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National financial accounts in 2009: a shift in financing flows towards general government

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In 2009, the borrowing requirement of general government increased substantially, while that of non-financial corporations declined and households' financial savings rose. Financial intermediaries cut back their debt vis-à-vis their foreign counterparts and the central bank and non-residents contributed to the financing of the national economy mainly by purchasing government securities. The economic downturn, the steepening of the yield curve and the rebound on stock markets significantly impacted the investment and borrowing behaviour of the non-financial sector. Households considerably reduced bank borrowings and cut back their investment in taxed savings products, whose rate of return is close to the money market rate. They increased their precautionary savings by favouring life insurance products and the most liquid and least risky investments. The debt ratio of non-financial corporations, which issued more debt securities and reduced their bank borrowings, continued to rise. As a result of the normalization of stock markets, mutual funds, in particular non-money market mutual funds, once again recorded inflows, which partly offset the outflows of 2008.

Keywords: national financial accounts, provisional financial account, non-financial sector, households, non-financial corporations, general government, insurance corporations and mutual funds, credit institutions, non-residents, financing and investment, debt, deposits, interbank refinancing, debt securities, loans, equities, mutual fund shares, life insurance, Treasury bills, bonds, housing savings schemes (PELs), euro-denominated/unit-linked policies.

JEL code: G00.

1| Households reduced their debt and significantly redeployed their financial investments[1]

In 2009, household savings posted a sharp rise (EUR 211.6 billion, after EUR 197.9 billion), while their investment spending, mainly on housing, declined (EUR 122.6 billion, after EUR 134.7 billion). This resulted in an increase in household net lending to EUR 89.3 billion from EUR 61.2 billion in 2008 (see Table 1).[2] In 2009, this surplus, which accounted for just over two percentage points of households' gross disposable income, was not

Table 1 Main items of the financial and non-financial accounts of households (a)

(EUR billions)

	2007	2008	2009
Savings (A)	192.9	197.9	211.6
Net capital transfers (B)	-2.1	-2.1	0.4
Investment (C)	131.0	134.7	122.6
Net lending (+) or net borrowing (-) (b) (D = A + B - C)	**59.8**	**61.2**	**89.3**
Balance of claims (+) and debts (-) (E = G - F)	**62.9**	**66.1**	**89.9**
Net incurrence of liabilities (F)	**87.2**	**64.4**	**37.1**
Loans from financial institutions	87.2	64.4	37.1
o/w loans for house purchases	*75.0*	*56.4*	*27.8*
NB: Debt ratio (as a % of gross disposable income)	71.8	74.3	76.0
Net acquisitions of financial assets (G = H + I)	**150.0**	**130.4**	**127.0**
Main investments (H)	**147.0**	**110.2**	**111.8**
Currency	3.2	4.3	3.1
Overnight deposits	7.2	-3.1	19.6
Overnight investment (*livrets A, bleus, jeunes, livrets d'épargne populaire...*)	22.2	47.5	14.2
Term investment (term accounts)	24.2	18.4	-18.9
Contractual saving schemes (PEL and PEP)	-17.7	-26.3	4.8
Life insurance investment	86.1	63.3	88.4
Debt securities	8.0	3.0	3.9
o/w bonds	*2.7*	*2.1*	*4.4*
Mutual fund shares	6.3	-2.4	-13.9
o/w money market funds	*14.2*	*9.0*	*-15.5*
non-money market funds	*-7.9*	*-11.4*	*1.6*
Shares	7.5	5.5	10.5
o/w quoted shares	*-0.3*	*-1.7*	*2.8*
Other investments (net) (I)	**3.0**	**20.3**	**15.2**

(a) Individuals, sole traders and non-profit institutions serving households.
(b) Financial savings.
Source: National accounts, base 2000, Banque de France (DSMF).
Data at 21 May 2010.

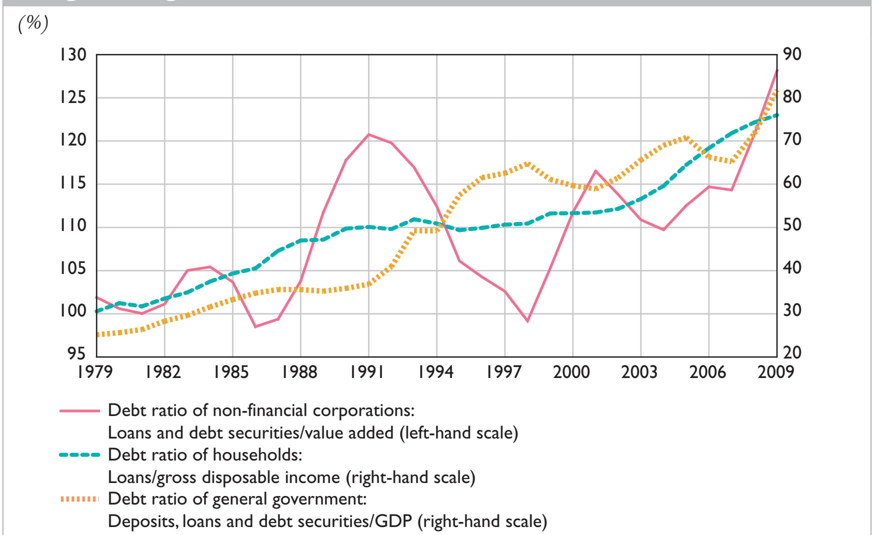
1 *The savings behaviour of households is analysed in a detailed article in the* Bulletin de la Banque de France.
2 *For more information, see: "Les comptes de la Nation en 2009 : une récession sans précédent depuis l'après-guerre",* INSEE PREMIÈRE, *No. 1294, May 2010, accessible on the INSEE website at the following address:* http://www.insee.fr/fr/ffc/ipweb/ip1294/ip1294.pdf.

channeled into financial investment, which remained almost unchanged (EUR 111.8 billion, after EUR 110.2 billion) but was used to reduce their net bank borrowings (EUR 37.1 billion, after EUR 64.4 billion).

This decline in bank borrowings mainly concerns lending for house purchases, which were halved to stand at EUR 27.8 billion in 2009 after EUR 56.4 billion in 2008, in a context of stagnating or declining house prices and a deterioration in the economic environment. However, households' debt ratios continued to rise in 2009, but at a much slower pace than in the previous two years. At end-2009, their debt to gross disposable income ratio stood at a record level of 76.0%, after 74.3% at end-2008 (see Chart "Debt ratios of households, non-financial corporations and general government").[3]

In 2009, households redeployed their financial investment flows as a result of the steepening of the yield curve and the gradual normalization of stock market conditions. Overnight deposits rose from EUR -3.1 billion to EUR 19.6 billion as a result of the low opportunity cost of holding such deposits due to the persistence of low short-term interest rates, but also of the growing uncertainty surrounding macroeconomic developments. Conversely, households cut back their liquid investments, which offered a lower rate of return. In particular, they sold part of their money market fund shares (EUR -15.5 billion, after EUR 9.0 billion). Overnight investment

Debt ratios of households, non-financial corporations and general government



Sources: National accounts, base 2000, INSEE, Banque de France (DSMF).

3 *For detailed quarterly developments, see STAT INFO "Debt of resident non-financial agents in France" accessible on the Banque de France website at the following address:* http://www.banque-france.fr/fr/statistiques/telechar/titres/2009-T4-taux-endettement-agents-non-financiers-france.pdf.

inflows were substantial at the start of the year, buoyed up by the generalization of the distribution of the *livret A* to all branch networks and by relatively attractive interest rates. However, they started to slow in the second quarter as the rate on the *livret A* gradually declined, to finally stand at EUR 14.2 billion in 2009, after EUR 47.5 billion in 2008.

Households also considerably scaled back their holdings of deposits with an agreed maturity as a result of the 100 basis point drop in the rate of return on these products in line with the decrease in money market rates, with the same pattern being observed for money market fund shares. Withdrawals amounted to EUR 18.9 billion, an amount equivalent to the net inflows recorded in 2008 (EUR 18.4 billion).

Conversely, after four years of declining outstandings, the balance of contractual saving schemes became once more positive (EUR 4.8 billion, after EUR -26.3 billion), as the return on housing savings plans, which had remained unchanged at 2.5% (excluding the government bonus) since July 2003, became attractive relative to short-term investments. Net investment flows into life insurance picked up significantly, partly on account of the redeployment of funds withdrawn from fixed-term accounts or money market funds. They amounted to EUR 88.4 billion, after EUR 63.3 billion in 2008. This redistribution of households' investment flows between the different categories of assets, which results chiefly from the change in relative rates of return, benefited in similar proportions the main categories of life insurance contracts.

At the same time, households started purchasing securities again. Their direct investments in quoted shares picked up (EUR 2.8 billion, after EUR -1.7 billion), as well as their net subscriptions of non-money market fund shares (EUR 1.6 billion, after EUR -11.4 billion in 2008). This shift towards high-risk securities was associated with the stock market recovery. The halt in sales can also partly be explained by the fact that the measures allowing the early unblocking of employee investment funds was not renewed in 2009. Purchases of debt securities also increased somewhat (EUR 3.9 billion, after EUR 3.0 billion).

2| Non-financial corporations reduced bank borrowings and had greater recourse to financial markets

In 2009, the borrowing requirement of non-financial corporations stood at EUR -22.9 billion, down by roughly EUR 40 billion compared with the level recorded in 2008. Their savings also declined, slipping from EUR 135.3 billion in 2008 to EUR 122.1 billion in 2009 (see Table 2).[4]

4 See footnote No. 2.

Table 2 Main items of the financial and non-financial accounts of non-financial corporations

(EUR billions)

	2007	2008	2009
Savings (A)	149.6	135.3	122.1
Net capital transfers (B)	11.1	13.0	14.2
Investment and changes in inventories (C)	210.1	212.6	159.2
o/w: Investment	*198.7*	*210.0*	*191.9*
Changes in inventories	*11.4*	*2.7*	*-32.7*
Net lending (+) or net borrowing (-) (D = A + B - C)	**-49.4**	**-64.4**	**-22.9**
Balance of claims (+) and debts (-) (E = G - F)	**-59.2**	**-65.6**	**-21.0**
Net incurrence of liabilities (F)	**233.6**	**196.1**	**174.6**
Debt	91.9	102.7	39.5
o/w: Debt securities	*-1.0*	*25.3*	*50.8*
– Negotiable debt securities and similar securities	*2.9*	*29.9*	*40.6*
– Bonds and similar securities	*-3.9*	*-4.6*	*10.1*
Loans from financial institutions	*92.9*	*77.4*	*-11.2*
– resident	*85.9*	*67.8*	*-7.3*
– non-resident	*7.0*	*9.6*	*-3.9*
Shares and other equity	106.8	67.9	105.5
o/w inward direct investment (equity capital and reinvested earnings)	*34.0*	*14.9*	*7.3*
Inward direct investment (other capital)	34.9	25.6	29.6
NB: debt ratio (as a % of value added)	114.3	120.8	128.3
Net acquisitions of financial assets (G = H + I)	**174.4**	**130.6**	**153.6**
Main investments (H)	**161.6**	**128.8**	**170.4**
Cash investment (deposits, negotiable debt securities and money market funds)	19.6	54.0	45.0
o/w deposits with non-resident financial institutions	*4.5*	*3.9*	*6.4*
Bonds and non-money market funds	-4.0	-16.6	-8.2
Shares and other equity	109.8	54.3	68.7
o/w outward direct investment (equity capital and reinvested earnings	*65.9*	*57.7*	*24.8*
Outward direct investment (other capital)	36.2	37.2	64.8
Other investments (net) (I)	**12.8**	**1.8**	**-16.8**

Source: National accounts, base 2000, Banque de France (DSMF).
Data at 21 May 2010.

This decrease in non-financial corporations' resources was, however, somewhat offset by the sharp fall in corporate income tax payments resulting from the tax-cutting measures as part of the economic stimulus package. At the same time, faced with a contraction in their activity, non-financial corporations cut back their assets. Inventory drawdowns were much more substantial than in 1993 (EUR -32.7 billion, after EUR 2.7 billion in 2008). They also considerably reduced their investments (EUR 191.9 billion, after EUR 210.0 billion). Overall, their net acquisitions of non-financial assets declined by EUR 53.4 billion, from EUR 212.6 billion to EUR 159.2 billion.

The reduction in the borrowing requirement of non-financial corporations in 2009 went hand in hand with a marked decrease in debt flows (EUR 39.5 billion, after EUR 102.7 billion), in particular loans obtained from resident financial institutions (EUR -7.3 billion, after EUR 67.8 billion). Non-financial corporations nevertheless completed their financing by issuing a larger amount of debt securities. Thanks to the normalization of financial markets from the second quarter onwards, they were able to raise more funds. Over the whole of 2009, net issuance of debt securities amounted to EUR 50.8 billion, after EUR 25.3 billion in 2008. The shift from bank financing to market financing, mainly on the part of large enterprises, was, however, partial: overall, debt flows of non-financial corporations declined for the most part of the year.

Since end-2007, the debt to value added ratio of non-financial corporations has increased by roughly 15 percentage points to reach EUR 120.8% at end-2008, then EUR 128.3% at end-2009, a record level for at least three decades (see Chart "Debt ratios of households, non-financial corporations and general government"). However, despite this rise, amplified in 2009 by the decrease in value added, the debt ratio of French non-financial corporations was still relatively low compared to that recorded in the other major countries of the euro area. It was up by 7.5 value added points in 2009, less than in Spain and Italy but more than in Germany.[5]

In 2009, non-financial corporations considerably stepped up their financial investments (EUR 170.4 billion, after EUR 128.8 billion), in particular in the form of equity investments between resident non-financial corporations, which also contributed to the increase in net equity issuance: equity issues more or less returned to their level of 2007 (EUR 105.5 billion, after EUR 67.9 billion in 2008 and EUR 106.8 billion in 2007). At the same time, non-financial corporations further reduced their bond and non-money market fund holdings (EUR -8.2 billion, after EUR -16.6 billion), but continued to increase their cash holdings (EUR 45.0 billion, after EUR 54.0 billion). Inward direct investment and outward direct investment in the form of cash pooling and intercompany loans, on the upside since 2007, posted net outflows of EUR 35.2 billion in 2009: resident non-financial corporations provided more funding to their foreign subsidiaries than they received from their non-resident parent companies. Equity capital transactions, both inward and outward, posted a marked decline, reflecting the fall in mergers and acquisitions at the global level.

5 *For more information, see* STAT INFO *"Debt ratios of non-financial agents – International comparisons" accessible on the Banque de France website at the following address:* http://www.banque-france.fr/fr/statistiques/titres/titres-endettement-anf-internationales.htm.

3| The general government borrowing requirement increased and its debt rose

In 2009, the general government borrowing requirement[6] posted a marked increase to stand at EUR 144.4 billion, after EUR 65.0 billion in 2008 (see Table 3). This deterioration can mainly be ascribed to central government, whose borrowing requirement more than doubled (EUR -117.6 billion, after EUR -55.5 billion) and, to a lesser extent, social security agencies (EUR -24.0 billion, after EUR -0.9 billion).[7]

General government essentially met its borrowing requirements by increasing its net issuance of debt securities (EUR 145.4 billion, after EUR 109.7 billion). It favoured the issuance of negotiable debt securities[8] (EUR 99.9 billion, after 66.7 billion), in particular in the form of Treasury bills (EUR 92.9 billion, after EUR 58.5 billion). Conversely, net bond issuance was close to its level of 2008 (EUR 45.5 billion, after EUR 42.9 billion).

Table 3 Investment, financing and debt of general government

(EUR billions)

	2007	2008	2009
Net lending (+) or net borrowing (-)	**-51.8**	**-65.0**	**-144.4**
Net acquisitions of financial assets	**8.9**	**51.7**	**16.6**
o/w: Deposits	*9.0*	*10.0*	*21.4*
Investment in interest rate securities	*9.1*	*24.7*	*-20.2*
Equity-type investment	*-4.3*	*3.5*	*6.2*
Net incurrence of liabilities	**60.9**	**117.1**	**159.6**
Loans and deposits	17.0	7.0	15.6
Net issuance of debt securities	43.7	109.7	145.4
o/w: Bonds	*28.4*	*42.9*	*45.5*
Negotiable debt securities	*15.3*	*66.7*	*99.9*
Gross government debt (as defined by Maastricht)	**1,208.9**	**1,315.1**	**1,489.0**
(as a % of GDP)	(63.8)	(67.5)	(78.1)
Gross government debt (as defined in the national accounts)	**1,236.3**	**1,397.0**	**1,562.7**
(as a % of GDP)	(65.2)	(71.8)	(81.9)
Outstanding debt securities	1,043.3	1,197.0	1,347.1
Outstanding loans and deposits	193.0	200.0	215.6

Source: National accounts, base 2000, Banque de France (DSMF).
Data at 21 May 2010.

6 *General government: national accounting sector which includes the State, various central government agencies, local authorities and social security agencies.*

7 *For more information, see* "Les comptes nationaux des administrations publiques en 2009" – INSEE PREMIÈRE, *No.1293, May 2010, accessible at the following address:* http://www.insee.fr/fr/ffc/ipweb/ip1293/ip1293.pdf.

8 *Negotiable debt securities: short and medium-term debt securities (commercial paper, certificates of deposit, Treasury notes, negotiable medium term notes and Euro Medium Term Notes).*

This quasi-stability can partly be ascribed to the reimbursement by the *Société de prises de participation de l'État* (SPPE),[9] for a total amount of EUR 13.5 billion, of the previous bond issues aimed at financing the subscription of super-subordinated securities issued by a certain number of credit institutions in the framework of the plan to support the financing of the economy set up in October 2008. General government also had greater recourse to bank loans (EUR 15.6 billion, after EUR 7.0 billion), reflecting the increase in loans taken out by local government and social security agencies.

At the same time, general government investment flows, which were strongly positive in 2008, recorded a marked drop (EUR 16.6 billion, after EUR 51.7 billion). In particular, general government went from being a net buyer of interest rate securities (EUR 24.7 billion) to a net seller (EUR -20.2 billion). This shift can partly be ascribed to the buyback from the SPPE of the abovementioned super-subordinated securities by almost all credit institutions that had issued them. Conversely, general government increased its monetary investments (EUR 21.4 billion, after EUR 10.0 billion) and their equity-type investments (EUR 6.2 billion, after EUR 3.5 billion).

Overall, general government gross financial debt – which differs notably from that defined in the Maastricht Treaty in that securities are reported at market value and the debt data are not consolidated between units of the sector – amounted to EUR 1,562.7 billion at end-2009 (after EUR 1,397.0 billion in 2008), i.e. 81.9% of GDP (see Chart "Debt ratios of households, non-financial corporations and general government"). Contrary to the previous years, the change in government debt outstanding at market value was hardly affected by interest rate variations.

4| Investment in insurance companies and net subscriptions of mutual fund shares picked up

The renewed appetite of households for life insurance products largely contributed to the increase in financing flows on the liabilities side of life insurance companies, which climbed from EUR 69.0 billion in 2008 to EUR 83.7 billion in 2009. As a result of a rise in technical reserves (from EUR 63.3 billion to EUR 88.4 billion, see Table 1, "life insurance investment"), insurance companies further reduced their bank borrowings from financial institutions (EUR -6.5 billion, after EUR -4.5 billion) and made net redemptions of bonds (EUR -2.8 billion, after EUR 2.9 billion).

9 *Entity created in 2008, classified under various central government agencies.*

Table 4 Equity, mutual fund and debt securities flows

(EUR billions)

	2007	2008	2009
Equities	**184.8**	**189.9**	**203.9**
Net issuance			
Residents	120.1	88.4	129.1
o/w: *Non-financial corporations*	*106.8*	*67.9*	*105.5*
Insurance companies	*4.5*	*2.3*	*3.8*
Credit institutions, miscellaneous financial institutions	*5.5*	*17.1*	*17.7*
Rest of the world (net issues subscribed by residents)	64.7	101.5	74.8
Net acquisitions			
Residents	161.7	169.3	150.7
o/w: *Households*	*7.5*	*5.5*	*10.5*
Non-financial corporations	*109.8*	*54.3*	*68.7*
General government	*-4.5*	*1.4*	*4.2*
Insurance companies	*9.1*	*15.2*	*2.0*
Mutual funds	*-8.8*	*11.6*	*19.4*
Credit institutions, miscellaneous financial institutions	*41.3*	*78.4*	*45.7*
Rest of the world	23.1	20.6	53.2
Net mutual fund subscriptions	**55.0**	**-24.7**	**10.6**
Money market funds	**5.7**	**53.0**	**-7.4**
o/w: *Households*	*14.2*	*9.0*	*-15.5*
Non-financial corporations	*-18.1*	*21.5*	*23.6*
Insurance companies	*-2.0*	*6.3*	*6.2*
Mutual funds	*13.8*	*4.8*	*-12.2*
Credit institutions, miscellaneous financial institutions	*-1.3*	*6.5*	*-9.9*
Non-money market funds	**49.3**	**-77.8**	**18.0**
o/w: *Households*	*-7.9*	*-11.4*	*1.6*
Non-financial corporations	*-14.6*	*-8.9*	*-0.4*
Insurance companies	*49.5*	*10.2*	*-20.6*
Mutual funds	*8.1*	*-21.7*	*7.6*
Credit institutions,miscellaneous financial institutions	*8.4*	*-37.7*	*-8.8*
Rest of the world	6.6	-10.9	31.4
Bonds	**238.3**	**124.6**	**124.3**
Net issuance			
Residents	81.0	106.7	168.4
o/w: *Non-financial corporations*	*-3.9*	*-4.6*	*10.1*
General government	*28.4*	*42.9*	*45.5*
Credit institutions, miscellaneous financial institutions	*55.1*	*63.9*	*112.2*
Rest of the world (Net issues subscribed by residents)	157.2	17.8	-44.0
Net acquisitions			
Residents	174.7	44.3	16.4
o/w: *Non-financial corporations*	*10.7*	*-7.7*	*-7.8*
Insurance companies	*15.8*	*23.2*	*23.1*
Mutual funds	*-17.5*	*-66.0*	*4.8*
Credit institutions, miscellaneous financial institutions	*139.8*	*42.7*	*14.6*
Rest of the world	63.5	80.3	107.9
Negotiable debt securities	**169.6**	**209.0**	**109.4**
Net issuance			
Residents	160.3	161.2	36.7
o/w: *Non-financial corporations*	*2.9*	*29.8*	*40.9*
General government	*15.3*	*66.7*	*99.9*
Credit institutions, miscellaneous financial institutions	*147.2*	*60.8*	*-108.5*
Rest of the world (net issues subscribed by residents)	4.2	48.6	80.0
Net acquisitions			
Residents	101.1	145.2	-41.1
o/w: *Non-financial corporations*	*13.4*	*12.2*	*-3.5*
Insurance companies	*41.7*	*21.7*	*60.5*
Money market funds	*1.1*	*42.0*	*10.5*
Non-money market funds	*-10.0*	*-16.0*	*15.9*
Credit institutions, miscellaneous financial institutions	*12.0*	*50.6*	*-128.1*
Rest of the world	68.5	63.8	150.6
Total	**647.6**	**498.7**	**448.3**

Source: National accounts, base 2000, Banque de France (DSMF).
Data at 21 May 2010.

Insurance companies' overall investment in equities, mutual fund shares and debt securities (see Table 4) ebbed from EUR 76.7 billion to EUR 71.2 billion. They reduced their net acquisitions of equities (EUR 2.0 billion, after EUR 15.2 billion) and recorded large net sales of non-money market fund shares (EUR -20.6 billion, after EUR 10.2 billion). Conversely, their net acquisitions of negotiable debt securities picked up, increasing from EUR 21.7 billion to EUR 60.5 billion, while their bond purchases remained buoyant, at just above EUR 23 billion, and their net subscriptions of money market fund shares remained at a high level (EUR 6.2 billion, after EUR 6.3 billion).

Net subscriptions of mutual fund shares picked up in 2009 (EUR 10.6 billion, after EUR -24.7 billion), but differently depending on the category of fund. After the substantial net buybacks in 2008 (EUR -77.8 billion), non-money market funds recorded net subscriptions of EUR 18 billion in 2009. This shift, underpinned by the gradual improvement in the financial environment, can largely be attributed to non-residents (EUR 31.4 billion) and, to a lesser extent, the mutual funds themselves (EUR 7.6 billion). The other resident sectors, in particular insurance companies and credit institutions, made withdrawals to the tune of EUR 29.4 billion. After net subscriptions (EUR 53.0 billion) in 2008, money market funds recorded net sales (EUR -7.4 billion) in 2009 due to the decline in the rate of return of their shares as a result of the persistence of low short-term interest rates. Households, non-residents and mutual funds themselves showed less appetite for these products, whereas subscriptions by insurance companies and non-financial corporations remained at the same level as in 2008.

5| Credit institutions scaled back their central bank refinancing

Net flows of loans from credit institutions and miscellaneous financial institutions[10] to the resident non-financial sector decreased significantly, shrinking from EUR 135.1 billion in 2008 to EUR 48.4 billion in 2009. At the same time, banks were net sellers of securities for a total amount of EUR 86.4 billion, net acquisitions of equities and bonds only partially offsetting the net sales of negotiable debt securities and money market and non-money market fund shares.

As regards resources, deposits recorded only a small decrease (EUR 44.8 billion, after EUR 54.6 billion), returning to a level very close to that of loans (see Table 5). In addition, flows of securities issued by banks fell sharply (EUR 21.5 billion, after EUR 141.9 billion).

10 Miscellaneous financial institutions: national accounting sub-sector made up of financial intermediaries other than monetary financial institutions and insurance companies (for example, investment firms and securitization structures).

Table 5 Investment and financing of credit institutions and miscellaneous financial institutions

(EUR billions)

	2007	2008	2009
Net acquisitions of financial assets (A)	**386.7**	**275.7**	**-38.0**
Loans to the resident non-financial sector	186.4	135.2	48.4
Securities purchased (a)	200.3	140.5	-86.4
Net incurrence of liabilities (B)	**251.2**	**191.7**	**72.6**
Deposits of the resident non-financial sector	55.1	54.6	44.8
Securities issued (a)	207.8	141.9	21.5
Other sources of financing (C = A - B) (C = D + E + F)	**123.8**	**79.3**	**-104.2**
Refinancing from the Banque de France (b) (D)	**57.4**	**112.9**	**-64.0**
Net refinancing from financial institutions (E) other than the central bank	**162.1**	**-34.8**	**-79.3**
o/w: non-resident financial institutions	*146.9*	*-81.1*	*-67.8*
Other net financing (F)	-95.6	1.2	39.1

(a) Equities, mutual funds and debt securities.
(b) Monetary policy lending in euro and foreign currency.
Source: National accounts, base 2000, Banque de France (DSMF).
Data at 20 May 2010.

However, the increase in net redemptions of negotiable debt securities (EUR -108.5 billion, after net issues of EUR 60.8 billion in 2008) was partly offset by the rise in bond issuance (EUR 112.2 billion, after EUR 63.9 billion) and equity capital (EUR 17.7 billion, after EUR 17.1 billion). Debt securities issuance includes, for a total amount of EUR 65.9 billion, the securities issued by the *Société de financement de l'économie française* (SFEF), now classified under miscellaneous financial institutions and no longer under general government,[11] which finance for the same amount the medium-term loans granted by this entity to credit institutions.

Overall, the resources in the form of deposits collected and securities issued by credit institutions exceeded by more than EUR 100 billion their net flows of loans and acquisitions of securities, after having been much lower the previous years. In this context, credit institutions continued to reduce their liabilities vis-à-vis non-resident financial institutions (EUR -67.8 billion, after EUR -81.1 billion). Furthermore, after having had substantial recourse to central bank refinancing in 2008, they substantially cut back their net liabilities vis-à-vis the central bank in 2009 (EUR -64.0 billion, after 112.9 billion).

11 According to Eurostat decision of 15 July 2009 on the statistical recording of public interventions to support financial institutions and financial markets, the SFEF was reclassified, as from the publication of the financial accounts of the second quarter of 2009 in October 2009, under financial institutions. This reclassification resulted in a debt transfer (in the form of debt securities) from general government to miscellaneous financial institutions of EUR 13 billion at end-2008 and of EUR 46.7 billion at 30 March 2009.

6| Foreign capital inflows – in the form of portfolio investment – picked up again and completed the financing of the economy[12]

In 2009, residents' net acquisitions of foreign securities (equities – including in the framework of direct investment –, bonds and negotiable debt securities) posted a further decline to stand at EUR 110.8 billion, after EUR 167.9 billion in 2008 and 226.1 billion in 2007. However, developments differ depending on the type of instrument. Purchases of negotiable debt securities increased (EUR 80.0 billion, after EUR 48.6 billion), while those of equities dropped significantly (EUR 74.8 billion, after EUR 101.5 billion). Conversely, residents were net sellers of bonds issued by non-residents (EUR -44.0 billion, after EUR 17.8 billion).

Non-resident investors, for their part, significantly increased their net purchases of French securities, which jumped from EUR 153.8 billion in 2008 to EUR 343.0 billion in 2009. These capital inflows concern all types of securities. Net purchases of equities (including in the framework of direct investment) picked up (EUR 53.2 billion, after EUR 20.6 billion), while those of non-money market fund shares posted a marked increase (EUR 31.4 billion, after EUR -10.9 billion). Non-residents also stepped up their investment in debt securities, favouring in particular public sector issuance: their purchases of negotiable debt securities rose from EUR 63.8 billion in 2008 to EUR 150.6 billion in 2009 and their bond purchases from EUR 80.3 billion to EUR 107.9 billion.

12 For more information, see the Annual Report on France's balance of payments (June 2010) accessible on the Banque de France website: www.banque-france.fr.

Non-residents' equity holdings in French CAC 40 companies at end-2009

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At the end of 2009, non-residents held EUR 404.5 billion worth of shares in French companies that comprise the CAC 40 index out of a total market capitalisation of EUR 955.4 billion for these companies (see Appendix for list of securities used for this calculation).

After declining over two consecutive years, non-residents' equity holdings in French CAC 40 companies increased in 2009 to 42.3%, having dipped to 40.2% in 2008, and thus returned to a level close to that of 2002 (42.5%). Equity purchases by non-residents were almost entirely accountable for the increase, with price effects only playing a marginal role.

Keywords: equity markets, portfolio investments, holding rate, non-residents, CAC 40.

JEL codes: F21, F23, F36, G15, G34.

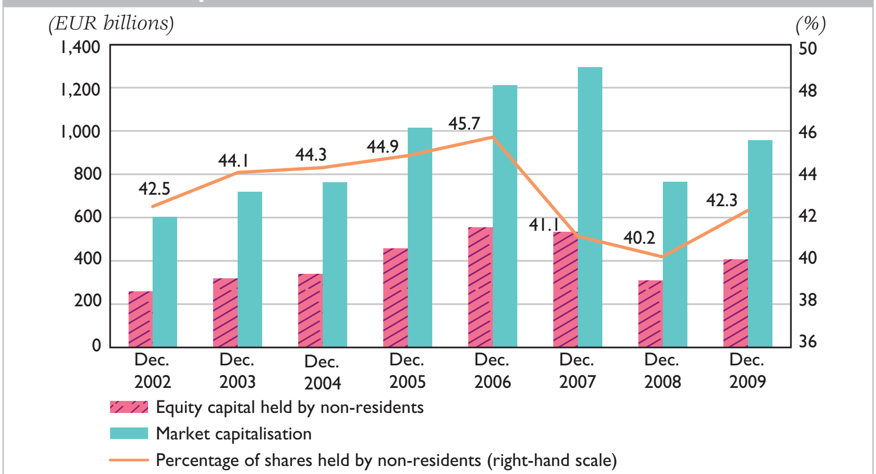
1| Marked rebound in non-residents' holdings of CAC 40 shares in 2009

At the end of 2009, non-residents held EUR 404.5 billion worth of shares in French CAC 40 companies, out of a total market capitalisation of EUR 955.4 billion for these companies (see Appendix for list of securities used for this calculation). After declining over two consecutive years, non-residents' equity holdings in French CAC 40 companies increased in 2009 to 42.3%, having dipped to 40.2% in 2008, and thus returned to a level close to that of 2002 (42.5%).

The proportion of French CAC 40 equities held by non-residents nonetheless remains below the peak that it reached in 2006 (45.7%). Out of this total, the proportion of direct investments made by non-residents rose to 8.4% at the end of 2009, versus 6.3% in 2008, for total outstandings of EUR 33.8 billion, versus EUR 19.3 billion at the end of 2008.[1]

The share of French CAC 40 companies' capital held by non-residents varies from company to company. In 2009, French companies listed in the CAC 40 were more or less evenly distributed between those with 25 to 50% of their shares held by non-residents — giving an average of 37.2% — and those with 50 to 75% of their shares held by non-residents — giving an average of 56.9%. No CAC 40 company's capital is more than 75% held by non-residents and only two of them are less than 25% held by non-residents (see Table 1).

Chart 1 Non-residents' holding rate in the capital of French companies listed on the CAC 40



Sources: Banque de France, Balance of Payments Directorate – Euronext.

1 When 10% or more of the capital of a company is held by a non-resident shareholder it is considered as a direct investment in the company concerned. Below this threshold, it is considered as a portfolio investment in the balance of payments.

Table 1 Breakdown of CAC 40 companies by share of capital held by non-residents

(%)

Share of capital held by non-residents	Number of targeted companies			Non-residents'average holding rate of CAC 40 compagnies		
	2007	2008	2009	2007	2008	2009
0 – 25%	3	3	2	10.6	16.7	12.7
25 – 50%	18	19	17	39.6	38.2	37.2
50 – 75%	15	14	17	57.6	58.2	56.9
over 75%	0	0	0	–	–	–
TOTAL	**36**	**36**	**36**	**–**	**–**	**–**

Source: Banque de France, Balance of Payments Directorate.

Between 2008 and 2009, the share of capital held by non-residents in twenty of the French CAC 40 companies remained practically stable (compared to seventeen in 2008), whilst it dropped by over 2.5 percentage points for six of them (compared to nine of them in 2008) and increased by over 2.5 percentage points for ten of them (the same proportion as in 2008).

2| Factors of change

The impact of flows recorded in the balance of payments became positive in 2009

In 2009, non-resident investors' net acquisitions were a positive EUR 31.5 billion whilst they were a negative EUR 4.3 billion in 2008. This flow represents a 2.1 percentage-point contribution to the increase in the holding rate and almost exclusively accounts for the increase in the share of capital held by non-residents. In 2008, this contribution was minus 0.4 percentage point and only accounted for one fifth of the decrease.

The flows recorded differ significantly from security to security: EUR 29.7 billion of the EUR 31.5 billion are concentrated in nine companies, where they are generally accompanied by a capital increase.

Changes in equity prices have a very limited effect on developments in non-residents' holding rates

Contrary to 2008, the price effect, which measures the impact of variations in the market value of shares held by non-residents compared to the average change in share prices of French CAC 40 companies, barely impacted the holding rate. At constant prices between 2008 and 2009, non-residents' holding rate of CAC 40 companies would have stood at 42.4%, as opposed to an estimated 42.3% at market value.

In a fast-growing market, with an increase of 23.2% in the CAC 40 index over the full-year 2009, the impact of these share price changes on the proportion of non-residents' holding rate is negligible.

3| Distribution of non-residents' investments by sector of activity

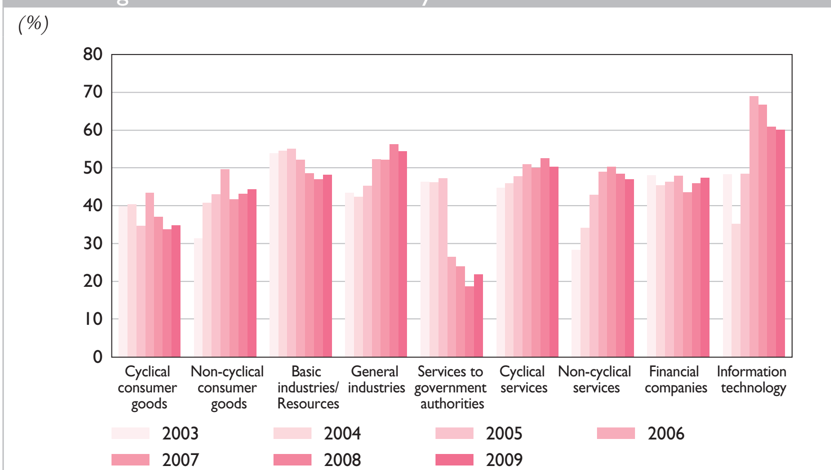
Non-residents' holdings of CAC 40 shares continued to focus on information and communication technology sectors (ICT) in 2009 (non-residents' holding rate of 60.1%), general industries (54.4%) and cyclical services (50.2%). Non-residents' holding rates in the companies of other sectors were on average below 50%.

On the other hand, non-residents appeared less heavily involved in the cyclical consumer goods sector (non-residents' holdings of 34.7%), or in services to government authorities (21.8%).

The main development in non-residents' investments in the CAC 40 by sector between 2008 and 2009 is the fact that the proportion invested in companies providing services to government authorities increased from 18.7% in 2008 to 21.8% in 2009, gaining 3.1 percentage points (see Chart 2).

Changes in the non-residents' holding rate in CAC 40 companies may be broken down by sector according to the non-residents' holding rate of

Chart 2 Non-residents' holding rate in the capital of French CAC 40 companies by sector of activity
According to the classification used by Euronext



Source: Banque de France, Balance of Payments Directorate.

each sector and its weight in the capitalisation of the CAC 40.[2] From 2008 to 2009, the main contribution to the 2.1 percentage-point increase in the holding rate of non-residents in CAC 40 companies is thus attributable to financial companies, with a contribution of 2.6 percentage points. This is partly explained by non-resident investments linked to capital increases by the Société générale and BNP Paribas, and the Belgian government's direct investment in BNP Paribas following the transfer of Fortis assets, as well as a higher holding rate of capital by non-residents in this sector than in the average of the CAC40.

