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High-growth SMEs

Matthieu Brun and Flavia Chai

Companies Directorate

Companies Observatory

Estimates derived from the Banque de France's FIBEN database show that independent, high-growth SMEs (HGSMs, also known as gazelles) are a significant driver of France's economic growth: while they made up only 7% of independent SMEs, they accounted for over half of the net employment generated by these companies over the 2002-2005 period.

HGSMs are based, for the most part, on the start-up model and have a very specific profile: they are young, highly internationalised, and invest even under adverse economic conditions. Their investments grew by 6% over the 2002-2005 period and by an additional 1% from 2006 to 2010. This compared to a 1% drop in investment from 2002 to 2005 and a 2% decline from 2006 to 2010 for the other independent SMEs. HGSMs were highly profitable, with profit margins up to 50% above those of other independent SMEs.

HGSMs' vitality was associated with appropriate development strategies regarding the management of human and financial resources:

- they used a proportionally greater number of external staff than other SMEs as a result of their need for flexibility during their growth phase;*
- their high growth was initially powered by self-financing and bank debt. Subsequently, the most dynamic companies tended to open up their capital to restore their balance sheets. They are still fairly reluctant to seek financing on the capital markets designed for medium and intermediate sized enterprises – Euronext B & C, and Alternext – and preferred to turn to private investors. They raised equity by joining external groups, which gave them access to the resources required for their growth.*

From 2006 to 2010, independent high-growth SMEs' propensity to fail was close to that of other independent SMEs: despite significant financing requirements and greater international exposure, HGSMs were able to weather the economic crisis. Where there were difficulties, they chiefly affected HGSMs with low profitability.

Keywords: SMEs, high growth, gazelles, job creation, external growth, Alternext

JEL codes: L22, L23

I | Independent high-growth SMEs: an elite designed for performance

This study presents the results of the comparison between independent, high-growth SMEs (HGSMES also known as gazelles) and other independent or “standard” SMEs. High-growth SMEs were analysed through a sample of companies selected over the 2002-2005 period, then tracked up to 2010 (see Box 1). The aim was to define the characteristics of HGSMES and to study their growth, in order to better understand the factors that promote their development and identify their financing requirements.

Box 1

Identification and tracking of independent, high-growth SMEs

Independent high-growth SMEs (HGSMES) were selected from the Banque de France’s FIBEN data base¹ over the 2002-2005 period. The selection was based on:

- identification of legal units classified as independent SMEs in 2002 based on the criteria defined in the Law on the Modernisation of the Economy (LME);²
- a constant sample over the 2002-2005 period: only SMEs whose balance sheets were collected in the FIBEN database for each of these four years were chosen;
- a legal unit was considered to be high growth if the average annual growth rate of its turnover over the three-year period was four times higher than the average annual growth rate of turnover in the sector in which it did business.³

5,850 independent, high-growth SMEs were thus identified from 2002 to 2005 (see Table A).⁴ This period covers a relatively favourable and stable portion of the economic cycle, an environment in which HGSMES capitalised on their innate abilities and were thus able to stand out. It would be more difficult to identify HGSMES in less favourable phases of the cycle, where they are not as likely to flourish.

Table A Number of HGSMES for the 2002-2005 period

	Standard companies	High growth companies
Year	2002-2005	2002-2005
Number of legal units	72,689	5,850

Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

- 1 Roughly 250,000 company balance sheets per year are filed in FIBEN, the Banque de France’s companies’ database.
- 2 According to the three criteria of staff headcount (up to 250 employees), turnover (not exceeding EUR 50 million) and balance sheet total (not exceeding EUR 43 million).
- 3 See the appendix on methodology for a clearer definition and the explanation of the threshold.
- 4 The agricultural, financial, government, education and health sectors as well as offshore industries were excluded from the analysis.

.../...

A second sample was created by extending the period under consideration to 2010 in order to track the development of the HGSMES identified over the 2002-2005 period. A sliding sample was used over the 2002-2010 period (see Table B).

Table B Independent SMEs in FIBEN up to 2010

Year	Standard companies		High growth companies	
	2002-2005	2002-2010	2002-2005	2002-2010
Number of legal units	72,689	51,868	5,850	4,339

Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

The initial sample of HGSMES was then trimmed by 26% (and by 29% for standard companies). Several reasons explain this attrition (see Box 2).

HGSMES generated more than one out of two new jobs

Some 39,857 out of the 68,720 net jobs created by independent SMEs over the 2002-2005 period were generated by high-growth SMEs. This accounted for 58% of new jobs, though HGSMES accounted for only 8% of the independent SMEs that filed headcount figures (see Table 1).

In 2002, high-growth SMEs had fewer employees than standard companies. Over three years, HGSMES caught up with and surpassed standard companies, as they created jobs to sustain their high growth. As a result, while less than one quarter of HGSMES employed 20 workers or more in 2002, over one quarter of these companies employed 25 workers or more in 2005 (see Chart 1).

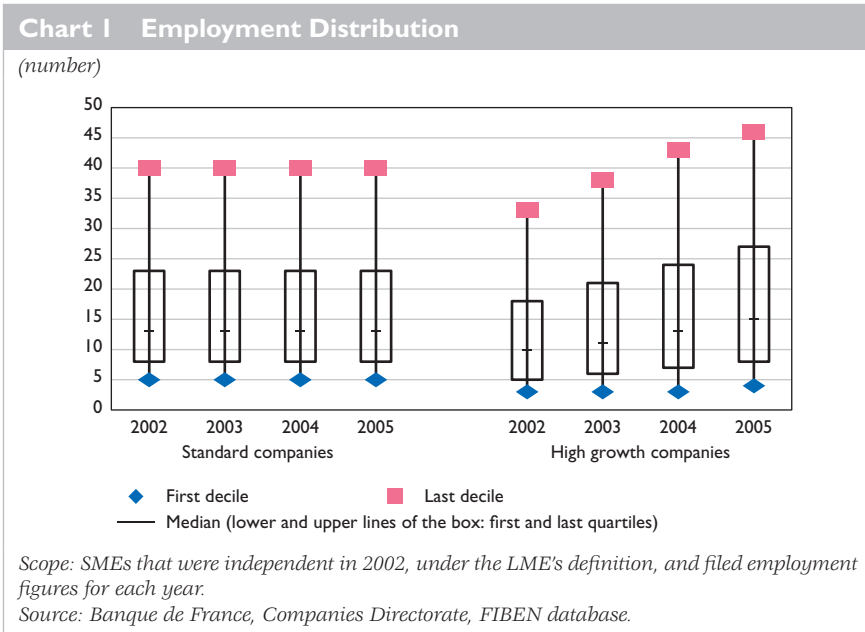
Table 1 Number of net jobs created over the 2002-2005 period

(number of companies and jobs, share as a %)

Type of company	Number of companies	Share of companies	Net job creation	Share of job creation
High growth companies	5,642	8	39,857	58
Standard companies	68,176	92	28,863	42
Total	73,818	100	68,720	100

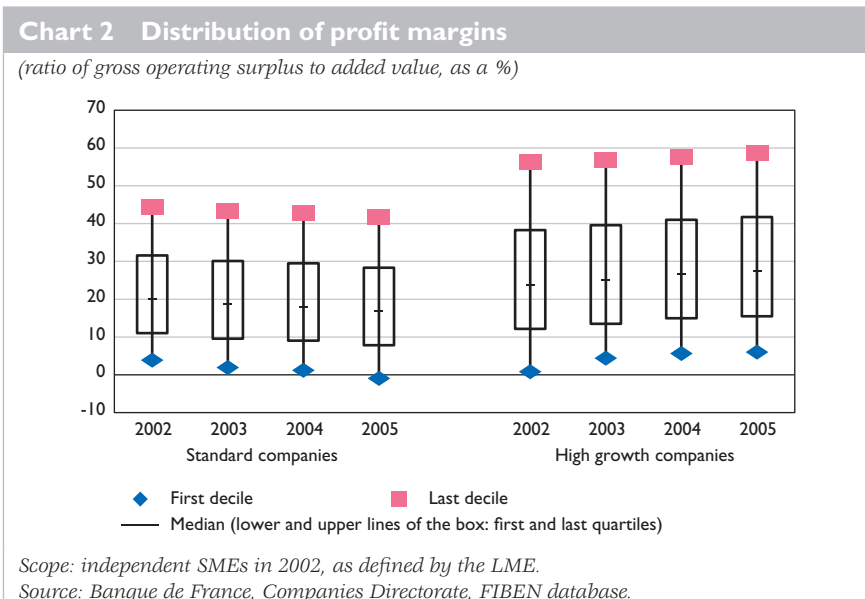
Scope: SMEs that were independent in 2002, under the LME's definition, and filed headcount figures in 2002 as well as 2005.

Source: Banque de France, Companies Directorate, FIBEN database.



HGSMEs outperformed other independent SMEs

Job creation by HGSMEs went along with an improvement in their performance. Unlike their standard counterparts, HGSMEs profitability increased progressively over the 2002-2005 period (see Chart 2).



**Table 2 Variation of profit margin components
(gross operating surplus/value added)**

(value-added points)

	Standard companies					High growth companies				
	2002	2003	2004	2005	Changes 2002/2005	2002	2003	2004	2005	Changes 2002/2005
Value added	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0	
(+) Operating subsidies	0.6	0.7	0.6	0.6	0.0	1.3	1.1	1.0	0.8	-0.5
(-) Staff costs	72.1	73.2	73.1	74.2	2.1	73.1	68.2	65.9	62.7	-10.4
incl. external staff	3.4	3.4	3.5	3.8	0.4	4.2	4.6	5.1	5.2	1.0
(-) Production tax	4.6	4.8	5.0	5.3	0.7	4.3	4.2	4.2	4.3	0.0
(+) Other operating income and expenses	-1.0	-1.0	-1.0	-0.8	0.2	-0.6	-0.9	-1.0	-2.4	-1.8
Gross operating surplus	22.9	21.7	21.5	20.3	-2.6	23.3	27.8	29.9	31.4	8.1

Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

Profitability also differed more across HGSMES than across standard independent SMEs. In 2005, while half of standard companies' profit margins ranged between 8% and 28%, that of HGSMES' spanned from 15% to 42%, i.e. a dispersion seven points higher (27-point spread for the latter vs 20 points for the former).

On average, HGSMES' gross operating surplus almost tripled from 2002 to 2005. Their average profit margin rose by eight points over the period, while that of standard companies declined by almost three points (see Table 2).

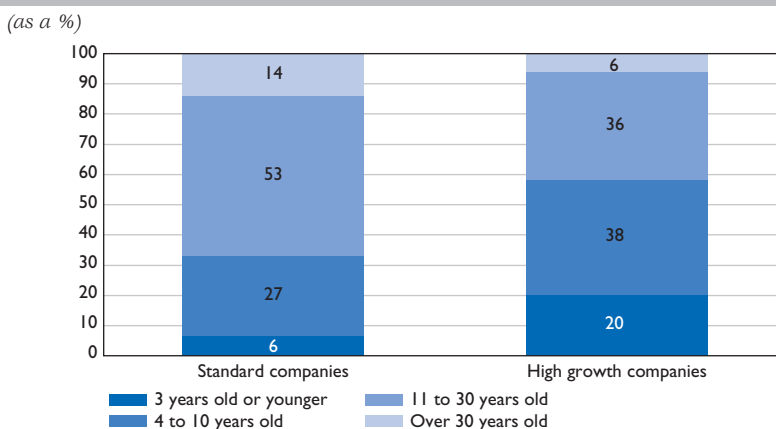
While the share of value added assigned by HGSMES to total staff costs declined by over ten points from 2002 to 2005 – compared with a two-point increase for standard companies – the share of costs related to external employees increased twice as much for HGSMES, rising by one point compared to 0.4 of a point. These figures point to the significant gains in productivity achieved by HGSMES and their need for flexibility, expressed by the greater use of external staff during their growth phase.

An economic model that embraces innovation and the international markets

HGSMES were relatively young: one-fifth were less than four years old in 2002, as against 6% of standard companies (see Chart 3).

HGSMES were also more dynamic. HGSMES' total investments rose by 6% over the 2002-2005 period, but decreased by 1% for standard companies. Even in periods of crisis, HGSMES' investment volumes continued to rise: they climbed by 1% from 2006 to 2010, compared to a 2% drop for standard companies. HGSMES' investments accounted for a bigger share of their value added: in 2002, for the quarter of SMEs with the highest

Chart 3 Breakdown by age (in 2002)

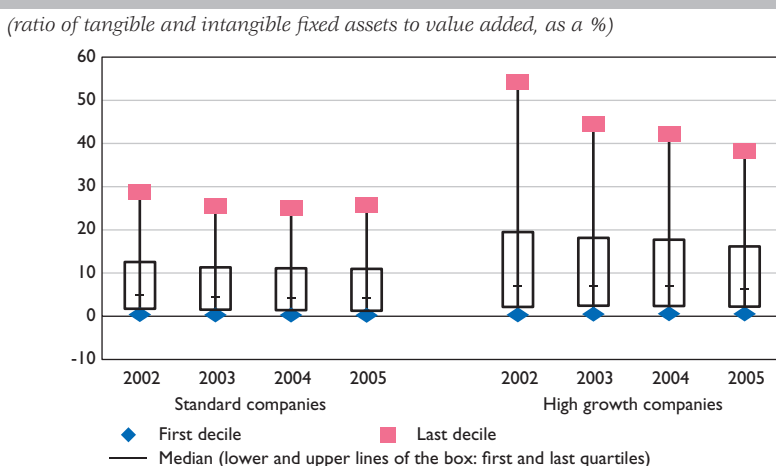


Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

investments, the share of value added was higher than 20% for HGSMEs, compared to only 13% for standard companies (see Chart 4). The decline in HGSMEs' investment rates from 2002 to 2005 was due to an increase in their value added. This high propensity to invest was also pointed out by the share of HGSMEs classified as innovative by OSEO: 0.8% of these SMEs (35 legal units) were awarded the "innovative company" label over the 2006-2010 period, compared to 0.1% (65 legal units) of standard companies.¹

Chart 4 Distribution of investment rates



Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

¹ Sources: Banque de France and OSEO (French public-sector institution that supports innovation, financing and growth of SMEs).

Table 3 HGSMEs' strength in numbers and turnover for the 2002-2005 period

(as a %)

Sector	Share of HGSMEs in total SMEs in the sector (number)	Share of turnover of HGSMEs in total SMEs in the sector	
		2002	2005
Industry	12	10	17
Construction	3	3	7
Trade	8	7	13
Transport	3	3	12
Accommodation and food services	7	6	10
Information-communication	10	7	26
Business support services	5	4	11
Other services (incl. household services)	6	8	17
Total	7	7	13

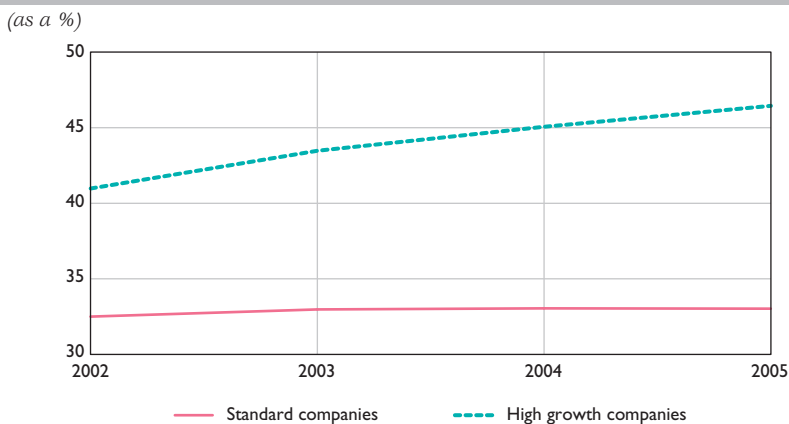
Scope: independent SMEs in 2002, as defined by LME.

Source: Banque de France, Companies Directorate, FIBEN database.

HGSMEs' dynamism was not solely a result of their age. This is suggested by the "all other things being equal" analysis, which improves the comparability between HGSMEs and standard companies by neutralising composition effects in the samples (see Appendix 2).

The industry and information-communication sectors comprised a large share of HGSMEs: 12% and 10% of legal units, respectively, (see Table 3).

Chart 5 Share of exporting companies

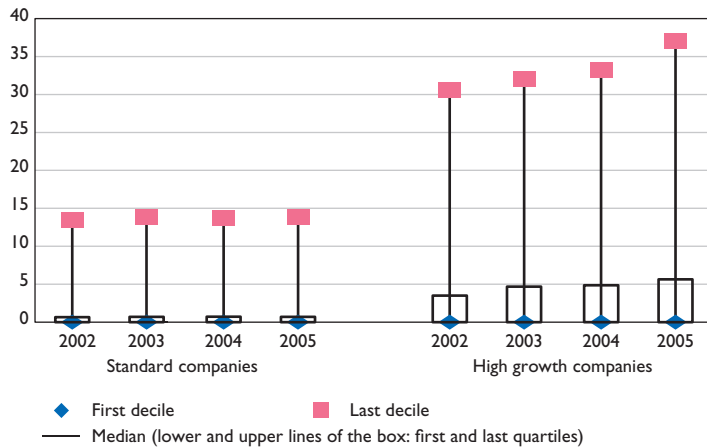


Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

Chart 6 Share of export turnover

(as a %)



Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

New technologies were a favourable terrain for the development of HGSMES. In the information-communication sector, HGSMES' market share almost quadrupled between 2002 and 2005 to reach one quarter of turnover generated by independent SMEs in this sector in 2005. In 2005, the economic clout of HGSMES was thus almost three times greater than their strength in numbers.

HGSMES took full advantage of the opportunities offered by economic globalisation: from 2002 to 2005, the proportion of exporting HGSMES climbed to 45%. Conversely, the proportion of exporting standard firms stagnated at around 33% (see Charts 5 and 6). HGSMES stimulated their businesses by targeting international markets, especially the emerging economies. The share of their export turnover was thus much larger than for standard companies.

HGSMES' risk exposure was borne by managers, and kept under control

Achieving and maintaining high levels of growth is not risk free. Notwithstanding their higher profitability levels,^{2,3} the probability of HGSMES facing insolvency proceedings within a period of five years was slightly higher than for standard companies. Some 7.23% of HGSMES underwent such proceedings over this period, compared to

² Insolvency proceedings (or failure) are characterised by the initiation of court-ordered recovery or liquidation programmes.

³ The business loss rate is underestimated here, due to the balancing of samples. It is likely that a number of high growth potential SMEs, based on the start-up model, were not identified because they failed between 2002 and 2005.

Table 4 Failure rate of HGSMEs and standard companies
Failures recorded from 2006 to 2010*(companies, number and rate as a %)*

Observation period	Aggregate number of failing companies		Failure rate	
	HGSMEs	Standard SMEs	HGSMEs (5,850 healthy companies at end-2005)	Standard SMEs (72,689 healthy companies at end-2005)
1 year	48	601	0.82	0.83
2 years	120	1,402	2.05	1.93
3 years	209	2,233	3.57	3.07
4 years	320	3,395	5.47	4.67
5 years	423	4,434	7.23	6.10

*Scope: independent SMEs in 2002, as defined by the LME.**Source: Banque de France, Companies Directorate, FIBEN database.*

6.10% of standard companies (see Table 4). This business failing rate was nonetheless moderate given the model HGSMEs are based on. Although they were more exposed to the recession as a result of their greater need for financing and their significant exposure to the international markets, they were remarkably resilient over the 2006-2010 period.

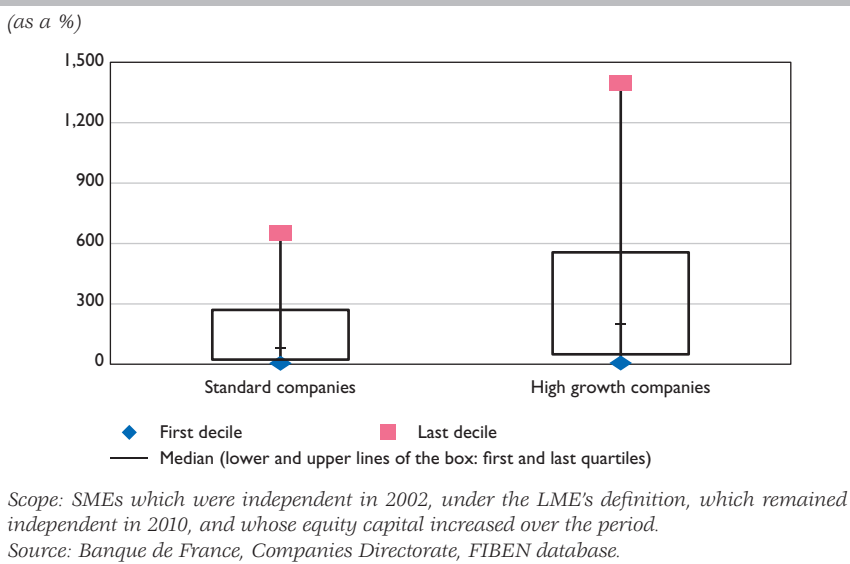
2| A larger number of HGSMEs choose to open up their capital to private investors

HGSMEs require adequate resources to maintain their exceptionally fast growth. HGSMEs obtain funding via three main channels: traditional financing (self-financing and/or bank loans), opening up their capital to private investors (often by joining a group) and, to a lesser extent, tapping the financial markets.

Only two-thirds of HGSMEs were still independent after eight years

From 2002 to 2010, the share of high-growth SMEs that remained independent shrank progressively to stand at 64%, compared to 74% for standard companies: the counterpart of this decrease was the increase, from 5% in 2003 to 28% in 2010, in SMEs belonging to French groups (see Table 5). In 30% to 40% of cases, the switch from independent HGSME to SME belonging to a group was the result of an autonomous decision, and not due to the purchase of the company by an external group. The establishment of a larger corporate structure from an independent company

Chart 7 Distribution of growth rates of equity capital from 2002 to 2010



has tax advantages: tax optimisation through the establishment of a holding company. The traditional financing channel was not the only vector of resources for HGSMEs that remained independent: over the period, 48% (1,332 out of 2,764) of these companies opened up their capital, as compared with 36% (13,911 out of 38,288) of standard companies. In addition, where there was an increase in equity capital, it was much greater for HGSMEs than for standard companies. Between 2002 and 2010, equity capital increased by a factor of at least three for half of the HGSMEs that remained independent but opened up their capital, compared with a 1.8 factor for standard companies (see Chart 7). When they were unable or unwilling to join a group, HGSMEs raised capital by issuing equity to natural persons.

The fastest growing HGSMEs joined large and mid-tier groups able to provide access to the financing needed for their development

In 2010, over 8% of the independent high-growth SMEs studied were part of a French mid-tier enterprise (MTE), a major group or a foreign group, as compared to less than 4% of standard companies. A number of HGSMEs joined larger business groups in order to benefit from intra-group transfers that could support their growth. Group relationships also produced reputational effects permitting them to obtain better lending conditions from their bank partners.⁵

⁵ See "The cost of business credit by firm category", Banque de France Quarterly Selection of Articles, No. 24, Winter 2011-2012.

Table 5 Change in status of independent SMEs between 2002 and 2010

(number and as a %)

Standard companies									
Size	Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Independent SMEs	51,868 100.0	49,812 96.0	47,938 92.4	46,183 89.0	44,315 85.4	42,374 81.7	40,678 78.4	39,425 76.0	38,288 73.8
SMEs belonging to a French group	- 0.0	1,745 3.4	3,399 6.6	4,934 9.5	6,517 12.6	8,194 15.8	9,583 18.5	10,652 20.5	11,589 22.3
Mid-tier enterprises belonging to a French group	- 0.0	126 0.2	220 0.4	324 0.6	471 0.9	615 1.2	760 1.5	879 1.7	1,000 1.9
Major or foreign group	- 0.0	185 0.4	311 0.6	427 0.8	565 1.1	685 1.3	847 1.6	912 1.8	991 1.9
Total	51,868	51,868	51,868	51,868	51,868	51,868	51,868	51,868	51,868

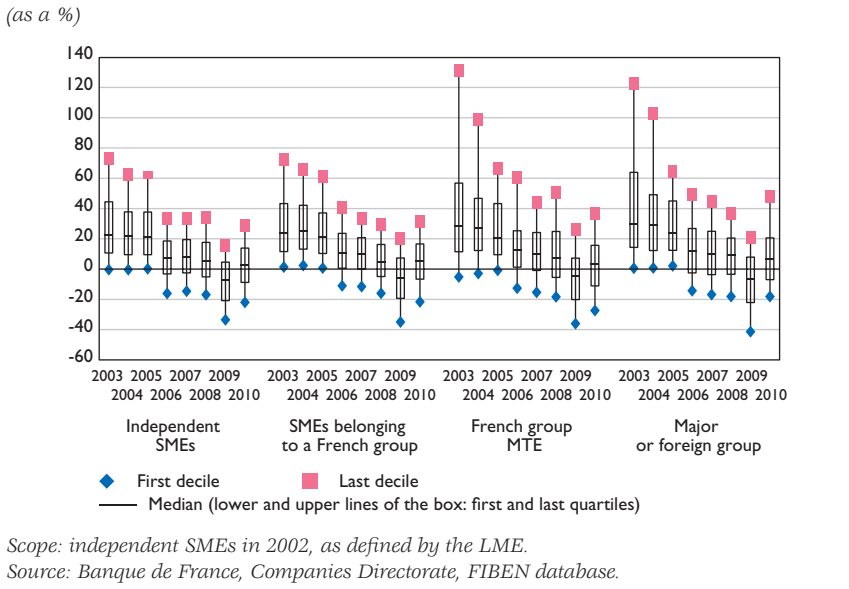
High growth companies									
Size	Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Independent SMES	4 339 100.0	4 026 92.8	3 793 87.4	3 601 83.0	3 404 78.5	3 193 73.6	3 021 69.6	2 891 66.6	2 764 63.7
SMEs belonging to a French group	- 0.0	233 5.4	418 9.6	575 13.3	727 16.8	879 20.3	1 008 23.2	1 110 25.6	1 216 28.0
Mid-tier enterprises belonging to a French group	- 0.0	27 0.6	43 1.0	59 1.4	70 1.6	99 2.3	127 2.9	147 3.4	159 3.7
Major or foreign group	- 0.0	53 1.2	85 2.0	104 2.4	138 3.2	168 3.9	183 4.2	191 4.4	200 4.6
Total	4 339	4 339	4 339	4 339	4 339	4 339	4 339	4 339	4 339

Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

HGSMEs that were part of a group posted the highest average growth rates over the 2002-2005 period: it was therefore companies with the highest potential growth rates that became part of a larger group (see Chart 8). These rapidly developing firms could in all likelihood not achieve sustainable balance-sheet growth with bank debt alone. They therefore sought to raise capital via group membership and, to a lesser extent, access to the financial markets (see below).

Chart 8 Distribution of the turnover growth rate by size of HGSMES (size observed in 2010)



Few HGSMES obtained financing from the stock market

Prior to 2005, no independent, high-growth SMEs had issued stocks on the regulated or organised markets (the available data does not cover the Free market). Alternext, which was established in 2005 to help mobilise funds for low-capitalisation companies, was little used by HGSMES. From 2005 to 2010, a small number of HGSMES – no more than 17 legal units in 2007, compared with 7 for standard companies – used the stock market, and this resulted in raising small amounts. The complexity of the procedures, high cost of stock market entry, and the impact of the 2008 financial crisis, may account for this reluctance. In addition, many business founders were reluctant to cede control of their company to investors, who could pursue different objectives as their own ones. As a result, to raise capital on markets, HGSMES may prefer bond issuance, possibly backed by public initiatives or financial operators.

Box 2

How did the HGSMES that dropped out of the sample from 2006 to 2010 fare?

A significant proportion of the HGSMES identified between 2002 and 2005, 26%, i.e. 1,511 out of 5,850, fell out of the sample over the 2006-2010 period. This was the case when the Banque de France did not collect their accounting documents for at least one of the years of the period under review:

- 11% of the companies either underwent court-ordered recovery (RP) or liquidation (LP) proceedings, or were dissolved or struck-off;
- 2% experienced another type of significant event such as a reorganisation (merger-acquisition), business continuation plan, or loss of half of their capital;
- the 13% left were the companies that did not submit accounting documents, for instance when their turnover fell below the threshold set by the Banque de France for its collect.

Attrition from 2006 to 2010

(for each heading, first line shows number and second line as a %)

Cause of attrition	Year					
	2006	2007	2008	2009	2010	Total
Court-ordered recovery or liquidation, dissolution or striking-off	76 85.4	126 85.7	141 88.1	172 83.1	154 81.9	669
Other major event	13 14.6	21 14.3	19 11.9	35 16.9	34 18.1	122
Total	89 100	147 100	160 100	207 100	188 100	791

Scope: independent SMEs in 2002, as defined by the LME.

NB: 1,511 - 791 = the 720 companies that are not shown in the table are the 13% of companies for which no cause of attrition was recorded.

Source: Banque de France, Companies Directorate, FIBEN database.

Attrition peaked in 2009, the year in which the impact of the economic recession was strongest. In addition, the causes of attrition of the 20,821 standard companies removed due to sample-sliding are close to those of HGSMES:

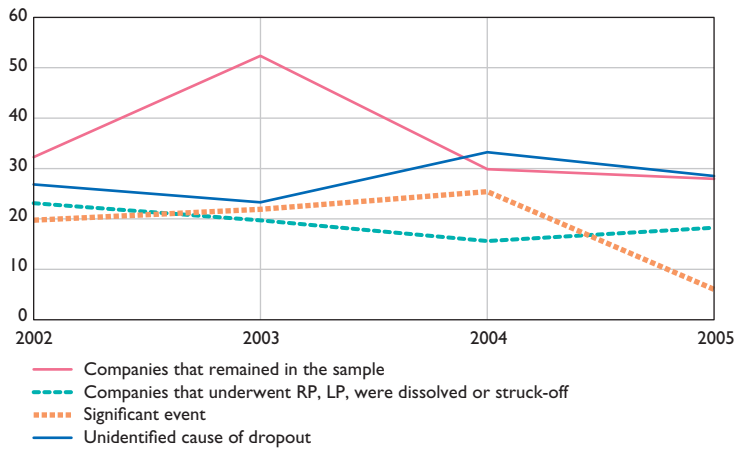
- 12% of these companies failed, were dissolved or struck-off;
- 2% experienced another type of significant event;
- 15% dropped out of the sample for other reasons.

.../...

Changes in company profitability also helped to explain the attrition. On average, companies that had failed or ceased doing business (RP, LP, dissolution, striking-off), and those that experienced another significant event (reorganisation, business continuation plan, etc.) recorded average profit margins that were smaller than those of companies that fell out of the sample for other reasons: as they had not been sufficiently profitable, they experienced difficulties when economic conditions deteriorated (see Chart below).

Average Profit Margin of companies that remained in the sample and of those that fell out after 2005

(as a %)



Scope: independent SMEs in 2002, as defined by the LME.

Source: Banque de France, Companies Directorate, FIBEN database.

Appendix I

High growth companies: identification methodology

The definition of a high-growth company differs depending on the study and the country. This is mainly due to the heterogeneity of the available data. In the *Manual on Business Demography Statistics*, Eurostat and the OECD propose their definition of high growth companies. This selection criterion, which is recognised at the European level, is the starting point of the methodology used in this article.¹ It postulates that a company is a high-growth company if the annual average growth rate over three years of its turnover or its employees (headcount) exceeds 20%:

$$\sqrt[3]{\frac{\text{turnover}(t)}{\text{turnover}(t-3)}} - 1 \geq 20\%$$

In this study, the turnover criterion was chosen over that of headcount. Each year, the Banque de France records the balance sheets of 250,000 legal units. This data mostly reflects companies' financial behaviour: information relating to headcount is not pertinent given that only permanent jobs are counted, and sometimes companies do not even provide information on these. Temporary employment, on the other hand, can be a tool for the growth and development of small companies. As it is not recorded, company growth cannot be correctly assessed on the basis of this criterion.

The 20% threshold chosen by Eurostat applies to all the European countries and OECD members. As this study deals solely with French companies, we deemed it necessary to refine the selection threshold. Several studies have highlighted the importance of sector in company growth: the identification of high-growth companies must take into account their ability to stand out, and should not solely reflect the vitality of the sector in which they do business. This is why it is important to choose a threshold that depends on the growth of the sector.

The KPMG study on high-growth SMEs, "*Les PME qui grandissent*", defines HGSMEs as companies that have posted growth that is four times that of the average growth in their business sector.² We use this approach here and, to compensate for the fact that some companies changed sectors during the period, the sector used is that of the start of the period. Establishing the sector at the start or the end of the period does not have a significant impact on HGSME identification.

