

2015

ANNUAL REPORT

**THE FRENCH BALANCE OF
PAYMENTS AND INTERNATIONAL
INVESTMENT POSITION**



BANQUE DE FRANCE

DIRECTORATE GENERAL STATISTICS

Balance of Payments
Directorate

Sectoral Surveys
and Statistics Directorate

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CONTENTS

OVERVIEW	7
CHAPTER 1 CURRENT ACCOUNT	13
1 Goods	14
111 General merchandise	14
112 The other components of trade in goods: goods procured in ports by carriers and merchanting	16
2 Services	17
21 Transport services	17
212 Travel	17
213 Other services	19
3 Primary income	20
31 Compensation of employees	20
32 Direct investment income	20
33 Portfolio investment income	21
34 Income from “other investment” and reserve assets	21
4 Secondary income	21
CHAPTER 2 FINANCIAL ACCOUNT	23
1 Direct investment	24
111 Direct investment abroad	24
112 Direct investment in France	25
2 Portfolio investment	25
21 Liabilities (non-residents’ portfolio investment in securities issued by residents)	27
212 Assets (residents’ portfolio investment in securities issued by non-residents)	27
3 Financial derivatives	28
4 Other investment	29
411 Loan-deposit position of monetary financial institutions (MFIs excluding the central bank)	29
412 Loan-deposit position of sectors other than MFIs	30

CHAPTER 3	INTERNATIONAL INVESTMENT POSITION	31
1	Foreign direct investment	33
111	Direct investment abroad	33
112	Direct investment in France	34
2	Portfolio investment	36
211	Assets (residents' portfolio investment in securities issued by non-residents)	36
212	Liabilities (non-residents' portfolio investment in securities issued by residents)	37
3	Financial derivatives	37
4	Other investment (loan-deposit position)	38
	2014 AND 2015 BALANCE OF PAYMENTS — DETAILED PRESENTATION	39
	APPENDICES	
Partie I	Glossary	A1
Partie II	Definition of geographical zones	A7
Partie III	Balance of payments – Revisions of 2013 and 2014 data	A9
Partie IV	International Investment Position – Revisions of 2013 and 2014 data	A11

The supplementary statistical tables are not included in the French Balance of Payments and International Investment Position Annual Report. However, they can be found on the Banque de France website at the following address: <http://www.banque-france.fr/economie-et-statistiques/balance-des-paiements-et-economie-internationale/la-balance-des-paiements/rapport-annuel-de-la-balance-des-paiements-et-la-position-exterieure-de-la-france.html>

BOXES

1	France's energy bill	9
2	Merchanting and manufacturing services on physical inputs owned by others reflect integration into "global value chains"	9
3	Measuring France's trade in goods and services using the «Trade in Value Added» approach provides another way of looking at globalisation	15
4	French tourists' spending abroad in 2015	19
5	Transfers with European Union institutions	22
6	Direct investment in France by the country of residence of the ultimate controlling parent	34

| OVERVIEW

France's current account showed a deficit of EUR 4.4 billion in 2015. This was much smaller than the deficit of 22.8 billion posted in 2014. The current account deficit as a percentage of GDP stood at 0.2%, compared to 1.1% in 2014, and well below the alert thresholds of -4% and 6% set by the European Commission for the purposes of monitoring macroeconomic imbalances.

The trade deficit on goods improved, but the trade surplus on services shrank. However, the overall trade balance on goods and services posted a positive change.

The improvement in the trade balance on goods, which includes general merchandise FOB-FOB¹ and merchanting, stems primarily from the major reduction in France's energy bill, which was maintained throughout 2015. The trade deficit on general merchandise, excluding energy, deepened from 4.3 billion in 2014 to 7.1 billion in 2015.

Exports of goods surged, expanding by more than 20 billion in one year to EUR 461 billion.

This growth reflects the strength of aerospace and space industry exports, which were up by 11.4% in 2015, according to customs data, along with luxury industry exports, which rose by 9.2%, military equipment, pharmaceuticals and food products and beverages. All in all, general merchandise exports grew by 4.2% and exports of goods, which include merchanting, were up by 5.2%.

The balance on merchanting increased by 2.4 billion compared to 2014 to reach 23.2 billion. This performance reflects the development of manufacturing

T0-2 Exports and imports of goods and services

(EUR billions)

	2014	2015
Goods		
Exports	438.0	460.7
Growth in %	-0.1	5.2
Imports	478.5	484.7
Growth in %	-0.6	1.3
Services		
Exports	207.1	217.8
Growth in %	8.2	5.2
Imports	190.2	209.0
Growth in %	10.7	9.9

Source: Banque de France.

value chains and the fragmentation of production among several countries (see Box 2).

At the same time, imports of goods, other than energy, increased by 24.7 billion, as household consumption picked up, rising by 1.5% in 2015, according to France's national statistics institute (Insee). Increases in imports concerned most manufactured goods, such as cars (8.7%), electronic and computer products (9%), textiles and wearing apparel, and industrial and agricultural machinery.

T0-1 Main current account components

(EUR billions)

	2013	2014	2015
Current account	- 18.5	-22.8	-4.4
(% of GDP)	-0.9	-1.1	-0.2
Goods ^{a)}	-42.6	-40.5	-24.0
Services	19.6	16.9	8.8
Primary income ^{b)}	49.2	47.8	52.0
Secondary income ^{b)}	-44.6	-47.0	-41.1

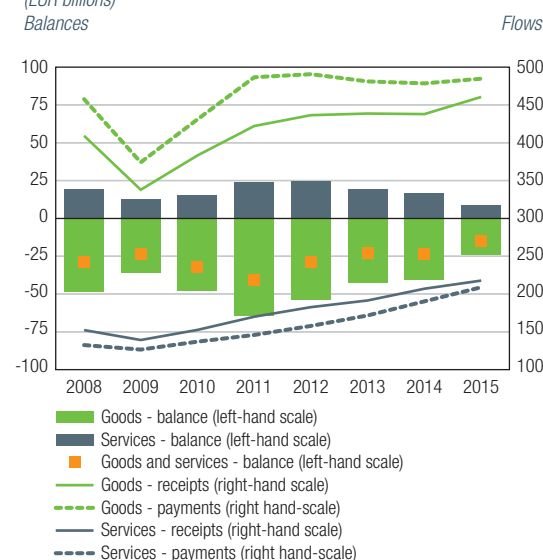
Source: Banque de France.

a) Trade in goods is compiled on the basis of customs statistics and supplementary measurements.

b) Primary income refers to the flows received by economic agents for their participation in the production process ("compensation of employees") or for the provision of financial assets ("investment income") or for renting natural resources ("rent"). Taxes and subsidies on products and production are also included in primary income. Secondary income records current transfers between residents and non-residents.

C0-1 Exports (receipts) and imports (payments) of goods and services

(EUR billions)
Balances



Source: Banque de France.

1 Free on Board, meaning the value at the border, excluding insurance and freight costs.

Box 1

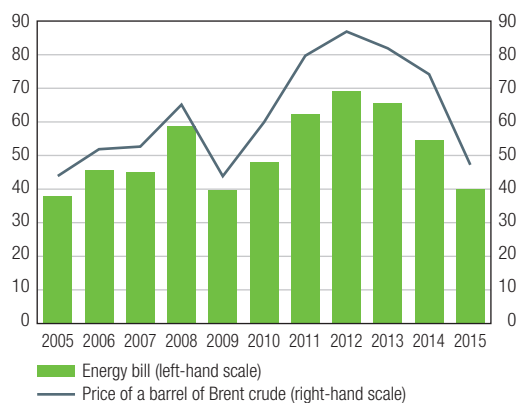
France's energy bill

France's "energy bill", meaning the deficit in trade on crude and refined products, shrank by some 15 billion in 2015 compared to 2014. Variations in energy prices explain most of the improvement. The price of Brent crude was virtually half of what it was in 2013, with a sharper drop in 2015. The price fell from an average of USD 82 in 2013, to USD 74 in 2014 and then to USD 47 in 2015.

Energy bill and the price of oil

(EUR billions)

(dollars)



Source: Banque de France.

The trade surplus on services stood at 8.8 billion in 2015, posting a steady decline since 2012, when it stood at 24.9 billion.

The deficit on transport services deepened by 1.8 billion to 3.7 billion, after being in balance in 2012. The deficit reflects the growing market shares of foreign operators in road and air transport services.

Receipts under the "travel" component were down by 2.4 billion to 41.4 billion. They suffered from the terror attacks in Paris and the economic crisis in a number of emerging countries, in particular Brazil and Russia.

T0-3 Balance of trade in services

(EUR billions)

	2014	2015
Services	16.9	8.8
Transport services	-2.9	-3.7
Travel	7.1	6.8
Other services ^{a)}	12.7	5.7

Source: Banque de France.

a) See Statistical Table 1.6 "Other services" on the Banque de France website for more details.

Box 2

Merchanting and manufacturing services on physical inputs owned by others reflect integration into "global value chains"

Trade within "global value chains" are tracked by two items in the balance of payment compiled by the Banque de France:

- "merchanting", which records flows of goods where economic ownership changes over the processing and consumption cycle;

- "manufacturing services on physical inputs owned by others", which records flows of goods for processing with no change in ownership; the processing and improvements are recorded under «manufacturing services» in accordance with international statistical standards.

In the French balance of payments, net merchanting exports mainly reflect global manufacturing processes in automobile, aerospace and food and beverage companies.

In 2015, merchanting by the industries operating global manufacturing processes stood out, with the highest growth, up by 7.4 billion compared to 2014. In contrast, falling prices for many commodities, such as oil, gas and uranium, led to a contraction of 3.5 billion in the merchanting business of the major groups in the related industries.

T0-4 Geographical structure of trade in goods and services in 2015

(%)

	Goods ^{a)}	Services ^{a)}
Germany	14.5	12.3
Belgium	7.5	6.1
Netherlands	4.1	5.2
Italy	7.3	5.0
Spain	6.7	5.2
Euro area	45.2	42.3
United Kingdom	5.4	11.5
European Union	57.0	58.6
United States	6.7	10.9
Switzerland	2.6	5.6
China	6.6	2.2
Japan	1.5	1.0
Brazil	0.7	0.8
Russia	1.3	0.8
India	0.9	0.8
World	100.0	100.0

Sources: Customs, Banque de France.

a) Exports + imports.

OVERVIEW

French tourists' spending abroad was also down, but to a lesser extent, with a contraction of 2.1 billion.

The overall trade surplus on travel stood at 6.8 billion, compared to 7.1 billion in 2014.

With the exception of construction and telecommunications services, imports for all other services were up sharply. The growth was particularly strong for manufacturing services imports (manufacturing services on physical inputs owned by others were up 2.5 billion), commissions paid for the use of intellectual property (up by 3.4 billion), and technical, trade-related and other business services (up by a total of 10.7 billion).

France's trade in goods and services mainly concerns other European countries, Germany in particular. Most of France's deficit on trade in goods and services stems from its trade with the rest of the euro area (38 billion). Outside the euro area, France's biggest deficits are with China (24 billion). In contrast, its trade with the United Kingdom shows a surplus of 13 billion.

It should be noted, however, that a share of France's exports to euro-area countries is used to produce manufacture goods that are then exported outside the euro-area. Based on the final use of goods, the leading market for French exports seems to be countries outside of the euro area. It also seems that on average for all goods exports, services involved in

the manufacturing processes are a key parameter for competitiveness.²

France's foreign trade performance is dependent on that of the euro-area countries, which are its leading partners in international manufacturing value chains. This interdependence is combined with global competition on final markets outside of Europe, which are the main ones.

Under the circumstances, France's shares in the export markets of the four largest economies of the euro area dipped sharply after 2000, but have been relatively stable in more recent years. Italy's market shares have declined more steadily. Germany and, to a lesser extent, Spain have seen gradual growth in their market shares.

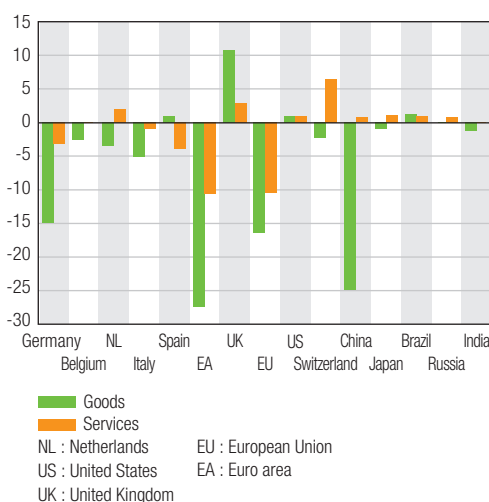
The primary income surplus (dividends, coupon payments, compensation of cross-border commuters) stood at 52.0 billion, compared to 47.8 billion in 2014. Most of the improvement stems from an increase in dividend income receipts.

Compensation of French cross-border commuters increased by more than 2.0 billion to 20.6 billion in 2015, as the number of such workers continued to rise, mainly in Switzerland and Luxembourg, and as a result of a higher Swiss franc exchange rate.

The deficit on other income showed a significant reduction in 2015, falling from 47.0 billion to 41.1 billion.

CO-2 Geographical structure of the balance of trade in goods and services in 2015

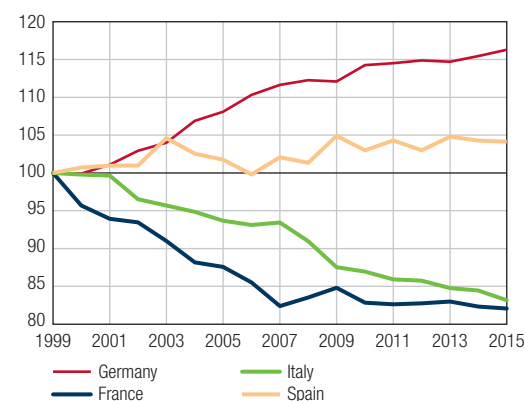
(EUR billions)



Source: Banque de France.

CO-3 Goods and services export market shares among the 4 leading euro area countries

(base: 1999 = 100)



Sources: Banque de France, Eurostat.

² See Box 3 in Chapter 1 below and the paper "L'insertion commerciale de la France mesurée en valeur ajoutée" in the Bulletin de la Banque de France, No. 205, p. 25, May-June 2016.

T0-5 Income balances

(EUR billions)

	2014	2015
Primary income	47.8	52.0
Compensation of employees	17.4	19.1
Investment income	22.0	23.2
Other primary income	8.3	9.6
Secondary income	-47.0	-41.1
General government secondary income	-28.3	-24.3
Other secondary income	-18.7	-16.8
of which workers' remittances	-8.8	-9.5

Source: Banque de France.

General government primary income showed the largest increase (1.5 billion), as a result of the taxes and penalties paid by French taxpayers following voluntary disclosure of unreported foreign assets. In addition, the fine of 4.6 billion that a major French banking group paid abroad in 2014 created a positive base effect in 2015.

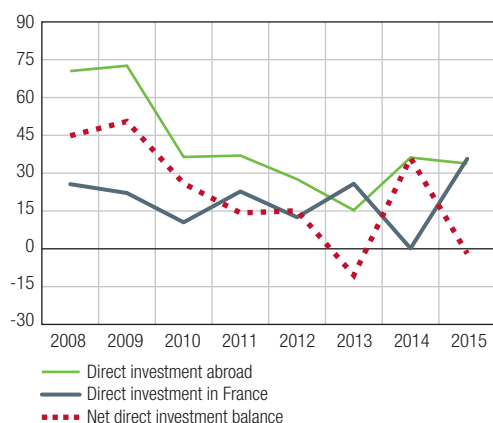
The marked increase in workers' remittances, which rose 7.5% by 0.7 billion to 9.5 billion, offset some of the secondary income improvement.

Foreign investment in France recovered while external debt increased.³

Foreign direct investment in France stood at 36 billion, with the merger of two major cement groups giving rise to an inflow of nearly 11 billion.

C0-4 Direct investment flows

(EUR billions)



Source: Banque de France.

Foreign direct investment abroad stood at 34 billion, which nearly matched the levels seen in 2011. Most of the investment took the form of equity capital transactions.

The balance shows net investment in France of 2 billion.

Other components of the financial account show purchases of other securities issued by non-residents (bonds and short-term debt securities in particular), and an increase of borrowing from foreign lenders, particularly in the banking sector.

After deteriorating from 2011 to 2014, France's international investment position was stable in 2015.

Outward direct investment exceeded inward direct investment by 495 billion.

With the exception of the EUR 127 billion in reserve assets managed by the Banque de France, the other international investment position components showed a net liability.