4| Geographic origin of CAC 40 stakeholders

The IMF's annual Coordinated Portfolio Investment Survey (CPIS)[3] details the breakdown by country of all holdings of French listed equities. Combined with the holding rate of CAC 40 shares, CPIS data helps to assess the share of CAC 40 equities held by country or geographical area.

The latest available CPIS figures for 2008 do not bring to light any noteworthy changes in the geographical structure of non-resident holdings of CAC 40 equities. The drop in non-residents' holding rate in CAC 40 shares between 2007 and 2008 affected the main CAC 40 shareholder countries evenly (see Table 2).

Table 2 Geographical origin of the holders of French CAC 40 equities

(%)

	Holding rate			
	at end 2006	**at end 2007**	**at end 2008**	**at end 2009** (a)
Non-residents' holdings	44.9	41.1	40.2	42.3
o/w : Euro area	*18.4*	*16.7*	*16.1*	*17.0*
United States	*16.2*	*15.2*	*14.8*	*15.6*
United Kingdom	*4.2*	*3.2*	*2.6*	*2.7*
Japan	*1.3*	*1.2*	*1.2*	*1.3*
Canada	*1.2*	*1.1*	*1.0*	*1.1*
Switzerland	*1.1*	*1.1*	*1.0*	*1.1*

(a) Projection according to the relative weight of non-residents at the end of 2008. Because of the timing of data collection, only data from the end of 2008 is available on 1 January 2010.
Sources: Banque de France, Balance of Payments Directorate – IMF.

2 *Contribution by sector to the holding rate in the CAC 40 is equal to the ratio between non-residents' holdings of equities in the sector concerned and the total market capitalisation. The sum of these contributions corresponds to the holding rate of non-residents in the CAC 40.*
3 *The CPIS covers the portfolio investment positions of some 75 countries, broken down by type of security (equities, long-term and short-term debt securities) and by shareholder country. Each participating country sends the IMF the breakdown by issuer country and by shareholder sector of its residents' assets published in the portfolio investment statistics. The data and information relating to the CPIS are available on the IMF website at the following address:* http://www.imf.org/external/np/sta/pi/global.htm.

On the whole, CAC 40 shares are held by non-residents from euro area countries, the United States and the United Kingdom. At the end of 2009, these three geographical areas alone held 35.3% of the market capitalisation of French CAC 40 companies, out of the 42.3% held by all non-residents. The next largest shareholder countries were Japan, Switzerland and Canada, for which the holding rates remain low and particularly stable (close to 1%).

Appendix 1

Sources and methods

List of French CAC 40 companies as at 31 December 2009

Accor	Air Liquide	Alcatel Lucent	Alstom	AXA	BNP Paribas
Bouygues	Cap Gemini	Carrefour	Crédit Agricole	Danone	EDF
Essilor International	France Telecom	GDF Suez	Lafarge	Lagardère	L'Oréal
LVMH	Michelin	Pernod-Ricard	Peugeot SA	PPR	Renault
Saint-Gobain	Sanofi-Aventis	Schneider Electric	Société générale	Suez Environnement	Technip
Total	Unibail-Rodamco	Vallourec	Veolia Environnement	Vinci	Vivendi

Note : Arcelor Mittal, Dexia, EADS and ST Microelectronics, whose head offices are located abroad, are not included.
Source : Euronext.

Influence of changes in the composition of the CAC 40 on the holding rate

The companies considered for the calculation of the holding rate of CAC 40 shares are the 36 companies in the CAC 40 list, drawn up by Euronext, with head offices located in France as at 31 December 2009. As a result, the companies Arcelor Mittal, Dexia, EADS and ST Microelectronics, whose head offices are located abroad, are not included. Due to the removal of these companies and despite changes in the composition of the CAC 40 for this study the number of companies considered remains constant at 36 from 2005 to 2009.

The structure of the CAC 40 changed between 2008 and 2009, with the introduction on 21 September 2009 of the company Technip, to replace Air France-KLM.

The calculation of the holding rate of the CAC 40 between 2008 and 2009 is therefore not at a constant structure (see Chart 1). However, the effect of the change in composition of the CAC 40 on the holding rate is minimal. If the composition of the CAC 40 in 2009 is retained for 2008, the holding rate of non-residents in 2008 stands at 40.24%, versus 40.18% with the CAC 40's actual composition in 2008. Conversely, if the composition in 2008 is retained for 2009, there are no striking differences in the holding rates calculated (see Table 3).

Table 3 Impact of the change in structure of the CAC 40 on non-residents' holding rate in the CAC 40

	Holding rate in the CAC 40 in 2008	Holding rate in the CAC 40 in 2009
Structure of the CAC 40 in 2008	40.18	42.24
Structure of the CAC 40 in 2009	40.24	42.33

Sources: Banque de France, Balance of Payments Directorate – IMF.

However, to establish the stocks-flows-valuation consistency from 2008 to 2009 (see Appendix 3), the choice was made to work at constant structure. Consequently, to calculate the outstandings, the flows and the valuation effects between 2008 and 2009, the structure of the CAC 40 shares used over the two periods is that of the end of 2009 (i.e. with Technip replacing Air France-KLM during 2009).

Monitoring the holdings

Since the end of 2007, the main source used for the monitoring of holdings is the security-by-security data collection conducted each quarter among resident custody account-keepers (PROTIDE reporting system). The latter report security by security both their resident and non-resident customers' positions that fall into the category of portfolio investment, excluding the holdings of other resident custody account-keepers, to avoid double accounting. On the other hand, in the non-resident customers' positions, there may be overall positions of intermediaries that are themselves custody account-keepers without the information collected enabling the final holders to be identified.

The PROTIDE reporting system also covers registered shares administered by intermediaries. It is completed by an ad hoc survey of non-administered registered shares.

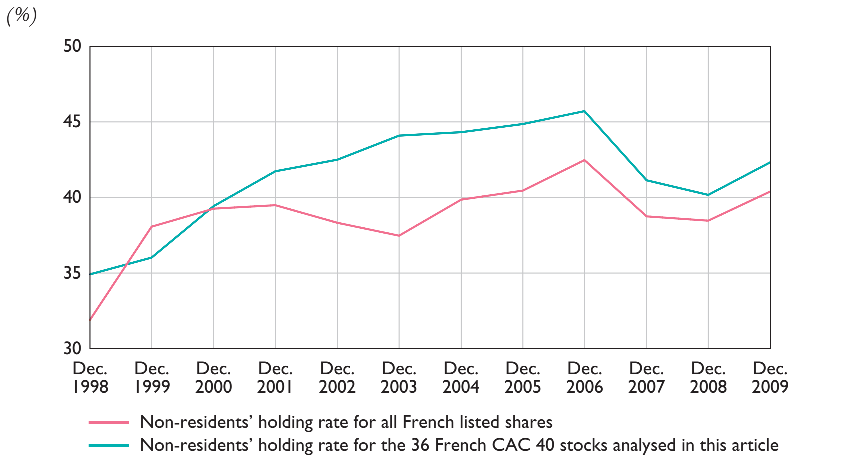
PROTIDE does not cover customers' holdings, whether residents or non-residents, managed by institutions located outside France. Transfers may be observed, as was the case in early 2007, when there was a shift abroad of the custody of non-residents' positions amounting to EUR 69.6 billion, i.e. 5.0% of the total market capitalisation of French CAC 40 companies.

The representativeness of holding rates needs therefore to be measured as the ratio of total recorded investments to outstandings issued. The ratio of the outstandings collected over market capitalisation was therefore stable at 88% at the end of 2009, as at the end of 2008.

Appendix 2

Changes in non-residents' holdings of French listed shares and CAC 40 shares

Changes in the non-residents' holding rate for all listed French shares



Source: Banque de France, Balance of Payments Directorate, Securities Division.

Appendix 3

Calculations related to the contributions of effects resulting from price and flow variations in portfolio investment

Stocks-flows-valuation consistency

(EUR billions)

	Stocks in 2008	NRs' net flows in 2009	Stocks in 2009
	$S08^{(08)}$	$+F_{NR}09^{(08)}$	$=S09^{(08)}$
Changes in stocks excluding price variations in 2008	307.6	31.5	339.1
	$V\_S08^{(08)}$	$V\_F_{NR}09^{(08)}$	$=Sum\ 1^{(V)}$
Changes in prices in 2009	62.9	2.5	65.5
	$S08^{(09)}$	$+F_{NR}09^{(09)}$	$=S09^{(09)}$
Changes in stocks including price variations in 2008	370.5	34.0	404.5

	Capitalisation 2008	Rs' net flows in 2009	NRs' net flows in 2009	Capitalisation 2009
	$C08^{(08)}$	$+F_{R}09^{(08)}$	$+F_{NR}09^{(08)}$	$=C09^{(08)}$
Changes in capitalisation excluding price variations in 2009	764.3	3.6	31.5	=799.4
	$V\_C08^{(08)}$	$V\_F_{R}09^{(08)}$	$V\_F_{NR}09^{(08)}$	$=Sum2^{(V)}$
Price variations in 2009	135.5	18.0	2.5	=156.0
	$C08^{(09)}$	$+F_{R}09^{(09)}$	$+F_{NR}09^{(09)}$	$=C09^{(09)}$
Changes in capitalisation including price variations in 2009	899.8	21.6	34.0	=955.4

R: residents.
NR: non-residents.

Measurement of the effects of price and flow variations on the non-residents' holding rate

(rates in %)

Prices	NRs' flows	Formula for calculating the holding rate	Rate	
Constant prices	Including NRs' flows	$S09^{(08)} / C09^{(08)}$	42.41	R1
Current prices	Excluding NRs' flows	$S08^{(09)} / [\ C08^{(09)} + F_R09^{(09)}\ ]$	40.21	R2
Current prices	Including NRs' flows	$S09^{(09)} / C09^{(09)}$	42.34	R3

Price effects on changes in holding rates are measured by the differential between R3 and R1, i.e. minus 0.07 percentage point.

The effects of non-residents' flows on changes in holding rates are measured by the differential between R3 and R2, i.e. 2.1 percentage points.

Other effects are estimated by deduction at 0.09 percentage point.

SMEs in the manufacturing sector in France
an intermediate position compared with eight other European countries

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Companies Observatory

The financial position of small and medium-sized manufacturing enterprises (SMMEs) in France is compared with that of SMMEs in eight other European countries using data updated as at end-2008 from the European BACH (Bank for the Accounts of Companies Harmonised) and ESD (European Sectoral References Database) databases.[1] What are their distinctive features in terms of their financing structure and their performance?

SMMEs are here defined solely on the basis of their turnover (less than EUR 50 million) and then divided into small SMMEs and medium-sized SMMEs depending on whether their turnover is more or less than EUR 10 million.

In France, the share of capital and reserves in the total assets of SMMEs has steadily increased over the past ten years. In 2008, this share constituted more than 40% of total assets, both for small and medium-sized firms, putting France in an intermediate position compared to other European countries, and significantly better than Germany.

As a corollary to this, the share of SMMEs' bank debt in France is particularly low. But these debt levels are accompanied by quite a large proportion of other debt, including intra-group debt in particular and trade accounts payable. These elements are not as marked in the other European countries.

Trade accounts receivable and payable and the resulting proportion of trade credit in turnover remained significant in SMMEs in France, especially compared with Germany, but they are lower than in several southern European countries (Italy, Spain and Portugal).

Another characteristic of French SMMEs is the high proportion of cash assets, especially in small SMMEs, but this average level masks very diverse individual situations.

Profitability has greatly improved over the past few years; it was unchanged in 2008 and remained below that posted by German SMMEs.

Keywords: SMMEs, capital and reserves, debt, trade accounts receivable and payable, profitability, European comparisons, BACH.

JEL codes: L20, L23, L25, L6, 052.

1 *From July 2010, they will be managed by the Banque de France and available at the following address:* www.bachesd.banque-france.fr.

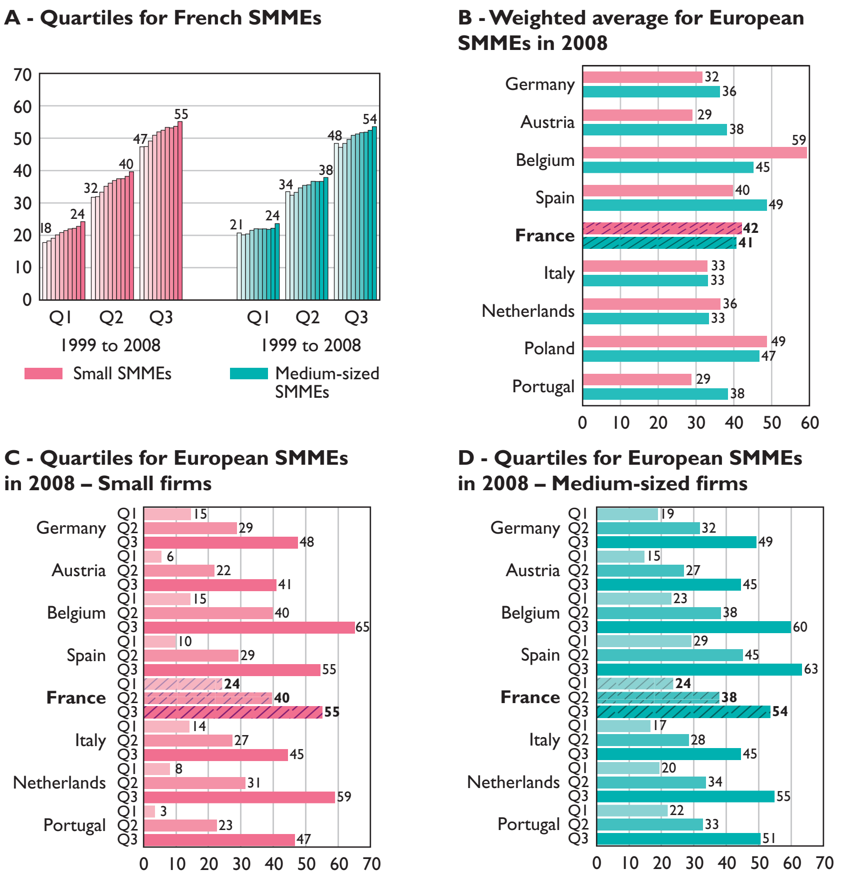
Stronger capital and reserves; a more homogenous situation among SMMEs in France than in the other European countries

In France, over the past ten years SMMEs have recorded a steady increase in their levels of capital and reserves; the median has risen by 5 percentage points in medium-sized SMMEs and 8 percentage points in small SMMEs so that at end-2008 these small SMMEs had levels of capital and reserves that were comparable to or even higher than the larger enterprises (see Chart 1 A).

In average ratio terms, SMMEs in France had capital and reserves that represented over 40% of their total assets in 2008; this was true for both

Chart 1 Capital and reserves/Total assets

(%)



Note: Q1, Q2 (median) and Q3 are the statistical dispersion indicators. In 2008, in France, one quarter of the population of small SMMEs showed a "Capital and reserves / Total assets" ratio below 24.2%, half a ratio below 39.6% and three-quarters a ratio below 55.1%. The average ratio, or weighted average, is the aggregate capital and reserves of all the companies in the category under review over the aggregate total assets of these same companies.
Source: Banque de France – BACH database and European Sectoral References Database (ESD).

small and medium-sized SMMEs (see Chart 1 B). This ratio is higher than for German, Austrian, Italian and Dutch SMMEs.

However, with respect to Germany and Austria, provisions amount overall to more than 10% of total liabilities (in France the proportion is less than 3%). These substantial provisions in Germany are linked to the regulatory and tax framework, such as the establishment of provisions for pensions and certain tax exemptions, which encourage German firms to establish provisions rather than reserves.

Table 1 Balance sheet structure in 2008

(%)

Medium-sized SMMEs	DE	AT	BE	ES	FR	IT	NL	PL	PT
Assets									
C. Fixed assets	34.4	42.6	39.7	39.4	**29.3**	34.4	42.0	48.9	40.4
D. Current assets	65.0	57.4	59.7	60.5	**69.9**	64.7	58.0	48.2	57.6
o/w D.2. 1. Trade debtors	*14.6*	*13.4*	*21.5*	*25.4*	*28.3*	*34.2*	*na*	*19.5*	*24.3*
o/w D.3. and D.4. Current investments and cash at bank and in hand	*8.5*	*7.6*	*10.3*	*12.1*	*8.5*	*5.7*	*9.7*	*7.9*	*6.1*
E. Prepayments and accrued income	0.5	0.0	0.5	0.1	**0.8**	0.8	0.0	2.4	2.1
Liabilities									
F. Creditors: amounts becoming due and payable within one year	38.1	35.3	37.2	37.7	**38.9**	49.0	34.0	36.5	38.8
o/w F.2. Amounts owed to credit institutions	*7.9*	*12.9*	*5.3*	*11.6*	*3.4*	*17.7*	*na*	*9.0*	*10.7*
o/w F.3. and F.4. Payments received on accounts of orders including down payments	*15.2*	*10.5*	*19.0*	*18.2*	*23.3*	*24.4*	*na*	*17.6*	*16.7*
I. Creditors: amounts becoming due and payable after one year or more	12.1	13.1	13.7	12.4	**16.4**	11.5	28.8	11.8	16.9
o/w I.2. Amounts owed to credit institutions	*8.8*	*10.0*	*5.9*	*6.3*	*6.3*	*8.0*	*na*	*6.7*	*8.6*
J. Provisions for liabilities and charges	13.4	13.5	3.0	1.1	**2.9**	5.5	3.8	2.2	0.8
K. Accruals and deferred income	0.1	0.0	0.9	0.1	**1.2**	0.9	0.0	2.7	5.1
L. Capital and reserves	36.3	38.2	45.2	48.7	**40.7**	33.2	33.4	46.7	38.4
Small SMMEs	**DE**	**AT**	**BL**	**ES**	**FR**	**IT**	**NL**	**PL**	**PT**
Assets									
C. Fixed assets	34.7	50.2	62.4	38.5	**23.3**	36.9	43.4	48.5	38.4
D. Current assets	64.5	49.9	36.9	61.4	**75.7**	62.1	56.6	49.3	60.5
o/w D.2. 1. Trade debtors	*14.4*	*13.8*	*11.9*	*26.2*	*31.3*	*32.3*	*na*	*18.9*	*25.3*
o/w D.3. and D.4. Current investments and cash at bank and in hand	*10.4*	*7.5*	*10.5*	*10.8*	*15.5*	*5.9*	*14.7*	*9.1*	*8.1*
E. Prepayments and accrued income	0.8	0.0	0.7	0.1	**0.9**	1.0	0.0	1.5	1.2
Liabilities									
F. Creditors: amounts becoming due and payable within one year	39.4	40.6	23.2	40.8	**40.0**	47.3	29.1	35.5	47.4
o/w F.2. Amounts owed to credit institutions	*8.4*	*15.9*	*3.6*	*9.7*	*2.7*	*18.1*	*na*	*7.4*	*9.6*
o/w F.3. and F.4. Payments received on accounts of orders including down payments	*16.6*	*11.3*	*9.3*	*23.7*	*23.2*	*22.4*	*na*	*17.8*	*18.9*
I. Creditors: amounts becoming due and payable after one year or more	17.1	19.7	15.8	19.1	**15.4**	11.8	26.5	11.0	19.4
o/w I.2. Amounts owed to credit institutions	*11.1*	*na*	*6.4*	*13.5*	*7.6*	*8.1*	*0.0*	*6.9*	*8.9*
J. Provisions for liabilities and charges	11.8	10.6	1.2	0.3	**1.5**	6.8	8.0	1.3	0.3
K. Accruals and deferred income	0.1	0.0	0.5	0.1	**1.0**	1.1	0.0	3.3	4.1
L. Capital and reserves	31.6	29.0	59.3	39.8	**42.1**	33.1	36.4	48.8	28.8

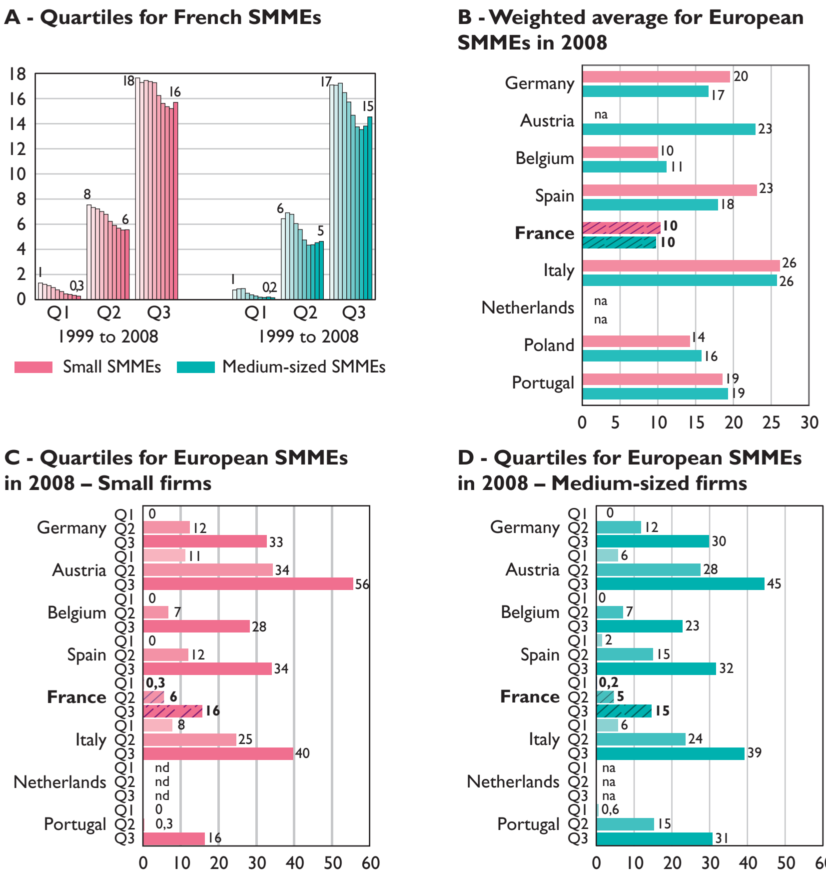
NB: The codes and items in Table 1 refer to the nomenclature and methodology used in the BACH database.
Source: Banque de France – BACH database.

Lastly, small Belgian SMMEs stand out as having very high average levels of capital and reserves.

In both France and Germany, the share of capital and reserves in total assets is relatively homogenous across small and medium-sized SMMEs (see Charts 1 C and 1 D). In German SMMEs, as well as in Italy and Austria, the lower level of capital is offset by the substantial amounts held as provisions.

Chart 2 Bank loans/Total assets

(%)



Note: Q1, Q2 (median) and Q3 are the statistical dispersion indicators. In 2008, in France, one quarter of the population of small SMMEs showed a "Bank loans / Total assets" ratio below 0.3%, half a ratio below 5.6% and three-quarters a ratio below 15.7%. The average ratio, or weighted average, is the aggregate bank loans of all the companies in the category under review over the aggregate total assets of these same companies.
Source: Banque de France – BACH database and European Sectoral References Database (ESD).

The differences are more pronounced in Spain and Portugal, with higher levels of capital and reserves in medium-sized SMMEs than in small firms. Moreover, in small SMMEs the dispersion is greater: in Spain, Portugal and the Netherlands a quarter of these firms have levels of capital and reserves that are less than 10% of their total assets, whereas another quarter have capital and reserves that constitute more than half of their total resources.

Low levels of bank debt in France, with little difference between small and medium-sized SMMEs compared with other European countries

In 2008 and on the basis of the average ratio, the bank debt of French SMMEs accounted for barely 10% of their total liabilities (see Chart 2 B). Although slightly higher than in 2007, this level remains extremely low compared to other European countries. This ratio is above 20% in Italy, Austria and Spain. Elsewhere it ranges between 15% and 20%. Only Belgian SMMEs are in a comparable position to those in France (at a little over 10%).

Nearly a quarter of French SMMEs — whether small or medium-sized — have no or very little bank debt. And half of medium-sized SMMEs have bank debt constituting less than 4.6% of their total assets; this threshold stands at 5.6% for small firms (see Chart 2 A). In general, French SMMEs are characterised by relatively low dispersion, whereas in some other countries, the last quartile is substantially higher. This is the case in Germany, Austria, but also Spain and Italy (see Charts 2 C and 2 D). In Portugal, small and medium-sized SMMEs are very different: three-quarters of small SMMEs had no bank debt in 2008 whereas half of medium-sized SMMEs had bank debt that represented over 15% of its total assets.

Finally, the differences between small and medium-sized SMMEs are significantly smaller in France than in most of the other European countries under review.

Trade accounts payable and other debt offset this low ratio in France

In France, the structure of corporate financing is characterised by the substantial share constituted by trade accounts payable and other sources of financing. The low level of bank debt in firms' liabilities is thus offset by the large proportion represented by trade accounts payable and other debt. These two components make up more than 45% of French SMMEs' liabilities which, combined with their levels of capital and reserves (over 40%), results in limited use of bank debt.

In the other European countries, the share of other debt is generally smaller: in medium-sized SMMEs it is below 35% everywhere except in Belgium.

The development of corporate group structures has led to changes in the sources of financing for enterprises: those that are affiliated to a group have seen their share of bank debt decrease in favour particularly of intra-group financing (cf. Deutsche Bundesbank (2009) and the Banque de France Companies Observatory (2008 and 2009)).[2] This intra-group financing goes hand in hand with the development of structures dedicated to the group's financing such as holding companies, which carry the firm's bank debt.

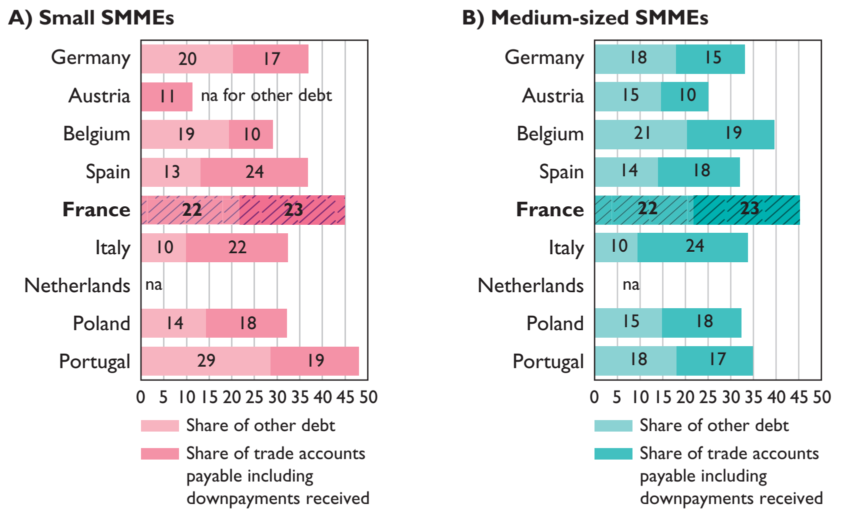
The lack of availability of comprehensive data and of homogeneity in the components of each of these items precludes a more in-depth analysis for each country. In medium-sized SMMEs – when the information is available – the financial component of other debt alone, which notably includes intra-group debts, represents 18% of total assets in Germany, and 11% of total liabilities in France and Belgium in 2008.

Trade accounts receivable and payable still represent a significant proportion of turnover in France, especially compared with Germany

Trade accounts receivable and payable expressed as a percentage of turnover are low in Germany and Austria. Their proportion is higher in Southern European countries. France and Belgium are in an intermediate position.

Chart 3 Trade accounts payable and other debt/Total assets
Weighted average for European SMMEs in 2008

(%)

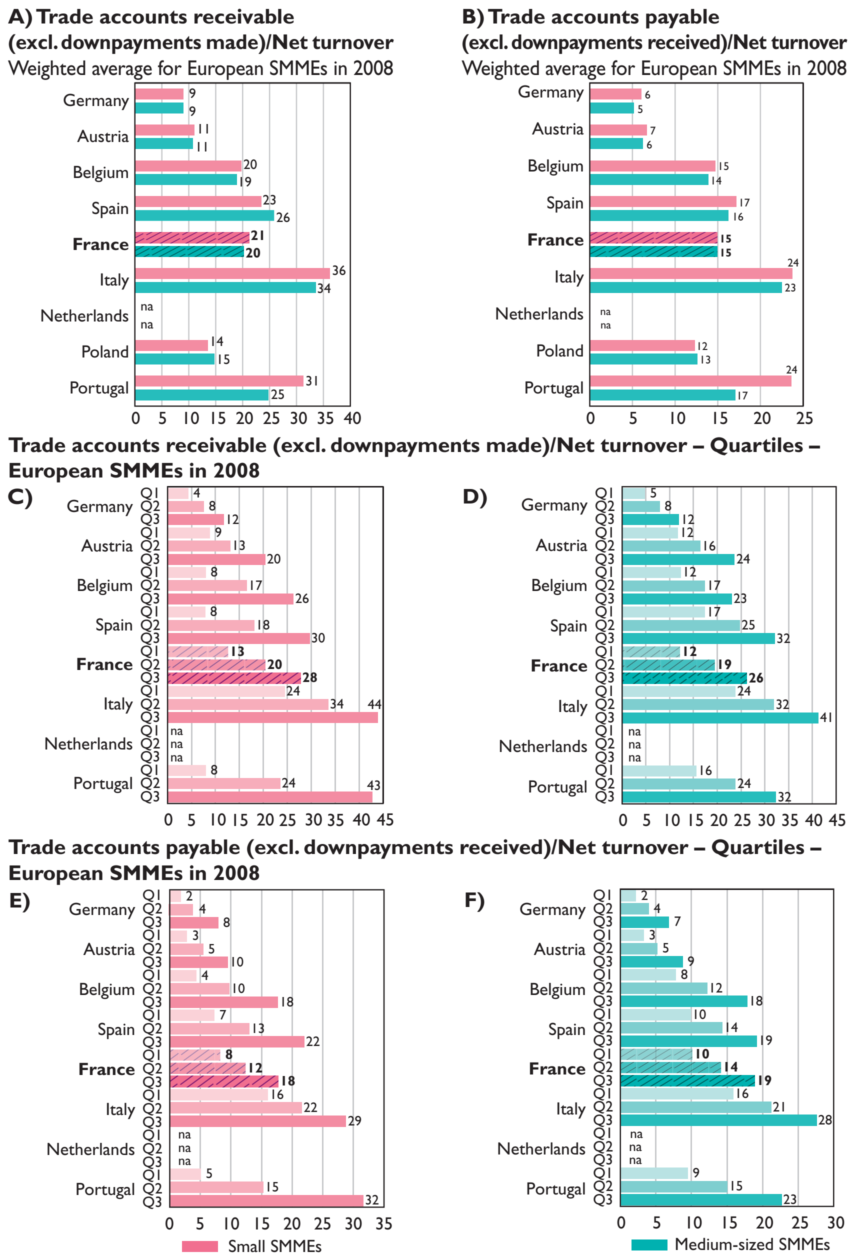


NB: The average ratio, or weighted average, is the aggregate trade accounts payable and other debt of all the companies in the category under review over the aggregate total assets of these same companies.
Source: Banque de France – BACH database.

2 *In the manufacturing sector, all sizes of enterprise taken together, more than half of companies' debt is borne by enterprises in other sectors, particularly holding companies (see Companies Observatory (2009)). This phenomenon is certainly less marked here as there are still many independent SMMEs among the smallest SMMEs, but it has greatly increased over the past ten years (see Companies Observatory (2008)).*

Chart 4 Trade accounts receivable and payable/Net turnover

(%)



NB: Q1, Q2 (median) and Q3 are statistical dispersion indicators. In 2008, in France, one quarter of the population of small SMMEs had a "Trade account receivable/Net turnover" ratio below 12.7%, half a ratio below 20.4% and three-quarters a ratio below 27.8%. The average ratio, or weighted average, is the aggregate trade account receivable of all the companies in the category under review over the aggregate net turnover of these same companies.
Source: Banque de France – BACH database and European Sectoral References Database (ESD).

Thus, in 2008, trade accounts receivable represented nearly 34% of the turnover of medium-sized SMMEs in Italy and around 25% in Spain and Portugal. In Germany, Austria, and to a lesser extent Poland, the proportion of these trade accounts receivable is significantly lower (at around 10% in Germany and Austria and roughly 14% in Poland).

The quartiles confirm the disparities between countries: notably, the proportion of trade accounts receivable and trade accounts payable is small in German SMMEs. The median value is below 8% in 2008 for trade accounts receivable and below 4% for trade accounts payable, both in the case of small and medium-sized SMMEs.

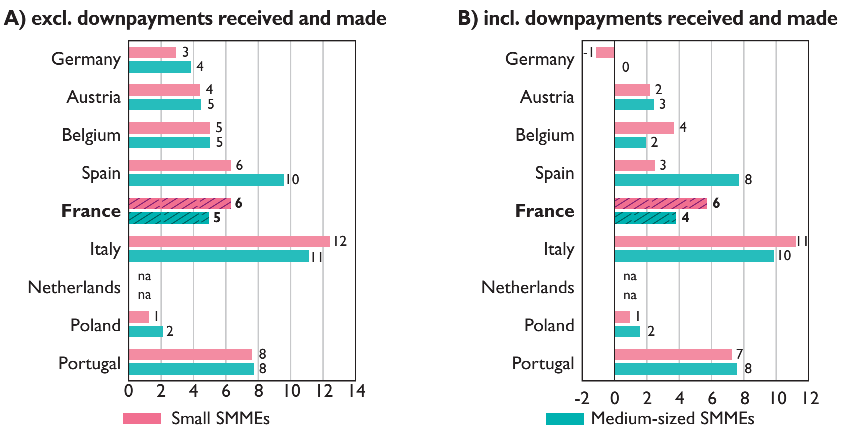
Trade credit: French SMMEs occupy an intermediate position between Northern and Southern European countries

In most of the countries, trade accounts receivable as a percentage of turnover are greater than trade accounts payable. This differential means that trade credit generates short-term financing needs for SMMEs.

On the basis of the average ratio, the difference between trade accounts receivable and trade accounts payable (excluding downpayments received and made) puts French SMMEs in an intermediate position with respect to other European countries.[3] Trade credit is slightly greater in small SMMEs than in medium-sized ones, with the latter at the same level as their Austrian and Belgian counterparts. By contrast, in Spain, the proportion

Chart 5 Trade credit as a percentage of turnover
Weighted average of European SMMEs in 2008

(%)



NB: The average ratio, or weighted average, is the aggregate trade credit of all the companies in the category under review over the aggregate turnover of these same companies.
Source : Banque de France – BACH database.

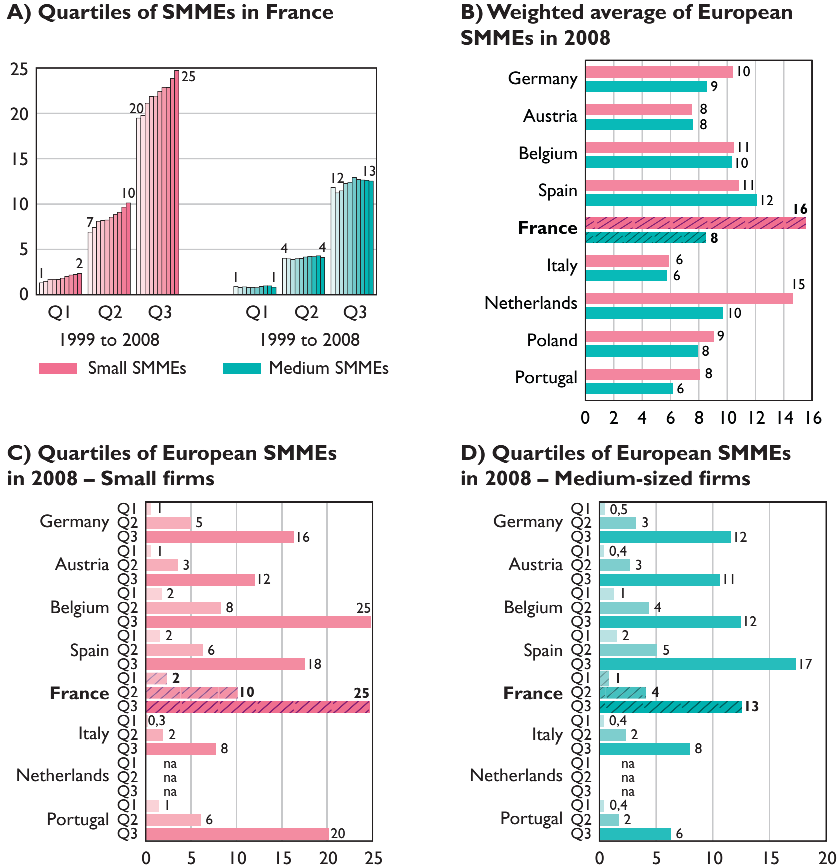
3 The sectoral references database does not provide this ratio.

of trade credit is greater in medium-sized SMMEs than in smaller firms. German and Polish SMMEs stand out as having a smaller share of trade credit, representing less than 4% and 2% of turnover respectively. In Italian SMMEs and, to a lesser extent, Portuguese ones, this proportion is high.

The inclusion of downpayments received and made in trade accounts receivable and payable accentuates these differences, particularly in Germany and Austria. In Germany, their inclusion results in negative trade credit in medium-sized SMMEs. It is also lower in Belgium and France

Chart 6 Cash assets/Total assets

(%)



NB: Q1, Q2 (median) and Q3 are statistical dispersion indicators. In 2008, in France, one quarter of the population of small SMMEs have a "Cash assets over total assets" ratio below 2.4%, half a ratio below 10.1% and three-quarters a ratio below 24.7%. The average ratio, or weighted average, is the aggregate cash assets of all the companies in the category under review over the aggregate total assets of these same companies. In the Netherlands, cash assets do not include securities.
Source: Banque de France – BACH database and European Sectoral References Database.

for medium-sized SMMEs, and in Spain for small SMMEs. In the case of Italian and Portuguese SMMEs, the effect is limited and the proportion of trade credit remains high.