¹ See "Manual on Business Demography Statistics", Eurostat-OECD (2007), accessible at the following address: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-010/EN/KS-RA-07-010-EN.PDF.

² See "*Les PME qui grandissent*", KPMG (2009), accessible at the following address: <http://www.kpmg.com/FR/fr/IssuesAndInsights/ArticlesPublications/Documents/20090101-PME-qui-grandissent-qui-sont-elles-pourquoi-sont-elles-si-performantes.pdf>.

High-growth SMEs were selected for the 2002-2005 period according to the following principle:

- selection of legal units classified as independent SMEs in 2002 according to LME criteria;
- building a constant sample over the period 2002 to 2005;
- a legal unit is considered to be high growth if it satisfies the following inequality:

$$\sqrt[3]{\frac{\text{turnover}(t)}{\text{turnover}(t-3)}} - 1 \geq 4 * \left(\sqrt[3]{\frac{\text{turnover of the sector}(t)}{\text{turnover of the sector}(t-3)}} - 1 \right)$$

Comparison of selection thresholds

Turnover growth rate by sector

(as a %)

	Average	Last decile	Study threshold	Eurostat threshold
Industry				
Mining and quarrying	6	17	22	20
Manufacturing	3	15	13	20
Production and distribution of electricity, gas, steam and air conditioning	5	19	20	20
Production and distribution of water; purification, waste management and depollution	10	26	41	20
Construction	7	20	28	20
Trade	4	15	14	20
Transport	5	17	22	20
Accommodation and food services	3	10	13	20
Information-communication				
IT activities and information services	7	26	26	20
Communication	5	24	21	20
Business support services				
Legal, bookkeeping, management, architectural, engineering, internal control and technical analysis services	7	22	28	20
Scientific services	5	21	19	20
Other services				
Administrative and support services	6	21	26	20
Arts, entertainment and recreation	5	17	18	20
Other service activities	3	13	14	20

Source: Banque de France, Companies Directorate, FIBEN database.

Appendix 2

“All other things being equal” analysis (quantile regression)

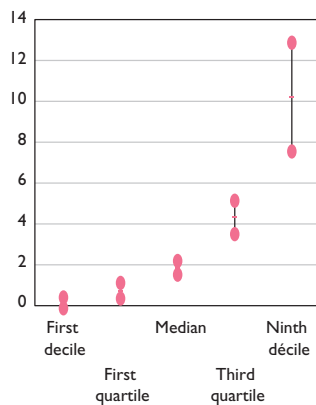
The comparison between HGSMEs and standard companies must be offset by the effects linked to the structure of each of the sub-samples: is HGSMEs' greater propensity to invest due to their youth? Is the steeper growth of their equity capital a reflection of their age or their size at the time of analysis? The “all other things being equal” analysis makes it possible to include multiple factors explaining the differences observed between HGSMEs and their standard counterparts, which improves the robustness of the results.

The analysis of the variance measures the interactions between the explanatory factors and the average of the analysis variable. When these links are complex, it is preferable to use an approach based on quantile regression: in this case, we measure the links between the explanatory factors and the different quantiles of the variable studied.

Gap between HGSMEs and standard companies quantiles (“All other things being equal” analysis)

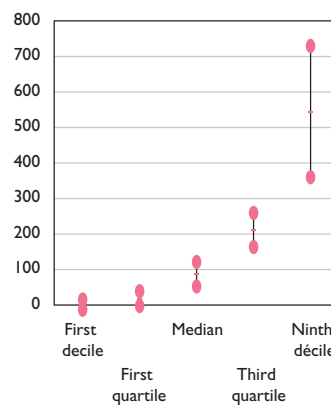
(as a %)

**Investment rate in 2005
HGSMEs versus standard companies**



Scope: independent SMEs in 2002, as defined by the LME.

**Growth rate of equity capital
between 2002 and 2010
HGSMEs versus standard companies**



Scope: SMEs that remained independent in 2010, under the LME's definition, and opened up their capital from 2002 to 2010.

Source: Banque de France, Companies Directorate, FIBEN database.

The analysis is richer because it is differentiated depending on whether the high, weak or intermediate values of the study variable are under consideration.¹ In addition, it is robust to outliers, which would otherwise potentially skew the results: due to their strong growth, HGSMEs are in fact likely to record particularly high values for certain accounting ratios.

This adjustment technique is applied here to the study of the investment rates of all SMEs at the end of 2005 and the growth rate of the equity capital of SMEs that remained independent, and whose capital increased between 2002 and 2010. The gap between the quantiles of the distribution of the investment rate and the growth rate of the equity capital of HGSMEs and standard companies is calculated on the assumption of constant business sector, size and age.

As this analysis uses only certain descriptive characteristics of the firm, it only aims to improve the comparability of the two samples. The aim is not to develop models for companies' decisions to invest or open up their capital.

For a given value of the study variable, the charts above measure the gap between the quantile of this variable for HGSMEs, and standard companies, with age, business sector and size being constant. Each of these gaps is associated with a confidence interval, which shows whether the difference observed between the two populations is statistically significant. Therefore, "all other things being equal", HGSMEs' median investment rate is two points above that of standard companies. This gap grows with investment: the investment rate of the 10% of HGSMEs that invest the most is ten points above that of the 10% of standard companies that invest the most, irrespective of their age, size or sector. "All other things being equal", the increase in the equity capital of HGSMEs that remained independent in 2010, when there was such an increase, was also greater than for standard companies: over the 2002-2010 period, the gap between the median growth rate of capital of HGSMEs and standard companies was 100 points.

1 See Koenker (R.) and Hallock (K.) (2001), "Quantile regression", the Journal of Economic Perspectives, No. 15, p. 143-156.

The financial situation of the major French groups remained sound in the first half of 2011

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and Johary Johnattan Rakotoarivelo**
Companies Directorate

On the basis of the H1 2011 financial statements from the 70 largest industrial and commercial French groups listed on Euronext Paris, the recovery in business activity initiated in 2010 continued over the first half of 2011. All sectors of the economy posted robust turnover growth with an average increase of 9%.

With turnover up and costs under control, the net profit increased by 11% to 39 billion euro for the first six months of 2011. The net operating margin ratio stabilised compared with the first half of 2010 at around 6%.

Under the impact of this recovery, the working capital requirement rose to 174 billion euro at 30 June 2011 up 15% versus June 2010. However investment flows accelerated, mainly involving the acquisition of stakes in other companies. Residual aggregate goodwill continued to rise in gross value terms, whereas its net value contracted following impairment tests.

As the groups' financial debt grew little in H1 2011 (+2%, essentially driven by the Manufacturing & Construction sectors) the capital structure of the groups was strengthened with a stable debt/equity ratio of 94%.

The cash position remained substantial at 125 billion euro.

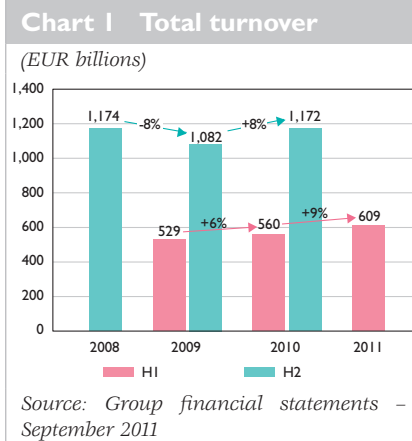
Total equity increased to 557 billion euro, equivalent to 44% of total resources. It should be remembered however that under IFRSs rules a portion of this equity is fragile since the "Other elements" of a group's "Comprehensive Income" (known as "Other Comprehensive Income" or OCI) can have a direct impact (negative or positive) on equity without affecting net profit.

Thus, before the deterioration of the economic environment that began in the summer of 2011, the major non-financial listed French groups were in a favourable financial situation.

Keywords: consolidated accounts, IFRSs, results, large industrial and commercial companies, major French groups, other comprehensive income (OCI), companies listed on compartment A of Euronext

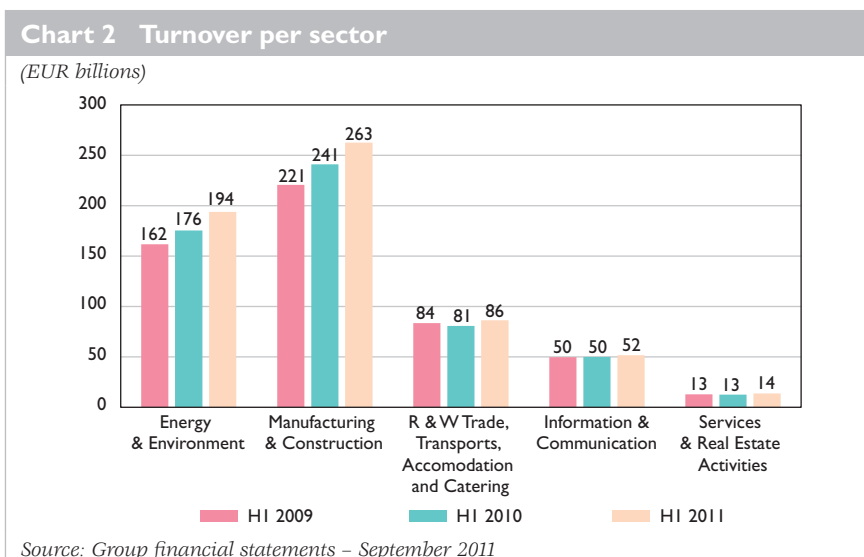
JEL classifications: F23, G30, G32, L25

Studies compiled from the interim financial statements of the major listed French groups normally focus on turnover and net profit. We propose here an analysis of the 70 major listed French industrial and commercial groups (compartment A of Euronext) for which we have studied approximately 40 financial indicators derived from their comprehensive income statements, balance sheets, statements of changes in equity and cash flow tables. The aim is to identify the principal trends in terms of performance, financial structure, financing requirements and investment capacities.



I| HI 2011 aggregate turnover rose by 9% versus HI 2010

After recovering in 2010, turnover growth accelerated in H1 2011: the 70 major listed groups posted a 9% increase (+ 49 billion euro) in turnover versus H1 2010 after posting a 6% increase (31 billion euro) in H1 2010 versus H1 2009.



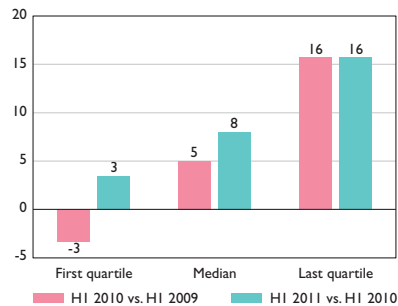
Two sectors were dominant, generating 75% of the sample's aggregate turnover in the first half of 2011: Energy & Environment, and Manufacturing & Construction. Particularly affected by the crisis in 2009, business in these sectors substantially recovered in 2010 and the first half of 2011.

Nevertheless all sectors posted turnover growth in H1 2011, with Information & Communication reporting the lowest growth rate at 3% and Energy & Environment publishing the highest growth rate at 11%. The progression was also more uniform than in H1 2010: in H1 2010, two sectors posted a contraction in turnover (-3% in Retail & Wholesale Trade, Transport, Accommodation and Catering, and -2% for Services & Real Estate Activities).

A quartile breakdown confirms this relative uniformity: in H1 2011 the three quartiles presented turnover growth whereas in 2010 a quarter of the groups posted turnover contractions above 3%. However, 14 groups still posted lower turnover than their H1 2009 levels.

Chart 3 Turnover growth

(Breakdown in quartiles; in %)

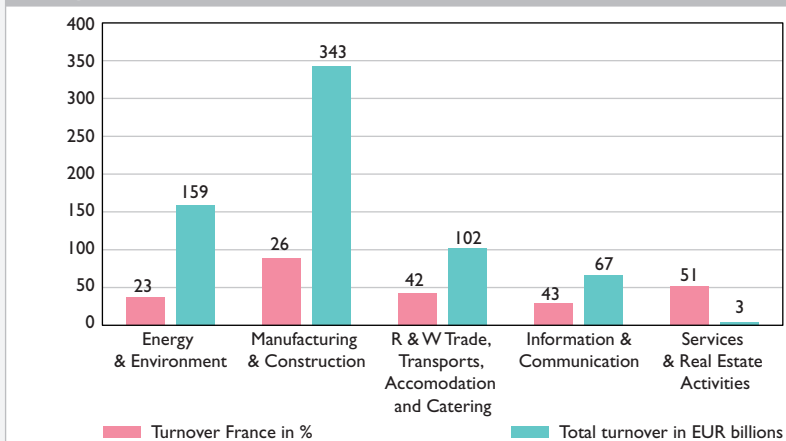


Source: Group financial statements – September 2011

Box 1

The turnover growth was largely driven by the international activities of the major French groups. They benefited from the dynamism of the emerging zones

Weight of turnover in France



Source: Group financial statements – September 2011

(Asia, Latin America,...) and, to a lesser extent, the improvement, until June 2011, of the domestic market environment. These observations are nevertheless difficult to quantify as the reference documents published are not uniform in terms of their geographical breakdowns of activities. In effect, IFRSs 8 on sector information allows groups to use their own breakdown methodologies : At 31 December 2010, only 31 groups out of the 70 studied (i.e. 44% of the sample) indicated their French turnover, which ranged from between 23 to 51% of total sales, depending on the sector. The other groups chose to incorporate their French sales into a larger zone, such as Europe.

2| Profitability improved

2|1 Operating income posted a strong increase

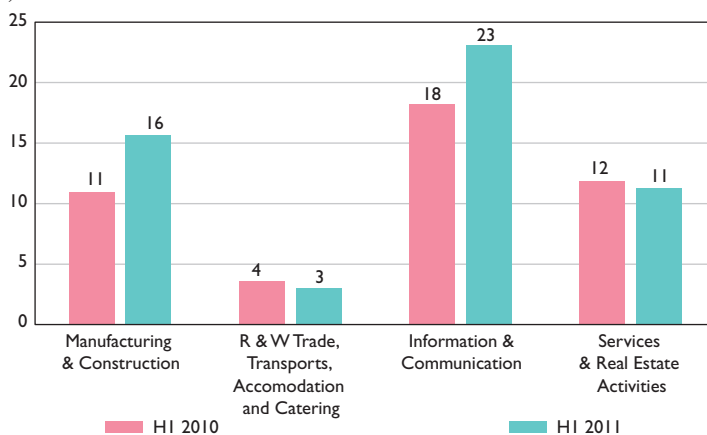
The operating income measures the intrinsic performance of a group's activities before the financial result is added or subtracted.

In the absence of financial statements drawn up under IFRSs, it is however not possible to obtain a comprehensive picture. Only 45 of our 70 group sample communicate their operating income. For these groups, the operating income increased 44%, from EUR 25 to 37 billion between H1 2010 and H1 2011.

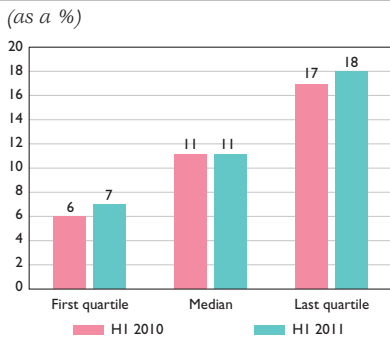
The operating margin rate gained 3 points to more than 12%. The rise is substantial in the Manufacturing & Construction sector and also in the Information & Communication sector. The groups' responsiveness to the crisis allowed a rapid adjustment of costs and thus an improvement of the operating margin rate during the recovery.

Chart 4 Operating income / Turnover per sector

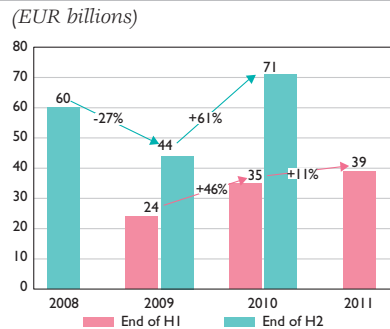
(as a %)



Source: Group financial statements – September 2011

Chart 5 Breakdown of the operating margin rate per quartile

Source: Group financial statements – September 2011

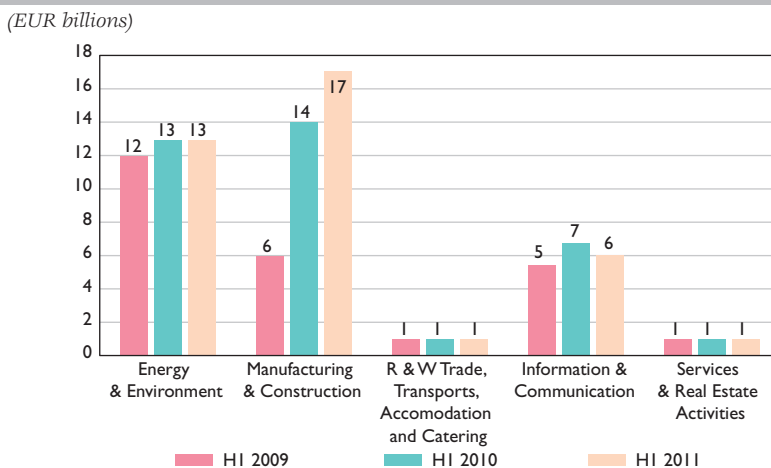
Chart 6 Net profit

Source: Group financial statements – September 2011

2|2 The increase in net profit was more modest

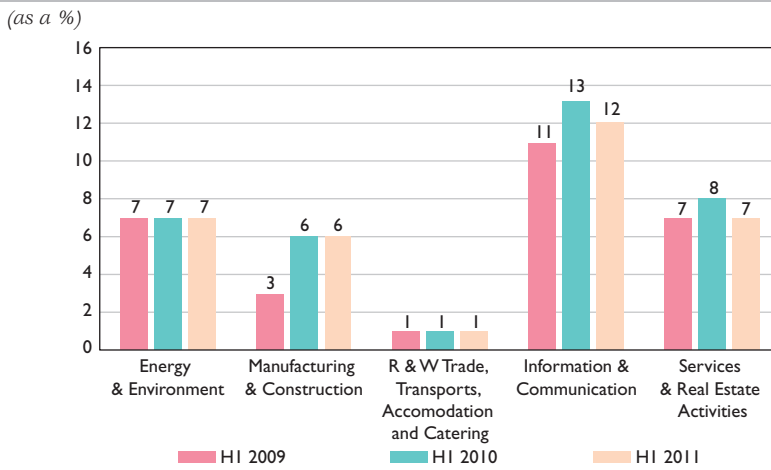
Reflecting the overall performance of a group, net profit is also a highly significant indicator for analysts and investors.

In H1 2011, the sample groups posted a net profit of EUR 39 billion, up 11% compared with H1 2010. The growth rate was less spectacular than in H1 2010 (+46%).

Chart 7 Net profit per sector

Source: Group financial statements – September 2011

Chart 8 Net margin rate (net profit / turnover) per sector



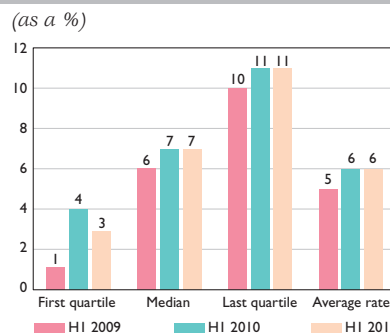
Source: Group financial statements – September 2011

Net profit increased in all sectors except the Information & Communication sector, which contracted by 1 billion euro over the period. The Manufacturing & Construction sector was the most dynamic with an H1 net profit of EUR 17 billion, representing an increase of 189% in just two years. These results were fairly concentrated since 5 groups accounted for 48% of the sample's net profit.

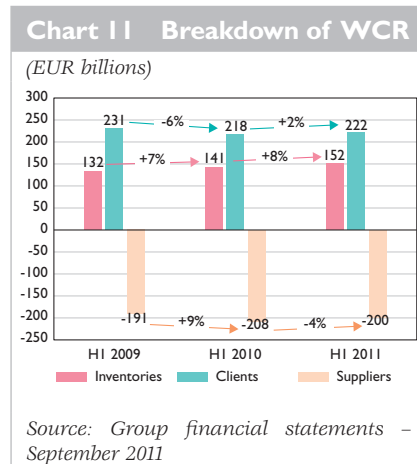
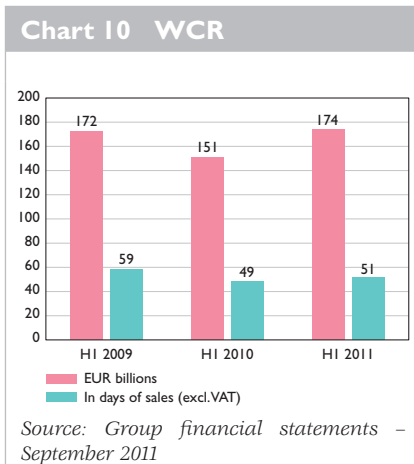
The average net operating margin remained unchanged at 6% compared with H1 2010, and the turnover and profit figures showed similar growth rates. Major disparities between the activity sectors remained: The combined Trade, Transport, Accommodation and Catering sectors on average only generated a net margin of 1%, whereas the Information & Communication sector on average generated 12%.

The analysis of a group's performances via an analysis of the income statement provides an initial indication of its financial health. This overview should be accompanied by an analysis of the groups' balance sheets to assess whether the business activities are generating sufficient profit to cover short-term financing needs and ensure their medium and longer-term continuity and development via investment.

Chart 9 Net margin rate: breakdown per quartile and average rate



Source: Group financial statements – September 2011



3| Increased need for working capital and higher investment spending

3|1 With business recovering, the working capital requirement increased

In the short term, the groups need to generate cash to finance their operating cycle. At 30 June 2011, the 70 groups had an aggregate financing requirement of EUR 174 billion, up 15% compared with end-June 2010.

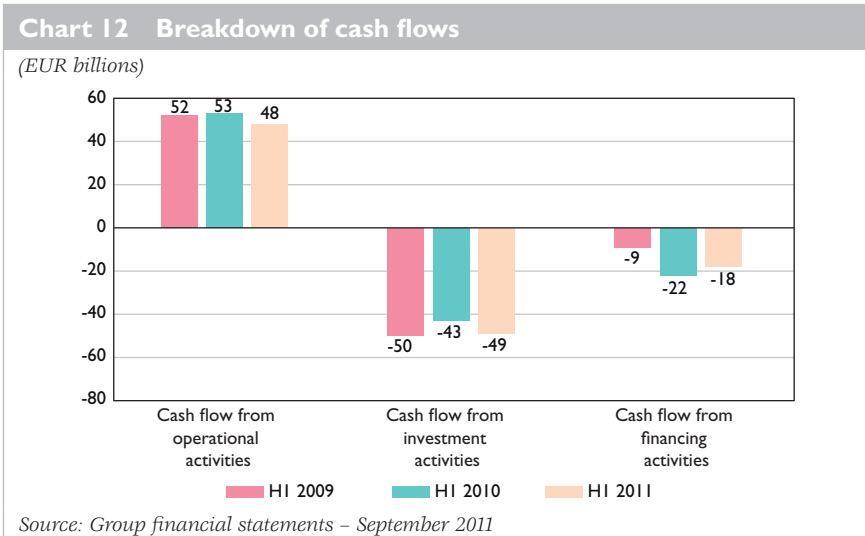
Expressed in days of sales (excluding VAT), the aggregate working capital requirement (WCR)¹ increased by 2 days versus end-June 2010 due essentially to inventory rebuilding, although this was still relatively weak (see Chart 11).

3|2 Higher investment spending

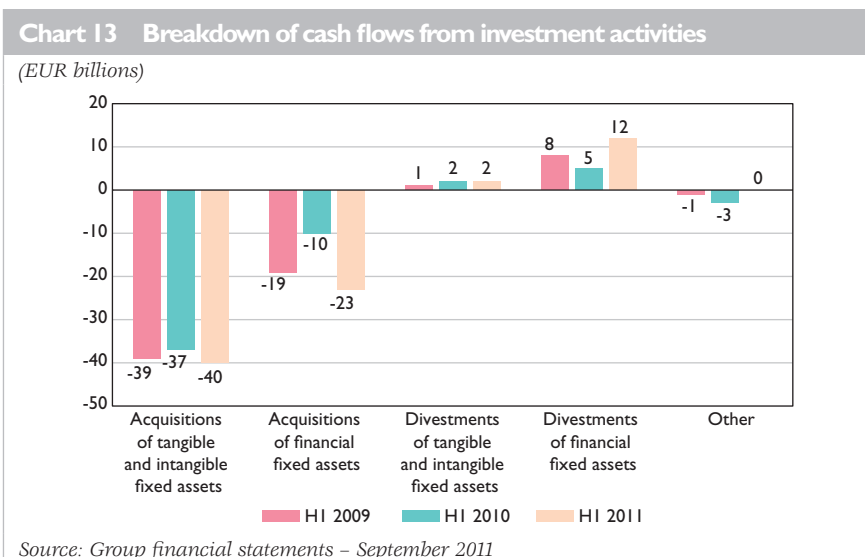
The Change in Cash Flow Statement allows us to analyse the employment of available cash, and to follow the evolution of the three major types of cash flow:

- Cash flows related to operational activities, corresponding to the difference between a group's self-financing capacity and the change in its working capital requirement. This cash flow, stable between the H1 2009 and H1 2010, dropped by EUR 5 billion over H1 2011 to EUR 48 billion.

¹ Due to a lack of detail, the working capital requirement (WCR) has been calculated approximately based on the following formula:
WCR = Trade receivables and related accounts + inventories – trade payables and related accounts.



- Cash flows related to financing activities, including equity capital operations (increases, reductions), extra-group dividend pay-outs, debt repayments and new debt issues or subscriptions. A sharp change was observed during H1 2010 : financing needs increased by EUR 13 billion and reached EUR 22 billion euro at end-June 2010. In the second half of the years, these needs diminished slightly to EUR 18 billion.

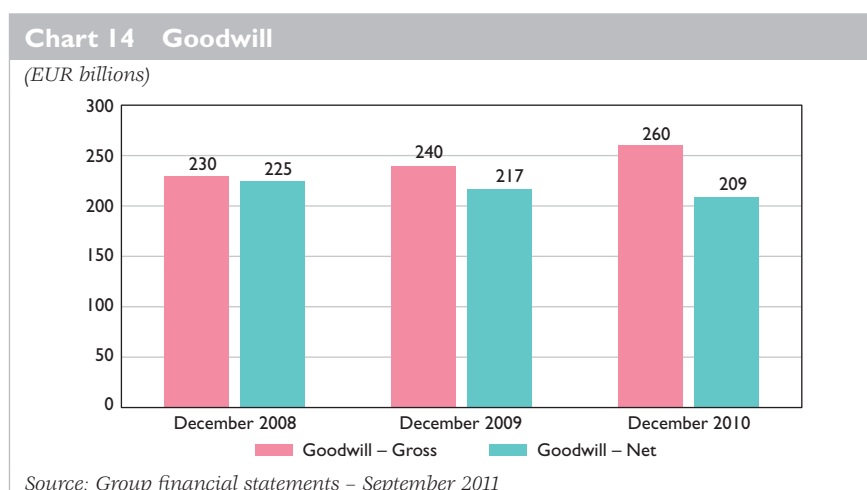


- Cash flows related to investment activities which break down into four different types: acquisitions of tangible and intangible fixed assets; acquisitions of financial fixed assets, divestments of tangible and intangible fixed assets and divestments of financial fixed assets. The major groups accelerated their investments in H1 2011, reflecting a still favourable environment before the turbulences of the summer of 2011. The cash flow related to investment activities increased by EUR 6 billion compared with 2010.

The changes observed in H1 2011 were mainly due to acquisitions of financial fixed assets (up EUR 13 billion vs. end-June 2010). Acquisitions of tangible and intangible fixed assets also increased. Indeed, over the last three years, the groups have generally maintained their expenditure on tangible and intangible fixed assets, despite the uncertain environment.

As a consequence of these acquisitions of financial fixed assets, the groups have seen an increase in their goodwill over the period under review, from EUR 230 billion at end-December 2008 in gross value terms, to EUR 260 billion at end-December 2010, equivalent to an increase of 13% in 2 years.²

However, the groups have taken into account impairments (irrevocable as they cannot be written back in future years) following their impairment tests: The net value of this goodwill has in fact shrunk from EUR 225 billion in 2008 to only EUR 209 billion at end-2010, representing a 7% contraction over 2 years.



² 49 out of the 71 groups communicated both their gross goodwill and their net goodwill figures at 31 December 2010. At 30 June, few groups publish their gross goodwill.

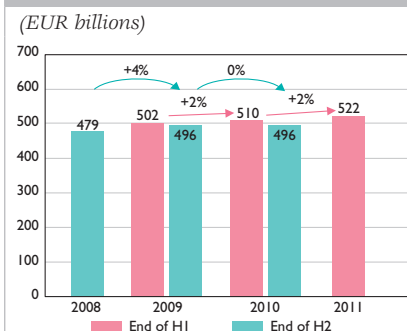
4| Financial debt rose slightly by 2%

The principal trends identified by the analysis of cash flows from financing activities on the Change in Cash Flow Statement are also seen in the Change in Financial Debts on the balance sheet.

Financial debts increased moderately by 2% on average between 30 June 2010 and 30 June 2011. Their level is generally lower at year-end than at the end of the first semester. The manufacturing and construction sectors were the main contributors to this rise in financial debts with an increase of 13 billion euro concentrated on a single group.

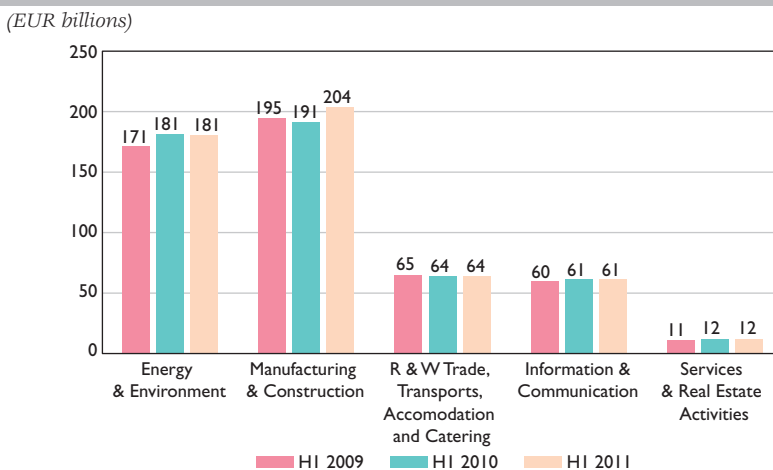
Hence, after three consecutive years of contraction, the aggregate debt ratio expanded from 93% in June 2010 to 94% in June 2011 on the back of a couple of major groups. All three quartiles showed decreasing levels of financial debts over the three previous financial years.

Chart 15 Financial Debt

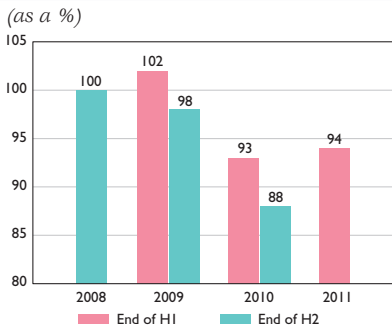


Source: Group financial statements – September 2011

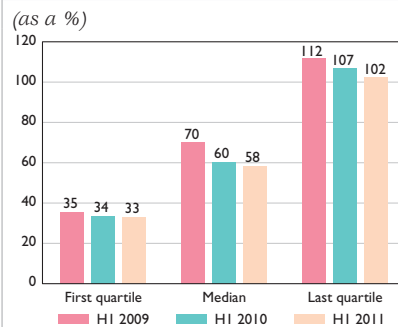
Chart 16 Financial debt per sector



Source: Group financial statements – September 2011

**Chart 17 Debt ratio
(Financial debt/equity)**

Source: Group financial statements – September 2011

**Chart 18 Breakdown
of the debt ratio per quartile**

Source: Group financial statements – September 2011

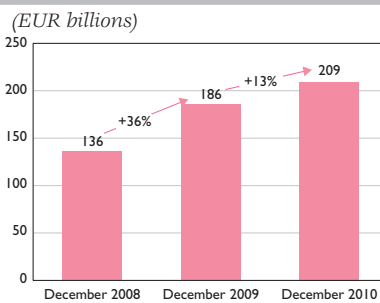
Box 2

The major listed groups increasingly resorted to bond issuance for their financing since 2009¹

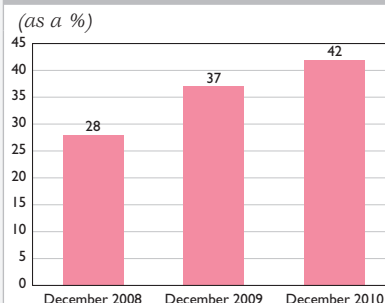
The interim financial statements are not as detailed as the annual statements. Financial debt is only broken down in the annual financial statements.