The net international investment position, which represents France's net assets or liabilities vis-à-vis the rest of the world, showed a net foreign liability equivalent to 16.4% of GDP at the end of 2015. This figure falls far short of the European alert threshold of 35% of GDP.

T0-6 France's international investment

(EUR billions)

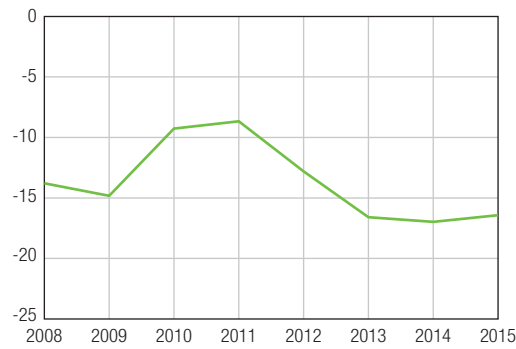
	2014	2015
Direct investment	465	495
Abroad	1,026	1,101
In France	561	606
Portfolio investment	-785	-758
Assets (residents' transactions in securities issued by non-residents)	2,267	2,324
Liabilities (non-residents' transactions in securities issued by residents)	3,053	3,082
Financial derivatives	-59	-31
Other investment	-100	-191
Reserve assets	118	127
Net international investment position	-362	-358
as % of GDP	-17.0	-16.4
Net external debt	780	813
as % of GDP	36.6	37.3

Source: Banque de France.

³ In keeping with international conventions, a positive balance of flows on the financial account indicates an increase in France's net assets, corresponding to a net capital outflow, and a negative balance indicates a decrease in net assets, corresponding to a net capital inflow.

C0-5 **France's net international investment position**

(% of GDP)



Source: Banque de France.

France's net international investment position at the end of 2015 was less unfavourable than Italy's or Spain's, which posted a foreign liability equivalent to 26.7% and 90.5% of GDP, respectively. In contrast, Germany's net

T0-7 **Net international investment position by agent in 2015**

(EUR billions)

Net position	-358
Banque de France	121
General government	-1,170
Banks	-46
Other sectors	737

Source: Banque de France.

international investment position showed net foreign assets equivalent to 50% of its GDP.

Net external debt, standing at 813 billion, measures debt financing provided for the economy by the rest of the world as debt instruments. This figure excludes financial derivatives and equity securities. Net external debt was equivalent to 37.3% of GDP at the end of 2015. It primarily represents the financing that non-residents provide for most of the government deficit.



CHAPTER 1
CURRENT ACCOUNT

T1-1 Current account

(EUR billions)

	2014			2015		
	Receipts	Payments	Balance	Receipts	Payments	Balance
Current account	816.5	839.3	-22.8	856.3	860.6	-4.4
Goods	438.0	478.5	-40.5	460.7	484.7	-24.0
Services	207.1	190.2	16.9	217.8	209.0	8.8
Goods and services	645.1	668.7	-23.6	678.5	693.7	-15.2
Primary income	157.0	109.3	47.8	160.7	108.8	52.0
Secondary income	14.4	61.4	-47.0	17.1	58.2	-41.1

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.
Source: Banque de France.

France's current account neared equilibrium in 2015, with a deficit of EUR 4.4 billion, equivalent to 0.2% of GDP, following a current account deficit of 22.8 billion in 2014 that was

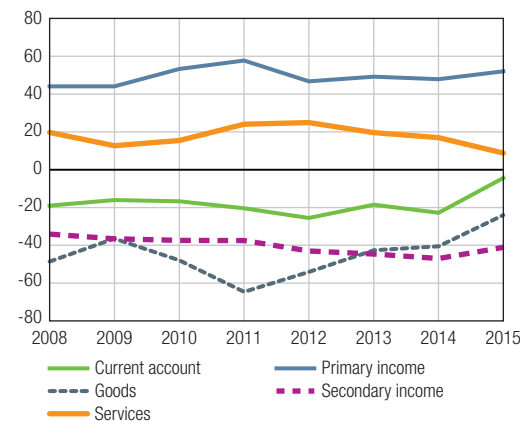
equivalent to 1.1% of GDP. The improvement stems primarily from a smaller deficit on trade in goods, which can be attributed to the reduced energy bill.

1 | GOODS

The deficit on trade in goods shrank substantially, from 40.5 billion in 2014 to 24.0 billion in 2015, as import growth slowed.

C1-1 Current account
Current account

(EUR billions)



Source: Banque de France.

1|1 General merchandise

The improvement in the trade deficit on goods can be attributed to the fall in oil prices in 2015, from an average of 74 dollars per barrel in 2014 to 47 dollars in 2015.¹ Lower oil prices improved the deficit on energy by EUR 14.7 billion, while the deficits on other types of merchandise deepened.

1 Using the price of Brent crude as the reference price.

T1-2 Trade in merchandise by type of product

(EUR billions)

	Exports		Imports		Balance	
	Amount in 2015	Change 2015/2014 (in %)	Amount in 2015	Change 2015/2014 (in %)	Amount in 2015	Change 2015/2014 (EUR billions)
Trade in goods FOB-FOB	455.2	4.2	500.5	1.2	-45.3	12.4
Trade in goods CIF-FOB^{a)}	446.2	4.1	509.6	1.2	-63.4	12.0
of which: Agriculture and agri-food products	60.2	3.7	51.1	4.2	9.1	0.1
Energy products	17.5	-17.3	57.5	-24.2	-40.0	14.7
Mechanical, electrical and computer equipment	85.6	5.2	107.6	6.5	-22.0	-2.3
Transport equipment	103.4	10.5	88.2	11.9	15.2	0.4
Other manufactured goods	176.1	3.0	201.7	3.3	-25.6	-1.4

a) Excluding military equipment

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.
Sources: Customs, unadjusted data; calculations by Banque de France.

More specifically, the deficit on mechanical, electrical and computer equipment continued to grow to EUR 22.0 billion, following a deficit of 19.7 billion in 2014. The larger deficit stemmed from 6.5% growth of imports, whereas exports grew by only 5.2%. The

deficit on trade in other manufactured goods (textiles, wood, chemicals, pharmaceuticals, metals, miscellaneous manufactured goods) also deepened, but to a lesser degree. This deficit grew from 24.2 billion in 2014 to 25.6 billion in 2015.

Box 3

Measuring France's trade in goods and services using the "Trade in Value Added" approach provides another way of looking at globalisation ^{a)}

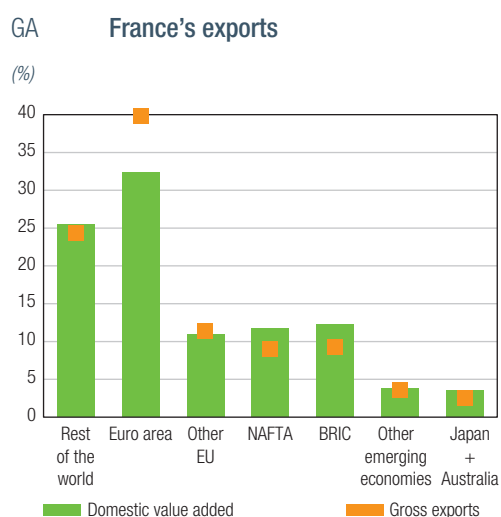
Gross export data, like those published in the Balance of Payments, include intermediate goods and services produced abroad. These data are not the same as the French value added content of exports, of the difference corresponding to the imported goods and services content. With the development of production processes organised within global value chains, the gap between gross exports value and the domestic value added content of gross exports is widening.

In addition, the "trade in value added" approach aims to classify exports by the country of residence of the end user of the finished product and not the direct trading partner. Measuring trade in value added reduces the exports to trading partners that are steps along the way in the global production chain. Europe is a highly integrated trade area, with value chains that span the continent. This means that measuring trade in value added reduces the relative shares of France's European partners in its foreign trade. On the other hand, the shares of large economies, like the United States and China, are increasing.

Measuring trade in value added also enables us to identify the exporting sectors, by recording the goods and services exported directly by a sector, along with the goods and services from the sector that are used by other sectors as inputs in their exported products. In France, gross exports are attributed to the manufacturing sector, but the service sector is the main source of exported value added. Services are a key component of France's competitiveness on export markets.

Statistics measuring "trade in value added" on goods and services require estimates of the intermediate consumption structures linked to exports. These estimates are derived from balance of payments and national accounts statistics.

a) Article "France's trade integration measured in value added", Quarterly selection of articles, No. 43, Autumn 2016.



Sources: WIOD, calculations by Banque de France.



Sources: WIOD, calculations by Banque de France.

On the other hand, the surplus on trade in transport equipment grew slightly, from EUR 14.8 billion to 15.2 billion in 2015, as the increase in imports (9.4 billion) was a bit smaller than the increase in exports (9.8 billion). The latter increase concerned all of the products that traditionally make up France's exports: aircraft, including business aircraft, satellites and railway equipment.

France showed a major deficit on its trade in merchandise with its euro-area partners, standing at 37.3 billion. This figure includes a deficit of 15.5 billion with Germany and a deficit of 5.8 billion with Italy.

France's largest deficit outside of the euro area was a 25.2-billion deficit on its trade with China. Conversely, France's largest surplus is on its trade with the United Kingdom (12.1 billion).

Generally speaking, France's market share in international trade in merchandise has declined over the last fifteen years, even though it has been stable since 2012.

1|2 The other components of trade in goods: goods procured in ports by carriers and merchanting

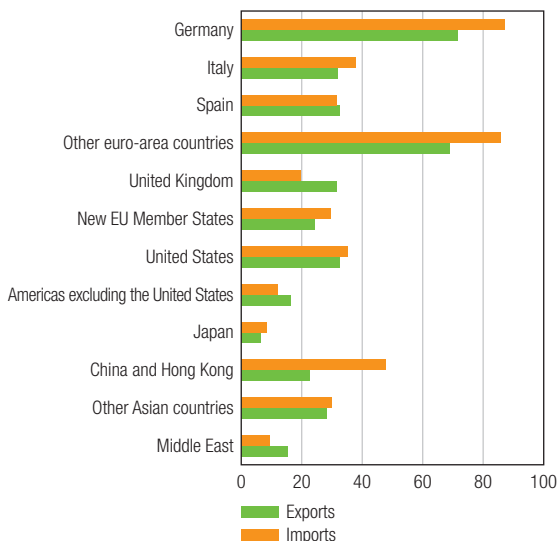
The deficit on goods procured in ports by carriers came to 2.3 billion.

Net merchanting receipts stood at 23.2 billion in 2015. Net merchanting receipts in France's balance of payments stem primarily from managing international manufacturing processes, particularly in the automotive and aerospace sectors, as well as in the agricultural, food and beverage industries.²

In 2015, merchanting by the industries operating global manufacturing processes stood out, with the highest growth rates, posting an increase of EUR 7.4 billion compared to 2014. In contrast, falling commodity prices (oil, gas, as well as uranium) led to a decline of 3.5 billion in the merchanting business of the leading groups in the related industries.

C1-2 Geographical structure of trade in goods in 2015

(EUR billions)



Sources: Customs, calculations by Banque de France.

² As part of such an international manufacturing process, a company may subcontract assembly of a good to one or more sub-contractors, which could be its own subsidiaries. This means that the company purchases and resells a good without any transactions in the country of residence of the owner of the good.

T1-3 Trade in goods 2015

(EUR billions)

	Receipts	Payments	Balance
Goods	460.7	484.7	-24.0
Merchandise	437.4	484.7	-47.2
Customs data	455.2	500.5	-45.3
Adjustment	-19.4	-19.7	0.4
Goods procured in ports by carriers	1.6	3.9	-2.3
Merchanting	23.2	-	23.2

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

Source: Banque de France.

T1-4 Services

(EUR billions)

	2013			2014			2015		
	Receipts	Payments	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance
Services	191.4	171.8	19.6	207.1	190.2	16.9	217.8	209.0	8.8
Transport services	34.6	38.1	-3.5	36.2	39.2	-3.0	38.3	42.0	-3.7
Travel	42.6	31.8	10.8	43.8	36.7	7.1	41.4	34.6	6.8
Other services ^{a)}	114.2	101.9	12.3	127.1	114.3	12.7	138.1	132.4	5.7

a) See Statistical Table 1.6 "Other services" on the Banque de France website for more details.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

Source: Banque de France.

2 | SERVICES

Trade in services produced another substantial surplus in 2015, standing at EUR 8.8 billion. However, this surplus has been shrinking in recent years, as the deficit on trade in transport services deepens and the surplus on travel contracts. It decreased more sharply in 2015, compared to the 2014 surplus of 16.9 billion.

2|1 Transport services

The deficit on trade in transport services stood at EUR 3.7 billion in 2015, which was similar to the 3.5 billion deficit in 2013 and the 3 billion deficit in 2014. Among the different components of transport services, only sea transport services and space transport services posted surpluses, of 4.3 billion and 1 billion respectively.

The surplus on trade in sea freight transport services increased from 8.2 billion in 2014 to 9.1 billion

in 2015. The related increase in payments for other expenses (chartering, port services, traffic fees), from 4.8 billion to 5.9 billion resulted in the overall stability of the surplus over the same period.

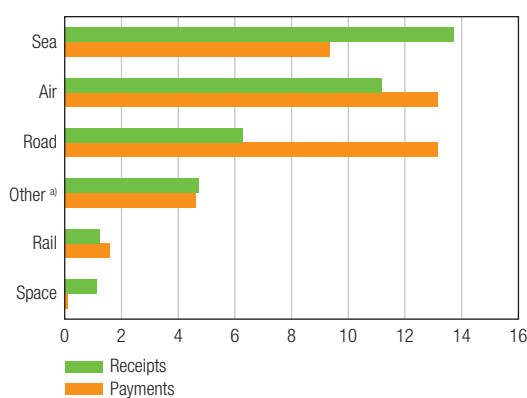
Trade in space transport services posted a stable surplus of 1.0 billion in each of the last three years, despite keener competition in the sector.

In 2015, the 2.0 billion deficit on air transport was virtually unchanged from 2014 and slightly smaller than in 2013, as receipts increased more than payments. The balance of trade on air passenger transport services shrank as foreign companies increased their market shares and has posted a deficit since 2011.

Trade in road transport services posted a deficit of 6.9 billion, including a deficit of 7.2 billion for road freight transport services. This deficit stems from the reduced presence of French carriers in foreign markets, combined with increasing penetration of the French market by foreign carriers.

C1-3 Transport services in 2015

(EUR billions)



a) Inland waterways, pipelines, mail, etc.

Source: Banque de France.

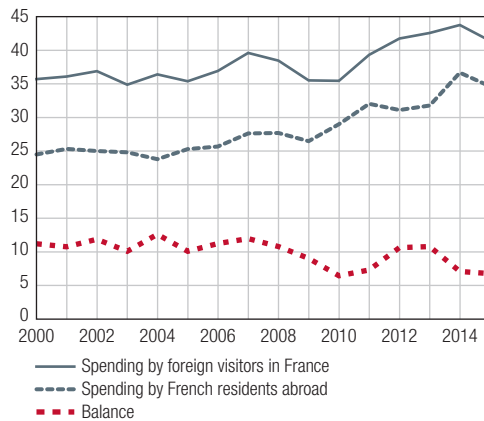
2|2 Travel

The surplus on trade in travel services shrank by 0.3 billion in 2015, following a sharp contraction in 2014. The surplus stood at 6.8 billion (Table T1-4 and Chart C1-4). The smaller surplus stems from less spending by foreign visitors in France, which was down by 2.4 billion, more than offsetting the decrease of 2.0 billion in French residents' spending abroad.

The decrease in French residents' spending abroad primarily concerns spending outside of the European Union, especially in North Africa, where such spending decreased by 0.5 billion, or 34%, and in the United States, where it decreased by 0.4 billion, or 18%. French residents' spending inside the European

C1-4 Travel

(EUR billions)



Source: Banque de France.

Union was up only very slightly from 2014, with an increase of 0.05 billion and the increase for the euro area countries only was 0.2 billion. However, French residents' spending was up by 0.3 billion in Spain, the leading destination for French tourists, and by 0.3 billion in Greece and in Portugal.

Foreign visitors' spending in France stood at 41.4 billion in 2015. The euro area countries account

for 50.4% of this spending; the other European Union countries account for another 14.4% and the remaining 35.2% comes from countries outside of Europe. Receipts from euro area countries declined by 1.7 billion between 2014 and 2015 (Chart C1-5), including a 0.5 billion drop in spending by visitors from Germany, France's first partner, and a 0.4 billion decline in spending by Dutch visitors.

The decline in spending by visitors from outside the euro area was smaller than for those from the euro area (-3.3% compared to -7.5%). This can be attributed to the strong growth of receipts from Asia, and from China in particular, which increased by 40%, from 0.7 billion in 2014 to 1.0 billion in 2015.

