amounts to be broken down as follows: 4% of short-term securities, including 2.9% of certificates of deposit, 44.3% of bonds, 21.3% of euro medium-term notes and 2.7% of other medium and long-term securities (see above, Table 1).

Caution must be exercised when analysing changes in the structure of debt securities held by insurance companies observed from 2009 to 2010. On the one hand, they reflect not only investment choices but also valuation changes stemming from interest rate movements: the sharp increase in the share of bonds from 38% in 2009 to 44.3% in 2010 is at least partially traceable to the rate drop in 2010, which led to a rise in securities' market value. On the other hand, the increased reliability provided by the new statements filed by insurance companies has made it possible to more accurately identify securities, and therefore, has contributed to increasing the share attributed to debt securities rather than "other investments".

The sectoral breakdown of issuers of debt securities highlights the relative stability of the share of government securities, which amounted to 40% of outstandings at end-2010, a proportion which changed little from 2009. That being said, there has clearly been a portfolio shift favouring French government securities: in 2009, these securities made up 44% of all government securities held, while other euro area governments accounted for 55%. In 2010, French government securities amounted to 50.3%, with other euro area government securities making up 47%. This shift to domestic issuers was also observed for securities issued by financial institutions, which rose slightly overall from 30.9% in 2009 to 33.4%: within this group, the share of domestic institutions spiked, climbing from 47% in 2009 to 51% in 2010.

I|2|2 Analysis of the main features of debt security portfolios

Rate of return

Analysis of the rate of return on portfolios, which, in 2009, was carried out solely on bond portfolios, was extended in 2010 to all debt security portfolios as a result of the improvement in the data coverage rate, which is now close to 100%, and the quality of the data gleaned from the TCEP. These tables provide more details on securities held, which facilitates cross-referencing with the Banque de France's securities databases.

In line with observations made in previous years, the analysis of the breakdown of debt securities by coupon type confirms the predominance of fixed-rate securities for 2010. These securities accounted for 89% of all debt securities outstanding, 1% of which were zero coupon securities. Floating-rate securities, for their part, amounted to 11%. Some of the floating-rate securities that can now be identified are inflation-indexed securities, which, at-end 2010 represented 3.7% of debt security portfolios (3.6% for life insurance companies and 4.3% for non-life insurance companies).

The average rate of return³ on all debt security portfolios, defined as the weighted average of rates of return on each line of securities held, was not significantly different depending on whether it was calculated before or after application of the look-through approach: it was 4.07% before the look-through approach, and 4.05% afterwards. In addition, this average rate of return was slightly higher for life and mixed life insurance companies, standing at 4.05% after the look-through analysis, compared with 3.9% for non-life insurers.

On the segment of bonds issued by residents, which was the sample analysed in the last two studies, the average rate of return on securities held amounted to 3.85% in 2010, down by 35 basis points from the 4.2% recorded in 2009.

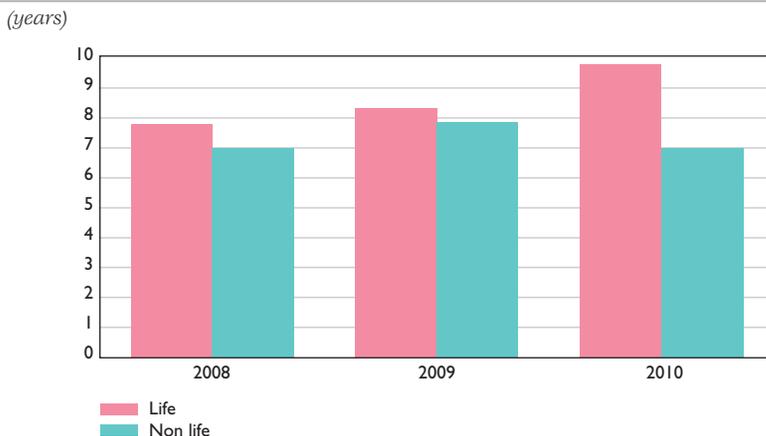
The rates of return observed must nevertheless be set against the other features of portfolio debt securities, i.e. their maturity and credit risk level.

Residual maturity of debt securities

Before the look-through analysis of UCITS funds, the average residual maturity of insurance companies' debt security portfolio stood at 8.7 years in 2010: 8.8 years for life insurance and 6.8 years for non-life insurance. After the look-through, the investment horizon appeared to be longer: it expanded to an average of 9.8 years, with an average horizon of 10 years for

³ An average annual rate of the reference index was used for floating-rate bonds.

Chart 3 Changes in the average residual maturity of insurers' holdings in bond portfolios issued by French residents (after the look-through approach)



Source: Banque de France.

life insurance companies and 9.1 years for non-life insurance companies. The lengthening of the average maturity of debt security portfolios obtained de facto via UCITS therefore does not result in an increase in average returns (see above).

In 2010, the average residual maturity for investments in bonds issued by residents, which were specifically analysed in 2009 and 2008, stood at 7 years for non-life insurance companies, returning to its 2008 level. However, for life insurance companies, it lengthened further to stand at 9.8 years.

Credit risk level

In this study, credit risk was assessed through a line-by-line examination of securities' ratings as well as their ability to fulfil Eurosystem eligibility criteria.

Analysis of the rating of debt securities held by insurance companies highlights the quality of portfolios, which were composed of close to 83% of investment grade category⁴ securities before the look-through analysis. After the look-through, this proportion dipped to 78%. The disparity was partly a result of the increase from 10% to 14% of the share of unrated securities, two-thirds of which were issued by residents. There was therefore no proportional increase in the share of speculative grade securities, which remained confined to 8% in 2010, even though they rose from the 3% recorded

⁴ Bonds that are rated BBB- or above by Fitch ratings and Standard & Poor's, and Baa3 or above by Moody's. Speculative grade securities are those rated below BBB- by Fitch ratings and Standard & Poor's, and below Baa3 by Moody's. The criterion used is the lowest rating assigned by one of the three main rating agencies.

in 2009. Analysis of the quality of the portfolio against Eurosystem eligibility criteria yielded similar results: the debt security portfolios of insurance companies were made up of 83% of eligible securities before look-through analysis and 80% of eligible securities after look-through analysis.

1|2|3 Holdings in covered bonds

Covered bonds,⁵ debt securities with specific guarantees, which are in theory the highest rated, may currently appear to be relatively attractive investment products compared with government securities or bank bonds – traditionally the preferred investments of insurance companies (see above 1|2|1) – nonetheless, they are now more varied in terms of risk, depending on the issuer.

Outstandings of covered bonds held by insurance companies rose from EUR 99 billion at end-2009 to roughly EUR 110 billion in 2010. Their share in all debt security portfolios remained stable, amounting to 9% in 2010 after 9.5% in 2009. Securities issued by domestic residents accounted for approximately half of all outstandings and could be broken down as follows: 58% of mortgage bonds, 29% of CRH bonds (bonds issued by CRH, France's Residential Mortgage Refinancing Fund) and 13% of bonds issued by several large resident credit institutions in the framework of covered bond programmes. Some two-thirds of outstandings of bonds issued by originators resident in the euro area, excluding France, came from Spain. Issuers resident in Germany accounted for 13% of these outstandings and issuers in the Netherlands for 8%. Almost all securities issued fell within the investment grade category, with speculative grade securities accounting for a mere 2.5% of outstandings.

Table 2 Insurance companies' holdings in covered bonds by type of insurance

(amount and as a percentage of total debt securities)

	Total outstandings (billions)	Total outstandings as a % of debt securities				
		All areas	Issued by residents	Issued by euro area residents (excluding France)	Issued by EU residents (excl. euro area)	Issued by the rest of the world
Non-life	8	0.7	0.4	0.3	0.0	0.0
Mixed life	102	8.3	4.2	3.2	0.8	0.1
Total	110	9.0	4.6	3.5	0.8	0.1

Source: Banque de France.

⁵ In this study, these instruments are defined as securities that are backed by mortgage loans and protected in the event of the originator's default. This protection is either provided by the law (e.g. French mortgage bonds, as well as home-purchase bonds – "obligations de financement de l'habitat" – OFH since the Act of 22 October 2010), or contractual (see covered bonds). In this study, covered bonds include mortgage bonds, CRH bonds and home-purchase bonds, various securities offerings issued under covered bond programmes developed by large French banks in recent years.

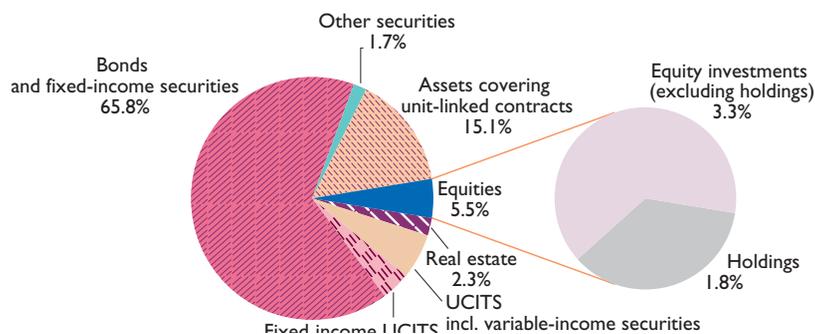
I | 3 Equity investments

Analysis of insurance companies' equity holdings based on the detailed investment statements provides little information on unlisted shares which are not identified by an ISIN code. It is therefore necessary to use the summary statements, which record investments at net book value⁶ and make it possible to identify the holdings⁷ included in the "Equity and variable-income securities" item. Non-life insurance companies hold a substantial share of equity. This is because they manage a larger proportion of "free" assets, i.e. the company's surplus capital relative to minimum requirements, and also because they are obliged to cover very long-term risks. This is however generally not the case for life and mixed life insurance companies: though some of these have substantial equity investments, this is generally because they hold interests in a subsidiary's equity capital.

In addition to directly held securities, insurance companies also held equities via their UCITS investments. The summary investment statements showed that directly-held equities made up 7.9% of insurance companies' portfolios, compared with 8.3% in 2009. The look-through analysis of mutual fund holdings showed that they included 44% of equities.⁸ This pushed the share of equity in insurers' investments from 7.9% to 11.6%.

Chart 4 Structure of the summary statements of life insurance investments on 31 December 2010 (before the look-through approach)

(net book value)



NB: Total investments: EUR 1,475 billion.

Source: Prudential Supervisory Authority.

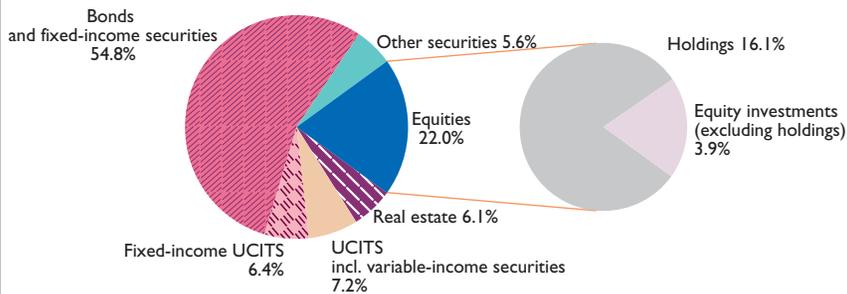
⁶ Net book value or carrying value is used to assess holdings for which it is difficult to estimate a reliable market value.

⁷ Securities issued by companies in which insurance companies have holdings, as defined in Appendix A.343-1 of the French Insurance Code.

⁸ This is on the assumption that the UCITS that were not analysed using a look-through approach hold equity securities in the same proportion as those that were.

Chart 5 Structure of the summary statements of non-life insurance investments on 31 December 2010 (before the look-through approach)

(net book value)



NB: Total investments: EUR 155 billion.

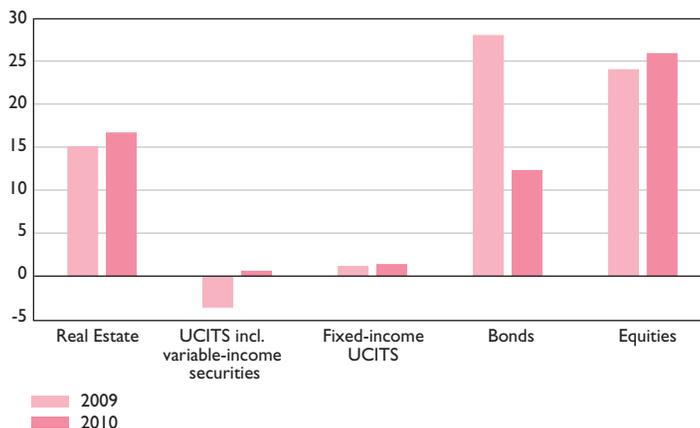
Source: Prudential Supervisory Authority.

I | 4 Changes in unrealised gains or losses in the various asset classes

At end-2010, unrealised gains in insurance companies' portfolios amounted to EUR 57 billion. This was a decline of more than 12% from end-2009, however, unrealised gains were still substantial because they represented over 3% of all outstanding investments.

Chart 6 Unrealised gains and losses on various asset classes from 2009 to 2010

(EUR billions)



NB: Total investments: EUR 1,687 billion at realisable value, EUR 1,630 billion at net book value.

Source: Prudential Supervisory Authority.

The decline was linked to the sharp 56% drop in unrealised bond gains, mainly due to the increase in risk premiums on the government securities segment in 2010. Given the share of debt securities in total investments, these adverse developments largely overrode the 10.4% rise in gains on mortgage-related securities and the 7.8% increase in gains on equity investments.

UCITS also posted unrealised gains of EUR 2.1 billion at end-2010, following two consecutive years of unrealised losses: EUR -15.3 billion and EUR -2.4 billion in 2008 and 2009 respectively.

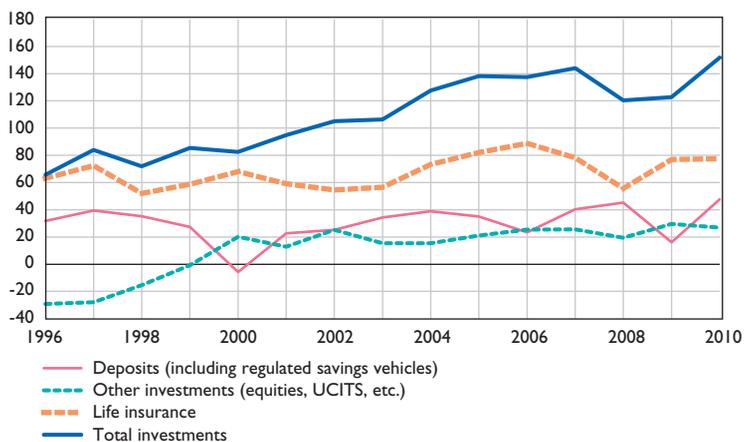
2| Households' investments in life insurance policies

2|1 Share of life insurance in households' savings⁹

In 2010, households' net acquisition of financial assets amounted to a total of EUR 152 billion. Over half of these investments, i.e EUR 77.4 billion, was in life insurance. While this was an amount equivalent to the EUR 76 billion recorded in 2009, it was a substantially smaller share of total net acquisition, which amounted in 2009 to EUR 122 billion (see Chart 7).

Chart 7 French households' net acquisition of financial assets

(EUR billions)



Source: *Financial accounts, Banque de France.*

⁹ The data for investment flows derived from the 2010 financial accounts are estimates and subject to revision.

Households' relative disaffection for life insurance benefited deposits and passbook accounts, especially regulated savings products. Their net acquisition of the latter rose from EUR 16 billion in 2009 to EUR 47.5 billion in 2010. Households' renewed interest in deposits and passbook accounts was due mainly to the upsurge in the interest rates on these products – the rate on the "A" passbook account, for instance, was raised by a half point in 2010 from 1.25% to 1.75%. The reallocation also came against the backdrop of the rising preference for liquidity and risk aversion spurred by the uncertainty about the prospects for economic growth. At the same time, the average revaluation rate of life insurance policies slipped from 3.65% in 2009 to 3.40% in 2010, and there was a perception that taxation of this investment product would be unfavourably revised in the not-too-distant future.¹⁰

While the bulk (EUR 71.6 billion out of EUR 77.4 billion) of households' new investments in life insurance in 2010 were in euro contracts, there was nonetheless a rise in the uptake of unit-linked contracts, which rose to EUR 5.8 billion. In 2009, net investments in unit-linked contracts had amounted to only EUR 0.12 billion, inching up from a net decline of EUR 7.6 billion in 2008 (see Chart 8). The slightly more favourable situation of unit-linked plans in 2010 may be traced mainly to the upswing in stock market indices in the second half of the year.

Outstandings of life insurance investments amounted to a total of EUR 1,505 billion at end-2010, of which EUR 1,286 billion worth of policies were in euro and EUR 219 billion were in unit-linked contracts. Life insurance investments accounted for 40% of households' financial investments (National Financial Accounts, 2010).

Chart 8 Breakdown of households' net acquisition of life insurance investments

(EUR billions)



Source: Banque de France.

¹⁰ The rate of social contributions paid on life insurance policies edged up from 12.1% to 12.3% on 1 January 2011.

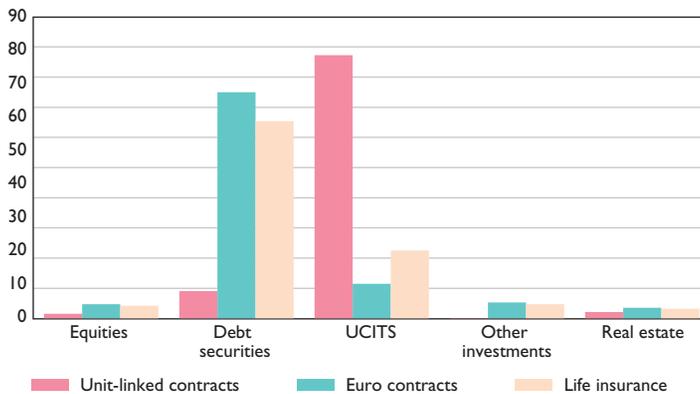
2 | 2 Analysis of investments held against life insurance policies

Investment statements filed by life insurers make it possible to identify the features of securities investments held according to the type of policies they cover. This distinction makes it possible to highlight the differences in terms of asset allocation that result from the specific features of these contracts, beyond the substantial disparity observed between the respective shares of each type of contract. Outstandings of euro contracts were up to six times larger than those of unit-linked insurance plans. The latter pay the policyholder a return that is most often linked to indices that are monitored or calculated by the life insurance company, and vary with the performance of the financial markets. Insurance companies do not generally offer guarantees on unit-linked contracts. Euro contracts, however, offer policyholders not only a capital guarantee but also a minimum rate of return.

These management constraints oblige life insurance companies to hold separate asset portfolios for each type of contract in order to meet the outlays to be paid out to policyholders: up to 87.3% of unit-linked contracts were invested in UCITS. The guarantees included in euro contracts make it necessary for these plans to be invested mostly in debt securities (75% of the total, see Chart 9).