The 70 groups in the sample restructured their debts in 2009 and 2010 via the issue of bonds. Between 2009 and 2010 the aggregate debt level grew 13% (+24 billion euro) after increasing 36% between 2008 and 2009 (+50 billion euro). At the end of June 2011, bond debt represented 42% of the 70 groups' financial debt.

This trend towards disintermediation seems to be continuing since the crisis, with groups still tapping the financial markets in order to diversify their sources of financing.²

Bond debt

Source: Group financial statements – September 2011

Bond debt / Financial debt

Source: Group financial statements – September 2011

- 1 www.publi-news.fr, Les entreprises tentent de trouver des alternatives au crédit bancaire — Banque des entreprises No. 229
- 2 www.publi-news.fr, Les grandes entreprises se financent désormais à 50% sur les marchés, selon bfinance — Banque des entreprises No. 227

5| Cash and equity positions stabilised at a high level

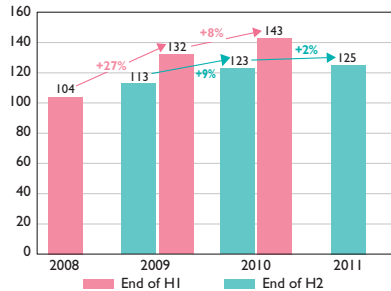
5|1 Significant cash positions on balance sheets

At 30 June 2011, the 70 listed groups had an aggregated cash position of 125 billion euro, up slightly (+2%) vs end-June 2010. Increasing steadily since 2008, this high cash position corresponded to 10% of balance sheet assets on average.

The financial structure of French groups is therefore particularly cash-rich, giving them substantial firepower for capital expenditure (plant, equipment, sales outlets, etc.) and external growth. It also allows them to be less dependent on the banks and more reactive to their markets.

Chart 19 Aggregate Cash Position of the sample

(EUR billions)



Source: Group financial statements – September 2011

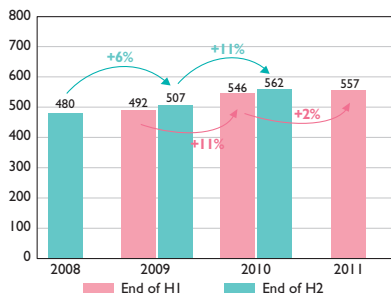
5|2 Higher equity levels

Better net profits have allowed the groups to strengthen their equity levels. At the end of June 2011, the sample's aggregate equity amounted to 557 billion euro, corresponding to 44% of their total resources (+3 points vs. June 2010 and +5 points vs. June 2009).

The progression was therefore weaker than in 2010 (+2% at 30 June 2011 vs. +11% at 30 June 2010) due to the impact of OCI³ (Other Comprehensive Income) which is a particular feature of

Chart 20 Aggregate equity

(EUR billions)



Source: Group financial statements – September 2011

³ OCI consists of changes in the value of company assets or liabilities directly recorded in equity.

Box 3

The “Other” elements of “Comprehensive Income” (OCI)

These accounting entries have no impact on a group’s cash position but can generate substantial variations at the equity level. Since the start of 2009, the groups recognise their annual variations in “Other Comprehensive Income” in a specific table called the Comprehensive Income Statement:

Net profit + “Other” elements of “Comprehensive Income” (OCI)
Comprehensive Income

The “Other” elements of “Comprehensive Income” can be broken down into five major categories:

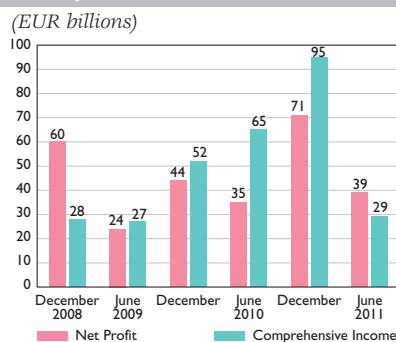
- Currency translation adjustments on foreign subsidiaries (with non-euro accounts);
- Valuation differences on available-for-sale assets (booked at fair value);
- Valuation differences on derivative hedging instruments;
- Actuarial differences related to pension commitments (defined-benefit schemes);
- The attributable share of the earnings or losses of affiliates consolidated by the equity method that are booked directly to equity.

For the time being, very little analysis has been focused on these OCI elements. It is regrettable that the groups only communicate their OCI variations periodically without clearly communicating their positions at the start and the end of the financial year, which prevents the calculation of the real total impact on equity.

financial accounts consolidated under IFRSs. OCI can have a significant impact on the amount of consolidated equity and represents accounting entries that are directly booked to equity without being recognised on the income statement.

In the first half of 2010, OCI included currency translation gains that contributed 39 billion euro to the aggregate equity of our sample of 70 companies. In the first half of 2011, the aggregate currency

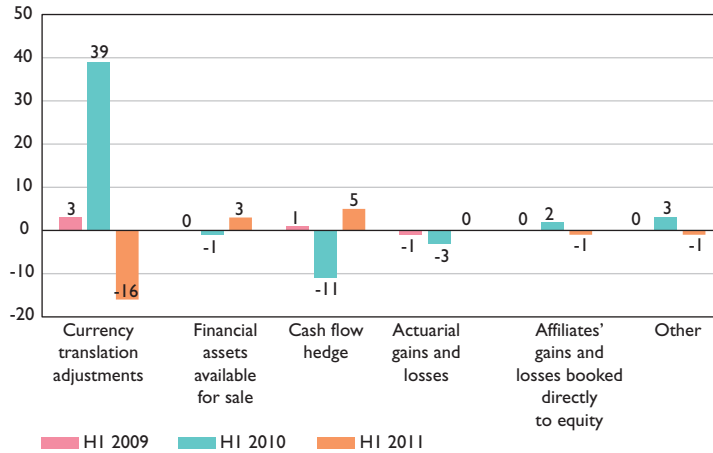
Chart 21 Net profit and Comprehensive Income



Source : Group financial statements – September 2011

Chart 22 Change in OCI

(EUR billions)



Source: Group financial statements – September 2011

translation impact was negative by 16 billion euro, which was subtracted from the aggregate equity level. In effect, there is a portion of equity that is considered fragile, since it is exposed to exchange rates and market price fluctuations.

5|3 Higher dividends

With higher levels of equity and better net earnings, the groups in our sample raised the profits distributed to shareholders over the two years to 30 June 2011: in 2010 dividends paid amounted to 37 billion euro (+12% vs. 2009) representing 6.5% of equity. At the end of the first half of 2011 the total volume of dividends paid already stood at 29 billion euro.

Appendix

I | Methodology

The sample consists of 70 non-financial groups listed on compartment A (capitalisations above 1 billion euro) of the Euronext Paris Stock Exchange with financial years running from 1 January of year N to 31 December of year N. This study has been compiled on the basis of their annual consolidated accounts for 2008, 2009 and 2010 as well as their interim (H1) consolidated statements for 2009, 2010 and 2011.

ACCOR	EIFFAGE	PEUGEOT	VIVENDI	FONC.DES REGIONS
ADP	ERAMET	PPR	ARCELORMITTAL	FONC.FIN.PARTICIP.
AIR LIQUIDE	ESSILOR INTL.	PUBLICIS GROUPE SA	SCHLUMBERGER	FONCIERE LYONNAISE
ALCATEL-LUCENT	FRANCE TELECOM	RALLYE	STMICROELEC	GECINA NOM.
ARKEMA	GDF SUEZ	RENAULT	AXA	ICADE
ATOS ORIGIN	GEMALTO	REXEL	BNP PARIBAS	KLEPIERRE
BIC	EUROTUNNEL	RHODIA	CREDIT AGRICOLE	MERCIALYS
BIOMERIEUX	HAVAS	S.E.B.	EULER HERMES	SILIC
BOLLORE	HERMES INTL	SAFRAN	EURAZEO	CASINO GUICHARD
BOURBON	ILIAD	SAINT GOBAIN	NATIXIS	COLAS
BOUYGUES	IMERYS	SANOFI-AVENTIS	RALLYE	EDF ENERGIES NOUV.
BUREAU VERITAS	IPSEN	SCHNEIDER ELECTRIC	SCOR SE	FAURECIA
CAP GEMINI	IPSOS	SUEZ ENVIRON.	SOCIETE GENERALE	FINANCIERE ODET
CARREFOUR	JC DECAUX SA.	TECHNIP	WENDEL	LVMH
CFAO	L'OREAL	TELEPERFORMANCE	AIR FRANCE-KLM	TFI
CGG VERITAS	LAFARGE	THALES	ALSTOM	EDENRED
CHRISTIAN DIOR	LAGARDERE S.C.A.	TOTAL	BTLSAT COMMUNIC.	ESSO
CIMENTS FRANCAIS	MAUREL ET PROM	VALEO	NEOPOST	LEGRAND
DANONE	METROPOLE TV	VALLOUREC	PERNOD RICARD	NYSE EURONEXT
DASSAULT AVIATION	MICHELIN	VEOLIA ENVIRON.	SODEXO	ORPEA
DASSAULT SYSTEMES	NEXANS	VICAT	UNIBAIL-RODAMCO	RUBIS
EADS	NEXITY	VINCI	VILMORIN & CIE	SOMFY SA
EDF	PAGESJAUNES	VIRBAC	ZODIAC	
Financial statements in USD: not taken into account				
Financial institutions: not taken into account				
Groups with financial years not ending 31 December: not taken into account				
Property companies: not taken into account				
Groups consolidating other groups in the sample or being already consolidated by other groups in the sample: not taken into account				
Groups whose financial statements were not available at the date of the study: not taken into account				

The representativeness of our sample vis-à-vis listed groups in general is good

- At the end of 2009, the 70 groups represented 55% of the total turnover on accounts consolidated in France and 79% of the turnover of listed groups.
- In terms of total assets, the 70 groups represented 41% of total assets on consolidated balance sheets in France and 55% of total listed group assets.

2 | Data analysed

The principal accounting items analysed for the 70 groups in the 2010 are listed in the following table.

I. GENERAL INFORMATION	Minorities
Company name	Shareholder equity ✓
NACE code of group's principal activity	Trade payables ✓
II. INCOME STATEMENT	Total liabilities (current and non-current)
Turnover ✓	V. CHANGE IN EQUITY
o/w turnover in France ✓	Change in issued share capital
EBITDA ✗	Dividends paid (group share + minority share)
Operating income ✓	VI. CASH FLOW
Net profit ✓	Cash flow from operational activities ✓
Current operating income ✗	Cash flow from investment activities ✓
III. COMPREHENSIVE INCOME	• acquisitions of tangible and intangible fixed assets ✓
Change in currency conversion differences ✓	• acquisitions of financial fixed assets ✓
Financial assets available for sale ✓	• divestments of tangible and intangible fixed assets ✓
Cash flow hedges ✓	• divestments of financial fixed assets ✓
Revaluation differences hedging instruments ✓	• other changes ✓
Actuarial gains and losses ✓	Cash flow from financing activities ✓
Affiliate's earnings and losses booked directly as equity ✓	Change in net cash position ✓
Other ✓	Net cash position at year-end ✓
Comprehensive income ✓	
IV. BALANCE SHEET	
Goodwill – Gross value	
Goodwill – Net value ✓	
Inventories ✓	
Trade receivables ✓	
Total assets (current and non-current)	
Total financial debts ✓	
o/w bond debt ✓	

✓ : The items seen and used in our analyses.

✗ : The items seen but not used in our analyses due to incomplete information.

3 | Sector data

Breakdown of the 70 groups into 5 principal sectors of activity:

Energy & Environment	Manufacturing & Construction	Retail & Wholesale Trade, Transport, Accommodation and Catering	Information and communication	Services and Real Estate Activities
EDF GDF Suez Maurel et Prom Suez Environnement Total Veolia Environnement	Air Liquide Alcatel Arkema Bic Biomérieux Bouygues Christian Dior Ciments français Danone Dassault Aviation EADS Eramet Essilor Hermès Imerys Ipsen L'Oréal Lafarge Michelin Nexans PSA Renault Rhodia Safran Seb Saint-Gobain Sanofi Aventis Schneider Thales Valeo Vallourec Vicat Vinci Virbac	Accor ADP Bolloré Carrefour CFAO Eiffage Eurotunnel PPR Rallye Rexel	Atos Capgemini Dassault Systèmes France Telecom Gemalto Iliad Ipsos Lagardère M6 Vivendi	Bourbon Bureau Veritas CGG Veritas Havas JC Decaux Nexity Pages jaunes Publicis Technip Teleperformance

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Leveraged buy-outs in France: substantial differences between small and medium-size targets

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In the framework of its corporate rating activity, the Banque de France gathers a large quantity of information concerning French companies, including, among other elements, accounting statements, data regarding bank debts and information on financial links. In fact, an examination of the companies' financing methods and of the terms under which they hold their capital is an integral part of the Bank's ratings attribution system. Hence, in the case of a structure resulting from a leveraged buy-out (LBO), the Bank's analysts must form an opinion of the target company's capacity to generate sufficient cash to repay, according to the established repayment schedule, the financial debt incurred for its acquisition by the takeover holding company.

Generally speaking, LBO operations are interesting if only because while being essentially aimed at facilitating the more profitable development of a company via capital restructuring, they can also represent an additional risk factor. The regular monitoring of these structures provides a number of interesting indications that contribute to a better understanding of the companies concerned.

In this context, annual surveys of LBO companies have been conducted since 2009 based on questionnaires created and analysed by the Banque de France branch network.

This study is based on two samples of LBO companies initiated in 2006: the first, analysed in 2010, covers 187 small companies mostly generating turnover under 7.5 million euro, while the second, analysed in 2011, covers 74 medium-sized companies, generating turnover above 30 million euro.

Admittedly, the population covered by this study cannot be considered perfectly representative; but it does allow the identification of certain typical features of these restructuring operations. In fact, the number of LBOs conducted each year in France is not very high: usually in the hundreds or low thousands (compared with the figure of 260,000 companies whose accounts are analysed by the Banque de France) and their size is often fairly modest. The vast majority of these companies generate annual turnovers of less than 50 million euro.

.../...

NB: The author wishes to thank J.-L. Caumes for his collaboration in processing the survey data.

Generally speaking, the small and medium-size enterprises that represent the bulk of the entities restructured under LBO operations post the best performances in financial terms and they are generally more dynamic than the average of the companies analysed by the Banque de France.

Keywords: LBO, SME, groups, turnover, profitability, indebtedness, investment, equity capital, liquidity, covenant, assessment

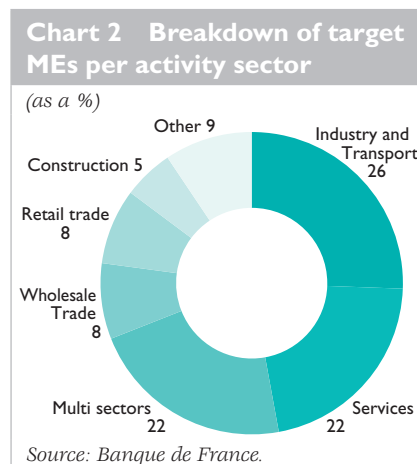
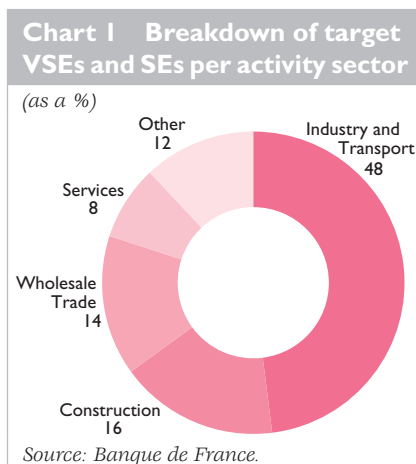
JEL codes: E22, G34, L25

1| Characteristics of the target companies studied

The first sample analysed in 2010 included mainly small and very small enterprises (SEs and VSEs) of which 56% had turnovers below 7.5 million euro while the second sample, analysed in 2011, covered medium-size enterprises (MEs) of which 62% had turnovers of at least 50 million euro.

Three quarters of the target enterprises in the 2010 sample were active in the sectors of Industry and Transport (45%), Construction (16%) and Wholesale Trade (14%). In contrast, the sample analysed in 2011 was much more concentrated in Industry and Services. The per-sector breakdown of the ME targets in the second sample is in fact much closer to that of the overall population of companies rated by the Banque de France.

The median headcount is nearly four times higher in the target MEs than the SEs and VSEs at respectively 117 staff versus 34.



2| Target company profile affects initial valuation...

Three factors have an impact on the initial valuations and levels of debt engaged by the takeover holdings in the acquisition of target MEs and SEs: the activity sector, the majority shareholder and the type of LBO.

- The median acquisition prices of the targets and the median debt ratios of the takeover holdings are higher in LBOs of service sector companies, probably due to the higher development potential in that sector for the equivalent investment. This gap is just as wide for medium-size targets as for smaller companies under LBOs and is reflected in Price/Sales, Price/EBITDA (Earning before tax depreciation and amortisation) or Price/PTI (pre-tax income). The gap is also visible in the levels of debt taken on by acquirers.

Table 1 Target acquisition price per activity sector

	Ratio of price to		
	Sales	EBITDA	PTI
Activity sectors of target MEs			
Industry and transport (excl. road freight)	0.87	6.50	9.40
Services	0.84	8.80	10.70
All sectors	0.70	6.70	9.45
Activity sectors of target SE/VSEs			
Industry and transport (excl. road freight)	0.50	4.48	5.20
Services	1.00	6.20	5.03
All sectors	0.45	4.60	5.30

Source: Banque de France.

Table 2 Level of acquirer debt per activity sector

	Ratio of debt to		
	Self-financing capacity	EBITDA	Equity
Activity sectors of target MEs			
Industry and Transport (excl. road freight)	7.00	4.78	3.20
Services	9.60	5.57	2.04
All sectors	6.40	4.76	2.90
Activity sectors of target SE/VSEs			
Industry and Transport (excl. road freight)	4.00	3.00	3.00
Services	5.00	4.00	2.90
All sectors	4.00	3.00	3.00

Source: Banque de France.

- Where the majority shareholder in the takeover holding is a legal entity, the median debt ratio and the median acquisition price are both higher;
- In the framework of purely financial LBOs¹ or secondary or tertiary LBOs, generally involving investment funds, the median debt ratio and the acquisition price are higher, notably for medium-size companies.

The latter two observations seem to suggest that there are different acquisition prices for different types of buyers and that the acquisition price is determined on the basis of a combination of several factors: the negotiating strength (or weakness) of the buyer vis-à-vis the seller, the anticipated investment horizon, the degree of management involvement in the target company, etc.

¹ Purely financial LBO: LBO in which the investor contributes very little input (such as a re-organisation or a strategic re-orientation) but expects a maximisation of short-term cash flow.

In effect, the median price/Ebitda for MEs is 6.7. This median rises to 8.8 for Service sector companies and to 10 when the majority shareholder in the takeover holding is a legal entity.

Table 3 Acquisition price per majority shareholder

	Ratio of price to		
	Sales	EBITDA	PTI
Majority shareholder of target MEs			
Natural person	0.35	4.65	7.40
Legal entity/company	1.00	10.00	10.00
All shareholders	0.70	6.70	9.45
Majority shareholder of target SE/VSEs			
Natural person	0.34	4.14	4.80
Legal entity/company	0.80	6.60	7.25
All shareholders	0.45	4.63	5.30

Source: Banque de France.

Table 4 Level of acquirer debt per majority shareholder

	Ratio of debt to		
	Self-financing capacity	EBITDA	Equity
Majority shareholders of MEs			
Natural person	3.18	2.55	2.40
Legal entity/company	12.00	9.00	4.15
All shareholders	6.40	4.76	2.90
Majority shareholder of target SE/VSEs			
Natural person	3.79	2.90	3.00
Legal entity/company	5.77	4.65	2.49
All shareholders	4.00	2.49	3.00

Source: Banque de France.

Table 5 Acquisition price per type of LBO

	Ratio of price to		
	Sales	EBITDA	PTI
Purely financial LBO	1.10	8.60	10.00
Service company LBO	1.60	8.80	13.20
All LBOs (MEs)	0.70	6.70	9.45

Source: Banque de France.

Table 6 Level of acquirer debt per type of LBO

	Ratio of debt to		
	Self-financing capacity	EBITDA	Equity
Purely financial LBO	9.75	6.25	3.70
Service company LBO	8.15	8.15	3.40
All LBOs (MEs)	6.40	4.76	2.90

Source: Banque de France.

Table 7 Median target acquisition price

Price	SE/VSE targets	ME targets
/Sales	0.45	0.70
/EBITDA	4.63	6.70
/PTI	5.30	9.45

Source: Banque de France.

Table 8 Median level of holding (acquirer company) debt

Debt	SE/VSE targets	ME targets
/Sales	4.00	6.40
/EBITDA	3.06	4.76
/Equity	3.00	2.90

Source: Banque de France.

The median ratios are generally 1.5 x higher for MEs than for SE/VSEs, both in terms of the acquisition price and the debt ratios.

However, the fact that these ratios do not increase within the ME category suggests that the relationship between acquisition ratio and sales is not linear but rather is due to a different methodology used for MEs and for SE/VSEs.

The type of shareholder structure and LBO operation influences the valuation of the target and contributes to higher acquisition multiples for MEs than for SE/VSEs. Thus:

- On the one hand, the size of the LBO target has an impact on the nature of the principal shareholder in the takeover holding: the higher the target's turnover, the higher the level of debt required to finance its acquisition and the higher the likelihood that the investor with the capacity to raise the required capital will be a legal entity;
- At the same time, the higher proportion of financial and secondary or tertiary LBOs in the ME category underscores the importance of the asset-monetisation motive in the sales of these companies, i.e. the seller's ambition to liquidate and/or materialise the unrealised capital gain of the industrial asset.

3| ... and allows a more accurate assessment of future cash flows

A substantial proportion of the LBOs structures examined (43% in the ME bracket) posted a favourable evolution of their post-LBO cash flows. According to our survey responses, this progression was mainly attributable to three factors: turnover growth (59%), cost rationalisations (53%) and reduced working capital requirements (53%). The priority channel for the transfer of free cash flows to the takeover holding is the payment of dividends. Other methods include fiscal integration² and the billing of interest fees (particularly on the current accounts of affiliated companies).

For SE/VSEs, turnover growth is more projected as a new source of cash liquidity.

We have also observed that the structures that have generated an improvement in their post-LBO cash flows are precisely those whose sector, shareholder structure and LBO type criteria justify a higher valuation of the target:

- Target companies in the Industrial and Transport sectors as well as those in the Services sector with a mixed shareholder structure (legal entity associated with a natural person) generate higher levels of cash flow;
- The proportion of purely financial LBOs generating higher cash flow is substantially higher than for other LBO types. The LBO type therefore appears to have an influence on the management mode of the acquirer group, particularly with respect to its short-term objectives.

So generally speaking, in the case of financial LBOs, the primary objective of the majority associates (usually investment funds) is to maximise the cash flows as quickly as possible and optimise the shareholder value in order to resell the target in a relatively short time-frame with a substantial capital gain. In the case of LMBOs³ (leveraged management buy outs) and OBOs (owner buy-out, where the CEO and principal shareholder sells part of his interest in the company to himself in order to liquidate his assets and

Table 9 Cash flow improvement rate depending on the majority shareholder in the takeover holding

(as a %)

Majority shareholder	Improvement rate of cash flows
Mixed	69
Legal entity/company	13
Natural person	19
All targets	43

Source: Banque de France.

² The principle is as follows: the financial costs linked to the acquisition of the target generate a tax loss for the takeover holding that is then offset against the taxable profits (in principal) of the target. With a corporate tax rate of 33%, the resultant tax saving therefore corresponds to approximately one third of the financial costs generated by the operation. In practice, the target company pays the tax corresponding to its taxable earnings to the takeover holding which then pays the tax due to the tax authorities, retaining the difference corresponding to the value of the tax saving.

thereby generate cash), the growth of post-operation cash flows is less frequent due primarily to the longer-term strategic vision implicit in such operations.

On the other hand, we have not found any relationship between the progression of cash flows and the size of the target or the year in which the LBO operation was performed.

4| Diversified sources of finance even if bank loans remain predominant

Whatever the size of the target, bank debt is the principal source of LBO financing. It is present in all the structures involving SE/VSEs and in 79% of those involving MEs.

The holdings of MEs are more likely to resort to bond debt than the SE/VSEs. In effect, the higher amount of the financing required for the leveraged acquisition of MEs leads to a broader diversity of financing sources which, in turn, leads to more complex structures. Nevertheless, bond debt, whatever form it may take (convertible, etc.) may be analysed as a complementary resource, whereas bank debt represents in the majority of cases the primary source of financing. LBO structures may also involve shareholder loans or a seller's loan.⁴

On the LBO deal date, the average debt maturities are slightly lower for SE/VSEs at 6.5 years compared with 7.5 years for MEs. The MEs' greater use of bond debt (often with longer maturities) could explain this situation.

Table 10 LBO deal structures according to target size

(share in %, maturity in years)

Type of financing	Medium-size enterprises		Small and very small enterprises	
	Proportion of structures concerned	Median maturity	Proportion of structures concerned	Median maturity
Bank debt	79	7,5	100	6,5
Bonds o/w (balance not determined) ^{a)}	73		27	
– Convertible	64	> 7	21	7,0
– Conventional	20	> 7	7	6,5
– Redeemable in equity	3		1	
Seller's loan	19	> 3	18	ns
Shareholder loans	8	ns ^{b)}	32	6,5

a) 13% of the bond financing was not detailed.

b) "ns" corresponds to "not specified".

Source: Banque de France.

³ Cf. appendix.

⁴ The seller's loan is when the seller agrees to not receive the full amount of the agreed sale price at the time of the sale and authorises the buyer to repay the balance according to a contractually defined payment schedule.

5| Certain categories of target enterprises seem more exposed to the risk of breaching their covenants

For LBO deals involving SE/VSEs, lenders require more guarantees than covenants.⁵ The rate of guarantees or covenants requested of the takeover holding does not depend on the sector, the size, the structure of the target or the year of the operation. However, we found more covenants in LBO operations involving a mixed shareholder structure than with the other structures. Until 2010 at least, the crisis had not led to an increased demand for additional guarantees by lenders.

The structures involving SE/VSEs nevertheless seem more fragile since it posts a higher rate of covenants breaches than the ME segment even if, in practice, these breaches do not always lead to loan recalls. In fact, although only 25% of the loans to SE/VSEs carried covenants compared with 81% for MEs, the breach rate amongst the SE/VSEs was 35% compared with 30% in the ME segment.

A combination of factors suggests that the profile most exposed to covenant breach risk is the same as the profile with the highest initial valuations and hence the highest levels of leverage:

- Target companies in the services sector;
- Structures in which the majority shareholder is one or more legal entities.

Table 11 Rate of guarantees or covenants requested according to debt type and target size

(as a %)

	Bank debt	Conventional bond debt	Convertible bonds	Bonds redeemable in equity
SEs/VSEs				
Guarantees	53	0	50	13
Covenants	24	38	0	28
MEs				
Guarantees	32	13	0	9
Covenants	72	40	0	34

Source: Banque de France.

⁵ Covenant: loan contract clause that allows for early repayment in the event certain targets are not reached. A banking covenant in the framework of the leveraged operation such as an LBO usually involves the insertion by the lender of clauses of minimum financial ratios to reduce the risk of borrower insolvency. The most frequently used ratio is financial costs/Ebitda. The covenant allows the lender to demand early repayment of a loan if a company is unable to meet its financial forecasts and the borrower's financial structure deteriorates below the ratios hitherto defined.

Whatever the size of the target, a covenant breach does not imply loan recall but rather debt restructuring. The primary reason given in justification for covenant breaches is a less favourable than expected economic context. Another reason may well be the heavier debt burden associated with high initial valuations (cf. below) as it would tend to lead to a higher level of risk-taking.

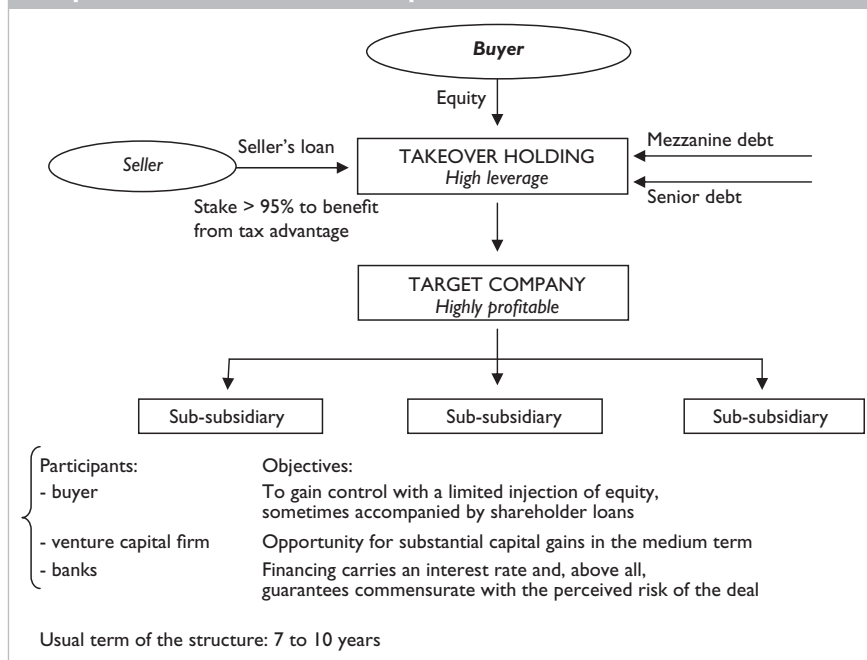
Our surveys show that in the event of covenant breaches, the lending institutions usually adopt a relatively conciliatory attitude and are willing to accept a variety of solutions (by order of priority): renegotiation of the covenant, extension of debt maturities, carry-forward of annuities.

Appendix

Characteristics of LBO deals

The LBO (Leverage Buy Out) is a financial structure whereby a takeover holding company takes on debt to acquire a target company on behalf of a buyer. Repayment of the debt incurred is mainly achieved with the target company's profits which are allocated to the holding in the form of dividends.

Simplified schema of an LBO operation



The different types of LBO

LBOs are generally used in the context of business ownership transfers.

When the target company is acquired by its directors it is called an MBO (Management Buy-Out) or a LMBO (Leveraged Management Buy-Out). When external directors take control and responsibility for the management of the target company, the term LBI (Leveraged Buy-In) is used. Lastly when the deal involves a mix of internal and external directors the operation is referred to as a BIMBO (Buy-In Management Buy-Out). Another form of LBO is the employee buy-out in which the employees of the target company become its principal acquirers.

As their name implies, all LBOs rely on the leverage effect procured by debt financing. Thus generally speaking, the takeover holding contributes only a relatively small proportion of equity to the operation. As a result, an LBO structure is an intrinsically highly unbalanced structure with heavy debts and limited shareholder equity.

The leverage mechanism

An LBO involves three kinds of leverage:

- *Legal leverage from the constitution of a holding company and the subscription to part of its capital by professional external investors (specialised investment funds, private equity firms). This allows the buyers to increase their control over the target with only a limited amount of initial capital;*
- *Financial leverage from the massive use of debt to raise the profitability of the funds invested. The creation of a takeover holding allows a major part of the operation's financing to be supported by the target company: the debt contracted by the holding is repaid via the dividends that the target pays to the holding;*
- *Tax leverage from the adoption of the fiscal integration regime. This tax regime allows the holding company to assume responsibility for paying the income tax commitments of the holding and the target company considered as a single fiscal unit and thereby to offset the interest it pays on the debt contracted for the acquisition against the target company's profits.*

To the extent that these structures rely essentially on debt, any change in the economic environment or even a drop in the level of the company's profitability can undermine the debt repayment capacity of the structure consisting of the holding company and the target company, which can in turn lead to bankruptcy. These structures are therefore intrinsically vulnerable. In any event, the weight of the structure's debt servicing commitments will limit the company's investment capacity for several years, thereby reducing its ability to react to market evolutions and to develop its production potential.

In practice, one may consider that the ideal companies for such leveraged buy-out operations are profitable companies with mature activities that already have good visibility on a stable market.