French SMMEs have few fixed assets and more liquidity than in other European countries

Compared with SMMEs in other European countries, French SMMEs have few fixed assets: these represent less than 30% of total assets. This is the case both for small SMMEs and medium-sized ones (see Table 1). This ratio stands at 35% in Germany and close to 50% in Poland. In France, the weight of claims resulting from the sale of services is substantial — around 30% — and small SMMEs have a large amount of cash assets: current investments and cash in bank.

Irrespective of the quartile, the share of cash assets has grown steadily in small SMMEs, in particular over the recent period. The median ratio has thus increased by more than three percentage points in ten years, reaching more than 10% in 2008. A quarter of companies have a ratio over 25%, which is substantial. This is confirmed by the weighted average, which was close to 16% in 2008, nearly twice that of medium-sized SMMEs.

A strong dispersion of the share of cash assets for small SMMEs

In most countries, the dispersion of the ratio is greater in small SMMEs than in medium-sized ones, with a large gap between the first and last quartile. In Germany, Belgium, Spain and Portugal, the first quartile is below 2%, while the last quartile is above 16% and even close to 25% in France and Belgium. In Germany, dispersion is also high, but the share of cash assets in the total assets is smaller than in France.

The behaviour of medium-sized SMMEs is more homogenous and disparities are less pronounced, in particular in Italy and Portugal. In France and Germany, the distribution of the ratio for medium-sized SMMEs is very similar. The weighted average for medium-sized SMMEs is relatively close across countries. In Italy and Portugal, cash assets account for a small share of the total assets of SMMEs, around 6%. The differences in behaviour between small and medium-sized SMMEs are especially pronounced in France and the Netherlands.

The operating margin rate and profitability of SMMEs are lower in France than in Germany but results should be interpreted with caution

In 2008, the operating margin rate of French SMMEs declined moderately, irrespective of the statistical indicator used;[4] the average ratio stood at roughly 4.5% and the median 4% (see Charts 7). After having improved

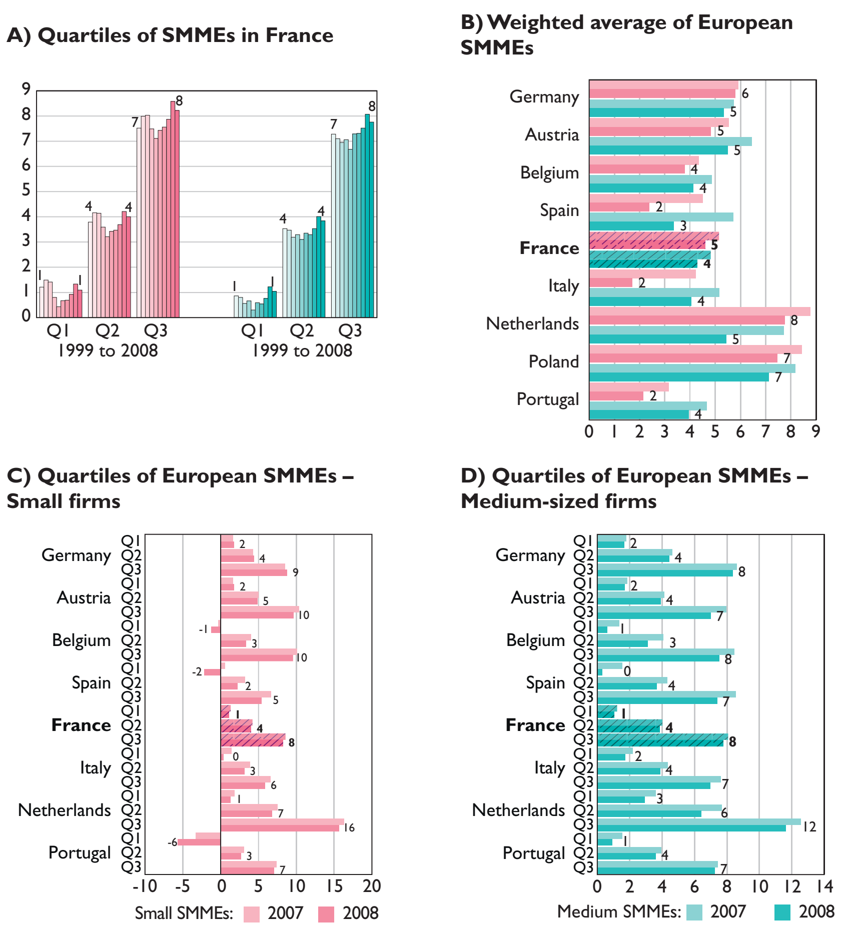
4 Net operating income over turnover as a %.

every year between 2003 and 2007, the three quartiles decreased in 2008, irrespective of company size, pointing to the first effects of the crisis at the end of 2008. The differences between small and medium-sized SMMEs were marginal.

In Germany, the operating margin rate also posted a moderate decline in 2008, but was slightly higher than that of French SMMEs (above 5% on average). The setback was also limited in Belgium and Poland.

Chart 7 Net operating income/Net turnover

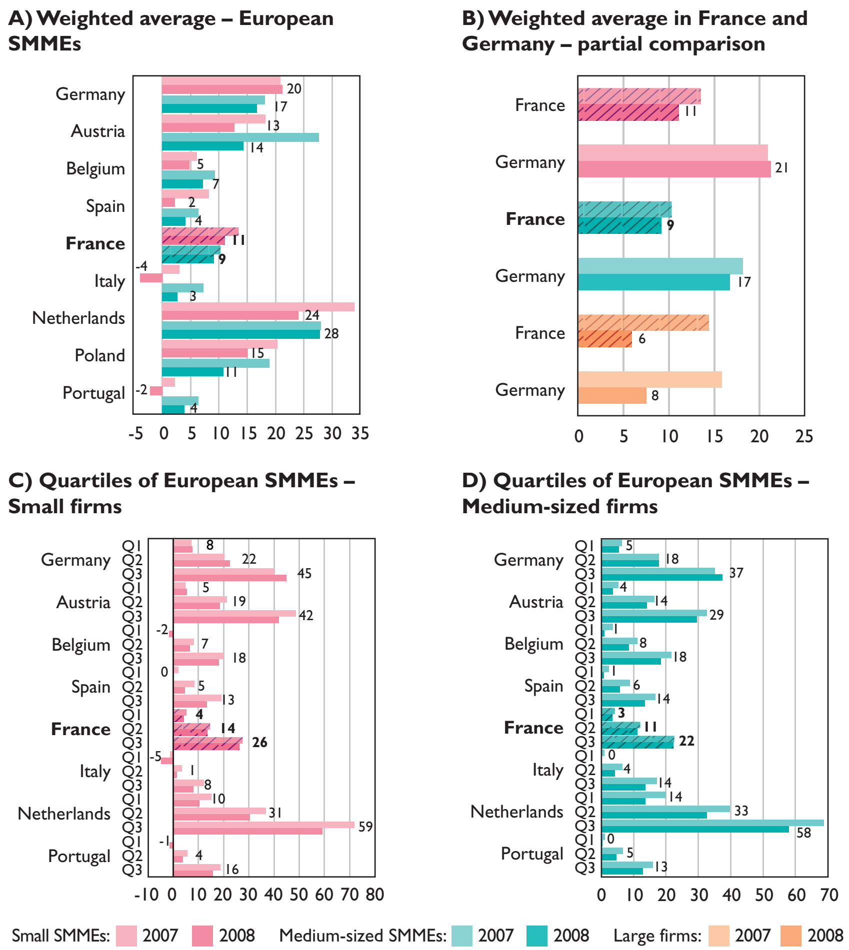
(%)



NB: Q1, Q2 (median) and Q3 are the statistical dispersion indicators. In 2008, in France, one quarter of the population of small SMMEs showed a "Net operating income over turnover" ratio below 1.1%, half a ratio below 4.0% and three-quarters a ratio below 8.2%. The average ratio, or weighted average, is the aggregate net operating income of all the companies in the category under review over the aggregate turnover of these same companies.
Source: Banque de France – BACH database and European Sectoral References Database.

Chart 8 Net income/Capital and reserves

(%)



NB: Q1, Q2 (median) and Q3 are statistical dispersion indicators. In 2008, in France, one quarter of the population of small SMMEs showed a "net income over capital and reserves" ratio below 4.1%, half a ratio below 13.5% and three-quarters a ratio below 26.1%. The average ratio, or weighted average, is the aggregate net income over the aggregate capital and reserves of these same companies.

Source: Banque de France – BACH database and European Sectoral References Database.

Conversely, the operating margin rate decreased significantly in Italy, Spain and Portugal, in particular in small SMMEs: the average ratio shed more than two percentage points in the first two countries.

The dispersion of the margin rate is more pronounced in small SMMEs than in medium-sized SMMEs

Differences between countries are not very marked for medium-sized SMMEs. There are more disparities in the case of small SMMEs, in particular in Belgium, Portugal and Spain, where more than a quarter of companies show a negative operating margin rate. The situation of medium-sized SMMEs seems less fragile, the three quartiles having remained positive despite a dip in 2008.

Net profitability is lower in France than in Germany, but results should be interpreted with caution

In 2008, in France, the profitability of SMMEs stood at 11.1% for small SMMEs and 9.1% for medium-sized ones (see Charts 8). Profitability declined by 2.4 percentage points compared with 2007 in small SMMEs and 1.2 percentage points in medium-sized ones.

In 2008, the profitability of German firms remained at a high level (above 15%). This comparatively high level relative to French firms should, however, be qualified as the proportion of capital and reserves is also lower than in France. If provisions are added to capital and reserves, German firms still show a higher level of profitability, but the gap with French firms is much smaller.[5]

Profitability in Spain, Italy and Portugal posted a marked decline, from already low levels: net profitability turned negative in Italian and Portuguese small SMMEs and stood at only 2.3% in Spain. In Austria and Poland, profitability also recorded a sharp decrease, but remained well above that in other countries.

Heterogenous distributions across countries

There is a sharp contrast between, on the one hand, Austria and the Netherlands, where the levels of profitability are highly dispersed, reaching particularly significant levels in the last quartile, and, on the other, Italy, Portugal and Spain, where the levels of profitability are concentrated at much lower levels. France is in an intermediate position.

With the exception of Germany, all countries experienced a marked setback in 2008. In Belgium, Spain, Italy and Portugal, a quarter of small SMMEs posted a negative return on equity and a quarter of medium-sized SMMEs a ratio close to zero.

5 *The profitability of German SMEs in manufacturing is then 12.2% in medium-sized SMMEs and 15.5% in small SMMEs (respectively 8.5% and 10.7% in French SMMEs).*

In this study, the financial position of SMEs in the French manufacturing sector is compared with that of eight other European countries using the data updated at end-2008 from the BACH and ESD databases.

Despite the creation of harmonised databases, drawing comparisons between countries remains a tricky exercise due to different accounting practices that are difficult to completely reconcile and samples that vary in size and composition. Because of these accounting differences between countries, certain comparisons are fragile. However, these comparisons, which in this study only concern SMEs in manufacturing, show differentiated situations, which go beyond sampling and definition divergences and are based on an economic reality.

SMMEs in France are in an intermediate position. They have an adequate level of capital and reserves and a relatively small amount of debt. Trade accounts receivable and payable are greater than in German SMMEs: financing is increasingly handled at the "group" level and their profitability posted a decline in 2008.

Appendix

The BACH and ESD databases

The analysis concerns the manufacturing industry of nine countries (Germany, Austria, Belgium, Spain, France, Italy, the Netherlands, Poland and Portugal) and draws on two databases containing annual account statistics of non-financial corporations and developed by the European Committee of Central Balance Sheet Data Offices.[1] BACH (Bank for the Accounts of Companies Harmonised) contains weighted average ratios for samples made up of companies present for successive periods of two years (sliding samples). The ESD (European Sectoral References Database) contains quartiles for 28 ratios by sector for different samples from one year to the next (variable samples).

The two databases rely on harmonised accounting aggregates. However, despite this framework and the reconciliations partly due to the convergence process of national accounting standards, a number of accounting differences between countries remain, making it difficult to draw certain comparisons. The ratios used in this article are based on simple and homogenous accounting aggregates.

Number of SMMEs in the two databases and global coverage rate in 2008

Turnover and staff as a %

	BACH database (sliding sample for 2007 and 2008)			European Sectoral References Database		
	Number of SMMEs	Coverage rate in manufacturing		Number of SMMEs	Coverage rate in manufacturing	
		In terms of turnover	In terms of staff		In terms of turnover	In terms of staff
Germany	6,533	77.4		6,533	77.4	
Austria (b)	1,393		45,5	1,330		32.7
Belgium	15,202		89.0	21,138		90.0
Spain	27,598		31.2	28,061		30.7
France	**30,196**		**71.1**	**33,775**		**75.8**
Italy (b)	14,054	78.4		15,069	78.7	
Netherlands	9,661	93.0		7,643	82.4	
Poland	11,766	na	na	na	na	na
Portugal (a)	38,299	96.6		40,886	96.6	95.0

(a) In Portugal, the coverage rate improved, in particular for SMMEs, as from 2005 as a result of the new statistical reporting system.
(b) In Austria, the coverage rate of small and medium-sized enterprises is low (less than 10%); in Italy, data mainly concern companies with a turnover of over EUR 2 million, which means that the coverage rate of small SMMEs is limited (less than 25%).
Source: Banque de France – BACH database and European Sectoral References Database (ESD).

1 An all-sector approach would require each sample to be adjusted by size and by sector.

As from July 2010, they will be managed by the Banque de France and available at the following address: ***www.bachesd.banque-france.fr***

Definition of SMMEs

Turnover of less than EUR 50 million, with a distinction made between small SMMEs (turnover of less than EUR 10 million) and medium-sized SMMEs (turnover between 10 and 50 million).

As regards the coverage rate, France is in an intermediate position, with a rate above 70% in terms of staff numbers. Some countries (Belgium and Portugal) have a very high coverage rate, others (Austria and Spain) a rate below 50%. The coverage of medium-sized enterprises is more satisfactory than that of small-sized ones.

Given the relative heterogeneity of the respective samples of each country, it is difficult to measure the weight of SMMEs in the economy.

• In France: SMMEs account for 35% of value added in industry, which places France in an intermediate position (see Chart 9);

• This share is comparable to that in Belgium, Spain and Italy.

• It is more significant in Poland and Portugal, where SMMEs account for roughly 50% and over of value added in industry.

• The share of SMMEs is less than 20% in the Netherlands, Austria and Germany, which can partly be explained by the biases linked to a lower coverage rate of the sample and a smaller representativeness for small enterprises, but also by the important role of intermediate-sized companies (with a turnover of over EUR 50 million), in particular in Germany.

• In France, there is an even distribution between small and medium-sized enterprises, like in Belgium and Poland (see Chart 9). The situation is more diverse in the other European countries. In Italy and Germany, the gap is probably due to the small representativeness for small enterprises. In Portugal and Spain, small enterprises have a strong weight.

Key data concerning SMMEs in BACH in 2008

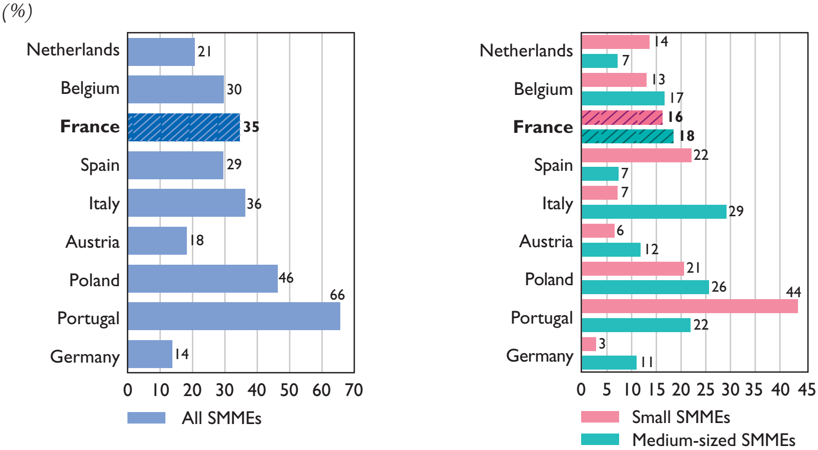
Turnover, value added and total assets in EUR billions

	Number	Staff	Turnover	Value added	Total assets
Small SMMEs					
Germany	3,564	74,154	15.4	5.7	9.6
Austria	1,080	25,910	3.8	1.5	3.1
Belgium	14,029	90,051	18.4	5.4	30.5
Spain	27,067	256,213	25.2	8.6	22.5
France	**25,086**	**547,124**	**77.8**	**27.7**	**52.7**
Italy	5,728	206,524	38.6	9.5	43.2
Netherlands	9,057	na	15.5	5.9	12.3
Poland	9,667	630,433	28.0	9.4	20.1
Portugal	37,472	450,364	23.8	7.8	29.3
Medium-sized SMMEs					
Germany	2,969	299,005	72.5	22.4	44.8
Austria	313	42,142	8.2	2.8	6.6
Belgium	1,173	95,774	25.5	6.9	22.5
Spain	531	54,840	10.9	2.9	11.1
France	**5,110**	**517,318**	**108.3**	**30.9**	**77.3**
Italy	8,326	631,793	172.9	39.2	170.2
Netherlands	604	na	11.2	3.1	7.1
Poland	2,099	533,368	44.6	11.8	33.7
Portugal	827	122,626	17.0	3.9	17.3

Source: Banque de France – BACH database.

Chart 9 Share of SMEs in the value added of the manufacturing industry in 2008

(%)



Source: Banque de France – BACH database.

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Developments in France's foreign trade in services: analysis by sector and by country

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The surplus on trade in services (excluding travel and transport, international merchanting, insurance excluding premiums, reinsurance and government-related services) was on a downward trend during the period 1999-2008, falling by EUR 4.7 billion between 2000 and 2007, followed by an upturn in 2008. This is attributable to the gradual slowdown in export growth. The latter stood at 5.1% on average over the whole of the period, dipping from 7.7% between 1999 and 2002 to 4.3% between 2002 and 2005 then 3.3% between 2005 and 2008. Hence, French foreign trade in services did not fully benefit from the very significant upward trend in the global trade in services observed over the period, in spite of the sustained total number of exporters.

Growth in French services exports is generated by an increasingly small number of sectors that mostly provide relatively more sophisticated services. Indeed, services in the communication, insurance (only premiums), financial, computer and information, royalties and licence fees and research sectors represent 70% of growth in total exports between 2000 and 2002, 80% between 2003 and 2005 and 90% between 2006 and 2008.

The contribution of France's main European partners to growth in its services exports has been decreasing since 1999. Moreover, excluding the 2003–2006 period, the United States remains a significant contributor. Lastly, the increase in contributions from oil-exporting countries and Africa (excluding African oil exporters) is particularly significant. These two groups of countries thus contributed to more than 50% of growth in France's services exports during the 2006-2008 period. This is related to the major input of construction services to growth in total exports during the same period and could be interpreted as the construction and public works sector's ability to benefit from the recycling of commodities revenue.

Keywords: French foreign trade, services, competitiveness.

JEL code: F114.

Although the weight of the services sector in the French economy is very significant, its weight in French foreign trade is much less so. In 2008, services accounted for 80% of value added and of salaried employees, but only 13% of total exports and 12% of total imports.

This is mainly a reflection of the under-representation of services in global trade, which is itself related to several phenomena. First, a certain number of services are difficult or even impossible (human services for example) to trade.[1] In addition, international trade in services probably needs a higher degree of cultural and institutional proximity than international trade in goods. Second, trade in services is impacted by a markedly lesser degree of multilateral liberalisation than trade in merchandise. The 1994 General Agreement on Trade in Services (GATS) provides that the member states of the World Trade Organisation (WTO) gradually liberalise trade in services. Official talks began in 2000 and potentially concern a very wide range of sectors (160 categories). These talks are continuing in the framework of the Doha round of multilateral trade negotiations. Third, trade in services is poorly measured. The GATS defines four modes of international trade in services. Mode 1, cross-border supply, refers to cases where services move from one country to another; mode 2 refers to consumption abroad, i.e. when it is the importer who crosses the border; mode 3, commercial presence, refers to situations where the exporter crosses the border; and lastly mode 4, the presence of natural persons, refers to the exporters' cross-border movements, but for limited periods. Modes 1 and 2 are measured the most efficiently thanks to balance of payments statistics; mode 3 has been measured for fewer years for OECD countries via FATS (Foreign Affiliates Trade Statistics). However, there is no harmonisation for mode 4. It is therefore not possible to have a complete estimate of trade in services for the following four countries: the United States, Japan, France and Germany. For these four countries, the dominant mode at the beginning of the 2000s was mode 3 (affiliates' sales abroad). The share is around 80% for the United States and Japan, 72% for France and 66% for Germany. After this come modes 1 and 2, depending on the country.[2]

The share of services in world trade has hardly changed over the past forty years (it is close to 20% of total trade), while the structure of trade in services has seen some significant changes. The share in tourism and transport continues to drop in favour of the share of relatively more sophisticated services (financial services, insurance, computer and information, research services etc.). Thus, it is interesting to see how France is placed in this context. Moreover, the study of foreign trade and competitiveness remains a revealing test as regards the health of the economy's private sector. Lastly, as recent work on individual data has tended to reveal, trade in services fosters complementarities with trade in goods, since some services can be

1 *A 2005 Eurostat survey on European businesses in services reveals that the primary obstacle to the export of services is that there are firms for which exporting is not a feasible option.*
2 *Source: CEPII (2006).* L'économie mondiale en 2007 *(The world economy in 2007),* La Découverte *Ed.*

associated or incorporated to exported goods (see Box below concerning findings of work on individual data).

This article mainly uses a detailed database[3] on trade in services provided by the General Statistics Directorate at the Banque de France. It aims to draw lessons in matters of the competitiveness of firms and therefore excludes travel, transport, international merchanting, insurance (excluding premiums), reinsurance and government-related services.

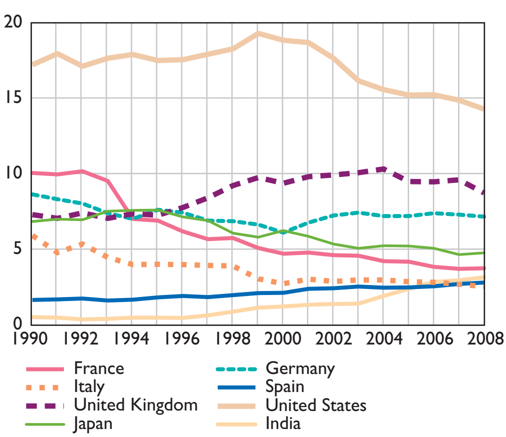
France's position in global trade in services has deteriorated continually since 1990 (see 1|). Since 1999 there has been a gradual slowdown in France's total exports (see 2|). From the sectoral point of view, it seems that the growth in France's exports of services is carried out by an increasingly small number of service categories (see 3|). From the geographical viewpoint, the contribution of France's main European partners to growth in exports of services has plummeted (see 4|). Moreover, at the end of the period in question (2006-2008), this growth was driven by the United States, oil-exporting countries and Africa — excluding African hydrocarbon exporters — (see 4|).

1| France's position in global trade in services has deteriorated continually since 1990

International trade in services is dominated by the United States, the United Kingdom and Germany (see Chart 1). The United States' market

Chart 1 Services excluding travel: share in the global market

(%)

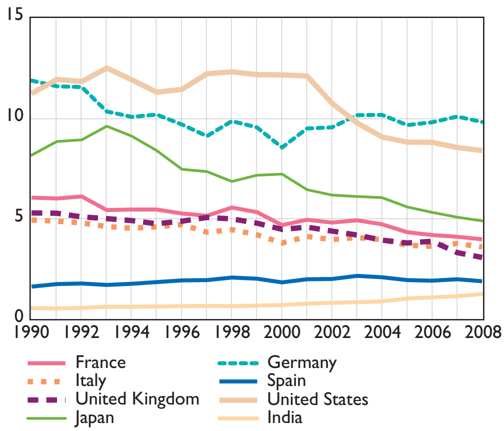


Sources: CEPII-CHELEM; authors' calculations.

3 The data used are balance of payments data that only allow our study to cover mode 1 of services exports.

Chart 2 Goods: share in the global market

(%)



Sources: CEPII-CHELEM; authors' calculations.

share in the global market is very high (14.4% in 2008) although it has decreased since the beginning of the 2000s. The United Kingdom's market share was 8.8% in 2008; though it was generally stable during the 2000-2007 period, it posted a quite marked decline in 2008 following the financial crisis, since the United Kingdom is highly specialised in services (notably financial services). Germany's market share has gained 1.1 percentage points since 2000, reaching 7.2% in 2008. Moreover, India has become increasingly specialised in the services sector recently. India's market share in the global market increased from 1.4% in 2003 to 3.2% in 2008, and now exceeds that of certain industrialised countries such as Italy or Spain. In contrast, France lost market share over the period in question, in a continuous manner, with market share in the global market excluding travel falling from 10% in 1990 to 4.8% in 2000 and 3.8% in 2008. Note that the pace of deterioration has slowed since 2000, unlike the situation in the goods trade market, where market share losses have accelerated since 2000 (see Chart 2).

2| Since 1999, there has been a gradual slowdown in total French exports

As is frequently the case when studying the competitiveness of the private sector, we exclude the analysis of travel,[4] transport, international merchanting, government-related services, insurance excluding premiums[5]

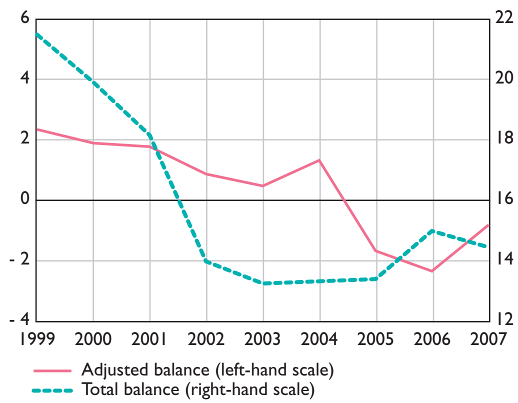
4 *We know that flows from the "transport" item partially include CIB-FOB adjustments and therefore depend, like the "international merchanting" item, on the strength of international trade.*

5 *We follow the methodology given by the Balance of Payments Directorate at the Banque de France and consider that only 25% of the flows of insurance services correspond to premiums.*

and reinsurance. The balance for trade in services after adjustments shows a downward trend during the period, with a deterioration of EUR 4.7 billion between 2000 and 2007, followed by an upturn in 2008 (increasing by EUR 1.5 billion, in relation to a sharp fall in imports) (see Charts 3 and 4).

Chart 3 Adjusted (a) and total balance of services

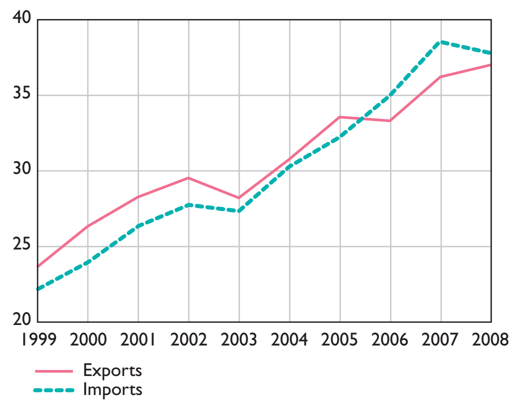
(EUR billions)



(a) Excluding travel, transport, international merchanting, insurance excluding premiums, reinsurance and government-related services.
Sources: Banque de France, authors' calculations.

Chart 4 Adjusted (a) trade in services

(EUR billions)



(a) Excluding travel, transport, international merchanting, insurance excluding premiums, reinsurance and government-related services.
Sources: Banque de France, authors' calculations.

The decrease in the balance is due to a widening gap between the growth rate of exports and imports. The growth rate of exports averages 5.1% over the whole period, but stands at 7.7% between 1999 and 2002, 4.3% between 2002 and 2005, and 3.3% between 2005 and 2008 (see Table 1); at the same time, the growth rate of imports also dropped at the beginning of the period, falling from 7.7% between 1999 and 2002 to 5.1% between 2002 and 2005, but then picked up again slightly to 5.5% between 2005 and 2008.

Table 1 Average annual growth of trade in services

(%)

	Exports	Imports
1999-2008	5.1	6.1
1999-2002	7.7	7.7
2002-2005	4.3	5.1
2005-2008	3.3	5.5

Sources: Banque de France, authors' calculations.

BOX

Lessons drawn from work on individual data

Recent work on data from firms highlights a number of interesting descriptive statistics and econometric results.

A. Some descriptive statistics on trade in services

• Like in the goods sector, exports in the services sector are highly concentrated: 1% of exporting firms were responsible for 72% of exports in 2006.

• The number of services exporters increased sharply between 2000 and 2003 – in contrast with goods exporters – then fell slightly until 2006; the number of services exporters is ten times lower than the number of goods exporters.

• Independent firms comprised 60% of the total number of services exporters and accounted for 14.2% of services exports in 2006, versus 23.5% in 2000.

• 24% of services exports are carried out by companies classified as industrial (likewise, 20% of goods exports are carried out by companies in the services sector).

• In 2006, less than 30% of services exporters supplied two or more markets. Services exporters are, overall, less geographically diversified than goods exporters. Moreover, between 2000 and 2006, there was a reduction in the number of destinations supplied per exporter.

• Companies that trade services are generally bigger, more productive and pay their employees better than companies that do not trade internationally or only export goods.

• First-time exporters of services have more difficulty than first-time exporters of goods to maintain their business over the long term: on average only 31% last more than a year and 10% continue to exist after three years.

• First-time exporters surveyed in 2001 exported around 60% more three years on, in comparison with their initial export level,[1] *whilst market entrants in 2003 recorded a 60% drop in their activity over the first three years. This phenomenon is very marked for intra-European Union exports (and Switzerland). It probably reflects the fact that trade in services is more sporadic than trade in goods, which therefore results in greater variability in the individual data on services. Moreover, a survey carried out by Eurostat in 2005 on the motivation of companies to export (Eurostat –* Statistiques en bref *– 74/2007) revealed that more than half of services exporters do not have permanent trade relations.*

B. Econometric analysis of export probability and level of exports

• Service sector firms with 4 to 25 employees are 70% less likely to export services than companies with over 1,000 employees; the impact of size on export probability is nonetheless twice as strong when it comes to industrial firms exporting goods.

• As regards parent companies, the probability of independent firms exporting services is 50% lower and the probability of group subsidiaries exporting is 25% lower. Services companies controlled by a foreign company are 1.6 times more likely to export compared to 'domestic' companies and their turnover may be up to 35% higher. These statistics are the same for services companies that trade goods and/or services and companies that trade goods and services. In contrast, industrial firms that only trade goods, if they are controlled by a foreign group, may have a turnover that is 55 to 92% higher.

• All other things being equal, the export probability of services increases in line with a firm's productivity level (value added over employment ratio).

• All other things being equal, if a firm imports services the likelihood of it exporting services increases very sharply.

• There seem to be strong complementarities between goods exports and services exports: thus, firms that export goods are four times more likely to export services than those that do not, all other things being equal.

• Export levels are higher for joint-ventures compared to parent companies, and higher for subsidiaries of foreign groups compared to domestic companies.

References:
- *Fontagné L. and Gaulier G., "Export performances for France and Germany" (*Performances à l'exportation de la France et de l'Allemagne*), Report for the French Council for Economic Analysis (*Conseil d'analyse économique *– CAE) n° 81, Paris,* La documentation française*, 2008.*
- *Gaulier G., Milet E. and Mirza D., "French firms in the trade of services: a systematic comparison with the trade of goods" (*Les firmes françaises dans le commerce de services : une comparaison systématique avec le commerce de biens*), Mimeo Banque de France, 2009.*

1 *Over time, certain companies belonging to a given group disappear. Thus, the level of exports of surviving exporters in 2004 is compared to the total level of exports of the group in the initial year, i.e. including the companies that have disappeared.*

In comparison, we remark that global trade in services[6] grew, on average, by 6.6% between 1999 and 2002, by 18.2% between 2002 and 2005 and by 16.6% between 2005 and 2008. French foreign trade in services thus barely benefitted at all from the very significant upward trend in global trade in services observed over the period,[7] in spite of the resilience of the total number of services exporters (see Box below). Thereafter, we study the downturn observed in the growth of France's services exports, by sector and geographical region.

3| Growth in exports is generated by an increasingly small number of service categories

We have observed the average contributions of the main categories of services to total export growth during the three sub-periods 2000–2002, 2003–2005 and 2006–2008 (see Chart 5A/B/C). The first conclusion to be drawn is that almost all of the sectors' contribution to growth fell between the first and second sub-periods. During the third sub-period, the contribution to growth from construction services (notably major works), financial services, royalties and licence fees (one of the forms of innovation income), research services and other business services rebounded. The salient feature is that during the sub-periods, there were increasingly less positive contributors. In other words, growth was generated by an increasingly smaller number of sectors, but which produce relatively more sophisticated services. Therefore, services in the communication, insurance, financial, computer and information, royalties and licence fees, and research sectors accounted for 70% of growth in total exports between 2000 and 2002, 80% between 2003 and 2005 and 90% between 2006 and 2008.[8] Within these sectors, the greatest contributions are from communication, royalties and licence fees and research and technical assistance services.[9]

6 *Excluding travel, transport, international merchanting, reinsurance and government-related services. Calculations are based on data from the CEPII-CHELEM database.*

7 *Moreover, between 2002 and 2003, then between 2005 and 2006, France's services exports declined out of step with the global developments in the trade of services.*

8 *Note that this is compatible with a potentially greater loss of market share for these services than for others that contribute negatively to growth. Furthermore, a high concentration of sectoral contributions to growth does not necessarily imply a poor export performance. Growth in the United Kingdom's exports of services is highly dependent on financial services, while that of Germany is dependent on various services to businesses (mainly research and technical assistance) and these two countries have gained market share in the world market since the end of the 1990s. In the case of France the gradual reduction in the number of sectors that contributes positively to growth in the export of services is problematic in a context of slowing growth in total exports and losses of market share in the world market.*

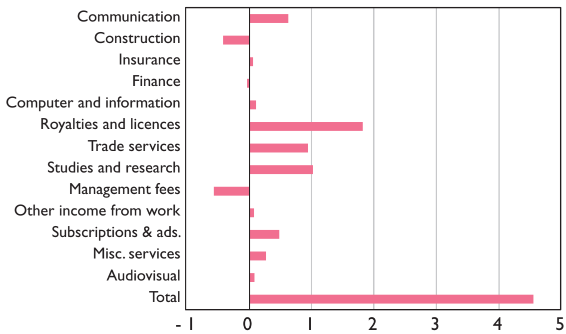
9 *See Appendix for tables showing the developments in the weight of the different categories of services in total exports and imports and developments in their coverage ratio (exports over imports ratio).*

Chart 5 Average sectoral contributions to growth in total exports of services and total growth

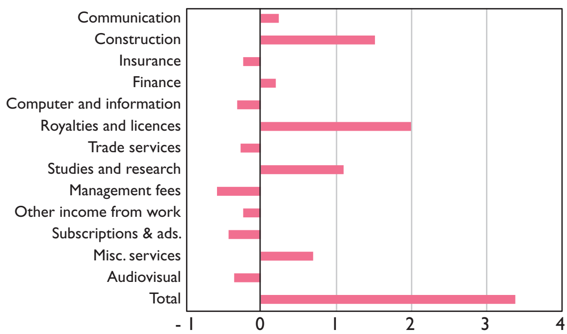
(average contributions in points; total growth as a %)

A – 2000-2002

B – 2003-2005



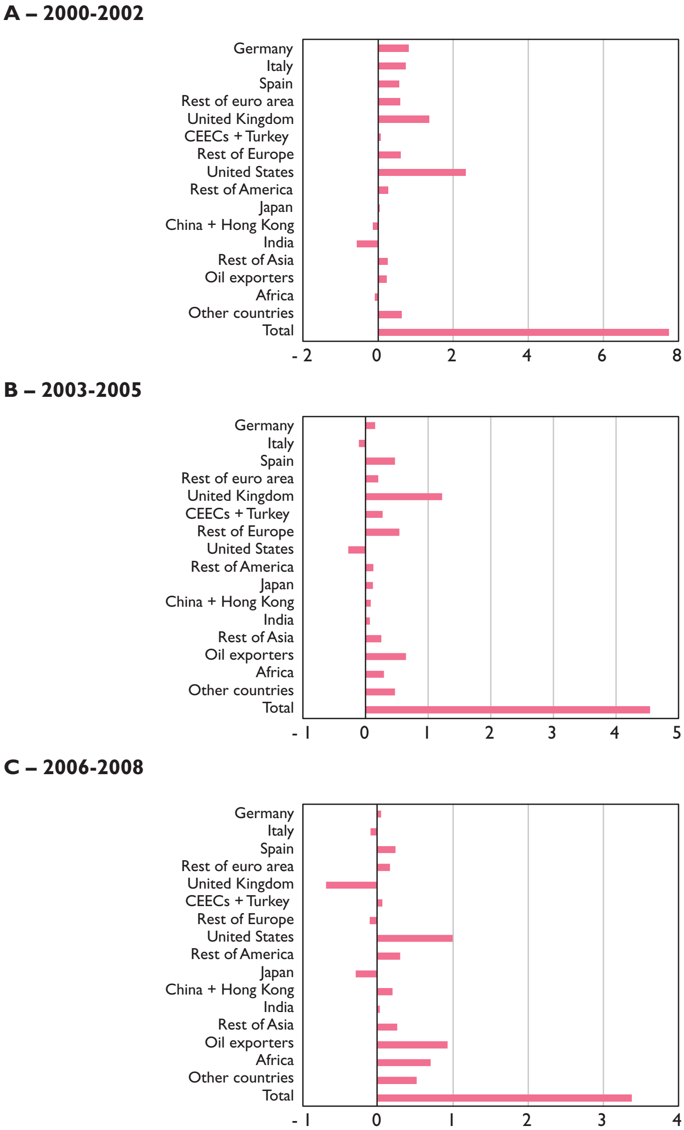
C – 2006-2008



Sources: Banque de France, authors' calculations.