Chart 9 Breakdown by asset class of life insurers' investments in 2010 according to the type of contract (before the look-through approach)

(as a %)

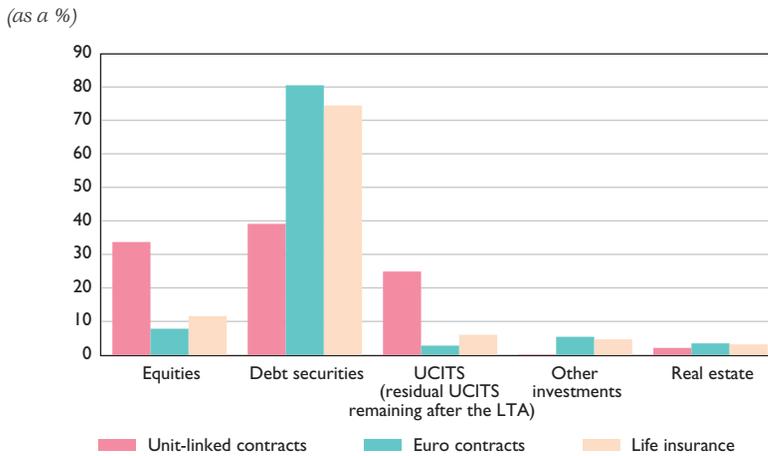


Source: Banque de France.

The look-through approach applied to UCITS held against unit-linked and euro contracts makes it possible to better identify life insurance companies' final portfolio exposure. The look-through analysis showed assets held to cover unit-linked contracts to be more diversified than those

covering euro-denominated policies. Up to 33.7% of unit-linked contract funds were deployed in equity securities, compared with only 7.8% for euro contracts. Debt securities therefore ultimately amounted to only 39.1% of investments against unit-linked policies, compared with 80% for euro contract investments (see Chart 10).

Chart 10 Breakdown by asset class of life insurers' investments in 2010 according to the type of contract (after the look-through approach)

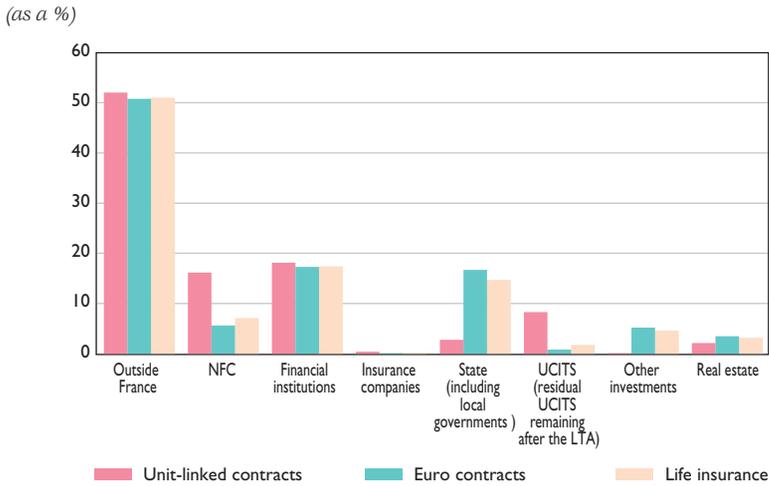


NB: LTA: look-through approach.

Source: Banque de France.

Analysis of the final structure of insurers' portfolios also highlights the economic sectors that benefit from households' investments through their investment choices. Up to 16.2% of unit-linked contracts were invested in securities issued by non-financial companies, compared with only 5.6% for euro contracts (in absolute terms, non-financial companies were nonetheless financed chiefly by the funds from euro-denominated plans, which amounted to EUR 72 billion, compared with EUR 36 billion from unit-linked plans). In contrast, 16.7% of outstandings of euro-denominated contracts were invested in government securities, compared with only 2.8% for unit-linked contracts (see Chart 11).

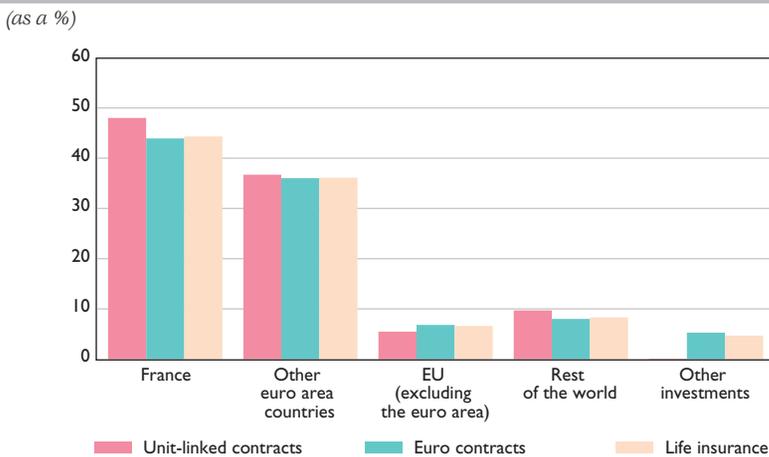
Chart 11 Sectoral breakdown of life insurers' investments in 2010 according to type of contract (after the look-through approach)



NB: LTA: look-through approach.
 Source: Banque de France.

The differences were however less marked in terms of the geographical distribution of the investments (see Chart 12). Some 47.7% of unit-linked contracts were invested in the French economy, a slightly larger share than the 43% posted by euro contracts. The euro area accounted for one-third of all financing for both types of life insurance policies, with a slightly larger share for unit-linked contracts.

Chart 12 Geographical distribution of life insurers' investments in 2010 according to type of contract (after the look-through approach)



Source: Banque de France.

Methodology

The TCEP tables closed at the end of 2010 record in detail, line by line, the assets held by insurance companies on 31 December 2010. Each line is presented at realisable value, gross value and net book value. Using the ISIN codes for each security, the TCEP were cross-referenced with the Banque de France's security and issuer databases in order to identify securities and specify their features (type, initial maturity, issuing institutional sector and geographical origin).

The coverage rate of TCEP tables was highly satisfactory at over 99% in 2010.

Coverage rate of the data derived from the detailed statements of insurance companies' investments by type of insurance

(EUR billions of outstanding investments, coverage rate as a %)

	Total investments of companies that were analysed (detailed statements of investments)	Total investments (summary statements of investments)	Coverage rate
Life and mixed life	1,498	1,505	99.5
Non-life	178	182	97.7
Total	1,676	1,687	99.3

Sources: Prudential Supervisory Authority, Banque de France.

The following were used for 2010: the TCEP of 258 companies representing EUR 1,676 billion, and the summary statements (of the annual files) of 314 companies representing EUR 1,687 billion.

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Nota bene

Changes have been made to the table on usury ceilings (Figure 26). Statistical data are updated monthly on the Banque de France's website.

Table I
Industrial activity indicators – Monthly Business Survey – France

(NAF revision 2; seasonally-adjusted data)

	2011						
	April	May	June	July	Aug.	Sept.	Oct.
Changes in production from the previous month (a)							
Total manufacturing	6	7	-12	5	4	0	1
Food products and beverages	10	1	12	5	4	11	8
Electrical, electronic and computer equipment and other machinery	-8	20	-13	0	2	1	-4
Automotive industry	1	4	-18	15	10	-12	11
Other transport equipment	4	11	2	0	-13	9	1
Other manufacturing	7	8	-16	5	-2	4	-5
Production forecasts (a)							
Total manufacturing	8	-4	-1	1	3	0	1
Food products and beverages	9	2	3	13	9	6	9
Electrical, electronic and computer equipment and other machinery	11	-8	3	3	5	2	4
Automotive industry	6	-7	-6	-1	-4	11	-8
Other transport equipment	15	14	16	18	28	16	9
Other manufacturing	10	-3	0	1	5	-2	1
Changes in orders from the previous month (a)							
Total manufacturing	5	5	3	6	3	-4	-1
Foreign	7	7	6	8	5	-6	2
Order books (a)							
Total manufacturing	17	19	15	12	11	9	6
Food products and beverages	8	8	9	5	5	5	2
Electrical, electronic and computer equipment and other machinery	9	14	10	11	12	7	3
Automotive industry	10	16	18	15	12	7	4
Other transport equipment	62	65	57	53	55	58	65
Other manufacturing	18	19	13	8	9	6	0
Inventories of finished goods (a)							
Total manufacturing	1	2	2	4	3	5	4
Food products and beverages	0	1	4	4	0	4	1
Electrical, electronic and computer equipment and other machinery	9	9	11	8	6	12	14
Automotive industry	3	1	-1	3	0	1	4
Other transport equipment	2	0	-2	4	3	5	4
Other manufacturing	-1	1	1	4	3	3	1
Capacity utilisation rate (b)							
Total manufacturing	80.2	81.0	79.9	79.4	78.8	79.3	79.3
Staff levels (total manufacturing) (a)							
Changes from the previous month	1	1	1	0	0	-1	0
Forecast for the coming month	2	1	1	1	0	-1	-1
Business sentiment indicator (c)							
	105	102	99	98	97	97	96

(a) Data given as a balance of opinions. Forecast series are adjusted for bias when it is statistically significant.

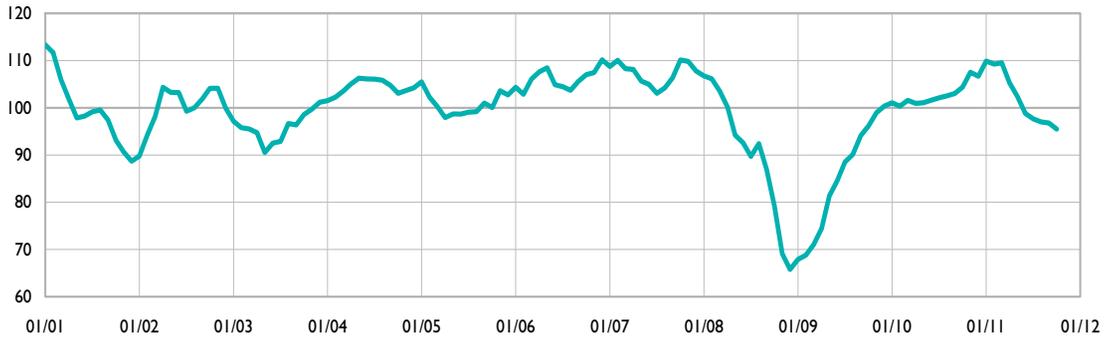
(b) Data given as a percentage.

(c) The indicator summarises industrial managers' sentiment regarding business conditions. The higher the indicator is, the more positive the assessment. The indicator is calculated using a principal component analysis of survey data smoothed over three months. By construction, the average is 100.

Table 2
Industrial activity indicators – Monthly Business Survey – France (NAF revision 2; seasonally-adjusted data)

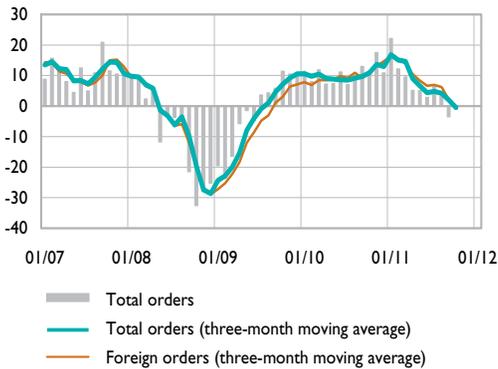
Business sentiment indicator

(100 = 1981 – last value)



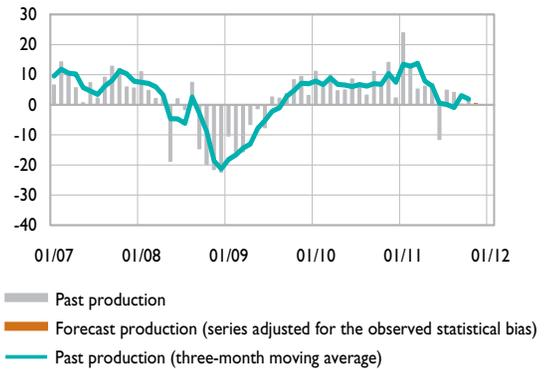
Orders (a)

(balance of opinions; monthly change)



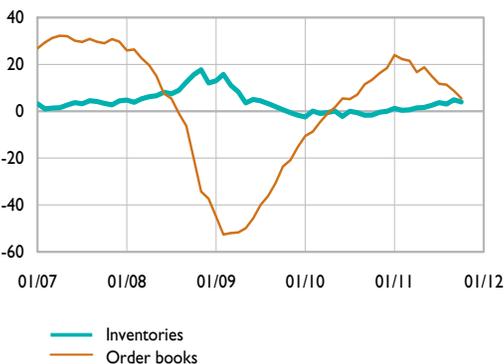
Production (a)

(balance of opinions; monthly change)



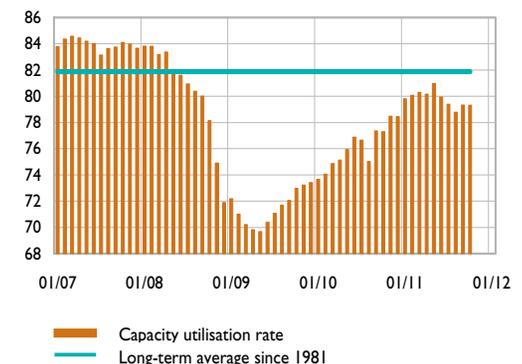
Inventories and order books (a)

(balance of opinions; compared to levels deemed normal)



Capacity utilisation rate (a)

(%)



(a) Manufacturing.

Source: Banque de France.

Produced 22 November 2011

Table 3
Consumer price index

(annual % change)

	2011									
	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	
France	1.8	2.2	2.2	2.2	2.3	2.1	2.4	2.4	2.5	2.5
Germany	2.2	2.3	2.7	2.4	2.4	2.6	2.5	2.9	2.9	2.9
Italy	2.1	2.8	2.9	3.0	3.0	2.1	2.3	3.6	3.8	3.8
Euro area	2.4	2.7	2.8	2.7	2.7	2.5	2.5	3.0	3.0	3.0
United Kingdom	4.4	4.0	4.5	4.5	4.2	4.4	4.5	5.2	5.0	5.0
European Union	2.9	3.1	3.3	3.2	3.1	2.9	2.9	3.3	3.3	3.3
United States	2.1	2.7	3.2	3.6	3.6	3.6	3.8	3.9	3.5	3.5
Japan	-0.5	-0.5	-0.5	-0.4	-0.4	0.2	0.2	0.0	na	na

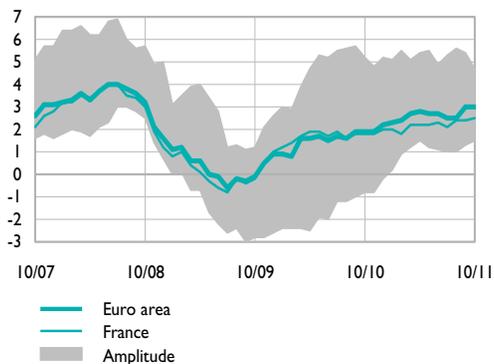
(annual average)

(seasonally-adjusted monthly % change)

	2008	2009	2010	2011					
				May	June	July	Aug.	Sept.	Oct.
France	3.2	0.1	1.7	0.1	0.1	0.1	0.3	0.2	0.3
Germany	2.8	0.2	1.2	0.0	0.1	0.2	0.1	0.4	0.2
Italy	3.5	0.8	1.6	0.3	0.2	-0.7	0.4	1.6	0.3
Euro area	3.3	0.3	1.6	0.0	0.1	-0.1	0.1	0.5	0.2
United Kingdom	3.6	2.2	3.3	0.1	0.1	0.3	0.3	0.8	0.2
European Union	3.7	1.0	2.1	na	na	na	na	na	na
United States	3.8	-0.4	1.6	0.2	-0.2	0.5	0.4	0.3	-0.1
Japan	1.4	-1.3	-0.7	0.0	-0.2	0.3	-0.3	-0.1	na

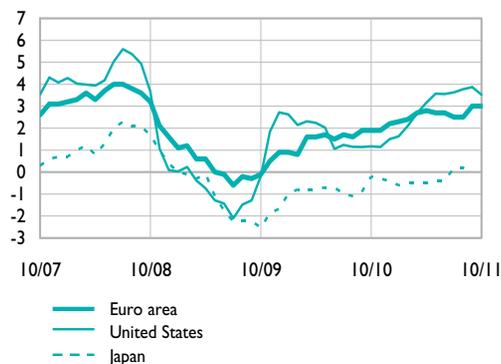
France and the euro area

(annual % change)



International comparisons

(annual % change)



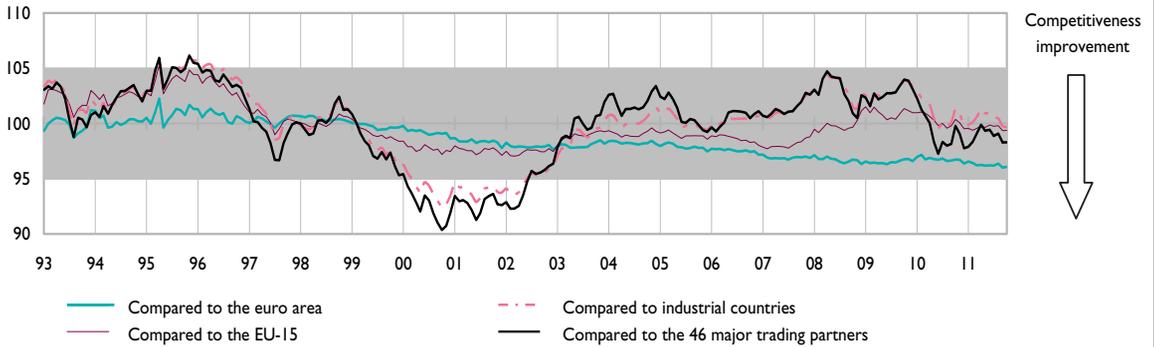
Harmonised indices except for the United States and Japan.

Amplitude = extreme values of the indices of harmonised prices observed in the euro area (changing composition).