Monetary and credit developments in 2011

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The growth rate of the euro area broad monetary aggregate M3, which became positive again in 2010 (1.7%, after -0.4% in 2009), increased until summer 2011 before falling back to 1.5% at the end of the year (1.5% adjusted for transactions conducted by monetary financial institutions (MFIs) via central counterparties¹). The French contribution, which stood at 6.6% in 2010 (after -4.8% in 2009), rose by 3.1% in December 2011.

In France, lending to the non-financial private sector, the main counterpart of M3, continued to grow at a more sustained pace than in the euro area. The annual growth rate increased, reaching 4.4% in 2011, after 1.2% in 2010 while that of lending for house purchases eased but remained strong (6.3% in 2011, after 8.0% in 2010).

Keywords: money, lending for house purchases, loans to enterprises

JEL codes: D14, D21, E51

¹ In the euro area, most clearing houses do not have credit institution status and are therefore considered to be money-holders. Transactions conducted by monetary financial institutions (MFIs) via central counterparties thus have an impact on the money supply and are excluded so as not to skew the analysis of its development.

I | Growth of the broad monetary aggregate M3 remained moderate

After rebounding in the second half of 2010 and in the first half of 2011, the annual growth rate of the euro area monetary aggregate M3 (see Table 1) fell back to 1.5% at end-2011, to stand at its end-2010 level (1.7%). France's contribution to the euro area aggregate increased by 3.1% in 2011, slowing down sharply compared with the strong recovery seen the previous year (6.6% in 2010, after -4.8% in 2009 (see Chart 1).

Table 1 Euro area and French monetary aggregates

(outstandings in EUR billions – % growth rates)

	Euro area ^{a)}				France ^{c)}			
	Dec. 2011	Gross annual growth rate ^{b)}			Dec. 2011	Gross annual growth rate ^{b)}		
		Dec. 2009	Dec. 2010	Dec. 2011		Dec. 2009	Dec. 2010	Dec. 2011
Monetary aggregates (seasonally-adjusted) or Main money market investments ^{c)}								
Currency in circulation	842	6.2	4.8	6.1				
+ Sight deposits	3,939	13.5	4.2	0.7	580	6.8	7.6	4.4
= M1	4,781	12.2	4.3	1.6				
+ Other money market deposits	3,789	- 9.0	- 0.4	1.9	715	- 5.3	2.9	8.8
o/w: + Deposits redeemable at notice of up to 3 months	1,961	15.1	6.3	1.9	559	3.1	3.5	7.3
o/w: Deposits with an agreed maturity of up to 2 years	1,828	- 24.2	- 6.6	2.0	156	- 27.4	0.5	14.7
= M2	8,570	1.5	2.2	1.8				
+ Marketable instruments	1,146	- 11.8	- 2.2	- 0.5	437	- 14.5	4.1	- 7.5
o/w: MMF shares/units	537	- 1.9	- 15.1	- 4.7	290	- 0.2	- 11.7	- 9.5
o/w: Debt securities – up to 2 years	207	- 50.3	- 13.8	24.2	112	- 56.6	98.7	- 4.2
= M3	9,716	- 0.4	1.7	1.5				
French contribution to M3 ^{d)}					1,811	- 4.8	6.6	3.1

a) Transactions of euro area monetary financial institutions (MFIs) with other euro area residents.

b) Changes adjusted for reclassifications and other valuations.

c) Transactions of French MFIs with other French residents.

d) French resident MFI liabilities, maturing in less than 2 years, (excl. currency in circulation) towards the money-holding sector of the euro area (euro area residents excl. MFIs and central government) and, by extension, the deposits held by this sector with central government.

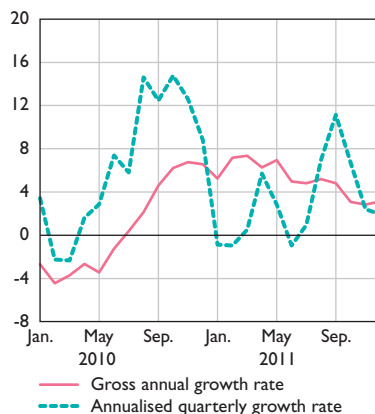
Changes in returns on the different types of investments have influenced the respective developments of the different components of M3 in both the euro area and France. Compared with the lows reached in 2010, the slight increase in short-term interest rates resulted in a rise in the opportunity cost of holding the most liquid assets bearing little or no interest, i.e. currency and overnight deposits. This led to a substantial deceleration in M1 growth (1.6% in 2011, after 4.3% in 2010). In the euro area, the non-financial corporations (NFCs) reduced their holdings of overnight investments while households favoured higher-yielding liquid investments. Nevertheless, in the second half of the year, financial market tensions temporarily checked these portfolio shifts, with a certain preference emerging for liquid instruments included in M1. Growth in currency in circulation then accelerated, in particular in the euro area countries worst affected by the financial turmoil.

Higher remuneration rates benefited short-term deposits included in M2-M1 (1.9% in 2011 after 0.4% in 2010). In France, outstanding amounts of passbook savings expanded at a strong pace following the two hikes in the "A" passbook savings rate in February and August (see Chart 2), which were then passed onto the ordinary passbooks. NFCs, for their part, favoured term deposits, offering higher returns than money market funds, to place their excess liquidity.

In the euro area, after fluctuating widely during the year, outstandings deposits included in M3-M2 more or less returned to their end-2010 level at end-2011 (-0.5% over the year). In H2 2011, the financial turmoil curbed growth in marketable instruments. In view of their difficulties in obtaining unsecured financing, euro area banks made wide use of repos

Chart 1 French contribution to M3

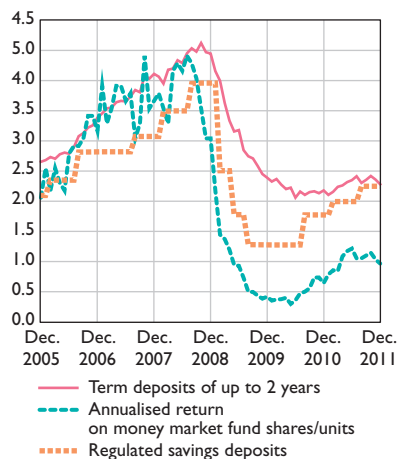
(as a %)



Source: Banque de France.

Chart 2 Remuneration of liquid savings in France

(as a %)

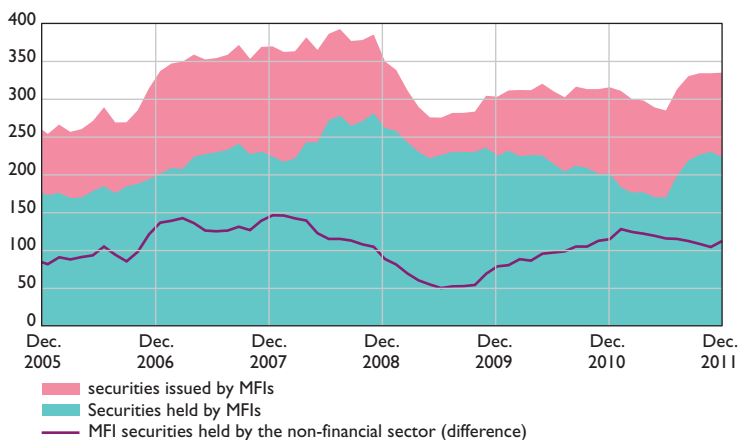


Source: Banque de France.

until November,² and in particular collateralised loans through central clearing counterparties,³ allowing them to hedge against counterparty risk. In France, the annual growth rate of outstanding debt securities issued by MFIs and held by the non-financial sector contracted (−4.2 % at end-2011). Lastly, MMFs continued to see net withdrawals in the euro area and France due to their low remuneration (see Charts 3 and 4).

Chart 3 Negotiable debt securities in France

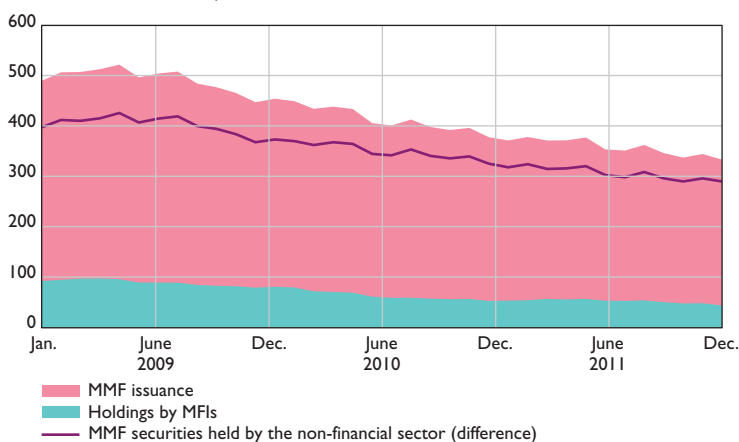
(outstandings in EUR billions)



Source: Banque de France.

Chart 4 Money market funds in France

(outstandings in EUR billions)



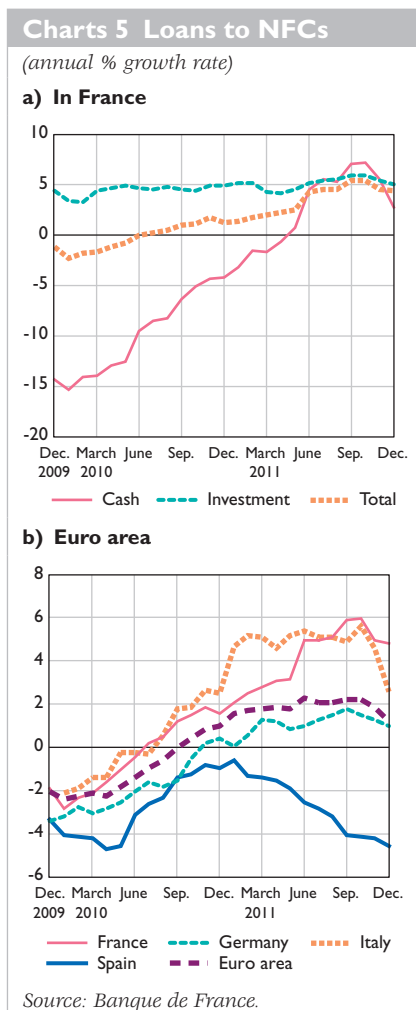
Source: Banque de France.

² Annual growth of repos stood at −2.6% in December, after 12.7% in November. This sharp decline can chiefly be attributed to the reversal in money market transactions conducted through central counterparties, whose amounts fell substantially at the end of 2011.

³ Clearing houses are entities that do not necessarily have credit institution status – but in France LCH CLEARNET SA is a bank – and whose core activity is to provide clearing for interbank transactions. In monetary statistics, they are classified under “other financial intermediaries”.

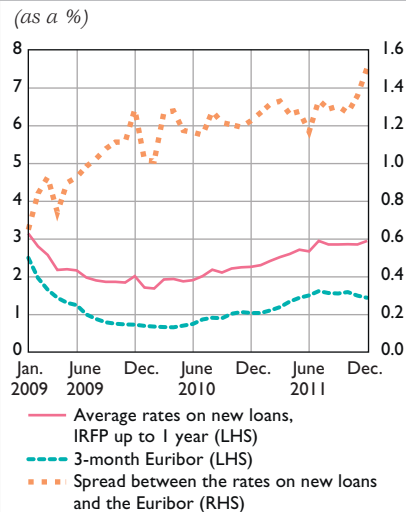
2| Growth in lending to non-financial corporations was stronger in France than in the euro area

In France, annual growth in loans to NFCs, which returned to positive territory in mid 2010, strengthened considerably in year-on-year terms, from 1.2% in 2010 to 4.4% in 2011 (see Chart 5a). Despite slowing down slightly in Q4 2011, this lending remained much more buoyant in France than in the other main euro area countries (see Chart 5b). The recovery in this lending in France was mainly driven by growth in cash loans (2.7% in 2011, after -4.2% in 2010). In the euro area, this recovery was much more measured: 1.2% in 2011.

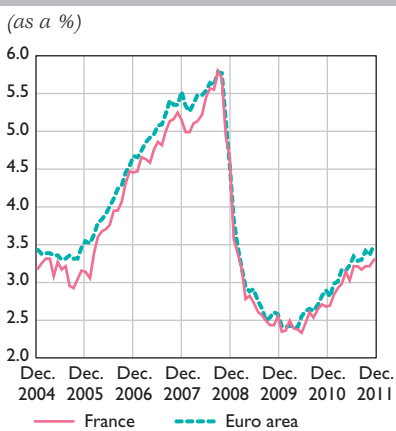


In France, inventory rebuilding, as of the start of the year, rekindled growth in cash loans while ongoing growth in business investment fuelled investment lending, which rose by 5.0% over the year. Favourable financing conditions also bolstered lending to NFCs, with the interest

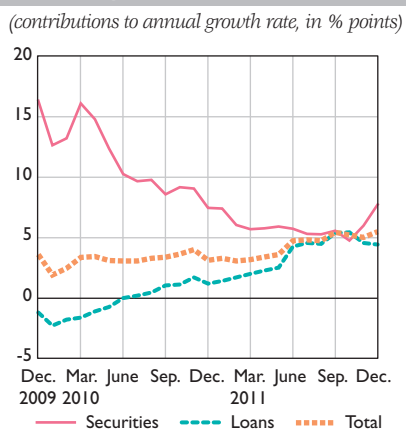
Chart 6 Rates on new loans to NFCs in France (adjustable rate and/or up to one year) and three-month Euribor rate
(as a %)



Note: IRFP: initial rate fixation period.
Source: Banque de France.

Chart 7 Interest rates on loans to NFCs in the euro area

Source: Banque de France.

Chart 8 Debt ratio of NFCs by financing source

Source: Banque de France.

rate on adjustable rate loans remaining at around 2.9% in H2 2011, after rising slightly in H1 2011 in line with three-month Euribor developments (see Chart 6). Overall, the cost of lending to NFCs remained lower in France than in the euro area (see Chart 7).

In the second half of 2011, the sovereign debt crisis and the slowdown in economic activity weighed on bank lending conditions but did not lead to a credit crunch. Credit take-up varied according to company size. In Q4, issuance of debt securities by NFCs, which enjoyed more favourable market conditions in H2, rose substantially, partially reducing their recourse to bank lending. Overall, the debt ratio of NFCs rose by 5.5% in 2011, after 3.1% in 2010 (see Chart 8).

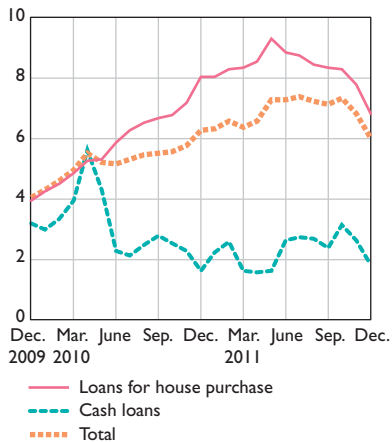
3| Growth in housing loans was strong even though it moderated in the middle of the year

Up to May 2011 the annual growth rate of outstanding housing loans continued to grow in France and in the euro area before starting to gradually decline in the second half of the year to stand at 6.3% at the end of the year (see Chart 9a). In France, this growth remained much more rapid than in the euro area (see Chart 9b) while cash loans to households grew at a more modest rate (2% over the year).

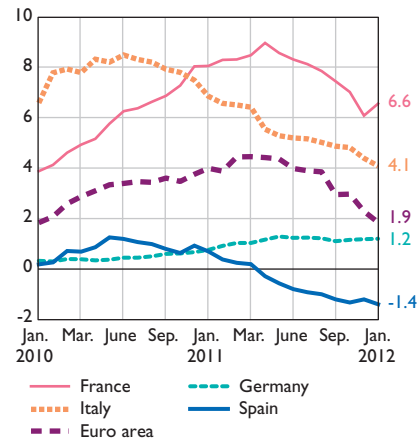
Charts 9 Loans to households

(annual % growth rate)

a) In France



b) In the euro area

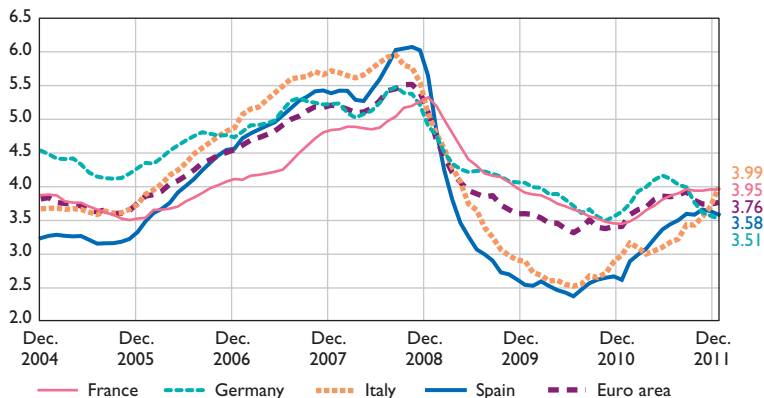


Source: Banque de France.

Household demand for housing loans in France in 2011 was underpinned by still attractive financing conditions, despite the rise in rates in the first half of the year: the average rate on housing loans stood at 3.95% in December 2011, around 60 basis points above its level one year earlier (see Chart 10). In France, this rate was slightly higher than that of the euro area; this spread could partially result from the low take-up by French households of adjustable rate loans compared to their counterparts in

Chart 10 Interest rates on new housing loans
France and the euro area

(as a %)



Source: Banque de France.

the other main countries (see Chart 11). This difference in behaviour is mainly attributable to the low spread between the rates on fixed rate and adjustable rate loans (around 20 basis points at end-2011).

According to the bank lending survey, some banks report that they have tightened their credit standards for housing loans in Q3 and Q4 2011 and have slightly raised their margins. These loans nevertheless rose further at end-2011 as loan seekers sped up their applications ahead of announced reductions in tax breaks (“Scellier scheme”) and of the tightening of conditions regarding the use of interest-free loans.

In 2011, the modest growth in consumer credit can be ascribed to the mixed developments of their different components. Activity in reducing-balance loans was underpinned by a number of schemes introduced by the “Lagarde Law” passed on 1 July 2010 leading borrowers to favour the former over revolving loans (see Chart 12). Year-on-year, revolving loans outstanding contracted by almost EUR 0.5 billion while personal loans outstanding rose by around EUR 1 billion. At the same time, the decline in rates on revolving loans due to the new consumer credit laws⁴ brought them at end-2011 to a level comparable to that of the euro area average (see Chart 13).

Chart 11 Share of adjustable rate loans in the euro area

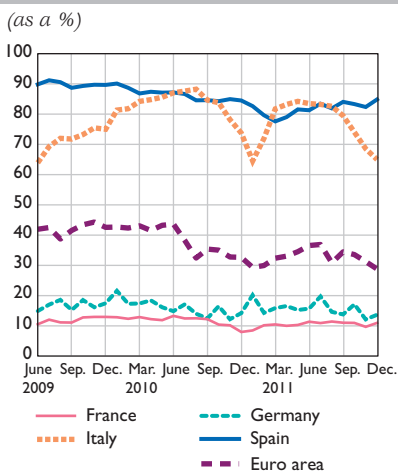
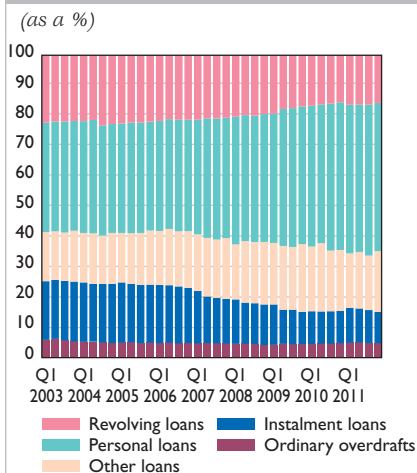
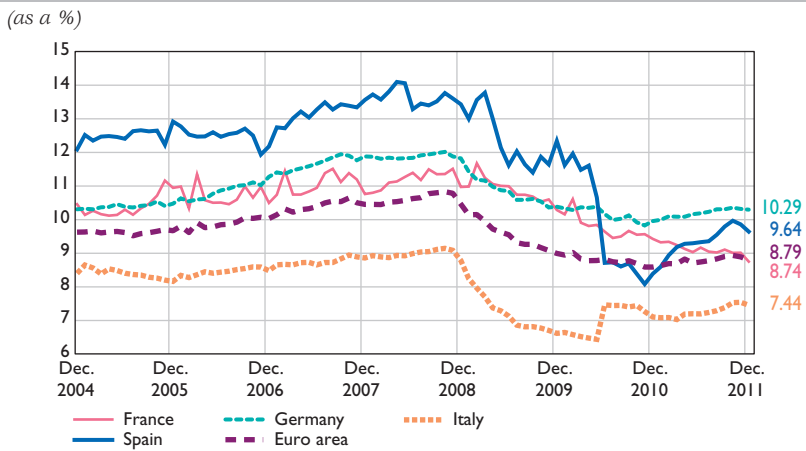


Chart 12 Breakdown of cash lending to households in France



⁴ The “Lagarde Law” of 1 July 2010 states that, after a transitional period, usury rates will be calculated for three different amount categories: below EUR 3,000, between EUR 3,000 and 6,000, and over EUR 6,000. This new law aims to reduce usury rates on revolving loans and increase incentives to take out reducing balance loans.

Chart 13 Interest rates on revolving loans in the euro area



Source: Banque de France.

Has the 2008-2009 recession increased structural unemployment in the euro area?

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The 2008-2009 crisis triggered a significant rise in the euro area unemployment rate, from 7.4% in the first quarter of 2008 (peak of the business cycle before the recession) to 9.5% in the second quarter of 2009 (trough of the recession).¹ As the labour market usually reacts to business cycle turnarounds with a lag, the unemployment rate continued to deteriorate beyond the start of the recovery in the third quarter of 2009. However, despite a recorded GDP growth of 3.6% between the second quarter of 2009 and the fourth quarter of 2011 and the emergence of frictions in the labour market, the unemployment rate remained high at 10.4% of the labour force in the fourth quarter of 2011.

Indeed, the persistence in the post-crisis unemployment rate prompted us to question whether structural unemployment has increased in the euro area. Among the numerous determinants of structural unemployment, this article examines the evolution of the so-called Beveridge curve in the euro area from 1995 to the present day. As a graphical representation of the relationship between unemployment rate and vacancy rate, the Beveridge curve provides an illustration of labour supply and demand matching inefficiencies, without drawing any conclusion about the nature or the causes of these frictions (for example, they could be sector-related or geography-related). For the euro area, the Beveridge curve suggests less efficient matching since the 2008 recession.

The euro area's labour market still being highly segmented, this article also analyses the Beveridge curves of the main euro area members (Germany, France, Italy and Spain) and concludes that the risk of an emergence of structural unemployment in the euro area, as illustrated by the Beveridge curve, is primarily located in Spain, although some signs of an increase in structural unemployment have also appeared in France.

Keywords: structural unemployment, Beveridge curve, matching efficiency

JEL codes: E24, E32, J21, J60

¹ The rise in the unemployment rate was nevertheless moderate compared to the intensity of the recession, implying a large deviation from the empirical relationship of the Okun law. This could be due to the employment support policies implemented by many euro area countries, but also to the fact that the shock which prompted the 2008-2009 recession was for a large part external, while the unemployment rate is more sensitive to the domestic component of GDP than to its external component. The skill level of the labour force may also have played a role (ECB, 2012). These two factors played in opposite direction in Germany (where the recession was triggered by a fall in exports while the labour force is highly skilled) and Spain (recession caused by a sharp fall in domestic demand; low-skilled labour force).

I | The Beveridge curve: concept and interpretations

The Beveridge curve, named after the work of William Henry Beveridge, is a graphic representation of the empirical relationship between the unemployment rate (x-axis) and the vacancy rate (y-axis).² Its slope is negative with a high unemployment rate being *a priori* concomitant with a low rate of vacant positions. According to the economic theory, a formal representation of the Beveridge curve can be obtained via a matching function that describes the interaction between individual agents and firms at any given moment t (Blanchard and Diamond, 1989; Petrongolo and Pissarides, 2001):

$$H_t = H(U_t, V_t), \quad (1)$$

where H is the matching technology, U_t is the number of unemployed agents and V_t is the number of firms with vacant positions, or more simply, the number of vacancies. Dividing the argument by the labour force, we obtain an expression describing the matching rate as a function of the unemployment rate and of the vacancy rate:

$$h(u_t, v_t) = H\left(\frac{U_t}{L_t}, \frac{V_t}{L_t}\right). \quad (2)$$

In the theoretical literature, the matching function has often been specified as a Cobb-Douglas function, since the assumption of constant returns to scale has been empirically verified:

$$h = Au_t^\gamma v_t^{1-\gamma}, \quad (3)$$

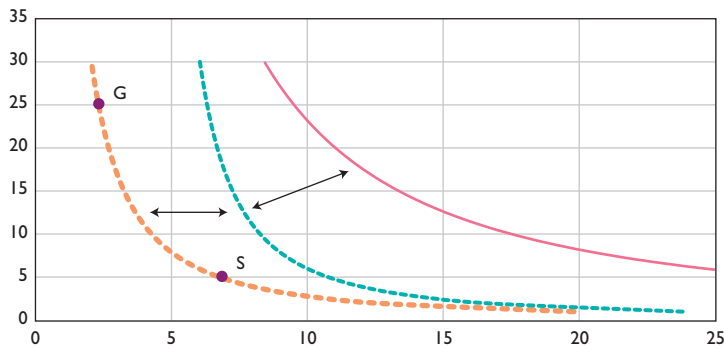
where the term A describes the matching efficiency and captures the idea that the Beveridge curve can shift over time. In the special case of Cobb-Douglas functions, where returns to scale are constant, the matching rate (h) equals the separation rate (s) in the steady-state.³ The relationship between the unemployment rate and the vacancy rate (the Beveridge curve) can therefore be rewritten as follows:

$$\bar{u} = \left(\frac{s}{A\bar{v}^{1-\gamma}}\right)^\gamma, \quad (4)$$

2 An explicit reference to the Beveridge curve, under the appellation "UV-curve" (with U as unemployment; V as vacancies) can be found in the seminal work of Dow and Dicks Mireaux (1958). It is interesting to note that in this initial work, the graphical representation of the Beveridge curve had the vacancy rate on the x-axis and the unemployment rate on the y-axis. However, for reasons of theoretical coherence with the Phillips curve, economists have since adopted the reverse graphical convention (VU), presenting the ratio as unemployment – vacancy rate, i.e. the vacancy rate (y-axis) as a function of unemployment (x-axis). This convention is adopted in the remainder of this article. However, the expression "slope of the curve" refers to the inverse curve describing the unemployment rate as a function of the vacancy rate.

3 The matching rate is defined as the probability that at each period a firm with a vacant position finds an unemployed agent to employ. The separation rate is inversely described as the probability that at each period a worker will lose his job. The latter may therefore be interpreted as the turnover rate or as the job destruction rate.

Chart 1 Theoretical Beveridge curve

(as a %; x-axis: unemployment rate, u ; y-axis: vacancy rate, v)

Note: the parameters used are $A = 0.5$, $s = 0.03$ (orange and green curves) and 0.07 (pink curve), and $\gamma = 0.6$

Source: Banque de France calculations.

where \bar{u} and \bar{v} are the unemployment and vacancy rates in the steady-state. An example of a theoretical Beveridge curve is shown in Chart 1.

The location, the slope and the shifts of the Beveridge curve tell us not just about the business cycle position of the economy at a particular point in time, but also the level of efficiency of the labour market:

- **The location of a data-point on the curve is an indicator of the phases of the business cycle:** a growing economy at the top end of the curve (low unemployment and high vacancy rates, point G) and a slowing economy at the bottom of the curve (high unemployment and low vacancy rates, point S).
- **The slope coefficient of the Beveridge curve can change over time:** a less steep curve (green curve *versus* pink) is *a priori* indicative of a deterioration of the matching efficiency of the labour market over time (cf. note 2 for how to read the Beveridge curve).
- **The Beveridge curve can shift over time:** an outward shift of the Beveridge curve (higher unemployment rate for a given vacancy rate) reflects a deterioration of the labour market's efficiency in matching supply and demand (shift of the orange curve to the pink curve).

However, it would be wrong to assume that a shift of the Beveridge curve reflects only a change in labour market efficiency. In fact, the unemployment rate reacts not only to the number of jobs created but also to the number of agents seeking employment, i.e. the labour force. Thus, for a given level of vacancy rate, shifts of the Beveridge curve can be related

to variations in the participation rate of the working-age population, rather than to changes in labour market efficiency or in the level of structural unemployment.⁴ Moreover, a movement towards the lower end of the curve could theoretically lead to an outward shift. This hysteresis can mainly be attributed to long-term unemployment: workers experiencing persistent unemployment face a depreciation of their skills and therefore a decrease in their employability. This can also entail discouraging effects on the unemployed workforce (Blanchard and Summers, 1987; Roed, 1997).

2| The Beveridge curve in the euro area shows a risk of hysteresis

We build a Beveridge curve for the euro area for the period 1995-2011, bearing in mind that aggregated data for the euro area labour market must be interpreted with caution as substantial national specificities remain.

Data for the unemployment rate used in this exercise are from Eurostat. Homogenous data for euro area job vacancies are relatively recent, preventing any long-run analysis. The vacancy rate is therefore approximated using the results of the European Commission's quarterly business survey on manufacturing firms concerning factors limiting the production (bottlenecks) and, more specifically, data relating to the labour factor.⁵

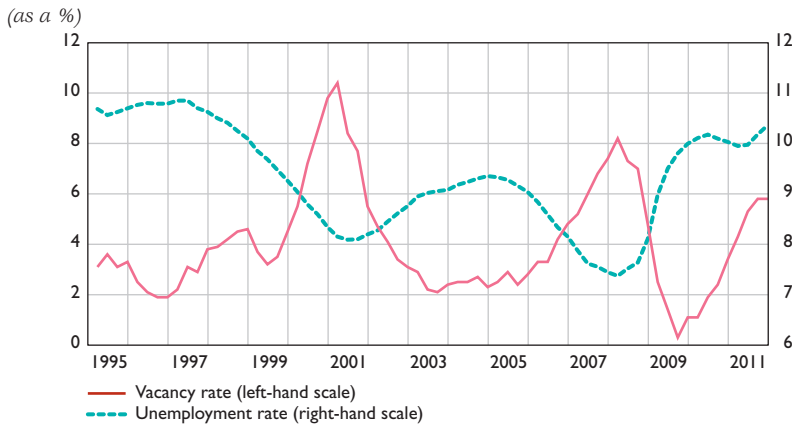
The graphical representation of the joint evolution of unemployment and vacancy rates in the euro area (see Chart 2) shows a recent break in the statistical relationship between the two variables, as the increase in job vacancies observed since the end of the recession in the third quarter of 2009 has not been followed, so far, by any decline in the unemployment rate.⁶

⁴ Theoretically, a shift of the Beveridge curve caused by an exogenous shock in the participation rate should be temporary, since the excess workforce would be reabsorbed by the labour market. Nevertheless, changes in the participation rate may be endogenous to the business cycle: during periods of economic expansion and rising employment rates, the flow of inactive agents in the unemployment pool can offset, or even exceed, the flow of inactive agents in the employment pool; during periods of economic contraction and decreasing employment rates, an opposite phenomenon can occur (discouraged workers leave the labour market) but with a greater magnitude and lag (stickiness towards inactivity; added-worker effect entering the labour market to compensate household income loss). These phenomena would make the shift of the Beveridge curve more persistent.

⁵ See Box 1. Hereinafter the terms "job vacancies" and "vacancy rate", will be used as synonyms of employment frictions in the manufacturing sector.

⁶ See Box 1, Table A, for the dating of business cycle turning points.

Chart 2 Unemployment and vacancy rates in the euro area (Q1 1995-Q4 2011)



Sources: European Commission, Eurostat.

Box 1

Vacancy data, unemployment rate and business cycle dating

Vacancy and unemployment data

For the euro area taken as a whole, job vacancy data are not available for a sufficiently large window. This study therefore relies on labour shortage estimations, drawn from the European Commission's quarterly business surveys on manufacturing firms.¹ The survey responses are seasonally adjusted and refer to the first month of the quarter. This data therefore represents the share of firms declaring having experienced labour bottlenecks. Although the data, published by the European Commission since Q1 1985, do not represent a strict job vacancies indicator, such as the Eurostat series published since Q1 2006, the variable nevertheless constitutes a fairly reliable "proxy" of labour market frictions.²

Further, the use of this data has a number of analytical advantages:

- data cover a sufficiently long period in terms of business cycles, allowing us to check the robustness of the Beveridge curve over time;

.../....