Chart 6 Average geographical contributions to growth in total exports of services and total growth

(average contributions in points; total growth as a %)



NB: "Other countries" notably includes Afghanistan, Belarus, Georgia, Kirghizstan, Turkmenistan, Uzbekistan, the Ukraine, the Yemen, Brunei, Lebanon, Israel, Syria, Jordan, Nepal and Cuba.
Sources: Banque de France, authors' calculations.

4| Contribution from France's main European partners to growth in French exports has plummeted

We will now examine the average contribution to growth of total services exports by geographical area, over the same sub-periods as previously (see Charts 6A/B/C).

The contribution of whole of the euro area and the United Kingdom (over 40% of French exports in 2008, see table A2 in the Appendix) to French exports decreased from one sub-period to the next, falling from 3.3 points between 2000 and 2002 to 1.8 points between 2003 and 2005, and became negative between 2004 and 2008 at –0.3 of a point (with the United Kingdom's contribution falling by –0.7 of a point). However, the contribution of euro area countries outside Germany, Italy and Spain has remained stable over time. Furthermore, apart from during the 2003–2006 period, the United States (18% of French exports in 2008) remained a significant contributor. Lastly, the increase in contributions from oil-exporting countries[10] and Africa (excluding African hydrocarbon exporters) is particularly noteworthy. These two groups of countries thus contributed to over 50% of the growth in France's services exports during the 2006-2008 period. This is related to the strong contribution of construction services during the same period (as mentioned above). In 2008, the oil exporting countries and Africa thus absorbed over 60% of France's construction services sales (see Table A3 in the Appendix). This could be interpreted as the construction and public works sector's ability to take advantage of the recycling of commodities revenue, and above all export performance's high dependency on price trends in these kinds of products.

The analysis of the developments in France's foreign trade in services since 1999 underscores a very marked trend towards the reduction in the trade surplus following a continuous decline in the rate of export growth. This phenomenon is attributable to a fairly wide range or sectors. An increasingly fewer number of categories of services generate growth in total exports, although these categories are the most sophisticated. From the geographical viewpoint it is striking to note that the contribution from our main trade partners – the euro area and the United Kingdom – to growth in services exports, has steadily declined since 1999.

10 *"Oil-exporting countries" refer to all the major oil-exporting countries, namely: Saudi Arabia, Iran, Iraq, Kuwait, United Arab Emirates, Oman, Qatar, Russia, Azerbaijan, Kazakhstan, Libya, Algeria, Nigeria, Gabon, Ecuador, Venezuela and Norway.*

Appendix

Table A1 Sectoral structure of French foreign trade in services

(%)

	2000			2004			2008		
	Weight in exports	Weight in imports	Coverage ratio	Weight in exports	Weight in imports	Coverage ratio	Weight in exports	Weight in imports	Coverage ratio
Communication services	5.5	5.2	115.9	8.0	5.1	158.8	8.3	5.4	149.3
Construction services	11.8	7.0	185.8	8.4	4.6	183.8	12.1	4.5	263.0
Insurance services	1.7	0.9	204.4	2.3	1.3	178.8	1.3	1.1	110.2
Financial services	5.2	6.6	86.3	3.8	6.6	58.1	3.7	4.2	85.2
Computer and information services	3.3	3.4	108.3	3.9	3.8	102.7	2.8	3.8	72.0
Royalties and licence fees	9.0	8.7	114.1	13.4	8.1	168.3	19.1	8.9	210.6
Trade services (excl. merchanting) and rentals	5.7	13.0	48.5	7.1	16.3	44.0	5.8	14.7	38.2
Research and technical assistance	22.2	21.1	115.4	22.8	22.1	104.9	23.2	23.9	95.1
Management fees	14.6	9.2	174.9	10.0	7.5	135.1	7.1	6.3	109.4
Other income from work	3.7	4.1	98.1	4.1	3.5	120.0	2.7	3.7	72.3
Subscriptions, advertising	3.0	4.3	75.2	3.4	5.2	66.1	2.1	5.0	41.4
Miscellaneous services	9.7	9.5	111.7	8.5	10.9	79.8	9.7	14.6	65.1
Audiovisual services	4.6	7.0	72.3	4.3	4.8	90.2	2.1	3.7	56.0

Source: Banque de France, authors' calculations.

Table A2 Geographical structure of French foreign trade in services

(%)

	2000			2004			2008		
	Weight in exports	Weight in imports	Coverage ratio	Weight in exports	Weight in imports	Coverage ratio	Weight in exports	Weight in imports	Coverage ratio
Euro area	33.4	30.4	121.0	34.5	41.7	84.2	29.4	36.4	79.1
o/w Germany	*8.7*	*7.7*	*123.9*	*8.0*	*13.6*	*59.6*	*7.3*	*12.2*	*58.7*
Italy	*4.0*	*4.0*	*110.9*	*4.8*	*6.4*	*76.1*	*3.3*	*4.5*	*73.5*
Spain	*3.5*	*2.3*	*163.7*	*4.6*	*3.2*	*147.5*	*4.7*	*3.1*	*149.4*
United Kingdom	13.6	17.5	85.5	14.3	15.5	93.9	12.1	13.8	85.8
CEECs + Turkey	1.7	1.5	122.2	1.7	1.5	119.7	2.0	2.2	86.7
Rest of Europe	6.3	8.9	77.8	6.6	8.9	76.0	6.2	8.9	67.9
America	24.3	25.3	105.4	19.8	17.7	114.0	21.4	16.8	124.7
o/w United States	*21.7*	*22.9*	*103.9*	*17.8*	*15.6*	*116.2*	*18.3*	*13.7*	*130.4*
Asia	5.5	5.5	110.6	6.3	6.1	104.3	6.7	6.0	109.5
o/w Japan	*2.2*	*1.3*	*178.0*	*1.9*	*1.2*	*166.2*	*1.2*	*1.1*	*109.4*
China + Hong Kong	*0.9*	*1.4*	*70.7*	*1.4*	*2.5*	*55.8*	*1.7*	*2.2*	*73.6*
India	*0.5*	*0.3*	*194.9*	*0.3*	*0.2*	*138.8*	*0.5*	*0.5*	*91.4*
Oil exporting countries	5.6	3.4	178.4	5.9	2.3	258.3	8.6	3.1	276.8
Africa	4.7	1.6	325.3	4.5	1.9	237.2	6.2	2.6	230.2
Other countries	4.8	5.9	89.4	6.3	4.5	142.7	7.4	10.1	71.8

Source: Banque de France, authors' calculations.

Table A3 Services exports: sectoral and geographical structure for 2008

(as a % of total)

	Ger.	Italy	Spain	Rest of EA	UK	CEECs + Tur.	Rest of Europe	US	Rest of Amer.	Japan	China + HK	India	Rest of Asia	Oil exp. count.	Africa	Other count.	Total
Communication services	7.6	10.2	4.1	14.2	22.6	5.8	6.8	7.0	1.4	0.5	0.8	0.4	1.7	6.2	7.3	3.5	100
Construction services	1.7	1.6	1.6	8.9	2.1	1.0	2.1	1.7	7.0	0.4	1.0	1.8	2.1	35.1	26.8	5.4	100
Insurance services	10.0	4.7	4.1	21.3	25.1	1.5	6.2	10.0	1.9	0.4	0.8	0.1	2.0	3.0	2.2	6.7	100
Financial services	3.0	3.4	0.7	20.3	15.1	0.8	4.0	10.4	1.7	0.9	1.3	0.3	1.1	3.6	2.0	31.3	100
Computer and information services	6.6	2.4	8.5	15.0	21.2	2.3	3.7	14.4	3.7	0.7	1.2	0.5	3.2	1.5	2.2	12.8	100
Royalties and licence fees	4.0	1.4	2.4	3.3	15.7	1.5	2.4	52.1	2.6	3.0	0.8	0.5	5.6	0.9	0.8	2.9	100
Trade services (excl. merchanting) and rentals	9.0	2.9	4.2	28.2	10.7	0.4	20.0	11.1	1.1	0.9	1.2	0.2	1.3	2.1	4.3	2.4	100
Research and technical assistance	10.2	3.4	9.2	15.8	6.5	1.7	4.2	14.1	2.7	0.9	3.7	0.3	4.3	9.9	3.8	9.4	100
Management fees	11.4	2.1	5.5	16.2	16.2	0.9	6.3	10.8	1.0	1.8	0.7	0.1	3.5	3.1	4.8	15.7	100
Other income from work	8.0	4.4	3.8	19.4	20.3	1.2	10.4	17.2	2.3	1.4	1.7	0.2	1.0	3.2	3.2	2.5	100
Subscriptions, advertising	10.3	8.3	3.8	30.2	15.0	2.2	13.6	8.1	0.8	0.5	0.8	0.1	0.9	1.2	3.1	1.0	100
Miscellaneous services	11.1	3.3	3.9	14.1	10.7	2.5	13.0	11.2	5.8	0.6	1.9	0.3	3.1	6.3	3.6	8.5	100
Audiovisual services	5.7	3.6	3.0	33.7	16.3	8.0	9.2	10.5	0.8	0.7	0.5	0.1	0.6	5.0	1.4	0.9	100

Note: EA: euro area; CEECs: Central and Eastern European Countries; US: United States; HK: Hong Kong.
Sources: Banque de France, authors' calculations.

Table A4 Services imports: sectoral and geographical structure for 2008

(as a % of total)

	Ger.	Italy	Spain	Rest of EA	UK	CEECs + Tur.	Rest of Europe	US	Rest of Amer.	Japan	China + HK	India	Rest of Asia	Oil exp. count.	Africa	Other count.	Total
Communication services	8.1	6.7	3.8	15.7	26.3	2.6	6.5	6.9	1.9	0.3	0.8	0.3	4.5	3.2	10.1	2.3	100
Construction services	14.5	12.5	3.5	16.2	6.1	3.6	3.9	5.3	1.1	0.4	8.8	0.3	3.2	10.4	4.8	5.6	100
Insurance services	7.5	1.4	1.3	38.7	28.8	0.4	6.4	4.9	1.0	1.2	0.4	0.1	0.6	2.0	1.1	4.2	100
Financial services	4.7	7.9	2.1	15.2	28.1	0.8	6.4	11.9	4.1	2.4	5.5	0.1	3.4	4.3	0.8	2.4	100
Computer and information services	15.8	0.5	2.1	22.3	20.7	1.1	5.0	22.1	2.0	0.1	0.4	1.0	2.2	0.2	0.6	3.8	100
Royalties and licence fees	5.3	1.0	0.8	11.7	8.4	0.4	34.6	30.6	2.4	1.9	0.4	0.0	0.2	0.3	0.4	1.7	100
Trade services (excl. merchanting) and rentals	8.2	2.8	1.7	18.1	5.1	0.7	4.1	11.2	0.6	1.0	0.9	0.3	1.4	1.4	1.2	41.4	100
Research and technical assistance	23.3	4.1	4.0	11.1	13.6	2.1	3.0	15.1	4.2	1.0	1.4	0.8	2.5	2.9	1.1	9.8	100
Management fees	9.0	5.6	6.9	21.3	19.5	2.2	12.4	5.7	3.2	2.2	0.7	0.7	0.9	2.5	3.6	3.7	100
Other income from work	5.6	5.6	1.7	11.2	12.6	1.4	10.8	18.3	5.2	0.8	15.0	0.3	2.4	3.1	3.5	2.6	100
Subscriptions, advertising	8.2	2.9	2.0	26.2	13.1	10.2	4.8	6.9	2.3	1.3	0.9	0.1	2.1	12.3	2.9	3.7	100
Miscellaneous services	11.2	6.1	3.9	19.1	14.2	3.0	10.5	10.6	3.7	0.9	2.3	1.1	2.8	2.7	5.5	2.4	100
Audiovisual services	4.8	1.8	2.1	24.2	17.2	2.1	14.6	21.8	7.3	0.4	1.4	0.2	0.7	0.3	0.7	0.4	100

Note: EA: euro area; CEECs: Central and Eastern European Countries; US: United States; HK: Hong Kong.
Sources: Banque de France, authors' calculations.

The Banque de France rating system:[1] an asset for the Central Bank and a tool for commercial banks

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The Banque de France rating system[2] is used in the framework of monetary refinancing operations, providing the Bank with its own assessment of the solvency of resident companies.

Within the framework of Basel II, the Banque de France rating system may be used by credit institutions to calculate their regulatory capital requirements. Succeeding the classification agreement procedures used in the past when the credit was selectively channelled by rigid administrative procedures, the Banque de France rating system is perfectly adapted to the current monetary and financial environment and remains a useful tool for the financing of the economy.

A highly demanding institutional framework obliges the Banque de France to respect a number of highly structuring rules for its rating activity which is also subject to strong competitive pressure: indeed, the rating is made exclusively available to commercial banks that have developed their own credit rating tools and can also use the expertise of other firms specialised in credit risk analysis. The Banque de France must therefore constantly justify the value of a service for which it obtains payment from its users, thus avoiding the risk of conflicts of interest in the conduct of its rating activity.

By using a benchmark horizon of three years, the Banque de France rating system tends to limit, as far as possible, the impact of short-term factors.

Ruling out the reliance on totally automated rating procedures and/or procedures based exclusively on financial data, the Bank's expert assessment is founded on the individual and in-depth analysis of the financial and non-financial situation of some 250,000 companies.

Banque de France analysts are thus required to use their own judgement in their assessment of each company examined, by equally weighting the risk factors and prospects for improvement in the situation of each entity.

This judgment is essential in the Bank's rating approach insofar as the analysis is presently based on the company accounts of the last financial year, many of which bear the scars of the serious deterioration in the economic climate observed during the first half of 2009.

Keywords: Banque de France ratings, company ratings, monetary refinancing, Basel II, ICAS, ECAF, ECAI, Eurosystem, Industry Forum.

1 *This article is the continuation of an article entitled "The Banque de France rating system" published in the* Gestion & Finances Publiques journal *in January 2010. It has been updated, notably in the light of recent conclusions drawn by the French Industry Forum* (États généraux de l'industrie).
2 *The Banque de France rating system is similar to company ratings, but the two should not be confused (see below).*

1| Banque de France ratings: assessing the credit risk of resident non-financial companies

1|1 Assessing the credit risk of some 250,000 resident companies

The Banque de France gives ratings to a large number of resident non-financial companies. The rating given to a company reflects the Banque de France's overall assessment of the company's ability to meet its financial commitments at a three-year horizon. The companies targeted mainly generate a turnover of more than EUR 0.75 million or have been extended bank loans of over EUR 0.38 million. Analysts at the Banque de France base their credit risk analysis on the companies' accounting records, while incorporating a number of other elements, notably qualitative information.

At present, around 250,000 companies (of which over 4,500 groups assessed on the basis of their consolidated accounts) are rated in this manner.

1|2 Banque de France ratings are not equivalent to company ratings produced by rating agencies

At first sight, the Bank's rating activity might be compared to a conventional rating activity. The Banque de France could thus be considered as a rating agency on a par with all the large international rating agencies. However, the economic model used for the Bank's ratings is based on characteristics that differ significantly from those of rating agencies. For example:

• the rating activity exclusively concerns the credit risk of resident non-financial companies. Financial products, particularly structured products, are not rated;

• the ratings are not made available to the public: the service is exclusively provided to the banking community whose members are subject to banking secrecy. In order to access the information, banks must subscribe to a service, called FIBEN;[3]

• above all, the rating service is not paid for by the borrower, but billed to the banks that consult FIBEN, which considerably reduces the potential risks of conflicts of interest between the rated entity and its appraiser's opinion (in this instance, the Banque de France).

3 "Fichier bancaire des entreprises", *the Banque de France's database on companies.*

Box 1

The Banque de France rating system and its user guide

Banque de France ratings consist of a synoptic assessment comprising two elements:

• the turnover rating, represented by a letter from A (for companies whose turnover is more than EUR 750 million) to M (with a turnover below EUR 0.10 million). A non-significant turnover rating N is also given to other companies that do not directly carry out an industrial or commercial activity. These companies' volume of business cannot be measured in terms of turnover (e.g. holding companies). The turnover rating X corresponds to companies whose turnover is not known or is too old (the last financial year dating back to over 21 months ago);

• the credit rating has a range of 13 different levels (0, 3++, 3+, 3, 4+, 4, 5+, 5, 6, 7, 8, 9, P). The rating 0 is given to companies for which the Banque de France has collected no unfavourable information. In descending order, the most favourable ratings are 3++, 3+, 3 and 4+.[1] The credit rating 8 represents irregular payments and 9 very irregular payments (severe cash flow problems). Rating P is given when the company is the subject of insolvency proceedings (court-ordered turnaround procedure or judicial liquidation).

To prepare for the introduction of Basel II prudential rules and adjust to the needs of the banking profession, at the beginning of 2004 the Banque de France refined its rating scale, which now comprises 13 levels. Each rating level applies to homogenous populations and quality indicators: failure rates, default rates and transition matrices are regularly published on the Banque de France website.[2]

1 *Ratings 3++, 3+ and 3 ascertain the eligibility for monetary refinancing of loans extended by commercial banks to companies (these loans are called credit claims by the Eurosystem). Since October 2008, the rating 4+ has become temporarily eligible.*
2 *See* "Cotation Banque de France : une évaluation des performances", *available in French on* www.fiben.fr/cotation.

Indeed it is due to all of these characteristics[4] that the French financial market authorities have always excluded the Banque de France from the scope of analysis of its annual reports on rating agencies.[5] It is also due to these characteristics that the French authorities have requested from the European Commission, and to the benefit of the Banque de France, exemption from the application of the European regulation dated 16 September 2009 on rating agencies, based on a derogation explicitly provided for by this regulation.[6]

4 *In addition to this are the compliance conditions under which the Banque de France rating activity is carried out (see below for the code of conduct for the Banque de France's company rating activity). A French language version of the code of conduct is available on the Banque de France website at the following link:* http://www.banque-france.fr/fr/instit/telechar/services/code_conduite_cotation_bdf.pdf.
5 *The Financial Security Act (*Loi de sécurité financière*) of 1 August 2003 gave the French Financial Markets Authority (*Autorité des marchés financiers – *AMF) the task of publishing an annual "report on the role of [credit] rating agencies, their ethical rules, the transparency of their methods and the impact of their activities on […] issuers and […] financial markets" (Article L. 544-4 of* the Monetary and Financial Code, *introduced by Article 122 of the Act).*
6 *Paragraph 2 (d) of Article 2 of European regulation n°1060/2009 on rating agencies of 16 September 2009 (*http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:302:0001:0031:EN:PDF*) provides that the European regulation on rating agencies "does not apply to credit ratings produced by the central banks and which:*
– are not paid for by the rated entity;
– are not disclosed to the public;
– are issued in accordance with the principles, standards and procedures which ensure the adequate integrity and independence of credit rating activities as provided for by this Regulation; and
– do not relate to financial instruments issued by the respective central banks' Member States".
The French authorities considered that the Banque de France met all these conditions.

1|3 An activity managed under a code of conduct meeting stringent requirements

The Banque de France has established a code of conduct for its rating activity, published on its website.[7] It presents the legal and regulatory provisions to which the Banque de France analysts are subject in order to prevent conflicts of interest and guarantee the independence of the rating activity. In particular, the code mentions:

• the compliance rules that analysts should apply and the specific management standards concerning the rating activity;

• the procedures ensuring the integrity and quality of the rating process (formal decision-making channels, traceability of the rating process, quality control and collegial decision-making);

• the measures taken in terms of transparency, concerning rules of access to the Banque de France rating and the publication of the methods used.

All these rules are widely based on the principles enacted by the International Organization of Securities Commissions (IOSCO) concerning rating agencies.

2| The Banque de France rating system: an analysis based on expert assessment

Each day, within the 96 branches and et 21 economic centres of the Banque de France, thousands of pieces of information are collected and analysed in order to modify or confirm a rating: company accounts, any court rulings or salient events such as the loss of half of the company's equity capital, reports of payment incidents involving trade bills,[8] and bank lending derived from the compilation of a central credit register.[9] This information is the raw material from which the ratings are produced. Qualitative elements are also gathered before the final credit rating is assigned.

7 *A French language version of the code of conduct is available on the Banque de France website at the following link:* http://www.banque-france.fr/fr/instit/telechar/services/code_conduite_cotation_bdf.pdf.

8 *By virtue of regulation n° 86-08 of the Banking regulations committee, the Banque de France collects information from bankers on payment incidents in a database of trade bill payment incidents, called the CIPE (*Centrale des incidents de paiements effet*).*

9 *Created in 1946 and currently governed by regulation n° 86-08 of the banking regulations committee, dated 27 February 1986, the Central Credit Register (CCR) of the Banque de France periodically takes an inventory of the loans above a certain threshold extended by credit institutions to each of their clients. Made available to the reporting institutions, the results of this centralised information provide them with information on the total debt, by loan category, taken out in France by their customers. The CCR also provides useful information to the monetary authorities concerning the distribution of credit by reporting institution, nature of the loan, sector of economic activity and region.*

2|1 Financial analysis, an essential basis for assigning ratings

The Bank's ratings are primarily the result of the implementation of financial appraisal rules based on the assessment of the company's profitability, financial autonomy, liquidity and financial structure. These rules take into account the characteristics inherent in the sector of activity to which the company belongs. Therefore, there is a scale of 19 different financial categories.

The Banque de France attaches great importance, which it has recently reiterated to its analysts in the current context of recovery from an economic crisis, to the assessment, on an individual and in-depth basis, of the financial structure of the rated companies because, in the event of a deterioration in the economic climate, it is via accumulated reserves (in terms of equity capital and of cash) that companies are able to face up to a tighter situation.

The importance attached by the Banque de France's rating methodology to the level of companies' equity capital, which must enable them to withstand a deteriorated economic environment, helps to circumscribe the criticism occasionally made regarding the pro-cyclical nature of the ratings that is deemed to be linked to an overweighting of the short-term factors considered in the assessment process.

2|2 Taking into account extra-financial elements, an indispensable stage in assigning a final credit rating

A number of more qualitative elements are also collected via the voluntary participation of some 45,000 company directors in annual rating or pre-rating interviews with Banque de France analysts. These interviews enable them to clarify any potential problems in reading the companies' financial statements and to detect the difficulties and risks related to the companies' environment in order to make an assessment of their development prospects.

Furthermore, these interviews raise the awareness of company directors as to the financial and non-financial factors that influence their companies' sustainability, growth and performance. This undertaking of financial education, carried out on a large scale, is useful for SMEs and their directors, notably when the latter have to negotiate the financing conditions with their banks.

2|3 Ratings are communicated and explained to company directors

Each rating is systematically communicated to the company's director. Moreover, in accordance with the Data Processing and Freedom Act of 6 January 1978, company directors may request a personal appointment to obtain an explanation concerning the rating assigned to the company.

2|4 An overhaul of the Banque de France's rating assignment process

In order to provide banks and the community as a whole with the best cost-efficient service, during the past ten years, the Banque de France has undertaken an overhaul of its rating process.

Thus, with the effective implementation since 2007 of an expert system to assist in the rating process (ASCOT), the repetitive tasks that analysts were obliged to perform have been reduced to a minimum, enabling them to dedicate more time to in-depth analysis, notably in its qualitative dimension. Drawing on Banque de France expertise in the field of artificial intelligence, ASCOT is an expert system that implements the analysis rules: it models all the financial assessment rules, which increases the security of the analysts' decision making, notably by guaranteeing a comprehensive use of extensive data and rules of analysis.

Another major project concerns the automatic collection of balance sheets thanks to BilanDirect-FIBEN.[10] This project should set up, in the short term, the new electronic transmission of balance sheets to the Banque de France.

By creating its own reception platform for balance sheets in the form of computer files, the Banque de France has proposed a specialised and secure information transmission service to company directors since the end of 2009. The Banque de France is thus able to receive all types of balance sheets in the same format and applying the same procedure, which has already been tested, as that set up with the Public Finances General Directorate (DGFiP). This procedure, which is already used in hundreds of thousands of companies for obligatory online declarations to the tax authorities and social services, has therefore been adapted, on a large scale, at the Banque de France.

10 See http://www.banque-de-france.fr/fr/instit/services/bilandirect-fiben.htm

In order to offer this service to as many of the 250,000 rated companies as possible, the Banque de France has drawn up agreements with some of the biggest internet portals and software publishers. So as to convince the company directors, the Bank draws on the network of accountants and their representative organisations, with whom it has created a partnership that seems highly promising for the future.

This project reflects a dual commitment by the Banque de France. On the one hand, generating productivity gains in order to reduce costs (such as in the collection and processing of balance sheets) and on the other hand, implementing its sustainable development strategy with the upcoming dematerialisation of the 250,000 balance sheets that it collects data from every year.

3| A highly demanding institutional and competitive framework

As the Banque de France rating system is used in the framework of monetary policy operations and for prudential purposes, it must meet highly demanding requirements in terms of performance. At the same time, since the rating is exclusively made available to client banks, that are not captive, it is faced with very strong competitive pressure.

3|1 The Banque de France rating system is used for the refinancing of commercial banks for Eurosystem monetary policy operations

The Banque de France is not the only central bank within the Eurosystem to assess the credit risk of resident non-financial companies within the framework of monetary policy operations. The central banks of Germany, Austria and Spain also carry out a similar activity for the same purpose.[11]

However, since it pays particular attention to all companies, the Banque de France assesses companies on a broader basis than its counterparts. While the Banque de France rates around 250,000 companies on the basis of accounting documentation, the Bundesbank, the Banco de España and the Oesterreichische Nationalbank only rate a few thousand companies (between 3,000 and 17,000).

11 In addition, the Central Bank of Ireland has a system that assesses companies for very specific debt instruments.

This probably explains the significance of credit claims pledged as collateral by French banks during monetary refinancing operations. Thus, in 2008, 35% of the total collateral deposited by French banks was comprised of credit claims. This figure is comparable with an average of 12% for all of the collateral deposited by all the commercial banks of the Eurosystem and part of the credit claims comprising 6% to 14% of all of the collateral deposited with the Bundesbank, the Banco de España and the Oesterreichische Nationalbank.

Although they have the choice between four sources of credit risk assessment (see Box 2), French banks almost unanimously prefer the system used to assess their credit claims which is based on Banque de France ratings. This rating system may also facilitate the financing of companies: indeed, the banks have a deep pool of eligible collateral available for monetary refinancing if the Banque de France credit rating is either 3++, 3+, 3 or 4+.[12]

The rules related to its ICAS status make the Banque de France accountable for the performance of its rating system vis-à-vis the Eurosystem.

Thus, the minimum requirement in terms of credit quality corresponds to a "single A" rating,[13] which is equivalent to a probability of default within one year of below or equal to 0.10%. Since the decision taken in October 2008 by the Eurosystem to temporarily increase the range of collateral, assets rated BBB- by Fitch and S&P (or Baa3 by Moody's) are eligible,[14] which corresponds to a probability of default within one year of 0.40%.

In order to ensure consistency and enable a comparison to be drawn between the four sources, the Eurosystem carries out a regular performance assessment, by back testing so as to ensure that the default rate of eligible debtors, observed by each rating system authorised by the Eurosystem, meets the required standards.

The Banque de France rating system must therefore respect very strict rules: eligible ratings must comply, ex post, with the targets set by the Eurosystem. If not, the Banque de France rating system would no longer be authorised by the Eurosystem to assess the claims pledged as collateral for refinancing operations.

12 As at 30 April 2010, 25% of rated companies have ratings of 3++, 3+ and 3. Some 20% have a rating of 4+.
13 Equivalent to Banque de France ratings 3++, 3+ and 3.
14 Equivalent to Banque de France rating 4+.

Box 2

The operational framework of monetary policy operations within the Eurosystem

Since the application on 1 January 2007 of the single list of eligible collateral, the ECAF system[1] provides a harmonised credit assessment framework for monetary financing purposes: it defines the procedures, rules and techniques which ensure that the demands of the Eurosystem in terms of credit quality for all eligible collateral in monetary policy transactions and intraday credit are met.

Thus, since 1 January 2007, all credit institutions have the choice between four sources of credit assessment recognised by the ECAF:

- *the two sources that were already used before the application of a single list of eligible collateral:*
  - *the international rating agencies, and potentially any organisation authorised by the national supervisor whose credit risk assessments may be used to determine capital requirements,*
  - *the central bank rating system (ICAS),[2] such as Banque de France ratings;*

- *the two other sources whose use was made possible by the application of a single list of eligible collateral:*
  - *commercial banks' internal ratings-based (IRB) systems validated by banking supervisors,*
  - *rating tools (RTs) managed by specialised companies.[3]*

1 Eurosystem Credit Assessment Framework
2 In-house Credit Assessment System
3 These are often developed by rating agencies and managed by authorised third parties to assess debtors on the basis of audited accounts.

3|2 Recognition of the Banque de France as an external credit assessment institution (ECAI) within the Basel II framework

On 19 June 2007, the Banque de France was recognised as an ECAI for its company rating activity: credit institutions may draw on its expertise to calculate their regulatory capital requirements.

This recognition was the fruit of a process that took place over several years and that required several stages to be completed, including an assessment of compliance with the guidelines set by the CEBS (Committee of European Banking Supervisors),[15] a hearing before the CEBS and an application made to the *Commission bancaire*.

15 CEBS, Guidelines on the recognition of the External Credit Assessment Institutions, 20 January 2006.

This therefore indicates that the Banque de France rating system meets the principles defined and published by the CEBS: objectivity, independence, a regular review of the ratings assigned, and credibility confirmed by the income generated with bank customers.

Currently, although the main credit institutions have chosen to develop their own internal credit rating tools (internal ratings-based or "IRB" systems), the Banque de France, on the strength of its recognition as an ECAI, offers commercial banks a way of better capturing the credit risk of their actual or potential customers. The Banque de France's ratings are also a useful benchmark and source of information against which the reliability of internal models may be measured.

The rise in consultations of the Banque de France's FIBEN database on companies[16] over the past two years shows that the development of internal tools by commercial banks has not impacted the Banque de France's rating activity.

As with its ICAS status within the Eurosystem, recognition of the Banque de France as an ECAI is based on compliance with performance criteria. Each notch of the Banque de France's credit rating must therefore comply with a target default rate assessed over a three-year period.

3|3 The Banque de France rating activity is explicitly referred to in a public services agreement set up between the Banque de France and the French state

A public services contract signed by the Banque de France and the French state explicitly refers to the Bank's rating activity regarding the Bank's contribution to the tasks performed by the Eurosystem and the specific responsibilities entrusted to it by the French parliament, notably producing and distributing information on companies based on bank balance and risk analysis, and assigning "ratings" (the expression of an overall and synoptic assessment of the financial soundness or vulnerability of a company). In addition to their contribution to financial stability, these mechanisms take part in the Eurosystem's collateral policy for the refinancing of commercial banks and payment systems. They also contribute to conducting banking supervision by facilitating counterparty risk analysis of credit institutions and providing an indicator of the quality of banks' loan portfolios.

It is undoubtedly this company rating activity, carried out in the field and with the use of the Bank's expertise that encouraged the government

16 FIBEN customers include around 600 commercial banks. There are 70,000 daily consultations and 18 million annual consultations.

to ask for assistance from the Banque de France's regional directors and their teams to help the national mediator, René Ricol,[17] in the task of credit mediation.

Another sign that the government recognises the importance of the Banque de France's rating activity is the fact that when a mechanism was set up to issue debt securities with State guarantee to grant loans to credit institutions (*Société de financement de l'économie française* – SFEF), a scope of companies was defined on which bank loans could be accepted as guarantees in favour of the SFEF.

4| In 2010, assigning Banque de France ratings will prove to be a very sensitive issue

During the recent French Industry Forum, considerable concern was expressed over the financing conditions of certain companies. In the final report it was observed that the balance sheets published by businesses, particularly in the manufacturing sector, at the end of 2009 will have deteriorated quite considerably compared to previous years because the effects of the crisis had a profound impact in 2009, especially during the first half. Given the difficult conditions faced by many companies, particularly in certain sectors, credit risk analysis based on balance sheets for the year ending 2009 will lead to a large number of rating downgrades, whether from banks' IRB systems or ECAIs. In particular, information from Banque de France ratings is primarily destined for credit institutions that may also use them as a tool for decision making, customer portfolio tracking and prospecting, and to calculate regulatory capital requirements. The ratings changes should not automatically lead to a sharp tightening of credit.[18]

Furthermore, the Industry Forum recommended the creation of a working group committed to the rating of companies, bringing together the banking institutions, the Banque de France, the companies, the order of chartered accountants and the ministers concerned, and led by the credit mediator and the minister in charge of the economy. The working group's mandate is to work on the terms of use of the various rating systems and not to call them into question, and to cross them with various other assessment indicators (especially forecasting). The continuity of the system for assessing the financial situation of companies is an essential factor of confidence.

17 Succeeded by Gérard Rameix on 1 October 2009.
18 See Measure 23 of the Industry Forum (ensuring the financing of industry by banking institutions during the recovery phase of a crisis).Available in the press kit for the "États généraux de l'industrie", *Thursday 4 March 2010.*

In light of this work, the Banque de France has already had the opportunity of mentioning the clear guidelines that have recently been given to Banque de France analysts to pay close attention to the qualitative and forecasting elements. This is in order to avoid the unwarranted downgrading of ratings not justified by a real deterioration in the capacity of companies, analysed individually, to meet their financial commitments.

In this respect, rating interviews, face to face with company directors are set to take on considerable importance over the next few weeks. They will make it possible to obtain the qualitative data necessary for carrying out in-depth analysis of the company accounts for the year ending 31 December 2009. Instructions have also been given for these interviews to be completed, as often as necessary, by telephone with the company directors.

Ruling out the use of entirely automated rating procedures and/or those based exclusively on financial data, the Banque de France rating system based on expert assessment therefore requires that the analysts use their own judgement in the assessments that they make of each company examined, appropriately weighting the risk factors and the prospects of the companies assessed.

Despite this, the downgrading of the ratings of certain companies cannot be ruled out. This is why, in a letter dated 12 March 2010 to the chairman of the *Fédération bancaire française* (French Banking Federation), the Governor of the Banque de France recalled that there is "no question of modifying the methodological standards that govern our rating process to distort the truth. Going back on what is considered to be the very essence of our system would go against the demands of the ICAS status awarded to the Banque de France within the Eurosystem, and the requisites attached to its acknowledgement as an ECAI within the Basel II framework". Nonetheless, he also underlined the fact that:

• although the decline in a company's rating could render the company ineligible in the Eurosystem collateral framework, it must not in any case be considered as a judgement of the company's management: even if, incontestably, this reflects a deterioration in the situation, the decision should not be interpreted as a reservation towards the quality of corporate governance and even less so as a sanction;

• by taking as a reference horizon a period of three years, the opinion given on the credit risk of a company tends to limit as far as possible the impact of short-term factors (e.g. a rating is not downgraded due to a fall in turnover that is clearly temporary or simply due to the associated decline in profitability) (...) ;

• the Eurosystem's decisions in October 2008 enabled adjustments to be made to the meaning of the various FIBEN rating levels: the rating 4+ became eligible for the Eurosystem collateral framework, which shows that this rating should not be considered as a penalty. Over 50,000 resident companies' loans thus became eligible for monetary refinancing following the Eurosystem's decision. The Banque de France credit ratings 4+, and even 4, do not signify that a company is faced with financial imbalances likely to compromise its capacity to honour its commitments. These ratings simply reflect the presence of factors of uncertainty or fragility;

• the assessment made by the Banque de France is not the only source of assessment for company solvency. The FIBEN rating is an assessment, among others, that is taken into account by credit institutions in their sovereign decisions of whether or not to grant a loan to a company, under the terms that they may freely decide upon. Decisions for extending a loan to a company take into account a multitude of elements including information from internal ratings-based systems and operating requirements of credit institutions that currently benefit from highly accommodating monetary conditions.

The Banque de France rating system must constantly maintain all of the requisite guarantees to ensure its robustness, while avoiding an excessively pro-cyclical approach that might contribute, although only to a small extent, to a potential credit crunch.

The verdict of the statistical tests is, in a way, a justice of the peace that vouches for the validity of the current system. In order to maintain its performance to the highest level, in compliance with the requirements of the Eurosystem and the banking supervisors, as well as meeting the legitimate demands of the banking profession, it is important to be constantly vigilant over the quality of this tool and the information that it uses. From this point of view, further improvements are being examined for the processing of data on the default risk of companies.

Economic linkages, spillovers and the financial crisis Summary of the BdF/PSE/IMF conference of 28 and 29 January 2010

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The financial crisis that erupted at the end of 2008 was the worst since the end of World War II; unsurprisingly, it lastingly transformed the global economic environment and raised much debate as to its causes and transmission channels. The aim of the conference,[1] organised by the Banque de France (BdF), the Paris School of Economics (PSE) and the International Monetary Fund (IMF) in Paris on 28 and 29 January 2010, was to present recent research on international aspects of the crisis. This conference falls within the partnership programme between the Banque de France and the PSE. The main topics discussed were the link between the crisis and global imbalances, the financial origins of the crisis and the role of speculative bubbles, and the importance of the financial and trade links between countries to explain the rapid contagion of the crisis among main geographical areas.

Spanning two days, this conference was divided into six sessions in which two papers were presented by their authors and reviewed by a discussant, before opening the debate to the floor. The conference was concluded by a panel chaired by Jean-Pierre Landau, Deputy Governor of the Banque de France, and comprising Olivier Blanchard (FMI), François Bourguignon (PSE), Daniel Cohen (PSE), Jean-Luc Schneider (OECD) and Beatrice Weder di Mauro (Sachverständigenrat).