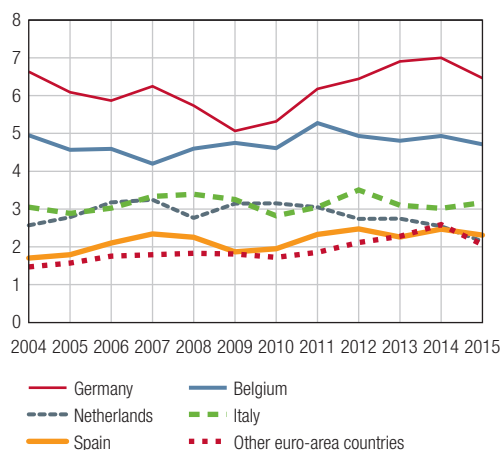
Receipts from Asia-Oceania increased by 0.2 billion to 3.6 billion, including 1.0 billion from China, 0.7 billion from Australia, 0.3 billion from Japan and 0.2 billion from India. These increases partially offset the sharp drop in receipts from Russian and Brazilian visitors, which can probably be attributed to the depreciation of their currencies against the euro and the economic slump in both countries.

Receipts from the United Kingdom, France's leading partner outside of the euro area, were down slightly at EUR 4.5 billion.

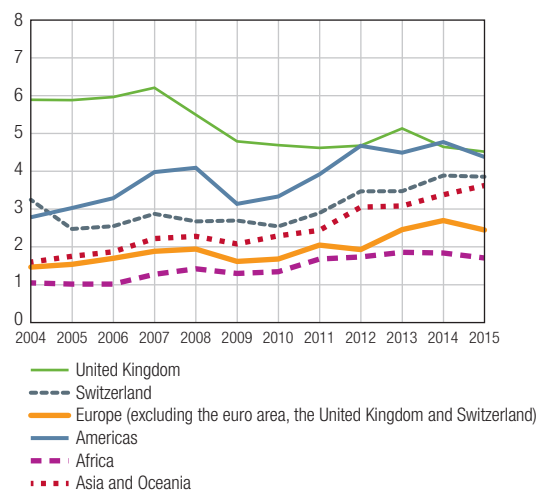
C1-5 Travel receipts

(EUR billions)

From euro-area countries



From non-euro-area countries



Source: Banque de France.

Box 4

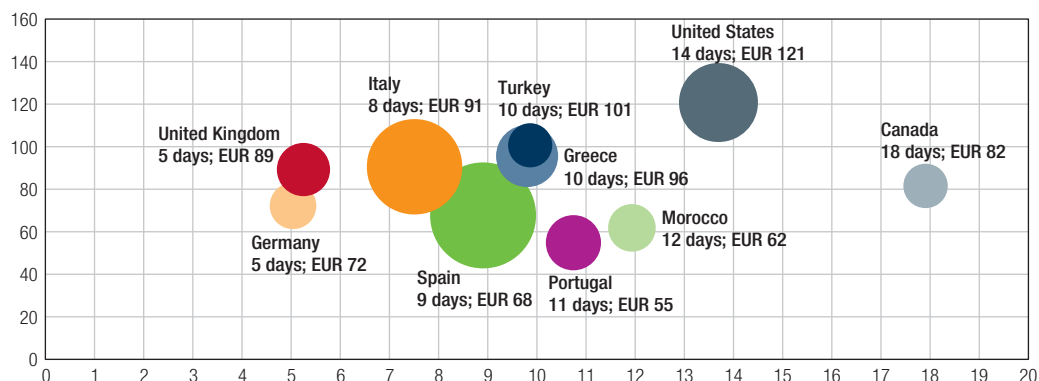
French tourists' spending abroad in 2015

French residents travelling abroad for personal reasons spend an average of EUR 760 per trip. Their trips last an average of nine days and the average spending per day comes to EUR 84 (excluding transport expenses).

The average number of days spent in the leading destinations (in terms of spending) varies from 5 in Germany or the United Kingdom to 18 in Canada and the average spending per day varies from EUR 55 in Portugal to EUR 121 in the United States.

French tourists' average spending per day and average number of days spent abroad in 2015

(vertical axis : the average spending in euro ; horizontal axis : the average length of trip per day)



Note: The size of the circles corresponds to the percentage of total spending abroad made in the destination country. Spain is the leading destination for French tourists in terms of spending.

Key: French tourists spend an average of 14 days in the United States and spend 121 euros per day.

Source: Tourism Demand Survey (SDT), 2013-2015 data.

2|3 Other services

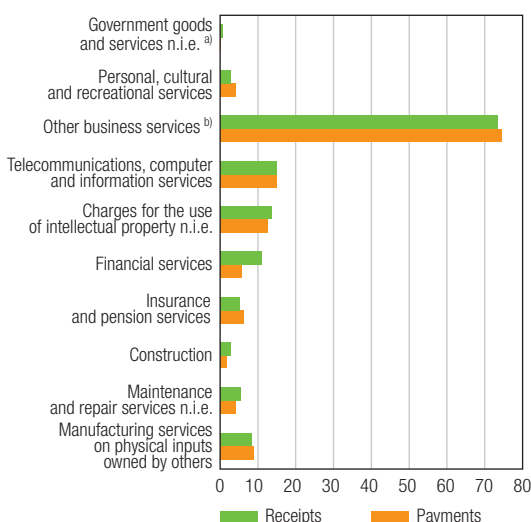
Trade in "other services" still showed a surplus of 5.7 billion, which was much smaller than the surplus of 12.7 billion in 2014.

The main contribution to the surplus on other services came from financial services, which posted a surplus of EUR 5.4 billion in 2015, virtually unchanged from the surplus in 2014. The largest component of trade in other services is "other business services" (research and development services, professional and management consulting services, technical, trade-related and other business services). The balance on this component posted a deficit as a result of a sharp increase in payments. The deficit on research and development services increased from 1.0 billion in 2014 to 2.1 billion in 2015, returning to the levels seen before 2012.

The larger deficit affected most categories of trade in services, with the notable exception of construction-related services, which posted a surplus of 1.1 billion. This was a large increase compared to 2014, resulting

C1-6 Other services in 2015

(EUR billions)



a) n.i.e.: not included elsewhere.

b) Research and development services, professional and management consulting services, technical, trade-related and other business services.

Source: Banque de France.

from a 0.3-billion increase in receipts and a 0.5-billion decrease in payments.

The deficit on trade in insurance and pension services increased from 0.6 billion in 2014 to 1.0 billion in 2015 as the result of greater reliance on imported services, rising from 5.9 billion in 2014 to 6.1 billion in 2015 and a decrease in exported services from 5.3 billion to 5.1 billion.

3 | PRIMARY INCOME

Primary income refers to compensation for means of production: labour (compensation of employees) and capital (investment income). France's primary income in 2015 posted a surplus of EUR 52.0 billion, up by 4.2 billion compared to 2014. This increase can be attributed to a variety of specific factors.

3|1 Compensation of employees

Compensation of employees corresponds to receipts in the form of working income earned abroad by French residents, who are cross-border commuters in most cases, and payments in the form of income paid to non-residents working in France. The 11.1% increase in receipts between 2014 and 2015 (from 18.5 billion to 20.6 billion) stems from larger numbers of border workers, particularly in Luxembourg and Switzerland, and the 10% appreciation of the Swiss franc against the euro in 2015. Payments remain quite small, at approximately 1.5 billion. The overall balance on compensation of employees shows a substantial surplus of 19.1 billion and an increase from the 17.4-billion surplus in 2014.

T1-5 Primary income Balances in 2015

(EUR billions)

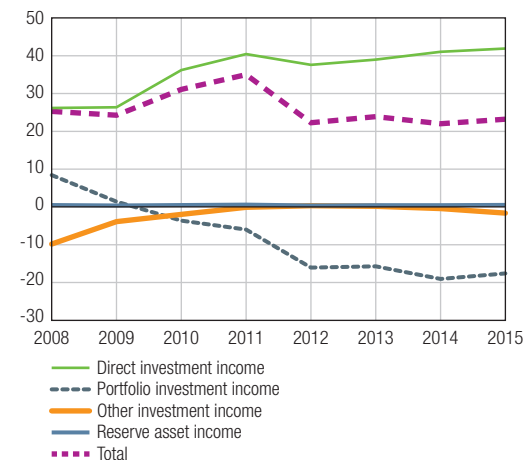
Compensation of employees	19.1
Investment income	23.2
Direct investment income	41.9
Dividends	40.2
Reinvested earnings	1.6
Interest on intercompany lending	0.2
Portfolio investment income	-17.6
Of which income from equity securities and investment fund shares/units	-8.6
Other investment income (loans and deposits)	-1.7
Reserve asset income	0.6
Other primary income	9.6
Total	52.0

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

Source: Banque de France.

C1-7 Investment income balance (including reinvested earnings)

(EUR billions)



Source: Banque de France.

3|2 Direct investment income

The estimated direct investment income surplus stood at EUR 41.9 billion in 2015, up by nearly 1 billion compared to 2014. Dividends accounted for the largest component of the surplus, at 40.2 billion, well ahead of reinvested earnings (1.6 billion) and interest on intercompany lending (0.2 billion).

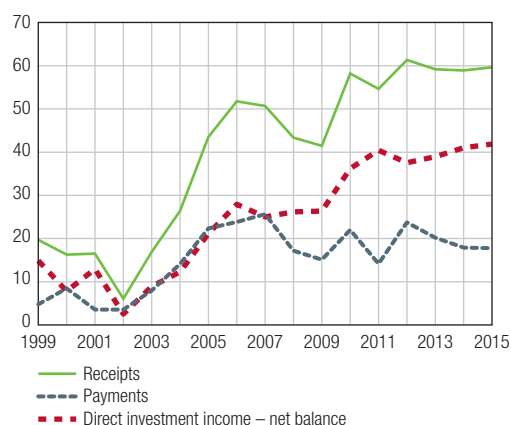
The direct investment income surplus stems in part from the difference between the stocks of outward direct investment (total of approximately 1,100 billion) and the stocks of inward direct investment (600 billion). In addition, the ratio between payments (17.8 billion) and receipts (59.7 billion) stands at about 1 to 3, whereas the ratio between inward and outward direct investment stocks stands at about 1 to 2 (Chart C1-8). This difference reveals a substantial gap between the apparent return on inward and outward direct investment.

The geographical structure of outward direct investment income receipts in 2014³ shows that European Union countries account for more than half, while other industrialised countries and the emerging countries account for one fifth and slightly more than one quarter respectively. Two major new trends have emerged: the steady increase in the euro area's share, which is nearing 40%, up by nearly 12 percentage points from its low in 2011 and the shrinking share of emerging countries from a high in 2012, when they accounted for a third of the income. The main sources of direct

³ The last year for which the direct investment income data were collected instead of estimated.

C1-8 Direct investment income

(EUR billions)



Notes: Provisional results for 2015. Receipts correspond to income from outward direct investment and payments correspond to income from inward direct investment. Starting in 2012, direct investment income has included interest on intercompany lending calculated according to the extended directional principle.

Source: Banque de France.

investment income are France's leading trading partners (United Kingdom, United States, Germany, Switzerland) and the Netherlands and Belgium, which host large numbers of holding companies and cash management centres that lend or reinvest funds from France in third countries. The main sources of direct investment income from the emerging countries are China and Singapore, whereas income from Russia, Morocco and, to a lesser extent, Brazil, has dropped sharply in the last two years.

Payments of income made directly to direct investors in countries outside of Europe accounted for barely 16% of the total, with nearly two thirds going to the United States. In Europe, the Netherlands, Luxembourg and Belgium, where investment funds, major French and international groups, and family holding companies often choose to hold their investments in France, received 44% of the direct investment income payments to foreign investors. Germany, the United Kingdom and Switzerland were the other main recipients, accounting for 30% of the total.

3|3 Portfolio investment income

Portfolio investment income posted a deficit of EUR 17.6 billion in 2015, but this was a slight improvement compared to 2014, when the deficit stood at 19.0 billion. Receipts were virtually the same, at 54.4 billion, but payments were down by 1.5 billion. Most of the decrease in payments stems from the reduction in service on France's government debt resulting from lower interest rates. Non-residents own

more than 60% of France's government debt. Service on French government debt stood at 42.1 billion in 2015, which was 1 billion less than in 2014.⁴

3|4 Income from "other investment" and reserve assets

The deficit on income from other investment, meaning current loans and deposits, deepened substantially, from 0.4 billion in 2014 to 1.7 billion in 2015. The larger deficit stems from an increase in financing provided by foreign banks.

4| SECONDARY INCOME

The balance of payments on secondary income shows a structural deficit. This income corresponds to distribution transactions that are not related to means of production (non-production related taxes, social benefits, etc.). The deficit shrank by 5.8 billion from 47.0 billion in 2014 to 41.1 billion in 2015. General government secondary income showed the largest increase (1.5 billion), as a result of the taxes and penalties paid by French taxpayers in 2015 following voluntary disclosure of unreported foreign assets. Most of the remaining improvement can be attributed to the base effect, following the fine that the BNP Paribas group paid to the American administration in 2014.

In addition to these specific factors, the increase in secondary income payments can also be attributed to a substantial rise of 7.5%, or EUR 0.7 billion, in workers' remittances.

⁴ The apparent yield of French government debt should be 2.01% in 2015, compared to 2.12% in 2014.

T1-6 Secondary income Balances in 2015

(EUR billions)

General government secondary income	-24.3
Social benefits	-6.7
International cooperation	-2.2
of which operating expenses for international organisations	-0.9
Own resources of European Union institutions	-19.1
Other general government transfers	3.7
Other secondary income	-16.8
of which miscellaneous current transfers	-13.6
of which workers' remittances	-9.5
Total	-41.1

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

Source: Banque de France.

Box 5

Transfers with European Union institutions

France posted a net deficit of EUR 5.2 billion on its transfers with European Union institutions. However, this figure was only 62% of the deficit posted in 2014.

France's contribution to European institutions came to EUR 21.7 billion in 2015, including 2.1 billion in primary income for customs duties and 19.6 billion in secondary income, which breaks down as follows:

- France's contribution of 19.1 billion to the European Union budget;
- France's contribution of 0.2 billion to the European Development Fund (EDF).

At the same time, the European Union institutions made payments of EUR 16.4 billion to France in 2015. Primary income in the form of subsidies under the common agricultural policy (CAP) accounted for most of the receipts, standing at EUR 11.8 billion. Secondary income receipts came to 1.8 billion in 2015 and correspond mainly to payments from the European Social Fund (ESF). The capital account shows an inflow of 2.2 billion, most of which corresponds to receipts from the European Regional Development Fund (ERDF).

Transfers with European Union institutions

(EUR billions)

	2015		
	Receipts	Payments	Balance
General government	0.6	0.0	0.6
Primary income	11.8	2.1	9.7
Taxes		2.1	-2.1
Subsidies	11.8		11.8
Secondary income	1.8	19.6	-17.7
of which own resources		19.1	-19.1
of which European Development Fund (EDF)		0.2	-0.2
Capital account	2.2		2.2
Total	16.4	21.7	-5.2

Source : Eurostat.



CHAPTER 2
FINANCIAL ACCOUNT

T2-1 Financial account

(EUR billions)

	2014	2015
Financial account	-8	-7
Direct investment	36	-2
Portfolio investment	-18	54
Financial derivatives	-24	11
Other investment	-3	-77
Reserve assets	1	7

Source: Banque de France.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

1 | DIRECT INVESTMENT

Direct investment flows produced a slightly negative balance in 2015, with relatively similar amounts of foreign direct investment in France and French direct investment abroad.

1|1 Direct investment abroad

The flow of French direct investment abroad, presented according to the “extended directional principle”,¹ stood at 34 billion in 2015, which was slightly less than in 2014. The balances on the main components were relatively stable, with equity capital flows of just under 20 billion, reinvested earning flows² of approximately 9 billion and intercompany lending flows of 5 billion.

Outward flows of equity capital reached nearly 20 billion, as was the case in 2014. These flows confirm the rebound from 3 billion in 2013, but still fell far short of the

T2-2 Direct investment flows

(EUR billions)

	2014	2015
Abroad	36.2	33.8
Equity capital, including real estate	19.6	19.9
Reinvested earnings	6.4	8.8
Other transactions (intercompany lending)	10.2	5.1
Memorandum item: Other capital (assets)	9.1	1.2
In France	0.2	35.7
Equity capital, including real estate	9.7	34.6
Reinvested earnings	5.3	7.3
Other transactions (intercompany lending)	-14.8	-6.2
Memorandum item: Other capital (liabilities)	-15.9	-10.0
Net direct investment balance	36.0	-1.9

Source: Banque de France.