¹ The question asked to firms is question 8 = Factors limiting the production; answer F3S = Labour (% s.a. – quarterly question 8) – Total manufacturing.

² On this point, see also the European Commission's European Economic Forecast published in the autumn of 2009.

- a labour frictions indicator in the manufacturing sector should, a priori, be the best indicator in view of the strong correlation between the fluctuations of employment in this sector and the business cycle;
- by construction, data are homogenous for all the surveyed euro area countries.

The unemployment data are provided by Eurostat. They have been published for the euro area since 1995. For France, the Eurostat series can sometimes differ from the Insee series, as Eurostat bases its figures on provisional monthly assessments of the unemployment rate drawn from data provided by the French National Employment Office (Pôle Emploi). However, the use of Eurostat or Insee data does not change the diagnosis presented in this article.

Business cycle dating

Business cycle dating up to 2003 is provided by Cotis and Coppel (2005) for euro area countries and by Eurostat for the euro area as a whole. Turning points for the 2008-2009 recession come from the CEPR (Centre for Economic Policy Research) (2009, 2010).

Table A Euro area recession dating

Euro area	France	Germany	Italy	Spain
Q1 1980 to Q4 1980	Q1 1980 to Q3 1980	Q1 1980 to Q4 1980	Q4 1980 to Q3 1981	Q4 1980 to Q2 1981
Q1 1992 to Q1 1993	Q1 1992 to Q1 1993	Q1 1992 to Q2 1993	Q1 1992 to Q3 1993	Q1 1992 to Q2 1993
		Q1 2001 to Q4 2001	Q1 2001 to Q4 2001	
	Q3 2002 to Q2 2003	Q3 2002 to Q2 2003	Q4 2002 to Q2 2003	
Q1 2008 to Q2 2009	Q1 2008 to Q1 2009	Q1 2008 to Q1 2009	Q1 2008 to Q2 2009	Q2 2008 to Q4 2009

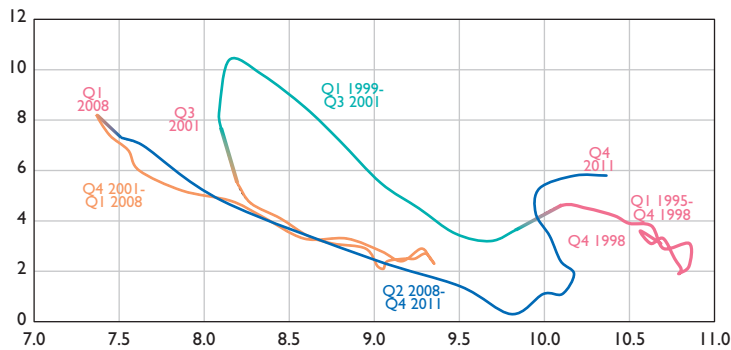
Source: Banque de France calculations.

Table B Average quarterly change in the unemployment rate, labour force, labour market participation rate, employment rate and GDP within the main euro area countries

(change in the unemployment and labour market participation rates in basis points, and of the labour force, the employment rate and GDP in %)

		Unemployment rate	Labour force	Participation rate	Employment	GDP
Q2 2008 to Q2 2009	Germany	-0.03	0.07	0.12	0.03	-1.58
	France	0.41	0.34	0.15	-0.33	-0.81
	Italy	0.20	-0.20	-0.18	-0.35	-1.62
	Spain	1.73	0.30	0.16	-1.79	-1.13
Q3 2009 to Q2 2011	Germany	-0.19	0.02	0.04	0.26	0.84
	France	-0.01	0.09	-0.04	0.16	0.40
	Italy	0.07	-0.01	-0.05	0.01	0.27
	Spain	0.37	0.06	0.08	-0.33	0.14

Sources: Eurostat (GDP), OECD (labour market EO90), Banque de France calculations.

Chart 3 Beveridge Curve for the euro area (1995-2011)*(x axis: unemployment in % ; y axis: factors limiting production: labour, as a % of responses)*

Sources: European Commission; Eurostat.

The Beveridge curve, a cross-representation of the unemployment rate and the vacancy rate, highlights this phenomenon (see Chart 3).

Over the last 15 years, a negative relationship between the unemployment rate and the vacancy rate has usually been observed. However, we have also seen both inward and outward shifts of the Beveridge curve over time, as well as changes in its slope. Table 1 distinguishes four sub-periods.

The 2001-2008 (in orange in Chart 3) represents the most favourable period for the euro area labour market. In fact, the slope coefficient of the Beveridge curve estimated over this period is greater in magnitude than the coefficient estimated over the full sample, and the curve is close to the origin of the axes indicating a relatively high matching efficiency in the labour market. On the other hand, the years 1995-1998 were characterised by a high unemployment rate, less responsive to the increase in the vacancy rate than during the more recent period.

Since the end of 2009, the Beveridge curve has been moving back towards its 1995-1998 position. This could indicate the emergence of labour market matching inefficiencies since the end of the recession. Indeed,

Table 1 Position and slope of the Beveridge curve in the euro area

	Position vs. axis origin	Slope of the curve ^{a)}
Q1 1995 to Q4 1998	Far	-0.215
Q1 1999 to Q3 2001	Intermediate	-0.230
Q4 2001 to Q1 2008	Close	-0.354
Q2 2008 to Q4 2011	Close, then far since 2010	-0.218
Q1 1995 to Q4 2011		-0.285

a) Linear regression coefficients calculated on the relationship $u = f(v)$ using the OLS method.
Source: Banque de France calculations.

for a given vacancy rate, the unemployment rate is higher than before the crisis (10.4% in the fourth quarter of 2011, versus 8.6% on average over the Q4 2001- Q1 2008 period).⁷ Alongside the outward shift, the slope coefficient of the Beveridge curve has fallen sharply since 2009 (coinciding with an almost vertical slope in the inverse relationship presented in Chart 3) with the unemployment rate apparently showing little response to variations in labour market frictions and even rising since the start of 2011. The (marginal) increase in the labour force partially explains the stickiness of the unemployment rate, which has been stagnating since the end of the recession (see Table 2). However, the stagnation of the employment rate in a context of increasing tensions on the labour production factor is itself a sign of labour market inefficiencies that could be related to a worsening in the labour supply and demand matching process.

In conclusion, the shift of the Beveridge curve, accompanied by an almost vertical movement, suggests a worsening in the functioning of the labour market in the euro area, reflecting an increase in structural unemployment. As we show in the rest of this article, Germany – and more recently France – have been the main contributors to the increase of aggregate labour market tensions, whereas in Spain unemployment has remained at a high level. The concurrence of these two polar cases has contributed to maintaining the curve far from its axis origin whilst simultaneously weakening the negative relationship between labour market tensions and unemployment, which could amplify the risks of hysteresis.

Table 2 Change in the unemployment rate, labour force, participation rate, employment rate and GDP in the euro area

(change in the unemployment rate and the labour market participation rate in basis points, and of the labour force, the employment rate and GDP in %)

Average quarterly change	Unemployment rate	Labour force	Participation rate	Employment	GDP
Q1 1995 to Q2 2011	-0.01	0.22	0.10	0.23	0.41
Q1 1995 to Q4 1998	-0.05	0.23	0.10	0.28	0.53
Q1 1999 to Q3 2001	-0.17	0.27	0.13	0.46	0.72
Q4 2001 to Q1 2008	-0.02	0.27	0.12	0.30	0.51
Q2 2008 to Q2 2009	0.42	0.09	0.04	-0.45	-1.30
Q3 2009 to Q2 2011	0.06	0.04	0.00	0.01	0.46

Note: euro area with 15 countries.

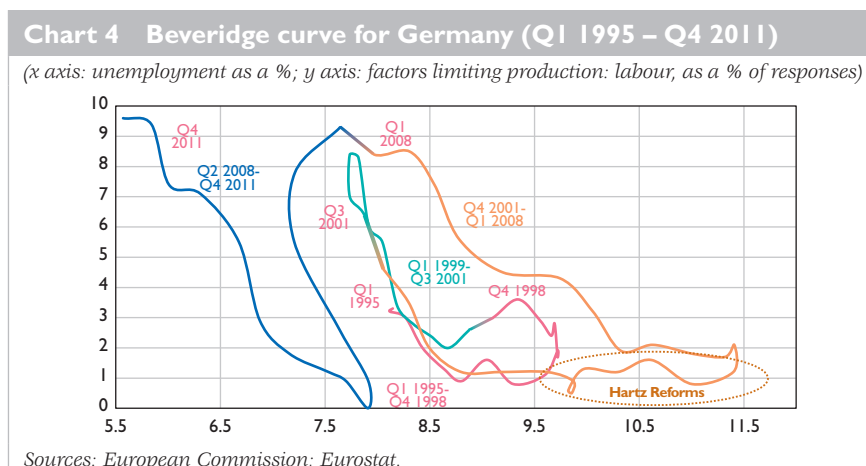
Sources: Eurostat (GDP), OECD (labour market EO90), Banque de France calculations.

⁷ Likewise, the ECB, in its October 2010 Bulletin and on the basis of job vacancy data for the Q1 2006 to Q2 2010 period, noted that the Beveridge curve for the euro area shifted inward from the beginning of 2007 until Q3 2009, and has since then "markedly" shifted outward, which could indicate a lower level of labour market matching efficiency.

3| The Beveridge curves of the main euro area countries: contrasting situations

With the exception of Spain, national Beveridge curves all shifted inward between 1995 and 2011. However, this shift was not uniform between the countries.⁸

In Germany, the Beveridge curve clearly shifted outward over 2003-2005, coinciding with the introduction of the Hartz reforms aimed at improving labour market efficiency.⁹ This paradox could be explained by the rise, during the 2004-2006 period, in the participation rate of the working-age population – and therefore of the labour force – which was indeed one of the goals of the Hartz reforms.¹⁰ Other methodological changes have also been introduced into the labour force statistics since 2005, blurring the interpretation of the Beveridge curve over this period.



In Italy, the dynamics of the Beveridge curve over the last fifteen years suggest an improvement in the labour market matching efficiency. However, this dynamic seems to be characterized by a long transition between 2000 and 2005 during which the negative relationship between unemployment and vacancies does not hold. During this period, the Beveridge curve has shifted inward, producing a sustained reduction in the unemployment rate of about three percentage points. The application in 1997 and 2003

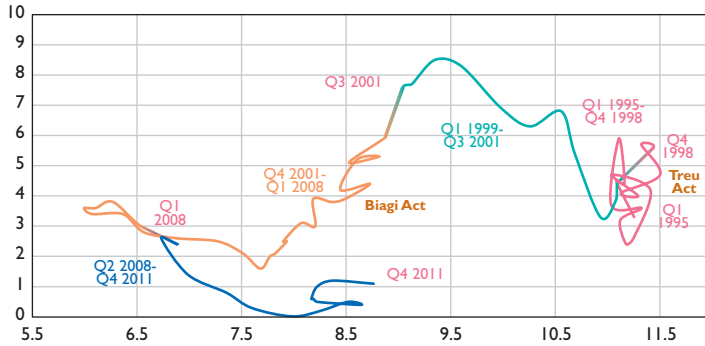
⁸ For ease of chart presentation and interpretation, the national Beveridge curves use the same time intervals and colour codes as those used for the euro area Beveridge curve.

⁹ See Box 2.

¹⁰ This paradox has been analysed by Buhr et al. (2007). For example, by reclassifying people who receive social benefits as unemployed (the aim was to give a better chance of employment to the "outsiders", i.e. agents not participating in the labour market), the Hartz I Act raised the labour force. Hence the expected impact of the Hartz reforms on the labour market efficiency in Germany may not have been immediate.

Chart 5 Beveridge curve for Italy (1995-2011)

(x axis: unemployment as a %; y axis: factors limiting production: labour, as a % of responses)



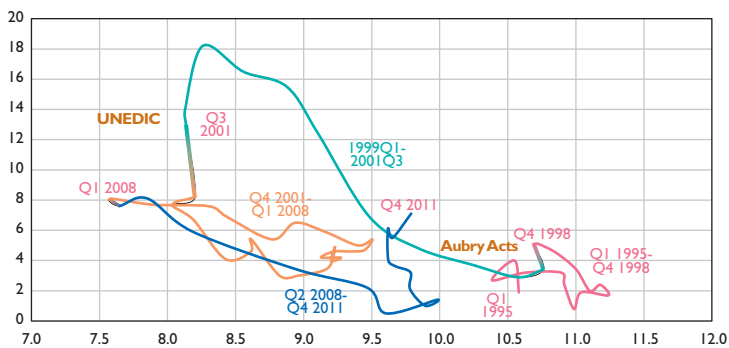
Sources: European Commission; Eurostat.

of the main structural reforms of the labour market (Treu and Biagi Acts, respectively, which enabled the introduction of new and more flexible labour contracts¹¹) seems to have contributed to this transition, even though the figures suggest that this dynamic started a little earlier.

In France, the movement of the Beveridge curve at the beginning of the decade can be explained both by the sustained employment growth over the period 1998-2002 in response to the reduction of the legal working week to 35 hours (Gubian *et al.*, 2005), but also by the reforms introduced in 2001 aimed at improving the public management of the job seeking process.¹²

Chart 6 Beveridge curve for France (Q1 1995 – Q4 2011)

(x axis: unemployment; y axis: factors limiting production: labour, as a % of responses)



Sources: European Commission; Eurostat.

11 See Box 2. The year following their introduction, the so-called “atypical” contracts introduced by the Biagi Law represented 70% of the employment creations according to a 2005 Ires Cgil survey, which could explain the simultaneous fall in the unemployment rate and a stagnation in job vacancies during the years 2004 - 2007. In fact, over this period, unemployment fell by 26% while salaried employment rose by only 6%.

12 Aubry Acts of 1998 and 2000. See Box 2.

The steepness of the national (inverted) Beveridge curves is another distinctive feature of each country: very steep in Germany, medium in France and Italy, flatter in Spain. However, the reported evidence of an unusual strong unemployment rate elasticity to job vacancies in Spain can be explained by the sectoral distribution of jobs created (essentially in services and construction), while job creations in industry (as well as the job vacancies reported in the European Commission's survey) showed only a very small improvement over the period 1995-2011.

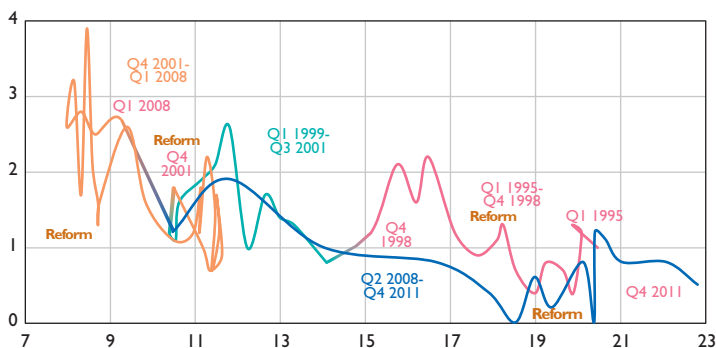
Since the end of the Great Recession, the indicators have shown contrasting pictures of the main euro area countries. Since late 2009, the Beveridge curve has moderately changed in Italy, while it has shifted inward in Germany and has tended towards shifting outward in France and in Spain, where the rise in the unemployment rate outpaced the decline in job vacancies.

In Spain, the labour market situation is particularly alarming, with unemployment continuing to rise despite the modest growth of job vacancies. These labour market inefficiencies could lead to an increase in structural unemployment. However, there is no evidence of a contraction of the labour force, which would suggest a discouragement phenomenon, and the labour supply has only decreased due to a significant reduction in the net migration inflow to Spain.¹³

The opposite phenomenon has been observed in Germany. The recovery in job vacancies in late 2009 led to a stronger decline in the unemployment rate than would have been predicted from the previous curve. Since the end

Chart 7 Beveridge curve for Spain (1995-2011)

(x axis: unemployment; y axis: factors limiting production: labour, as a % of responses)



Sources: European Commission; Eurostat.

¹³ According to the OECD's International Migration database, net migration inflow to Spain peaked at 722,000 people in 2007, then slowed to 460,000 in 2008 and 181,000 in 2009. The preliminary data for 2010 (source INE) suggests only 58,000 inflowing people. See also Table B in Box 1.

of the recession, the most impressive development, however, has concerned the inward shift of the Beveridge curve, along with an increase in the participation rate up to 81% in the second quarter of 2011. It is interesting to note that the Beveridge curve had already completed an inward shift at the onset of the crisis in 2008. In fact, the measures taken to support employment, negotiated by the unions and the German government in 2009 (decline in hours worked, wage freezes, working-time accounts), allowed the emergence of a German labour market “miracle”, resulting precisely from a set of measures designed to protect employment and to avoid higher unemployment rates despite the lower level of job vacancies (Burda and Hunt, 2011). The steepening of the curve was accentuated and it could have possibly led to some inelasticity of the unemployment rate to job vacancies during the recovery – which has clearly not been the case given that the Beveridge curve again shifted inward. Evidence of the extension of the employment support measures throughout 2012, found in the still significant share of short-time hours worked, could partly explain this phenomenon. However, it cannot be excluded that the German labour market is now close to its natural level of unemployment, resulting in some labour market frictions in few industrial sectors.¹⁴

The impact of the 2008-2009 recession on the Beveridge curve has been more moderate in France and Italy. In France, while the recession does not seem to have affected the position and slope of the Beveridge curve, the rise in the job vacancies observed in the manufacturing sector after the second quarter of 2010 did not lead to a decrease in the unemployment rate, and hence the curve shifted outward. This shift seems even more pronounced in 2011 when the Beveridge curve moved much closer to a vertical position. A worsening in the efficiency of the French labour market during the recent period therefore cannot be excluded, although the increase in the labour force partially offset the effects of employment growth on the unemployment rate.¹⁵

In Italy, the 2008 recession does not appear to have triggered any break in the Beveridge curve, but rather a movement along it. The increase in vacancies in the manufacturing sector since late 2009 still appears too marginal to drive a decline in the unemployment rate. In fact, unlike Germany and France, the Italian economy has not created jobs since the recovery in the third quarter of 2009.

¹⁴ This risk was highlighted in the European Commission's Autumn 2011 forecasts.

¹⁵ See Box 1, Table B.

Box 2

Labour market in Germany, France, Italy and Spain: main reforms introduced during the period 1994-2011

Germany:

- *2003-2005: Hartz reforms, a set of four laws reforming the labour market in Germany, particularly in the services sector, including incentives to return to work. These included the simplification of hiring procedures (Hartz I), the creation of a “Mini-job”, a temporary employment contract benefiting from lower taxation, and a “Midi-job”, a job paying between 400 and 800 euro per month (Hartz II), a restructuring of federal and regional job centres (Hartz III), more restrictive conditions and amounts of unemployment benefits (Hartz IV). The four laws were enacted between January 2003 and January 2005.*

Aside from the Hartz reforms, labour market flexibility measures have been introduced aimed at relaxing employment protection against unfair dismissal (2004).

- *2009: Kurzarbeit (or short-time working scheme). Short-time work is a standard instrument in German labour policy. However, during the crisis of 2008-2009, the use of short-time working schemes was boosted by the introduction of more generous subsidies. At its peak, more than 1.5 million employees (3.5% of the workforce) worked under a short-time scheme, mainly in the manufacturing industry.*

France:

- *1998 and 2000: Aubry Acts on the reduction of working time, setting the legal weekly duration of full-time work for employed people to 35 hours per week (previously 39 hours). The counterpart was greater working-time flexibility, with weekly hours of work being calculated on an annual basis. The stated goal was job creation and economic recovery. This reform advocated a reduction in working time, coupled with maintained wage levels, through the signing of agreements at the firm level.*

- *2001: the UNEDIC agreement promoted a more active role of the unemployment insurance system in monitoring job seekers. The missions and resources of the National Employment Office (ANPE) were expanded to provide support and specific services to all unemployed workers upon registration.*

.../ ...

- 2009: merger of the ANPE and the Assedic (unemployment insurance) networks into the “Pôle Emploi” employment centres. This merger created a single body responsible for both unemployment compensation and assisting job-seekers.

Italy:

- 1997: reform (Treu Act) to promote employment and to fight against undeclared work and abusive flexibility through the introduction and the non-extraordinary regulation (for the first time in the Italian legal system) of numerous fixed-term labour contracts, including the temporary employment contract, the part-time employment contract and the training contract. Lastly, the law introduced and regulated private temporary employment agencies.
- 2003: reform (Biagi Act) to increase the flexibility of the labour market and increase the employment rate. In the spirit of the 1997 reform, the 2003 Act enhances the flexibility and integration into the labour market through the introduction and modification of numerous employment contracts, including four new types of contract: intermittent, shared, occasional and integration. Tax incentive schemes were established to encourage the adoption of the new labour contracts by firms (tax credits had already been introduced since 2000 to encourage firms to hire workers under permanent contracts). Alongside the regulation of employment contracts, the Biagi Act provided for a restructuring of the system of employment offices.

Spain:

- 1994: reform to reduce unemployment and reverse the growing trend of firms hiring on fixed-term contracts, through the modification of existing labour contracts. Other measures in this reform include the repeal of the Employment Incentive Act to reduce job insecurity, the introduction of apprenticeships to facilitate the integration of young people into the labour market and the creation of legal mechanisms to enhance sectoral and geographical mobility. For employers, the reform introduced measures allowing firms in economic distress to conduct individual and collective dismissals.
- 1997 and 2001: further reforms to permanently correct the rise in fixed-term hiring which had accounted for up to 35% of new jobs since the 1994 reform. Among the measures introduced: a permanent contract hiring incentive via a lower tax rate and modifications of the part-time and “integration” trainee contracts (which had partially replaced and improved the apprentice contracts in 1997).
- 2006: in response to the modest achievements of the previous reforms in reducing the duality of the labour market, this new reform introduced new mechanisms to promote hiring on permanent contracts and the conversion of contract staff to permanent staff, as well as more transparency and limits on the sequential use of temporary contracts.

.../...

• 2010: new reform to fight against rising unemployment and reduce the impact of temporary contracts via a system of tax incentives for firms hiring permanent staff. For employers, the law introduced a significant easing of firing costs and employee compensation. New measures also affected the application and the suspension of agreements resulting from collective bargaining, introducing partial unemployment and promoting the employment of young and/or unemployed people through a targeted reduction of employer's social contributions.

4| An increase in structural unemployment in the euro area? Causes and prospects

In the previous sections, we reported evidence of a recent quasi-inelasticity of the euro area unemployment rate to increases in the job vacancies through a Beveridge curve analysis. This average result is mainly driven by the polar cases of Germany and Spain. Indeed, since the onset of the crisis, the Beveridge curve has significantly shifted outward in Spain, but in the opposite direction in Germany. In the case of Spain, this movement suggests a possible increase in structural unemployment, whereas in the case of Germany the decline in unemployment, coupled with a cyclical increase in labour market frictions (movement towards the upper part of the curve) support the hypothesis of a decline in structural unemployment.

One factor that may explain the increase in structural unemployment in Spain is the lack of sectoral labour mobility. Recent literature has in fact shown a causal relationship between massive job destruction in specific economic sectors, unefficient reallocation of workers from these sectors and hysteresis effects on short- and long-term unemployment (Arpaia and Curci, 2010). Sectoral employment dispersion increased in the main euro area countries during the 2008-2009 recession, particularly in Spain. Whereas in France, Germany and Italy, job destruction mainly affected the industrial sector, in Spain the construction sector has accounted for the bulk of the rise in unemployment, probably reflecting the excessive weight gained by the construction sector in the Spanish economy during the last decade. In addition, given the production characteristics of the construction sector (labour intensive) and the characteristics of the good produced (durability), it is not surprising that the activity in this sector experienced a bust between 2008 and 2009 leading to a sharp increase in redundancies. The problem of the reallocation of low-skilled workers from the construction sector to other sectors of the economy – in a context of a moderate recovery in demand and a slow adjustment of the surplus housing stock – could have a lasting negative impact on Spain's unemployment rate.

Other factors may help in understanding and casting light on the stylized facts of the Beveridge curve discussed in this study. Among them, the economic literature often focused on structural reforms implemented in the labour market. While some authors interpret the German case as the result of a mix of anti-crisis measures and structural reforms (Fahr and Sunde, 2009; Klinger and Rothe, 2010), the potential lagged effectiveness of the Hartz reforms suggests that the structural reforms adopted in Spain in 2010 may not be sufficient to reduce the unemployment rate in the medium-term.

Lastly, another factor that seems to particularly affect Spain is its lack of labour mobility and the high level of regional employment dispersion. As shown by Bentolila *et al.* (2010), in comparison with France, the low interregional mobility of employment has played an important role in the impact of the recession in Spain. Indeed, the correlation between regional job destruction (and, consequently, regional unemployment) and the weight of the construction sector in each region is very high, which highlights the above-mentioned problem of sectoral dispersion.

In conclusion, the persistence of a high level of sectoral dispersion during the recovery from the 2008-2009 recession, coupled with regional dispersions and uncertainty surrounding the timing and effectiveness of labour market reforms, support the conclusions drawn from a macroeconomic analysis based on the Beveridge curve: the decline in structural unemployment in Germany, the increase in structural unemployment in Spain and a possible phase of stability of structural unemployment in Italy. In France, the signs of deterioration in the labour market appear more pronounced, highlighting the risks of an increase in structural unemployment.

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The measurement of systemic risk

Summary of a lecture given by Robert F. Engle winner of the Nobel Prize in Economics Banque de France, 25 January 2012

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In his January 2012 lecture at the Banque de France, Professor Engle, winner of the Nobel Prize in Economics in 2003, presented his work on the measurement of systemic risk and its implementation in the euro area. Professor Engle here measures systemic risk for a financial firm as a financial firm's expected capital shortfall if the overall market declined substantially. For the top 20 European financial companies, this measure is about 15% higher today than it was in the summer of 2008, which corresponds to the European Banking Authority's assessment.

Keywords: systemic risk, bank solvency

JEL codes: G2

On 25 January 2012, Professor Robert F. Engle, the 2003 Nobel Laureate in Economics, gave an inspiring lecture entitled “Measuring Systemic Risk” at the Banque de France. On this occasion, the aim of his lecture at the Banque de France was to propose a new measure of systemic risk (SRISK) based on a recent paper co-authored with Brownlees.¹ A useful definition of systemic risk given by Federal Reserve Governor Daniel Tarullo is:



“Financial institutions are systemically important if the failure of the firm to meet its obligations to creditors and customers would have significant adverse consequences for the financial system and the broader economy.” This new avenue of research for Professor Engle is particularly relevant in the context of the financial crisis of 2007-2009, during which Lehman Brothers declared bankruptcy in September 2008. As a consequence of the Lehman bankruptcy, the US government arranged the orderly rescue of several financial institutions to avoid a “financial system collapse”, in which Fannie Mae and Freddie Mac were saved the week before and then AIG, Merrill Lynch, Citigroup, Bank of America, Morgan Stanley, Goldman Sachs, Washington Mutual and Wachovia were rescued in the following days and weeks.

Professor Engle addressed two questions at the beginning of the lecture: should governments rescue firms with financial problems? and should the US government have rescued Lehman Brothers?

He recalled that if firms count on being rescued, they might take excessive risks, which means the existence of a moral hazard problem. However, governments can regulate systemically important financial institutions *ex ante* to reduce the probability of rescue of players in difficulty, provided they are able in due time to identify such institutions and spot which factors make them vulnerable and dangerous for the stability of the market system.

The intuition behind the systemic risk measure, SRISK, introduced by Professor Engle is simple but powerful. A financial institution is unable to function when the value of its equity falls to a sufficiently small fraction of its outstanding liabilities. In the event of a “capital shortage” occurring just when the financial sector is already financially constrained,

1 Cf. Engle and Brownlees (2011): “Volatility, correlation and tails for systemic risk measurement”, NBER.

the government faces the question of whether to rescue the firm with taxpayer money as other avenues are no longer available. Such a “capital shortage” is damaging to the real economy as the failure of this firm will have repercussions throughout the financial and real sectors. Consequently, a firm is systemically risky if it is likely to face a large “capital shortage” just when the financial sector is itself under stress.

The SRISK measure presented by Professor Engle captures the expected “capital shortage” of a firm given its degree of leverage and Marginal Expected Shortfall (MES), where MES is the expected loss an equity investor in a financial firm would experience if the overall market declined substantially. Therefore, the “capital shortage” of a firm depends on its degree of leverage and the equity loss that would result from a crisis. While the degree of leverage can be measured, the equity loss in a crisis must be predicted. For that purpose, Engle and Brownlees estimated a dynamic model for both market and individual bank stock returns. This model captures the time-varying volatility and correlation between both time series returns using techniques like TARCH (Threshold ARCH)² and DCC³ models, once pioneered by Professor Engle.

The capital shortfall of a firm in a crisis computed using leverage and MES is what determines SRISK. Companies with the highest SRISK are the companies that contribute the most to the market undercapitalisation in a crisis and are therefore the most systemically risky firms. SRISK provides a natural cost benefit value as it represents the dollars that should be invested in a firm in order to prevent its failure in a crisis. The model is estimated with daily frequency and extrapolated in order to forecast the cumulated equity loss that can be expected over a longer horizon of up to six months should a major crisis occur in the meantime, and consequently the “capital shortage” that would be experienced depending on the initial leverage.

Professor Engle showed an empirical application on a set of top US financial firms and he reported that the methodology would have provided useful rankings of systemically risky firms at various stages of the financial crisis. For example, a year-and-a-half before Lehman's failure, eight companies out of the SRISK top ten turned out to be troubled institutions. In this context, professor Engle proposed that regulations may be implemented using SRISK. For instance, regulators could implement specific capital requirements whenever the SRISK of an institution reaches some predefined threshold.

Finally, Professor Engle showed that the total SRISK of the top 20 European financial companies is about 15% higher today than it was in the summer of 2008. Based on his calculations, he then hinted at the sizeable

² Autoregressive conditional heteroskedasticity (ARCH).

³ Dynamic conditional correlation (DCC).

recapitalisation of the European banking sector that would be required to help it withstand the current financial turmoil in the euro area, a view that largely parallels the request made to large European banks last autumn by the European Banking Authority (EBA). According to Professor Engle, the new liquidity facility of the ECB is a big help but will not replace lost capital. Moreover, he described the current European economic situation as a mix of a sovereign risk crisis and a banking crisis. On the one hand, banks are weak because massive amounts of sovereign debt are on their books and have declined in value. On the other, sovereigns are weak because they have borrowed substantially and recapitalising their own banks will transfer risk from banks to sovereigns. In his view, strong members of the euro area supporting the weaker countries temporarily by guaranteeing debt in some way and recapitalising banks would make economic sense.

United States then, Europe now

Summary of a lecture given by Thomas J. Sargent winner of the Nobel Prize in Economics Banque de France, 1 March 2012

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In his March 2012 conference at the Banque de France, Professor Sargent, winner of the Nobel Prize in Economics in 2011, made a comparison between institutional and political choices made by the United States in the 1780s and 1840s and those currently faced by the euro area. During both periods, the United States faced a debt crisis but the response was very different. In the 1780s, the Federal State bailed out the States in order to safeguard the US borrower's reputation. In the 1840s, the Federal State did not help the States, which caused several of them to default and led to the adoption of balanced budget rules in their Constitutions.

Keywords: Fiscal federation, economic history of the United States

JEL codes: G6, H7, N4

On 1 March 2012, Professor Thomas J. Sargent, the 2011 Nobel Laureate in Economics, gave an inspiring lecture entitled “United States then, Europe now”. The purpose of the lecture was to provide an example of how to use economic theory to interpret historical events in order to gain insights into some contemporary issues, such as sovereign default, federal bailouts, and the coordination between monetary and fiscal policies. In particular, he drew a parallel between the institutional and political choices that the United States faced in the period between 1780 and 1840 and those that Europe faces today.



The lecture addressed two main issues. First, should governments pay their debt and, second, should a central government pay the debt of subordinate states. Professor Sargent answered these questions by combining economic theory and the experience of the United States in the 1780s and the 1840s.

In 1781, rules were set by the original constitution, *the Articles of Confederation*. At that time, the United States was composed of thirteen sovereign states and a weak central government that had limited taxation capacities, as it needed the unanimous consent of all constituent states in order to pass any bill.

At the same time, the United States was involved in the Independence War, which was financed by both federal and state debt. Not surprisingly, after the war, the United States emerged with big outstanding debt traded at deep discounts, as the federal government found it extremely difficult to roll over its maturing debt. As a result, the United States faced a severe fiscal crisis characterised by a weak fiscal union – which was unlikely to pay its creditors what they had been promised –, uncoordinated fiscal policies between the states and the federal government, and large federal debt.