The key idea to emerge from this conference was the strong linkage between the financial crisis and global imbalances: without there necessarily being a clear causal link between them, it appears that both result from common factors. Moreover, the scale, speed and synchronisation of the collapse of world trade, which was surprising in the light of the traditional economic models, seem to stem in part from the increasing vertical integration between countries, and the inventory cycle, while the research presented at the conference did little to corroborate aspects relating to trade finance. Lastly, financial linkages between countries played a vital role in the transmission of the crisis, in particular with regard to interbank flows.

Keywords: financial crisis, global imbalances, international trade, emerging markets.
JEL codes: F02, F14, F23, F31, F32, F36, F42.

1 *The programme can be consulted on line at: http://www.banque-france.fr/gb/publications/telechar/seminaires/2010/liens_economiques-contagion-crise-financiere.pdf*

1| The origins of the crisis and its transmission in the world economy

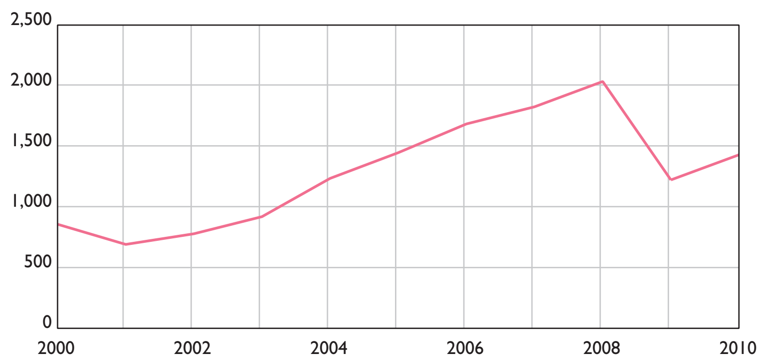
The root causes of the global financial crisis of the late 2000s seem, even with some years of hindsight, particularly complex and probably multiple. As an introduction to the conference, Maurice Obstfeld raises the question as to the relationship between this crisis and the large global imbalances that dominated the international economy in the years preceding the crisis (see Chart 1): is there a causal relationship between the crisis and global imbalances? This issue has returned to the fore since the current account positions of the major global economies, which had significantly adjusted in the wake of the crisis, have again experienced divergent developments since mid-2009.

While some observers (Portes, 2009) attribute the crisis to global imbalances, the view advocated by the authors of the first paper is that these two phenomena are more the result of common factors. Rather, for developed countries, the authors point to the combination of the Fed's loose monetary policy, significant credit market distortions, and uncontrolled financial innovation. Furthermore, they explain that keeping certain emerging market exchange rates artificially low was an aggravating factor, since it allowed the United States to benefit from cheap imports and fuel a massive real estate bubble that subsequently burst (see Chart 2).

In the second presentation, Olivier Blanchard addressed the impact of the financial crisis at the global level, focusing particularly on emerging markets. These countries were indeed severely affected by the crisis, albeit

Chart 1 Sum of current accounts (in absolute value) of G20 countries

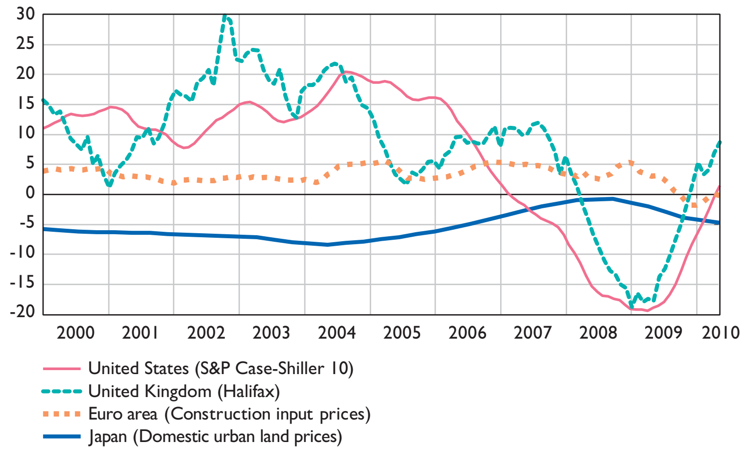
(USD billions)



Sources: IMF – World Economic Outlook *(WEO).*
Banque de France calculations.

Chart 2 House price developments in advanced countries

(year-on-year, %)



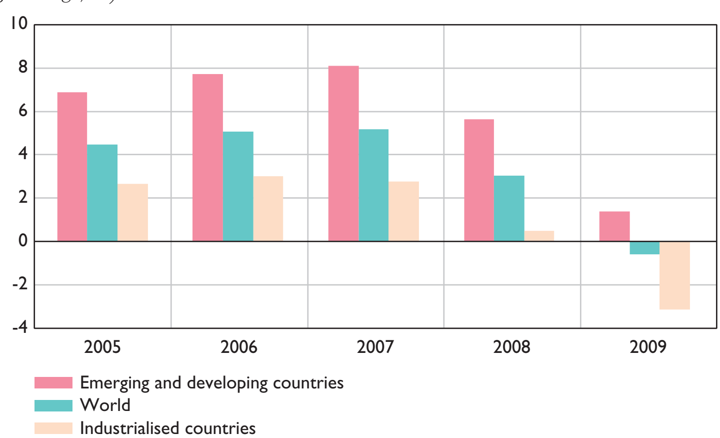
National sources.

to a lesser extent than developed countries (see Chart 3). The main results of this study show firstly the importance of trade and financial links in the propagation of the shock. In particular, it appears that the elasticity of world trade has increased over time. Furthermore, the results indicate that the initial conditions played an important role, with countries with higher levels of short-term debt being most strongly affected. Remarkably, the initial level of foreign exchange reserves seems only weakly correlated

Chart 3 Impact of the crisis on global GDP

Aggregate level and by level of development

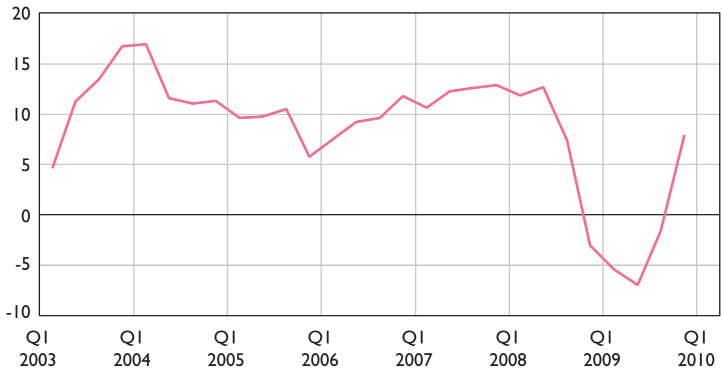
(yearly average, %)



Sources: IMF – World Economic Outlook (WEO).

Chart 4 Slump in credit to the private sector in G3 countries

(year-on-year, %)



Sources: ECB, IMF/BIS; monthly data, year-on-year; weighting based on aggregate GDP data with exchange rates in PPP, Banque de France calculations.

with the intensity of the crisis. This could imply that the strategy of reserve accumulation implemented by some countries might not be an effective instrument for fighting crises.

In the second session, Jaume Ventura considered the role of speculative bubbles, drawing on a paper co-authored with Alberto Martin. This study aims to factor in financial frictions, making use of the concept of the financial accelerator mechanism, developed by Ben Bernanke. This concept is particularly useful for analysing the current crisis, since it makes it possible to explain how a modest productivity shock can generate a credit crunch on the scale seen during the crisis (see Chart 4); the alternative hypothesis of an unprecedented productivity shock does not appear very plausible. According to the authors, the shock that triggered the crisis should be interpreted as an investor confidence shock, which led to a bursting of asset price bubbles and a credit slump. Naturally, this interpretation of the crisis calls for analysing the financial linkages between countries.

2| Financial linkages and exchange rates

The rapid emergence of the financial crisis and its swift transmission to the global economy illustrate the strength of the financial linkages between countries. Such linkages are nevertheless difficult to measure. The work carried out by the New York Fed (Cetorelli and Goldberg, 2009), presented by Linda Goldberg, focuses on the role of global banks in the transmission of the crisis, in particular to emerging markets in Europe, Asia and Latin America. More specifically, the authors consider the consequences of adverse liquidity shocks in developed countries, which are passed on to emerging countries via three channels: a decline in cross-border capital flows, a reduction in lending by local subsidiaries to their customers in host countries, and lastly a decline in lending by locally-owned banks, whose funding sources dry up due to the first two effects. Indeed, capital flows to emerging markets fell sharply in 2007 and 2008, especially in the case of bank loans (foreign direct investment flows, conversely, fared much better).

The importance of financial linkages is corroborated by the findings of a study carried out by Philip Lane and Gian-Maria Milesi-Ferretti and presented by the latter. The authors endeavour to explain why some countries were affected more than others by the crisis, using a panel of countries and associating the intensity of the crisis in each of these countries with their economic characteristics. The results show the key role played by the development level reached by each country before the crisis, the strength of its economic development and household and business lending dynamics, as well as exposure to international trade. Remarkably however the authors find that the countries with the strongest integration in international finance proved most resilient to the global crisis.

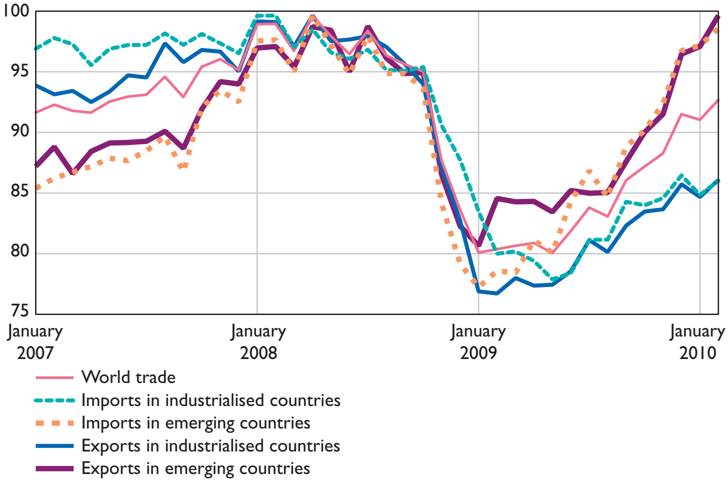
Marked exchange rate developments, in particular in emerging countries, are another important aspect of the financial crisis. While many observers expected a dollar depreciation, the dollar appreciated in late 2008, probably due to repatriation of capital to the United States and a rise in risk aversion leading investors to move into US Treasury bills. However, this dollar appreciation resulted in a sharp depreciation of some emerging market currencies. For instance, the Mexican peso and Korean won depreciated by over 40% in few months. Presenting a paper, written jointly with Sweta Saxena and Camilo Tovar, Matthieu Bussière noted that the rapid depreciation of exchange rates in emerging markets are often followed by a rebound in real activity, but such rebounds only partially offset the losses incurred before depreciation (i.e. these episodes lead to permanent loss of GDP relative to the trend observed before).

3| Collapse in world trade

The collapse in world trade in 2009 was unparalleled since World War II: it declined by over 10% year-on-year in real terms (see Chart 5). In turn, this collapse, mainly attributable to the sharp slowdown in economic activity in the wake of the financial crisis, was a powerful channel of transmission of the crisis between countries. While a reduction in trade flows is not surprising in itself, its speed, magnitude (far greater than the decline in global real activity), and synchronisation make it a striking phenomenon and somewhat puzzling, on the basis of traditional models.

Chart 5 Collapse in world trade

(in volume terms, 100 = peak)



Source: CPB, World trade monitor.

As a result, two entire sessions focused on world trade during the crisis. The main issue tackled by the authors was to identify the factors behind this collapse. This issue raises important economic policy challenges, since the way in which it is analysed gives rise to very different economic policy responses. Due to the complexity of this topic, the papers used an array of approaches to analyse it.

In a joint paper with Andrei Levchenko and Logan Lewis, Linda Tesar focused on US imports. She notes that, compared to a standard model (in which the elasticities are measured over a long period), the fall in US imports is much higher (50%), indicating that these models very imperfectly take into account the sharpness of the adjustment. On the basis of highly disaggregated data, she also notes that the sectors using more intermediate goods (inputs) are those that experienced the greatest falls. This suggests that the increasingly vertical integration of production chains at the global level without doubt played a major role in this collapse. Conversely, Linda Tesar finds no clear evidence in the data that the problems associated with trade finance played a major role. This has important economic policy implications since the fear that the drying-up of trade finance could jeopardize the recovery of world trade has led the G20 to ensure that such funding remains available through massive intervention programmes (around USD 250 billion).

In a study on the same issue, George Alessandria, Joseph Kaboski and Virgiliu Midrigan focused on the role of inventories. Indeed, the authors note that inventories and imports are closely linked, and that fluctuations in inventories could therefore explain the discrepancy between changes in GDP and trade. This link is no doubt particularly relevant for the automobile sector, which is the focus of this study based on a theoretical two-sector general equilibrium model. This model, in which changes in inventories are endogenous, can replicate the decline in international trade as observed during the crisis, which leads the authors to assume that their hypothesis has played a central role.

Lastly, Kei-Mu Yi, Rudolfs Bems and Robert Johnson explore the role of the growing vertical integration of production chains at the global level. Considering an example put forward by Baldwin and Evenett (2009), they suggest that this vertical integration amplifies the impact of a given fall in demand on trade flows at the global level. On the basis of their model (basically an accounting equation), the authors calculate that vertical integration accounts for over 50% of the changes in trade.

This conference gave rise to a particularly fruitful exchange of views between researchers and policymakers. The high quality of work presented reflects the dynamic nature of the ongoing research on major international macroeconomic issues. Three conclusions can be tentatively drawn. First, the financial crisis and global imbalances are very closely linked. While there is not necessarily a clear causal link between them, it appears that they both stem from common factors. One possible economic policy implication is that the reduction of global imbalances, frequently advocated in economic debate, should take into account the structural factors of such imbalances, which cannot be eliminated in the short term. Secondly, the scale, speed and synchronisation of the collapse of world trade, which constitutes a challenge for standard models, seem to result in part from the increasing vertical integration between countries, and the inventory cycle. Conversely, the work presented at conference did little to corroborate the role played by trade finance. Lastly, financial links between countries are a key factor in the transmission of the crisis, in particular interbank flows.

Quarterly Selection of Articles

Autumn 2005

– The single monetary policy and the interest rate channel in France and the euro area
– Fourth Economic Policy Forum: Productivity and monetary policy
– Measuring corporate profitability

Winter 2005/2006

– Some hypotheses regarding an inflation regime change in France
– Inflation dynamics in France
– Price-setting in the French and euro area manufacturing sectors: specific survey results

Spring 2006

– "Productivity, competitiveness and globalisation" – Banque de France international symposium – Concluding remarks
– Interaction between regional economic integration and institutional integration: the European experience
– The weaknesses of Chinese financial markets: reforms essential to diversifying the financing of the economy
– An analysis of business and credit cycles: The cases of Poland, Hungary, the Czech Republic and the euro area

Summer 2006

– Re-examining the money demand function for the euro area
– Target2: From concept to reality
– French households' financial investment: Comparison with Europe (1995-2004)

Autumn 2006

– Are we heading towards a heightening of global inflationary pressures?
– A national central bank within a federal system
– Progress towards the Single Euro Payments Area
– Are house prices in the USA and Europe sustainable?
– Banque de France scores: development, applications, and maintenance

Winter 2006/2007

– Monetary policy making in the euro area and in the US
– Adjustment scenarios for the US current account balance: an assessment based on different NiGEM calibrations
– Risk contagion through defaults on trade bills

Spring 2007

– The credibility of monetary policy from a New Keynesian perspective
– Perspectives on productivity and potential output growth: a summary of the joint Banque de France/Bank of Canada workshop, April 2006
– New borrowing post-debt relief: risks and challenges for developing countries

Summer 2007

– Debt retrenchment strategies and control of public spending
– Estimating the sacrifice ratio for the euro area
– The position of industrial firms in 2005

Autumn 2007

– National Financial Accounts in 2006
Further increase in private sector debt, central government debt on the decline
– The geographical breakdown of direct investment: a group-based approach
– DSGE models and their importance to central banks

Winter 2007

– Issues regarding euroisation in regions neighbouring the euro area
– France's balance of payments and international investment position in 2006
– The position of manufacturing firms in 2006
– Labour market flexibility: what does Banque de France research tell us?

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– Recent trends in productivity: structural acceleration in the euro area and deceleration in the United States?
– Productivity decomposition and sectoral dynamics

Summer 2008

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– Supplementing settlement functions with a decision-support system in TARGET2
– Globalisation, inflation and monetary policy Banque de France's international symposium
– The Euro-Mediterranean economic and financial partnership
– Foreign investors' participation in emerging market economies' domestic bond markets
– The composition of household wealth between 1997 and 2003

Autumn 2008

– France's balance of payments and international investment position in 2007
– Why calculate a business sentiment indicator for services?
– OPTIM: a quarterly forecasting tool for French GDP
– The contribution of cyclical turning point indicators to business cycle analysis
– Is credit growth in central and eastern European countries excessive?
– Migrant workers' remittances: what is the impact on the economic and financial development of Sub-Saharan African countries?

Summer 2009

– Developments in money and credit in France in 2008
– France's national economic assets, 1978-2007: 30 years shaped by real estate and stock market capital gains
– The position of firms in France at end-2008 – Recent developments
– The impact of the financial crisis on transfer systems
– Situations of overindebtedness: a typology

Autumn 2009

– Government debt markets in African developing countries: recent developments and main challenges
– Payment periods and corporate trade credit between 1990 and 2008
– National Financial Accounts in 2008: a further rise in non-financial sector debt
– Non-residents' equity holdings in French CAC 40 companies at end-2008

Winter 2009/2010

– Measuring banking activity in France
– Analysis of the scope of the results of the bank lending survey in relation to credit data
– The position of firms in 2008
– Credit Mediation
– Recent developments in the structure of insurers' investments
– A new standard for compiling and disseminating foreign direct investment statistics

Spring 2010

– Firms' wage policies during the crisis: survey findings
– The economic impact of business failures in 2008 and 2009
– Housing markets after the crisis: lessons for the macroeconomy
– Borrowing requirements and external debt sustainability of Sub-Saharan African countries
– Valuation of unquoted foreign direct investment stocks at market value: methods and results for France

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  "Financial crisis – Economic crisis"
- **Banque de France – 2009 Annual Report**
- **CECEI 2009 Annual Report**
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- **Commission bancaire 2009 Annual Report**
  Published by *Secrétariat général de la Commission bancaire.*
- **International symposium (2008): Globalisation, inflation and monetary policy**
- **Means of payment and transfer systems oversight Report 2009**
  Published by *direction des Systèmes de paiement et des infrastructures de marché.*

STATISTICS

Contents

Economic developments

Money, investment and financing

Financial markets and interest rates

Other statistics

Nota bene

The data in this section are updated on a monthly basis on the Banque de France's website.

Table 1
Industrial activity indicators – Monthly Business Survey – France

(NAF revision 2 ; seasonally-adjusted data)

	2010						
	Jan.	Feb.	March	April	May	June	July
Changes in production from the previous month (a)							
Total manufacturing	**14**	**7**	**10**	**5**	**6**	**7**	**6**
Food products and beverages	18	5	-8	5	14	11	15
Electrical, electronic and computer equipement and other machinery	15	11	17	17	10	10	8
Automotive industry	28	21	1	-41	-7	0	8
Other transport equipment	1	-16	2	-1	5	-1	0
Other manufacturing	13	8	12	7	7	8	8
Production forecasts (a)							
Total manufacturing	**3**	**6**	**3**	**4**	**0**	**0**	**3**
Food products and beverages	7	6	9	10	9	8	8
Electrical, electronic and computer equipement and other machinery	6	7	7	8	-1	6	12
Automotive industry	2	6	-13	-13	-12	-10	4
Other transport equipment	-6	7	4	8	28	8	29
Other manufacturing	6	7	4	8	0	0	3
Changes in orders from the previous month (a)							
Total manufacturing	**14**	**9**	**12**	**7**	**7**	**10**	**8**
Foreign	11	6	12	8	6	13	6
Order books (a)							
Total manufacturing	**-9**	**-7**	**-3**	**0**	**2**	**5**	**3**
Food products and beverages	-12	-7	0	-4	2	4	3
Electrical, electronic and computer equipement and other machinery	-17	-13	-7	0	1	4	4
Automotive industry	-15	-10	-13	-26	-17	-22	-24
Other transport equipment	22	22	23	26	34	36	41
Other manufacturing	-8	-6	-3	2	3	8	3
Inventories of finished goods (a)							
Total manufacturing	**-2**	**0**	**-1**	**-1**	**0**	**-2**	**1**
Food products and beverages	7	10	-1	4	3	2	0
Electrical, electronic and computer equipement and other machinery	-5	-4	-1	0	0	0	3
Automotive industry	-7	-1	0	0	23	1	4
Other transport equipment	6	2	12	12	7	-7	1
Other manufacturing	-3	-1	-3	-3	-4	-3	2
Capacity utilisation rate (b)							
Total manufacturing	**74.0**	**74.5**	**75.4**	**75.6**	**76.3**	**76.8**	**76.4**
Staff levels (total manufacturing) (a)							
Changes from the previous month	-2	-2	0	0	0	0	-1
Forecast for the coming month	-6	-5	-4	-4	-3	-3	-2
Business sentiment indicator (c)							
	102	**102**	**103**	**102**	**101**	**101**	**101**

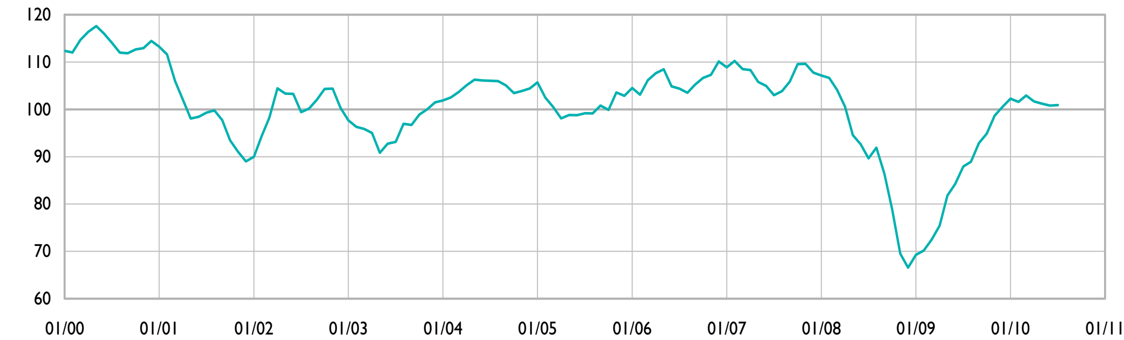
(a) Data given as a balance of opinions. Forecast series are adjusted for bias when it is statistically significant.
(b) Data given as a percentage.
(c) The indicator summarises industrial managers' sentiment regarding business conditions. The higher the indicator is, the more positive the assessment. The indicator is calculated using a principal component analysis of survey data smoothed over three months. By construction, the average is 100.

Source: Banque de France. *Produced 24 August 2010*

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

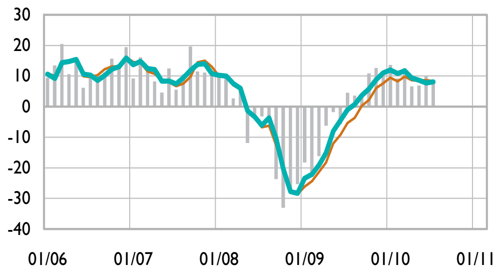
Business sentiment indicator

(100 = 1981 – last value)



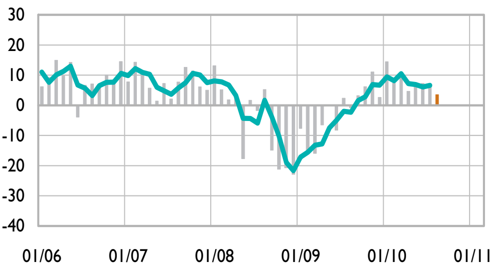
Orders (a)

(balance of opinions ; monthly change)



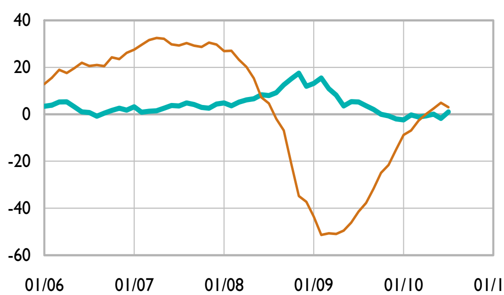
Production (a)

(balance of opinions ; monthly change)



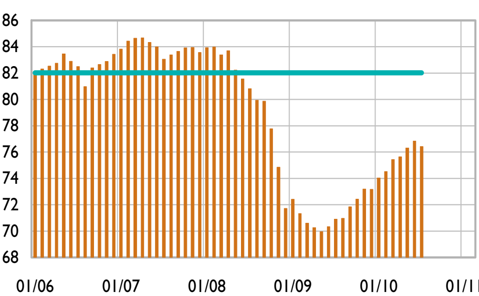
Inventories and order books (a)

(balance of opinions ; compared to levels deemed normal)



Capacity utilisation rate (a)

(%)



(a) Manufacturing.
Source: Banque de France.

Produced 24 August 2010

Table 3
Consumer price index

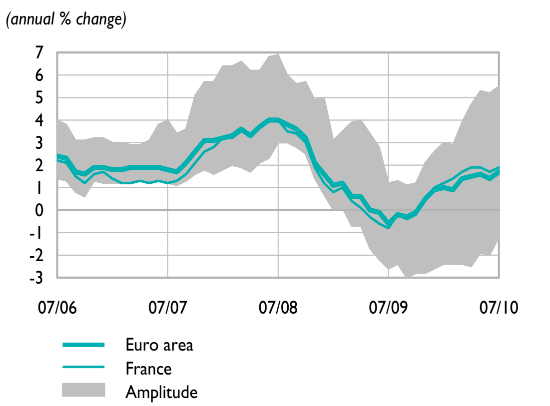
(annual % change)

	2009		2010						
	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July
France	0.5	1.0	1.2	1.4	1.7	1.9	1.9	1.7	1.9
Germany	0.3	0.8	0.8	0.5	1.2	1.0	1.2	0.8	1.2
Italy	0.8	1.1	1.3	1.1	1.4	1.6	1.6	1.5	1.8
Euro area	0.5	0.9	1.0	0.9	1.4	1.5	1.6	1.4	1.7
United Kingdom	1.9	2.9	3.5	3.0	3.4	3.7	3.4	3.2	na
European Union	1.0	1.5	1.7	1.5	1.9	2.1	2.0	1.9	2.1
United States	1.8	2.7	2.6	2.1	2.3	2.2	2.0	1.1	1.2
Japan	-1.9	-1.7	-1.3	-1.1	-1.1	-1.2	-0.9	-0.7	na

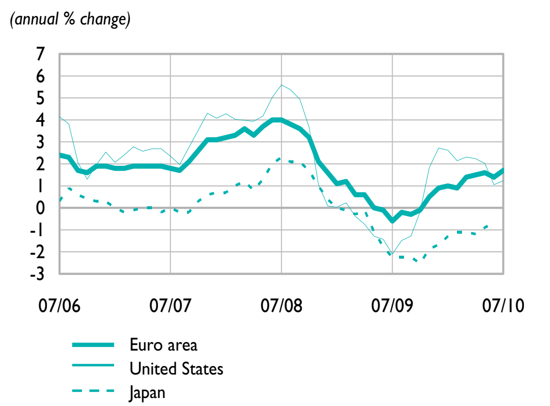
(annual average) *(seasonally-adjusted monthly % change)*

	2007	2008	2009	2010					
				Feb.	March	April	May	June	July
France	1.6	3.2	0.1	0.3	0.2	0.1	0.0	0.0	0.1
Germany	2.3	2.8	0.2	0.1	0.3	-0.1	0.1	-0.2	0.1
Italy	2.0	3.5	0.8	0.0	0.4	0.5	-0.2	-0.1	0.1
Euro area	2.1	3.3	0.3	0.1	0.4	0.3	0.1	0.1	0.2
United Kingdom	2.3	3.6	2.2	0.2	0.4	0.4	-0.1	0.1	na
European Union	2.4	3.7	1.0	na	na	na	na	na	na
United States	2.9	3.8	-0.4	0.0	0.1	-0.1	-0.2	-0.1	0.3
Japan	0.1	1.4	-1.4	0.4	0.0	-0.3	-0.1	0.0	na

France and the euro area



International comparisons



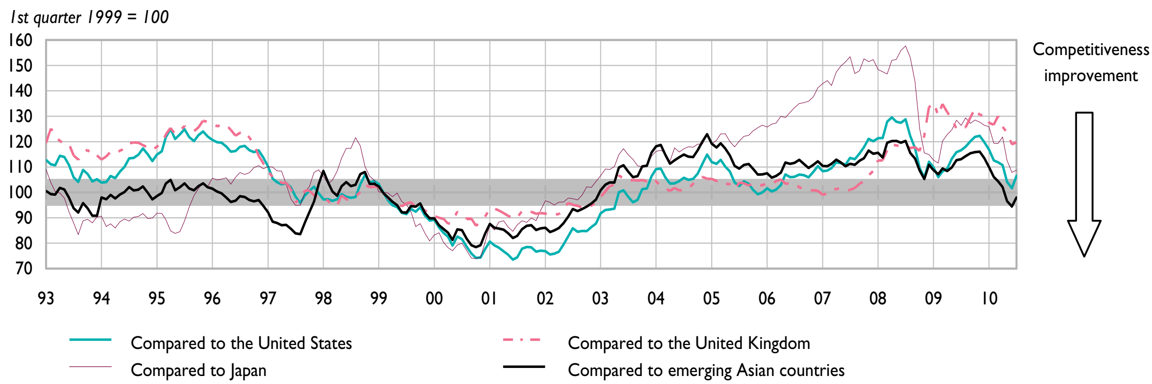
Harmonised indices except for the United States and Japan.
Amplitude = extreme values of the indices of harmonised prices observed in the euro area (changing composition).

Sources: National data, Eurostat. *Produced 24 August 2010*

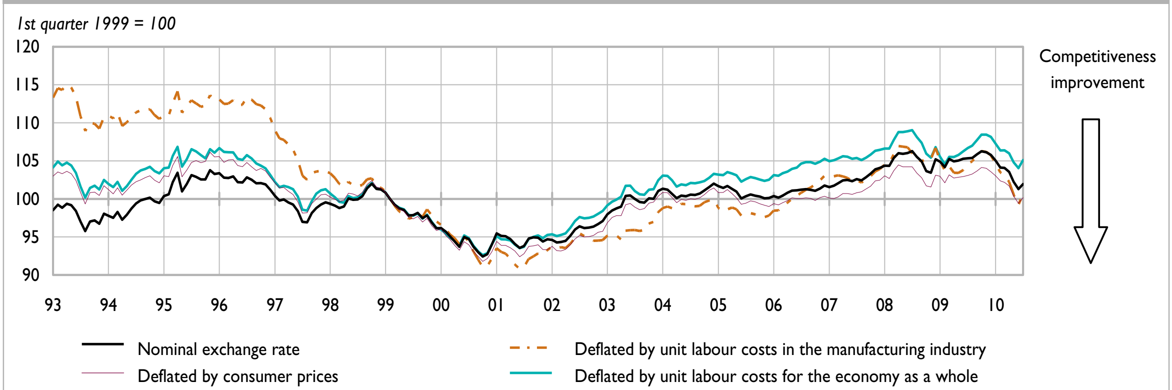
Table 4
The competitiveness of France's economy

Indicators deflated by consumer prices

Indicators deflated by consumer prices



Indicators of competitiveness compared to 24 OECD countries



Grey area: change in competitiveness compared to long-term average less than 5%.
Sources: National data, Banque de France, ECB, IMF, OECD, Thomson Financial Datastream.

Calculations: Banque de France. *Produced 24 August 2010*

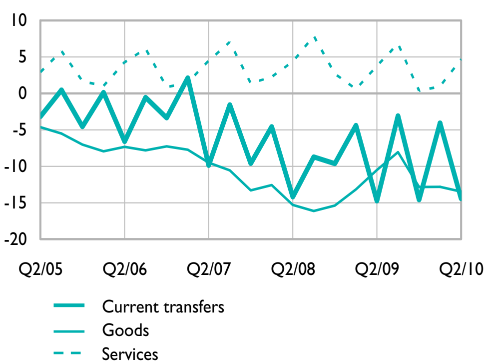
Table 5
Balance of payments – Main components (quarterly data) – France

(unadjusted data, EUR billions)

	2008	2009	2009			2010	
			Q2	Q3	Q4	Q1	Q2
Current account	**-37.1**	**-36.8**	**-14.8**	**-3.1**	**-14.6**	**-4.1**	**-14.5**
Goods	-59.4	-44.6	-10.5	-8.1	-12.8	-12.8	-13.5
Services	17.2	11.5	3.8	6.8	0.3	1.0	4.7
Income	29.2	23.1	0.1	4.6	6.7	11.8	0.6
Current transfers	-24.1	-26.9	-8.1	-6.5	-8.8	-4.1	-6.3
Capital account	**0.7**	**0.3**	**0.3**	**0.0**	**0.0**	**0.2**	**0.1**
Financial account	**26.7**	**59.4**	**4.7**	**7.5**	**29.3**	**1.4**	**-59.2**
Direct investment	-67.5	-63.0	-10.5	-12.4	-16.3	-21.4	-12.2
French direct investment abroad	*-110.0*	*-105.9*	*-31.6*	*-19.4*	*-27.6*	*-31.0*	*-20.1*
Foreign direct investment in France	*42.5*	*42.9*	*21.1*	*7.0*	*11.3*	*9.6*	*7.9*
Portfolio investment	40.5	270.0	94.0	4.6	87.6	42.8	51.3
Assets	*-87.1*	*-60.6*	*-28.1*	*-51.6*	*17.4*	*-26.6*	*-4.7*
Liabilities	*127.6*	*330.7*	*122.1*	*56.2*	*70.2*	*69.4*	*56.0*
Financial derivatives	-16.4	-2.1	2.6	1.8	2.5	9.1	8.7
Other investment	61.4	-149.4	-79.6	14.2	-43.7	-27.4	-108.7
Reserve assets	8.5	3.9	-1.8	-0.7	-0.7	-1.7	1.7
Net errors and omissions	**9.8**	**-22.9**	**9.8**	**-4.4**	**-14.8**	**2.5**	**73.6**

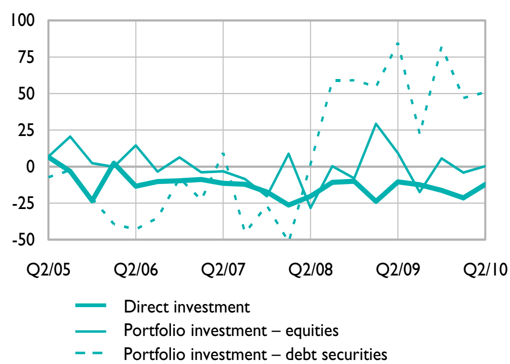
Current account balance

(unadjusted data, EUR billions)



Financial account balance

(unadjusted data, EUR billions)



Source: Banque de France. *Produced 24 August 2010*

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

(unadjusted data, EUR billions)

	2008	2009	2009			2010	
			Q2	Q3	Q4	Q1	Q2
Current account	**-37.1**	**-36.8**	**-14.8**	**-3.1**	**-14.6**	**-4.1**	**-14.5**
Goods	**-59.4**	**-44.6**	**-10.5**	**-8.1**	**-12.8**	**-12.8**	**-13.5**
Exports	*410.8*	*340.0*	*83.6*	*83.5*	*89.0*	*93.2*	*99.8*
Imports	*470.2*	*384.6*	*94.1*	*91.6*	*101.8*	*106.0*	*113.3*
General merchandise	-56.9	-43.6	-10.2	-7.6	-12.8	-12.2	-13.3
Goods procured in ports by carriers	-2.7	-1.4	-0.3	-0.4	-0.3	-0.4	-0.4
Goods for processing and repairs on goods	0.2	0.4	0.0	0.0	0.3	-0.2	0.2
Services	**17.2**	**11.5**	**3.8**	**6.8**	**0.3**	**1.0**	**4.7**
Exports	*113.7*	*102.9*	*27.1*	*30.3*	*23.1*	*22.2*	*27.9*
Imports	*96.5*	*91.4*	*23.3*	*23.4*	*22.8*	*21.2*	*23.3*
Transportation	-0.9	-0.7	-0.2	0.2	-0.1	-0.2	0.2
Travel	10.3	7.8	2.5	5.2	-0.8	0.0	2.4
Communications services	0.9	0.6	0.2	0.1	0.1	0.1	0.2
Construction services	2.8	2.7	0.6	0.6	0.7	0.6	0.7
Insurance services	-0.7	-0.8	-0.2	0.1	-0.3	0.1	0.0
Financial services	0.0	0.5	0.1	0.2	0.2	0.1	0.0
Computer and information services	-0.3	-0.3	-0.1	-0.1	-0.1	-0.1	0.0
Royalties and license fees	3.8	3.0	0.8	0.7	0.6	0.8	0.6
Other business services	2.1	-0.1	0.2	-0.1	0.4	-0.3	0.7
Personal, cultural and recreational services	-1.0	-1.2	-0.2	-0.3	-0.3	-0.3	-0.2
Government services	0.1	0.0	0.0	0.0	0.0	0.1	0.0
Income	**29.2**	**23.1**	**0.1**	**4.6**	**6.7**	**11.8**	**0.6**
Compensation of employees	9.5	9.5	2.4	2.4	2.4	2.4	2.3
Investment income	19.7	13.7	-2.3	2.3	4.3	9.4	-1.7
Direct investment	*22.6*	*17.7*	*4.3*	*1.8*	*4.5*	*8.4*	*5.7*
Portfolio investment	*6.8*	*-0.1*	*-4.8*	*1.3*	*0.2*	*1.7*	*-6.7*
Other investment	*-9.7*	*-4.0*	*-1.8*	*-0.8*	*-0.5*	*-0.7*	*-0.7*
Current transfers	**-24.1**	**-26.9**	**-8.1**	**-6.5**	**-8.8**	**-4.1**	**-6.3**
General government	-15.3	-17.3	-5.9	-4.4	-6.4	-1.7	-4.5
Other sectors	-8.8	-9.6	-2.2	-2.1	-2.3	-2.4	-1.8
of which workers' remittances	*-2.6*	*-2.1*	*-0.5*	*-0.6*	*-0.5*	*-0.5*	*-0.5*
Capital account	**0.7**	**0.3**	**0.3**	**0.0**	**0.0**	**0.2**	**0.1**

Source: Banque de France. *Produced 24 August 2010*

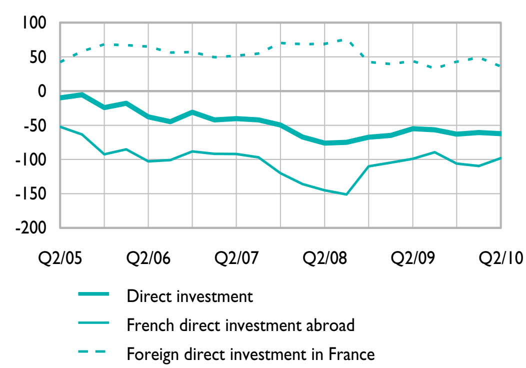
Table 7
Balance of payments – Financial flows (quarterly data) – France

(unadjusted data, EUR billions)

	2008	2009	2009			2010	
			Q2	Q3	Q4	Q1	Q2
Financial account	**26.7**	**59.4**	**4.7**	**7.5**	**29.3**	**1.4**	**-59.2**
Direct investment	-67.5	-63.0	-10.5	-12.4	-16.3	-21.4	-12.2
French direct investment abroad	-110.0	-105.9	-31.6	-19.4	-27.6	-31.0	-20.1
of which equity capital and reinvested earnings	*-64.1*	*-40.2*	*-19.7*	*-4.0*	*-14.5*	*-14.6*	*-9.6*
Foreign direct investment in France	42.5	42.9	21.1	7.0	11.3	9.6	7.9
of which equity capital and reinvested earnings	*14.2*	*14.1*	*8.3*	*2.8*	*1.8*	*4.3*	*5.4*
Portfolio investment	40.5	270.0	94.0	4.6	87.6	42.8	51.3
Assets	-87.1	-60.6	-28.1	-51.6	17.4	-26.6	-4.7
Equity securities	*-19.3*	*-21.5*	*1.3*	*-34.2*	*-11.8*	*0.0*	*-12.4*
Bonds and notes	*-4.6*	*-16.7*	*-14.1*	*-10.1*	*-7.3*	*-42.8*	*-15.9*
Money market instruments	*-63.2*	*-22.4*	*-15.2*	*-7.3*	*36.5*	*16.2*	*23.6*
Liabilities	127.6	330.7	122.1	56.2	70.2	69.4	56.0
Equity securities	*-7.8*	*48.1*	*7.9*	*16.7*	*17.4*	*-4.1*	*12.7*
Bonds and notes	*84.1*	*202.9*	*89.3*	*28.8*	*36.2*	*69.2*	*40.4*
Money market instruments	*51.4*	*79.7*	*24.8*	*10.7*	*16.6*	*4.3*	*2.8*
Financial derivatives	-16.4	-2.1	2.6	1.8	2.5	9.1	8.7
Other investment	61.4	-149.4	-79.6	14.2	-43.7	-27.4	-108.7
of which MFIs excl. Banque de France (net flows)	*-101.3*	*-75.8*	*-27.9*	*-18.4*	*-30.6*	*-16.8*	*-32.3*
Reserve assets	8.5	3.9	-1.8	-0.7	-0.7	-1.7	1.7
Net errors and omissions	**9.8**	**-22.9**	**9.8**	**-4.4**	**-14.8**	**2.5**	**73.6**

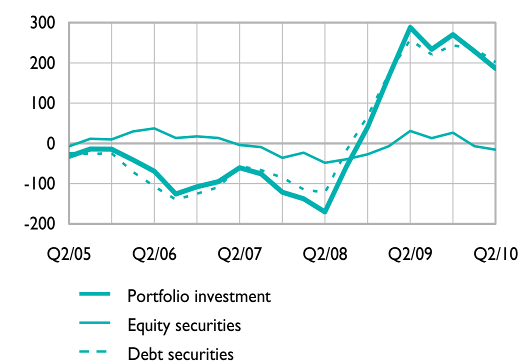
Direct investment account

(cumulated flows over 4 quarters)



Portfolio investment account

(cumulated flows over 4 quarters)



Source: Banque de France.