Table 4
The competitiveness of France's economy

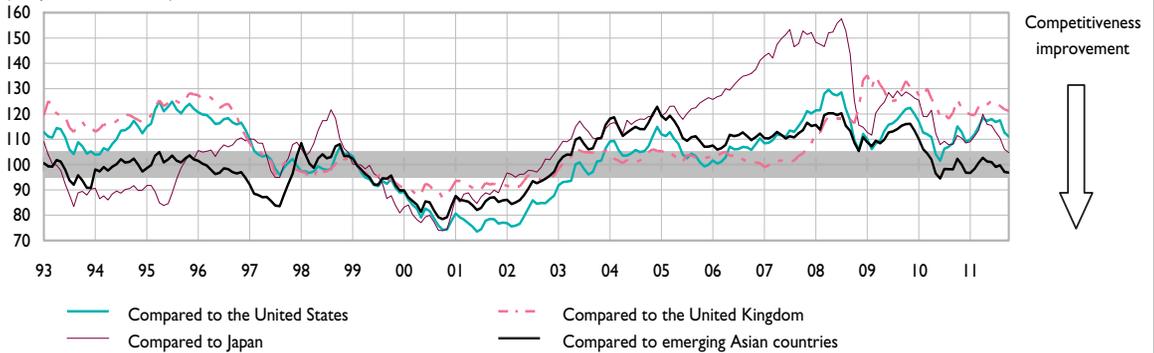
Indicators deflated by consumer prices

(1st quarter 1999 = 100)



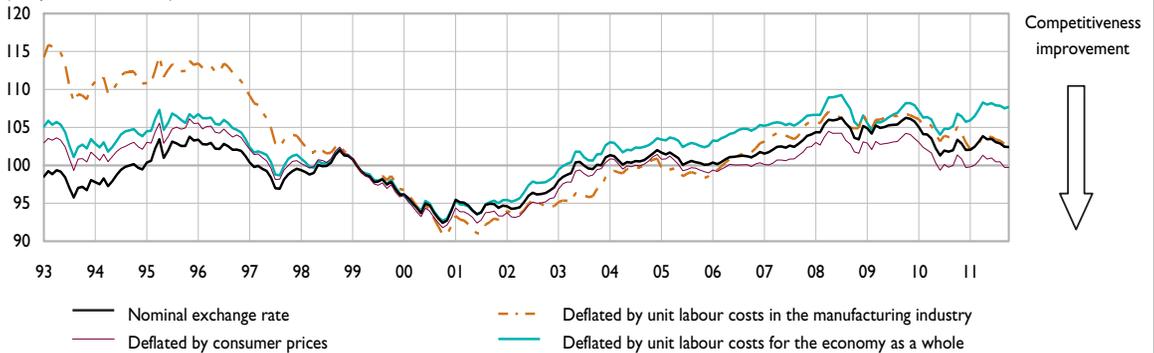
Indicators deflated by consumer prices

(1st quarter 1999 = 100)



Indicators of competitiveness compared to 24 OECD countries

(1st quarter 1999 = 100)



Grey area: change in competitiveness compared to long-term average less than 5%.

Sources: National data, Banque de France, ECB, IMF, OECD, Thomson Financial Datastream.

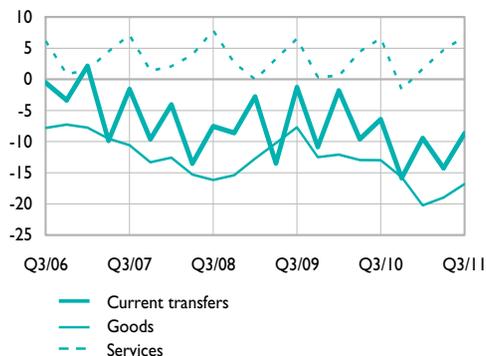
Table 5
Balance of payments – Main components (quarterly data) – France

(unadjusted data, EUR billions)

	2009	2010	2010		2011		
			Q3	Q4	Q1	Q2	Q3
Current account	-28.4	-33.7	-6.4	-15.8	-9.4	-14.3	-8.7
Goods	-43.1	-53.7	-13.0	-15.7	-20.2	-19.0	-16.8
Services	10.2	10.0	6.6	-1.6	1.7	4.7	6.8
Income	31.6	36.5	8.7	8.8	13.0	7.2	8.7
Current transfers	-27.1	-26.5	-8.8	-7.3	-3.8	-7.2	-7.4
Capital account	0.3	0.0	-0.3	0.2	0.0	0.1	0.0
Financial account	41.1	18.2	-0.9	11.3	-10.5	30.8	5.9
Direct investment	-49.6	-37.9	-7.2	-8.0	1.3	-31.5	-4.6
<i>French direct investment abroad</i>	<i>-74.1</i>	<i>-63.5</i>	<i>-19.5</i>	<i>-8.9</i>	<i>1.5</i>	<i>-42.0</i>	<i>-13.8</i>
<i>Foreign direct investment in France</i>	<i>24.5</i>	<i>25.6</i>	<i>12.3</i>	<i>0.9</i>	<i>-0.2</i>	<i>10.5</i>	<i>9.1</i>
Portfolio investment	251.1	119.9	-49.0	28.5	29.7	70.3	49.8
Assets	-77.4	23.2	-20.1	32.7	-22.6	7.9	77.7
Liabilities	328.5	96.7	-28.9	-4.2	52.3	62.3	-28.0
Financial derivatives	-16.9	34.3	10.4	5.1	3.6	-0.2	10.3
Other investment	-147.4	-92.3	48.5	-12.0	-41.9	-8.8	-55.1
Reserve assets	3.9	-5.8	-3.5	-2.2	-3.2	1.1	5.5
Net errors and omissions	-13.0	15.4	7.7	4.4	19.9	-16.7	2.8

Current account balance

(unadjusted data, EUR billions)



Financial account balance

(unadjusted data, EUR billions)

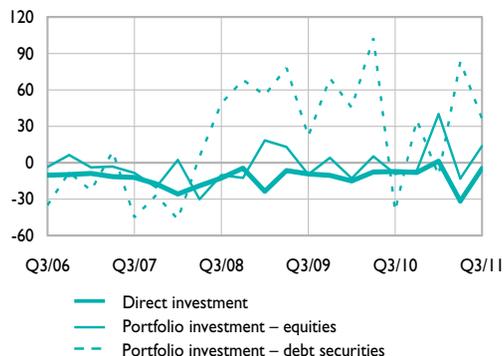


Table 6
Balance of payments – Current and capital accounts (quarterly data) – France

(unadjusted data, EUR billions)

	2009	2010	2010		2011		
			Q3	Q4	Q1	Q2	Q3
Current account	-28.4	-33.7	-6.4	-15.8	-9.4	-14.3	-8.7
Goods	-43.1	-53.7	-13.0	-15.7	-20.2	-19.0	-16.8
Exports	341.5	390.1	95.8	102.7	106.3	106.9	102.0
Imports	384.6	443.7	108.7	118.4	126.5	125.9	118.7
General merchandise	-43.6	-53.5	-13.0	-15.6	-19.7	-18.6	-17.0
Goods procured in ports by carriers	-1.4	-2.1	-0.5	-0.7	-0.6	-0.6	-0.6
Goods for processing and repairs on goods	1.9	1.9	0.5	0.5	0.1	0.2	0.8
Services	10.2	10.0	6.6	-1.6	1.7	4.7	6.8
Exports	103.7	109.9	33.1	24.7	25.8	30.4	32.6
Imports	93.5	99.8	26.5	26.3	24.1	25.7	25.7
Transportation	-0.7	0.1	0.3	0.0	-0.6	-0.6	-0.2
Travel	8.0	6.1	5.2	-1.9	0.1	2.5	5.2
Communications services	0.6	0.5	0.1	0.0	0.1	0.3	0.1
Construction services	2.6	2.5	0.6	0.7	0.6	0.8	0.7
Insurance services	-0.8	-1.3	-0.6	-0.4	-0.2	-0.1	-0.3
Financial services	0.6	0.4	0.1	0.0	0.3	0.2	0.2
Computer and information services	-0.4	-0.2	0.0	-0.1	-0.2	-0.1	-0.2
Royalties and license fees	3.2	3.7	0.9	1.0	1.4	1.1	1.0
Other business services	-1.8	-0.5	0.2	-0.5	0.2	0.7	0.7
Personal, cultural and recreational services	-1.3	-1.3	-0.3	-0.3	-0.3	-0.2	-0.3
Government services	0.1	0.2	0.1	0.0	0.1	0.1	0.1
Income	31.6	36.5	8.7	8.8	13.0	7.2	8.7
Compensation of employees	9.6	9.9	2.5	2.5	2.5	2.5	2.5
Investment income	22.0	26.6	6.2	6.3	10.5	4.7	6.2
Direct investment	25.7	34.1	6.4	8.1	8.8	11.9	6.1
Portfolio investment	0.1	-5.1	0.3	-1.1	2.0	-7.1	-0.1
Other investment	-3.7	-2.4	-0.5	-0.7	-0.4	-0.1	0.1
Current transfers	-27.1	-26.5	-8.8	-7.3	-3.8	-7.2	-7.4
General government	-18.1	-18.0	-6.4	-5.0	-1.9	-4.3	-5.5
Other sectors	-9.0	-8.5	-2.4	-2.3	-1.9	-2.9	-1.8
of which workers' remittances	-2.1	-2.1	-0.6	-0.5	-0.4	-0.3	-0.4
Capital account	0.3	0.0	-0.3	0.2	0.0	0.1	0.0

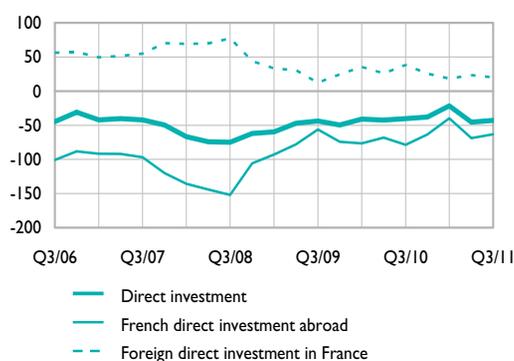
Table 7
Balance of payments – Financial flows (quarterly data) – France

(unadjusted data, EUR billions)

	2009	2010	2010		2011		
			Q3	Q4	Q1	Q2	Q3
Financial account	41.1	18.2	-0.9	11.3	-10.5	30.8	5.9
Direct investment	-49.6	-37.9	-7.2	-8.0	1.3	-31.5	-4.6
French direct investment abroad	-74.1	-63.5	-19.5	-8.9	1.5	-42.0	-13.8
of which equity capital and reinvested earnings	-47.7	-44.4	-12.9	-4.7	0.4	-33.0	-7.6
Foreign direct investment in France	24.5	25.6	12.3	0.9	-0.2	10.5	9.1
of which equity capital and reinvested earnings	16.4	23.8	5.5	5.5	3.6	5.0	-0.1
Portfolio investment	251.1	119.9	-49.0	28.5	29.7	70.3	49.8
Assets	-77.4	23.2	-20.1	32.7	-22.6	7.9	77.7
Equity securities	-27.2	-17.0	-0.1	-12.0	26.7	-15.0	24.3
Bonds and notes	-11.6	-0.2	-23.2	33.9	-41.1	-3.5	32.9
Short-term debt securities	-38.6	40.4	3.2	10.8	-8.1	26.5	20.4
Liabilities	328.5	96.7	-28.9	-4.2	52.3	62.3	-28.0
Equity securities	53.0	-6.3	-9.1	5.5	13.4	2.1	-10.5
Bonds and notes	199.2	99.5	-24.2	6.8	21.3	67.8	-5.0
Short-term debt securities	76.3	3.5	4.4	-16.5	17.6	-7.6	-12.5
Financial derivatives	-16.9	34.3	10.4	5.1	3.6	-0.2	10.3
Other investment	-147.4	-92.3	48.5	-12.0	-41.9	-8.8	-55.1
of which MFIs excl. Banque de France (net flows)	-75.8	-46.6	10.5	-8.7	-26.0	-10.4	-154.6
Reserve assets	3.9	-5.8	-3.5	-2.2	-3.2	1.1	5.5
Net errors and omissions	-13.0	15.4	7.7	4.4	19.9	-16.7	2.8

Direct investment account

(cumulated flows over 4 quarters)



Portfolio investment account

(cumulated flows over 4 quarters)

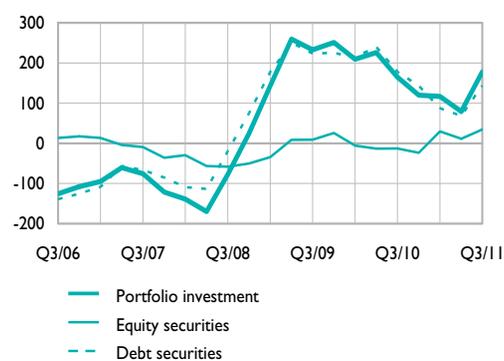


Table 8
Balance of payments – Geographical breakdown (quarterly data) – France

(unadjusted data, EUR billions)

	2nd quarter 2011					
	EMU (a)	EU-27 excl. EMU (b)	USA	Japan	Switzerland	China
Current account	0.3	-0.4	-4.9	-0.1	1.4	na
Receipts	91.4	24.3	10.7	3.8	7.6	4.8
Expenditure	91.1	24.8	15.6	3.9	6.2	na
Goods	-8.6	1.0	-1.6	-0.5	0.2	-5.5
Receipts	52.2	13.5	5.3	1.5	3.1	3.2
Expenditure	60.9	12.5	6.9	2.0	2.8	8.7
Services	1.0	0.6	0.3	0.3	0.5	0.3
Receipts	10.8	3.9	2.5	0.6	1.6	1.0
Expenditure	9.8	3.3	2.2	0.3	1.0	0.7
Income	9.8	0.9	-3.6	0.1	1.1	na
Receipts	27.8	6.0	2.7	1.7	2.7	0.5
Expenditure (c)	18.0	5.2	6.3	1.6	1.6	na
Current Transfers	-1.8	-2.9	-0.1	0.0	-0.5	0.0
Financial account						
Direct investment	-8.5	-6.3	-10.1	-2.1	1.2	-0.3
French direct investment abroad	-14.0	-7.2	-12.8	-2.2	-0.3	-0.3
Foreign direct investment in France	5.5	0.9	2.7	0.1	1.5	0.0
Portfolio investment – Assets (d)	6.7	2.2	0.9	-5.7	2.0	-1.9
Equity securities	-16.7	4.3	-1.3	-0.1	2.0	-2.0
Bonds and notes	6.4	-15.3	3.2	-1.8	-0.1	0.1
Short-term debt securities	17.0	13.2	-1.0	-3.7	0.2	0.0
Other investment	-15.9	1.5	10.1	3.4	8.7	3.0
of which MFIs excluding Banque de France (net flows)	-3.2	10.4	5.0	3.1	7.4	3.0

(a) 17 Member States (including Estonia as of 1 January 2011).

(b) Denmark, United Kingdom, Sweden, European Institutions and New Member States (Czech Republic, Hungary, Latvia, Lithuania, Poland, Bulgaria, Romania).

(c) Geographical breakdown of portfolio investment income based on data compiled by the IMF (Coordinated Portfolio Investment Survey); data not available for China.

(d) The geographical breakdown is not available for liabilities.

Table 9
Balance of payments (monthly data) – France

(unadjusted data, EUR billions)

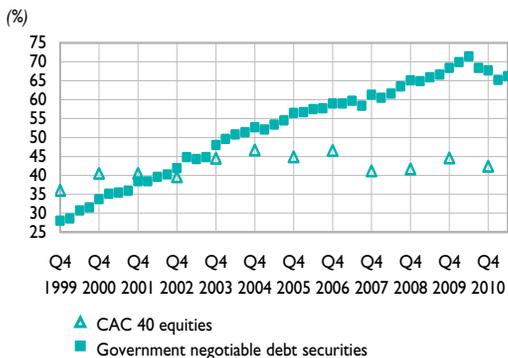
	2010	2011			12-month total	
		Sept.	July	Aug.	Sept.	Sept.
						2010
					Sept.	Sept.
Current account	-3.3	-1.4	-3.0	-4.3	-28.7	-48.2
Goods	-4.9	-5.0	-5.8	-6.0	-50.5	-71.7
Services	1.7	2.9	1.8	2.1	12.0	11.6
Income	3.1	3.3	3.0	2.3	37.7	37.6
Current transfers	-3.2	-2.6	-2.0	-2.8	-27.9	-25.7
Capital account	-0.4	0.0	0.1	0.0	-0.1	0.3
Financial account	-7.7	-9.4	25.3	-10.1	21.7	37.5
Direct investment	-3.4	-8.5	-0.8	4.7	-40.2	-42.8
<i>French direct investment abroad</i>	-7.0	-4.3	-4.6	-4.9	-78.6	-63.2
Equity capital	-1.9	-0.1	-1.3	0.2	-33.8	-16.9
Reinvested earnings	-2.0	-2.1	-2.1	-2.1	-20.2	-28.1
Other capital	-3.1	-2.1	-1.2	-2.9	-24.6	-18.3
Foreign direct investment in France	3.6	-4.2	3.8	9.5	38.3	20.3
Equity capital	0.3	-5.3	1.0	1.9	13.3	3.7
Reinvested earnings	1.1	0.8	0.8	0.8	9.9	10.2
Other capital	2.3	0.4	2.0	6.9	15.1	6.4
Portfolio investment	26.2	5.3	21.7	22.7	165.0	178.2
Assets	17.2	16.0	34.7	27.0	4.0	95.8
Equity securities	-3.5	2.4	15.9	6.0	-16.6	23.9
Bonds and notes	13.7	7.1	17.8	8.1	-40.6	22.2
Short-term debt securities	7.0	6.5	1.0	13.0	61.3	49.7
Liabilities	9.0	-10.7	-12.9	-4.3	161.0	82.4
Equity securities	-3.5	3.1	-12.1	-1.5	3.9	10.5
Bonds and notes	8.0	-4.9	-2.6	2.5	121.0	90.9
Short-term debt securities	4.5	-9.0	1.8	-5.3	36.2	-19.0
Financial derivatives	1.4	-1.7	6.7	5.3	26.1	18.8
Other investment	-31.9	-5.3	-4.9	-44.9	-124.9	-117.8
<i>of which MFIs excl. Banque de France (net flows)</i>	-35.3	-7.7	-29.6	-117.2	-68.5	-199.6
Reserve assets	-0.1	0.8	2.6	2.1	-4.3	1.2
Net errors and omissions	11.3	10.8	-22.4	14.4	7.0	10.4

Table 10
France's international investment position (direct investment measured at book value)

(EUR billions)

	2006	2007	2008	2009	2010	2011
	Dec.	Dec.	Dec.	Dec.	Dec.	Q2
Assets	4,041.2	4,533.5	4,414.1	4,673.2	5,061.7	5,106.9
French direct investment abroad	793.1	874.2	975.3	1,041.9	1,144.8	1,158.6
Equity capital and reinvested earnings	548.8	598.2	658.6	700.0	775.8	788.4
Other capital	244.3	276.0	316.7	341.9	369.0	370.2
Portfolio investment	1,851.0	2,014.1	1,857.4	2,056.3	2,099.7	2,093.9
(foreign securities held by residents)						
MFIs (resident security-holding sector)	755.0	743.2	730.7	731.3	655.6	659.1
Non-MFIs (resident security-holding sector)	1,095.9	1,270.9	1,126.7	1,325.0	1,444.1	1,434.8
Financial derivatives	159.2	241.0	234.0	273.5	324.5	295.5
Other investment	1,163.3	1,325.7	1,273.5	1,209.1	1,368.2	1,435.5
MFIs	945.6	1,094.7	1,058.6	990.3	1,123.2	1,155.0
Non-MFIs	217.7	231.0	214.9	218.8	245.0	280.5
Reserve assets	74.6	78.6	74.0	92.4	124.5	123.4
Liabilities	-4,188.3	-4,708.2	-4,633.3	-4,884.9	-5,216.8	-5,321.5
Foreign direct investment in France	-578.7	-649.1	-684.5	-690.7	-722.2	-728.7
Equity capital and reinvested earnings	-348.7	-386.2	-395.3	-394.2	-418.0	-426.7
Other capital	-230.0	-262.9	-289.2	-296.5	-304.2	-302.0
Portfolio investment	-1,963.0	-1,987.9	-1,872.5	-2,315.3	-2,450.1	-2,572.6
(French securities held by non-residents)						
MFIs (resident security-issuing sector)	-484.4	-505.4	-493.3	-554.5	-583.2	-616.3
Non-MFIs (resident security-issuing sector)	-1,478.6	-1,482.5	-1,379.2	-1,760.8	-1,866.9	-1,956.3
Financial derivatives	-188.9	-312.6	-289.3	-311.8	-397.2	-375.9
Other investment	-1,457.7	-1,758.7	-1,787.0	-1,567.0	-1,647.3	-1,644.4
MFIs	-1,245.0	-1,465.6	-1,345.2	-1,197.3	-1,298.6	-1,281.3
Non-MFIs	-212.7	-293.1	-441.7	-369.8	-348.6	-363.1
Net position	-147.1	-174.7	-219.2	-211.7	-155.1	-214.6