Notes: Flows are determined according to the international extended directional principle, which is explained in footnote 2. Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

average annual flows of 44 billion seen in the 15 previous years. There were few deals that exceeded 3 billion in 2015, in contrast to the deals that generated huge outward flows in the previous decade. French groups are continuing to develop their international presence through deals with more modest unit values in an uncertain international economic environment.³

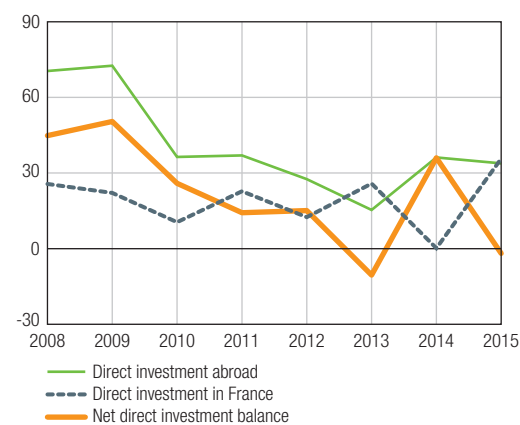
1 See the glossary entry for “extended directional principle”.

2 Reinvested earnings in 2015 are estimated at the time the 2015 Balance of Payments Annual Report is published and will be revised when the 2016 Annual Report is published.

3 The list of the main mergers and acquisitions announced in the press and included in the 2015 balance of payment flows can be found in Tables 2.7 and 2.8 of the Supplementary Statistical Tables to this report available on the Banque de France website.

C2-1 Direct investment flows

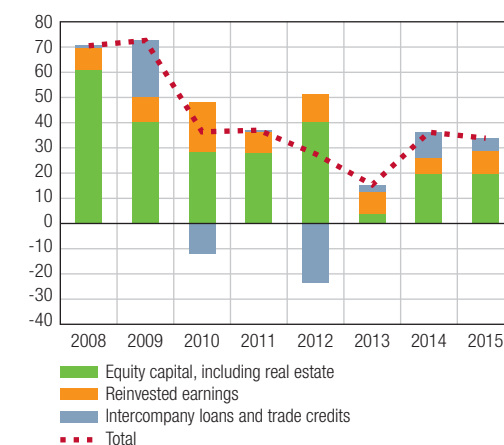
(EUR billions)



Source: Banque de France.

C2-2 Outward direct investment flows

(EUR billions)



Source: Banque de France.

Note: The data for 2015 are provisional.

The “other transactions”, or intercompany loans, component shows that French groups were net lenders to their foreign subsidiaries and affiliates for the third year in a row. These flows can no doubt be explained by a partial substitution of intercompany loans for equity investments, since the big drop in interest rates makes debt financing more attractive than equity financing. The positive balance on intercompany lending also stems from the trend that has seen financing and cash management centres repatriated from Belgium, Luxembourg and the Netherlands to France. The repatriation of cash management centres could be a consequence of lower interest rates, which reduce the tax benefits of incurring debt vis-à-vis non-residents, as well as changes in France’s tax laws after 2013.⁴

1|2 Direct investment in France

Foreign direct investment flows into France stood at 36 billion in 2015, which was more than in 2014, and even more than any other year since 2008.

Equity capital deals were worth 35 billion, which is the highest figure since 2002. This figure includes two major deals during the year: the merger between the cement groups Holcim (Switzerland) and Lafarge, and the acquisition of the Alstom group’s “energy” business by General Electric (United States). These two deals came on top of a large number of acquisitions and capital increases in existing subsidiaries in most sectors and large-scale real estate investments. The background to the 2015 flows includes a depreciation of the euro against the dollar and extremely favourable financing terms, which were bound to have influenced the timing of the deals. Investment funds were also very active in 2015, investing in many sectors. Their deals testify to their perspective on the growth and profitability prospects for French companies.

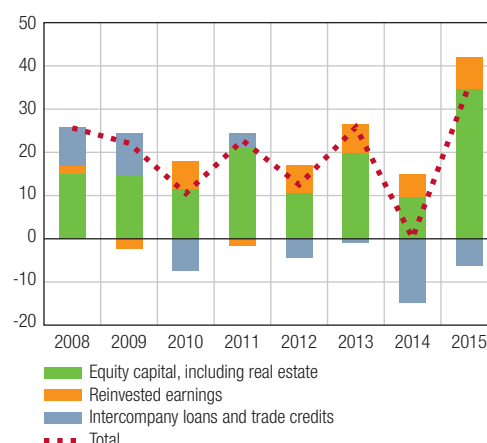
Intercompany lending posted a negative balance of 6 billion in 2015, which means that foreign groups reduced their lending to French affiliates instead of extending new loans. Two contrasting trends explain why the 2015 balance was smaller than the 15-billion negative balance seen in 2014: a marked reduction in the debt of French affiliates of foreign groups and more reliance on debt to finance mergers and acquisitions.

⁴ Up until 2012, French enterprises were allowed to deduct all of their financial expenses from their taxable income under the terms of Article 39 of the General Tax Code. However, Article 23 of the 2013 Budget Act restricted the deduction by requiring 15% of net financial expenses incurred by any entity liable for corporate income tax to be added back into taxable income. In 2014, the proportion was raised to 25%.

⁵ See the glossary entry on “portfolio investment”.

C2-3 Inward direct investment flows

(EUR billions)



Source: Banque de France.

Note: The data for 2015 are provisional.

The former trend is in line with the deals reported in 2014. The latter trend stems from the revival of deal-making by investment funds. The funds have taken advantage of very favourable interest rates to increase their reliance on leveraged financing.

The sectors that benefited most from foreign direct investment in France in 2015 include construction (13 billion), finance and insurance (9 billion), real estate (6 billion) and wholesale and retail trade (4 billion). The manufacturing industry saw divestment or small-scale investment, with the exception of manufacturing of machinery and equipment (6 billion) and pharmaceuticals (2 billion).

The countries accounting for the largest inflows of direct investment in France were Switzerland (21 billion), Belgium (7 billion), the United Kingdom (6 billion) and Germany (3 billion). In contrast, Italy reduced its investment in France by 1 billion and the Netherlands by 9 billion.

2| PORTFOLIO INVESTMENT

Portfolio investment⁵ posted a net capital outflow of 54 billion.

French residents’ acquisitions of foreign securities (“assets”) were down slightly, but still positive at 55 billion, compared to 70 billion in 2014, following negative balances between 2010 and 2012. Most of these acquisitions involved long-term debt securities.

Non-residents' acquisitions of French securities ("liabilities") stood at zero, following an increase of 88 billion in 2014. There was a sharp drop in purchases of long-term debt securities. Non-resident investors were probably reacting to falling interest rates in Europe, which affected every segment of the yield curve. In the meantime, monetary policy measures freed up resident investors' lending capacities. The drop in non-residents' acquisitions of French securities is the main reason that portfolio investment resulted in a net capital outflow.

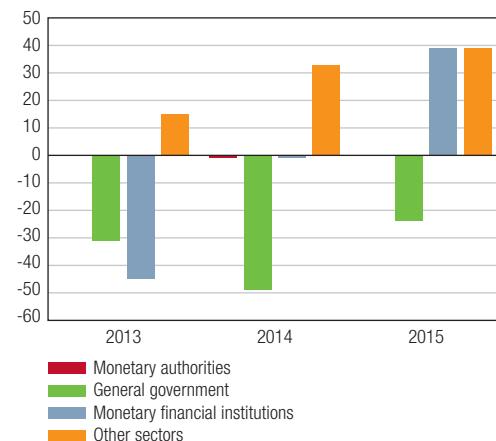
The breakdown by instrument shows that net capital inflows and outflows on equity securities and investment fund shares/units were in balance, following a small capital outflow of 3 billion in 2014. Residents' net acquisitions of foreign equity securities and investment fund shares/units showed a further decline to 5 billion, following 31 billion in 2013 and 11 billion in 2014. At the same time, non-residents' net acquisitions of equity securities and investment fund shares/units issued by residents also declined from 8 billion in 2014 to 5 billion in 2015.

Portfolio investment flows in debt securities resulted in a net capital outflow of 54 billion in 2015, compared to a net inflow of 21 billion in 2014. The shift results from flows in long-term debt securities, whereas the capital outflows on short-term debt securities was stable compared to 2014.

Residents' acquisitions of all types of foreign debt securities declined slightly, from 58 billion in 2014 to 50 billion in 2015. Acquisitions of long-term debt securities increased from 45 billion in 2014 to 61 billion

C2-4 Net portfolio investment flows by issuing sector

(EUR billions)



Source: Banque de France.

in 2015, whereas residents were net sellers of foreign short-term debt securities, resulting in net disposals of 11 billion in 2015, following net acquisitions of 14 billion in 2014.

The net flows of liabilities on debt securities, which track non-residents' acquisitions and disposals of French securities, were down sharply from an inflow of 80 billion in 2014 to an outflow of 5 billion: net flows on bonds were still positive, declining from 82 billion to 23 billion, while non-residents' transactions in French short-term debt securities produced another negative balance of 28 billion, compared to 2 billion in 2014.

T2-3 Portfolio investment by instrument

(EUR billions)

	2014			2015		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance
Equity securities	0	-4	5	-15	-8	-7
Investment fund shares/units	11	12	-1	20	13	7
Total equity securities and investment fund shares/units	11	8	3	5	5	0
Long-term debt securities	45	82	-37	61	23	38
Short-term debt securities	14	-2	16	-11	-28	16
Total debt securities	58	80	-21	50	-5	54
Total	70	88	-18	55	0	54

Source: Banque de France.

Notes: Assets correspond to net flows of residents' purchases of securities issued by non-residents. Liabilities correspond to net flows of non-residents' purchases of securities issued by residents.

Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

The consolidated balance of foreign portfolio investment in France and French portfolio investment abroad shows that the general government sector was a net borrower, with liabilities of 24 billion, compared to 49 billion in 2014 (Chart C2-4).

The net borrowing by general government is more than offset by a net capital outflow of 39 billion from monetary financial institutions, in contrast to a net inflow of 1 billion in 2014, and by a net outflow from other sectors of 39 billion, compared to 33 billion in 2014.

2|1 Liabilities (non-residents' portfolio investment in securities issued by residents)

Net redemption of resident monetary financial institutions' securities held by non-residents resulted in a net capital outflow of 23 billion in 2015, compared to an inflow of 11 billion in 2014.

The general government sector and other sectors posted net foreign investments of 10 billion and 14 billion respectively in 2015 (Table T2-4).

T2-4 Portfolio investment by issuing sector

(EUR billions)

	2014	2015
Assets	70	55
Monetary authorities	-1	0
General government	-1	-14
Monetary financial institutions	10	16
Other sectors ^{a)}	61	52
Liabilities	88	0
General government	48	10
Monetary financial institutions	11	-23
Other sectors ^{a)}	28	14
Balance	-18	54
Monetary authorities	-1	0
General government	-49	-24
Monetary financial institutions	-1	39
Other sectors ^{a)}	33	39

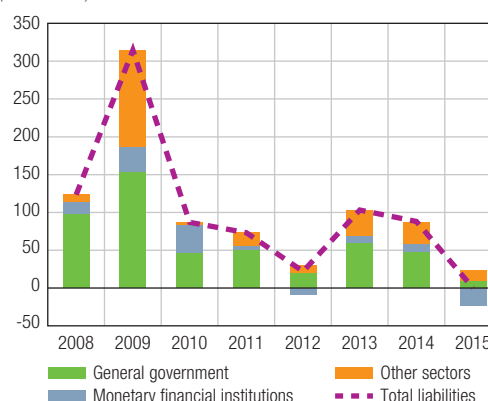
Source: Banque de France.

a) Non-financial corporations, non-monetary financial intermediaries (other financial intermediaries and investment funds other than money market funds), insurance companies.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

C2-5 Non-residents' net purchases of French securities by issuing sector

(EUR billions)



Source: Banque de France.

Note: The inclusion of Société de financement de l'économie française (SFEF) in the "other sectors" category, in accordance with the statistical classification, does not fully reflect the economic reality of the situation; this entity's issuance, which was significant in 2009, should actually be classified with that of MFIs.

2|2 Assets (residents' portfolio investment in securities issued by non-residents)

Residents' net acquisitions of foreign securities were down from 70 billion in 2014 to 55 billion in 2015 and more diversified as well: acquisitions outside of the euro area accounted for 60% of the investment, compared to 50% in 2014 (Table T2-5).

T2-5 Assets (residents' transactions in securities issued by non-residents) by geographical area and by resident investor's sector

(EUR billions)

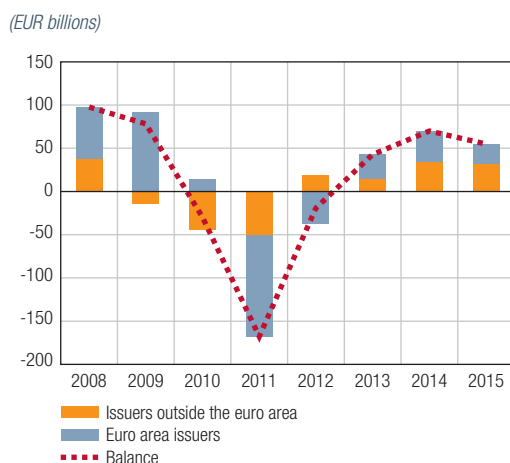
	2014	2015
Euro area issuers	35	22
Monetary financial institutions	7	5
Other sectors ^{a)}	28	17
Issuers outside the euro area	35	33
Monetary financial institutions	14	22
Other sectors ^{a)}	21	11
All issuers	70	55
Monetary financial institutions	21	27
Other sectors ^{a)}	48	28

Source: Banque de France.

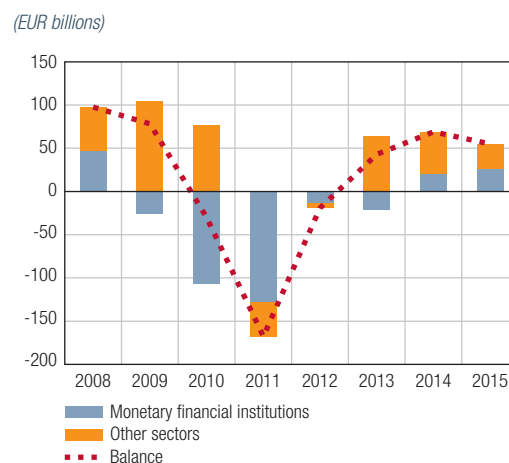
a) Including general government and monetary authorities.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

C2-6 Residents' net purchases of securities issued by non-residents by residence of the issuer



C2-7 Residents' net purchases of securities issued by non-residents by investor's sector



Net acquisitions by monetary financial institutions were relatively stable in terms of euro area securities at 5 billion, compared to 7 billion in 2014, whereas their acquisitions of securities issued outside the euro area increased from 14 billion in 2014 to 22 billion in 2015.

Other sectors reduced their acquisitions of euro area securities from 28 billion in 2014 to 17 billion in 2015 and decreased their acquisitions of securities issued outside of the euro area from 48 billion in 2014 to 28 billion in 2015.

3 | FINANCIAL DERIVATIVES

Over the last three years, the average net monthly flows of financial derivatives correspond to capital inflows of approximately EUR 1 billion.⁶ The standard deviation is 3.2 billion, which is a relatively moderate figure compared to the total assets of the leading intermediaries in the Paris financial markets.

In 2015, in contrast to the pattern seen in previous years, financial derivatives produced a net capital outflow of 11 billion for the whole year in 2015, following an inflow of 24 billion in 2014. Trading in options accounts for much of this shift. Swap transactions resulted in an outflow of 1 billion while an outflow of 2 billion was observed for transactions on futures.

The trading in financial derivatives tracked in the balance of payments measures the activity of the Paris market

as part of a globalised process that serves two main types of needs:

- the need for financial services to hedge market risks;
- the need for engineering services to make structured products designed to guarantee a return on savings, depending on the type of risk.

The main counterparty countries for the financial derivatives flows recorded in the Paris market from outside the euro area are the United Kingdom, followed by the United States, and the largest counterparty countries for the flows from inside the euro area are the Netherlands, followed by Germany.

Flows of financial derivatives with counterparties that are euro area residents in 2015 resulted in a balance of 3 billion and those with counterparties outside of the euro area resulted in a balance of 8 billion. The leading counterparty countries varied according to the instrument involved, with Luxembourg followed by the Netherlands for options; the Netherlands followed by Germany for swaps, and Switzerland followed by the United Kingdom for forwards and futures.