Produced 24 August 2010

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

(unadjusted data, EUR billions)

	1st quarter 2010					
	EMU (a)	EU-27 excl. EMU (b)	USA	Japan	Switzerland	China
Current account	**na**	**na**	**na**	**na**	**na**	**na**
Receipts	*73.1*	*28.1*	*11.9*	*2.2*	*5.8*	*3.1*
Expenditure	*na*	*na*	*na*	*na*	*na*	*na*
Goods	-15.4	1.1	0.7	0.2	0.0	-2.5
Receipts	*46.8*	*12.0*	*5.3*	*1.4*	*2.6*	*2.4*
Expenditure	*62.2*	*10.9*	*4.6*	*1.2*	*2.6*	*4.9*
Services	0.6	0.2	0.3	-0.1	0.0	0.0
Receipts	*7.5*	*3.2*	*2.4*	*0.2*	*1.1*	*0.6*
Expenditure	*7.0*	*3.0*	*2.2*	*0.3*	*1.1*	*0.6*
Income	na	na	na	na	na	na
Receipts	*18.1*	*4.6*	*4.0*	*0.6*	*1.9*	*0.1*
Expenditure	*na*	*na*	*na*	*na*	*na*	*na*
Current Transfers	-1.1	0.3	-0.2	0.0	-0.4	0.0
Financial account	**na**	**na**	**na**	**na**	**na**	**na**
Direct investment	-7.6	-4.4	-5.8	-0.2	-2.0	-0.1
French direct investment abroad	*-10.4*	*-8.5*	*-6.2*	*-0.1*	*-2.1*	*-0.1*
Foreign direct investment in France	*2.8*	*4.1*	*0.3*	*-0.1*	*0.1*	*0.0*
Portfolio investment (c)	na	na	na	na	na	na
Assets	-11.5	-14.0	-14.9	13.2	1.6	-0.2
Equity securities	*5.8*	*-1.9*	*-6.4*	*2.4*	*1.3*	*-0.2*
Bonds and notes	*-21.3*	*-17.4*	*-7.3*	*3.7*	*0.0*	*0.0*
Money market instruments	*3.9*	*5.3*	*-1.2*	*7.1*	*0.3*	*0.0*
Other investment	-24.8	1.5	10.4	7.7	-5.9	-7.9
of which MFIs excluding Banque de France (net flows)	*-14.3*	*0.5*	*5.0*	*4.5*	*-4.5*	*-2.4*

(a) 16 Member States (including Slovakia as of 1 January 2009).
(b) Denmark, United Kingdom, Sweden, European Institutions and New Member States (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Bulgaria, Romania).
(c) The geographical breakdown is not available for liabilities.

Source: Banque de France. *Produced 24 August 2010*

Table 9
Balance of payments (monthly data) – France

(unadjusted data, EUR billions)

	2009	2010			12-month total	
					2009	2010
	June	April	May	June	June	June
Current account	**-5.9**	**-2.4**	**-8.4**	**-3.7**	**-37.5**	**-36.2**
Goods	-3.3	-3.6	-6.0	-3.9	-55.2	-47.2
Services	1.8	0.9	1.7	2.1	14.9	12.8
Income	-1.0	2.7	-1.8	-0.2	29.6	23.8
Current transfers	-3.5	-2.3	-2.3	-1.7	-26.7	-25.6
Capital account	**0.1**	**0.0**	**0.0**	**0.0**	**0.4**	**0.2**
Financial account	**15.3**	**-28.3**	**-4.9**	**-26.0**	**72.2**	**-21.0**
Direct investment	-5.2	-2.1	-1.7	-8.4	-55.1	-62.3
French direct investment abroad	*-11.5*	*-4.7*	*-4.1*	*-11.3*	*-99.0*	*-98.2*
Equity capital	*-7.9*	*0.0*	*-0.5*	*-3.9*	*-48.6*	*-31.2*
Reinvested earnings	*-0.2*	*-1.7*	*-1.7*	*-1.7*	*-3.7*	*-11.5*
Other capital	*-3.4*	*-3.0*	*-1.9*	*-5.6*	*-46.7*	*-55.5*
Foreign direct investment in France	*6.3*	*2.7*	*2.4*	*2.9*	*43.9*	*35.8*
Equity capital	*0.2*	*1.5*	*0.3*	*1.2*	*19.3*	*8.4*
Reinvested earnings	*0.2*	*0.8*	*0.8*	*0.8*	*0.6*	*5.9*
Other capital	*5.9*	*0.4*	*1.3*	*0.8*	*24.1*	*21.5*
Portfolio investment	72.3	-14.1	27.2	38.2	288.0	186.3
Assets	*10.2*	*-24.0*	*4.8*	*14.5*	*36.2*	*-65.5*
Equity securities	*4.3*	*-10.6*	*-3.7*	*1.9*	*21.5*	*-58.4*
Bonds and notes	*-2.2*	*-10.3*	*7.8*	*-13.4*	*68.5*	*-76.0*
Money market instruments	*8.1*	*-3.1*	*0.7*	*26.0*	*-53.7*	*68.9*
Liabilities	*62.0*	*9.9*	*22.4*	*23.7*	*251.8*	*251.8*
Equity securities	*7.5*	*5.2*	*3.6*	*3.9*	*9.3*	*42.7*
Bonds and notes	*46.8*	*1.3*	*15.5*	*23.6*	*161.0*	*174.7*
Money market instruments	*7.7*	*3.4*	*3.2*	*-3.8*	*81.5*	*34.4*
Financial derivatives	-3.0	2.7	4.2	1.8	-41.7	22.1
Other investment	-48.5	-14.7	-35.8	-58.2	-131.8	-165.6
of which MFIs excl. Banque de France (net flows)	*-36.4*	*3.6*	*-17.3*	*-18.5*	*-113.3*	*-98.1*
Reserve assets	-0.2	-0.1	1.2	0.6	12.7	-1.5
Net errors and omissions	**-9.4**	**30.6**	**13.3**	**29.7**	**-35.1**	**56.9**

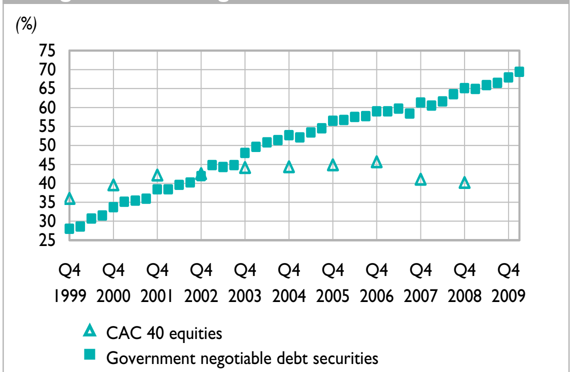
Source: Banque de France. *Produced 24 August 2010*

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

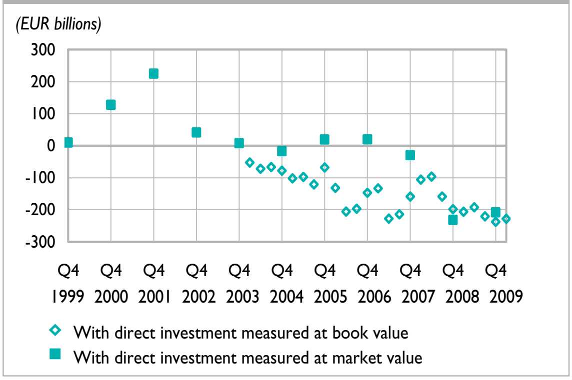
(EUR billions)

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Q1
Assets	**3,573.4**	**4,041.2**	**4,549.2**	**4,413.9**	**4,643.6**	**4,866.4**
French direct investment abroad	736.1	793.1	889.8	997.6	1,106.1	1,161.4
Equity capital and reinvested earnings	*491.3*	*548.8*	*613.9*	*674.4*	*717.6*	*750.6*
Other capital	*244.8*	*244.3*	*276.0*	*323.2*	*388.5*	*410.8*
Portfolio investment	1,587.9	1,851.0	2,014.1	1,834.7	1,998.2	2,070.5
(foreign securities held by residents)						
MFIs (resident security-holding sector)	*665.9*	*755.0*	*743.2*	*725.6*	*724.1*	*725.2*
Non-MFIs (resident security-holding sector)	*922.0*	*1,095.9*	*1,270.9*	*1,109.1*	*1,274.0*	*1,345.2*
Financial derivatives	124.5	159.2	241.0	234.0	237.9	248.0
Other investment	1,061.8	1,163.3	1,325.7	1,273.6	1,209.0	1,286.4
MFIs	*840.7*	*945.6*	*1,094.7*	*1,058.6*	*990.3*	*1,064.8*
Non-MFIs	*221.1*	*217.7*	*231.0*	*215.0*	*218.7*	*221.6*
Reserve assets	63.0	74.6	78.6	74.0	92.4	100.1
Liabilities	**-3,641.3**	**-4,188.3**	**-4,708.2**	**-4,612.0**	**-4,881.5**	**-5,094.5**
Foreign direct investment in France	-532.3	-578.7	-649.1	-685.8	-728.4	-742.0
Equity capital and reinvested earnings	*-325.0*	*-348.7*	*-386.2*	*-394.4*	*-408.5*	*-412.8*
Other capital	*-207.3*	*-230.0*	*-262.9*	*-291.4*	*-319.9*	*-329.2*
Portfolio investment	-1,764.8	-1,963.0	-1,987.9	-1,855.0	-2,296.9	-2,415.0
(French securities held by non-residents)						
MFIs (resident security-issuing sector)	*-414.5*	*-484.4*	*-505.4*	*-491.3*	*-552.7*	*-582.0*
Non-MFIs (resident security-issuing sector)	*-1,350.3*	*-1,478.6*	*-1,482.5*	*-1,363.6*	*-1,744.2*	*-1,833.1*
Financial derivatives	-147.4	-188.9	-312.6	-289.3	-291.1	-310.2
Other investment	-1,196.8	-1,457.7	-1,758.7	-1,782.0	-1,565.2	-1,627.3
MFIs	*-1,016.1*	*-1,245.0*	*-1,465.6*	*-1,345.2*	*-1,197.3*	*-1,265.9*
Non-MFIs	*-180.6*	*-212.7*	*-293.1*	*-436.8*	*-367.9*	*-361.4*
Net position	**-67.9**	**-147.1**	**-159.0**	**-198.1**	**-237.9**	**-228.1**

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



France's international investment position



Source: Banque de France.

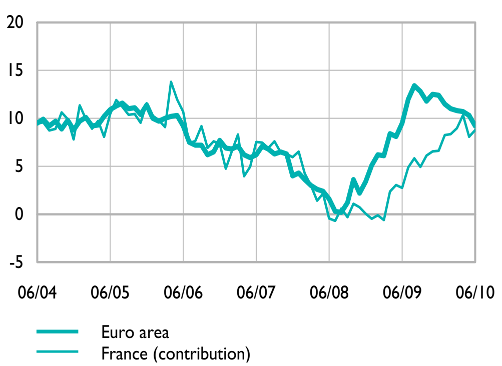
Produced 24 August 2010

Table 11
Main monetary and financial aggregates – France and the euro area

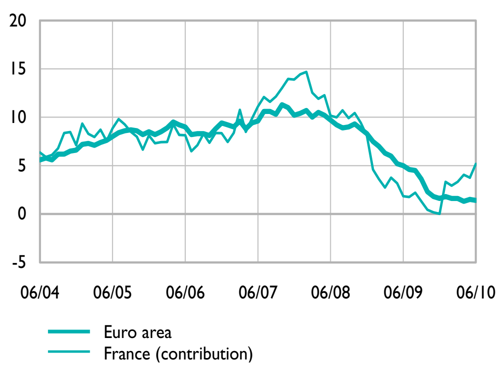
(annual percentage growth rate)

	2007	2008	2009	2009	2009	2010					
	Dec.	Dec.	Dec.	June	Dec.	Jan.	Feb.	March	April	May	June
M1											
Euro area (a)	4.0	3.4	12.4	9.5	12.4	11.5	11.0	10.8	10.7	10.3	9.2
France (contribution)	6.0	0.1	6.6	2.7	6.6	8.3	8.4	9.0	10.3	8.1	8.8
M2											
Euro area (a)	10.2	8.3	1.6	5.0	1.6	1.8	1.6	1.6	1.3	1.5	1.4
France (contribution)	13.9	8.1	0.0	1.8	0.0	3.3	2.9	3.3	4.1	3.8	5.2
M3											
Euro area (a)	11.6	7.6	-0.3	3.6	-0.3	0.0	-0.4	-0.1	-0.2	-0.1	0.2
France (contribution)	15.7	5.3	-4.1	1.0	-4.1	-1.8	-3.7	-2.9	-2.0	-2.9	-0.7
Loans to the private sector											
Euro area (a)	11.2	5.7	-0.2	1.4	-0.2	-0.6	-0.4	-0.2	0.2	0.2	0.3
France (b)	14.9	7.0	-0.6	1.1	-0.6	-0.2	0.2	0.5	1.3	2.1	2.0

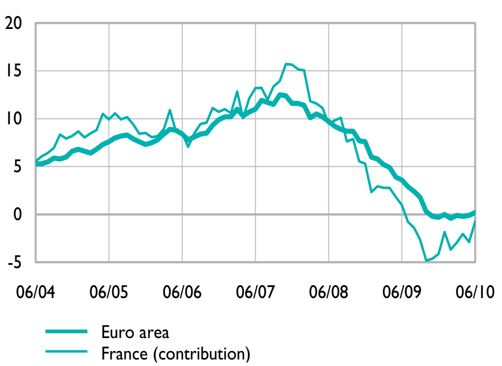
M1
(annual percentage growth rate)



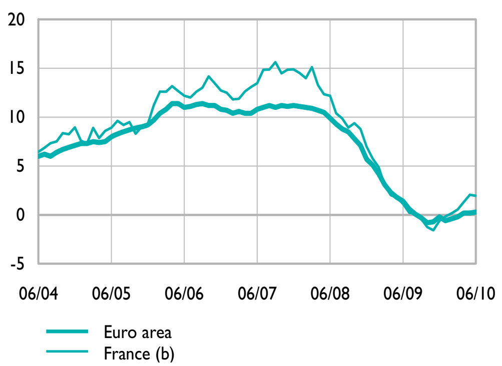
M2
(annual percentage growth rate)



M3
(annual percentage growth rate)



Loans to the private sector
(annual percentage growth rate)



(a) Seasonal and calendar effect adjusted data.
(b) Loans extended by MFIs resident in France to euro area residents excluding MFIs and central government.

Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

Table 12
Balance sheet of the Banque de France

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

	2007	2008	2009	2009	2010			
	Dec.	Dec.	Dec.	June	March	April	May	June
Assets								
National territory	101.7	220.3	165.1	165.9	161.4	160.8	167.2	170.6
Loans	83.2	190.7	129.1	130.8	125.9	125.1	130.8	133.3
MFIs	*83.0*	*190.6*	*129.0*	*130.7*	*125.7*	*124.9*	*130.7*	*133.2*
Central government	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Private sector	*0.2*	*0.2*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
Securities other than shares	18.5	29.6	35.9	35.0	35.5	35.7	36.4	37.4
MFIs	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Central government	*18.5*	*29.6*	*35.9*	*35.0*	*35.5*	*35.7*	*36.4*	*37.4*
Private sector	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other euro area countries	39.1	60.6	77.1	67.7	81.0	78.9	76.6	85.0
Rest of the world	92.9	110.6	97.4	99.6	89.3	91.9	99.1	90.8
Gold	47.6	49.8	60.0	52.3	64.5	69.3	77.4	79.2
Not broken down by geographical area (a)	82.6	115.8	110.6	94.5	113.1	108.9	107.7	130.7
Total	**363.8**	**557.1**	**510.1**	**480.0**	**509.2**	**509.7**	**528.1**	**556.4**
Liabilities								
National territory – Deposits	77.9	105.1	85.1	105.4	92.1	93.1	123.8	170.3
MFIs	76.9	94.3	64.9	101.3	83.6	91.2	87.3	119.9
Central government	0.3	10.3	18.0	3.1	7.2	1.0	36.2	49.9
Other sectors (overnight deposits)	0.7	0.5	2.2	1.0	1.3	1.0	0.4	0.5
Other euro area countries – Deposits	11.9	117.7	62.0	50.2	54.2	52.6	29.6	0.0
MFIs	11.9	117.7	62.0	50.2	54.2	52.6	29.6	0.0
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of the world – Deposits	73.5	99.0	112.9	99.7	112.1	113.1	120.7	113.6
Not broken down by geographical area	200.5	235.3	250.1	224.7	250.8	250.9	253.9	272.5
Currency in circulation (b)	131.1	147.3	153.7	145.6	151.9	152.2	153.5	154.8
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital and reserves	55.2	58.6	70.6	63.0	78.1	78.1	78.8	78.7
Other	14.3	29.4	25.8	16.1	20.7	20.6	21.6	38.9
Total	**363.8**	**557.1**	**510.1**	**480.0**	**509.2**	**509.7**	**528.1**	**556.4**

(a) Including adjustments for the new accounting method for banknotes on the liability side of the Banque de France balance sheet since January 2002.
(b) Since January 2002, banknotes in circulation have been treated according to specific euro area accounting conventions. 8% of the total value of euro banknotes in circulation is allocated to the European Central Bank. The remaining 92% is broken down between the NCBs in proportion to their share in the paid-up capital of the ECB.

Source: Banque de France. *Produced 24 August 2010*

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

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

	2007	2008	2009	2009	2010			
	Dec.	Dec.	Dec.	June	March	April	May	June
Assets								
National territory	4,128.8	4,517.7	4,527.2	4,575.6	4,640.0	4,686.4	4,727.6	4,743.4
Loans	3,211.3	3,493.6	3,509.9	3,519.1	3,616.8	3,665.8	3,698.6	3,724.8
MFIs	*1,310.6*	*1,480.2*	*1,486.5*	*1,513.2*	*1,549.2*	*1,591.3*	*1,614.6*	*1,631.6*
General government	*168.5*	*173.8*	*196.1*	*176.8*	*201.9*	*199.1*	*200.1*	*209.7*
Private sector	*1,732.2*	*1,839.6*	*1,827.4*	*1,829.1*	*1,865.8*	*1,875.4*	*1,883.9*	*1,883.6*
Securities other than shares	535.2	636.2	622.6	667.7	630.2	621.1	629.6	629.7
MFIs ≤ 2 years	*207.3*	*242.6*	*229.8*	*261.7*	*235.6*	*224.6*	*231.5*	*224.0*
MFIs > 2 years	*75.8*	*121.8*	*113.4*	*117.3*	*112.6*	*116.1*	*116.8*	*116.8*
General government	*150.0*	*149.7*	*159.7*	*173.4*	*159.5*	*155.6*	*157.8*	*162.9*
Private sector	*102.2*	*122.1*	*119.8*	*115.3*	*122.5*	*124.7*	*123.5*	*126.0*
Money market fund shares/units	81.4	90.3	79.1	89.3	71.7	70.6	69.2	61.1
Shares and other equity	300.8	297.7	315.5	299.5	321.3	328.9	330.2	327.7
Other euro area countries	1,011.5	1,006.4	1,034.4	1,021.3	1,063.9	1,079.9	1,070.9	1,039.0
Rest of the world	1,004.3	926.0	848.2	848.5	926.8	982.1	1,026.1	953.8
Not broken down by geographical area	975.8	1,260.4	1,247.1	1,352.7	1,328.5	1,416.1	1,569.9	1,454.2
Total	**7,120.4**	**7,710.6**	**7,656.7**	**7,798.0**	**7,959.2**	**8,164.5**	**8,394.5**	**8,190.5**
Liabilities								
National territory – Deposits	2,649.7	3,043.5	3,099.0	3,066.3	3,165.6	3,212.5	3,219.8	3,251.6
MFIs	1,303.2	1,605.1	1,571.3	1,564.2	1,613.9	1,643.2	1,678.2	1,686.7
Central government	16.3	23.4	28.3	48.0	48.7	33.6	22.0	32.4
Other sectors	1,330.2	1,415.0	1,499.4	1,454.1	1,503.0	1,535.7	1,519.6	1,532.4
Overnight deposits	*445.8*	*434.4*	*463.1*	*429.4*	*451.2*	*475.7*	*461.2*	*474.2*
Deposits with agreed maturity ≤ 2 years	*127.8*	*185.3*	*131.3*	*133.5*	*132.7*	*131.8*	*134.2*	*131.1*
Deposits with agreed maturity > 2 years	*277.2*	*260.9*	*362.4*	*336.0*	*368.9*	*369.6*	*372.8*	*372.2*
Deposits redeemable at notice ≤ 3 months	*437.6*	*486.0*	*501.1*	*503.0*	*501.5*	*504.2*	*502.9*	*502.0*
Repos	*41.7*	*48.5*	*41.5*	*52.2*	*48.7*	*54.4*	*48.4*	*53.0*
Other euro area countries – Deposits	396.1	377.6	338.3	360.2	336.3	338.2	349.9	353.1
MFIs	296.9	277.6	229.3	257.1	220.4	215.8	225.1	219.4
Other sectors	99.2	100.1	109.0	103.1	115.8	122.4	124.8	133.6
Rest of the world – Deposits	1,088.4	985.3	880.9	905.1	950.1	1,011.0	1,050.3	980.3
Not broken down by geographical area	2,986.2	3,304.1	3,338.6	3,466.4	3,507.3	3,602.8	3,774.5	3,605.6
Debt securities issued ≤ 2 years	*447.5*	*458.6*	*381.4*	*454.4*	*417.7*	*408.0*	*414.4*	*420.3*
Debt securities issued > 2 years	*604.1*	*689.3*	*715.2*	*690.5*	*740.3*	*745.8*	*753.6*	*749.5*
Money market fund shares/units	428.5	483.3	479.2	524.1	458.0	462.6	457.5	428.1
Capital and reserves	392.5	416.1	454.7	432.7	460.1	463.9	465.6	466.7
Other	1,113.5	1,256.8	1,308.1	1,364.7	1,431.2	1,522.4	1,683.4	1,541.0
Total	**7,120.4**	**7,710.6**	**7,656.7**	**7,798.0**	**7,959.2**	**8,164.5**	**8,394.5**	**8,190.5**

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

Source: Banque de France. *Produced 24 August 2010*

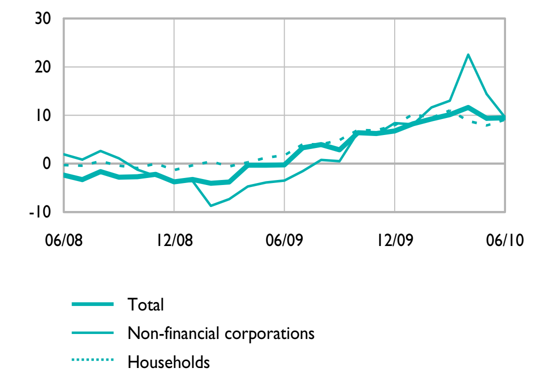
Table 14
Deposits – France

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

	2007	2008	2009	2009	2010			
	Dec.	Dec.	Dec.	June	March	April	May	June
Overnight deposits								
Total non-financial sectors (excluding central government)	463.3	447.8	481.7	436.7	459.1	479.2	468.4	477.1
Households and similar	246.8	243.7	263.0	247.8	262.8	269.6	263.3	270.5
Non-financial corporations	159.7	154.5	167.0	146.0	153.3	164.9	159.8	160.8
General government (excl. central government)	56.8	49.6	51.7	42.9	43.0	44.7	45.3	45.8
Other sectors	37.2	33.6	32.0	32.4	32.1	37.2	34.3	38.7
Total – Outstanding amounts	**500.4**	**481.4**	**513.7**	**469.2**	**491.6**	**516.5**	**502.2**	**515.2**
Total – Growth rate	**6.0**	**-3.8**	**6.8**	**-0.3**	**10.1**	**11.6**	**9.4**	**9.5**
Passbook savings accounts								
"A" and "Blue" passbooks	140.8	164.4	183.4	185.1	185.7	186.3	185.9	185.8
Housing savings accounts	38.1	36.7	36.6	36.6	36.3	36.3	36.1	36.0
Sustainable development passbook accounts	63.1	70.2	69.1	70.5	69.1	69.2	68.7	68.2
People's savings passbooks	60.6	62.0	58.3	59.8	56.4	56.3	56.1	55.8
Youth passbooks	7.1	7.4	7.2	7.2	7.0	7.0	7.0	7.0
Taxable passbooks	128.0	145.4	146.5	143.8	146.3	148.3	148.3	148.3
Total – Outstanding amounts	**437.6**	**486.0**	**501.1**	**503.0**	**500.7**	**503.4**	**502.1**	**501.1**
Total – Growth rate	**5.0**	**11.1**	**3.1**	**10.6**	**-1.6**	**-1.5**	**-1.0**	**-0.4**

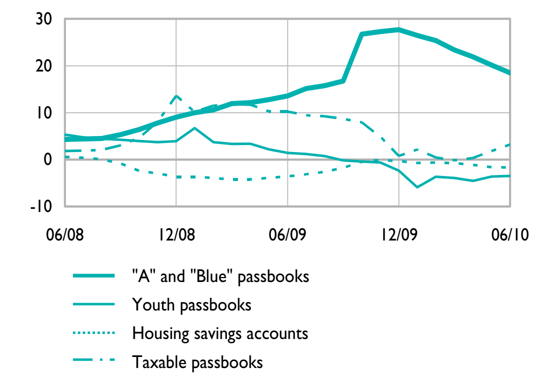
Overnight deposits

(annual growth rate)



Passbook savings accounts

(annual growth rate)



Source: Banque de France. *Produced 24 August 2010*

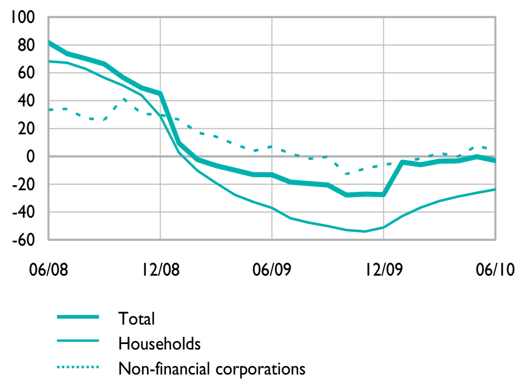
Table 15
Time deposits – France

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

	2007	2008	2009	2009	2010			
	Dec.	Dec.	Dec.	June	March	April	May	June
Deposits with agreed maturity up to two years								
Total non-financial sectors (excl. central government)	94.0	121.9	86.1	90.9	86.7	83.7	86.1	84.5
Households and similar	*48.2*	*62.4*	*30.4*	*37.4*	*30.2*	*29.4*	*29.0*	*28.7*
Non-financial corporations	*45.1*	*58.8*	*55.1*	*52.7*	*55.8*	*53.6*	*56.4*	*55.2*
General government (excl. central government)	*0.6*	*0.8*	*0.6*	*0.8*	*0.8*	*0.7*	*0.7*	*0.7*
Other sectors	33.8	63.4	45.1	42.6	45.9	48.1	48.1	46.5
Total – Outstanding amounts	**127.8**	**185.3**	**131.3**	**133.5**	**132.4**	**131.5**	**133.9**	**130.7**
Total – Growth rate	**100.4**	**45.0**	**-27.4**	**-13.3**	**-3.6**	**-3.3**	**-0.3**	**-3.0**
Deposits with agreed maturity of over two years								
Total non-financial sectors (excl. central government)	255.0	236.5	264.3	249.9	269.8	270.4	271.4	270.9
Households and similar	*245.2*	*223.2*	*241.4*	*230.7*	*244.2*	*243.7*	*243.8*	*242.9*
PEL	*190.4*	*168.7*	*173.8*	*167.0*	*175.8*	*176.2*	*176.4*	*175.9*
PEP	*32.4*	*29.3*	*29.0*	*29.0*	*28.1*	*27.8*	*27.5*	*27.3*
Other	*22.4*	*25.1*	*38.6*	*34.8*	*40.3*	*39.8*	*39.8*	*39.6*
Non-financial corporations	*9.8*	*13.3*	*22.5*	*18.8*	*25.1*	*26.1*	*27.1*	*27.5*
General government (excl. central government)	*0.0*	*0.1*	*0.4*	*0.3*	*0.5*	*0.6*	*0.5*	*0.5*
Other sectors	22.2	24.4	98.1	86.1	99.0	99.2	101.4	101.2
Total – Outstanding amounts	**277.2**	**260.9**	**362.4**	**336.0**	**368.9**	**369.6**	**372.8**	**372.2**
Total – Growth rate	**-6.7**	**-5.9**	**38.1**	**25.6**	**20.1**	**16.7**	**13.8**	**9.8**

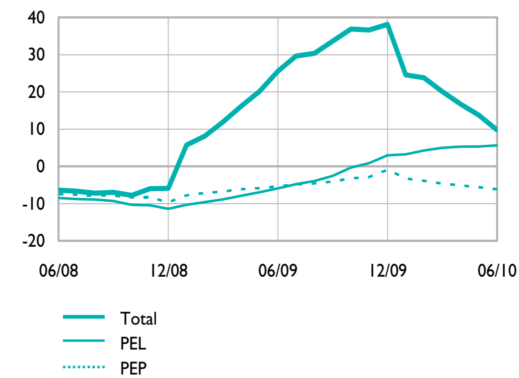
Deposits up to 2 years

(annual percentage growth rate)



Deposits over 2 years

(annual percentage growth rate)



Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

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

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

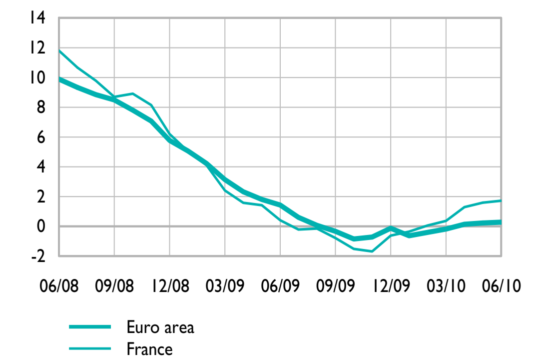
	2007	2008	2009	2009	2010				
	Dec.	Dec.	Dec.	June	Feb.	March	April	May	June
Loans from monetary financial institutions									
Private sector	1,732.4	1,839.8	1,827.5	1,829.2	1,855.5	1,865.9	1,875.5	1,884.1	1,883.7
General government	168.5	173.8	196.1	176.8	194.1	201.9	199.1	200.1	209.7
Total – Outstanding amounts	**1,900.9**	**2,013.5**	**2,023.6**	**2,006.1**	**2,049.6**	**2,067.8**	**2,074.6**	**2,084.2**	**2,093.4**
Private sector	14.0	6.2	-0.6	0.4	0.1	0.4	1.3	1.6	1.7
General government	8.2	3.1	12.8	-3.3	16.2	19.5	17.0	17.3	18.5
Total – Growth rate	**13.5**	**5.9**	**0.5**	**0.1**	**1.4**	**2.0**	**2.6**	**2.9**	**3.2**
Loans from credit institutions to non-financial corporations									
Fixed investment	279.5	312.6	323.9	318.1	324.9	326.4	328.0	328.9	328.4
Inventories and working capital	199.1	216.2	184.5	196.2	180.1	178.4	180.9	179.7	179.0
Other lending	234.7	252.9	260.9	257.0	262.7	264.6	264.2	265.8	265.0
Total – Outstanding amounts	**713.3**	**781.6**	**769.3**	**771.2**	**767.7**	**769.4**	**773.0**	**774.4**	**772.4**
Total – Growth rate	**13.7**	**9.5**	**-1.2**	**2.3**	**-1.8**	**-1.7**	**-1.2**	**-0.8**	**0.0**
Loans from credit institutions to households									
Loans for house purchase	652.9	710.0	737.6	716.0	741.6	745.0	746.4	749.5	757.9
Consumer loans	141.2	145.5	152.9	149.2	149.3	150.5	150.6	150.4	150.4
Other lending	83.0	84.7	84.2	84.2	85.4	86.1	86.4	85.1	84.4
Total – Outstanding amounts	**877.1**	**940.1**	**974.7**	**949.4**	**976.3**	**981.6**	**983.4**	**984.9**	**992.7**
Total – Growth rate	**11.0**	**7.3**	**4.0**	**4.5**	**4.5**	**4.8**	**5.4**	**5.0**	**5.0**

Source: Banque de France. *Produced 24 August 2010*

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

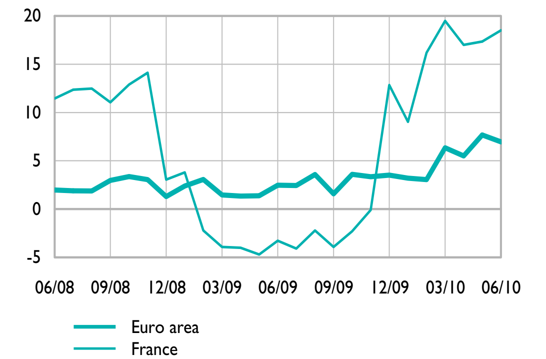
Loans to the private sector

(annual percentage growth rate)



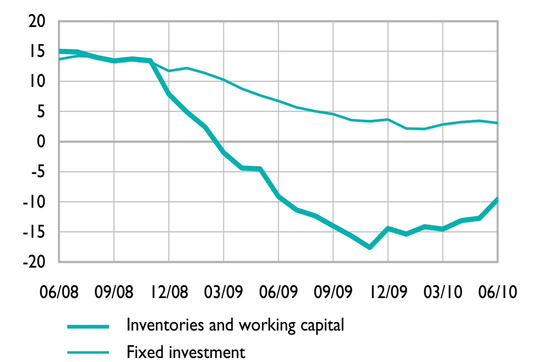
Loans to the public sector

(annual percentage growth rate)



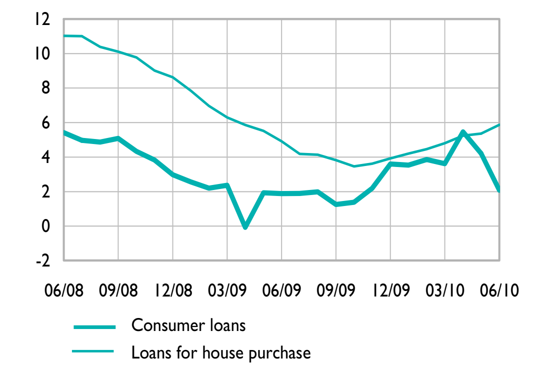
Loans to non-financial corporations – France

(annual percentage growth rate)



Loans to households – France

(annual percentage growth rate)



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

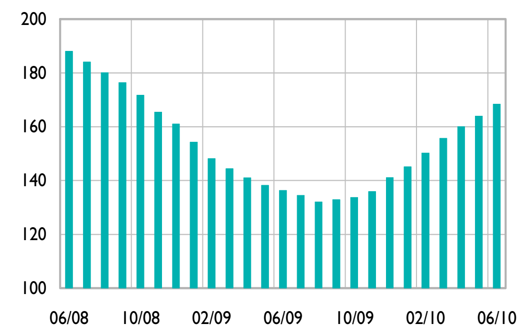
Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

Table 18
New loans to residents – France

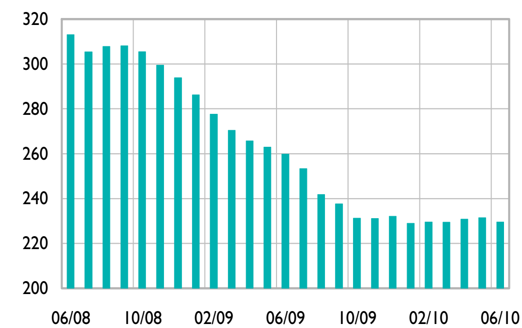
(excl. overdrafts, cumulative amounts over 12 months in EUR billions)

	2009			2010		
	April	May	June	April	May	June
Total – new loans	**406.7**	**401.2**	**396.2**	**390.8**	**395.4**	**397.9**
Loans to households	**141.0**	**138.2**	**136.4**	**160.0**	**164.0**	**168.4**
Consumer loans (excl. overdrafts)	51.4	50.9	50.8	52.6	52.7	52.2
Loans for house purchase with an IRFP ≤ 1 year (a)	8.5	8.3	8.1	13.0	13.5	14.1
Loans for house purchase with an IRFP > 1 year (a)	81.2	79.1	77.5	94.5	97.8	102.1
Loans to non-financial corporations	**265.7**	**262.9**	**259.9**	**230.8**	**231.4**	**229.6**
Loans with an IRFP ≤ 1 year (excl. overdrafts) (a)	180.4	178.7	177.8	151.0	151.0	149.1
Loans with an IRFP > 1 year (a)	85.3	84.2	82.1	79.8	80.5	80.5

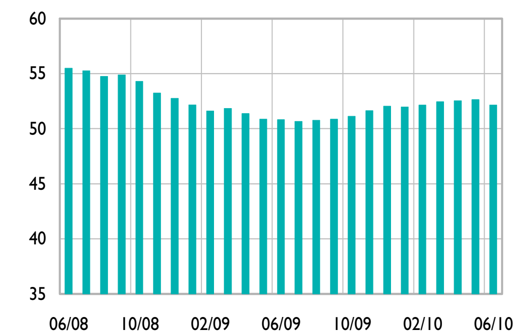
Loans to households
(EUR billions)



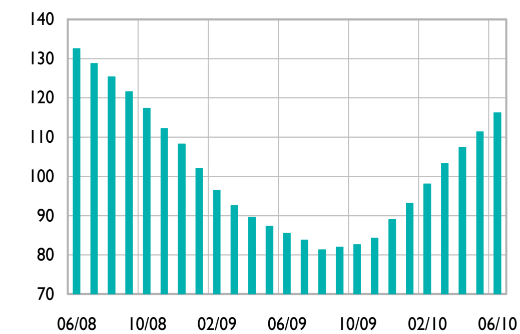
Loans to non-financial corporations
(EUR billions)



Consumer loans to households (excl. overdrafts)
(EUR billions)



Loans for house purchase
(EUR billions)



Data revised over the entire period.
(a) IRFP: initial rate fixation period i.e. the period for which the rate of a loan is fixed.
IRFP ≤ 1 year: loans for which the rate is adjusted at least once a year + fixed-rate loans with an initial maturity of up to 1 year.
IRFP > 1 year: loans for which the rate is adjusted less than once a year + fixed-rate loans with an initial maturity of over 1 year.

Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

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

(EUR billions)

Euro area	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2009				2010	2010
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	32.1	24.8	19.2	-16.9	-21.2	851.6
of which deposits included in M3 (a)	*18.5*	*11.7*	*-0.8*	*-33.2*	*-20.9*	*194.7*
Short-term debt securities	17.7	15.9	35.1	51.0	39.6	387.6
Long-term debt securities	58.6	12.5	10.8	61.3	86.2	2,169.1
Loans	1.1	11.1	8.7	6.0	9.5	428.5
Shares and other equity	26.7	79.7	92.6	121.6	162.6	2,378.3
of which quoted shares	*-19.8*	*-24.4*	*-99.9*	*-86.9*	*-80.8*	*436.4*
Remaining net assets	14.5	36.3	34.1	34.6	46.4	287.2
Financing						
Debt securities	13.9	9.9	10.1	1.0	-0.1	52.4
Loans	2.9	14.9	9.5	-24.1	-14.2	256.7
Shares and other equity	5.5	4.9	6.2	5.1	3.9	512.5
Insurance technical reserves	143.1	171.4	198.3	272.5	319.1	5,736.4
Life insurance	*133.3*	*164.7*	*194.3*	*259.9*	*304.4*	*4,988.3*
Non-life insurance	*9.8*	*6.7*	*4.0*	*12.6*	*14.7*	*748.0*
Net lending/net borrowing (B9B)	**-14.7**	**-20.9**	**-23.6**	**3.1**	**14.4**	

(EUR billions)

France	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2009				2010	2010
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	1.4	-1.0	-0.7	-0.9	-0.8	24.9
of which deposits included in M3 (a)	*0.1*	*-1.2*	*-1.4*	*-1.4*	*-0.5*	*12.0*
Short-term debt securities	16.7	19.3	40.5	60.8	50.1	362.0
Long-term debt securities	19.3	22.2	19.3	23.1	51.5	732.2
Loans	2.5	3.0	3.1	2.7	3.1	42.1
Shares and other equity	15.8	1.0	-5.7	-12.4	-15.9	679.2
of which quoted shares	*-5.8*	*-6.8*	*-5.0*	*-0.8*	*1.5*	*75.9*
Remaining net assets	-5.3	-4.1	1.5	4.3	9.2	29.9
Financing						
Debt securities	7.1	4.7	3.1	-2.0	-1.1	33.1
Loans	4.9	4.1	-1.5	-12.1	-13.5	70.7
Shares and other equity	2.3	2.0	2.2	3.8	4.0	151.3
Insurance technical reserves	57.5	67.7	74.7	92.9	108.4	1,542.9
Life insurance	*56.5*	*65.7*	*71.3*	*88.4*	*103.6*	*1,389.8*
Non-life insurance	*1.0*	*2.0*	*3.3*	*4.4*	*4.8*	*153.1*
Net lending/net borrowing (B9B)	**-21.5**	**-38.2**	**-20.6**	**-4.9**	**-0.7**	

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

Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

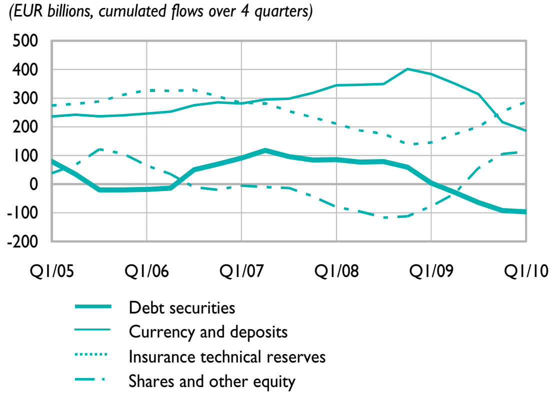
Table 20
Investment and financing – Households – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2009				2010	2010
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	384.0	350.7	313.7	216.6	185.9	6,425.6
of which deposits included in M3 (a)	*344.8*	*284.4*	*206.6*	*93.6*	*33.1*	*4,898.0*
Short-term debt securities	-19.9	-40.9	-66.6	-79.7	-72.2	40.0
Long-term debt securities	23.5	11.8	2.3	-12.4	-24.7	1,361.4
Shares and other equity	-77.2	-32.1	56.6	105.4	113.5	4,344.4
Quoted shares	5.8	14.4	40.3	32.6	39.0	777.5
Unquoted shares and other equity	30.0	37.1	48.3	45.3	52.3	2,134.8
Mutual fund shares	-113.0	-83.6	-31.9	27.5	22.2	1,432.1
of which money market fund shares	*-12.2*	*-28.5*	*-30.1*	*-61.8*	*-89.0*	*268.3*
Insurance technical reserves	145.5	174.0	200.3	253.8	286.6	5,621.6
Remaining net assets	-7.4	6.8	-10.3	0.2	11.0	-113.0
Financing						
Loans	153.7	126.1	96.6	96.1	119.7	5,896.1
of which from euro area MFIs	*20.4*	*10.6*	*-15.8*	*63.1*	*74.0*	*4,941.8*
Revaluation of financial assets						
Shares and other equity	-970.0	-574.8	-106.1	271.1	532.0	
Insurance technical reserves	-212.3	-107.0	54.1	154.0	255.8	
Other flows	-25.1	30.4	74.0	61.2	82.9	
Change in net financial worth	**-912.5**	**-307.2**	**421.3**	**874.1**	**1,251.2**	

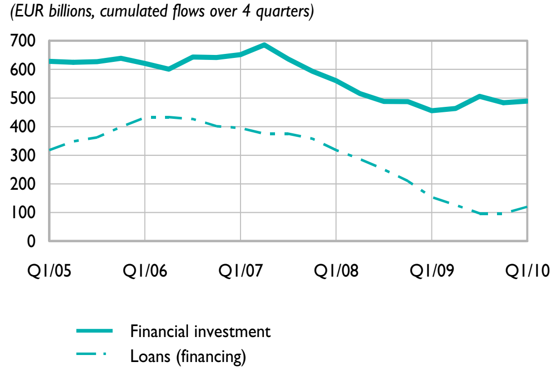
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)



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

Source: European Central Bank.

Produced 24 August 2010

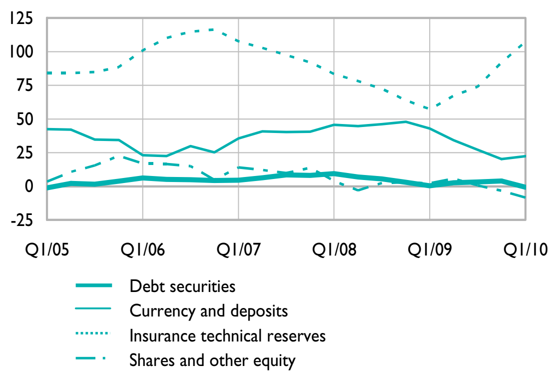
Table 21
Investment and financing – Households – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2009				2010	2010
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	42.8	34.3	27.2	20.2	22.2	1,119.5
of which deposits included in M3 (a)	*49.0*	*32.1*	*17.7*	*3.4*	*5.5*	*834.1*
Short-term debt securities	1.1	1.0	-0.4	-0.5	-1.8	12.1
Long-term debt securities	-0.7	1.6	3.6	4.4	1.0	45.7
Shares and other equity	2.2	5.7	0.7	-3.4	-8.5	937.2
Quoted shares	4.4	5.0	5.6	2.8	0.5	140.4
Unquoted shares and other equity	7.8	10.7	8.2	7.7	8.8	506.2
Mutual fund shares	-10.0	-9.9	-13.1	-13.9	-17.8	290.6
of which money market fund shares	*1.9*	*-3.0*	*-6.7*	*-15.5*	*-19.7*	*50.4*
Insurance technical reserves	57.2	67.2	73.9	91.9	107.4	1,518.0
Remaining net assets	23.1	22.3	11.0	14.6	-4.5	-45.4
Financing						
Loans	47.5	38.2	30.6	36.5	44.4	1,031.7
of which from resident MFIs	*36.1*	*25.1*	*17.4*	*32.3*	*38.4*	*973.2*
Revaluation of financial assets						
Shares and other equity	-224.8	-129.4	0.6	109.4	178.6	
Insurance technical reserves	-39.9	-23.7	4.0	25.3	37.0	
Other flows	14.0	17.0	12.4	-1.0	-1.3	
Change in net financial worth	**-172.4**	**-42.1**	**102.4**	**224.6**	**285.9**	

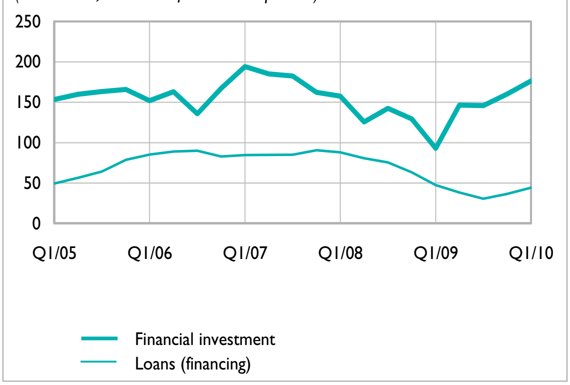
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)



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

Source: Banque de France. *Produced 24 August 2010*

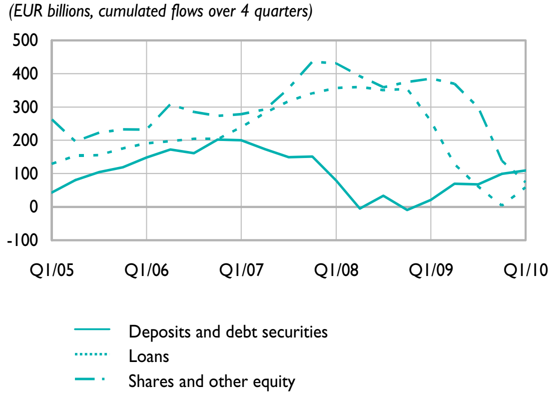
Table 22
Investment and financing – Non-financial corporations – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2009				2010	2010
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	34.8	57.9	66.2	107.0	102.4	1,801.3
of which deposits included in M3 (a)	*-17.9*	*-0.1*	*25.8*	*78.4*	*89.5*	*1,496.7*
Debt securities	-14.3	11.2	1.1	-7.9	6.8	386.8
Loans	258.2	128.1	61.3	3.6	58.5	2,988.0
Shares and other equity	385.6	369.6	298.7	138.5	74.2	7,569.3
Insurance technical reserves	1.0	2.5	3.3	3.5	1.5	147.3
Remaining net assets	-137.7	-112.5	-76.2	-38.8	36.1	270.8
Financing						
Debt	533.8	360.3	187.6	4.5	48.1	9,447.4
Loans	466.8	280.7	97.7	-75.0	-51.3	8,238.2
of which from euro area MFIs	*279.5*	*126.4*	*-10.2*	*-105.0*	*-112.3*	*4,681.4*
Debt securities	65.4	78.4	88.7	78.5	97.8	876.8
Pension fund reserves	1.5	1.3	1.2	1.0	1.6	332.5
Shares and other equity	284.0	315.6	305.8	217.2	200.8	12,481.5
Quoted shares	*13.3*	*47.1*	*57.8*	*59.6*	*60.4*	*3,490.3*
Unquoted shares and other equity	*270.8*	*268.5*	*247.9*	*157.6*	*140.3*	*8,991.2*
Net lending/net borrowing (B9B)	**-290.1**	**-219.2**	**-138.9**	**-15.9**	**30.6**	

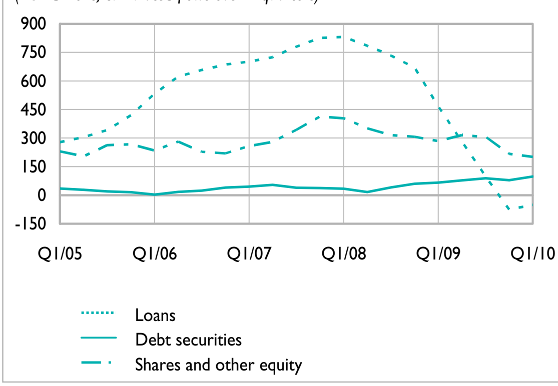
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)



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

Source: European Central Bank. *Produced 24 August 2010*

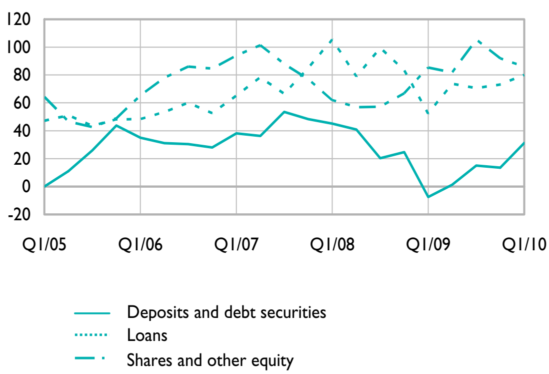
Table 23
Investment and financing – Non-financial corporations – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2009				2010	2010
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	6.7	15.3	22.8	24.0	28.8	303.4
of which deposits included in M3 (a)	*0.1*	*2.5*	*5.8*	*10.2*	*20.1*	*223.9*
Debt securities	-14.1	-14.0	-7.7	-10.4	2.5	105.5
Loans	52.3	73.7	70.6	73.2	80.0	861.7
Shares and other equity	85.4	81.8	105.4	91.9	85.9	2,792.0
Insurance technical reserves	0.2	0.4	0.6	0.8	0.8	20.0
Remaining net assets	27.5	-9.9	-14.6	-14.9	-17.5	95.6
Financing						
Debt	137.3	108.3	93.0	78.1	78.6	2,069.5
Loans	98.9	64.7	33.9	27.0	26.5	1,685.3
of which from resident MFIs	*49.7*	*19.5*	*-2.9*	*-9.8*	*-13.3*	*774.7*
Debt securities	38.4	43.6	59.1	51.0	52.1	384.2
Shares and other equity	81.7	99.3	113.4	105.5	103.6	4,042.8
Quoted shares	*5.6*	*17.7*	*16.8*	*19.2*	*19.8*	*1,111.1*
Unquoted shares and other equity	*76.2*	*81.6*	*96.6*	*86.3*	*83.8*	*2,931.7*
Net lending/net borrowing (B9B)	**-61.1**	**-60.3**	**-29.2**	**-19.1**	**-1.8**	

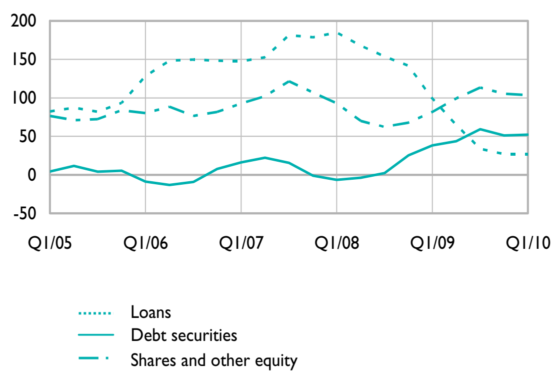
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)



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

Source: Banque de France. *Produced 24 August 2010*

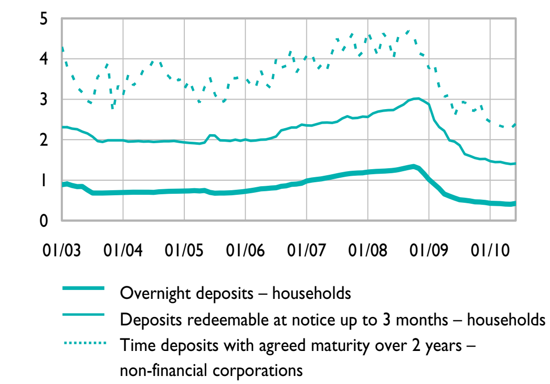
Table 24
Interest rates on deposits – France and the euro area

(average monthly rates – %)

	2008	2009	2009	2010				
	Dec.	Dec.	June	Feb.	March	April	May	June
Euro area								
Overnight deposits – households	1.16	0.45	0.56	0.42	0.42	0.41	0.40	0.42
Deposits redeemable at notice up to 3 months – households	2.95	1.53	1.95	1.45	1.45	1.42	1.40	1.41
Time deposits with agreed maturity over 2 years – non-financial corporations	4.08	2.53	2.58	2.39	2.34	2.30	2.26	2.40
France								
"A" passbooks (end of period)	4.00	1.25	1.75	1.25	1.25	1.25	1.25	1.25
Regulated savings deposits	3.96	1.28	1.78	1.28	1.28	1.28	1.28	1.28
Market rate savings deposits	3.73	1.37	1.92	1.39	1.29	1.31	1.31	1.31
Deposits with agreed maturity up to 2 years	4.44	2.39	3.18	2.37	2.28	2.20	2.23	2.10
Deposits with agreed maturity over 2 years	3.50	3.41	3.59	3.44	3.25	3.27	3.21	3.17

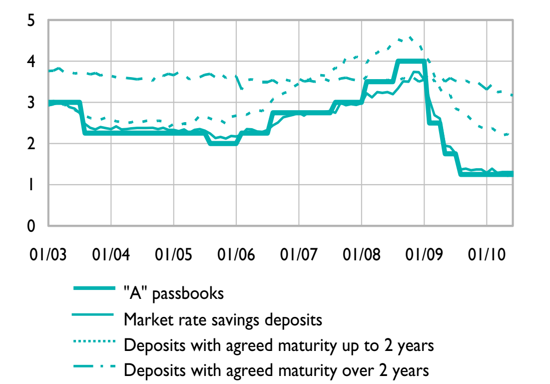
Euro area

(average monthly rates – %)



France

(average monthly rates – %)



Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

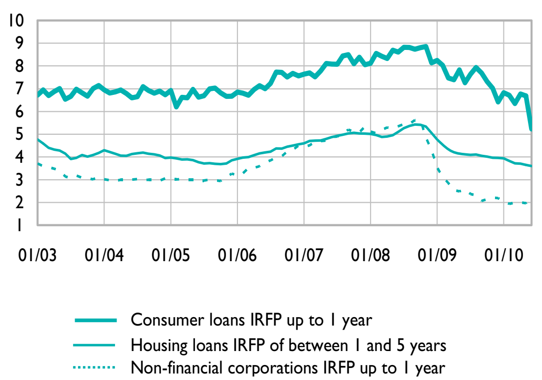
Table 25
Cost of credit – France and the euro area

(average monthly rate – %)

	2009						2010					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
Euro area												
Consumer loans												
Floating rate and IRFP of up to 1 year (a)	7.63	7.93	7.69	7.32	7.03	6.42	6.83	6.72	6.35	6.77	6.69	5.23
Loans for house purchase												
Floating rate and IRFP of between 1 and 5 years	4.10	4.10	4.05	4.02	3.97	3.96	3.94	3.83	3.72	3.70	3.65	3.60
Non financial corporations of over EUR 1 million												
IRFP of up to 1 year (a)	2.37	2.31	2.06	2.14	2.22	2.19	2.02	1.94	1.99	2.00	1.96	2.17
France												
Consumer loans	**6.77**	**6.78**	**6.58**	**6.46**	**6.44**	**6.34**	**6.52**	**6.31**	**6.26**	**6.18**	**6.20**	**6.19**
Loans for house purchase												
IRFP of up to 1 year (a)	3.65	3.59	3.49	3.49	3.33	3.33	3.33	3.39	3.38	3.27	3.20	3.16
IRFP of over 1 year (a)	4.17	4.14	4.13	4.06	3.99	3.91	3.88	3.85	3.79	3.73	3.69	3.66
Non-financial corporations												
IRFP of up to 1 year (a)	1.96	1.88	1.84	1.85	1.83	2.00	1.69	1.67	1.91	1.92	1.86	1.87
IRFP of over 1 year (a)	3.94	3.70	3.67	3.61	3.46	3.51	3.51	3.47	3.36	3.32	3.27	3.26

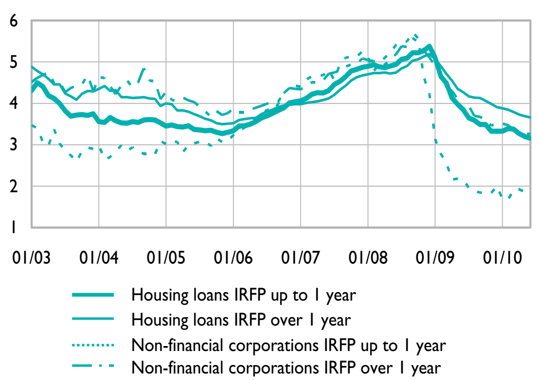
Euro area

(percentage points)



France

(percentage points)



(a) IRFP: initial rate fixation period i.e. the period for which the rate of a loan is fixed.
IRFP ≤1 year: loans for which the rate is adjusted at least once a year + fixed-rate loans with an initial maturity of up to 1 year.
IRFP > 1 year: loans for which the rate is adjusted less than once a year + fixed-rate loans with an initial maturity of over 1 year.

Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

Table 26
Cost of credit – France

(%)

	2009			2010	
	Q2	Q3	Q4	Q1	Q2
Households – Average overall effective interest rate					
Consumer loans					
Overdrafts, revolving loans and instalment plans of over EUR 1,524	15.47	15.15	14.78	14.59	14.45
Personal loans over EUR 1,524	7.07	6.90	6.66	6.64	6.46
Loans for house purchase					
Fixed-rate loans	5.26	5.04	4.93	4.72	4.57
Floating-rate loans	5.27	4.59	4.44	4.29	4.01

Usury ceilings in effect from the 1st day of the mentioned period	2009		2010		
	July	Oct.	Jan.	April	July
Households – Usury rate					
Consumer loans					
Overdrafts, revolving loans and instalment plans of over EUR 1,524	20.63	20.20	19.71	19.45	19.27
Personal loans over EUR 1,524	9.43	9.20	8.88	8.85	8.61
Loans for house purchase					
Fixed-rate loans	7.01	6.72	6.57	6.29	6.09
Floating-rate loans	7.03	6.12	5.92	5.72	5.35

	2009			2010	
	Q2	Q3	Q4	Q1	Q2
Business credit, loans to enterprises					
Discount					
up to EUR 15,245	3.10	1.75	1.52	1.74	1.75
EUR 15,245 to EUR 45,735	4.47	2.90	2.37	2.84	2.36
EUR 45,735 to EUR 76,225	3.81	2.79	2.34	2.57	2.56
EUR 76,225 to EUR 304,898	3.37	2.81	2.28	2.49	2.12
EUR 304,898 to EUR 1,524,490	2.45	2.12	1.81	1.95	1.97
over EUR 1,524,490	1.98	1.48	1.19	1.22	1.29
Overdrafts					
up to EUR 15,245	9.74	9.77	9.82	9.76	9.69
EUR 15,245 to EUR 45,735	6.93	7.21	6.85	6.85	6.78
EUR 45,735 to EUR 76,225	4.92	4.42	4.19	4.37	4.22
EUR 76,225 to EUR 304,898	3.55	3.06	2.76	3.03	2.83
EUR 304,898 to EUR 1,524,490	2.78	2.15	1.81	1.93	1.88
over EUR 1,524,490	2.46	1.82	1.56	1.27	1.38
Other short-term loans					
up to EUR 15,245	4.52	4.03	3.84	3.60	3.41
EUR 15,245 to EUR 45,735	3.72	3.91	3.46	3.39	3.25
EUR 45,735 to EUR 76,225	3.63	3.50	3.17	3.12	2.98
EUR 76,225 to EUR 304,898	3.26	2.75	2.59	2.52	2.39
EUR 304,898 to EUR 1,524,490	2.50	2.02	1.80	1.85	1.75
over EUR 1,524,490	2.09	1.67	1.43	1.46	1.49
Medium and long-term loans					
up to EUR 15,245	4.48	4.06	3.95	3.37	3.78
EUR 15,245 to EUR 45,735	4.38	4.11	3.81	3.27	3.52
EUR 45,735 to EUR 76,225	4.39	4.12	3.82	3.56	3.54
EUR 76,225 to EUR 304,898	4.41	4.04	3.86	3.64	3.58
EUR 304,898 to EUR 1,524,490	3.88	3.70	3.40	3.36	3.31
over EUR 1,524,490	2.83	2.81	2.64	2.58	2.73

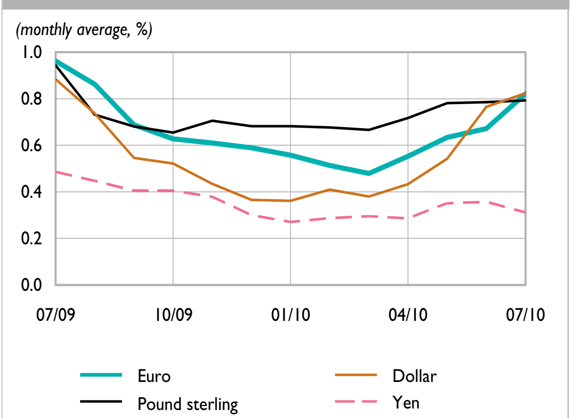
Source: Banque de France. *Produced 24 August 2010*

Table 27
Interest rates

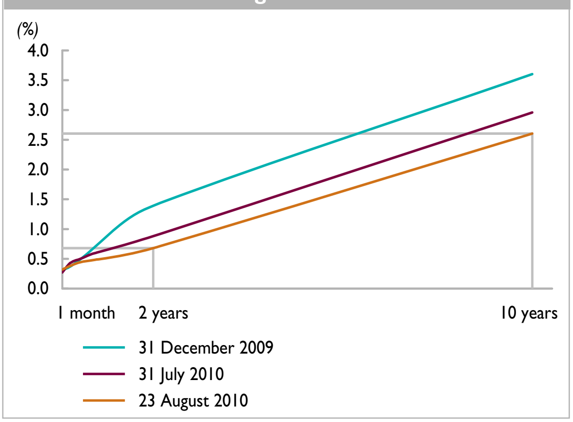
(%)

	Monthly average (a)										Key interest rates at 23/08/10
	2009			2010							
	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	
Short-term interbank interest rates											
Euro											1.00
Overnight	0.34	0.37	0.35	0.35	0.34	0.31	0.33	0.34	0.36	0.47	
3-month	0.63	0.61	0.59	0.56	0.51	0.48	0.55	0.63	0.67	0.82	
1-year	1.18	1.16	1.16	1.18	1.14	1.10	1.11	1.13	1.19	1.33	
Pound sterling											0.50
Overnight	0.50	0.50	0.49	0.48	0.48	0.51	0.50	0.55	0.52	0.53	
3-month	0.65	0.71	0.68	0.68	0.68	0.67	0.72	0.78	0.79	0.79	
1-year	1.38	1.38	1.44	1.32	1.15	1.15	1.23	1.30	1.62	1.57	
Dollar											0.25
Overnight	0.20	0.18	0.19	0.18	0.19	0.21	0.24	0.29	0.30	0.29	
3-month	0.52	0.43	0.37	0.36	0.41	0.38	0.43	0.54	0.77	0.82	
1-year	1.08	1.01	0.98	0.97	0.93	0.91	1.11	1.34	1.38	1.20	
Yen											0.10
Overnight	0.23	0.20	0.26	0.20	0.22	0.18	0.15	0.15	0.15	0.15	
3-month	0.40	0.38	0.30	0.27	0.29	0.30	0.29	0.35	0.36	0.31	
1-year	0.69	0.64	0.61	0.54	0.56	0.57	0.57	0.70	0.73	0.63	
10-year benchmark government bond yields											
France	3.56	3.56	3.48	3.52	3.50	3.44	3.40	3.08	3.07	2.99	
Germany	3.23	3.28	3.22	3.28	3.19	3.13	3.09	2.80	2.63	2.65	
Euro area	3.80	3.83	3.88	4.10	4.11	3.98	4.16	3.68	3.70	3.60	
United Kingdom	3.54	3.71	3.83	3.97	4.03	4.02	4.00	3.71	3.48	3.38	
United States	3.39	3.43	3.60	3.74	3.71	3.75	3.86	3.44	3.22	3.01	
Japan	1.33	1.36	1.27	1.34	1.34	1.35	1.35	1.28	1.21	1.10	

3-month interbank market rates



Yield curve for French government bonds



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

Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

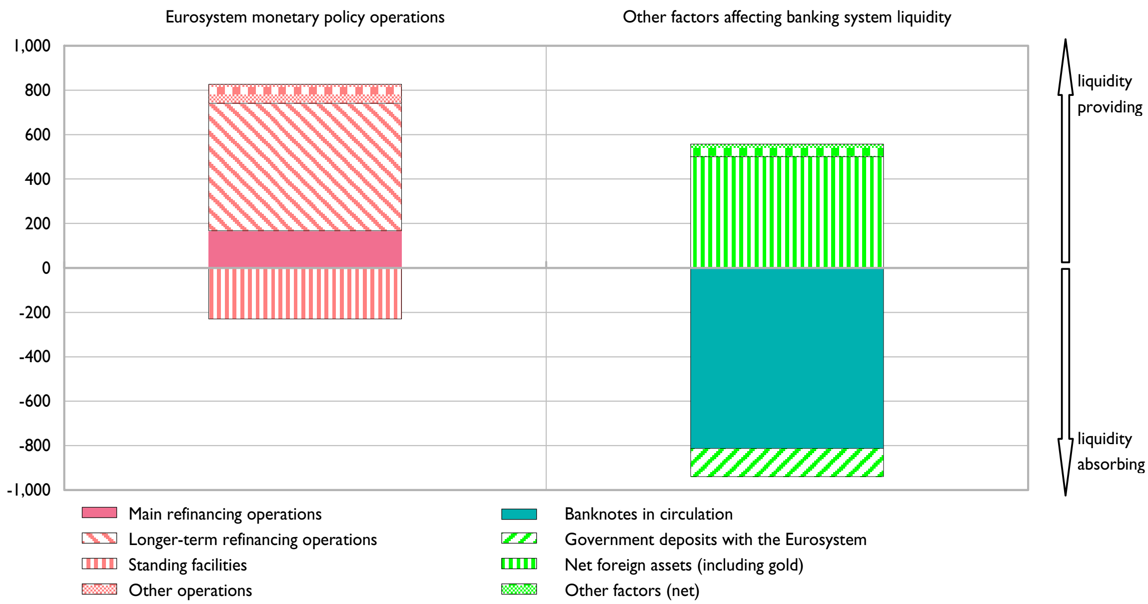
Table 28
Banking system liquidity and refinancing operations – Euro area

(EUR billions, daily average for the reserve maintenance period from 16 June to 13 July 2010)

	Liquidity providing	Liquidity absorbing	Net contribution
Contribution to banking system liquidity			
(a) Eurosystem monetary policy operations	**881.3**	**284.8**	**596.6**
Main refinancing operations	167.5		167.5
Longer-term refinancing operations	573.2		573.2
Standing facilities	0.3	230.4	-230.1
Other	140.2	54.4	85.9
(b) Other factors affecting banking system liquidity	**557.4**	**939.6**	**-382.2**
Banknotes in circulation		813.0	-813.0
Government deposits with the Eurosystem		126.5	-126.6
Net foreign assets (including gold)	500.9		500.9
Other factors (net)	56.5		56.5
(c) Reserves maintained by credit institutions (a) + (b)			**214.4**
including reserve requirements			*213.0*

Net contribution to banking system liquidity

(EUR billions, daily average for the reserve maintenance period from 16 June to 13 July 2010)



Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

Table 29
Eurosystem key rates; minimum reserves

(%)

Key rates for the Eurosystem (latest changes)						
Main refinancing operations			Standing facilities			
Date of		Fixed rate	Date of		Deposit	Marginal lending
decision	settlement		decision	settlement		
05/03/2009	11/03/2009	1.50	05/03/2009	11/03/2009	0.50	2.50
02/04/2009	08/04/2009	1.25	02/04/2009	08/04/2009	0.25	2.25
07/05/2009	13/05/2009	1.00	07/05/2009	13/05/2009	0.25	1.75

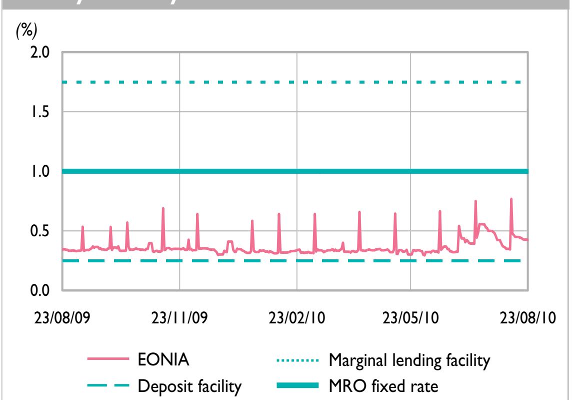
(%)

Main refinancing operations				Longer-term refinancing operations		
		Marginal rate	Weighted average rate			Marginal rate
2010	14 July (a)	1.00	1.00	2010	13 May	1.00
	21 July	1.00	1.00		27 May	1.00
	28 July	1.00	1.00		16 June	1.00
	4 August	1.00	1.00		1 July	1.00
	11 August	1.00	1.00		14 July	1.00
	18 August	1.00	1.00		29 July	1.00

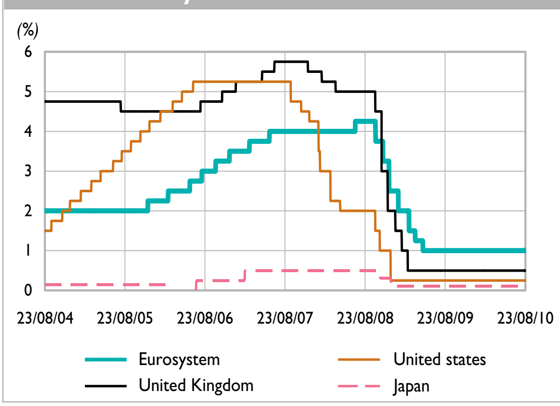
(EUR billions – rates as a %)

Minimum reserves (daily averages)								
Reserve maintenance period ending on		Required reserves		Current accounts		Excess reserves		Interest rate on minimum reserves
		Euro area	France	Euro area	France	Euro area	France	
2010	9 February	209.47	38.15	210.91	38.30	1.44	0.15	1.00
	9 March	210.85	38.77	211.84	38.89	0.99	0.11	1.00
	13 April	211.38	39.11	212.53	39.27	1.15	0.16	1.00
	11 May	211.22	38.95	212.40	39.07	1.18	0.12	1.00
	15 June	211.27	39.71	212.52	39.84	1.25	0.13	1.00
	13 July	213.00	40.56	214.38	40.87	1.38	0.31	1.00

Eurosystem key rates and EONIA



Central bank key rates



(a) Fixed rate tender procedure.