Non-resident holdings of CAC 40 equities and government negotiable debt securities



France's international investment position

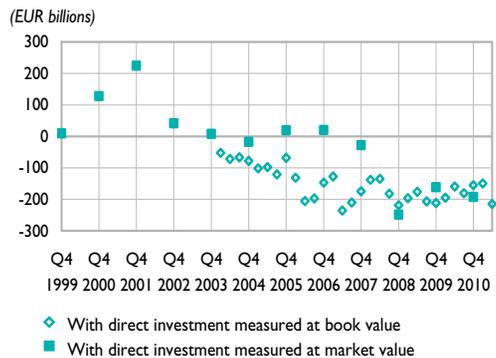


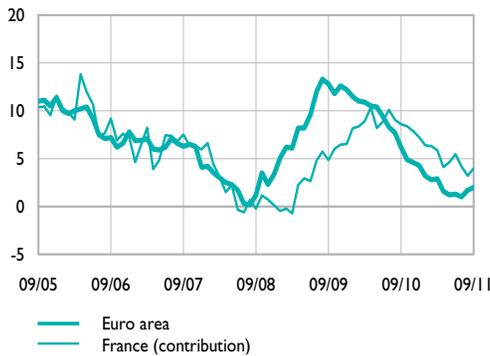
Table I
Main monetary and financial aggregates – France and the euro area

(annual percentage growth rate)

	2008	2009	2010	2010	2011							
	Dec.	Dec.	Dec.	Sept.	March	April	May	June	July	Aug.	Sept.	
M1												
Euro area (a)	3.4	12.2	4.3	6.2	2.9	1.6	1.2	1.3	1.0	1.7	2.0	
France (contribution)	0.1	6.5	7.2	8.6	5.9	4.1	4.6	5.5	4.2	3.2	3.9	
M2												
Euro area (a)	8.4	1.5	2.2	2.0	2.6	2.4	2.4	2.3	2.2	2.4	2.5	
France (contribution)	8.1	0.0	7.4	6.4	7.4	6.4	6.7	6.4	5.9	5.6	5.6	
M3												
Euro area (a)	7.6	-0.4	1.7	1.1	2.2	1.9	2.3	1.9	2.1	2.7	3.1	
France (contribution)	5.3	-4.2	6.6	4.9	7.3	6.4	6.9	5.2	4.9	5.3	4.4	
Loans to the private sector												
Euro area (a)	5.8	-0.1	1.9	1.3	2.5	2.6	2.7	2.5	2.4	2.5	2.5	
France (b)	7.0	-0.6	5.0	3.8	4.6	5.8	5.7	6.1	6.4	6.1	5.5	

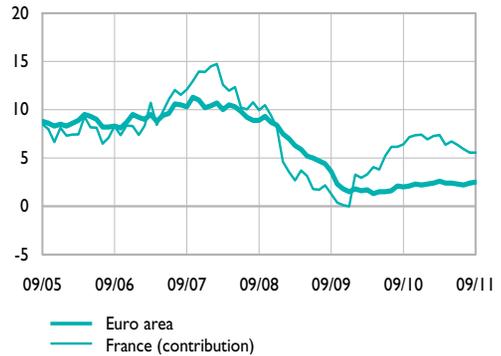
M1

(annual percentage growth rate)



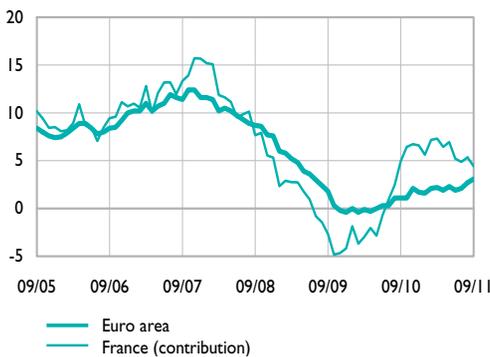
M2

(annual percentage growth rate)



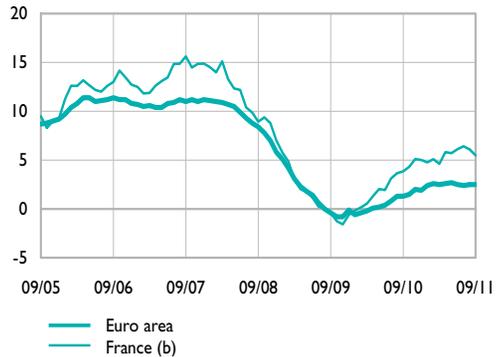
M3

(annual percentage growth rate)



Loans to the private sector

(annual percentage growth rate)



(a) Seasonal and calendar effect adjusted data.

(b) Loans extended by MFIs resident in France to euro area residents excluding MFIs and central government.

Sources: Banque de France, European Central Bank.

Produced 22 November 2011

Table 12
Balance sheet of the Banque de France

(outstanding amounts at the end of the period, EUR billions)

	2008	2009	2010	2010	2011			
	Dec.	Dec.	Dec.	Sept.	June	July	Aug.	Sept.
Assets								
National territory	244.9	179.5	103.7	90.4	96.3	117.7	128.3	208.3
Loans	215.4	143.6	56.3	48.9	40.1	62.5	69.9	147.2
MFIs	215.3	143.5	56.1	48.8	39.9	62.3	69.8	147.0
Central government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.2
Securities other than shares	29.5	35.9	47.4	41.5	56.2	55.1	58.4	61.1
MFIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government	29.5	35.9	47.4	41.5	56.2	55.1	58.4	61.1
Private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other euro area countries	60.6	77.1	86.7	84.0	86.0	97.1	98.1	103.4
Rest of the world	110.7	96.3	99.1	97.9	111.5	112.2	121.0	118.4
Gold	49.8	60.0	82.6	75.0	81.7	89.2	99.1	94.5
Not broken down by geographical area (a)	91.1	97.2	113.2	98.5	108.9	98.2	102.5	107.3
Total	557.1	510.1	485.3	445.8	484.3	514.4	548.9	631.8
Liabilities								
National territory – Deposits	112.8	88.6	51.6	42.6	57.5	69.7	65.2	80.8
MFIs	99.3	68.0	49.6	41.6	56.7	68.6	64.1	79.6
Central government	13.0	19.0	1.5	0.6	0.4	0.5	0.5	0.8
Other sectors (overnight deposits)	0.5	1.6	0.4	0.4	0.5	0.5	0.5	0.5
Other euro area countries – Deposits	117.7	62.0	28.3	31.4	18.3	7.4	33.5	97.7
MFIs	117.7	62.0	28.3	31.4	18.3	7.4	33.5	97.7
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of the world – Deposits	99.4	112.7	122.9	103.6	133.0	145.7	142.5	150.9
Not broken down by geographical area	227.2	246.8	282.5	268.2	275.4	291.7	307.8	302.4
Currency in circulation (b)	147.3	153.7	160.1	155.1	161.1	162.8	161.7	163.1
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital and reserves	58.6	70.6	97.6	89.4	95.9	103.8	114.1	110.0
Other	21.3	22.5	24.8	23.7	18.4	25.1	32.0	29.3
Total	557.1	510.1	485.3	445.8	484.3	514.4	548.9	631.8

(a) Including adjustments for the new accounting method for banknotes on the liability side of the Banque de France balance sheet since January 2002.

Moreover, part of this item has been reclassified under the item "Loans".

(b) Since January 2002, banknotes in circulation have been treated according to specific euro area accounting conventions. 8% of the total value of euro banknotes in circulation is allocated to the European Central Bank. The remaining 92% is broken down between the NCBs in proportion to their share in the paid-up capital of the ECB.

Table 13
Balance sheet of monetary financial institutions (MFIs) excluding the Banque de France

(outstanding amounts at the end of the period in EUR billions)

	2008	2009	2010	2010	2011			
	Dec.	Dec.	Dec.	Sept.	June	July	Aug.	Sept.
Assets								
National territory	4,517.7	4,527.2	4,568.2	4,640.7	4,641.2	4,711.2	4,759.6	4,822.2
Loans	3,493.6	3,509.9	3,562.1	3,616.4	3,708.8	3,785.0	3,807.1	3,839.5
MFIs	1,480.2	1,486.5	1,413.9	1,512.5	1,496.1	1,558.3	1,585.7	1,610.2
General government	173.8	196.1	217.8	202.9	187.2	188.1	189.8	190.2
Private sector	1,839.6	1,827.4	1,930.4	1,901.0	2,025.5	2,038.6	2,031.6	2,039.0
Securities other than shares	636.2	622.6	613.6	630.7	565.1	559.0	588.2	623.2
MFIs ≤ 2 years	242.6	229.8	208.5	213.7	170.9	169.5	198.4	218.9
MFIs > 2 years	121.8	113.4	134.8	129.3	126.3	127.9	123.3	124.1
General government	149.7	159.7	152.1	160.8	145.9	138.2	143.8	146.4
Private sector	122.1	119.8	118.3	126.9	122.0	123.4	122.6	133.8
Money market fund shares/units	90.3	79.1	52.6	57.3	53.2	52.8	53.9	50.2
Shares and other equity	297.7	315.5	339.9	336.3	314.0	314.4	310.5	309.3
Other euro area countries	1,006.4	1,034.4	1,020.2	1,048.6	914.9	919.2	896.8	879.8
Rest of the world	926.0	848.2	962.9	958.8	955.1	972.4	974.2	1,002.8
Not broken down by geographical area	1,260.4	1,247.1	1,278.7	1,503.0	1,288.6	1,377.4	1,558.4	1,725.8
Total	7,710.6	7,656.7	7,830.1	8,151.0	7,799.9	7,980.2	8,189.1	8,430.5
Liabilities								
National territory – Deposits	3,043.5	3,099.0	3,035.3	3,128.1	3,217.0	3,274.3	3,309.8	3,456.7
MFIs	1,605.1	1,571.3	1,423.1	1,543.6	1,488.6	1,565.8	1,608.2	1,712.6
Central government	23.4	28.3	28.7	42.7	70.4	44.5	28.8	41.5
Other sectors	1,415.0	1,499.4	1,583.5	1,541.8	1,658.1	1,664.0	1,672.8	1,702.6
Overnight deposits	434.4	463.1	502.1	474.9	507.9	513.6	495.8	504.4
Deposits with agreed maturity ≤ 2 years	185.3	131.3	133.4	131.2	135.0	137.4	148.6	155.3
Deposits with agreed maturity > 2 years	260.9	362.4	377.0	370.7	431.7	430.3	432.9	450.8
Deposits redeemable at notice ≤ 3 months	486.0	501.1	518.8	510.0	537.8	542.8	548.2	547.7
Repos	48.5	41.5	52.3	55.0	45.7	40.0	47.3	44.4
Other euro area countries – Deposits	377.6	338.3	380.3	379.5	375.7	385.4	399.9	413.0
MFIs	277.6	229.3	220.6	226.1	229.7	233.2	240.0	259.7
Other sectors	100.1	109.0	159.7	153.4	146.0	152.3	159.9	153.2
Rest of the world – Deposits	985.3	880.9	968.9	958.7	912.1	931.9	898.0	814.4
Not broken down by geographical area	3,304.1	3,338.6	3,445.6	3,684.7	3,295.0	3,388.5	3,581.3	3,746.5
Debt securities issued ≤ 2 years	458.6	381.4	409.8	407.7	395.0	381.3	401.1	409.0
Debt securities issued > 2 years	689.3	715.2	754.9	752.3	810.7	817.8	809.2	817.2
Money market fund shares/units	483.3	479.2	394.3	419.7	371.3	368.1	379.9	364.3
Capital and reserves	416.1	454.7	476.7	471.9	491.9	493.5	492.1	490.2
Other	1,256.8	1,308.1	1,409.9	1,633.2	1,226.2	1,327.8	1,499.1	1,665.8
Total	7,710.6	7,656.7	7,830.1	8,151.0	7,799.9	7,980.2	8,189.1	8,430.5

NB: Since July 2003, financial transactions carried out by La Poste have been accounted for in the balance sheet of monetary financial institutions. This has resulted in an increase in the item "Shares and other equity" in Assets, and in "Overnight deposits" and "Capital and reserves" in Liabilities.

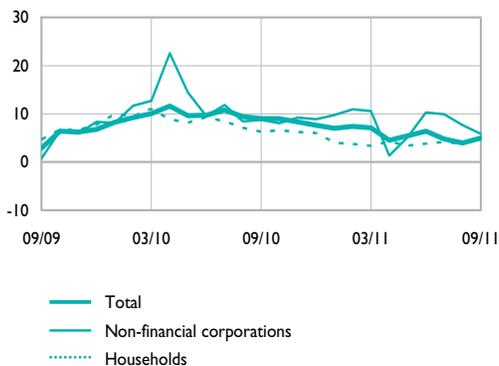
Table I4
Deposits – France

(outstanding amounts at the end of the period in EUR billions – % growth)

	2008	2009	2010	2010	2011			
	Dec.	Dec.	Dec.	Sept.	June	July	Aug.	Sept.
Overnight deposits								
Total non-financial sectors (excluding central government)	447.8	481.1	516.3	481.2	513.8	521.9	505.9	511.6
Households and similar	243.7	262.4	278.4	269.7	283.2	291.7	284.3	285.2
Non-financial corporations	154.5	167.0	182.5	161.5	181.2	180.3	172.9	175.9
General government (excl. central government)	49.6	51.7	55.4	50.0	49.4	49.9	48.6	50.5
Other sectors	33.6	32.6	38.7	40.3	36.2	35.8	33.8	36.4
Total – Outstanding amounts	481.4	513.7	555.1	521.5	550.0	557.7	539.7	548.0
Total – Growth rate	-3.8	6.8	7.6	9.0	6.4	4.8	3.9	5.0
Passbook savings accounts								
"A" and "Blue" passbooks	164.4	183.4	193.5	190.0	203.7	205.7	208.5	209.6
Housing savings accounts	36.7	36.6	36.1	35.9	36.1	36.2	36.4	36.1
Sustainable development passbook accounts	70.2	69.1	68.0	67.9	68.5	68.8	69.0	68.6
People's savings passbooks	62.0	58.3	54.4	55.7	52.8	52.8	53.0	53.0
Youth passbooks	7.4	7.2	7.0	7.1	6.9	6.9	6.9	7.0
Taxable passbooks	145.4	146.5	159.8	153.5	169.9	172.5	174.4	173.4
Total – Outstanding amounts	486.0	501.1	518.8	510.0	537.8	542.8	548.2	547.7
Total – Growth rate	11.1	3.1	3.5	2.0	6.6	7.1	7.0	6.9

Overnight deposits

(annual growth rate)



Passbook savings accounts

(annual growth rate)

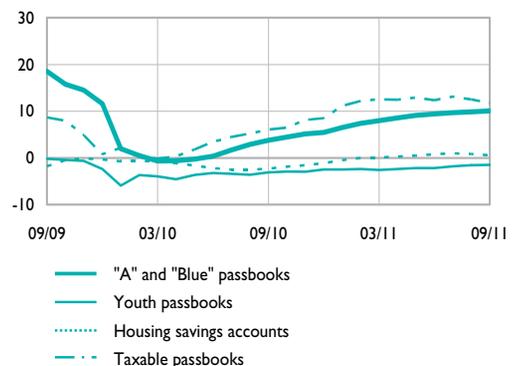


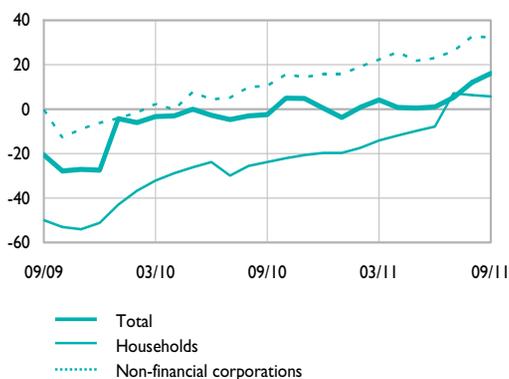
Table 15
Time deposits – France

(outstanding amounts at the end of the period in EUR billions – % growth)

	2008	2009	2010	2010	2011			
	Dec.	Dec.	Dec.	Sept.	June	July	Aug.	Sept.
Deposits with agreed maturity up to two years								
Total non-financial sectors (excl. central government)	121.9	86.1	89.1	84.1	99.2	103.1	109.0	109.1
Households and similar	62.4	30.4	24.5	25.4	29.7	30.6	31.2	30.3
Non-financial corporations	58.8	55.1	63.9	57.9	68.6	71.6	76.8	77.8
General government (excl. central government)	0.8	0.6	0.7	0.8	0.9	1.0	1.0	1.0
Other sectors	63.4	45.1	44.2	47.1	35.8	34.3	39.5	46.2
Total – Outstanding amounts	185.3	131.3	133.4	131.2	135.0	137.4	148.6	155.3
Total – Growth rate	45.0	-27.4	0.5	-2.5	1.0	5.2	12.0	16.1
Deposits with agreed maturity of over two years								
Total non-financial sectors (excl. central government)	236.5	264.3	282.6	274.5	294.3	295.1	296.1	298.1
Households and similar	223.2	241.4	248.0	242.8	251.8	251.9	252.2	253.0
PEL	168.7	173.8	182.3	177.1	182.8	182.7	183.0	182.9
PEP	29.3	29.0	26.6	26.7	25.0	24.8	24.7	24.5
Other	25.1	38.6	39.1	39.0	44.0	44.4	44.5	45.6
Non-financial corporations	13.3	22.5	34.0	31.1	41.8	42.3	43.1	44.3
General government (excl. central government)	0.1	0.4	0.6	0.6	0.8	0.8	0.8	0.9
Other sectors	24.4	98.1	94.4	96.3	137.3	135.3	136.8	152.7
Total – Outstanding amounts	260.9	362.4	377.0	370.7	431.7	430.3	432.9	450.8
Total – Growth rate	-5.9	38.1	3.5	6.1	8.6	7.6	8.1	12.7

Deposits up to 2 years

(annual percentage growth rate)



Deposits over 2 years

(annual percentage growth rate)