The situation was resolved with the second American Revolution led by Alexander Hamilton and George Washington. The revolution resulted in *the second US Constitution*, which realigned incentives and authorities by transferring taxation and US international trade regulation to the federal government. In exchange, the federal government agreed to service the debt that the Continental Congress and the states had previously issued by paying off their creditors, who then became the advocates of central government and ample federal taxing. As a result of these changes, debt, which was traded at deep discounts, rapidly rose to par value. Before the

changes, the debt to GDP ratio had climbed to 40%, which was massive considering that at the time government could at the most raise only a small percentage of GDP in taxes. However, after the rise in tariffs and due to strong economic growth, the debt to GDP ratio fell and the United States was able to grow its way out of debt. This example demonstrates how a deep fiscal crisis could lead to a political revolution.

What were the arguments against the policies adopted at the time? The main counter-argument was that this decision was very costly since the tariffs levied to pay off the debt could have been put to more productive uses, such as building roads and schools, which the United States greatly needed at the time. In addition, this adjustment could have seemed unjust to the tax payer who did not hold any debt and now had to pay higher taxes. Even though the framers were aware of this problem, they believed that the long-run benefits were much higher. The main benefit was to help the United States earn a reputation for paying its bills and creating US bonds that were as good as money since they could be fully trusted. Without the bailout, default would have been inevitable, completely destroying the reputation of the United States, since it would have been viewed as a weak country not fiscally capable of honoring its debt. In addition, acquiring this reputation was extremely important because, as the theory shows, governments want to be able to borrow in the future in order to smooth out any fluctuations. However, these gains did not come without costs. It meant that the government needed to break some promises. For example, it had to break the promise of keeping taxes low. At the same time, it was facing the risk of acquiring a not very good reputation of bailing out the states.

In fact, this proved to be the case in 1837 when the US economy was hit by a big financial crisis and many states began to default as they could not service their debt. Although the federal government had bailed out the states in the 1780s, this time it refused to do so while regularly servicing its own debt. Again, the decision was not straightforward and led to many discussions.

On the one hand, the cost was damaging the reputation of the federal government since foreign creditors did not distinguish between state and federal debt. This decision had a negative impact on the US economy for generations since for years the reputation of federal government suffered along with that of the states.

On the other hand, had the federal government decided to bail out the states, the consequences would have been even more severe. The government would have created expectations of further bailouts in the future and it would have been the signal to the states that the federal government was going to bail them out any time they needed it. Finally,

what were the institutional consequences of this decision? It was at that time that many state governments rewrote their constitutions to require that the budget be balanced year after year, thus losing their ability to smooth out any fluctuations. Before 1840, the amendment of a balanced state budget did not exist. This episode is therefore an example of how fiscal crises can result in lasting institutional changes at the state level. It has also taught us two lessons: first, it can be very challenging to sustain distinct reputations with different parties, such as foreign and domestic creditors, and second, reputations are costly to acquire.

At the end of the lecture, Professor Sargent emphasised that people might not find this case study relevant for the European economy today, since the United States in the 1840s looked very different from the present Europe. However, people have a wrong perception of the United States as being very homogenous at that time, and therefore doubt that the lessons could be applied to diversified economies, such as those in Europe. However, Professor Sargent reminded us that, at the time, labour markets were not unified since the South still had slavery, with 70-75% of the population working against their will, while the labour market in the North was liberalised. One might therefore argue that the United States was not that homogenous and that it faced similar problems as the European Union faces today.

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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

Summer 2010

- National financial accounts in 2009: a shift in financing flows towards general government
- Non-residents' equity holdings in French CAC 40 companies at end-2009
- SMEs in the manufacturing sector in France – an intermediate position compared with eight other European countries
- Developments in France's foreign trade in services: analysis by sector and by country
- The Banque de France rating system: an asset for the Central Bank and a tool for commercial banks
- Economic linkages, spillovers and the financial crisis.

Summary of the BdF/PSE/IMF conference of 28 and 29 January 2010

Autumn 2010

- France's national economic wealth declined in 2009 for the second year in a row
- Developments in regulated savings since the reform of the "A" passbook savings account distribution network
- The financial position of SMEs in 2009: a financial structure that has proven resilient to the crisis
- Post-crisis monetary policy strategies
- Cohesion policy and the new Member States of the European Union

Winter 2010-2011

- The position of firms in 2009: a decline in business and a reluctance to invest during the crisis
- Payment periods in 2009 – One year on from the Economic Modernisation Act
- French outward and inward foreign direct investment in 2009
- The future of monetary policy – Summary of the conference held in Rome on 30 September and 1 October 2010
- New challenges for public debt in advanced economies.

Summary of the conference held in Strasbourg on 16-17 September 2010

Spring 2011

- The impact of the earthquake of March 11th on the Japanese economy and the rest of the world
- Monetary and credit developments in France: 2010, the year of the recovery
- Inventories in the crisis
- Structural reforms, crisis exit strategies and growth – OCDE-Banque de France Workshop, 9 and 10 December 2010
- Structural analysis in times of crisis – Banque de France symposium, 29 and 30 November 2010
- The Banque de France in European and international organisations

Summer 2011

- Summary of the international symposium organised by the Banque de France “What is the appropriate regulatory response to global imbalances?”
- The relationship between capital flows and financial development: a review of the literature
- Households' savings and portfolio choices: micro and macroeconomic approaches
- National financial accounts in 2010: recovery in lending and ongoing rise in debt ratio
- Household savings behaviour in 2010

Autumn 2011

- SMEs see a pick-up in business in 2010, but delay investment
- Companies after the crisis – Banque de France seminar, 28 June 2011
- Fiscal and monetary policy challenges in the short and long run
Summary of the Banque de France-Bundesbank conference held on 19 and 20 May 2011 in Hamburg
- After the collapse, the reshaping of international trade.
Summary of the Banque de France/PSE/CEPII conference of 25 and 26 May 2011
- Insurance companies' investments at the end of 2010

Winter 2011-2012

- The cost of business credit by firm category
- Companies in France in 2010: a mixed picture
- Payment periods in 2010: the efforts made since the implementation of the LME have lost momentum
- France's national economic wealth showed a marked rebound in 2010 due to higher land prices
- French overseas territories and the euro
- Summary of the international workshop on microfinance organised by the Banque de France on 8 July 2011
- Forecasting the business cycle
Summary of the 8th International Institute of Forecasters workshop hosted by the Banque de France on 1-2 December 2011 in Paris
- Fiscal and monetary policy in the aftermath of the financial crisis.
Summary of the BDF/EABCN/EJ/PSE conference on 8-9 December 2011

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(<http://www.banque-france.fr/en/publications/publications.html>)

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“Financial crisis – Economic crisis”
- **Banque de France 2010 Annual Report**

<http://www.banque-france.fr/en/publications/publications/annual-report-banque-de-france.html>

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Nota bene

Changes have been made to presentation of the Banque de France's balance sheet (Table 12).

Statistical data are updated monthly on the Banque de France's website.

Table I
Industrial activity indicators – Monthly Business Survey – France

(NAF revision 2; seasonally-adjusted data)

	2011			2012			
	Oct.	Nov.	Dec.	Jan.	Feb.	March	April
Changes in production from the previous month ^{a)}							
Total manufacturing	1	3	2	3	-3	6	0
Food products and beverages	7	-3	-2	0	2	13	8
Electrical, electronic and computer equipment and other machinery	-2	2	-5	11	-1	-1	-2
Automotive industry	12	19	-11	-1	1	-6	-22
Other transport equipment	1	2	2	7	0	11	6
Other manufacturing	-4	4	4	5	-5	5	-3
Production forecasts ^{a)}							
Total manufacturing	1	1	2	0	3	1	-2
Food products and beverages	9	8	9	7	9	8	7
Electrical, electronic and computer equipment and other machinery	4	1	3	1	1	0	2
Automotive industry	-7	-6	6	-10	-8	-10	-8
Other transport equipment	9	15	22	17	18	16	18
Other manufacturing	1	1	3	-1	5	2	-3
Changes in orders from the previous month ^{a)}							
Total manufacturing	-1	2	-1	2	1	0	0
Foreign	2	3	0	1	2	-1	0
Order books ^{a)}							
Total manufacturing	6	5	3	2	3	0	0
Food products and beverages	2	3	-2	3	6	2	7
Electrical, electronic and computer equipment and other machinery	3	8	5	4	1	0	3
Automotive industry	0	-5	-17	-21	-21	-39	-35
Other transport equipment	65	56	53	53	56	49	52
Other manufacturing	1	1	1	1	0	-1	-3
Inventories of finished goods ^{a)}							
Total manufacturing	4	4	2	3	3	5	5
Food products and beverages	2	6	13	2	-3	3	3
Electrical, electronic and computer equipment and other machinery	13	13	10	7	9	11	8
Automotive industry	4	-1	-24	1	7	1	4
Other transport equipment	4	3	6	6	4	5	1
Other manufacturing	1	1	1	2	2	4	4
Capacity utilisation rate ^{b)}							
Total manufacturing	79.2	79.1	79.0	78.8	78.4	78.5	78.3
Staff levels (total manufacturing) ^{a)}							
Changes from the previous month	0	0	-1	-1	-1	0	-2
Forecast for the coming month	-1	-2	-1	-1	-1	0	-2
Business sentiment indicator ^{c)}							
	96	95	96	96	95	95	95

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

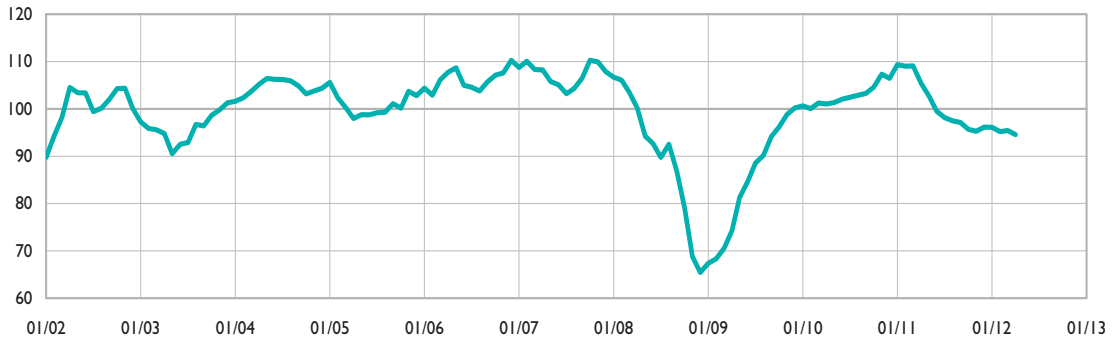
b) Data given as a percentage.

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

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

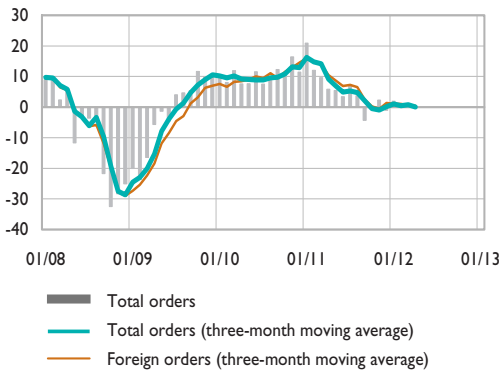
Business sentiment indicator

(100 = 1981 – last value)



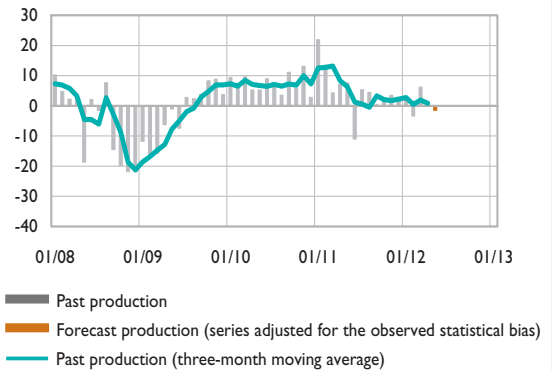
Orders ^{a)}

(balance of opinions; monthly change)



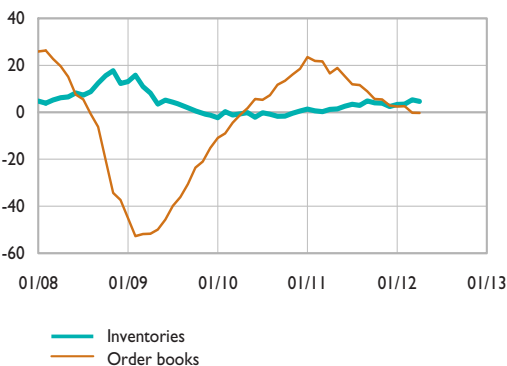
Production ^{a)}

(balance of opinions; monthly change)



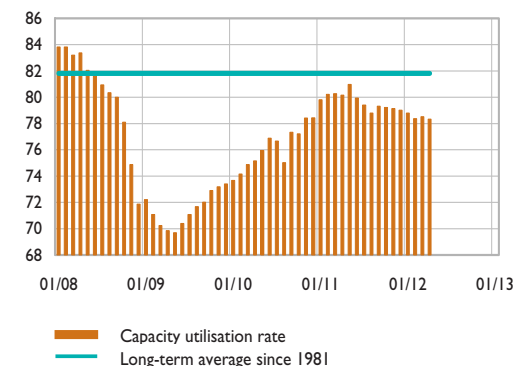
Inventories and order books ^{a)}

(balance of opinions; compared to levels deemed normal)



Capacity utilisation rate ^{a)}

(%)



a) Manufacturing.

Source: Banque de France.

Produced 24 May 2012

Table 3
Consumer price index ^{a)}

(annual % change)

	2011					2012			
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April
France	2.4	2.4	2.5	2.7	2.7	2.6	2.5	2.6	2.4
Germany	2.5	2.9	2.9	2.8	2.3	2.3	2.5	2.3	2.2
Italy	2.3	3.6	3.8	3.7	3.7	3.4	3.4	3.8	3.7
Euro area	2.5	3.0	3.0	3.0	2.7	2.7	2.7	2.7	2.6
United Kingdom	4.5	5.2	5.0	4.8	4.2	3.6	3.4	3.5	3.0
European Union	3.0	3.3	3.4	3.3	3.0	2.9	2.9	2.9	2.7
United States	3.8	3.9	3.5	3.4	3.0	2.9	2.9	2.7	2.3
Japan	0.2	0.0	-0.2	-0.5	-0.2	0.1	0.3	0.5	0.5

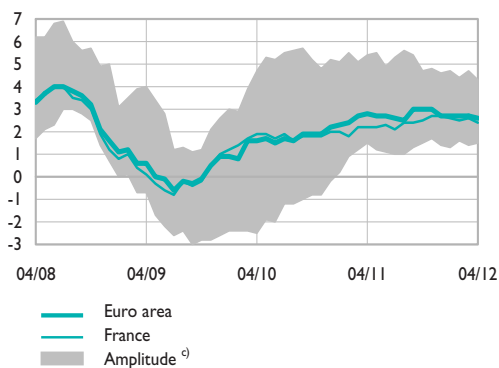
(annual average)

(seasonally-adjusted monthly % change)

	2009	2010	2011	2011		2012			
				Nov.	Dec.	Jan.	Feb.	March	April
France	0.1	1.7	2.3	0.3	0.3	0.1	0.1	0.3	0.1
Germany	0.2	1.2	2.5	0.3	-0.1	0.3	0.4	0.1	0.3
Italy	0.8	1.6	2.9	0.2	0.3	0.0	0.3	0.6	0.2
Euro area	0.3	1.6	2.7	0.2	0.1	0.4	0.3	0.3	0.3
United Kingdom	2.2	3.3	4.5	0.3	0.1	0.0	0.2	0.2	0.3
European Union ^{b)}	1.0	2.1	3.1	-	-	-	-	-	-
United States	-0.4	1.6	3.2	0.1	0.0	0.2	0.4	0.3	0.0
Japan	-1.3	-0.7	-0.3	-0.1	0.1	0.3	0.3	0.1	0.0

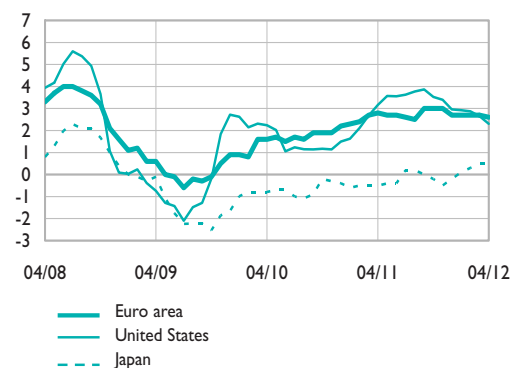
France and the euro area

(annual % change)



International comparisons

(annual % change)



a) Harmonised indices except for the United States and Japan (national indices).

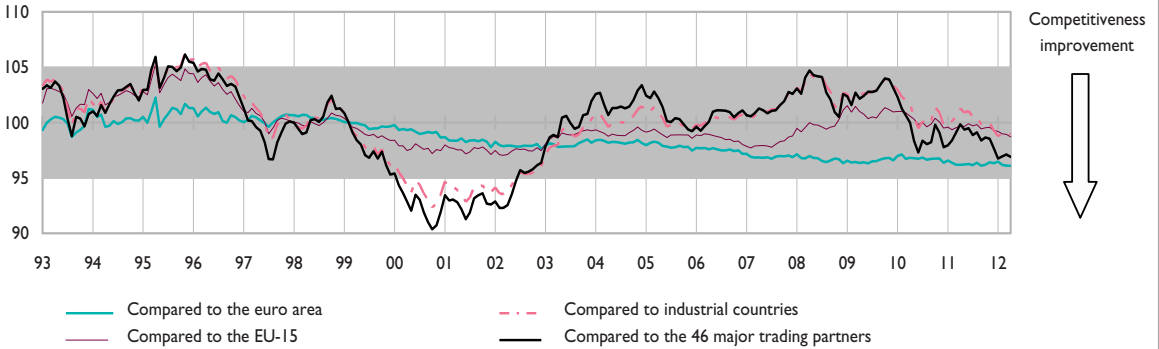
b) The series of seasonally adjusted monthly changes in the HIPC is not available for the European Union.

c) Gap between the extreme values of harmonised price indices observed in the euro area (changing composition).

Table 4
The competitiveness of France's economy

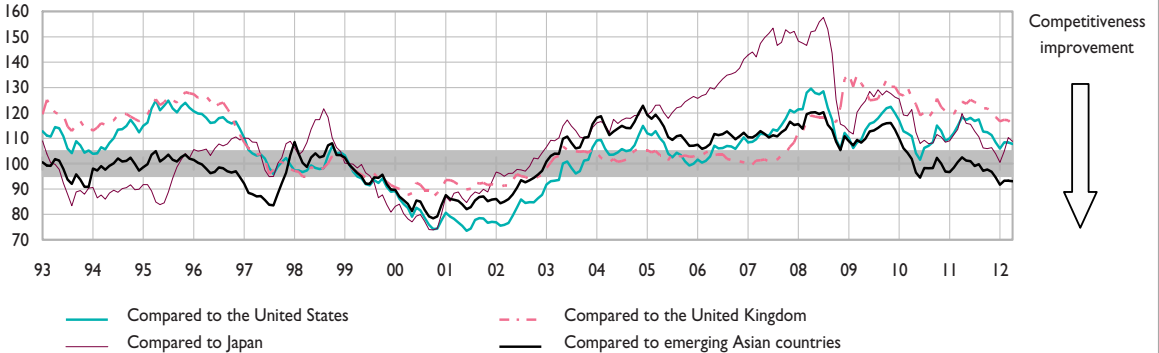
Indicators deflated by consumer prices

(1st quarter 1999 = 100)



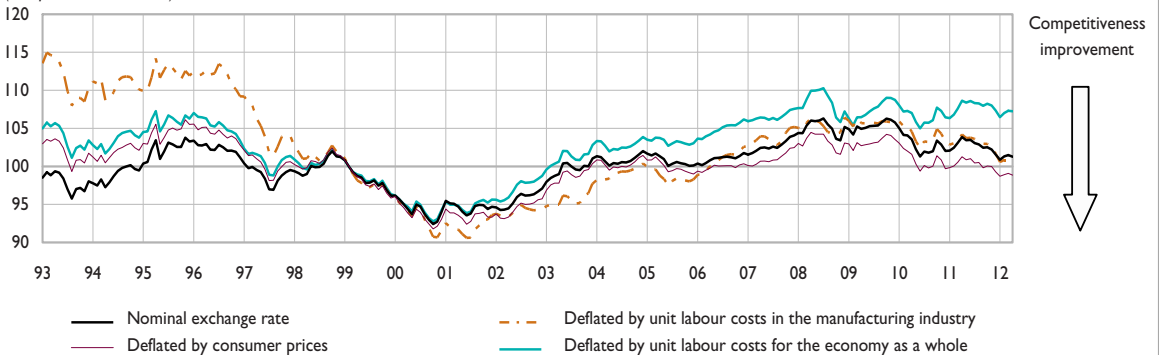
Indicators deflated by consumer prices

(1st quarter 1999 = 100)



Indicators of competitiveness compared to 24 OECD countries

(1st quarter 1999 = 100)



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

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

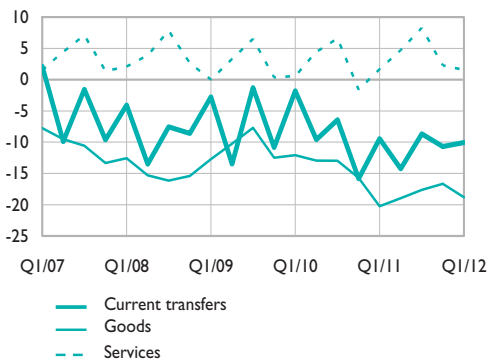
Table 5
Balance of payments – Main components (quarterly data) – France

(unadjusted data, EUR billions)

	2010	2011	2011				2012
			Q1	Q2	Q3	Q4	Q1
Current account	-33.7	-43.1	-9.4	-14.3	-8.7	-10.7	-10.1
Goods	-53.7	-73.5	-20.2	-19.0	-17.6	-16.6	-18.8
Services	10.0	16.9	1.7	4.7	8.3	2.3	1.6
Income	36.5	40.9	13.0	7.2	8.8	12.0	11.7
Current transfers	-26.5	-27.4	-3.8	-7.2	-8.1	-8.3	-4.6
Capital account	0.0	0.1	0.0	0.1	-0.5	0.5	0.0
Financial account	18.2	67.8	-10.5	31.0	26.3	21.0	3.2
Direct investment	-37.9	-43.2	1.3	-31.5	-8.6	-4.4	-3.9
French direct investment abroad	-63.5	-73.9	1.5	-42.0	-16.7	-16.7	-11.1
Foreign direct investment in France	25.6	30.7	-0.2	10.5	8.1	12.3	7.2
Portfolio investment	119.9	268.3	29.7	70.3	69.5	98.9	27.2
Assets	23.2	186.9	-22.6	7.9	89.7	111.8	-17.3
Liabilities	96.7	81.4	52.3	62.3	-20.2	-12.9	44.5
Financial derivatives	34.3	3.3	3.6	-0.2	-2.9	2.8	-0.2
Other investment	-92.3	-166.1	-41.9	-8.7	-37.3	-78.3	-20.0
Reserve assets	-5.8	5.5	-3.2	1.1	5.5	2.1	0.2
Net errors and omissions	15.4	-24.9	19.9	-16.8	-17.1	-10.8	6.9

Current account balance

(unadjusted data, EUR billions)



Financial account balance

(unadjusted data, EUR billions)

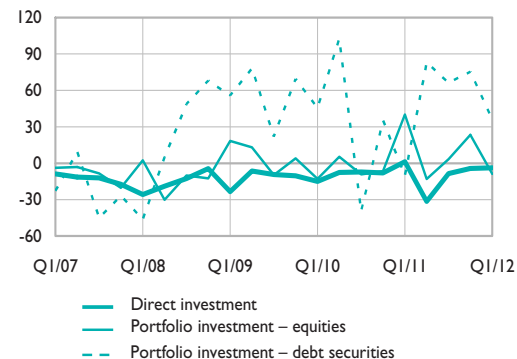


Table 6
Balance of payments – Current and capital accounts (quarterly data) – France

(unadjusted data, EUR billions)

	2010	2011	2011				2012
			Q1	Q2	Q3	Q4	
Current account	-33.7	-43.1	-9.4	-14.3	-8.7	-10.7	-10.1
Goods	-53.7	-73.5	-20.2	-19.0	-17.6	-16.6	-18.8
Exports	390.1	423.9	106.3	106.9	101.2	109.5	113.2
Imports	443.7	497.3	126.5	125.9	118.9	126.1	132.0
General merchandise	-53.5	-71.9	-19.7	-18.6	-17.3	-16.4	-18.6
Goods procured in ports by carriers	-2.1	-2.5	-0.6	-0.6	-0.6	-0.7	-0.8
Goods for processing and repairs on goods	1.9	1.0	0.1	0.2	0.2	0.5	0.6
Services	10.0	16.9	1.7	4.7	8.3	2.3	1.6
Exports	109.9	120.7	25.8	30.4	35.8	28.7	23.5
Imports	99.8	103.8	24.1	25.7	27.6	26.4	21.9
Transportation	0.1	-1.6	-0.6	-0.6	-0.2	-0.1	-0.5
Travel	6.1	8.8	0.1	2.5	6.4	-0.3	0.3
Communications services	0.5	0.9	0.1	0.3	0.2	0.3	0.1
Construction services	2.5	2.6	0.6	0.8	0.5	0.6	0.4
Insurance services	-1.3	-0.3	-0.2	-0.1	0.1	-0.2	-0.3
Financial services	0.4	1.1	0.3	0.2	0.2	0.4	0.4
Computer and information services	-0.2	-0.5	-0.2	-0.1	-0.2	-0.1	-0.2
Royalties and license fees	3.7	4.8	1.4	1.1	0.9	1.3	1.2
Other business services	-0.5	2.2	0.2	0.7	0.5	0.7	0.2
Personal, cultural and recreational services	-1.3	-1.2	-0.3	-0.2	-0.3	-0.3	-0.3
Government services	0.2	0.3	0.1	0.1	0.1	0.0	0.2
Income	36.5	40.9	13.0	7.2	8.8	12.0	11.7
Compensation of employees	9.9	10.6	2.5	2.5	2.5	3.0	2.8
Investment income	26.6	30.3	10.5	4.7	6.3	8.9	8.9
Direct investment	34.1	35.5	8.8	11.9	5.9	8.9	8.4
Portfolio investment	-5.1	-5.8	2.0	-7.1	-0.1	-0.6	0.5
Other investment	-2.4	0.7	-0.4	-0.1	0.5	0.7	0.0
Current transfers	-26.5	-27.4	-3.8	-7.2	-8.1	-8.3	-4.6
General government	-18.0	-17.6	-1.9	-4.3	-5.5	-5.8	-2.5
Other sectors	-8.5	-9.8	-1.9	-2.9	-2.6	-2.5	-2.0
of which workers' remittances	-2.1	-1.5	-0.4	-0.3	-0.4	-0.4	-0.4
Capital account	0.0	0.1	0.0	0.1	-0.5	0.5	0.0

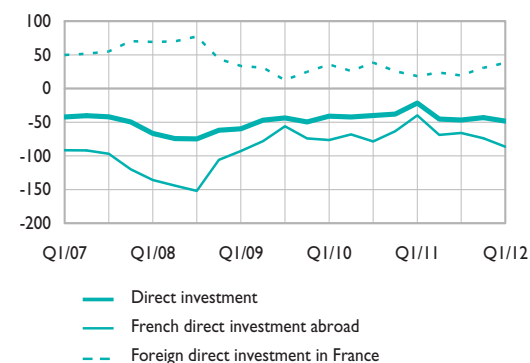
Table 7
Balance of payments – Financial flows (quarterly data) – France

(unadjusted data, EUR billions)

	2010	2011	2011				2012
			Q1	Q2	Q3	Q4	
Financial account	18.2	67.8	-10.5	31.0	26.3	21.0	3.2
Direct investment	-37.9	-43.2	1.3	-31.5	-8.6	-4.4	-3.9
French direct investment abroad	-63.5	-73.9	1.5	-42.0	-16.7	-16.7	-11.1
of which equity capital and reinvested earnings	-44.4	-52.8	0.4	-33.0	-8.0	-12.1	-10.1
Foreign direct investment in France	25.6	30.7	-0.2	10.5	8.1	12.3	7.2
of which equity capital and reinvested earnings	23.8	18.2	3.6	5.0	-0.8	10.4	2.4
Portfolio investment	119.9	268.3	29.7	70.3	69.5	98.9	27.2
Assets	23.2	186.9	-22.6	7.9	89.7	111.8	-17.3
Equity securities	-17.0	49.5	26.7	-15.0	8.0	29.9	-8.0
Bonds and notes	-0.2	72.4	-41.1	-3.5	61.4	55.6	-0.3
Short-term debt securities	40.4	65.0	-8.1	26.5	20.3	26.3	-9.0
Liabilities	96.7	81.4	52.3	62.3	-20.2	-12.9	44.5
Equity securities	-6.3	4.4	13.4	2.1	-4.7	-6.4	-0.9
Bonds and notes	99.5	109.0	21.3	67.8	-5.1	25.0	44.4
Short-term debt securities	3.5	-32.1	17.6	-7.6	-10.5	-31.5	0.9
Financial derivatives	34.3	3.3	3.6	-0.2	-2.9	2.8	-0.2
Other investment	-92.3	-166.1	-41.9	-8.7	-37.3	-78.3	-20.0
Reserve assets	-5.8	5.5	-3.2	1.1	5.5	2.1	0.2
Net errors and omissions	15.4	-24.9	19.9	-16.8	-17.1	-10.8	6.9

Direct investment account

(cumulated flows over 4 quarters)



Portfolio investment account

(cumulated flows over 4 quarters)

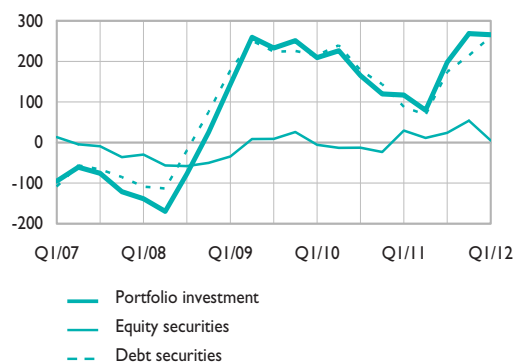


Table 8
Balance of payments – Geographical breakdown (quarterly data) – France

(unadjusted data, EUR billions)

	4th quarter 2011					
	EMU ^{a)}	EU-27 excl. EMU ^{b)}	USA	Japan	Switzerland	China
Current account	-2.6	-4.1	0.7	-0.6	1.4	na
Receipts	82.8	22.6	12.9	3.2	7.6	5.6
Expenditure	85.4	26.7	12.2	3.8	6.1	na
Goods	-10.1	-0.6	-0.5	-0.4	0.4	-6.0
Receipts	49.9	13.2	6.3	1.8	3.3	4.0
Expenditure	60.1	13.8	6.8	2.2	2.9	10.0
Services	-0.2	-0.3	0.4	-0.1	0.1	0.3
Receipts	9.4	3.1	3.0	0.3	1.3	1.1
Expenditure	9.6	3.3	2.5	0.4	1.2	0.8
Income	9.0	1.4	0.9	-0.1	1.3	na
Receipts	22.7	5.2	3.4	1.1	2.6	0.3
Expenditure ^{c)}	13.7	3.8	2.6	1.2	1.3	na
Current Transfers	-1.3	-4.6	-0.1	0.0	-0.4	0.0
Financial account						
Direct investment	-0.5	-3.1	2.1	0.4	-0.6	-0.6
French direct investment abroad	-10.5	-3.3	0.6	0.3	-1.5	-0.6
Foreign direct investment in France	10.0	0.2	1.6	0.2	0.9	0.0
Portfolio investment – Assets ^{d)}	77.5	7.3	7.1	2.9	0.9	-1.1
Equity securities	12.5	2.6	7.5	1.4	0.3	-1.0
Bonds and notes	44.3	2.5	0.5	0.5	0.3	0.0
Short-term debt securities	20.7	2.2	-0.9	1.0	0.3	0.0
Other investment	-50.8	44.7	-59.0	-11.4	2.1	0.8

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

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

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

d) The geographical breakdown is not available for liabilities.