⁶ The balance of payments records cash flows related to cross-border transactions in derivatives. The amount of the flows, their direction (debit or credit) and their volatility shed light on lending capacity and borrowing requirements arising from trading in such instruments. See also the glossary and methodology sections.

4 | OTHER INVESTMENT

4|1 Loan-deposit position of monetary financial institutions (MFIs excluding the central bank)

MFIs (credit institutions and money market funds) were net borrowers vis-à-vis non-residents, with net liabilities of 100 billion. This is the result of a reduction of the loan portfolio by 111 billion. Short-term transactions accounted for the bulk of both lending and borrowing flows, with a decrease of 124 billion in short-term lending and a decrease of 26 billion in short-term borrowing (Statistical Table 4.1).

T2-6 Other investment (loan-deposit position)

(EUR billions)

	2014	2015
Other investment	-2.7	-77.2
Assets	84.5	-58.1
Liabilities	87.2	19.2
Banque de France	3.8	18.0
Assets	1.0	7.7
Liabilities	-2.7	-10.3
of which liabilities towards the ESCB (TARGET)	0.8	12.2
General government	0.2	0.9
Assets	4.4	1.0
Liabilities	4.2	0.1
Monetary financial institutions	-24.6	-99.8
Assets	57.4	-111.2
Euros	8.2	-51.4
Foreign currencies	49.1	-59.8
Liabilities	81.9	-11.4
Euros	45.6	5.2
Foreign currencies	36.3	-16.6
Other sectors	17.9	3.6
Assets	21.7	44.4
Financial sector ^{a)}	24.7	35.2
Non-financial sector ^{b)}	-3.0	9.2
Liabilities	3.8	40.8
Financial sector ^{a)}	5.6	29.7
Non-financial sector ^{b)}	-1.8	11.1

Source: Banque de France.

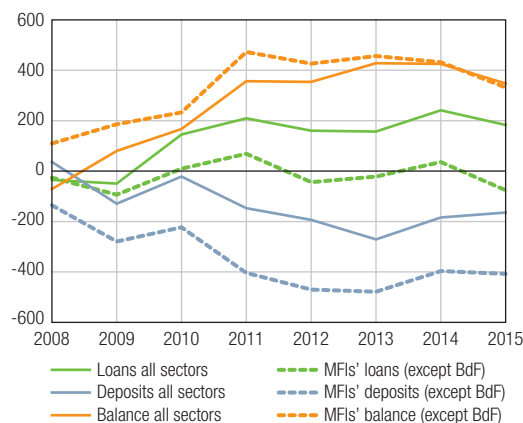
a) Non-monetary financial intermediaries: other financial intermediaries, investment funds other than money market funds, insurance companies, clearinghouses, pension funds.

b) Non-financial corporations, households and non-profit institutions serving households.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

C2-8 Other investment – loan-deposit positions of all resident sectors (including MFIs)

(cumulative flows, EUR billions)



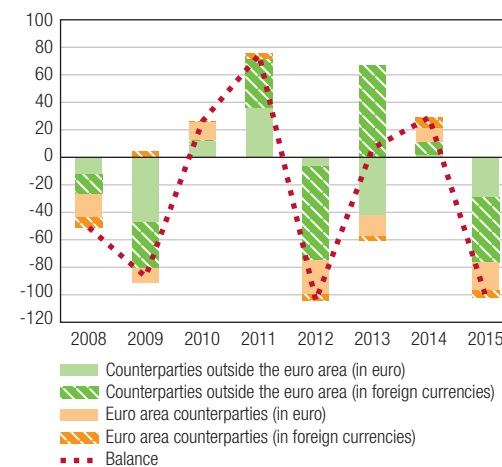
Source: Banque de France.

Interbank transactions, primarily in assets, accounted for 64% of the total flows of MFIs. A significant share of the net interbank flows, of both assets and liabilities, are the result of lending between banks belonging to the same group: of the 102-billion reduction in interbank loans, 55 billion was between banks in the same group, and on the liabilities side, borrowing from banks in the same group increased liabilities by 30 billion.

The decrease in interbank assets breaks down into nearly equal shares of euro transactions and foreign currency transactions (Chart C2-9). Meanwhile, foreign currency transactions accounted for 68% of the

C2-9 MFIs' interbank loans

(flows in EUR billions)



Source: Banque de France.

decrease in interbank liabilities. Interbank loans in euros decreased by 50 billion, with counterparties outside of the euro area, particularly in the United Kingdom, China and Japan, accounting for 30 billion of the decrease. Interbank assets in foreign currencies decreased by 52 billion, of which 48 billion related to counterparties outside the euro area. The decrease was especially noticeable for dollar transactions with the United States.

The 38-billion decrease in interbank liabilities mainly concerns transactions in yen and dollars with countries outside of the euro area.

In 2015, the majority of counterparties concerned by the parallel decreases in interbank assets and liabilities were operating on the London market, the American markets and Asian markets. In contrast, the predominant sources of the transaction flows in 2014 were the euro area markets.

The decline in interbank lending and borrowing came at a time when French banks seemed to be shifting from trading to lending. Under the circumstances, the balance of payments flows point to a decline in their international interbank market activity.

4|2 Loan-deposit position of sectors other than MFIs

The general government sector generated a fairly small net capital outflow in 2015 (0.9 billion), which was slightly more than the 0.2-billion outflow in 2014 (Table T2-6).

“Other sectors” posted a further 4-billion increase in their net foreign assets, but this was a much smaller increase than the 18-billion rise seen in 2014. The increase is the result of a major jump in the foreign assets of the non-monetary financial sector,⁷ which were up by 35 billion. Part of this rise was offset by the 30-billion increase in liabilities. Non-financial agents accounted for 2 billion in net inflows, as the 11-billion increase in their liabilities outstripped the 9-billion increase in their assets.

The transactions of the Banque de France (excluding reserve assets) resulted in a net increase in assets of 18 billion, compared to 4 billion in 2014. The balance is the result of an 8-billion increase in assets, combined with a 10-billion decrease in liabilities.

⁷ Other financial intermediaries, investment funds other than money market funds, insurance companies, clearinghouses, pension funds.



CHAPTER 3

INTERNATIONAL INVESTMENT POSITION

T3-1 France's international investment position from the end of 2014 to the end of 2015
(direct investment estimated at mixed value)

(EUR billions)

	Stocks end 2014	Balance of payments flows 2015 ^{a)}	Changes attributable to changes in exchange rates, market prices and other adjustments ^{a)}				Total variations between end 2014 and end 2015 ^{a)}	Stocks end 2015
			Total	Changes in exchange rates	Change in market prices	Other adjustments		
Direct investment	465	-2	32	34	-1	0	30	495
Portfolio investment	-785	54	-26	3	-35	6	28	-758
Financial derivatives	-59	11	17	0	17	0	28	-31
Loan-deposit position	-100	-77	-14	-4	0	-10	-91	-191
Reserve assets	118	7	2	3	-1	0	9	127
Balance	-362	-7	11	36	-21	-4	4	-358
Gross external debt	4,490	5	79	108	-38	10	84	4,574
Net external debt	780	4	29	20	-13	22	33	813

Source: Banque de France.

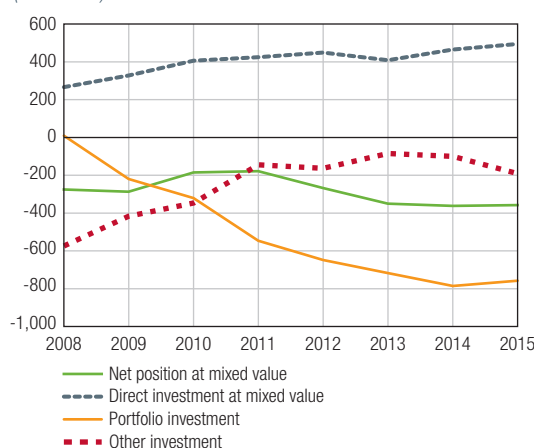
a) No sign means an increase in assets or a decrease in liabilities; (-) sign means a decrease in assets or an increase in liabilities.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

The international investment position represents the nation's net assets or liabilities vis-à-vis the rest of the world. The financing of the accumulation of current account deficits since 2005 means that France's international investment position shows a structural net liability ("net borrowing"), in contrast to the period from 2000 to 2005, when it was nearly in equilibrium, or even showed net foreign assets. However, France's net liability was nearly stable, going from EUR 326 billion in 2014 to 358 billion in 2015, which represents 16.4% of France's GDP. There has been virtually no change in the relative shares of "direct investment", "portfolio investment", "financial derivatives", "other investment (loan-deposit position)" and "reserve assets" since 2012. Tables T3-1 and T3-2 show the how the financial account flows presented in

C3-1 Net international investment position

(EUR billions)



Source: Banque de France.

T3-2 The French international investment position from the end of 2014 to the end of 2015

	EUR billion	% of GDP
Net position end 2014	-362	-17.0
Changes attributable to flows	-7	-0.3
Changes attributable to changes in financial markets and other adjustments	11	0.5
Changes in exchange rates	36	1.6
Change in market prices	-21	-1.0
Other adjustments	-4	-0.2
Net position end 2015	-358	-16.4

Notes: International investment position with direct investment at mixed value. Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

Source: Banque de France.

Chapter 2 contribute to changes in the international investment position.

This year, for the first time, the Banque de France published the composition of external debt by currency.¹ Gross external debt stood at EUR 4,574 billion at the end of 2015, including 3,362 billion in euro denominated debt, 793 billion in US dollars, 191 billion in sterling, 91 billion in yen, 8 billion in renminbi, and 129 billion in other currencies. The net position in debt instruments still shows a liability of 813 billion, when

¹ External debt (gross or net) consists solely of debt instruments (money market securities, bonds and loans). Therefore it does not include equity securities and financial derivatives.

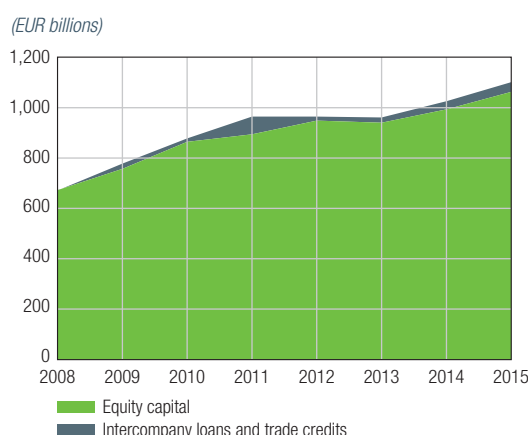
reserve assets are included, and 863 billion when they are excluded. This figure includes 620 billion denominated in euros. The composition of the net liability (excluding reserve assets) by currency shows a net liability of EUR 182 billion for dollar denominated debt and EUR 86 billion for sterling debt, as well as net assets of EUR 61 billion in yen.²

1 | FOREIGN DIRECT INVESTMENT

France's net direct investment position comprises the largest asset component in its international investment position because, for many years, with the exception of 2013 and 2015, outward direct investment flows exceeded inward flows. The net foreign asset position at mixed value³ stood at nearly EUR 500 billion at the end of 2015.

Despite negative net flows of 2 billion between the end of 2014 and the end of 2015, and despite the slightly negative impact of the share prices of listed direct investment enterprises, net foreign assets increased by 30 billion as a result of the appreciation of several currencies against the euro, which increased the value of direct investment abroad.⁴

C3-2 Stocks of direct investment abroad (mixed value)



Source: Banque de France.

Note: The stocks of intercompany lending have included trade credits between affiliated companies since the end of 2011.

The euro area countries are the leading destinations for outward direct investment, accounting for 44% of total stocks, followed by “other industrialised non-EU countries” (26%) and EU countries outside of the euro area (14%).

The geographical structure of direct investment is reported on the basis of the immediate country of origin or destination of the capital, in accordance with the methodology recommended by international organisations. Consequently, the leading destinations for French direct investment abroad are France's leading economic and trading partners, such as the United States (199 billion, 18% of stocks), the United Kingdom (121 billion, 11%), Germany (5%) and Italy (4%); but “transit” countries are also major destinations, like Belgium (145 billion, 13% of stocks), the Netherlands (113 billion, 10%), Luxembourg and Switzerland (4% of stocks). Some of France's direct investment abroad in these countries is reallocated to other destinations. The leading destination for France's outward direct investment among emerging, transitional and developing countries is China

T3-3 Stocks of foreign direct investment (at mixed value)

(EUR billions)

	2014	2015
Abroad	1,025.5	1,101.2
Equity capital	993.1	1,062.6
Other transactions (intercompany loans and trade credits)	32.4	38.6
In France	560.9	606.3
Equity capital	523.0	575.5
Other transactions (intercompany loans and trade credits)	37.9	30.8
Net direct investment position	464.6	494.9

Source: Banque de France.

Notes: See glossary for extended directional principle. Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

1|1 Direct investment abroad⁵

Outward direct investment stocks increased by 75 billion since the end of 2014 to stand at more than 1,100 billion at the end of 2015. Equity capital investment, which includes real estate investment, increased by 69 billion to 1,063 billion, accounting for 96% of the total. Meanwhile, net lending by French groups to their foreign subsidiaries, including trade credits, increased by 6 billion to 39 billion.

² Table O-2b in the Supplementary Statistical Tables breaks down external debt by currency.

³ See glossary.

⁴ A table that breaks down changes in direct investment from the end of 2014 to the end of 2015 can be found in the online statistical appendix to this report on the Banque de France website.

⁵ When the preliminary international investment position figures for the end of 2015 were being compiled in April and May 2016, the survey data on stocks of direct investment in equity capital at the end of 2015 were not yet available. Therefore, the stocks of direct investment at the end of 2015 published here are estimated on the basis of stocks at the end of 2014, direct investment flows in 2015, exchange rate variations for positions in foreign currencies and share price changes for direct investment in listed companies.

(23 billion, 2% of stocks), followed by Brazil, which saw a large drop in its stocks due to the depreciation of its currency and a major disposal in 2015, Singapore, Hong Kong and Nigeria. Other major destinations for France's outward direct investment include Morocco, despite a major disposal in 2014, and Russia, despite the depreciation of its currency, falling oil and commodity prices and the country's economic woes.

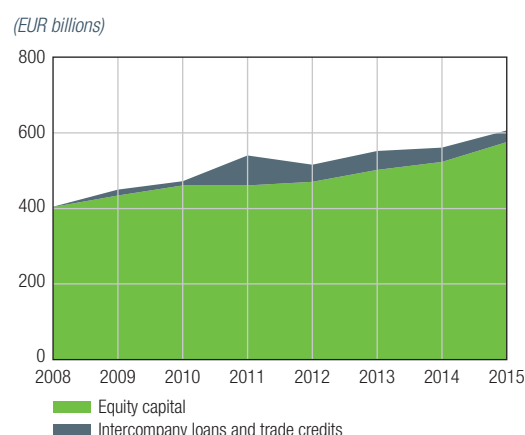
France's outward direct investment involves several sectors. At the end of 2015, the manufacturing sector accounted for 29% of the investment (of which 5% in pharmaceuticals, nearly 4% in agriculture and the agri-food industry and in the automotive industry, and 3% in chemicals). The finance and insurance sector accounted for 25% of the total. In order of importance, the other leading sectors investing abroad are: information and communication (8% of the total), gas and electricity, real estate (7% of the total), wholesale and retail trade and repairs, and the extractive industries (6%).⁶

1|2 Direct investment in France

Inward direct investment stocks increased by 45 billion since the end of 2014 to stand at more than 606 billion at the end of 2015. Net borrowing by French subsidiaries from non-resident groups, including trade credits, was down for the second year in a row, standing at 31 billion (5% of stocks), while equity capital investment, including real estate investment, stood at 575 billion.

The structure by the country of residence of the first counterparty shows that the leading countries investing in France are Luxembourg (20% of the stocks) and the Netherlands (12%), but their preponderant shares are partly due to the role that these countries play

C3-3 Stocks of direct investment in France (mixed value)



Source: Banque de France.

Note: The stocks of intercompany lending have included trade credits between affiliated companies since the end of 2011.

as hubs for redistributing investments from other countries. Box 6 presents the 2014 figures using the method that identifies the countries of residence of the ultimate controlling parents.

Three major sectors account for more than three quarters of the total stock of inward investment: finance and insurance (27% of total stocks), real estate (22%) and manufacturing (26%), particularly chemicals, pharmaceuticals and agri-food industries.

⁶ The structure of French direct investment abroad by geographical area and by sector from 2012 to 2015 is available in the online statistical appendix to this report on the Banque de France website.