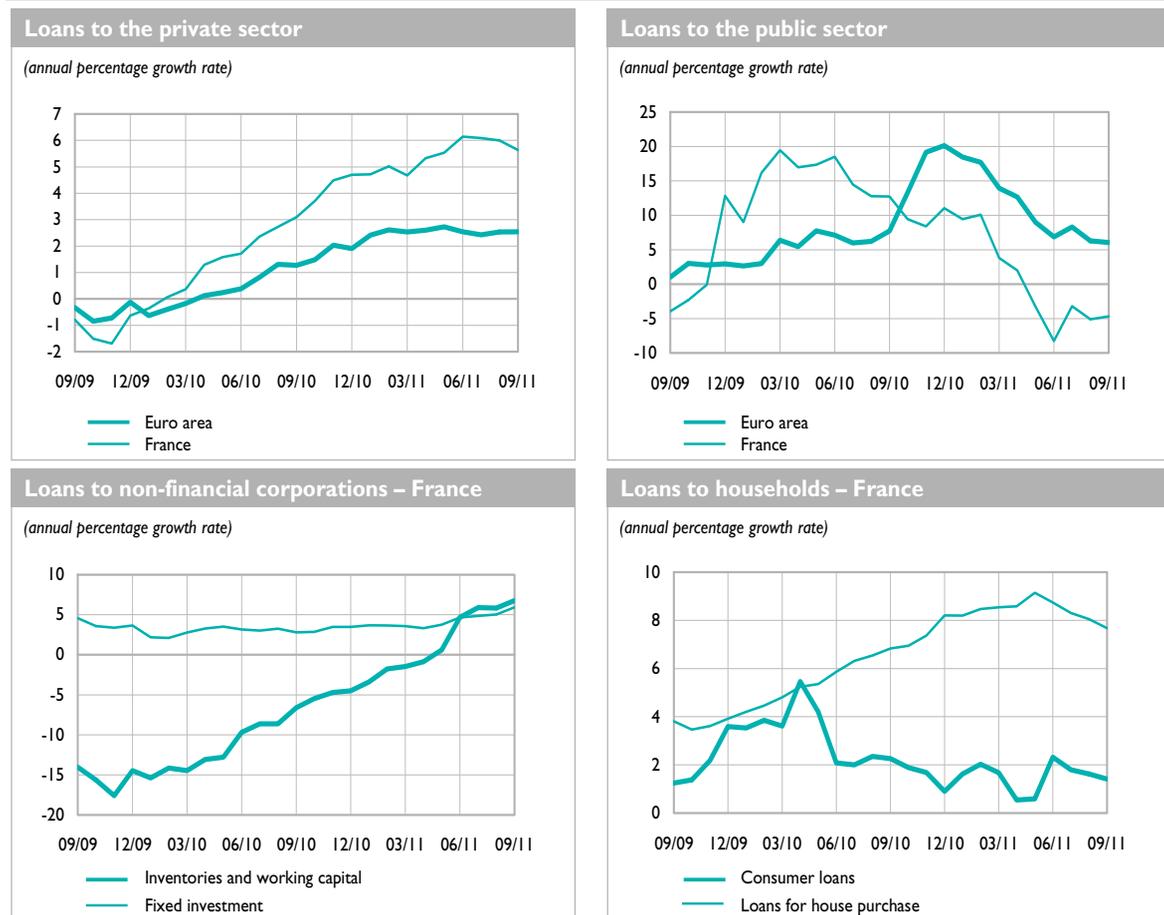


Table 16
Loans extended by credit institutions established in France to French residents – France

(outstanding amounts at the end of the period in EUR billions – % growth)

	2008	2009	2010	2010	2011				
	Dec.	Dec.	Dec.	Sept.	May	June	July	Aug.	Sept.
Loans from monetary financial institutions									
Private sector	1,839.8	1,827.5	1,930.6	1,901.2	2,015.8	2,025.7	2,038.7	2,031.8	2,039.2
General government	173.8	196.1	217.8	202.9	188.4	187.2	188.1	189.8	190.2
Total – Outstanding amounts	2,013.5	2,023.6	2,148.4	2,104.0	2,204.2	2,212.9	2,226.9	2,221.6	2,229.4
Private sector	6.2	-0.6	4.7	3.1	5.5	6.1	6.1	6.0	5.6
General government	3.1	12.8	11.0	12.7	-3.3	-8.2	-3.2	-5.1	-4.7
Total – Growth rate	5.9	0.5	5.3	4.0	4.7	4.7	5.2	5.0	4.7
Loans from credit institutions to non-financial corporations									
Fixed investment	312.6	323.9	335.7	329.8	338.1	339.6	342.6	342.0	343.3
Inventories and working capital	216.2	184.5	177.9	174.8	187.7	193.7	196.7	190.8	192.9
Other lending	252.9	260.9	267.2	267.3	273.1	274.9	274.8	273.9	275.7
Total – Outstanding amounts	781.6	769.3	780.8	771.9	798.9	808.2	814.1	806.7	811.9
Total – Growth rate	9.5	-1.2	1.2	1.0	2.5	4.2	4.5	4.5	5.1
Loans from credit institutions to households									
Loans for house purchase	710.0	737.6	796.6	773.3	819.0	825.0	829.7	831.8	834.8
Consumer loans	145.5	152.9	154.7	152.0	149.7	152.2	151.2	150.1	149.7
Other lending	84.7	84.2	87.1	87.3	90.6	90.7	90.5	90.6	90.3
Total – Outstanding amounts	940.1	974.7	1,038.4	1,012.6	1,059.4	1,067.9	1,071.4	1,072.4	1,074.8
Total – Growth rate	7.3	4.0	6.6	5.8	7.3	7.4	7.1	6.7	6.4

Table 17
Loans from credit institutions broken down by counterpart and by financing purpose – France (a) and euro area



(a) Loans extended by credit institutions established in France to French residents.

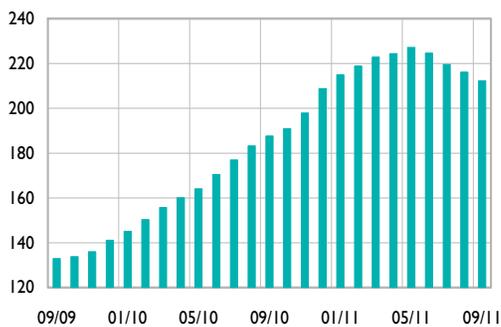
Table 18
New loans to residents – France

(excl. overdrafts, cumulative amounts over 12 months in EUR billions)

	2010			2011		
	July	Aug.	Sept.	July	Aug.	Sept.
Total – new loans	410.8	418.4	422.0	460.2	458.3	457.5
Loans to households	177.0	183.2	187.6	219.6	216.2	212.3
Consumer loans (excl. overdrafts)	52.9	52.9	52.4	49.2	49.2	49.4
Loans for house purchase with an IRFP ≤ 1 year (a)	15.4	16.3	17.0	17.1	16.5	15.9
Loans for house purchase with an IRFP > 1 year (a)	108.7	114.0	118.3	153.3	150.4	147.0
Loans to non-financial corporations	233.9	235.3	234.4	240.6	242.2	245.2
Loans with an IRFP ≤ 1 year (excl. overdrafts) (a)	152.7	154.3	154.3	163.3	164.7	167.9
Loans with an IRFP > 1 year (a)	81.1	81.0	80.0	77.3	77.5	77.4

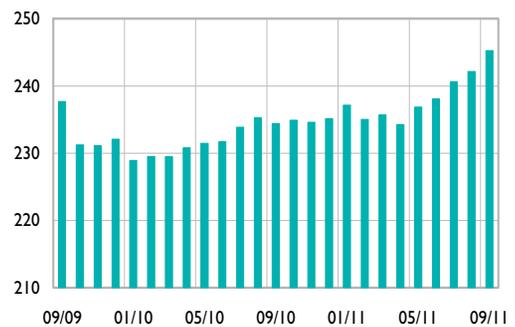
Loans to households

(EUR billions)



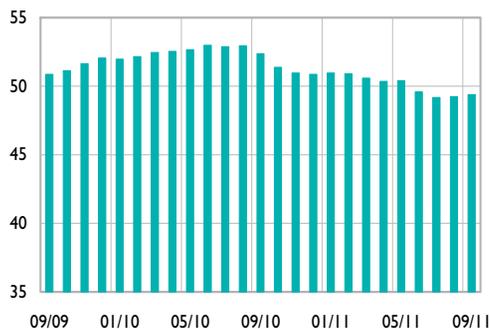
Loans to non-financial corporations

(EUR billions)



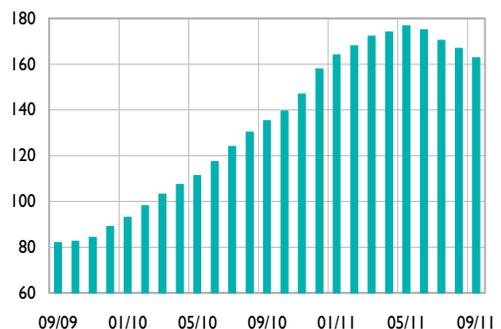
Consumer loans to households (excl. overdrafts)

(EUR billions)



Loans for house purchase

(EUR billions)



Data revised over the entire period.

(a) IRFP: initial rate fixation period i.e. the period for which the rate of a loan is fixed.

IRFP ≤ 1 year: loans for which the rate is adjusted at least once a year + fixed-rate loans with an initial maturity of up to 1 year.

IRFP > 1 year: loans for which the rate is adjusted less than once a year + fixed-rate loans with an initial maturity of over 1 year.

Table 19
Investment and financing – Insurance corporations and pension funds – Euro area and France

(EUR billions)

Euro area	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010			2011		2011
	Q2	Q3	Q4	Q1	Q2	June
Financial assets						
Currency and deposits	-5.9	-5.6	-17.5	-1.6	-3.6	810.5
<i>of which deposits included in M3 (a)</i>	2.3	5.8	-9.7	-9.2	-14.1	184.6
Short-term debt securities	-17.7	-4.5	3.1	3.6	0.6	43.2
Long-term debt securities	143.0	164.4	150.9	128.1	122.0	2,667.0
Loans	6.2	12.2	27.5	24.7	26.3	471.5
Shares and other equity	133.7	80.2	43.1	27.9	20.6	2,442.8
<i>of which quoted shares</i>	-67.7	13.8	16.8	14.6	9.1	556.8
Remaining net assets	42.8	59.8	52.6	20.4	5.3	247.0
Financing						
Debt securities	4.5	1.6	0.3	0.1	2.3	32.8
Loans	-9.8	7.4	5.9	11.2	8.0	273.3
Shares and other equity	5.0	4.8	5.1	4.5	0.6	421.3
Insurance technical reserves	282.1	278.2	258.8	208.0	184.0	6,031.8
<i>Life insurance</i>	272.9	270.0	247.8	200.7	184.1	5,195.9
<i>Non-life insurance</i>	9.3	8.2	11.0	7.3	0.0	835.8
Net lending/net borrowing (B9B)	20.2	14.8	-10.4	-20.7	-23.7	

(EUR billions)

France	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010			2011		2011
	Q2	Q3	Q4	Q1	Q2	June
Financial assets						
Currency and deposits	1.1	2.1	2.2	3.7	2.0	22.5
Short-term debt securities	-9.4	-0.8	6.2	4.0	2.0	22.2
Long-term debt securities	74.5	91.2	97.5	89.2	73.3	1,140.3
Loans	-0.4	-3.9	-2.4	-2.2	-2.0	35.1
Shares and other equity	25.3	7.0	-18.7	-21.2	-28.7	610.9
<i>of which quoted shares</i>	6.0	5.2	-5.9	-2.1	-2.7	81.3
Remaining net assets	-1.0	2.0	0.1	0.1	7.0	8.8
Financing						
Debt securities	1.0	1.4	0.6	1.1	2.4	8.2
Loans	-6.2	3.5	12.0	11.6	11.7	93.9
Shares and other equity	2.7	1.3	0.3	0.0	0.4	102.5
Insurance technical reserves	95.9	94.1	89.0	75.7	68.5	1,669.3
<i>Life insurance and pension funds</i>	84.6	83.0	77.8	68.7	61.8	1,398.4
<i>Non-life insurance</i>	11.3	11.1	11.2	7.0	6.7	270.9
Net lending/net borrowing (B9B)	6.0	6.9	-7.2	-8.8	-22.3	

(a) Deposits with agreed maturity up to 2 years and redeemable at notice up to 3 months of insurance corporations held with MFIs and central government.

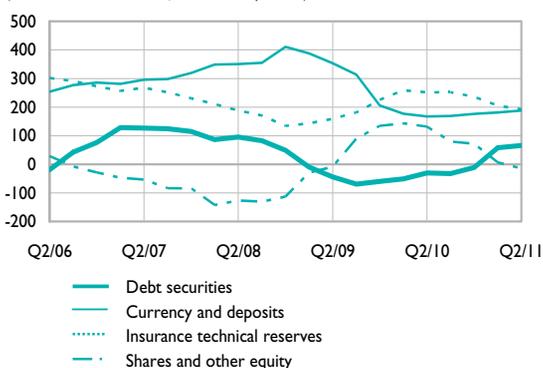
Table 20
Investment and financing – Households – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010			2011		2011
	Q2	Q3	Q4	Q1	Q2	June
Financial assets						
Currency and deposits	167.1	169.1	176.0	181.4	188.3	6,707.9
<i>of which deposits included in M3 (a)</i>	29.2	55.6	85.5	111.1	106.8	5,063.3
Short-term debt securities	-46.3	-19.3	-8.7	12.4	10.2	51.0
Long-term debt securities	16.0	-13.2	-2.2	45.5	55.5	1,379.3
Shares and other equity	132.1	80.3	71.6	6.5	-13.9	4,411.2
Quoted shares	40.3	29.2	17.8	13.3	4.5	817.0
Unquoted shares and other equity	98.3	74.2	81.6	43.8	27.9	2,240.2
Mutual fund shares	-6.5	-23.1	-27.8	-50.6	-46.3	1,354.0
<i>of which money market fund shares</i>	-73.0	-83.8	-50.7	-37.4	-31.8	196.4
Insurance technical reserves	252.2	252.2	236.0	205.5	192.9	5,820.3
Remaining net assets	-17.9	9.3	-5.6	9.2	33.4	3.9
Financing						
Loans	135.1	135.4	146.9	148.0	139.5	6,140.6
<i>of which from euro area MFIs</i>	135.7	134.8	147.5	169.7	164.2	5,300.5
Revaluation of financial assets						
Shares and other equity	96.9	-2.5	81.7	36.2	159.0	
Insurance technical reserves	181.7	140.5	84.3	28.6	44.0	
Other flows	-0.1	-14.1	-61.3	-83.3	-31.3	
Change in net financial worth	646.7	466.9	424.9	294.2	498.6	

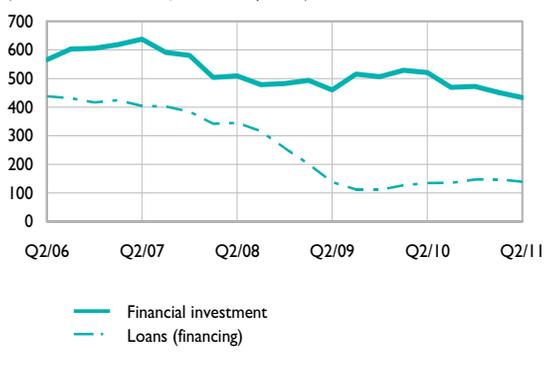
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)



(a) Deposits with agreed maturity up to 2 years and redeemable at notice up to 3 months of households held with MFIs and central government.

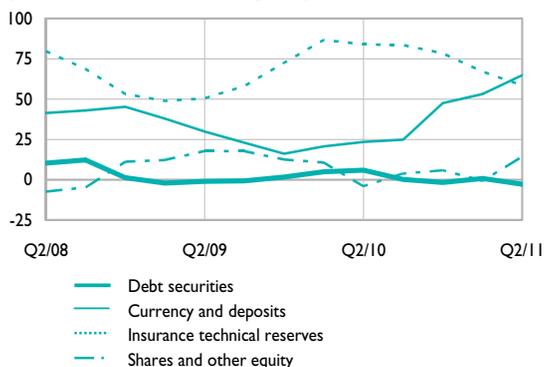
Table 21
Investment and financing – Households – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010			2011		2011
	Q2	Q3	Q4	Q1	Q2	June
Financial assets						
Currency and deposits	23.4	24.9	47.6	53.2	64.9	1,189.7
Short-term debt securities	0.5	0.1	-1.2	-0.7	-3.2	1.5
Long-term debt securities	5.5	0.1	-0.5	1.5	0.4	62.0
Shares and other equity	-4.0	3.8	5.9	-0.7	14.3	1,056.7
Quoted shares	8.1	8.6	5.9	3.4	1.5	197.2
Unquoted shares and other equity	13.0	15.5	15.3	13.6	17.0	556.2
Mutual fund shares	-25.1	-20.4	-15.3	-17.7	-4.3	303.3
of which money market fund shares	-20.7	-18.7	-12.5	-12.4	-10.8	41.3
Insurance technical reserves	84.0	83.6	78.5	67.0	58.5	1,506.7
Remaining net assets	16.2	35.8	23.5	21.1	30.0	83.3
Financing						
Loans	48.9	53.1	61.5	63.3	73.5	1,100.6
Revaluation of financial assets						
Shares and other equity	89.4	40.8	48.5	40.8	87.0	
Insurance technical reserves	11.8	1.3	-2.9	-2.8	12.2	
Other flows	12.0	14.5	5.1	5.6	6.6	
Change in net financial worth	190.0	151.7	142.9	121.7	197.3	

Investment flows

(EUR billions, cumulated flows over 4 quarters)


Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)

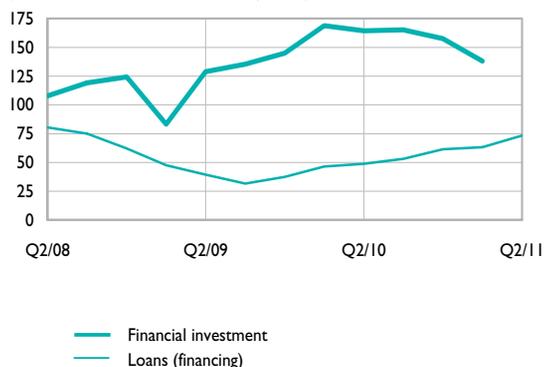


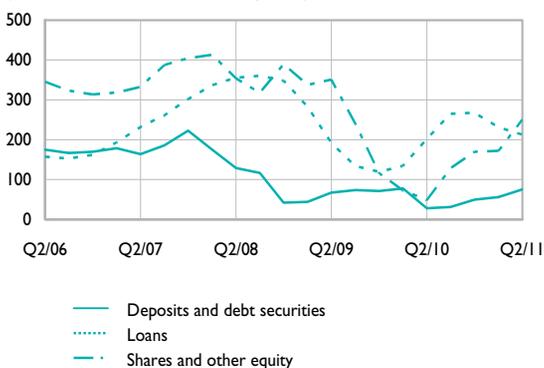
Table 22
Investment and financing – Non-financial corporations – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010			2011		2011
	Q2	Q3	Q4	Q1	Q2	June
Financial assets						
Currency and deposits	47.9	44.2	69.5	72.9	71.1	1,884.7
<i>of which deposits included in M3 (a)</i>	49.6	46.1	68.0	63.1	65.9	1,565.0
Debt securities	-20.0	-13.0	-20.0	-16.9	4.2	307.3
Loans	201.6	265.2	267.5	231.3	212.4	3,124.0
Shares and other equity	48.5	128.5	169.6	172.2	250.6	7,905.5
Insurance technical reserves	2.0	1.8	1.7	1.3	1.3	179.1
Remaining net assets	72.7	29.5	-51.7	-21.6	-47.0	-132.4
Financing						
Debt	103.9	232.4	224.9	261.7	305.2	9,786.7
Loans	13.2	157.8	153.6	214.7	258.1	8,569.0
<i>of which from euro area MFIs</i>	-81.4	-25.8	-2.5	41.8	69.7	4,740.6
Debt securities	88.7	73.3	67.5	43.7	43.7	881.8
Pension fund reserves	2.0	1.3	3.7	3.3	3.5	335.9
Shares and other equity	238.3	226.1	225.6	238.1	259.3	13,355.9
Quoted shares	47.2	36.7	29.9	29.8	28.4	3,914.0
Unquoted shares and other equity	191.0	189.4	195.8	208.3	230.9	9,441.9
Net lending/net borrowing (B9B)	10.5	-2.3	-13.9	-60.5	-71.9	

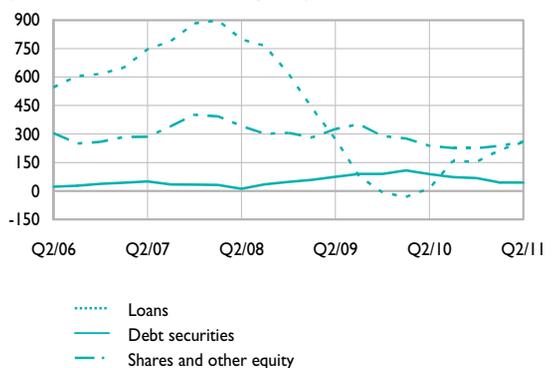
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)



(a) Deposits with agreed maturity up to 2 years and redeemable at notice up to 3 months of non-financial corporations held with MFIs and central government.