Table 9
Balance of payments (monthly data) – France

(unadjusted data, EUR billions)

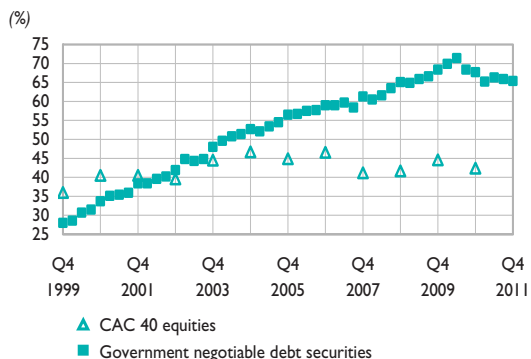
	2011	2012			12-month total		
		March	Jan.	Feb.	March	2011	2012
						March	March
Current account	-2.8	-0.8	-5.8	-3.5	-41.3	-43.7	
Goods	-6.3	-6.8	-7.0	-5.1	-61.8	-72.0	
Services	-0.3	0.2	0.7	0.7	11.1	16.8	
Income	6.1	5.1	2.6	4.0	35.8	39.7	
Current transfers	-2.2	0.6	-2.2	-3.0	-26.4	-28.2	
Capital account	0.0	0.0	0.0	0.0	-0.1	0.1	
Financial account	-14.2	-2.8	15.8	-9.8	8.9	81.5	
Direct investment	-4.2	-3.2	1.1	-1.8	-21.6	-48.4	
<i>French direct investment abroad</i>	-7.6	-4.1	-1.5	-5.5	-39.9	-86.4	
Equity capital	-2.3	-2.6	-0.7	-0.2	-3.0	-34.6	
Reinvested earnings	-2.1	-2.1	-2.1	-2.4	-24.4	-28.7	
Other capital	-3.1	0.7	1.3	-2.9	-12.4	-23.2	
Foreign direct investment in France	3.4	0.9	2.6	3.7	18.3	38.1	
Equity capital	-0.7	-0.5	-0.9	1.4	10.4	7.6	
Reinvested earnings	0.8	0.8	0.8	0.8	11.9	9.3	
Other capital	3.3	0.6	2.7	1.5	-4.0	21.1	
Portfolio investment	55.5	-23.4	18.5	32.0	117.0	265.8	
Assets	26.5	-21.3	-0.3	4.3	29.5	192.2	
Equity securities	17.0	-4.9	-2.0	-1.1	16.4	14.9	
Bonds and notes	7.7	-12.5	4.5	7.7	-16.5	113.1	
Short-term debt securities	1.8	-3.9	-2.8	-2.3	29.6	64.2	
Liabilities	29.0	-2.1	18.8	27.7	87.5	73.6	
Equity securities	4.4	-5.7	-1.4	6.3	13.1	-9.9	
Bonds and notes	9.9	5.2	28.6	10.6	57.6	132.2	
Short-term debt securities	14.7	-1.6	-8.4	10.9	16.8	-48.7	
Financial derivatives	2.3	-2.2	2.3	-0.3	29.7	-0.5	
Other investment	-66.2	26.7	-6.3	-40.4	-109.0	-144.3	
Reserve assets	-1.6	-0.7	0.1	0.8	-7.2	8.8	
Net errors and omissions	17.0	3.6	-10.0	13.2	32.5	-37.9	

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

(EUR billions)

	2007	2008	2009	2010	2011	2011
	Dec.	Dec.	Dec.	Dec.	Dec.	Q4
Assets	4,533.5	4,414.1	4,673.2	5,061.7	4,983.6	4,983.6
French direct investment abroad	874.2	975.3	1,041.9	1,144.8	1,217.0	1,217.0
Equity capital and reinvested earnings	598.2	658.6	700.0	775.8	826.7	826.7
Other capital	276.0	316.7	341.9	369.0	390.3	390.3
Portfolio investment (foreign securities held by residents)	2,014.1	1,857.4	2,056.3	2,099.7	1,839.7	1,839.7
Financial derivatives	241.0	234.0	273.5	324.5	335.0	335.0
Other investment	1,325.7	1,273.5	1,209.1	1,368.2	1,458.8	1,458.8
Reserve assets	78.6	74.0	92.4	124.5	133.1	133.1
Liabilities	-4,708.2	-4,633.3	-4,884.9	-5,216.8	-5,200.4	-5,200.4
Foreign direct investment in France	-649.1	-684.5	-690.7	-722.2	-753.4	-753.4
Equity capital and reinvested earnings	-386.2	-395.3	-394.2	-418.0	-436.2	-436.2
Other capital	-262.9	-289.2	-296.5	-304.2	-317.2	-317.2
Portfolio investment (French securities held by non-residents)	-1,987.9	-1,872.5	-2,315.3	-2,450.1	-2,478.8	-2,478.8
Financial derivatives	-312.6	-289.3	-311.8	-397.2	-401.8	-401.8
Other investment	-1,758.7	-1,787.0	-1,567.0	-1,647.3	-1,566.4	-1,566.4
Net position	-174.7	-219.2	-211.7	-155.1	-216.8	-216.8

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



France's international investment position

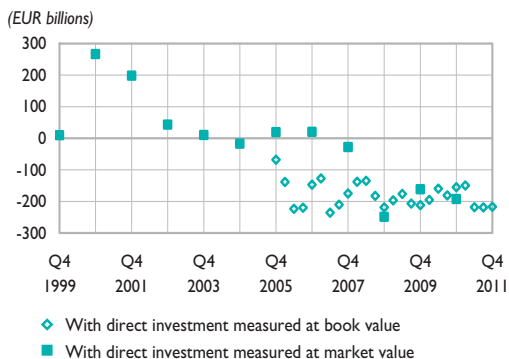


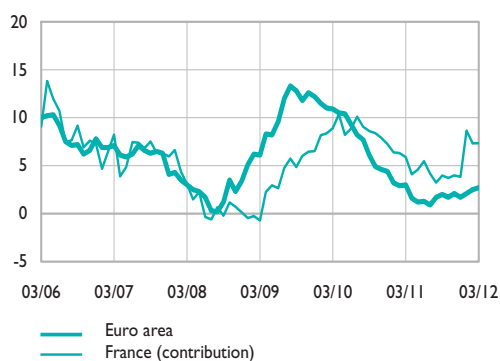
Table I I
Main monetary and financial aggregates – France and the euro area

(annual percentage growth rate)

	2009	2010	2011	2011	2011				2012			
	Dec.	Dec.	Dec.	March	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
M1												
Euro area ^{a)}	12.2	4.4	1.7	3.0	2.0	1.7	2.1	1.7	2.1	2.5	2.7	
France (contribution)	6.5	7.2	3.8	5.9	4.0	3.7	4.0	3.8	8.7	7.3	7.3	
M2												
Euro area ^{a)}	1.6	2.3	1.8	2.7	2.5	1.9	2.1	1.8	2.3	2.8	2.9	
France (contribution)	0.0	7.4	3.5	7.4	5.6	4.1	4.2	3.5	6.2	5.6	5.6	
M3												
Euro area ^{a)}	-0.3	1.7	1.5	2.2	2.8	2.6	1.9	1.5	2.5	2.8	3.2	
France (contribution)	-4.1	6.6	3.0	7.3	4.5	3.0	2.9	3.0	4.5	3.2	4.2	
Loans to the private sector												
Euro area ^{a)}	-0.1	1.9	1.1	2.6	2.6	2.8	1.7	1.1	1.2	0.8	0.6	
France ^{b)}	-0.6	5.0	2.4	4.6	5.7	5.6	3.4	2.4	2.8	2.2	2.1	

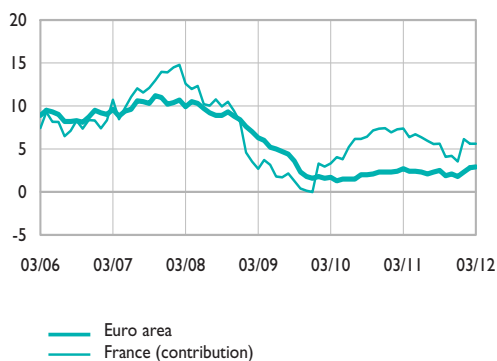
M1

(annual percentage growth rate)



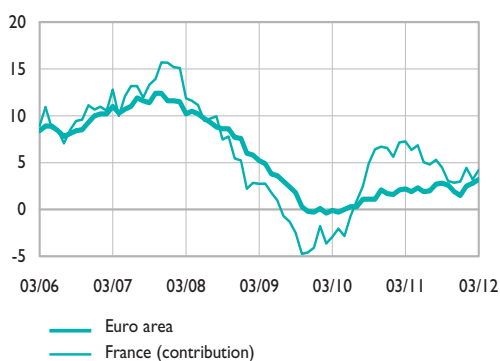
M2

(annual percentage growth rate)



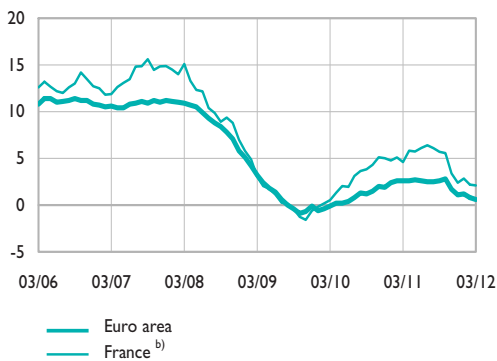
M3

(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 May 2012

Table I2
Balance sheet of the Banque de France

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

	2009	2010	2011	2011	2011	2012		
	Dec.	Dec.	Dec.	March	Dec.	Jan.	Feb.	March
Assets								
National territory	180.1	103.4	295.9	97.0	295.9	291.9	291.9	319.2
Loans	143.6	56.3	218.4	43.4	218.4	211.6	209.5	225.7
MFIs ^{a)}	143.5	56.1	218.2	43.2	218.2	211.4	209.3	225.5
Central government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Securities other than shares	36.0	46.6	77.0	53.1	77.0	79.8	81.9	93.0
MFIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government	36.0	46.6	77.0	53.1	77.0	79.8	81.9	93.0
Private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market funds shares/units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other euro area countries ^{a)}	77.4	102.5	106.8	95.4	106.8	106.4	103.2	102.2
Rest of the world ^{a)}	96.3	99.1	110.5	103.5	110.5	109.4	107.0	102.5
Gold	60.0	82.6	95.3	78.9	95.3	103.3	101.2	97.4
Not broken down by geographical area ^{b)}	96.4	97.7	105.1	96.7	105.1	105.1	102.5	100.8
Total	510.2	485.3	713.6	471.5	713.6	716.1	705.8	722.1
Liabilities								
National territory – Deposits	88.6	51.5	185.6	53.4	185.6	144.6	167.3	235.6
MFIs	68.0	49.6	176.2	52.5	176.2	123.1	123.6	180.4
Central government	19.0	1.5	8.9	0.5	8.9	21.0	43.3	54.6
Other sectors	1.6	0.4	0.5	0.4	0.5	0.4	0.4	0.6
Other euro area countries – Deposits	62.0	28.3	79.6	22.6	79.6	113.7	96.3	47.3
MFIs	62.0	28.3	79.6	22.6	79.6	113.7	96.3	47.3
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of the world – Deposits	112.7	122.9	143.4	123.2	143.4	141.6	135.2	137.6
Not broken down by geographical area	246.9	282.6	305.0	272.3	305.0	316.2	307.0	301.6
Currency in circulation ^{c)}	153.7	160.1	169.0	156.8	169.0	165.2	164.9	165.4
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital and reserves	70.6	97.6	112.4	92.4	112.4	120.5	119.1	114.7
Other liabilities	22.6	24.9	23.6	23.1	23.6	30.5	22.9	21.5
Total	510.2	485.3	713.6	471.5	713.6	716.1	705.8	722.1

a) This item includes the outstanding amount of market operations.

b) Including the adjustment linked to the latest method of accounting used for measuring the notes on the asset side of the balance sheet of the Banque de France since January 2002.

c) Since January 2002, banknotes in circulation figure is being adjusted to bring them in line with the capital key share ("Capital Share Mechanism"). The ECB is the legal issuer of the total euro banknotes in circulation, and the National Central Banks disclose euro banknotes liabilities equivalent to their respective capital key share, calculated on the basis of the remaining 92% of the overall amount of euro banknotes.

Table I3
Balance sheet of monetary financial institutions (MFIs) excluding the Banque de France

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

	2009	2010	2011	2011	2011	2012		
	Dec.	Dec.	Dec.	March	Dec.	Jan.	Feb.	March
Assets								
National territory	4,527.2	4,568.2	4,983.9	4,555.2	4,983.9	4,979.7	4,996.2	5,028.1
Loans	3,509.9	3,562.1	3,958.6	3,642.7	3,958.6	3,931.9	3,922.9	3,944.9
MFIs	1,486.5	1,413.9	1,747.4	1,457.8	1,747.4	1,699.7	1,694.9	1,717.2
General government	196.1	217.8	195.1	204.0	195.1	196.8	195.4	194.1
Private sector	1,827.4	1,930.4	2,016.2	1,980.9	2,016.2	2,035.4	2,032.6	2,033.7
Securities other than shares	622.6	613.6	673.2	546.2	673.2	690.0	710.0	713.7
MFIs ≤ 2 years	229.8	208.5	223.1	183.1	223.1	229.7	245.7	243.9
MFIs > 2 years	113.4	134.8	131.9	105.2	131.9	121.1	114.3	118.1
General government	159.7	152.1	152.8	137.0	152.8	155.4	164.3	168.3
Private sector	119.8	118.3	165.3	120.8	165.3	183.8	185.6	183.4
Money market fund shares/units	79.1	52.6	43.6	56.7	43.6	45.4	49.7	53.1
Shares and other equity	315.5	339.9	308.5	309.6	308.5	312.4	313.7	316.5
Other euro area countries	1,034.4	1,020.2	815.0	911.6	815.0	821.3	810.2	815.7
Rest of the world	848.2	962.9	975.6	955.1	975.6	970.4	983.8	986.5
Not broken down by geographical area	1,247.1	1,278.7	1,624.2	1,253.3	1,624.2	1,681.1	1,685.0	1,617.2
Total	7,656.7	7,830.1	8,398.7	7,675.3	8,398.7	8,452.4	8,475.2	8,447.6
Liabilities								
National territory – Deposits	3,099.0	3,035.3	3,606.8	3,124.1	3,606.8	3,616.9	3,603.3	3,592.9
MFIs	1,571.3	1,423.1	1,808.6	1,446.9	1,808.6	1,779.4	1,782.6	1,771.8
Central government	28.3	28.7	36.6	49.2	36.6	36.0	32.2	31.0
Other sectors	1,499.4	1,583.5	1,761.6	1,627.9	1,761.6	1,801.5	1,788.5	1,790.1
Overnight deposits	463.1	502.1	527.4	488.0	527.4	539.3	518.6	522.3
Deposits with agreed maturity ≤ 2 years	131.3	133.4	156.0	141.8	156.0	158.8	159.8	157.3
Deposits with agreed maturity > 2 years	362.4	377.0	483.7	419.3	483.7	496.0	498.3	494.7
Deposits redeemable at notice ≤ 3 months	501.1	518.8	559.3	532.2	559.3	567.3	570.9	574.9
Repos	41.5	52.3	35.3	46.6	35.3	40.1	40.9	40.8
Other euro area countries – Deposits	338.3	380.3	354.0	373.9	354.0	355.1	355.0	356.5
MFIs	229.3	220.6	241.7	227.1	241.7	238.4	231.9	234.8
Other sectors	109.0	159.7	112.4	146.8	112.4	116.6	123.1	121.7
Rest of the world – Deposits	880.9	968.9	791.3	898.5	791.3	759.3	776.7	784.3
Not broken down by geographical area	3,338.6	3,445.6	3,646.6	3,278.8	3,646.6	3,721.2	3,740.3	3,713.8
Debt securities issued ≤ 2 years	381.4	409.8	420.0	418.2	420.0	411.8	419.3	439.2
Debt securities issued > 2 years	715.2	754.9	821.9	779.9	821.9	828.9	837.2	838.0
Money market fund shares/units	479.2	394.3	351.1	387.8	351.1	358.0	369.1	379.5
Capital and reserves	454.7	476.7	498.3	483.5	498.3	498.5	496.6	504.3
Other	1,308.1	1,409.9	1,555.2	1,209.5	1,555.2	1,623.9	1,618.2	1,552.8
Total	7,656.7	7,830.1	8,398.7	7,675.3	8,398.7	8,452.4	8,475.2	8,447.6

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

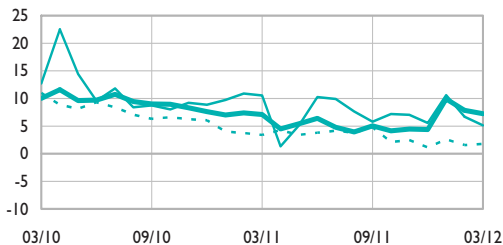
Table I4
Deposits – France

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

	2009	2010	2011	2011	2011	2012		
	Dec.	Dec.	Dec.	March	Dec.	Jan.	Feb.	March
Overnight deposits								
Total non-financial sectors (excluding central government)	481.1	516.3	541.2	494.4	541.2	525.5	506.0	514.5
Households and similar	262.4	278.4	284.4	273.7	284.4	285.7	276.0	278.8
Non-financial corporations	167.0	182.5	198.2	174.6	198.2	187.4	179.1	182.8
General government (excl. central government)	51.7	55.4	58.6	46.0	58.6	52.4	50.9	52.9
Other sectors	32.6	38.7	38.8	35.1	38.8	58.8	56.3	51.6
Total – Outstanding amounts	513.7	555.1	580.0	529.5	580.0	584.3	562.3	566.1
Total – Growth rate	6.8	7.6	4.4	7.1	4.4	9.9	7.9	7.2
Passbook savings accounts								
"A" and "Blue" passbooks	183.4	193.5	214.7	200.8	214.7	218.9	220.7	221.9
Housing savings accounts	36.6	36.1	36.1	36.3	36.1	36.3	36.3	36.3
Sustainable development passbook accounts	69.1	68.0	69.4	68.7	69.4	70.7	70.8	70.9
People's savings passbooks	58.3	54.4	52.4	52.9	52.4	51.4	51.7	51.8
Youth passbooks	7.2	7.0	7.0	6.9	7.0	6.9	6.8	6.8
Taxable passbooks	146.5	159.8	179.7	166.7	179.7	183.2	184.6	187.2
Total – Outstanding amounts	501.1	518.8	559.3	532.2	559.3	567.3	570.9	574.9
Total – Growth rate	3.1	3.5	7.3	5.8	7.3	7.0	7.5	7.8

Overnight deposits

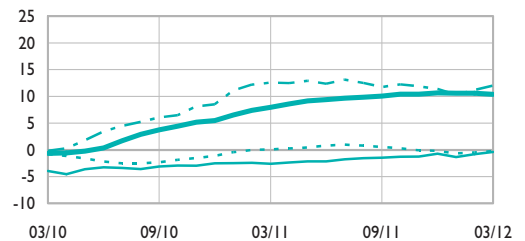
(annual growth rate)



— Total
- - - Non-financial corporations
..... Households

Passbook savings accounts

(annual growth rate)



— "A" and "Blue" passbooks
- - - Youth passbooks
..... Housing savings accounts
- . - Taxable passbooks

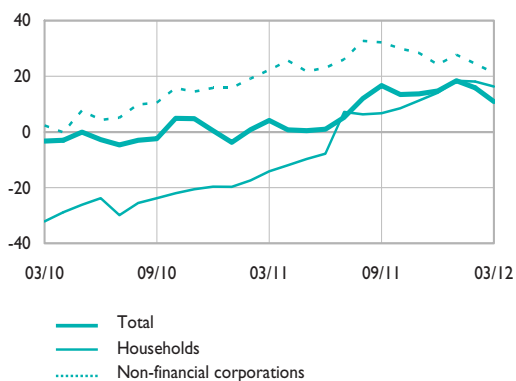
Table 15
Time deposits – France

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

	2009	2010	2011	2011	2011	2012		
	Dec.	Dec.	Dec.	March	Dec.	Jan.	Feb.	March
Deposits with agreed maturity up to two years								
Total non-financial sectors (excl. central government)	86.1	89.1	113.2	99.2	113.2	117.5	118.0	120.6
Households and similar	30.4	24.5	31.7	29.2	31.7	32.8	33.8	34.1
Non-financial corporations	55.1	63.9	80.6	69.1	80.6	83.7	83.3	85.4
General government (excl. central government)	0.6	0.7	1.0	0.9	1.0	1.0	1.0	1.1
Other sectors	45.1	44.2	42.7	42.6	42.7	41.3	41.7	36.7
Total – Outstanding amounts	131.3	133.4	156.0	141.8	156.0	158.8	159.8	157.3
Total – Growth rate	-27.4	0.5	14.7	4.1	14.7	18.4	15.9	10.9
Deposits with agreed maturity of over two years								
Total non-financial sectors (excl. central government)	264.3	282.6	306.7	291.1	306.7	310.5	314.6	317.7
Households and similar	241.4	248.0	259.0	251.5	259.0	260.9	264.5	265.6
PEL	173.8	182.3	186.6	183.3	186.6	186.6	186.7	186.6
PEP	29.0	26.6	24.4	25.8	24.4	24.3	24.3	24.2
Other	38.6	39.1	48.0	42.4	48.0	50.0	53.6	54.9
Non-financial corporations	22.5	34.0	46.6	38.9	46.6	48.5	48.9	50.9
General government (excl. central government)	0.4	0.6	1.1	0.7	1.1	1.1	1.2	1.2
Other sectors	98.1	94.4	177.0	128.2	177.0	185.6	183.7	177.0
Total – Outstanding amounts	362.4	377.0	483.7	419.3	483.7	496.0	498.3	494.7
Total – Growth rate	38.1	3.5	18.8	5.7	18.8	21.5	22.1	17.8

Deposits up to 2 years

(annual percentage growth rate)



Deposits over 2 years

(annual percentage growth rate)

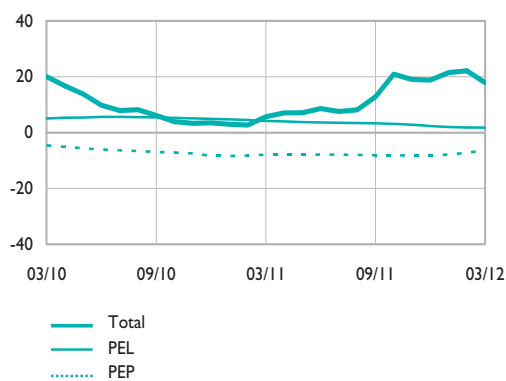
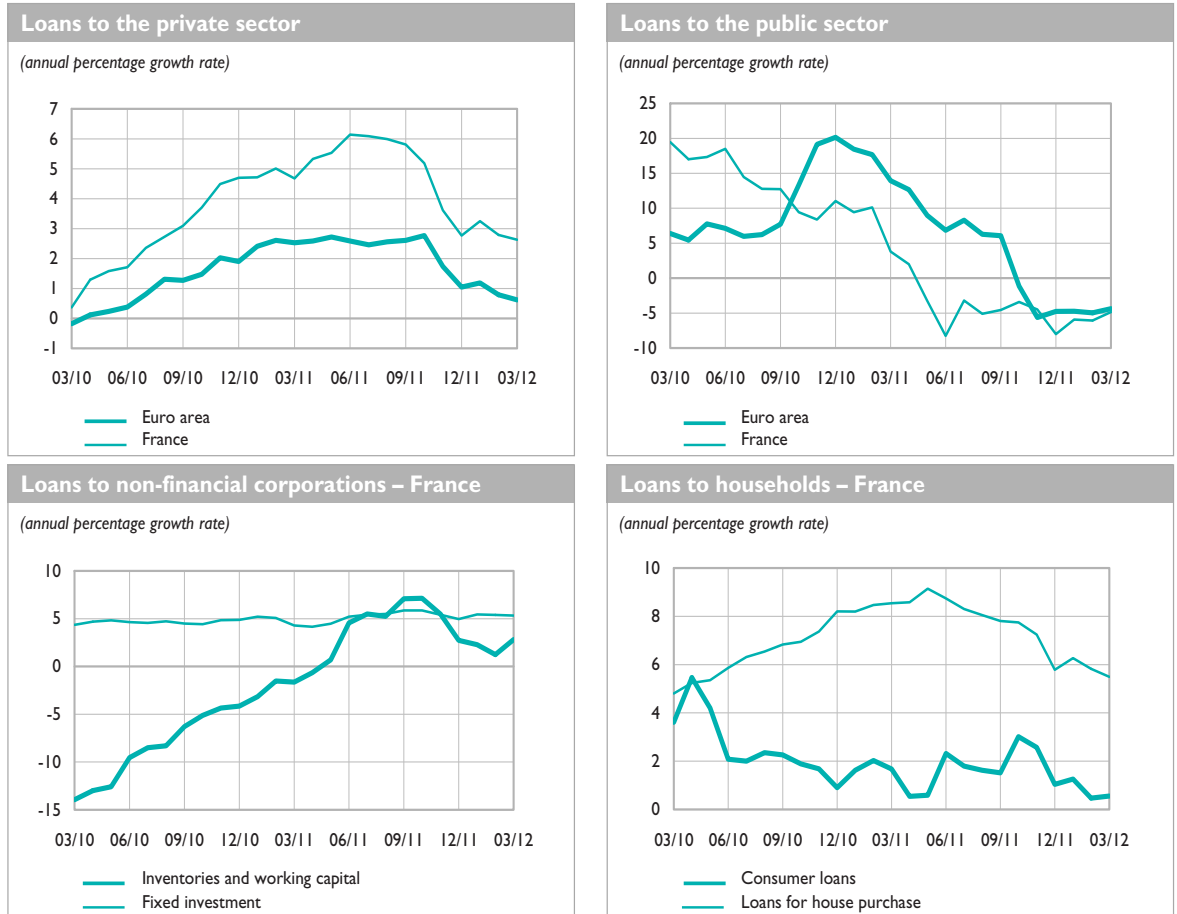


Table 16
Loans extended by credit institutions established in France to French residents – France

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

	2009	2010	2011	2011	2011		2012		
	Dec.	Dec.	Dec.	March	Nov.	Dec.	Jan.	Feb.	March
Loans from monetary financial institutions									
Private sector	1,827.5	1,930.6	2,016.3	1,981.1	2,030.4	2,016.3	2,035.6	2,032.8	2,033.9
General government	196.1	217.8	195.1	204.0	190.4	195.1	196.8	195.4	194.1
Total – Outstanding amounts	2,023.6	2,148.4	2,211.4	2,185.0	2,220.8	2,211.4	2,232.4	2,228.2	2,227.9
Private sector	-0.6	4.7	2.8	4.7	3.6	2.8	3.3	2.8	2.6
General government	12.8	11.0	-8.0	3.8	-4.5	-8.0	-5.9	-6.1	-4.8
Total – Growth rate	0.5	5.3	1.7	4.6	2.9	1.7	2.4	1.9	1.9
Loans from credit institutions to non-financial corporations									
Fixed investment	500.1	525.0	547.1	525.2	544.8	547.1	551.4	553.0	554.9
Inventories and working capital	185.7	179.7	187.5	185.2	195.7	187.5	187.7	184.9	187.2
Other lending	83.5	76.1	81.2	80.3	76.7	81.2	79.1	77.5	77.8
Total – Outstanding amounts	769.3	780.8	815.9	790.8	817.1	815.9	818.3	815.4	819.9
Total – Growth rate	-1.2	1.2	4.4	2.0	4.5	4.4	4.6	4.1	4.0
Loans from credit institutions to households									
Loans for house purchase	737.6	796.6	843.2	808.4	839.4	843.2	849.1	849.7	851.3
Consumer loans	152.9	154.7	149.3	150.3	150.0	149.3	148.7	147.6	148.4
Other lending	84.2	87.1	90.5	88.9	91.1	90.5	90.9	91.0	90.8
Total – Outstanding amounts	974.7	1,038.4	1,083.1	1,047.6	1,080.6	1,083.1	1,088.7	1,088.2	1,090.5
Total – Growth rate	4.0	6.6	4.9	6.8	6.3	4.9	5.3	4.8	4.6

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



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

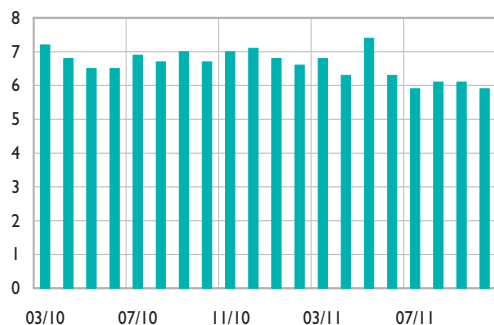
Table 18
New loans to residents, (excl. overdrafts) – France

(monthly flows - seasonally adjusted - in euro billions)

	2011			2012		
	Jan.	Feb.	March	Jan.	Feb.	March
loans to non-financial corporations						
Loans ≤ 1 million euro ^{a)}	6.8	6.6	6.8	7.3	5.9	5.7
Loans > 1 million euro ^{a)}	13.6	10.6	13.6	12.1	13.4	12.4
Loans to households						
Cash loans to sole traders and individuals (excl. revolving consumer credit)	4.2	4.3	4.3	4.2	4.1	4.1
Housing loans	15.2	14.3	14.5	12.4	7.3	6.8

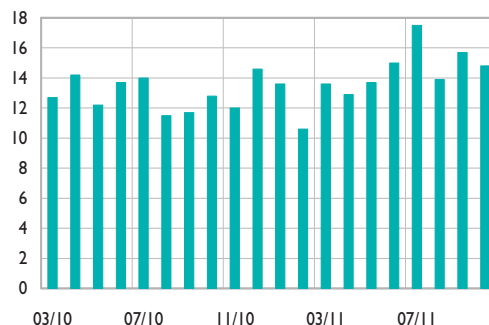
Non-financial corporations – Loans ≤ 1 million euro

(monthly flows - seasonally adjusted - in euro billions)



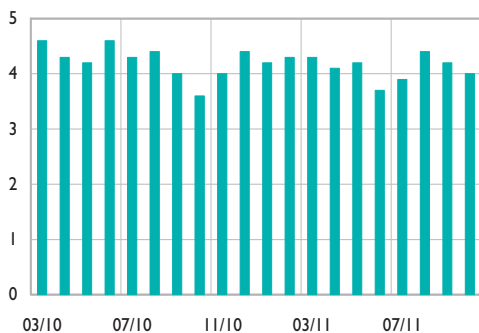
Non-financial corporations – Loans > 1 million euro

(monthly flows - seasonally adjusted - in euro billions)



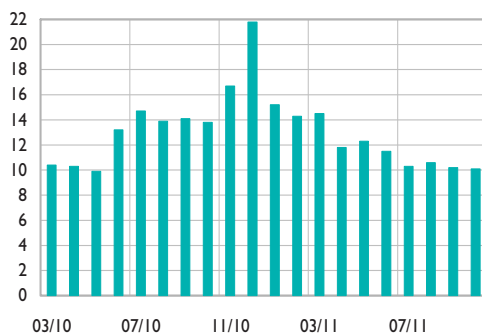
Households - Cash loans

(monthly flows - seasonally adjusted - in euro billions)



Households - Housing loans

(monthly flows - seasonally adjusted - in euro billions)



a) All initial rate fixation periods.