Box 6

Direct investment in France by the country of residence of the ultimate controlling parent

The breakdown by country of residence of the ultimate controlling parent at the end of 2014 shows that French groups and investors were the ultimate owners of a large proportion of the stock of direct investment in France, accounting for EUR 25 billion at the end of 2014, or nearly 5% of the total. The shares of the United States and Germany increased by 51 billion and 14 billion respectively, when investments

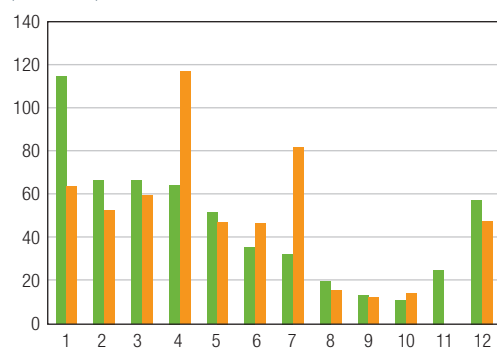
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are recorded by the country of residence of the ultimate controlling parent, making the United States the top investor in France, with 20% of the total and Germany the second with 12%. Other countries also increased their investment in France by significant amounts, including the United Kingdom (7 billion), Switzerland and Italy (4 billion). The same was true for certain emerging countries. For example, direct investment from China is valued at 0.9 billion using the first measurement, and at 2.8 billion using the second. Investment from South Africa is valued at -0.1 billion, using the country of residence of the first counterparty, and at more than 2 billion using the country of residence of the ultimate controlling parent. On the other hand, the direct investment stocks from "transit" countries shrank, with Luxembourg's share declining by 52 billion, the Netherlands' by 49 billion, Belgium's by 11 billion and Spain's by 4 billion.

When the same method is applied for reporting income from direct investment in France, it results in marked changes in the geographical structure of such income. As the countries of residence of the ultimate controlling parents, the United States, Germany and Switzerland see their income increase by 83%, 38% and 33% respectively to 3.3 billion, 3.9 billion and 2 billion, in comparison to their income measured by the country of residence of the first counterparty. In contrast, the direct investment income of the Netherlands, Belgium and Luxembourg decrease by 62%, 42% and 38%, respectively.

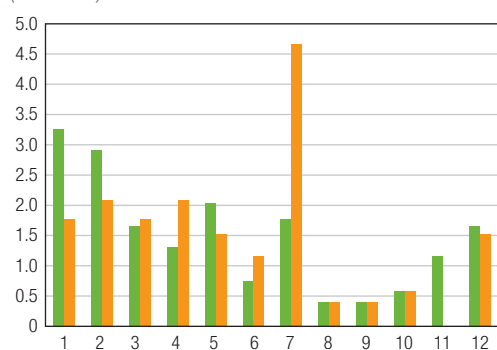
C3-A Stocks of foreign direct investment in France

(EUR billions)



C3-B Income from foreign direct investment in France

(EUR billions)



- 2014 Country of residence of the ultimate controlling parent
 - 2014 Country of residence of first counterparty
- | | |
|------------------|---------------|
| 1 United States | 7 Netherlands |
| 2 Germany | 8 Italy |
| 3 United Kingdom | 9 Japan |
| 4 Luxembourg | 10 Spain |
| 5 Switzerland | 11 France |
| 6 Belgium | 12 Others |

Source: Banque de France.

Foreign direct investment in France: stocks by the country of residence of the ultimate controlling parent (at mixed value)

(EUR billions)

	2014 (amount)	2014 (% of total)
France	25.2	4.5
European Union (28 members) excluding France	318.5	56.8
Economic and Monetary Union (19 members)	241.8	43.1
of which: Germany	66.9	11.9
Belgium	35.9	6.4
Spain	11.2	2.0
Ireland	4.5	0.8
Italy	20.1	3.6
Luxembourg	64.7	11.5
Netherlands	32.5	5.8
Other European Union countries	76.7	13.7
of which: Denmark	4.7	0.8
Poland	0.1	0.0
Czech Republic	0.1	0.0
Romania	0.0	0.0
United Kingdom	66.7	11.9
Sweden	4.7	0.8
Rest of the world	217.2	38.7
of which: Saudi Arabia	0.5	0.1
Australia	2.4	0.4
Brazil	-0.1	0.0
Canada	1.4	0.2
China	2.8	0.5
United States	115.0	20.5
Hong-Kong	2.5	0.4
British Virgin Islands	0.2	0.0
India	0.2	0.0
Japan	13.2	2.4
Lebanon	2.6	0.5
Qatar	2.1	0.4
Russia	1.9	0.3
Singapore	0.7	0.1
Switzerland	51.8	9.2
Turkey	0.1	0.0
Total	560.9	100.0

Source: Banque de France.

Notes: see "Definition of geographical zones" at the end of this report
The identification of the country of residence of the ultimate controlling parent is not available for 2015.

2 | PORTFOLIO INVESTMENT

The position showed net foreign liabilities stood at 758 billion in 2015, compared to 785 billion in 2014 (Table T3-4). The 27-billion decrease in net liabilities stems from net flows of 54 billion, net negative valuation changes of 35 billion, exchange rate effects of 3 billion and statistical reclassifications of 6 billion.

The composition by sector shows that the banking and monetary authorities sector has net liabilities of

T3-4 **Structure of portfolio investment assets and liabilities**
By type of instrument

(EUR billions)

	2014	2015
Assets	2,267	2,324
Equity securities and investment fund shares/units	635	663
Long-term debt securities	1,440	1,478
Short-term debt securities	193	184
Liabilities	3,053	3,082
Equity securities and investment fund shares/units	743	779
Long-term debt securities	2,067	2,083
Short-term debt securities	242	219
Net position	-785	-758

Source: Banque de France.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

T3-5 **Stocks of portfolio investment assets and liabilities**
By sector

(EUR billions)

	2014	2015
Assets	2,267	2,324
Credit institutions and monetary authorities	595	597
Investment funds	634	697
Other sectors ^{a)}	1,039	1,031
Liabilities	-3,053	-3,082
Credit institutions and monetary authorities	-660	-638
Investment funds	-163	-180
Other sectors ^{a)}	-2,230	-2,263
Net position	-785	-758
Credit institutions and monetary authorities	-65	-42
Investment funds	471	516
Other sectors ^{a)}	-1,191	-1,232

Source: Banque de France.

a) Including general government

42 billion, compared to 65 billion in 2014. Money market funds and investment funds other than money market funds posted net foreign assets of 516 billion, compared to 471 billion in 2014. The position of other sectors showed net foreign liabilities of 1,232 billion, compared to 1,191 billion in 2014.

2|1 Assets (residents' portfolio investment in securities issued by non-residents)

At the end of 2015, French residents held 2,324 billion in foreign securities, up by 57 billion from the end of 2014. The increase stems primarily from residents' net acquisitions of 54 billion.

Residents' allocation of portfolio investment assets was stable, with long-term debt securities accounting for nearly two thirds. Equity securities and investment fund units/shares accounted for more than a quarter and short-term debt securities accounted for less than 8%.

Residents' assets are primarily made up of securities from issuers in the euro area, which account for 63% (Table T3-6). Securities from issuers in the four leading economies of the euro area, excluding France, which are Germany, Italy, Spain and the Netherlands, account for 37.5% of the total, slightly less than they did in 2014. Outside of the euro area, French investors mainly favoured securities from the United Kingdom and the United States, which each accounted for slightly more than 9% of total assets, representing a very slight increase.

T3-6 **Portfolio investment assets**
By issuing area and by investor sector

(EUR billions)

	2014	2015
Euro area issuers	1,448	1,466
Monetary financial institutions	317	322
Other sectors ^{a)}	1,131	1,145
Issuers outside the euro area	819	858
Monetary financial institutions	234	258
Other sectors ^{a)}	585	599
All issuers	2,267	2,324
Monetary financial institutions	552	580
Other sectors ^{a)}	1,716	1,744

Source: Banque de France.

a) Including general government and monetary authorities

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

2|2 Liabilities (non-residents' portfolio investment in securities issued by residents)

Non-residents' portfolio investment in French securities, or liabilities, stood at 3,082 billion at the end of 2015, compared to 3,053 billion at the end of 2014 (see Table T3-7). The increase of 29 billion stems primarily from price effects, which accounted for 23 billion of the increase. Net flows balanced each other out, leaving the position unchanged.

T3-7 **Portfolio investment liabilities**
By resident issuers' sector

(EUR billions)

	2014	2015
Stocks	3,053	3,082
General government	1,266	1,262
Treasury bonds (OATs)	857	920
Other long-term debt securities	109	108
Treasury notes and bills (BTANs and BTFs)	282	213
Other short-term debt securities	19	21
Monetary financial institutions	683	672
Equity securities and investment fund shares/units	71	83
Long-term debt securities	551	537
Short-term debt securities	62	52
Other sectors	1,103	1,147
Equity securities and investment fund shares/units	673	696
Long-term debt securities	413	432
Short-term debt securities	18	19

Source: Banque de France.

Note: Rounding differences mean that aggregate totals may not appear exactly equal to the sum of their components.

Non-residents portfolio investment in French equity securities and investment fund shares/units increased by nearly 35 billion in 2015. Such securities accounted for a quarter of total portfolio investment liabilities at the end of 2015.

Non-residents' holdings of French debt securities (bonds and short-term debt securities) decreased by 9 billion.

The overall structure of portfolio investment liabilities by issuers' sector was unchanged compared to 2014, with general government issues accounting for 41%, MFIs' issues for approximately 21% and non-financial corporations' issues for most of the rest.

Non-residents holdings of negotiable government debt securities increased by 63 billion in the case of Treasury bonds (OATs) and declined by 69 billion in the case of Treasury bills and notes (BTANs and BTFs).

The share of government debt held by non-residents was down slightly at 61.9%, compared to 64.2% in 2014, owing to smaller holdings of OATs, which shrank from 59.6% in 2014 to 58.5%, and BTANs, which shrank from 85.6% to 82.2%.

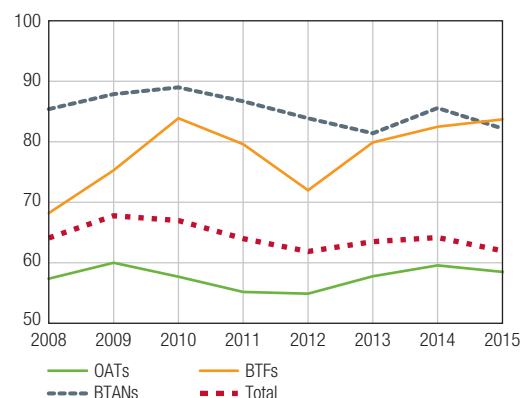
3| FINANCIAL DERIVATIVES

The net foreign liability on financial derivatives stood at 31 billion in 2015, compared to a net foreign liability of 59 billion in 2014. The 28-billion reduction in 2015 stems from 11 billion in positive net asset flows on option premiums, gains and losses on swaps, and other forwards and futures, etc., in addition to positive price effects of 17 billion. Stocks of financial derivatives decreased in market value in 2015, with 820 billion in assets and 851 billion in liabilities, compared to 1,042 billion in assets and 1,101 billion in liabilities in 2014.

Swaps still accounted for the majority, representing 60% of the overall market value of the outstanding assets and liabilities in financial derivatives. Most of these instruments are interest rate swaps. Options

C3-4 **Share of OATs, BTANs and BTFs held by non-residents**

(%)



Source: Banque de France.

T3-8 **Position in financial derivatives**

(EUR billions)

	2014	2015
Balance	-59.1	-31.3
Swaps	4.2	8.4
Options	-70.0	-49.3
Forwards and futures	6.7	9.6

Source: Banque de France.

accounted for 34% of the total and forwards and futures for 6%.

The United Kingdom is the leading counterparty country for derivative contracts (39%), with swaps accounting for most of the contracts, followed by the United States (16%) and Germany (13%).

4 | OTHER INVESTMENT (LOAN-DEPOSIT POSITION)

At the end of 2015, the loan-deposit position for all sectors together showed a net liability, as in previous years. The net liability stood at 190 billion in 2015, compared to 100 billion in 2014. The major increase in net borrowing stems primarily from the reduction in the net assets of MFIs (excluding the Banque de France's transactions). The increase in net borrowing by other sectors and the Banque de France also explain the larger liability, but to a lesser extent.

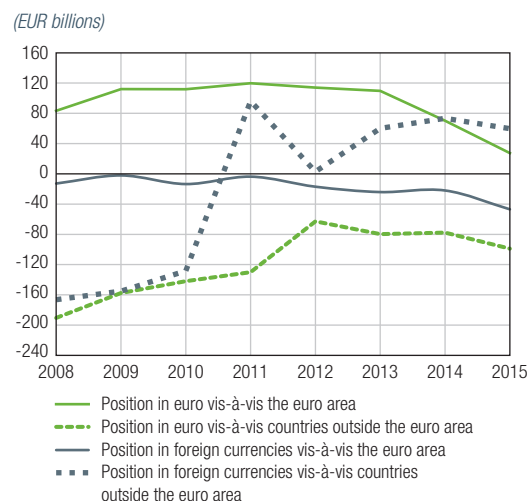
In 2015, the loan-deposit position of MFIs showed net borrowing of 59 billion, after showing net lending of 66 billion in 2013 and 44 billion in 2014. The switch in the position stems from both a decline of 58 billion in lending and an increase of 45 billion in borrowing.

The change concerns both cross-border interbank transactions denominated in euro, with net liabilities of 39 billion, and in other currencies, with net liabilities of 27 billion, as well as transactions with financial and non-financial customers denominated in euros, with net liabilities of 25 billion, and in other currencies, with net liabilities of 11 billion.⁷

Net liabilities in euros increased from 7 billion in 2014 to 71 billion in 2015. This change stems from the huge reduction in lending to euro area countries, especially Spain, along with the reduction in lending to countries outside the euro area, such as the United States or China.⁸ At the same time, the net borrowing in foreign currencies declined from 52 billion in 2014 to 13 billion in 2015. This change is largely the result of increased borrowing, especially from counterparties in the euro area, with transactions denominated in yen and US dollars with Luxembourg, in particular, as well as transactions in sterling conducted outside of the euro area, especially with the United Kingdom.

The loan-deposit positions were different depending on the country or region of residence of the

C3-5 Net loan-deposit position of MFIs



Source: Banque de France.

counterparties. MFIs posted net liabilities vis-à-vis the European Union, which stem from net borrowing from Germany, Luxembourg and the London financial markets.

MFIs were net lenders to the rest of the world, and to Japan in particular. However, net borrowing positions increased vis-à-vis the United States and offshore financial centres.

The Banque de France's net assets vis-à-vis the rest of the world, including its positions in securities and reserve assets, increased by 28 billion in 2015 to stand at 120 billion. This change is due solely to an increase of 28 billion in assets, since liabilities were unchanged. All components of the loan-deposit position assets contributed to the increase. Securities purchases, which mainly made as part of the asset purchase programme, came to 11 billion. Furthermore, reserve assets rose by 9 billion.

The net liability of EUR 33 billion on banknotes reflects the international demand for euro banknotes from the Banque de France, particularly the demand from foreign central banks.⁹

⁷ See Table 5.17.

⁸ See Table 5.18.

⁹ Statistical table 5.20 in the online statistical appendix to this Annual Report on the Banque de France website.