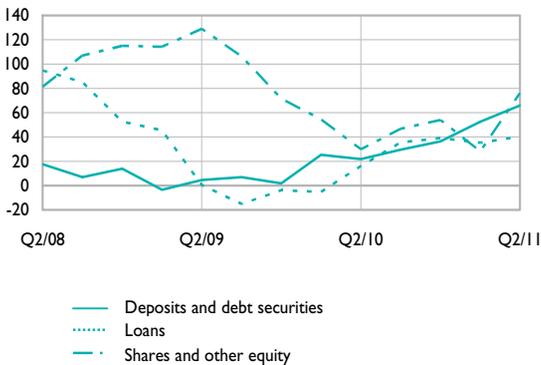
Table 23
Investment and financing – Non-financial corporations – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010			2011		2011
	Q2	Q3	Q4	Q1	Q2	June
Financial assets						
Currency and deposits	23.5	26.3	34.8	53.2	62.3	376.3
Debt securities	-1.8	3.2	1.5	-0.7	3.6	69.4
Loans	16.2	35.6	39.1	35.4	40.3	805.2
Shares and other equity	29.9	46.7	54.0	28.1	76.1	2,861.6
Insurance technical reserves	0.1	0.3	0.4	-0.1	-0.1	53.1
Remaining net assets	3.5	1.3	1.1	4.0	-15.7	17.5
Financing						
Debt	22.0	48.8	47.1	46.2	72.1	2,060.3
Loans	-14.2	19.0	21.4	25.9	51.7	1,653.9
Debt securities	36.1	29.8	25.7	20.3	20.4	406.4
Shares and other equity	103.0	103.5	108.3	97.8	111.1	4,379.6
Quoted shares	11.3	10.9	7.5	6.6	9.0	1,200.2
Unquoted shares and other equity	91.8	92.6	100.7	91.2	102.1	3,179.4
Net lending/net borrowing (B9B)	-53.6	-38.9	-24.4	-24.2	-16.7	

Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)

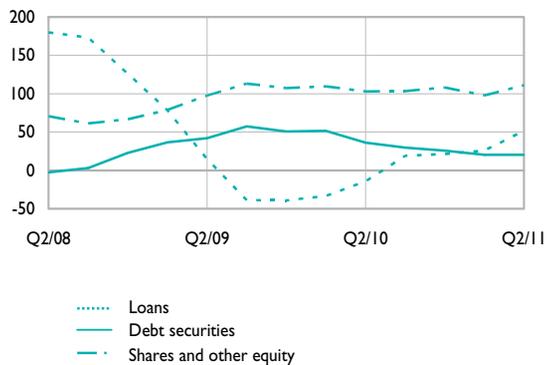


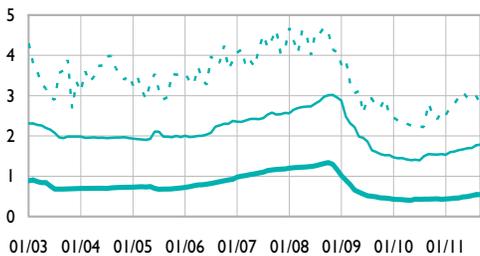
Table 24
Interest rates on deposits – France and the euro area

(average monthly rates – %)

	2009	2010	2010	2011				
	Dec.	Dec.	Sept.	May	June	July	Aug.	Sept.
Euro area								
Overnight deposits – households	0.45	0.43	0.43	0.49	0.49	0.52	0.54	0.55
Deposits redeemable at notice up to 3 months – households	1.53	1.55	1.55	1.67	1.70	1.70	1.77	1.79
Time deposits with agreed maturity over 2 years – non-financial corporations	2.54	2.60	2.81	3.08	2.94	3.03	2.99	2.79
France								
"A" passbooks (end of period)	1.25	1.75	1.75	2.00	2.00	2.00	2.25	2.25
Regulated savings deposits	1.28	1.78	1.78	2.00	2.00	2.00	2.25	2.25
Market rate savings deposits	1.37	1.66	1.56	1.76	1.81	1.81	1.84	1.95
Deposits with agreed maturity up to 2 years	2.39	2.18	2.15	2.32	2.35	2.41	2.30	2.35
Deposits with agreed maturity over 2 years	3.41	3.09	3.24	3.09	3.15	3.14	3.13	3.18

Euro area

(average monthly rates – %)



- Overnight deposits – households
- Deposits redeemable at notice up to 3 months – households
- Time deposits with agreed maturity over 2 years – non-financial corporations

France

(average monthly rates – %)

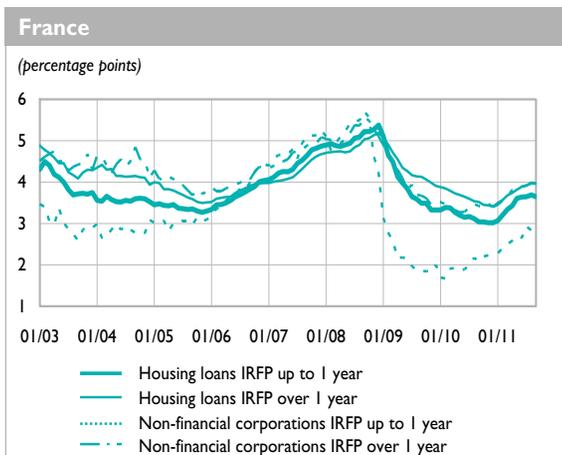
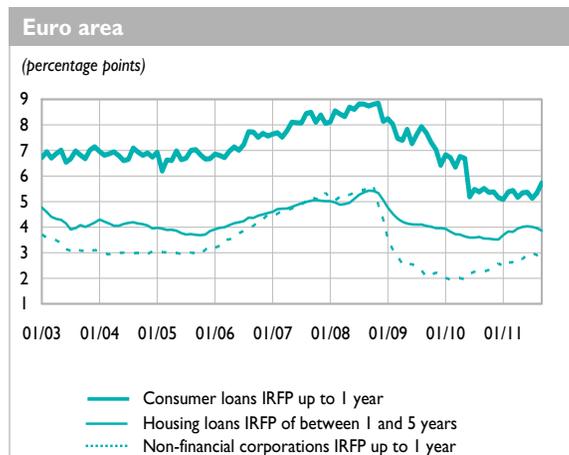


- "A" passbooks
- Market rate savings deposits
- Deposits with agreed maturity up to 2 years
- . - Deposits with agreed maturity over 2 years

Table 25
Cost of credit – France and the euro area

(average monthly rate – %)

	2010			2011								
	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.
Euro area												
Consumer loans												
Floating rate and IRFP of up to 1 year (a)	5.36	5.38	5.16	5.09	5.38	5.44	5.17	5.35	5.37	5.13	5.34	5.74
Loans for house purchase												
Floating rate and IRFP of between 1 and 5 years	3.55	3.53	3.52	3.69	3.83	3.82	3.95	4.01	4.04	4.02	3.96	3.86
Non-financial corporations of over EUR 1 million												
IRFP of up to 1 year (a)	2.32	2.42	2.59	2.45	2.62	2.63	2.80	2.75	2.92	3.00	2.90	2.92
France												
Consumer loans	5.78	5.79	5.75	5.95	6.05	6.08	6.14	6.19	6.21	6.23	6.27	6.16
Loans for house purchase												
IRFP of up to 1 year (a)	3.04	3.02	3.02	3.07	3.21	3.34	3.43	3.61	3.64	3.65	3.69	3.65
IRFP of over 1 year (a)	3.45	3.44	3.41	3.50	3.57	3.68	3.74	3.82	3.89	3.92	3.99	3.97
Non-financial corporations												
IRFP of up to 1 year (a)	2.20	2.23	2.25	2.28	2.40	2.50	2.58	2.70	2.65	2.93	2.83	2.84
IRFP of over 1 year (a)	3.41	3.47	3.40	3.45	3.56	3.65	3.81	3.88	3.89	3.92	3.97	3.96



(a) IRFP: initial rate fixation period i.e. the period for which the rate of a loan is fixed.

IRFP ≤ 1 year: loans for which the rate is adjusted at least once a year + fixed-rate loans with an initial maturity of up to 1 year.

IRFP > 1 year: loans for which the rate is adjusted less than once a year + fixed-rate loans with an initial maturity of over 1 year.

Table 26
Cost of credit – France

(%)

Usury ceiling with effect from the 1st day of the reference period	2011			
	Jan.	April	July	Oct.
Loans to households (under Articles L312-1 to L312-36 of the French Consumer Code)				
Housing loans				
Fixed-rate loans	5.51	5.61	5.97	6.23
Floating-rate loans	4.96	5.01	5.33	5.61
Bridge loans	5.88	5.99	6.07	6.28
Consumer loans				
Loans up to and including EUR 1.524		21.47	21.41	21.03
Overdraft facilities, revolving loans, and instalment credit loans of over EUR 1.524 and loans up to EUR 3.000 and reverse annuity mortgage loans		19.53	19.37	19.27
Personal loans and other loans of over EUR 1.524 and loans up to EUR 3.000		8.03	11.22	12.76
Overdraft facilities, revolving loans, and instalment credit loans of over EUR 3.000 and loans up to EUR 6.000 and reverse annuity mortgage loans		19.53	18.61	18.16
Personal loans and other loans of over EUR 3.000 and loans up to EUR 6.000		8.03	10.46	11.65
Overdraft facilities, revolving loans, and instalment credit loans of over EUR 6.000 and reverse annuity mortgage loans		19.53	17.49	16.62
Personal loans and other loans or over EUR 6.000		8.03	9.34	10.10

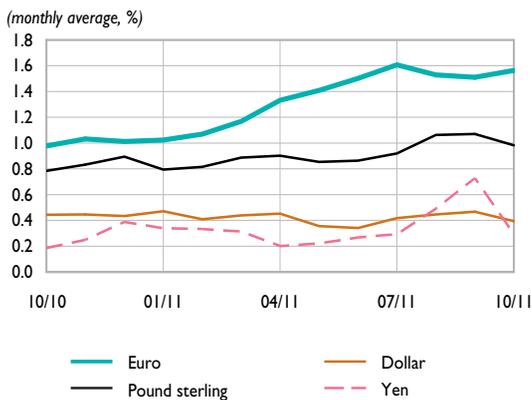
	2010		2011		
	Q3	Q4	Q1	Q2	Q3
Loans to enterprises					
Discount					
up to EUR 15,245	2.01	2.64	2.85	3.07	3.38
EUR 15,245 to EUR 45,735	2.51	2.62	2.93	3.15	3.53
EUR 45,735 to EUR 76,225	2.57	2.58	2.80	2.99	3.21
EUR 76,225 to EUR 304,898	2.29	2.50	2.80	3.03	3.27
EUR 304,898 to EUR 1,524,490	2.05	2.21	2.32	2.48	2.69
over EUR 1,524,490	1.63	1.86	1.86	2.24	2.35
Overdrafts					
up to EUR 15,245	10.03	10.14	10.49	10.56	10.64
EUR 15,245 to EUR 45,735	7.45	7.47	7.71	7.82	7.89
EUR 45,735 to EUR 76,225	4.64	4.79	5.10	5.28	5.60
EUR 76,225 to EUR 304,898	3.09	2.87	3.14	3.37	3.85
EUR 304,898 to EUR 1,524,490	2.13	1.83	2.11	2.29	2.66
over EUR 1,524,490	1.73	1.37	1.69	1.89	2.26
Other short-term loans					
up to EUR 15,245	3.61	3.70	3.73	3.95	4.14
EUR 15,245 to EUR 45,735	3.32	3.45	3.48	3.72	3.98
EUR 45,735 to EUR 76,225	3.00	3.09	3.29	3.49	3.77
EUR 76,225 to EUR 304,898	2.47	2.67	2.69	2.91	3.27
EUR 304,898 to EUR 1,524,490	1.87	2.02	2.07	2.32	2.57
over EUR 1,524,490	1.69	1.74	1.82	2.05	2.30
Medium and long-term loans					
up to EUR 15,245	3.54	3.49	3.58	3.70	4.11
EUR 15,245 to EUR 45,735	3.40	3.41	3.47	3.57	3.91
EUR 45,735 to EUR 76,225	3.36	3.31	3.34	3.50	3.86
EUR 76,225 to EUR 304,898	3.33	3.38	3.39	3.65	3.92
EUR 304,898 to EUR 1,524,490	3.06	3.18	3.20	3.53	3.77
over EUR 1,524,490	2.64	2.69	2.80	3.10	3.47

Table 27
Interest rates

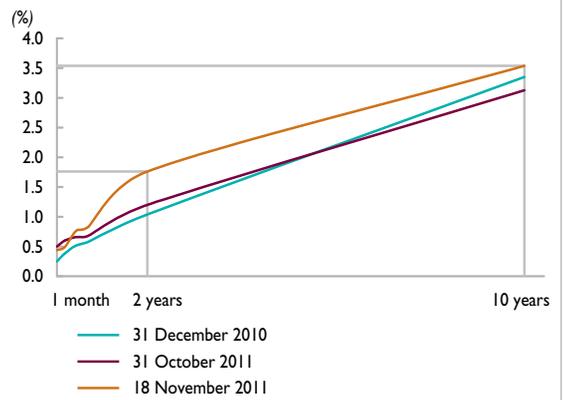
(%)

	Monthly average (a)										Key interest rates at 18/11/11
	2011										
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	
Short-term interbank interest rates											
Euro											1.25
Overnight	0.64	0.68	0.63	0.98	1.02	1.11	0.99	0.87	0.93	0.91	
3-month	1.02	1.07	1.17	1.33	1.41	1.50	1.61	1.53	1.51	1.56	
1-year	1.47	1.71	1.94	2.12	2.13	2.10	2.15	1.97	2.02	2.10	
Pound sterling											0.50
Overnight	0.52	0.53	0.53	0.55	0.54	0.56	0.56	0.60	0.61	0.60	
3-month	0.79	0.82	0.89	0.90	0.85	0.86	0.92	1.06	1.07	0.98	
1-year	1.56	1.63	1.65	1.59	1.53	1.53	1.54	1.89	1.80	1.71	
Dollar											0.25
Overnight	0.24	0.24	0.21	0.16	0.15	0.16	0.17	0.19	0.20	0.20	
3-month	0.47	0.41	0.44	0.45	0.36	0.34	0.42	0.45	0.47	0.39	
1-year	1.03	0.96	0.95	0.92	0.85	0.84	0.90	0.85	1.00	1.02	
Yen											0.10
Overnight	0.12	0.10	0.10	0.11	0.11	0.18	0.18	0.11	0.15	0.23	
3-month	0.34	0.33	0.31	0.20	0.22	0.27	0.29	0.49	0.73	0.29	
1-year	0.55	0.47	0.49	0.45	0.50	0.58	0.64	0.92	1.26	0.73	
10-year benchmark government bond yields											
France	3.44	3.60	3.61	3.69	3.49	3.43	3.40	2.98	2.64	2.99	
Germany	3.06	3.23	3.25	3.35	3.11	2.98	2.79	2.26	1.87	2.04	
Euro area	3.94	4.48	4.49	4.66	4.37	4.37	4.59	4.21	4.04	4.09	
United Kingdom	3.61	3.78	3.64	3.65	3.37	3.25	3.13	2.55	2.40	2.49	
United States	3.40	3.60	3.43	3.46	3.19	3.01	3.02	2.31	1.99	2.14	
Japan	1.22	1.29	1.25	1.27	1.15	1.14	1.12	1.03	1.01	1.01	

3-month interbank market rates



Yield curve for French government bonds



(a) Short-term: the interbank average of rates situated in the middle of the range between bid and ask rates. Quotes taken from Reuters, posted at 4.30pm for the euro and 11.30am for other currencies.
Benchmark bonds: rates posted by Reuters at 4.30pm.