Sources: European Central Bank, ESCB. *Produced 24 August 2010*

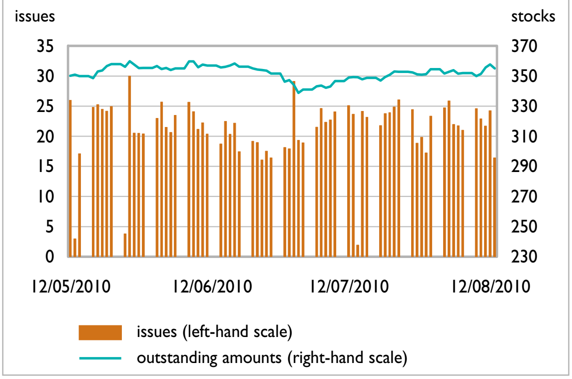
Table 30
Negotiable debt securities – France

Certificates of deposit

	EUR billions (a)		Number of issuers
	Issues	Stocks	
15/05/10 to 21/05/10	123.72	357.91	195
22/05/10 to 28/05/10	95.21	355.44	196
29/05/10 to 04/06/10	114.29	355.09	195
05/06/10 to 11/06/10	113.53	356.96	194
12/06/10 to 18/06/10	101.22	356.25	194
19/06/10 to 25/06/10	88.19	351.66	194
26/06/10 to 02/07/10	103.45	340.96	191
03/07/10 to 09/07/10	115.27	346.62	191
10/07/10 to 16/07/10	97.98	348.76	190
17/07/10 to 23/07/10	120.41	352.82	192
24/07/10 to 30/07/10	103.72	354.59	193
31/07/10 to 06/08/10	115.40	352.08	191
07/08/10 to 13/08/10	109.88	355.12	191

Certificates of deposit

(unadjusted data, EUR billions)

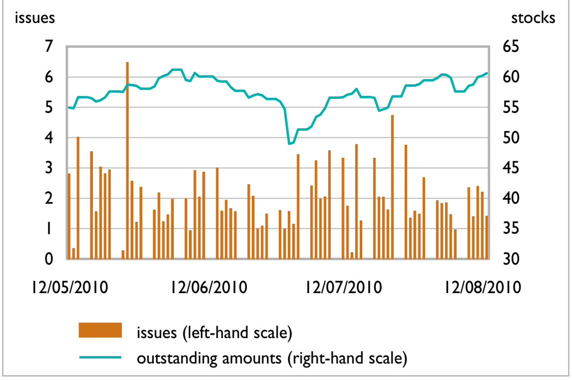


Commercial paper

	EUR billions (a)		Number of issuers
	Issues	Stocks	
15/05/10 to 21/05/10	13.89	57.60	82
22/05/10 to 28/05/10	12.91	58.08	83
29/05/10 to 04/06/10	8.47	61.18	81
05/06/10 to 11/06/10	10.76	60.09	83
12/06/10 to 18/06/10	9.77	57.70	84
19/06/10 to 25/06/10	8.11	56.37	81
26/06/10 to 02/07/10	8.77	51.33	76
03/07/10 to 09/07/10	13.25	56.57	78
10/07/10 to 16/07/10	10.33	56.70	77
17/07/10 to 23/07/10	13.78	56.79	78
24/07/10 to 30/07/10	10.86	59.46	83
31/07/10 to 06/08/10	8.05	57.60	83
07/08/10 to 13/08/10	9.78	60.63	83

Commercial paper

(unadjusted data, EUR billions)

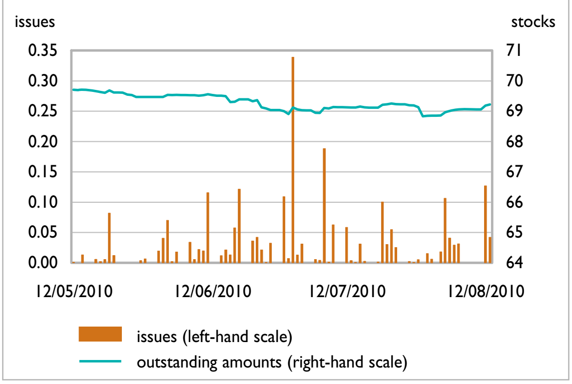


Negotiable medium-term notes

	EUR billions (a)		Number of issuers
	Issues	Stocks	
15/05/10 to 21/05/10	0.11	69.62	130
22/05/10 to 28/05/10	0.01	69.47	130
29/05/10 to 04/06/10	0.15	69.54	130
05/06/10 to 11/06/10	0.20	69.56	130
12/06/10 to 18/06/10	0.23	69.39	130
19/06/10 to 25/06/10	0.13	69.04	130
26/06/10 to 02/07/10	0.50	69.03	130
03/07/10 to 09/07/10	0.26	69.14	130
10/07/10 to 16/07/10	0.10	69.13	130
17/07/10 to 23/07/10	0.21	69.24	131
24/07/10 to 30/07/10	0.02	68.85	131
31/07/10 to 06/08/10	0.23	69.06	131
07/08/10 to 13/08/10	0.17	69.22	131

Negotiable medium-term notes

(unadjusted data, EUR billions)



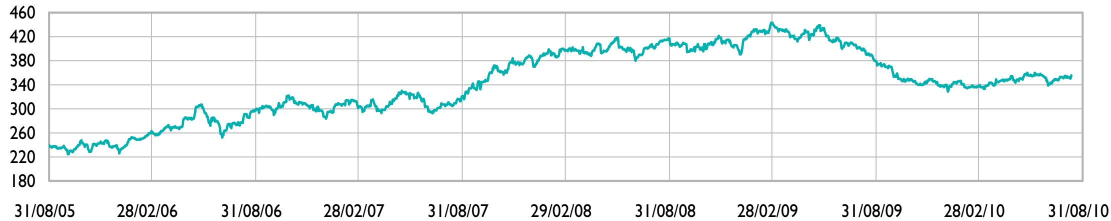
(a) Issues in euro are cumulative over the reference period. Outstanding amounts are calculated from the cut-off date (the last day of the period under review).

Source: Banque de France. *Produced 24 August 2010*

Table 31
Negotiable debt securities – France

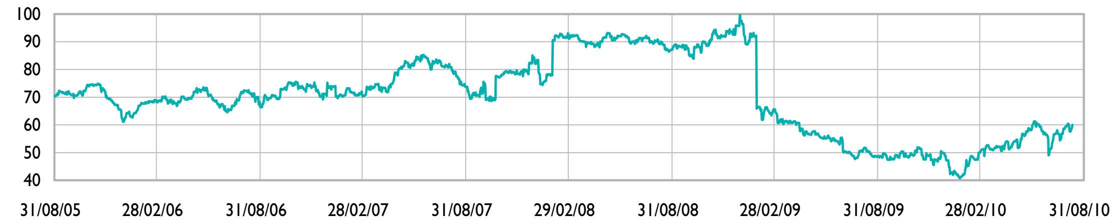
Certificates of deposit

(daily outstanding amounts in EUR billions)



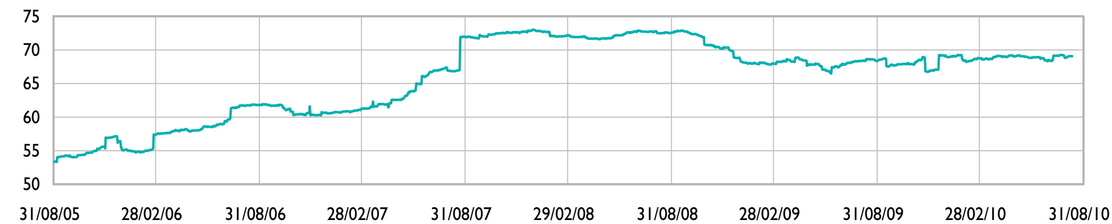
Commercial paper

(daily outstanding amounts in EUR billions)



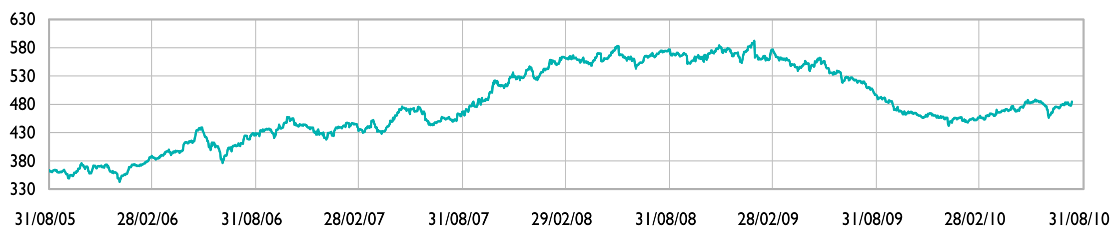
Negotiable medium-term notes

(daily outstanding amounts in EUR billions)



Negotiable debt securities, cumulated outstandings

(daily outstanding amounts in EUR billions)



Source: Banque de France.

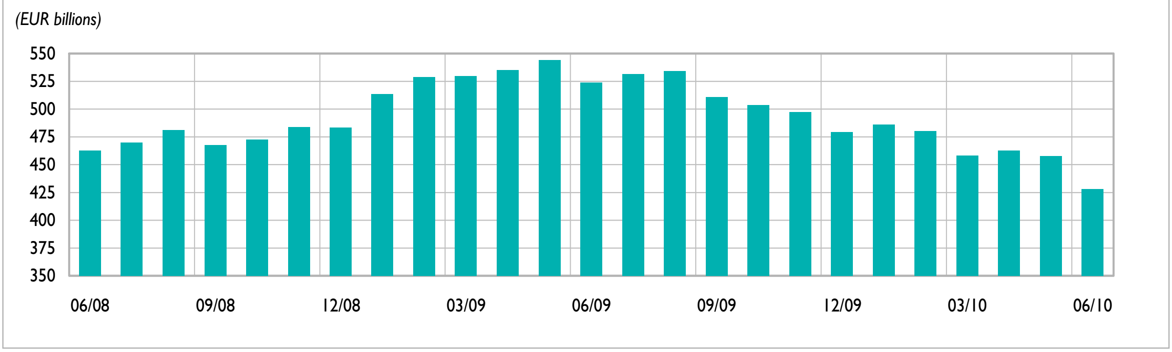
Produced 24 August 2010

Table 32
Mutual fund shares/units – France

(EUR billions)

	2009		2010	2010
	Sept.	Dec.	March	June
Net assets of mutual fund shares/units by category				
Money-market funds	510.80	479.20	458.05	428.14
Bond mutual funds	174.73	178.57	205.89	
Equity mutual funds	241.74	255.97	262.08	
Mixed funds	251.64	261.13	261.76	
Funds of alternative funds	16.40	16.40	16.56	
Guaranteed-performance mutual funds	0.01	0.01	0.01	
Structured funds ("fonds à formule")	68.43	67.06	66.91	

Net assets of money-market funds



Source: Banque de France. *Produced 24 August 2010*

Table 33
Debt securities and quoted shares issued by French residents

(EUR billions)

	Outstanding amounts (a)		Net issues (b)			
	2009	2010	12-month	2010		
	July (c)	July (c)	total	May (c)	June (c)	July (c)
Debt securities issued by French residents						
Total	**2,869.0**	**3,078.7**	**184.6**	**10.5**	**19.1**	**20.3**
Non-financial corporations	337.0	376.7	34.2	0.5	0.7	1.1
Short-term (≤ 1 year)	*25.9*	*21.9*	*-3.9*	*0.1*	*-2.8*	*0.8*
Long-term (> 1 year)	*311.2*	*354.8*	*38.1*	*0.4*	*3.5*	*0.3*
General government	1,216.5	1,333.8	113.5	11.7	6.5	7.4
Short-term (≤ 1 year)	*218.6*	*238.0*	*17.9*	*3.8*	*-1.7*	*3.5*
Long-term (> 1 year)	*998.0*	*1,095.9*	*95.7*	*7.9*	*8.2*	*3.8*
Monetary financial institutions	1,121.5	1,156.7	22.6	-3.8	12.4	10.8
Short-term (≤ 1 year)	*356.8*	*322.3*	*-34.6*	*-2.6*	*8.9*	*3.9*
Long-term (> 1 year)	*764.7*	*834.5*	*57.1*	*-1.1*	*3.4*	*6.9*
Non-monetary financial institutions (d)	193.9	211.4	14.3	2.0	-0.5	1.1

(EUR billions)

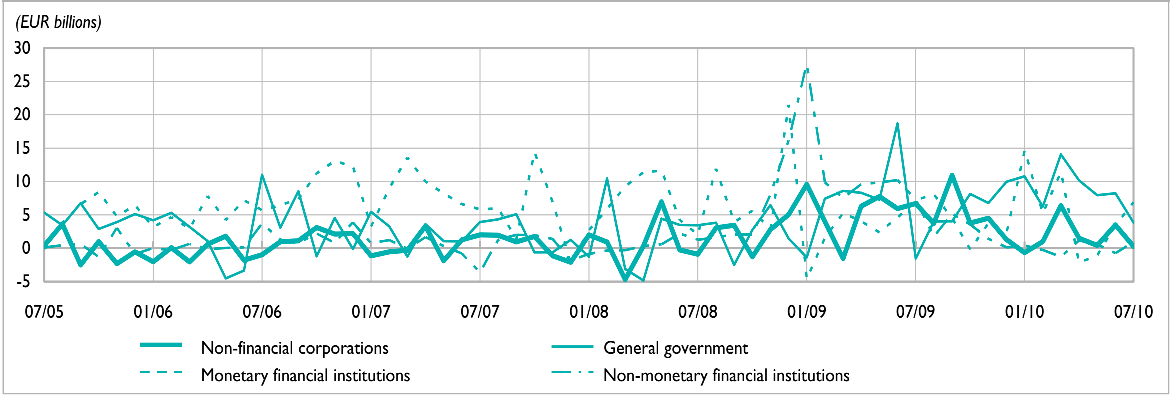
	Outstanding amounts (e)		Net issues (b)			Gross issues (f)	Repurchases (f)
	2009	2010	12-month	2010		12-month	12-month
	July	July	total	June	July	total	total
French quoted shares							
Total	**1,101.0**	**1,242.1**	**25.6**	**0.2**	**0.9**	**28.1**	**2.6**
Non-financial corporations	933.7	1,049.4	10.9	-0.8	0.8	13.3	2.5
Monetary financial institutions	119.2	142.6	12.2	1.0	0.1	12.2	0.1
Non-monetary financial institutions	48.0	50.1	2.5	0.1	0.0	2.6	0.0

(a) Nominal values for outstanding amounts of debt securities.
(b) Monthly data are seasonally adjusted. The 12-month total is unadjusted.
(c) Data possibly revised.
(d) Including units issued by SPVs.
(e) Market values for outstanding amounts of quoted shares.
(f) Non-seasonally adjusted data.

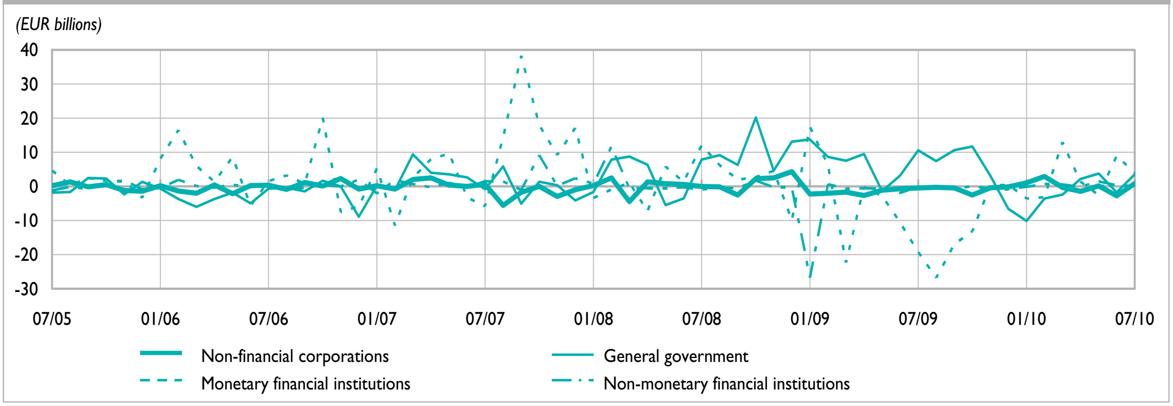
Source: Banque de France. *Produced 26 August 2010*

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

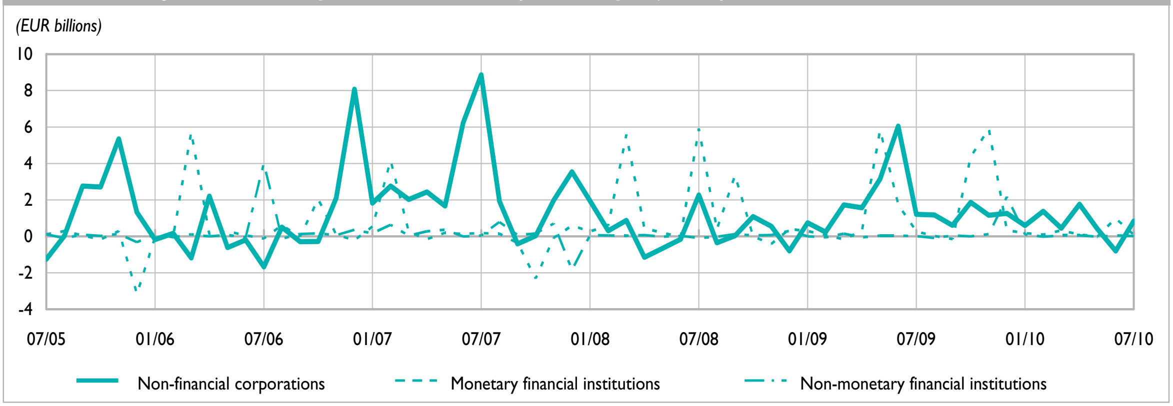
Net issues of long-term debt securities by French residents (seasonally adjusted)



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



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



Source: Banque de France. *Produced 26 August 2010*

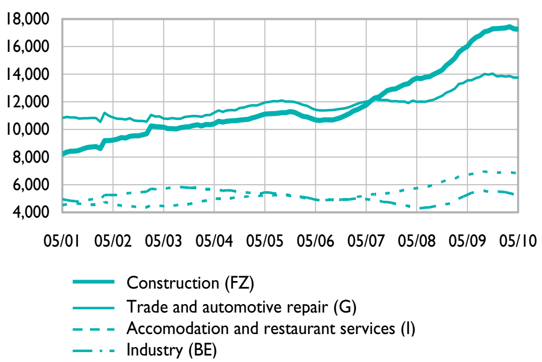
Table 35
Company failures by economic sector – France

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

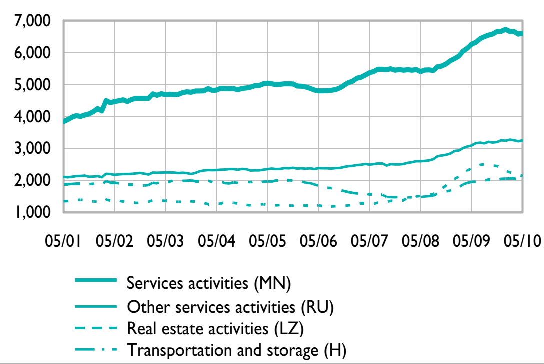
	2009								2010				
	May	**June**	**July**	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**March**	**April**	**May**
Agriculture, forestry and fishing (AZ)	1,326	1,324	1,322	1,342	1,364	1,374	1,359	1,343	1,360	1,380	1,365	1,344	1,344
Industry (BE)	5,265	5,417	5,476	5,523	5,555	5,506	5,523	5,509	5,496	5,465	5,392	5,314	5,266
Construction (FZ)	16,013	16,412	16,672	16,800	17,068	17,134	17,284	17,294	17,318	17,348	17,441	17,293	17,257
Trade and automotive repair (G)	13,555	13,568	13,709	13,799	14,017	13,964	14,032	13,844	13,871	13,829	13,863	13,763	13,746
Transportation and storage (H)	1,954	1,961	1,969	1,993	2,027	2,024	2,013	2,050	2,057	2,058	2,058	2,027	2,046
Accomodation and restaurant services (I)	6,715	6,772	6,795	6,861	6,965	6,893	6,873	6,863	6,883	6,891	6,910	6,845	6,818
Information and communication sector (JZ)	1,544	1,550	1,595	1,614	1,635	1,634	1,657	1,685	1,684	1,719	1,702	1,668	1,689
Financial and insurance activities (KZ)	1,053	1,082	1,109	1,118	1,111	1,123	1,130	1,132	1,139	1,113	1,097	1,091	1,087
Real estate activities (LZ)	2,388	2,456	2,487	2,508	2,501	2,469	2,451	2,372	2,306	2,246	2,236	2,170	2,138
Services activities (MN)	6,266	6,325	6,436	6,498	6,547	6,584	6,662	6,669	6,725	6,660	6,659	6,584	6,600
Education, health and social work (OQ)	1,354	1,380	1,361	1,369	1,379	1,338	1,298	1,294	1,293	1,317	1,323	1,308	1,319
Other services activities (RU)	3,095	3,169	3,183	3,166	3,211	3,189	3,204	3,257	3,243	3,277	3,257	3,230	3,255
Sector unknown	128	128	125	128	125	122	122	112	106	112	111	107	107
Total - sectors	**60,656**	**61,544**	**62,239**	**62,719**	**63,505**	**63,354**	**63,608**	**63,424**	**63,481**	**63,415**	**63,414**	**62,744**	**62,672**

Company failures – 12-month total

(number of companies – unadjusted data)



(number of companies – unadjusted data)



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

Source: Banque de France. *Produced 24 August 2010*

Table 36
Retail payment systems – France

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

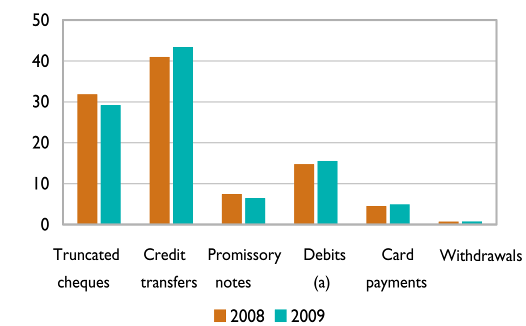
	2006	2007	2008	2009	2010			2010
					May	June	July	Share
Cheques	7,132	6,974	6,533	5,700	5,187	5,682	6,340	30.4
Credit transfers	7,342	7,904	8,413	8,473	8,167	9,216	9,288	44.5
of which SEPA credit transfers	–	–	29	95	345	792	916	4.4
Promissory notes	1,593	1,555	1,523	1,250	1,150	1,149	1,145	5.5
Direct debits	1,705	1,739	1,814	1,801	1,723	1,879	1,732	8.3
Interbank payment orders	155	150	147	143	130	73	72	0.3
Electronic payment orders	842	975	1,061	1,082	1,128	1,325	1,072	5.1
Card payments	819	864	921	957	1,033	957	1,073	5.1
ATM withdrawals	139	140	142	143	148	143	155	0.7
Total	**19,727**	**20,300**	**20,554**	**19,550**	**18,667**	**20,424**	**20,877**	**100.0**

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

	2006	2007	2008	2009	2010			2010
					May	June	July	Share
Cheques	12,159	11,561	10,996	10,287	9,119	9,728	9,573	18.8
Credit transfers	7,239	7,344	7,425	7,527	6,869	7,697	7,345	14.4
of which SEPA credit transfers	–	–	13	38	122	307	335	0.7
Promissory notes	390	370	355	334	321	316	317	0.6
Direct debits	7,628	7,863	7,864	8,163	7,844	8,718	7,930	15.6
Interbank payment orders	491	458	425	394	316	311	311	0.6
Electronic payment orders	27	38	47	56	68	41	66	0.1
Card payments	17,339	18,146	19,219	20,542	22,098	20,579	22,893	44.9
ATM withdrawals	2,497	2,467	2,462	2,454	2,526	2,493	2,534	5.0
Total	**47,771**	**48,248**	**48,794**	**49,757**	**49,162**	**49,884**	**50,970**	**100.0**

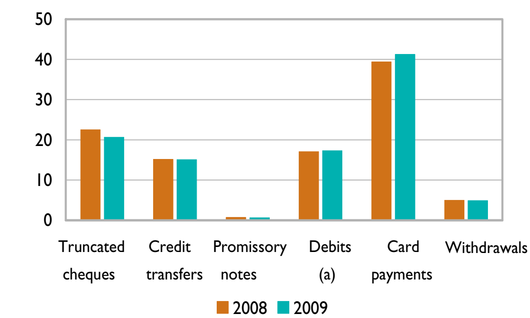
Market share developments for main non-cash means of payment

(% of amounts exchanged)



Market share developments for main non-cash means of payment

(% of volumes exchanged)



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

Sources: GSIT, STET.

Produced 24 August 2010

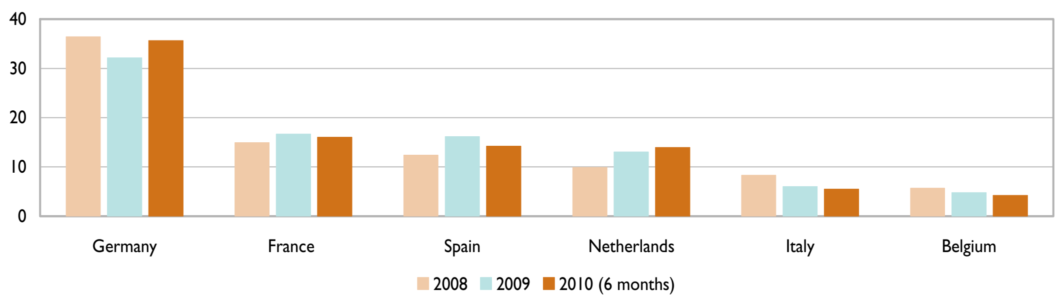
Table 37
Large-value payment systems – EU

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

	2006	2007	2008	2009	2010			2010
					April	May	June	Share
France	530	569	398	367	435	382	404	16.3
Germany	591	711	972	707	827	884	891	36.0
Austria	31	35	59	28	28	30	29	1.2
Belgium	76	104	152	106	101	100	99	4.0
Cyprus	–	–	1	2	2	1	2	0.1
Spain	296	344	331	356	332	365	300	12.1
Finland	15	24	33	28	36	41	52	2.1
Greece	27	33	30	29	31	32	28	1.1
Ireland	26	29	32	30	30	30	29	1.2
Italy	148	165	221	133	129	135	134	5.4
Luxembourg	31	39	60	40	40	42	39	1.6
Malta	–	–	0	0	0	0	1	0.0
Netherlands (a)	100	121	264	287	303	328	385	15.6
Portugal	13	13	16	17	15	20	19	0.8
Slovakia	–	–	–	3	3	2	2	0.1
Slovenia	–	2	2	2	2	2	2	0.1
EPM-ECB	20	27	43	47	39	40	42	1.7
Total TARGET2 euro area (b)	**1,904**	**2,217**	**2,614**	**2,182**	**2,352**	**2,435**	**2,460**	**99.4**
Non-euro area	188	202	53	16	-29	17	14	0.6
Total TARGET2 EU (b)	**2,092**	**2,419**	**2,667**	**2,198**	**2,323**	**2,452**	**2,474**	**100.0**
Euro1 (c)	**189**	**228**	**287**	**255**	**250**	**255**	**263**	

Maket share of each financial centre in the TARGET2 system

(% of turnover)



The sum of the components may not be equal to the total (or to 100) due to rounding.
Since January 2009, a new methodology for collecting and reporting statistics has been established on the TARGET2 data to improve data quality. This must be taken into account when comparing 2009 data with previous data.
(a) Since 19 May 2008, the operations of the United Kingdom pass in transit by this country.
(b) Variable composition according to the countries which participate in the systems of payment in euro.
(c) Euro1 (EBA): clearing system of the Euro Banking Association. Euro1 data include retail payments recorded in STEP1.

Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

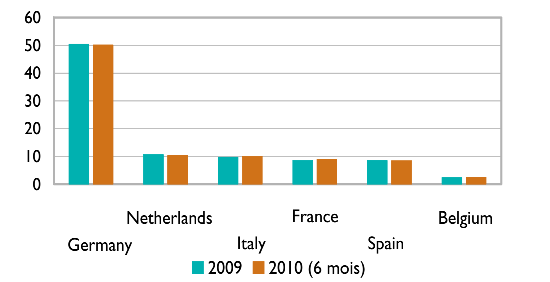
Table 38
Large-value payment systems – EU

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

	2006	2007	2008	2009	2010			2010
					April	May	June	Share
France	17,953	19,192	25,992	29,773	33,655	31,176	34,160	9.7
Germany	148,613	164,187	181,625	174,695	186,896	174,326	176,436	50.1
Austria	13,073	15,222	14,199	6,539	5,623	5,291	5,311	1.5
Belgium	6,802	7,993	9,884	8,517	9,888	8,370	8,939	2.5
Cyprus	–	–	392	389	462	472	502	0.1
Spain	37,439	41,792	36,167	29,580	30,901	29,901	30,373	8.6
Finland	1,223	1,392	1,587	1,652	1,681	1,565	1,623	0.5
Greece	5,951	6,334	5,117	5,692	5,979	5,827	6,006	1.7
Ireland	4,775	5,334	5,139	4,824	5,449	4,992	5,053	1.4
Italy	42,934	45,111	36,491	33,943	39,181	38,076	35,235	10.0
Luxembourg	2,631	3,399	3,037	2,847	3,116	2,977	2,984	0.8
Malta	–	–	50	59	73	71	59	0.0
Netherlands (a)	17,849	27,685	37,745	36,930	38,106	34,403	33,741	9.6
Portugal	4,190	4,774	5,072	4,191	4,213	4,464	4,221	1.2
Slovakia	–	–	–	606	575	578	544	0.2
Slovenia	–	3,152	3,018	3,073	3,149	3,072	3,128	0.9
EPM-ECB	156	169	176	312	327	331	347	0.1
Total TARGET2 euro area (b)	**303,589**	**345,738**	**365,690**	**343,621**	**369,275**	**345,891**	**348,661**	**99.0**
Non-euro area	22,607	20,442	4,277	2,364	3,322	3,137	3,544	1.0
Total TARGET2 EU (b)	**326,196**	**366,179**	**369,967**	**345,985**	**372,597**	**349,028**	**352,205**	**100.0**
Euro1 (c)	**187,163**	**211,217**	**250,766**	**227,674**	**246,979**	**229,841**	**236,584**	

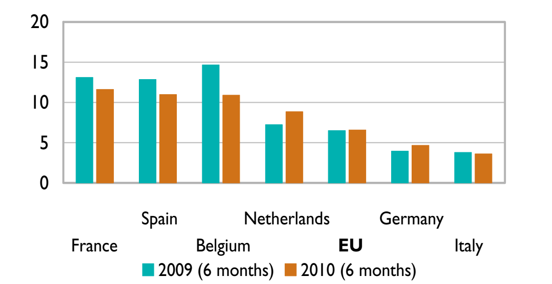
Market share of each financial centre in the TARGET2 system

(% of volumes exchanged)



Average transaction amount in the TARGET2 system

(EUR millions)



The sum of the components may not be equal to the total (or to 100) due to rounding.
Since January 2009, a new methodology for collecting and reporting statistics has been established on the TARGET2 data to improve data quality. This must be taken into account when comparing 2009 data with previous data.
(a) Since 19 May 2008, the operations of the United Kingdom pass in transit by this country.
(b) Variable composition according to the countries which participate in the systems of payment in euro.
(c) Euro1 (EBA): clearing system of the Euro Banking Association. Euro1 data include retail payments recorded in STEP1.

Sources: Banque de France, European Central Bank. *Produced 24 August 2010*

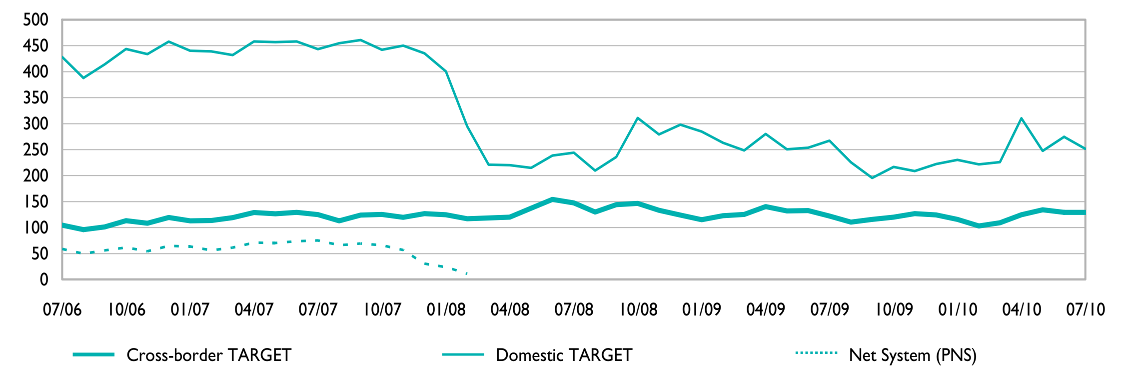
Table 39
Large-value payment systems – France

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

	2006	2007	2008	2009	2010			2010
					May	June	July	Share
Collateral used in domestic TARGET (b)								
French negotiable securities	14.2	11.5	51.2	114.6	105.7	106.6	99.8	30.2
Private claims	7.4	18.6	79.9	129.0	148.9	150.9	152.7	46.2
Securities collateralised through CCBM	7.2	7.2	62.8	79.9	83.1	81.0	71.3	21.6
Other securities (c)	8.4	8.8	8.2	7.9	4.5	6.2	6.7	2.0
Total	**37.2**	**46.1**	**202.1**	**331.3**	**342.2**	**344.7**	**330.5**	**100.0**

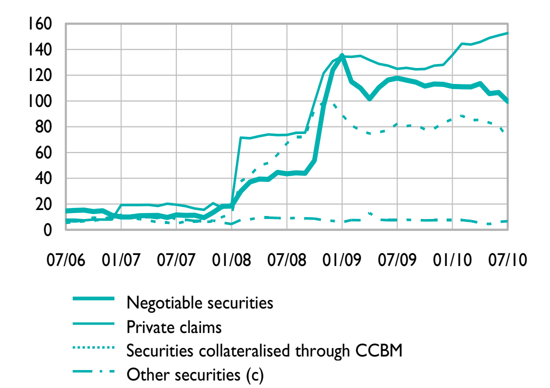
Monthly change in amounts exchanged in French payment systems (a)

(EUR billions, daily average)

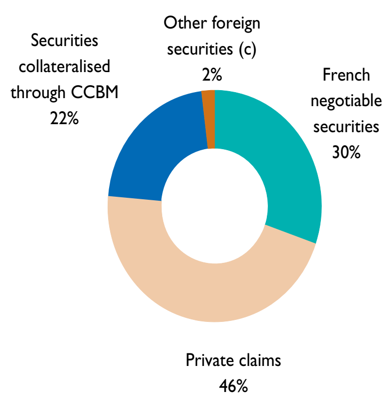


Monthly change in collateral (b)

(EUR billions, daily average)



Collateral used in July 2010 (b)



(a) Since 18 February 2008, TBF (the French component of TARGET) and PNS systems have been replaced by TARGET2-Banque de France, the single French large-value payment system.
(b) Until 15 February 2008, the indicated amounts corresponded to collateral used for intraday credit in TBF. Since the go-live of the "3G" system (Global management of collateral) and TARGET2-Banque de France on 18 February 2008, the amounts represent the collateral posted in a single pool of assets and that can be used for monetary policy and/or intraday credit operations.
(c) Other foreign securities submitted via links between securities settlement systems.

Source: Banque de France. *Produced 24 August 2010*

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