**2014 AND 2015
BALANCE OF PAYMENTS
DETAILED PRESENTATION**

Balance of payments – 2014

(EUR millions)

		Receipts	Payments	Balance
1.	CURRENT ACCOUNT	812,809	835,603	-22,794
1.1.	Goods	437,979	478,457	-40,477
1.1.1.	General merchandise	419,365	478,457	-59,092
1.1.2.	Merchanting	18,615		18,615
1.2.	Services	207,114	190,221	16,894
1.2.1.	Manufacturing services on physical inputs owned by others	7,498	7,651	-153
1.2.2.	Maintenance and repair services n.i.e.	5,054	3,475	1,579
1.2.3.	Transport services	36,230	39,170	-2,940
	<i>Sea transport</i>	12,654	8,395	4,259
	<i>Air transport</i>	10,844	12,890	-2,046
	<i>Other transport</i>	12,732	17,885	-5,153
1.2.4.	Travel	43,769	36,677	7,093
1.2.5.	Construction services	2,533	2,191	342
1.2.6.	Insurance and pension services	5,288	5,909	-621
1.2.7.	Financial services	10,490	4,990	5,499
	<i>Services giving rise to explicit charges and other financial services</i>	5,925	3,831	2,094
	<i>Financial intermediation services indirectly measured (FISIM)</i>	4,564	1,159	3,405
1.2.8.	Charges for the use of intellectual property n.i.e.	10,780	9,285	1,495
1.2.9.	Telecommunications, computer and information services	14,317	14,095	222
1.2.10.	Other business services	67,639	62,964	4,674
	<i>Research and development services</i>	10,387	11,363	-975
	<i>Professional and management consulting services</i>	17,270	15,437	1,832
	<i>Technical, trade-related and other business services</i>	39,982	36,164	3,817
1.2.10.	Personal, cultural and recreational services	2,582	3,440	-857
1.2.11.	General government goods and services n.i.e.	935	374	561
1.3.	Primary income	153,278	105,525	47,754
1.3.1.	Compensation of employees	18,523	1,086	17,437
1.3.2.	Investment income	123,930	101,919	22,012
	<i>Direct investment</i>	58,922	17,901	41,022
	<i>Portfolio investment</i>	54,464	73,525	-19,061
	<i>Other investment</i>	10,077	10,493	-416
	<i>Reserve assets</i>	468	0	468
1.3.3.	Other primary income	10,825	2,520	8,305
1.4.	Secondary income	14,437	61,401	-46,964
1.4.1.	General government	4,523	32,800	-28,278
1.4.2.	Other sectors	9,914	28,601	-18,686
	<i>Miscellaneous current transfers</i>	5,269	21,207	-15,938
	<i>Workers' remittances</i>	473	9,239	-8,766
2.	CAPITAL ACCOUNT	2,787	616	2,171
2.1.	Acquisitions and disposals of non-produced, non-financial assets	0	1	-1
2.2.	Capital transfers	2,787	615	2,172

Balance of payments – 2014 (continued)

(EUR millions)

	Assets	Liabilities	Net
3. FINANCIAL ACCOUNT	203,134	210,677	-7,542
3.1. Direct investment	36,199	180	36,018
3.1.1. Equity capital	19,619	9,657	9,962
3.1.2. Reinvested earnings	6,357	5,280	1,077
3.1.3. Other transactions (intercompany lending)	10,223	-14,757	24,980
3.2. Portfolio investment	69,744	87,659	-17,915
3.2.1. Equity securities and investment fund shares/units	11,386	7,929	3,456
Banque de France	182	–	182
General government	1,247	–	1,247
Monetary financial institutions	-4,477	3,710	-8,187
Other sectors	14,434	4,219	10,215
3.2.2. Long-term debt securities	44,687	81,929	-37,242
Banque de France	-6,318	–	-6,318
General government	1,874	50,818	-48,944
Monetary financial institutions	25,353	9,579	15,774
Other sectors	23,777	21,532	2,245
3.2.3. Short-term debt securities	13,672	-2,199	15,871
Banque de France	3,512	–	3,512
General government	1,200	-2,389	3,589
Monetary financial institutions	562	-2,098	2,660
Other sectors	8,398	2,288	6,110
3.3. Financial derivatives	11,925	35,619	-23,694
Banque de France	–	–	–
General government	–	–	–
Monetary financial institutions	-66,444	-63,211	-3,233
Other sectors	78,369	98,830	-20,461
3.4. Other investment	84,535	87,218	-2,683
3.4.1. Other equity	3,320	-50	3,370
Banque de France	10	0	10
General government	3,310	-50	3,360
3.4.2. Currency and deposits	52,475	83,142	-30,666
Banque de France	3,861	8,086	-4,225
General government	-152	710	-863
Monetary financial institutions	26,885	74,346	-47,461
Other sectors	21,882	–	21,882
3.4.3. Loans	27,165	-7,147	34,312
Banque de France	-2,830	-10,805	7,975
General government	1,518	3,558	-2,040
Monetary financial institutions	27,603	0	27,603
Other sectors	874	100	774
3.4.4. Trade credits and advances	-1,581	3,397	-4,978
3.4.5. Other accounts payable/receivable	3,155	7,876	-4,721
Monetary financial institutions	2,865	7,602	-4,737
Other sectors	290	274	16
3.4.6. Special drawing rights		0	0
3.5. Reserve assets	732		732
Gold	3		3
Special Drawing Rights	214		214
Reserve position in the IMF	-1,361		-1,361
Other reserve assets	1,876		1,876
4. NET ERRORS AND OMISSIONS			13,081

n.i.e.: not included elsewhere.

Note: Direct investment figures are presented according to the extended directional principle. Rounding differences mean that aggregate totals and balances may not be exactly equal to the sum of their components.

Source: Banque de France.

Balance of payments – 2015

(EUR millions)

		Receipts	Payments	Balance
1.	CURRENT ACCOUNT	852,611	856,962	-4,351
1.1.	Goods	460,654	484,659	-24,005
1.1.1.	General merchandise	437,420	484,659	-47,239
1.1.2.	Merchanting	23,234		23,234
1.2.	Services	217,774	208,972	8,802
1.2.1.	Manufacturing services on physical inputs owned by others	8,373	8,781	-408
1.2.2.	Maintenance and repair services n.i.e.	5,336	4,008	1,328
1.2.3.	Transport services	38,290	41,987	-3,697
	<i>Sea transport</i>	13,718	9,356	4,362
	<i>Air transport</i>	11,195	13,159	-1,965
	<i>Other transport</i>	13,377	19,472	-6,094
1.2.4.	Travel	41,387	34,628	6,759
1.2.5.	Construction services	2,834	1,710	1,124
1.2.6.	Insurance and pension services	5,121	6,097	-976
1.2.7.	Financial services	11,055	5,633	5,422
	<i>Services giving rise to explicit charges and other financial services</i>	6,401	4,473	1,927
	<i>Financial intermediation services indirectly measured (FISIM)</i>	4,655	1,160	3,495
1.2.8.	Charges for the use of intellectual property n.i.e.	13,503	12,593	909
1.2.9.	Telecommunications, computer and information services	15,003	15,051	-48
1.2.10.	Other business services	73,511	74,407	-896
	<i>Research and development services</i>	11,200	13,281	-2,081
	<i>Professional and management consulting services</i>	17,832	18,703	-871
	<i>Technical, trade-related and other business services</i>	44,479	42,423	2,056
1.2.10.	Personal, cultural and recreational services	2,675	4,057	-1,382
1.2.11.	General government services n.i.e.	685	19	667
1.3.	Primary income	157,084	105,111	51,973
1.3.1.	Compensation of employees	20,581	1,437	19,144
1.3.2.	Investment income	124,610	101,409	23,201
	<i>Direct investment</i>	59,651	17,765	41,886
	<i>Portfolio investment</i>	54,469	72,053	-17,584
	<i>Other investment</i>	9,940	11,591	-1,651
	<i>Reserve assets</i>	550	0	550
1.3.3.	Other primary income	11,893	2,265	9,627
1.4.	Secondary income	17,099	58,220	-41,120
1.4.1.	General government	6,236	30,580	-24,345
1.4.2.	Other sectors	10,864	27,639	-16,776
	<i>Miscellaneous current transfers</i>	5,789	19,342	-13,553
	<i>Workers' remittances</i>	473	9,992	-9,519
2.	CAPITAL ACCOUNT	2,548	474	2,074
2.1.	Acquisitions and disposals of non-produced, non-financial assets	86	7	79
2.2.	Capital transfers	2,462	467	1,996

Balance of payments – 2015 (continued)

(EUR millions)

	Assets	Liabilities	Net
3. FINANCIAL ACCOUNT	176,912	183,938	-7,026
3.1. Direct investment	33,814	35,701	-1,887
3.1.1. Equity capital	19,894	34,610	-14,716
3.1.2. Reinvested earnings	8,841	7,287	1,554
3.1.3. Other transactions (intercompany lending)	5,079	-6,196	11,275
3.2. Portfolio investment	54,607	484	54,123
3.2.1. Equity securities and investment fund shares/units	4,782	5,133	-350
Banque de France	177	–	177
General government	223	–	223
Monetary financial institutions	-1,560	11,547	-13,107
Other sectors	5,942	-6,414	12,356
3.2.2. Long-term debt securities	61,183	23,043	38,140
Banque de France	21,606	–	21,606
General government	416	26,816	-26,400
Monetary financial institutions	24,582	-22,331	46,913
Other sectors	14,578	18,558	-3,980
3.2.3. Short-term debt securities	-11,359	-27,692	16,334
Banque de France	-14,206	–	-14,206
General government	-658	-16,998	16,339
Monetary financial institutions	4,006	-12,088	16,093
Other sectors	-500	1,393	-1,893
3.3. Financial derivatives	139,396	128,586	10,810
Banque de France	–	–	–
General government	–	–	–
Monetary financial institutions	-90,210	-93,345	3,135
Other sectors	229,607	221,931	7,675
3.4. Other investment	-58,077	19,166	-77,243
3.4.1. Other equity	1	-54	54
Banque de France	0	0	0
General government	1	-54	54
3.4.2. Currency and deposits	-37,405	-1,863	-35,542
Banque de France	11,801	-453	12,254
General government	775	64	711
Monetary financial institutions	-98,544	-1,474	-97,070
Other sectors	48,563	–	48,563
3.4.3. Loans	-18,005	25,639	-43,643
Banque de France	-4,115	-9,883	5,768
General government	-2,731	89	-2,820
Monetary financial institutions	-6,248	0	-6,248
Other sectors	-4,911	35,433	-40,344
3.4.4. Trade credits and advances	3,576	5,103	-1,527
3.4.5. Other accounts payable/receivable	-6,244	-9,659	3,415
Monetary financial institutions	-6,406	-9,913	3,507
Other sectors	162	254	-92
3.4.6. Special drawing rights		0	0
3.5. Reserve assets	7,170		7,170
Gold	8		8
Special Drawing Rights	65		65
Reserve position in the IMF	-1,311		-1,311
Other reserve assets	8,408		8,408
4. NET ERRORS AND OMISSIONS			-4,750

n.i.e.: not included elsewhere.

Note: Direct investment figures are presented according to the extended directional principle. Rounding differences mean that aggregate totals and balances may not be exactly equal to the sum of their components.

Source: Banque de France.

| APPENDICES

PART I

GLOSSARY

B

■ Banknotes

Within the context of the Economic and Monetary Union, flows and positions in euro banknotes are recorded using special double-entry accounting. The first entry is the difference between the theoretical issuance amount allocated to the Banque de France (based on the ECB capital share mechanism) and the euro banknotes that are actually put into circulation by the Banque de France. The second entry records the difference between the theoretical issuance amount allocated to the Banque de France and residents' holdings of euro banknotes. The net position corresponds to the difference between residents' holdings of euro banknotes and the banknotes put into circulation by the Banque de France.

■ Book value

The book value of direct investment positions is the value that enterprises report in their financial statements. In the case of outward direct investment, this value is shown in the tables recording subsidiaries and equity interests that are appended to companies' annual financial statements. In the case of inward direct investment, this value is shown on the balance sheets of resident companies affiliated with non-resident direct investors.

C

■ Capital account

The capital account records capital transfers, meaning transactions involving transfers of ownership of fixed assets or cancellation of liabilities by creditors without any counterparts being received in return (debt forgiveness, write-offs, investment grants, etc.) and purchases and sales of non-produced, non-financial assets (see definition).

■ Capital transfers – debt forgiveness

Debt forgiveness granted by the French general government sector to a foreign country is a transfer to a non-resident agent. Accordingly, it is recorded as a debit from the capital account. On the other hand, debt forgiveness decreases general government assets and is therefore recorded as a credit to the financial account under "other investment".

■ Capital transfers – other transfers

Other capital transfers include investment grants received from or paid to other countries as part of development assistance. Transfers made to the French general government sector come mainly from European institutions (ERDF and EARDP).

■ Current account

The current account records flows of goods, services and primary and secondary income between France and the rest of the world. The current account balance is the difference between exports and income receivable by residents, on the one hand, and imports and income payable by residents, on the other hand.

D

■ Direct investment

Direct investment covers transactions by investors resident in one economy to acquire, increase or dispose of a lasting interest in an enterprise resident in another economy and to hold or dispose of influence over its management.

E

■ Errors and omissions

The “net errors and omissions” item is a balancing item that exists because, unlike a simple double-entry accounting system, debits and credits in the balance of payments are not recorded simultaneously for each transaction. Instead they are recorded from reports and surveys using different sources. By construction, the errors and omissions item is equal, but with the opposite sign, to the difference between the financial account balance, on the one hand, and the sum of the capital account balance and the current account balance, on the other hand.

■ Extended directional principle (direct investment – other transactions – intercompany lending)

Under the BPM6 format, the extended directional principle provides a supplementary measurement of direct investment data. Under this principle, lending between fellow enterprises belonging to the same international group is not classified according to the direction of the loans, but according to the country of residence of the parent company.

■ External debt

Gross external debt consists solely of financial liabilities vis-à-vis non-residents in the form of debt instruments (money market securities, bonds, loans), and does not include equity securities or financial derivatives. The debt is expressed in gross terms, since French residents’ assets are not subtracted from their liabilities. On the other hand, their assets are subtracted to calculate the net external debt, which is the net position in debt instruments.

F

■ Financial derivatives

This item includes premiums on options and futures bought and sold by resident banks and by other sectors, along with margin calls, adjustment payments and interest payments on swaps.

■ Financial intermediation services indirectly measured (FISIM)

FISIM are the services that financial intermediaries provide without charging customers. Financial intermediaries pay themselves for these services through an interest rate margin on customer deposits and loans.

■ FOB expenses

FOB expenses correspond to the transportation and insurance services included in CIF (cost, insurance and freight) payments for merchandise. These expenses are subtracted from trade in merchandise and transferred to the relevant service components.

■ Foreign exchange reserves

See *Reserve assets*.

■ France

For the purposes of the balance of payments, France includes the departments in metropolitan France, the overseas departments (Guadeloupe, French Guyana, Martinique, Réunion and Mayotte), and the collectivities of Saint-Barthélemy, Saint-Martin-and-Saint-Pierre-et-Miquelon, along with the Principality of Monaco. All other countries, territories and institutions, including the European Central Bank (ECB), are regarded as non-residents.

G

■ General government

The general government sector includes central government, various central administration bodies (universities, regional health agencies, the national meteorological office, etc.), local governments and social security organisations.

■ Goods

Goods are physical, produced assets over which ownership rights can be established and whose economic ownership can be transferred from one institutional unit to another by engaging in transactions.

■ Goods for processing

See *Manufacturing services on physical inputs owned by others*.

■ Goods procured in ports by carriers

This item covers purchases of goods, such as fuel, stores and provisions in foreign ports and airports by resident carriers and by foreign carriers in France. It does not cover related services, such as towing and warehousing, which are recorded as transport services.

I

■ Integration of flows and positions

Changes in the international investment position between two dates stem from:

- balance of payments flows;
- changes in exchange rates and the prices of listed equities;
- and other changes, including reclassification of items, changes in methodology and statistical discrepancies between two reporting dates.

■ Intercompany lending (direct investment)

The “other transactions” item under direct investment includes all short-term and long-term loans, advances and deposits between companies in direct investment relationships, with the exception of loan and deposit transactions between resident banks and other monetary financial institutions and non-resident banks and monetary financial institutions belonging to the same group, which are classified as “other investment”.

■ Interest

Interest is property income received by owners of certain financial assets (deposits, securities other than equities, credits and other receivables). Interest is recorded on an accrual basis.

■ Investment income

Investment income corresponds to receipts or payments relating to external financial assets and liabilities. This income is broken down by the nature of the related financial transactions: direct investment income, portfolio investment income, other investment income and reserve asset income. Investment income is a component of the current account.

L

■ Long term

For the purposes of balance of payment statistics, long term refers to initial maturities of more than one year.

M

■ Manufacturing services on physical inputs owned by others

This category is now classified with services (it was previously classified with goods in the 5th edition of the *Balance of Payments Manual*). It records transactions involving processing, assembly, labelling, packaging, etc. provided by enterprises that do not own the goods in question.

■ Market value

Outward and inward direct investment positions are recorded at market value, which is estimated jointly with national accounts staff, but only for equity capital. Only aggregated positions at market value are disseminated. Consequently, no breakdowns by company, country or sector are available.

■ **Merchanting**

Merchanting covers transactions related to purchases of foreign goods that are not imported into France's customs territory and then resold to non-residents, and purchases and sales to non-residents of French goods that stay within France's customs territory.

■ **Mixed value**

Inward and outward direct investment positions are recorded at mixed value, meaning that positions in listed securities are recorded at market value and positions in unlisted assets and liabilities are recorded at their book value.

■ **Monetary financial institutions (MFIs)**

The monetary financial institutions (MFI) sector, excluding the central bank, includes resident credit institutions, as defined in European legislation, and all other resident financial institutions the business of which is to receive deposits (or close substitutes for deposits) from entities other than MFIs and to grant credit and/or make investments in securities for their proprietary account. This category also includes electronic monetary institutions, meaning those that engage in financial intermediation primarily by issuing electronic currency. The Caisse des Dépôts et Consignations, money market funds and the Caisse Nationale d'épargne are also part of the MFI sector. On the other hand, payment institutions are not part of this sector.