Table 28
Banking system liquidity and refinancing operations – Euro area

(EUR billions, daily average for the reserve maintenance period from 14 September to 11 October 2011)

	Liquidity providing	Liquidity absorbing	Net contribution
Contribution to banking system liquidity			
(a) Eurosystem monetary policy operations	785.6	331.6	454.0
Main refinancing operations	193.0		193.0
Longer-term refinancing operations	373.7		373.7
Standing facilities	1.5	168.7	-167.2
Other	217.5	162.9	54.6
(b) Other factors affecting banking system liquidity	659.6	904.9	-245.3
Banknotes in circulation		854.9	-854.9
Government deposits with the Eurosystem		50.0	-50.0
Net foreign assets (including gold)	571.0		571.0
Other factors (net)	88.5		88.5
(c) Reserves maintained by credit institutions (a) + (b)			208.7
<i>including reserve requirements</i>			<i>206.1</i>

Net contribution to banking system liquidity

(EUR billions, daily average for the reserve maintenance period from 14 September to 11 October 2011)

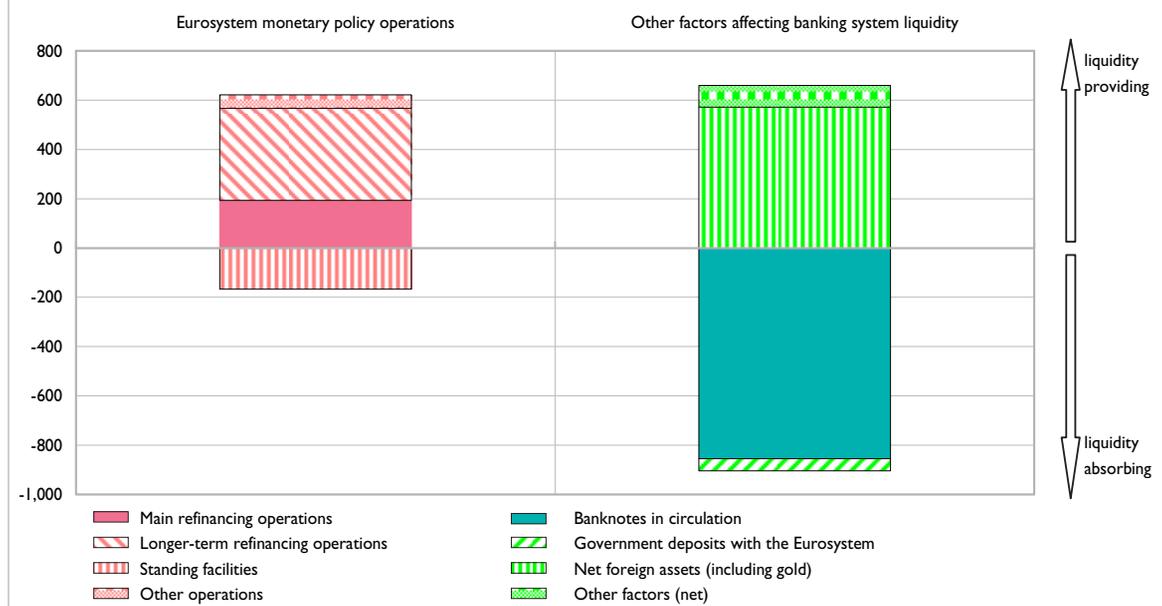


Table 29
Eurosystem key rates; minimum reserves

(%)

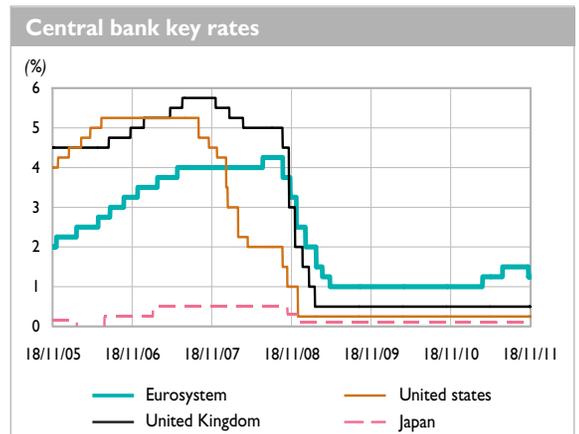
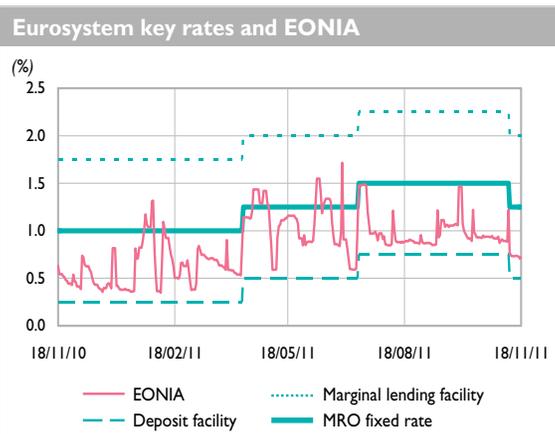
Key rates for the Eurosystem (latest changes)						
Main refinancing operations			Standing facilities			
Date of		Fixed rate	Date of		Deposit	Marginal lending
decision	settlement		decision	settlement		
07/04/2011	13/04/2011	1.25	07/04/2011	13/04/2011	0.50	2.00
07/07/2011	13/07/2011	1.50	07/07/2011	13/07/2011	0.75	2.25
03/11/2011	09/11/2011	1.25	03/11/2011	09/11/2011	0.50	2.00

(%)

Main refinancing operations				Longer-term refinancing operations		
		Marginal rate	Weighted average rate			Marginal rate
2011	12 October (a)	1.50	1.50	2011	11 August	1.50
	19 October	1.50	1.50		1 September	1.50
	26 October	1.50	1.50		14 September	1.50
	1 November	1.50	1.50		29 September	1.50
	9 November	1.25	1.25		27 October	1.50
	16 November	1.25	1.25		9 November	1.25

(EUR billions – rates as a %)

Minimum reserves (daily averages)									
Reserve maintenance period ending on		Required reserves		Current accounts		Excess reserves		Interest rate on minimum reserves	
		Euro area	France	Euro area	France	Euro area	France		
2011	10 May	208.27	40.82	209.47	40.99	1.20	0.17	1.25	
	14 June	206.93	40.28	208.96	40.43	2.03	0.15	1.25	
	8 July	207.74	40.75	210.87	40.90	3.13	0.15	1.25	
	9 August	208.79	41.00	211.45	41.17	2.66	0.17	1.50	
	13 September	206.98	40.60	209.49	40.80	2.51	0.20	1.50	
	11 October	206.10	40.54	208.68	40.75	2.58	0.21	1.50	



(a) Fixed rate tender procedure.

Sources: European Central Bank, ESCB.

Produced 22 November 2011

Table 30
Negotiable debt securities – France

Certificates of deposit			
	EUR billions (a)		Number of issuers
	Issues	Stocks	
20/08/11 to 26/08/11	93.96	332.50	176
27/08/11 to 02/09/11	114.00	356.04	176
03/09/11 to 09/09/11	103.01	353.52	174
10/09/11 to 16/09/11	116.00	357.48	174
17/09/11 to 23/09/11	94.11	354.49	175
24/09/11 to 30/09/11	129.39	369.56	172
01/10/11 to 07/10/11	113.58	362.00	172
08/10/11 to 14/10/11	94.06	360.97	172
15/10/11 to 21/10/11	117.37	368.91	173
22/10/11 to 28/10/11	121.05	372.53	173
29/10/11 to 04/11/11	123.28	373.35	174
05/11/11 to 11/11/11	128.10	371.05	175
12/11/11 to 18/11/11	129.35	370.77	175

Commercial paper			
	EUR billions (a)		Number of issuers
	Issues	Stocks	
20/08/11 to 26/08/11	13.69	59.50	86
27/08/11 to 02/09/11	9.69	60.28	86
03/09/11 to 09/09/11	8.09	56.01	86
10/09/11 to 16/09/11	15.67	60.03	86
17/09/11 to 23/09/11	14.31	59.91	83
24/09/11 to 30/09/11	14.70	59.26	82
01/10/11 to 07/10/11	15.98	57.95	85
08/10/11 to 14/10/11	13.77	56.95	88
15/10/11 to 21/10/11	16.11	55.36	87
22/10/11 to 28/10/11	12.10	54.04	85
29/10/11 to 04/11/11	14.04	57.42	86
05/11/11 to 11/11/11	14.88	61.28	86
12/11/11 to 18/11/11	13.57	61.04	86

Negotiable medium-term notes			
	EUR billions (a)		Number of issuers
	Issues	Stocks	
20/08/11 to 26/08/11	0.03	66.29	126
27/08/11 to 02/09/11	0.00	66.25	126
03/09/11 to 09/09/11	1.22	67.37	126
10/09/11 to 16/09/11	0.08	67.41	126
17/09/11 to 23/09/11	0.04	67.16	126
24/09/11 to 30/09/11	0.28	67.27	125
01/10/11 to 07/10/11	0.05	67.14	124
08/10/11 to 14/10/11	0.07	66.84	123
15/10/11 to 21/10/11	0.13	66.75	123
22/10/11 to 28/10/11	0.28	66.40	123
29/10/11 to 04/11/11	0.11	66.38	123
05/11/11 to 11/11/11	0.07	66.33	122
12/11/11 to 18/11/11	0.04	65.80	122

(a) Issues in euro are cumulative over the reference period. Outstanding amounts are calculated from the cut-off date (the last day of the period under review).

Source: Banque de France.

Produced 22 November 2011

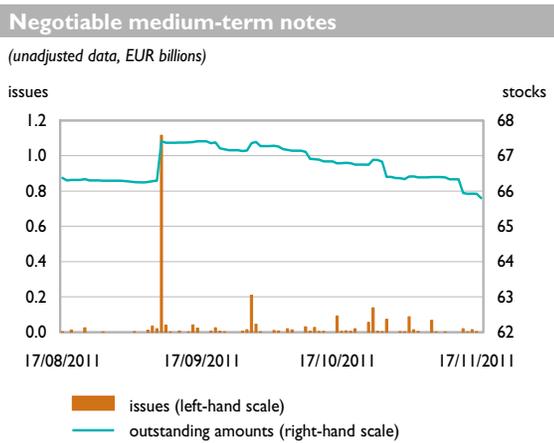
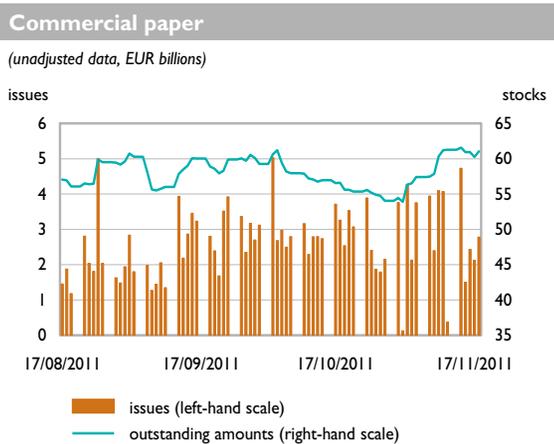
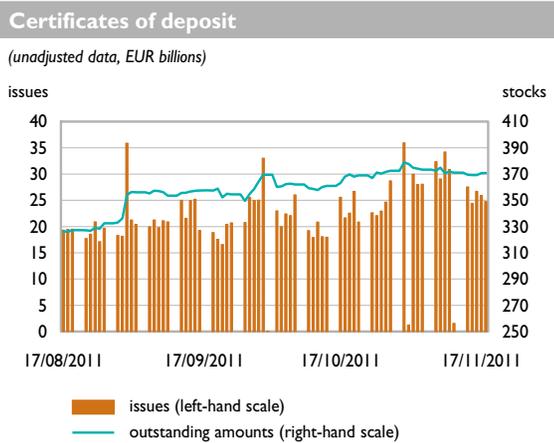
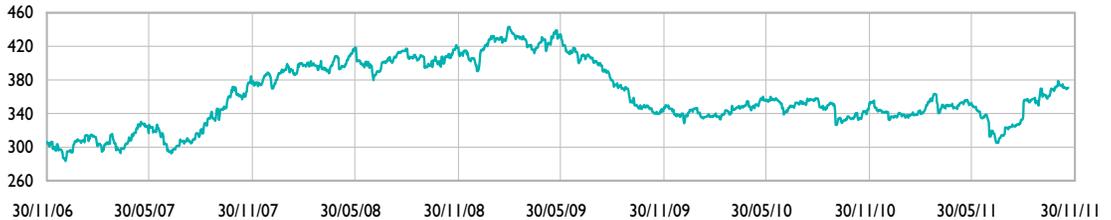


Table 3 I
Negotiable debt securities – France

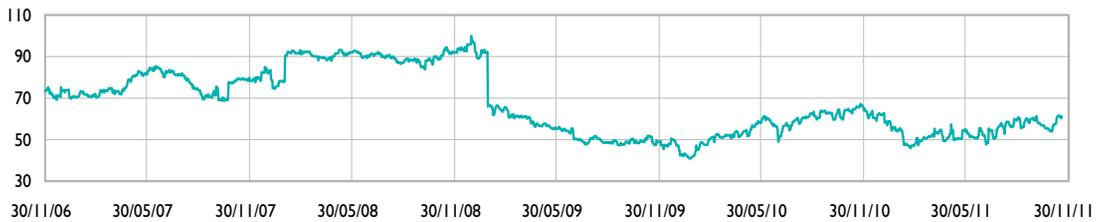
Certificates of deposit

(daily outstanding amounts in EUR billions)



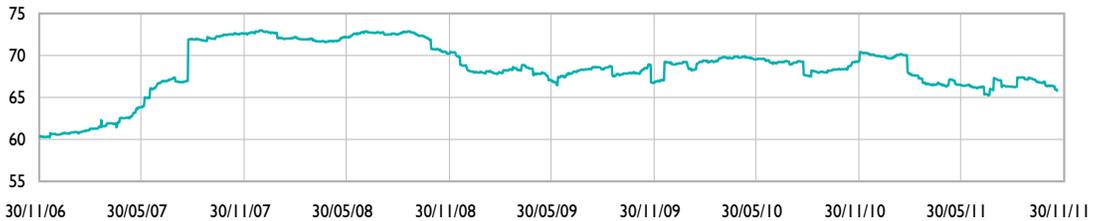
Commercial paper

(daily outstanding amounts in EUR billions)



Negotiable medium-term notes

(daily outstanding amounts in EUR billions)



Negotiable debt securities, cumulated outstandings

(daily outstanding amounts in EUR billions)



Source: Banque de France.

Produced 22 November 2011

Table 32
Mutual fund shares/units – France

(EUR billions)

	2010	2011		2011
	Dec.	March	June	Sept.
Net assets of mutual fund shares/units by category				
Money-market funds	394.34	387.78	369.03	364.35
Bond mutual funds	203.58	201.18	197.66	
Equity mutual funds	278.93	278.40	276.96	
Mixed funds	264.88	263.90	262.65	
Funds of alternative funds	15.84	15.41	14.68	
Guaranteed-performance mutual funds	0.01	0.01	0.01	
Structured funds ("fonds à formule")	62.55	59.54	58.82	

Net assets of money-market funds

(EUR billions)

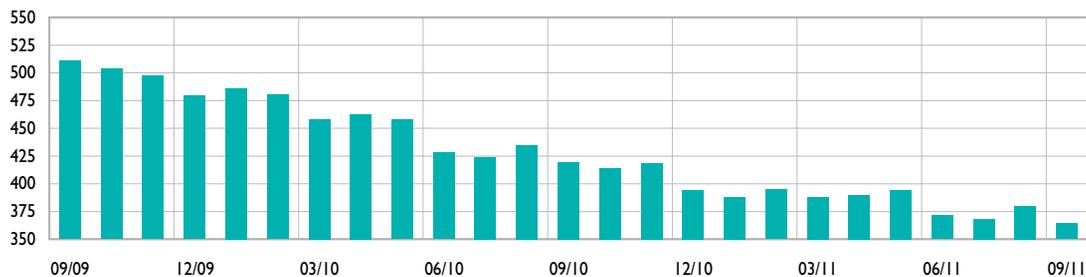


Table 33
Debt securities and quoted shares issued by French residents

(EUR billions)

	Outstanding amounts (a)		Net issues (b)			
	2010	2011	12-month total	2011		
	Sept. (c)	Sept. (c)		July (c)	Aug. (c)	Sept. (c)
Debt securities issued by French residents						
Total	3,094.1	3,309.5	205.7	0.3	35.1	30.0
Non-financial corporations	374.4	397.4	20.4	2.0	3.6	2.6
Short-term (≤ 1 year)	22.2	25.7	3.5	2.1	0.7	-0.3
Long-term (> 1 year)	352.2	371.7	16.9	-0.1	2.9	2.9
General government	1,341.8	1,462.9	119.4	0.7	13.6	7.9
Short-term (≤ 1 year)	241.6	248.5	5.8	-1.4	10.7	1.6
Long-term (> 1 year)	1,100.2	1,214.4	113.6	2.1	2.9	6.3
Monetary financial institutions	1,145.5	1,212.0	61.6	-4.7	16.7	19.8
Short-term (≤ 1 year)	310.1	317.5	7.5	-6.6	28.3	21.6
Long-term (> 1 year)	835.4	894.4	54.1	1.9	-11.6	-1.8
Non-monetary financial institutions (d)	232.4	237.2	4.3	2.4	1.2	-0.3

(EUR billions)

	Outstanding amounts (e)		Net issues (b)			Gross issues (f)	Repurchases (f)
	2010	2011	12-month total	2011		12-month total	12-month total
	Sept.	Sept.		Aug.	Sept.		
French quoted shares							
Total	1,277.9	1,076.3	13.8	1.1	0.7	18.9	5.1
Non-financial corporations	1,087.1	957.9	10.4	0.7	0.8	15.4	5.0
Monetary financial institutions	143.5	80.5	3.0	0.4	-0.2	3.1	0.0
Non-monetary financial institutions	47.4	38.0	0.4	0.1	0.1	0.5	0.0

(a) Nominal values for outstanding amounts of debt securities.

(b) Monthly data are seasonally adjusted. The 12-month total is unadjusted.

(c) Data possibly revised.

(d) Including units issued by SPVs.

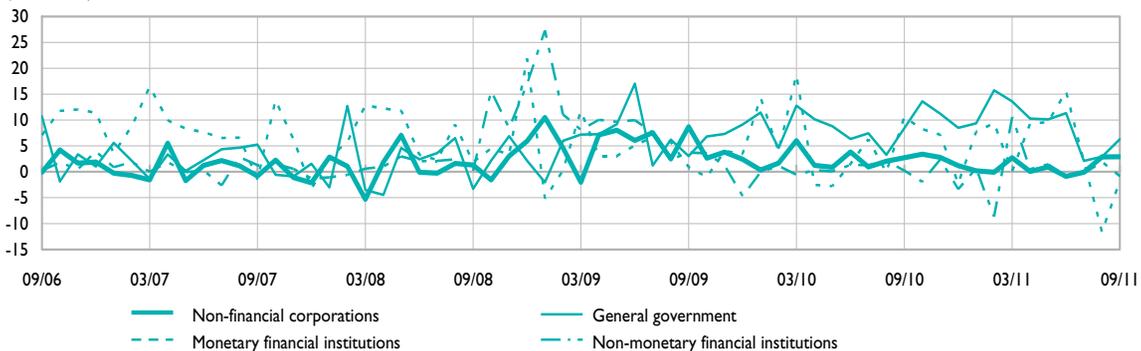
(e) Market values for outstanding amounts of quoted shares.

(f) Non-seasonally adjusted data.

Table 34
Debt securities and quoted shares issued by French residents, by sector

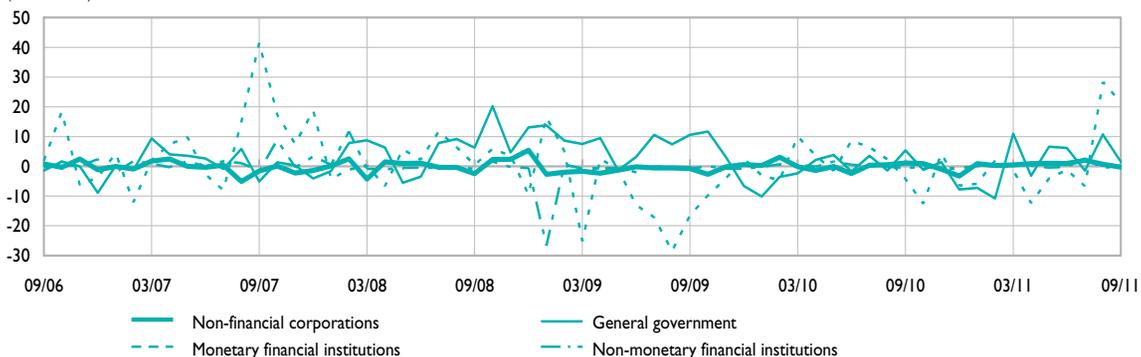
Net issues of long-term debt securities by French residents (seasonally adjusted)

(EUR billions)



Net issues of short-term debt securities by French residents (seasonally adjusted)

(EUR billions)



Net issues of quoted shares by French residents (seasonally adjusted)

(EUR billions)

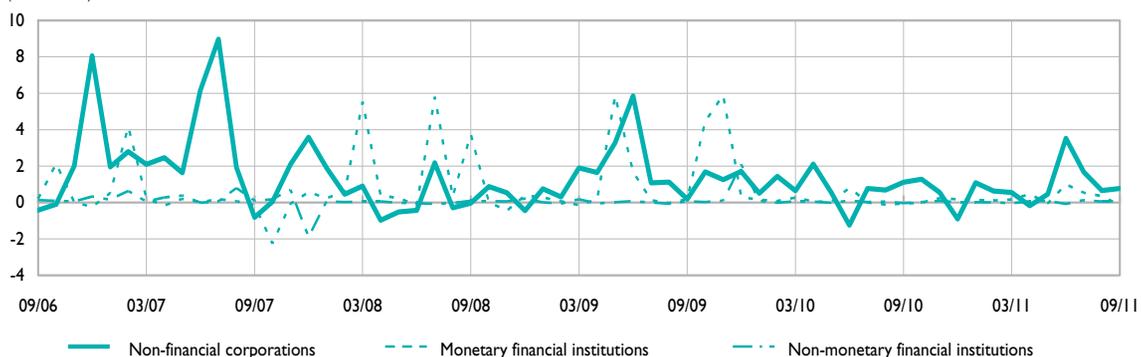


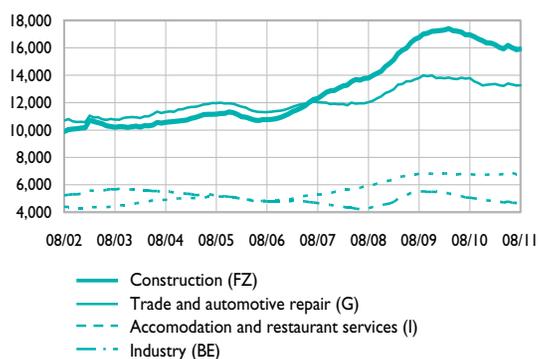
Table 35
Company failures by economic sector – France

(number of companies, unadjusted data, 12-month total)

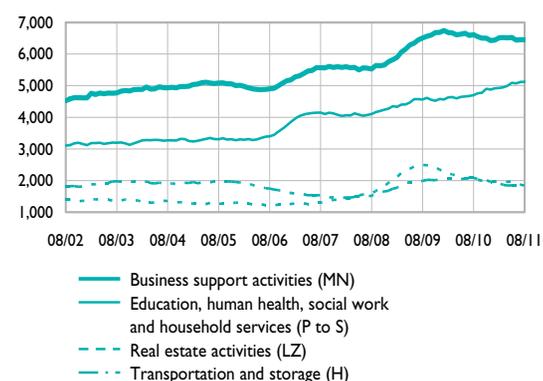
	2010					2011							
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.
Agriculture, forestry and fishing (AZ)	1,355	1,357	1,337	1,329	1,306	1,262	1,252	1,258	1,269	1,266	1,246	1,256	1,244
Industry (BE)	5,070	5,020	4,986	4,956	4,863	4,842	4,796	4,784	4,707	4,785	4,694	4,680	4,674
Construction (FZ)	16,960	16,828	16,656	16,529	16,358	16,348	16,233	16,028	15,929	16,187	16,012	15,882	15,909
Trade and automotive repair (G)	13,790	13,557	13,430	13,261	13,298	13,336	13,362	13,270	13,215	13,391	13,329	13,261	13,265
Transportation and storage (H)	2,087	2,043	2,030	2,015	1,954	1,946	1,906	1,862	1,843	1,847	1,848	1,799	1,791
Accommodation and restaurant services (I)	6,784	6,739	6,762	6,791	6,730	6,786	6,847	6,752	6,791	6,955	6,873	6,773	6,776
Information and communication sector (JZ)	1,651	1,641	1,632	1,642	1,603	1,592	1,575	1,609	1,578	1,578	1,563	1,562	1,564
Financial and insurance activities (KZ)	1,104	1,084	1,067	1,055	1,066	1,064	1,080	1,095	1,088	1,112	1,084	1,069	1,083
Real estate activities (LZ)	2,066	2,029	1,995	1,960	1,971	1,970	1,999	1,975	1,961	1,974	1,936	1,867	1,846
Business support activities (MN)	6,615	6,547	6,504	6,505	6,425	6,442	6,512	6,523	6,515	6,527	6,443	6,452	6,450
Education, human health, social work and household services (P to S)	4,703	4,762	4,781	4,902	4,874	4,914	4,928	4,947	4,998	5,089	5,074	5,113	5,125
Sector unknown	105	99	99	93	93	93	92	89	91	97	100	99	100
Total sectors	62,290	61,706	61,279	61,038	60,541	60,595	60,582	60,192	59,985	60,808	60,202	59,813	59,827

Company failures – 12-month total

(number of companies – unadjusted data)



(number of companies – unadjusted data)



NB: The two-letter codes correspond to the aggregation level A10, and the one-letter codes to revised NAF sections 2 A21.

Table 36
Retail payment systems – France

(daily average in EUR millions, % share for the last month)

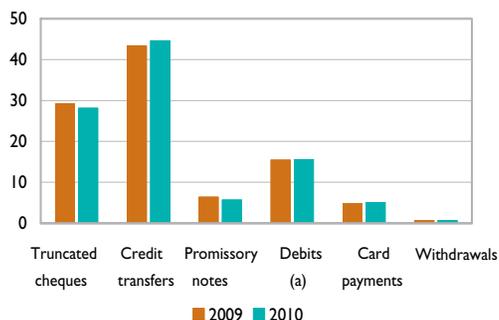
	2007	2008	2009	2010	2011			2011
					Aug.	Sept.	Oct.	Share
Cheques	6,974	6,533	5,700	5,590	4,375	5,127	5,863	27.0
Credit transfers	7,904	8,413	8,473	8,865	8,500	9,664	9,709	44.6
of which SEPA credit transfers	–	29	95	683	2,478	2,931	3,084	14.2
Promissory notes	1,555	1,523	1,250	1,138	1,078	1,116	973	4.5
Direct debits	1,739	1,814	1,801	1,827	1,740	1,871	2,130	9.8
Interbank payment orders	150	147	143	133	62	185	303	1.4
Electronic payment orders	975	1,061	1,082	1,141	943	1,580	1,498	6.9
Card payments	864	921	957	1,009	1,024	1,016	1,128	5.2
ATM withdrawals	140	142	143	140	153	141	145	0.7
Total	20,300	20,554	19,550	19,844	17,877	20,700	21,748	100.0

(daily average in thousands of transactions, % share for the last month)

	2007	2008	2009	2010	2011			2011
					Aug.	Sept.	Oct.	Share
Cheques	11,561	10,996	10,287	9,507	7,430	8,585	9,561	17.9
Credit transfers	7,344	7,425	7,527	7,356	6,405	7,610	7,616	14.2
of which SEPA credit transfers	–	13	38	270	1,277	1,625	1,667	3.1
Promissory notes	370	355	334	311	279	280	275	0.5
Direct debits	7,863	7,864	8,163	8,194	8,604	8,270	8,944	16.7
Interbank payment orders	458	425	394	364	249	380	551	1.0
Electronic payment orders	38	47	56	66	49	74	124	0.2
Card payments	18,146	19,219	20,542	21,505	22,013	21,796	24,013	44.9
ATM withdrawals	2,467	2,462	2,454	2,375	2,414	2,395	2,446	4.6
Total	48,248	48,794	49,757	49,677	47,442	49,389	53,531	100.0

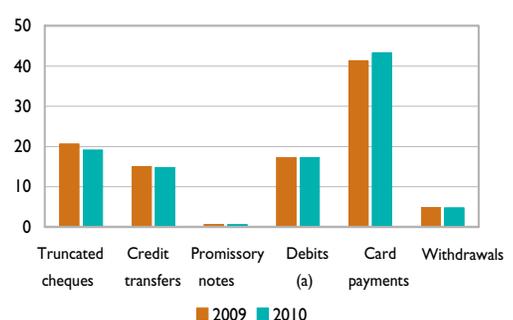
Market share developments
for main non-cash means of payment

(% of amounts exchanged)



Market share developments
for main non-cash means of payment

(% of volumes exchanged)



(a) Debits: direct debits, interbank payment orders and electronic payment orders.

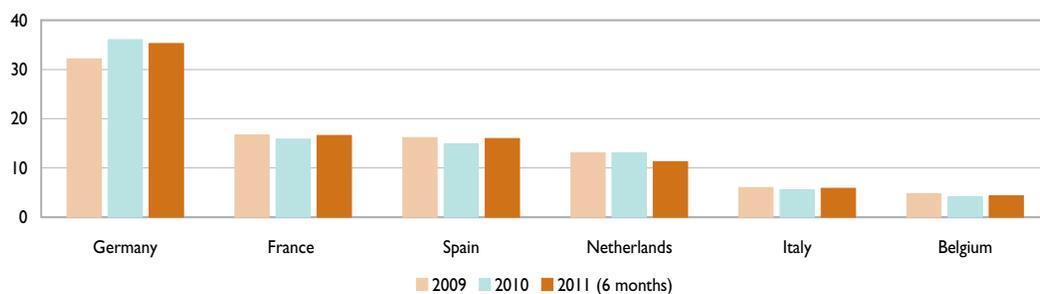
Table 37
Large-value payment systems – EU

(daily average in EUR billions, % share for the last month)

	2007	2008	2009	2010	2011			2011
					July	Aug.	Sept.	Share
France	569	398	367	365	387	378	424	17.2
Germany	711	972	707	829	774	766	816	33.1
Austria	35	59	28	27	27	24	25	1.0
Belgium	104	152	106	95	101	103	117	4.8
Cyprus	–	1	2	2	1	1	2	0.1
Spain	344	331	356	342	372	382	361	14.7
Finland	24	33	28	35	35	46	55	2.2
Greece	33	30	29	28	29	25	23	0.9
Ireland	29	32	30	30	19	16	19	0.8
Italy	165	221	133	129	131	119	124	5.0
Luxembourg	39	60	40	40	54	57	62	2.5
Malta	–	0	0	0	0	1	1	0.0
Netherlands (a)	121	264	287	300	264	298	352	14.3
Portugal	13	16	17	20	21	22	21	0.9
Slovakia	–	–	3	3	3	3	3	0.1
Slovenia	2	2	2	2	2	2	2	0.1
EPM-ECB	27	43	47	37	34	37	40	1.6
Total TARGET2 euro area (b)	2,217	2,614	2,182	2,283	2,253	2,280	2,447	99.3
Non-euro area	202	53	16	16	19	17	18	0.7
Total TARGET2 EU (b)	2,419	2,667	2,198	2,299	2,272	2,298	2,466	100.0
Euro1 (c)	228	287	255	241	243	240	260	

Market share of each financial centre in the TARGET2 system

(% of turnover)



The sum of the components may not be equal to the total (or to 100) due to rounding.

Since January 2009, a new methodology for collecting and reporting statistics has been established on the TARGET2 data to improve data quality. This must be taken into account when comparing 2009 data with previous data.

(a) Since 19 May 2008, the operations of the United Kingdom pass in transit by this country.

(b) Variable composition according to the countries which participate in the systems of payment in euro.

(c) Euro1 (EBA): clearing system of the Euro Banking Association. Euro1 data include retail payments recorded in STEP1.

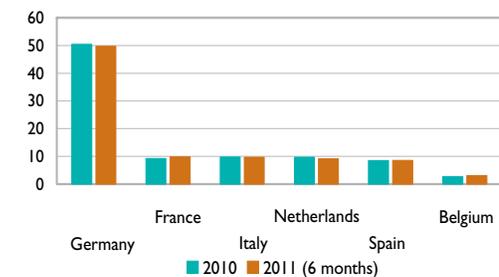
Table 38
Large-value payment systems – EU

(daily average in number of transactions, % share for the last month)

	2007	2008	2009	2010	2011			2011
					July	Aug.	Sept.	Share
France	19,192	25,992	29,773	31,850	35,412	30,275	33,814	9.9
Germany	164,187	181,625	174,695	173,218	174,055	160,563	168,859	49.3
Austria	15,222	14,199	6,539	5,266	6,509	6,068	6,534	1.9
Belgium	7,993	9,884	8,517	9,454	10,560	8,834	9,228	2.7
Cyprus	–	392	389	466	515	477	528	0.2
Spain	41,792	36,167	29,580	29,195	30,916	24,811	28,598	8.3
Finland	1,392	1,587	1,652	1,589	1,525	1,501	1,631	0.5
Greece	6,334	5,117	5,692	5,904	5,919	5,160	5,808	1.7
Ireland	5,334	5,139	4,824	4,961	4,594	4,052	4,371	1.3
Italy	45,111	36,491	33,943	33,649	36,012	28,953	32,565	9.5
Luxembourg	3,399	3,037	2,847	3,033	3,356	2,983	3,070	0.9
Malta	–	50	59	65	54	49	54	0.0
Netherlands (a)	27,685	37,745	36,930	33,304	33,859	30,632	33,139	9.7
Portugal	4,774	5,072	4,191	4,206	4,239	3,882	3,997	1.2
Slovakia	–	–	606	582	706	715	736	0.2
Slovenia	3,152	3,018	3,073	3,023	2,992	2,795	3,024	0.9
EPM-ECB	169	176	312	333	395	396	399	0.1
Total TARGET2 euro area (b)	345,738	365,690	343,621	340,099	351,619	312,144	336,352	98.1
Non-euro area	20,442	4,277	2,364	3,281	5,841	5,920	6,381	1.9
Total TARGET2 EU (b)	366,179	369,967	345,985	343,380	357,459	318,064	342,733	100.0
Euro I (c)	211,217	250,766	227,674	230,124	243,858	220,465	240,509	

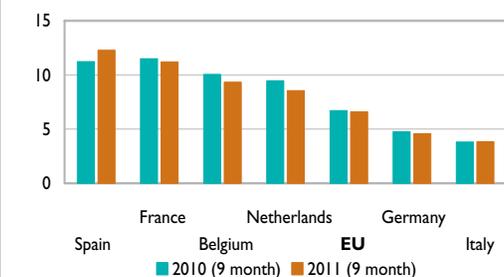
Market share of each financial centre in the TARGET2 system

(% of volumes exchanged)



Average transaction amount in the TARGET2 system

(EUR millions)



The sum of the components may not be equal to the total (or to 100) due to rounding.

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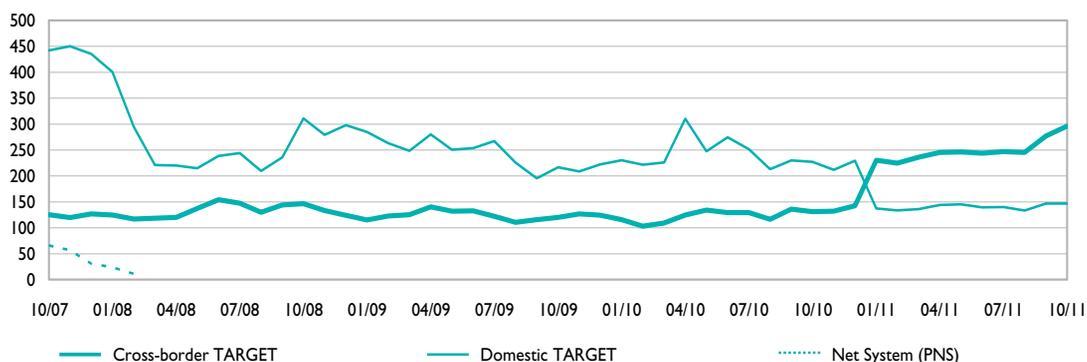
Table 39
Large-value payment systems – France

(daily average in EUR billions, % share for the last month)

	2007	2008	2009	2010	2011			2011
					Aug.	Sept.	Oct.	Share
Collateral used in domestic TARGET (b)								
French negotiable securities	11.5	51.2	114.6	105.7	74.8	75.0	83.8	28.9
Private claims	18.6	79.9	129.0	149.8	142.3	143.8	145.0	49.9
Securities collateralised through CCBM	7.2	62.8	79.9	76.9	59.3	55.4	58.7	20.2
Other securities (c)	8.8	8.2	7.9	5.9	2.7	2.7	2.8	1.0
Total	46.1	202.1	331.3	338.3	279.1	276.9	290.3	100.0

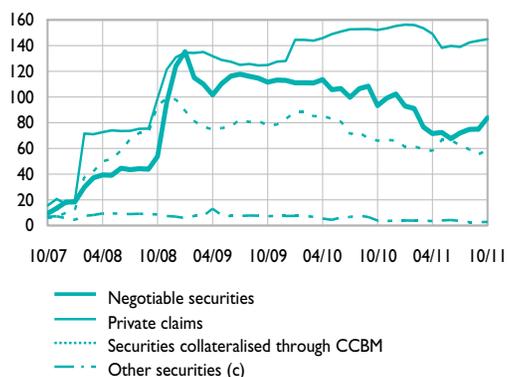
Monthly change in amounts exchanged in French payment systems (a)

(EUR billions, daily average)

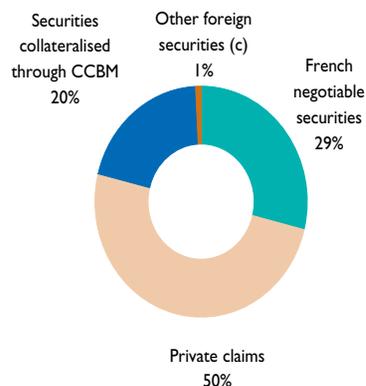


Monthly change in collateral (b)

(EUR billions, daily average)



Collateral used in October 2011 (b)



(a) Since 18 February 2008, TBF (the French component of TARGET) and PNS systems have been replaced by TARGET2-Banque de France, the single French large-value payment system.

(b) Until 15 February 2008, the indicated amounts corresponded to collateral used for intraday credit in TBF. Since the go-live of the "3G" system (Global management of collateral) and TARGET2-Banque de France on 18 February 2008, the amounts represent the collateral posted in a single pool of assets and that can be used for monetary policy and/or intraday credit operations.

(c) Other foreign securities submitted via links between securities settlement systems.

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