N

■ **Non-produced non-financial assets**

This category corresponds to purchases and sales of natural resources, such as land, mineral rights, water and forests, along with contracts, leases and licences, and marketing assets (registered trademarks and models, logos, domain names, etc.).

O

■ **Other investment (loan-deposit position)**

The "other investment" component of the financial account includes all transactions in financial assets and liabilities with non-residents that do not concern direct investment, portfolio investment, financial derivatives or reserve assets. In practice, this mainly concerns bank deposits and interbank lending, as well as loans and deposits made by insurance companies and all kinds of investment companies and funds.

■ **Other sectors**

"Other sectors" records transactions by economic agents that are not the central bank, general government nor monetary financial institutions. This category covers other financial corporations (insurance companies, investment companies, investment funds, except money market funds, which are classified as monetary financial institutions), industrial and commercial companies, households and unincorporated enterprises. This residual sector also includes non-profit institutions serving households (NPISHs), such as associations or foundations.

P

■ **Portfolio investment**

Portfolio investment covers all transactions in negotiable securities between residents and non-residents, including purchases of new issues, trading and redemptions, other than transactions recorded as direct investment, reserve assets or financial derivatives.

■ **Primary income**

Primary income refers to the flows received by economic agents for their participation in the production process ("compensation of employees") or for the provision of financial assets ("investment income") or for the rental of natural resources ("rent"). Taxes and subsidies on products and production are also included in primary income.

R

■ Reinvested earnings

Reinvested earnings are the undistributed share of after-tax operating income from subsidiaries and equity interests attributable to the direct investor.

■ Reinvestment of earnings

See *Reinvested earnings*.

■ Reserve assets

Reserve assets are external assets that are readily available to the Central Bank. Reserve assets are made up of gross assets in monetary gold and foreign currencies, including securities issued by non-residents, special drawing rights (SDRs) and France's net position in the IMF.

■ Resident economic sectors

The amounts recorded under many balance of payments items are classified according to the institutional sector of the resident party to the transaction. The institutional sectors are (see the definition of each sector):

- the Banque de France;
- general government;
- monetary financial institutions;
- "other sectors".

■ Residents/non-residents

Residents are:

- natural persons having their centre of predominant economic interest in France, regardless of their nationality, except for foreign civil servants and military personnel assigned to France, who remain non-residents;
- civil servants and other French government employees posted to other countries or seconded to international organisations or other non-resident employers;
- French and foreign legal entities, for their establishments in France, except for foreign diplomatic missions and international organisations based in France, when there is a real economic activity carried out in France by autonomous production units, regardless of their legal form (subsidiary, branch, agency, office, etc.).

Non-residents are:

- foreign and French individuals who live abroad, meaning who are actually located abroad, with the exception of French diplomatic missions and French civil servants posted abroad;
- foreign and French legal entities, for their establishments abroad, when they have a real economic activity performed abroad by autonomous production units, regardless of their legal form.

S

■ Secondary income

Secondary income records current transfers between residents and non-residents. A transfer is a transaction that involves the provision of a good, service, financial asset or another non-produced asset without receiving something of economic value in exchange. Current transfers refers to all transfers that are not capital transfers (see *Capital account*).

■ Services

Services constitute the second main component of the current account. Unlike goods, where production and marketing are clearly separate activities, trade in services is closely linked to their production. Trade in services includes transport services and travel.

■ Short term

For the purposes of balance of payment statistics, short term refers to initial maturities of one year or less. The “initial maturity” is that stipulated when a financial transaction is initiated and is distinct from the notion of “residual maturity”.

■ Sign conventions

By convention, all current account transactions have a positive sign, with a few exceptions, including acquisitions for merchanting, reinvested earnings in the event of operating losses, which are registered as credits or debits, as the case may be, with a negative sign. A positive balance (credits minus debits) on the current account and the capital account indicates that receipts are greater than payments, resulting in net lending.

In the case of flows of assets and liabilities on the financial account, a positive figure indicates an increase in assets or liabilities and a negative figure indicates a decrease in assets or liabilities. A positive balance of flows on the financial account indicates an increase in France’s net assets, and a negative balance indicates a decrease in net assets. A simultaneous increase of assets and liabilities by the same amount does not change the balance of the financial account.

T

■ Trade credits and advances

Trade credits and advances arise from credits granted by resident enterprises to non-resident customers (assets) or credits granted by non-residents to resident customers (liabilities), regardless of their maturity. This item also covers advances. Trade credits between companies in a direct investment relationship are recorded under “direct investment”. Other trade credits are recorded under “other investment”.

■ Transport services

This item records transactions reported for goods and passenger transport, along with the related expenses, except for goods procured in ports by carriers (see definition), and the estimated shipping expenses included in trade in goods. Transport services receipts and payments related to international travel, such as the air fare for tourists travelling between their home countries and France, are not recorded under the “travel” item, but under transport services instead. On the other hand, domestic transport used in France by non-residents and domestic transport used abroad by residents are recorded under the travel item.

■ Travel

The “travel” item records natural persons’ expenditure when travelling abroad. Travel receipts record all spending in France by non-resident individuals staying in France for less than one year, along with expenses incurred for personal services (healthcare, tuition, etc.) purchased from residents. Travel payments record similar spending by residents abroad.

Transport services receipts and payments for international travel are not recorded under the “travel” item, but under “transport services” instead. On the other hand, travel does include domestic transport used in France by non-residents and domestic transport used abroad by residents.

W

■ Workers’ remittances

Workers’ remittances are the amounts transferred abroad by resident workers and vice versa. Workers’ remittances are recorded under “secondary income”.

PART II

DEFINITION OF GEOGRAPHICAL ZONES

European Union member countries (at 1 January 2016)

Austria*	Estonia*	Italy*	Portugal*
Belgium*	Finland*	Latvia*	Romania
Bulgaria	France*	Lithuania*	Slovakia*
Croatia	Germany*	Luxembourg*	Slovenia*
Cyprus*	Greece*	Malta*	Spain*
Czech Republic	Hungary	Netherlands*	Sweden
Denmark	Ireland*	Poland	United Kingdom

The European Union includes the countries listed above, along with the European Union institutions (European Investment Bank, European Development Fund and other European Community institutions).

As of 1 January 2016, the Economic and Monetary Union had 19 member countries (denoted by *), along with the European Central Bank and the European Stability Mechanism.

The geographical zones are defined in the standard lists drawn up by Eurostat.

Offshore financial centres (list compiled by Eurostat)

American Virgin Islands	Jersey
Andorra	Lebanon
Anguilla	Liberia
Antigua-and-Barbuda	Liechtenstein
Aruba	Marshall Islands
Bahamas	Mauritius
Bahrain	Montserrat
Barbados	Nauru
Belize	Niue
Bermuda	Panama
British Virgin Islands	Philippines
Cayman Islands	Saint-Kitts-and-Nevis
Cook Islands	Saint Lucia
Curacao	Saint Martin
Dominica	Saint Vincent and the Grenadines
Gibraltar	Samoa
Grenada	Seychelles
Guernsey	Singapore
Hong-Kong	Turks and Caicos Islands
Isle of Man	Vanuatu

PART III

BALANCE OF PAYMENTS

REVISIONS OF 2013 AND 2014 DATA

With the publication of each *Annual Report*, some of the data from previous years are usually updated. Most of the revisions concern the previous two years. These revisions take account of more comprehensive information.

MAIN REVISIONS TO THE CURRENT ACCOUNT

Minor revisions were made to the 2013 goods data. More substantial changes were made to the data on trade in services following a review of the method for deriving FOB-FOB data from CIF-FOB data. On the other hand, in the case of the 2014 data, the use of a supplementary survey by the Banque de France on international trade in services (ECEIS)¹ to replace the estimated provisional data led to a slight revision of services, which were trimmed by 0.9 billion, whereas the revision to the goods balance added 5.8 billion.

Revisions to the **primary income** data mainly concern investment income. Revisions to direct investment income were minor in 2013, but more significant in 2014, as estimated data were replaced with data collected from resident enterprises about their foreign subsidiaries and accounting data from direct investment enterprises in France. Slight revisions were made to the 2013 and 2014 income from portfolio investment, along with income from other investment.

Revisions of **secondary income** data were very small.

MAIN REVISIONS TO THE FINANCIAL ACCOUNT

Revisions substantially increased the **direct investment** balance in 2013 and the balance in 2014 even more. As in previous years, one major source of the revisions was more comprehensive data about the financial statements and operations of French companies owned by non-residents and foreign companies owned by residents. In the case of French direct investment abroad, intercompany lending was trimmed by 4.3 billion in 2013 and by 7.8 billion in 2014. The revision that increased equity capital flows by 14.4 billion, however, produced a positive revision of 3.9 billion in the balance of French direct investment abroad.

In the case of direct investment in France, the largest revisions concerned intercompany lending, which was trimmed by revisions to the 2013 and 2014 data. These revisions were only partially offset by upward revisions of equity capital transactions.

Revisions to **portfolio investment** data led to a decrease of 1.2 billion in assets in 2013, which mainly concerned equity securities and investment fund shares/units, and a decrease of 7.5 billion in assets in 2014, which affected long-term debt securities only.

On the liabilities side, half of the large upward revision of long-term debt securities was offset by the downward revision of equity securities and investment fund shares/units.

The revisions to **other investment** data were minor.

¹ See the *Balance of Payments Methodology*.

Revisions of 2013 and 2014 balance of payments data
Balance of principal balance of payments components

(EUR billions)

	2013			2014		
	Annual Report 2014	Annual Report 2015	Revisions	Annual Report 2014	Annual Report 2015	Revisions
Current account	-17.1	-18.5	-1.4	-19.8	-22.8	-3.0
Goods	-43.0	-42.7	0.3	-34.7	-40.5	-5.8
Services	22.4	19.6	-2.8	17.8	16.9	-0.9
<i>Transport services</i>	-1.3	-3.5	-2.3	-2.4	-2.9	-0.6
<i>Travel</i>	10.2	10.8	0.6	6.6	7.1	0.5
Primary income	47.9	49.2	1.2	44.5	47.8	3.3
<i>Compensation of employees</i>	16.8	16.8	0.0	17.5	17.4	0.0
<i>Investment income</i>	21.5	23.9	2.4	17.7	22.0	4.3
Direct investment	37.2	39.0	1.8	37.2	41.0	3.8
Portfolio investment	-16.1	-15.7	0.4	-19.7	-19.1	0.7
Other investment	-0.1	0.2	0.3	-0.2	-0.4	-0.2
Reserve assets	0.5	0.5	0.0	0.5	0.5	0.0
<i>Other primary income</i>	9.7	8.5	-1.2	9.3	8.3	-1.0
Secondary income	-44.4	-44.6	-0.2	-47.4	-47.0	0.5
Capital account	1.9	1.9	0.0	2.2	2.2	-0.1
Financial account	-17.8	-14.5	3.4	-10.9	-7.5	3.3
Direct investment	-13.5	-10.5	3.0	20.9	36.0	15.2
Abroad	18.8	15.3	-3.5	32.3	36.2	3.9
<i>of which: equity capital</i>	3.0	3.3	0.4	5.2	19.6	14.4
<i>reinvested earnings</i>	8.1	8.5	0.4	9.1	6.4	-2.8
<i>other transactions (intercompany lending)</i>	7.8	3.5	-4.3	18.0	10.2	-7.8
In France	32.3	25.8	-6.5	11.5	0.2	-11.3
<i>of which: equity capital</i>	18.1	20.0	1.9	7.3	9.7	2.3
<i>reinvested earnings</i>	7.8	6.6	-1.2	6.2	5.3	-0.9
<i>other transactions (intercompany lending)</i>	6.4	-0.8	-7.2	-2.1	-14.8	-12.7
Portfolio investment	-60.6	-59.7	0.9	-7.4	-17.9	-10.6
Assets						
(residents' transactions in securities issued by non-residents)	44.7	43.6	-1.2	77.2	69.7	-7.5
Equity securities and investment fund shares/units	33.5	30.9	-2.6	11.4	11.4	0.0
Long-term debt securities	30.2	31.5	1.4	52.2	44.7	-7.5
Short-term debt securities	-18.9	-18.8	0.0	13.7	13.7	0.0
Liabilities						
(non-residents' transactions in securities issued by residents)	105.3	103.3	-2.1	84.6	87.7	3.1
Equity securities and investment fund shares/units	27.2	25.7	-1.6	12.1	7.9	-4.2
Long-term debt securities	51.6	51.2	-0.4	75.1	81.9	6.8
Short-term debt securities	26.5	26.4	-0.1	-2.7	-2.2	0.5
Financial derivatives	-16.8	-16.8	0.0	-23.9	-23.7	0.2
Other investment	74.5	73.9	-0.6	-1.2	-2.7	-1.5
Assets						
<i>of which: Monetary financial institutions</i>	22.5	22.5	0.0	57.4	57.4	0.0
Liabilities						
<i>of which: Monetary financial institutions</i>	-77.5	-77.5	0.0	86.9	87.2	0.3
<i>of which: Monetary financial institutions</i>	-8.0	-8.0	0.0	82.0	82.0	0.0
Reserve assets	-1.5	-1.5	0.0	0.7	0.7	0.0
Net errors and omissions	-2.7	2.1	4.8	6.7	13.1	6.4

Note: Direct investment figures are presented according to the extended directional principle.
Source: Banque de France.

PART IV

INTERNATIONAL INVESTMENT POSITION REVISIONS OF 2013 AND 2014 DATA

As is the case for the balance of payments, several items in France's international investment position have been revised in this *Annual Report* (Table below). These changes are the result of the usual revision process and the inclusion of corrections and data that were not previously available.

The main revisions concern the 2014 direct investment data, following the inclusion of data from annual surveys

on stocks of equity capital and intercompany lending, and the 2013 and 2014 portfolio investment data. Virtually all of the revisions of the portfolio investment data stem from liabilities.

The other components of France's international investment position did not see any significant revisions.

Revisions of 2013 and 2014 international investment position data Principle components of the international investment position

(EUR billions)

	2013			2014		
	Annual Report 2014	Annual Report 2015	Revisions	Annual Report 2014	Annual Report 2015	Revisions
Direct investment at mixed value	408.8	409.0	0.2	453.0	464.7	11.7
Abroad ^{a)}	986.4	961.1	-25.3	1,023.4	1,025.6	2.2
In France ^{a)}	577.5	552.1	-25.4	569.1	560.9	-8.2
Portfolio investment	-736.6	-717.3	19.3	-831.8	-785.3	46.4
Foreign securities	2,084.8	2,083.2	-1.6	2,264.3	2,267.4	3.1
Equity securities and investment fund shares/units	590.4	589.0	-1.3	632.1	634.8	2.7
Long-term debt securities	1,302.2	1,306.4	4.2	1,435.2	1,439.9	4.7
Short-term debt securities	192.2	187.8	-4.4	197.0	192.7	-4.3
Domestic securities	2,821.4	2,800.5	-20.8	3,096.1	3,052.7	-43.4
Equity securities and investment fund shares/units	741.6	731.8	-9.8	757.4	743.1	-14.3
Long-term debt securities	1,847.0	1,836.2	-10.8	2,095.6	2,067.4	-28.2
Short-term debt securities	232.8	232.6	-0.2	243.1	242.2	-0.9
Financial derivatives	-62.1	-62.1	0.0	-59.1	-59.1	0.0
Other investment	-84.7	-85.2	-0.5	-98.6	-100.0	-1.4
Trade credits and advances	-12.9	-13.5	-0.6	-19.4	-21.0	-1.6
Other investment of the Banque de France	-151.8	-151.8	0.0	-159.5	-159.5	0.1
General government loan-deposit position	37.0	37.0	0.0	37.6	37.7	0.1
MFIs' loan-deposit position	66.1	66.1	0.0	44.2	44.2	0.0
Loan-deposit position of other sectors ^{b)}	-11.8	-11.7	0.1	10.7	10.7	0.0
Special drawing rights	-11.3	-11.3	0.0	-12.1	-12.1	0.0
Reserve assets	105.1	105.1	0.0	118.2	118.2	0.0
Balance with direct investment at mixed value	-369.5	-350.5	19.0	-418.4	-361.6	56.7

a) Presented according to the extended directional principle.

b) Non-financial corporations, insurance companies, other financial intermediaries, investment funds other than money market funds and households.

Source: Banque de France.

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where you will also find supplementary statistical
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