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

(EUR billions)

Euro area	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010	2011				2011
	Q4	Q1	Q2	Q3	Q4	Dec.
Financial assets						
Currency and deposits	-17.5	-0.9	-4.2	21.7	25.7	809.9
<i>of which deposits included in M3 ^{a)}</i>	-9.7	-9.3	-15.1	4.9	16.0	191.6
Short-term debt securities	5.1	7.8	2.8	8.3	21.7	62.9
Long-term debt securities	181.7	144.9	128.5	69.4	4.7	2,598.5
Loans	25.6	18.7	21.6	14.3	3.7	466.7
Shares and other equity	67.6	51.5	84.3	108.2	94.7	2,396.5
<i>of which quoted shares</i>	13.0	16.1	16.1	10.9	6.9	530.1
Remaining net assets	20.2	1.9	-47.0	-47.6	-37.4	273.8
Financing						
Debt securities	-0.3	0.3	2.4	3.4	3.2	30.7
Loans	10.9	17.0	13.0	7.8	7.0	297.5
Shares and other equity	6.5	5.6	1.3	1.5	1.0	385.8
Insurance technical reserves	272.9	217.2	180.3	139.1	102.6	6,099.8
<i>Life insurance</i>	249.0	196.6	168.1	131.7	103.4	5,269.4
<i>Non-life insurance</i>	23.9	20.7	12.2	7.4	-0.9	830.4
Net lending/net borrowing (B9B)	-7.4	-16.4	-11.1	22.5	-0.6	

(EUR billions)

France	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010	2011				2011
	Q4	Q1	Q2	Q3	Q4	Dec.
Financial assets						
Currency and deposits	2.2	3.7	2.0	7.0	9.1	29.2
Short-term debt securities	6.5	4.2	2.1	6.3	18.3	36.1
Long-term debt securities	134.7	119.9	94.0	55.6	-10.1	1,094.7
Loans	-2.4	-2.4	-2.4	1.7	1.0	35.2
Shares and other equity	-26.7	-26.7	-17.5	9.1	14.5	580.2
<i>of which quoted shares</i>	-7.1	-2.8	-3.3	-1.5	-2.0	65.1
Remaining net assets	0.2	2.3	2.8	5.8	4.4	5.2
Financing						
Debt securities	-0.2	1.1	2.4	1.5	1.6	8.2
Loans	12.0	10.9	10.0	11.3	1.3	82.7
Shares and other equity	2.0	1.0	0.6	0.4	0.0	94.9
Insurance technical reserves	98.9	82.8	70.5	56.7	32.3	1,672.3
<i>Life insurance and pension funds</i>	81.6	70.2	60.4	50.1	32.5	1,402.2
<i>Non-life insurance</i>	17.3	12.5	10.2	6.6	-0.2	270.2
Net lending/net borrowing (B9B)	11.0	11.8	5.0	22.6	8.0	

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

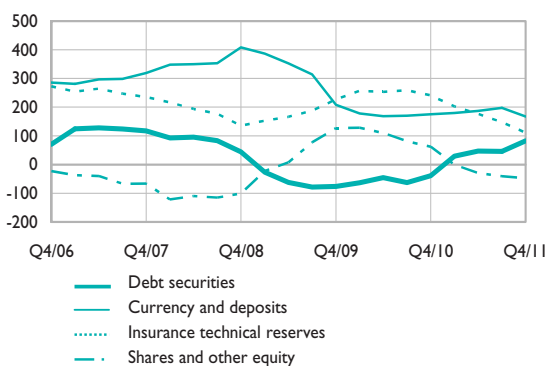
Table 20
Investment and financing – Households – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010	2011				2011
	Q4	Q1	Q2	Q3	Q4	Dec.
Financial assets						
Currency and deposits	175.3	180.0	186.9	197.3	167.7	6,811.4
<i>of which deposits included in M3 ^{a)}</i>	85.4	111.2	107.7	114.0	83.4	5,114.6
Short-term debt securities	-18.0	2.0	12.7	3.8	26.0	57.2
Long-term debt securities	-20.8	27.3	34.7	41.9	56.5	1,339.7
Shares and other equity	62.2	-0.9	-29.6	-40.3	-46.9	3,991.8
Quoted shares	21.5	12.4	2.2	6.2	11.7	654.6
Unquoted shares and other equity	81.0	40.1	21.1	21.5	24.5	2,084.0
Mutual fund shares	-40.3	-53.5	-52.9	-68.0	-83.1	1,253.3
<i>of which money market fund shares</i>	-57.3	-35.9	-26.6	-16.9	-21.1	169.0
Insurance technical reserves	241.2	202.7	176.7	147.0	111.3	5,891.8
Remaining net assets	15.4	33.7	50.0	29.2	17.7	58.9
Financing						
Loans	125.6	119.2	136.1	121.5	86.7	6,191.5
<i>of which from euro area MFIs</i>	147.2	169.6	167.7	148.0	80.8	5,280.7
Revaluation of financial assets						
Shares and other equity	74.8	71.1	221.6	-372.6	-457.2	
Insurance technical reserves	104.1	35.4	47.8	-43.1	24.0	
Other flows	-93.7	-97.7	11.0	-15.3	17.8	
Change in net financial worth	415.1	334.3	575.7	-173.5	-169.8	

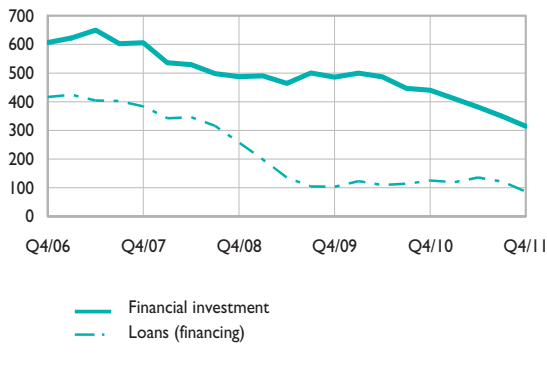
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)



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

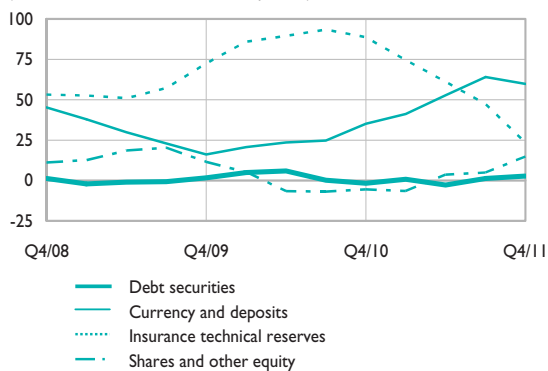
Table 21
Investment and financing – Households – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010	2011				2011
	Q4	Q1	Q2	Q3	Q4	Dec.
Financial assets						
Currency and deposits	35.2	41.2	52.8	64.1	59.8	1,217.1
Short-term debt securities	-1.2	-0.7	-3.1	-1.7	-0.2	1.9
Long-term debt securities	-0.5	1.5	0.3	3.0	2.9	58.3
Shares and other equity	-5.5	-6.5	3.6	5.0	14.8	919.7
Quoted shares	5.8	3.4	1.4	-0.3	0.9	127.2
Unquoted shares and other equity	15.8	15.9	21.4	21.9	25.3	516.6
Mutual fund shares	-27.1	-25.8	-19.2	-16.6	-11.5	275.9
of which money market fund shares	-19.5	-17.4	-13.1	-8.6	-6.7	31.7
Insurance technical reserves	88.7	74.6	61.2	47.4	23.6	1,507.4
Remaining net assets	30.6	36.3	41.2	25.0	4.7	76.1
Financing						
Loans	61.2	63.1	73.2	72.9	58.9	1,115.9
Revaluation of financial assets						
Shares and other equity	49.0	50.2	104.0	-85.0	-88.8	
Insurance technical reserves	12.5	8.8	20.9	-13.6	-12.4	
Other flows	5.8	4.0	4.5	1.2	-6.2	
Change in net financial worth	153.3	146.4	212.1	-27.6	-60.7	

Investment flows

(EUR billions, cumulated flows over 4 quarters)


Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)

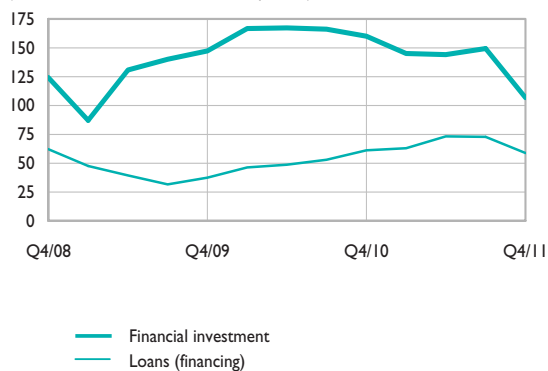


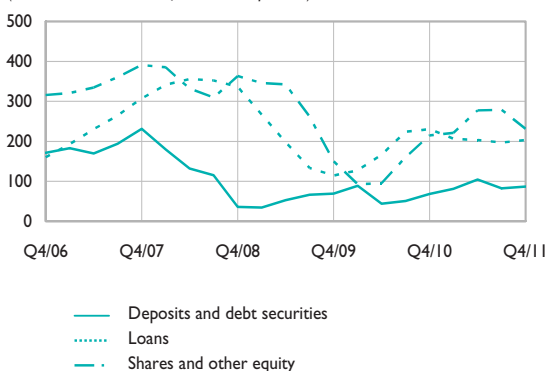
Table 22
Investment and financing – Non-financial corporations – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010	2011				2011
	Q4	Q1	Q2	Q3	Q4	Dec.
Financial assets						
Currency and deposits	79.2	86.4	87.8	69.0	53.2	1,981.5
<i>of which deposits included in M3 ^{a)}</i>	67.1	62.3	64.7	41.0	-5.9	1,589.9
Debt securities	-10.9	-5.6	16.4	13.0	33.7	358.0
Loans	230.4	206.5	203.5	197.2	203.5	3,238.7
Shares and other equity	214.8	221.2	277.4	278.6	231.0	7,299.4
Insurance technical reserves	-0.8	-0.6	0.4	0.8	1.5	168.0
Remaining net assets	-61.3	-71.0	-50.9	-44.9	-76.1	-130.5
Financing						
Debt	180.5	209.0	280.0	261.5	243.4	9,849.0
Loans	114.2	163.9	235.8	212.8	196.6	8,585.5
<i>of which from euro area MFIs</i>	-2.3	41.7	72.8	80.7	57.1	4,720.4
Debt securities	65.2	44.3	43.2	47.7	46.1	927.1
Pension fund reserves	1.1	0.9	1.0	1.0	0.8	336.3
Shares and other equity	259.8	271.8	270.5	266.2	231.6	12,205.4
Quoted shares	31.0	30.0	28.5	29.5	28.1	3,300.2
Unquoted shares and other equity	228.8	241.8	242.1	236.8	203.5	8,905.1
Net lending/net borrowing (B9B)	11.0	-43.9	-15.8	-14.0	-28.2	

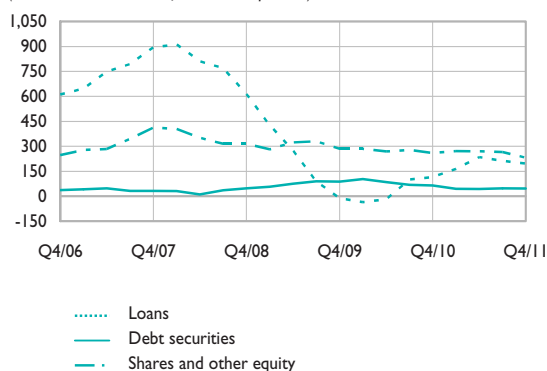
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)



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

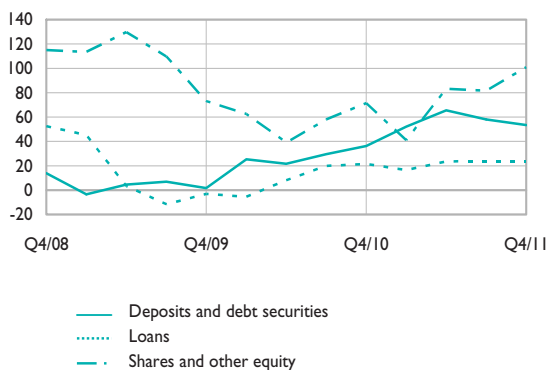
Table 23
Investment and financing – Non-financial corporations – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2010	2011				2011
	Q4	Q1	Q2	Q3	Q4	Dec.
Financial assets						
Currency and deposits	34.8	52.8	61.9	52.2	44.5	399.0
Debt securities	1.5	-0.7	3.6	5.9	9.0	71.0
Loans	21.5	16.5	23.6	23.8	23.7	803.3
Shares and other equity	71.4	41.0	83.3	81.6	101.0	2,532.3
Insurance technical reserves	-0.2	-0.2	0.1	0.3	0.5	51.0
Remaining net assets	-13.0	-19.0	-6.6	-32.0	-20.2	-9.9
Financing						
Debt	31.4	27.9	55.9	69.8	70.9	2,069.6
Loans	5.3	7.2	34.9	48.9	42.0	1,643.3
Debt securities	26.1	20.7	21.0	20.9	28.9	426.3
Shares and other equity	108.3	101.1	115.9	103.4	116.1	3,798.6
Quoted shares	7.5	6.6	9.0	10.4	10.3	988.6
Unquoted shares and other equity	100.7	94.4	106.9	93.0	105.7	2,810.0
Net lending/net borrowing (B9B)	-23.7	-38.5	-6.1	-41.5	-28.4	

Investment flows

(EUR billions, cumulated flows over 4 quarters)


Financing flows

(EUR billions, cumulated flows over 4 quarters)

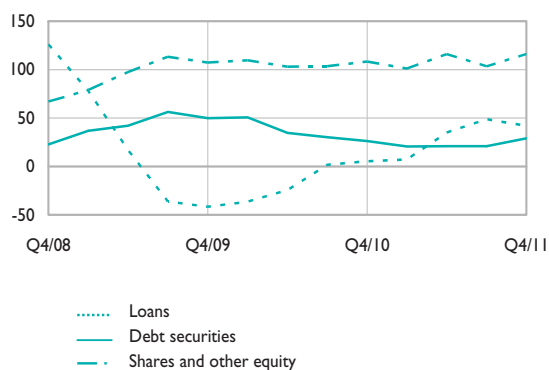


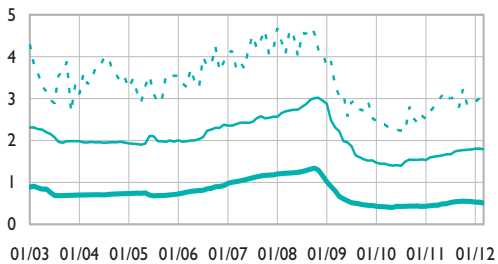
Table 24
Interest rates on deposits – France and the euro area

(average monthly rates – %)

	2010	2011	2011	2011		2012		
	Dec.	Dec.	March	Nov.	Dec.	Jan.	Feb.	March
Euro area								
Overnight deposits – households	0.43	0.54	0.45	0.55	0.54	0.53	0.52	0.51
Deposits redeemable at notice up to 3 months – households	1.55	1.79	1.61	1.78	1.79	1.81	1.81	1.79
Time deposits with agreed maturity over 2 years – non-financial corporations	2.60	2.90	2.81	2.85	2.90	2.92	3.01	2.98
France								
"A" passbooks (end of period)	1.75	2.25	2.00	2.25	2.25	2.25	2.25	2.25
Regulated savings deposits	1.78	2.25	2.00	2.25	2.25	2.25	2.25	2.25
Market rate savings deposits	1.66	2.07	1.73	2.07	2.07	2.09	2.11	2.08
Deposits with agreed maturity up to 2 years	2.18	2.28	2.24	2.36	2.28	2.25	2.31	2.26
Deposits with agreed maturity over 2 years	3.09	3.12	3.09	3.17	3.12	3.10	3.15	3.14

Euro area

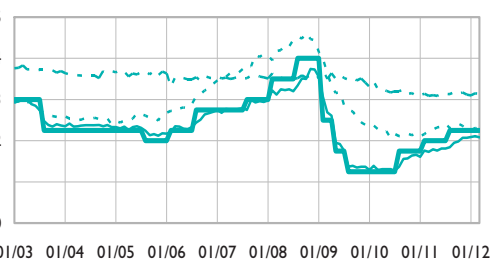
(average monthly rates – %)



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

France

(average monthly rates – %)

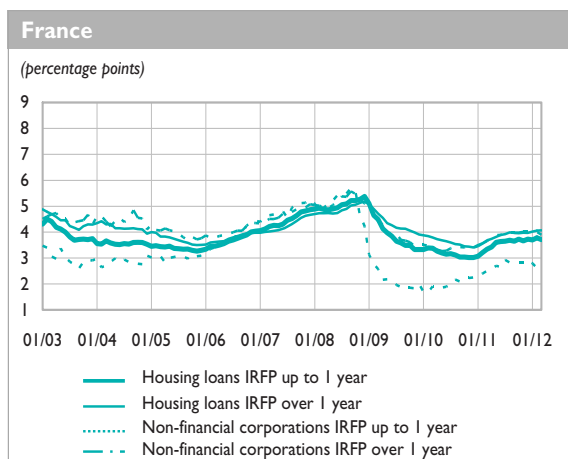
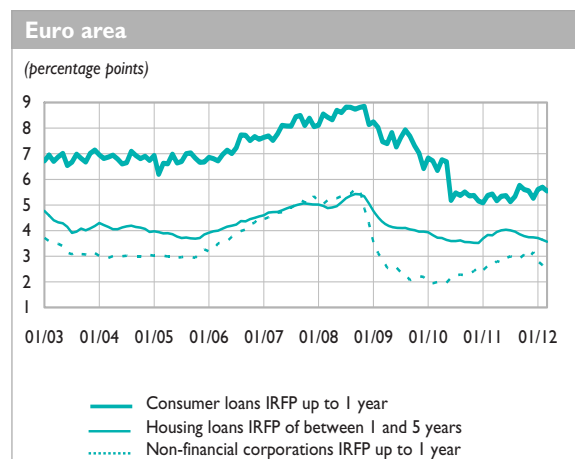


- "A" passbooks
- - - Market rate savings deposits
- Deposits with agreed maturity up to 2 years
- . - Deposits with agreed maturity over 2 years

Table 25
Cost of credit – France and the euro area

(average monthly rate – %)

	2011									2012		
	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Euro area												
Consumer loans												
Floating rate and IRFP of up to 1 year ^{a)}	5.17	5.35	5.37	5.13	5.34	5.77	5.60	5.56	5.26	5.61	5.70	5.55
Loans for house purchase												
Floating rate and IRFP of between 1 and 5 years	3.95	4.01	4.04	4.02	3.96	3.86	3.79	3.74	3.74	3.71	3.64	3.57
Non financial corporations of over EUR 1 million												
IRFP of up to 1 year ^{a)}	2.80	2.75	2.92	3.00	2.90	2.91	3.05	2.91	3.16	2.80	2.65	2.50
France												
Consumer loans	6.14	6.19	6.21	6.23	6.27	6.16	6.22	6.29	6.35	6.59	6.66	6.63
Loans for house purchase												
IRFP of up to 1 year ^{a)}	3.43	3.61	3.64	3.65	3.69	3.65	3.73	3.66	3.73	3.70	3.78	3.71
IRFP of over 1 year ^{a)}	3.74	3.82	3.89	3.92	3.99	3.97	3.96	3.98	3.97	4.02	4.06	4.07
Non-financial corporations												
IRFP of up to 1 year ^{a)}	2.58	2.70	2.65	2.93	2.83	2.84	2.84	2.84	2.93	2.79	2.62	2.48
IRFP of over 1 year ^{a)}	3.81	3.88	3.89	3.92	3.97	3.97	3.98	4.01	4.01	4.01	4.01	3.90



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

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

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

Table 26
Cost of credit – France

(%)

Usury ceiling with effect from the 1st day of the reference period	2011		2012	
	July	Oct.	Jan.	April
Loans to households (under Articles L312-1 to L312-36 of the French Consumer Code)				
Housing loans				
Fixed-rate loans	5.97	6.23	6.24	6.32
Floating-rate loans	5.33	5.61	5.83	5.88
Bridge loans	6.07	6.28	6.43	6.48
Consumer loans				
Loans up to and including EUR 1.524	21.41	21.03	20.65	20.56
Overdraft facilities, revolving loans, and instalment credit loans of over EUR 1.524 and loans up to EUR 3.000 and reverse annuity mortgage loans	19.37	19.27	19.15	19.15
Personal loans and other loans of over EUR 1.524 and loans up to EUR 3.000	11.22	12.76	13.98	15.27
Overdraft facilities, revolving loans, and instalment credit loans of over EUR 3.000 and loans up to EUR 6.000 and reverse annuity mortgage loans	18.61	18.16	17.69	17.15
Personal loans and other loans of over EUR 3.000 and loans up to EUR 6.000	10.46	11.65	12.51	13.27
Overdraft facilities, revolving loans, and instalment credit loans of over EUR 6.000 and reverse annuity mortgage loans	17.49	16.62	15.78	14.81
Personal loans and other loans or over EUR 6.000	9.34	10.10	10.60	10.93

	2011				2012
	Q1	Q2	Q3	Q4	Q1
Loans to enterprises					
Discount					
up to EUR 15,245	2.85	3.07	3.38	3.53	3.30
EUR 15,245 to EUR 45,735	2.93	3.15	3.53	3.65	3.61
EUR 45,735 to EUR 76,225	2.80	2.99	3.21	3.39	3.33
EUR 76,225 to EUR 304,898	2.80	3.03	3.27	3.20	3.17
EUR 304,898 to EUR 1,524,490	2.32	2.48	2.69	2.57	2.27
over EUR 1,524,490	1.86	2.24	2.35	2.28	1.87
Overdrafts					
up to EUR 15,245	10.49	10.56	10.63	10.21	9.96
EUR 15,245 to EUR 45,735	7.71	7.82	7.84	7.60	7.21
EUR 45,735 to EUR 76,225	5.10	5.28	5.60	5.59	5.57
EUR 76,225 to EUR 304,898	3.14	3.37	3.84	3.93	3.69
EUR 304,898 to EUR 1,524,490	2.11	2.29	2.66	2.79	2.53
over EUR 1,524,490	1.69	1.89	2.27	2.14	1.98
Other short-term loans					
up to EUR 15,245	3.73	3.95	4.14	4.24	4.18
EUR 15,245 to EUR 45,735	3.48	3.72	3.98	4.14	3.91
EUR 45,735 to EUR 76,225	3.29	3.49	3.77	3.67	3.48
EUR 76,225 to EUR 304,898	2.69	2.91	3.27	3.17	3.01
EUR 304,898 to EUR 1,524,490	2.07	2.32	2.57	2.69	2.52
over EUR 1,524,490	1.82	2.05	2.30	2.41	2.37
Medium and long-term loans					
up to EUR 15,245	3.58	3.70	4.11	4.06	4.21
EUR 15,245 to EUR 45,735	3.47	3.57	3.91	3.85	3.98
EUR 45,735 to EUR 76,225	3.34	3.50	3.86	3.86	3.97
EUR 76,225 to EUR 304,898	3.39	3.65	3.92	3.90	4.00
EUR 304,898 to EUR 1,524,490	3.20	3.53	3.77	3.80	3.95
over EUR 1,524,490	2.80	3.10	3.47	3.47	3.23

Source: Banque de France.

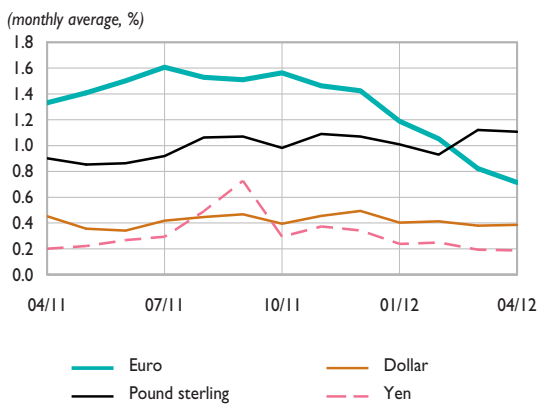
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Table 27
Interest rates

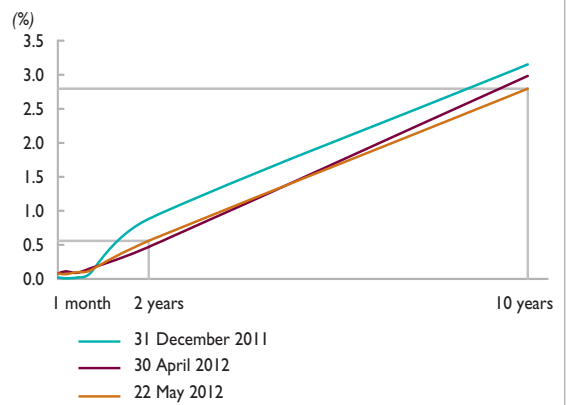
(%)

	Monthly average ^{a)}										Key interest rates at 22/05/12
	2011					2012					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	
Short-term interbank interest rates											
Euro											1.00
Overnight	0.99	0.87	0.93	0.91	0.72	0.58	0.38	0.38	0.28	0.27	
3-month	1.61	1.53	1.51	1.56	1.46	1.42	1.19	1.05	0.82	0.71	
1-year	2.15	1.97	2.02	2.10	1.99	2.01	1.79	1.60	1.35	1.24	
Pound sterling											0.50
Overnight	0.56	0.60	0.61	0.60	0.62	0.61	0.63	0.62	0.58	0.58	
3-month	0.92	1.06	1.07	0.98	1.09	1.07	1.01	0.93	1.12	1.11	
1-year	1.54	1.89	1.80	1.71	1.80	1.74	1.75	1.66	1.84	1.69	
Dollar											0.25
Overnight	0.17	0.19	0.20	0.20	0.22	0.16	0.15	0.14	0.17	0.12	
3-month	0.42	0.45	0.47	0.39	0.45	0.49	0.40	0.41	0.38	0.39	
1-year	0.90	0.85	1.00	1.02	1.11	1.16	1.15	1.15	1.13	1.04	
Yen											0.10
Overnight	0.18	0.11	0.15	0.23	0.27	0.20	0.14	0.08	0.11	0.14	
3-month	0.29	0.49	0.73	0.29	0.37	0.34	0.24	0.25	0.19	0.19	
1-year	0.64	0.92	1.26	0.73	0.82	0.86	0.63	0.57	0.55	0.56	
10-year benchmark government bond yields ^{b)}											
France	3.40	2.98	2.64	2.99	3.41	3.16	3.18	3.02	2.95	2.99	
Germany	2.79	2.26	1.87	2.04	1.94	2.01	1.86	1.90	1.88	1.72	
Euro area	4.59	4.21	4.04	4.09	4.41	4.11	3.92	3.75	3.29	3.39	
United Kingdom	3.13	2.55	2.40	2.49	2.23	2.13	2.04	2.13	2.25	2.12	
United States	3.02	2.31	1.99	2.14	2.02	1.99	1.95	1.97	2.16	2.03	
Japan	1.12	1.03	1.01	1.01	0.99	1.01	0.98	0.97	1.01	0.95	

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.

b) Benchmark bonds: rates posted by Reuters at 4.30pm.

Table 28
Banking system liquidity and refinancing operations – Euro area

(EUR billions, daily average for the reserve maintenance period from 14 March to 10 April 2012)

	Liquidity providing	Liquidity absorbing	Net contribution
Contribution to banking system liquidity			
(a) Eurosystem monetary policy operations	1,433.4	987.1	446.3
Main refinancing operations	56.4		56.4
Longer-term refinancing operations	1,093.4		1,093.4
Standing facilities	3.0	771.3	-768.3
Other	280.6	215.8	64.8
(b) Other factors affecting banking system liquidity	680.9	1,017.5	-336.6
Banknotes in circulation		871.2	-871.2
Government deposits with the Eurosystem		146.3	-146.3
Net foreign assets (including gold)	667.6		667.6
Other factors (net)	13.3		13.3
(c) Reserves maintained by credit institutions (a) + (b)			109.7
<i>including reserve requirements</i>			<i>105.4</i>

Net contribution to banking system liquidity

(EUR billions, daily average for the reserve maintenance period from 14 March to 10 April 2012)

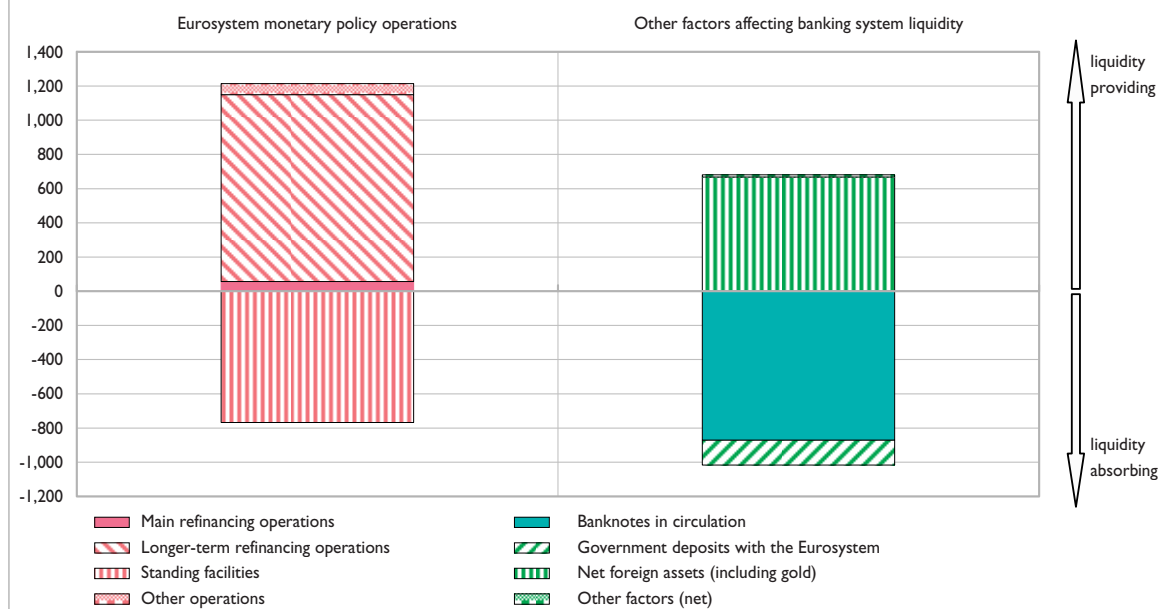


Table 29
Eurosystem key rates; minimum reserves

(%)

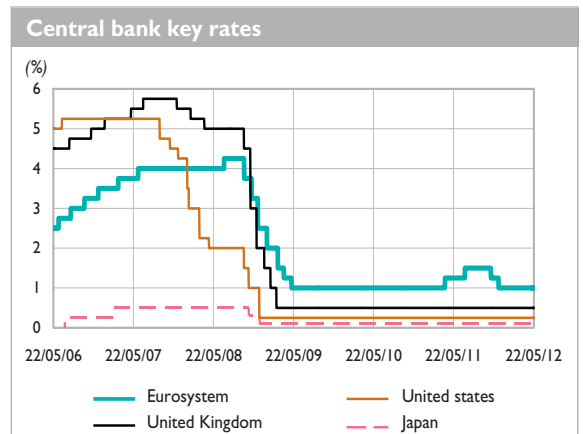
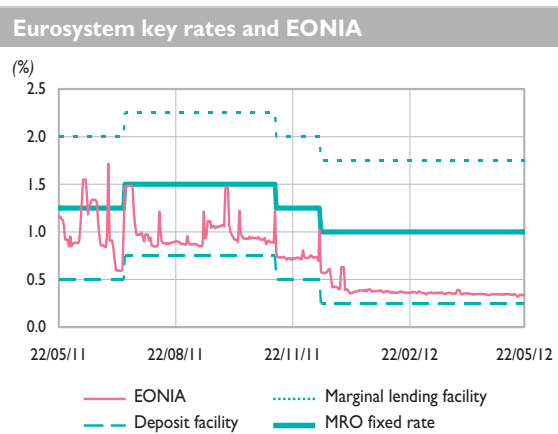
Key rates for the Eurosystem (latest changes)						
Main refinancing operations			Standing facilities			
Date of		Fixed rate	Date of		Deposit	Marginal lending
decision	settlement		decision	settlement		
07/07/11	13/07/11	1.50	07/07/11	13/07/11	0.75	2.25
03/11/11	09/11/11	1.25	03/11/11	09/11/11	0.50	2.00
08/12/11	14/12/11	1.00	08/12/11	14/12/11	0.25	1.75

(%)

Main refinancing operations				Longer-term refinancing operations		
		Marginal rate	Weighted average rate			Marginal rate
2012	4 April ^{a)}	1.00	1.00	2012	15 February	1.00
	11 April	1.00	1.00		1 March	1.00
	18 April	1.00	1.00		14 March	1.00
	25 April	1.00	1.00		29 March	1.00
	2 May	1.00	1.00		26 April	1.00
	9 May	1.00	1.00		9 May	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	
2011	8 November	206.18	39.93	208.93	40.55	2.75	0.62	1.50
	13 December	207.75	38.87	212.23	41.30	4.48	2.43	1.25
2012	17 January	207.03	38.83	212.31	41.90	5.28	3.07	1.00
	14 February	103.33	19.15	108.10	21.38	4.77	2.23	1.00
	13 March	104.29	20.08	108.86	22.34	4.57	2.26	1.00
	10 April	105.37	19.90	109.65	22.19	4.28	2.29	1.00



a) Fixed rate tender procedure.

Sources: European Central Bank, ESCB.

Produced 24 May 2012

Table 30
Negotiable debt securities – France

Certificates of deposit			
	EUR billions ^{a)}		Number of issuers
	Issues	Stocks	
18/02/12 to 24/02/12	99.21	406.21	173
25/02/12 to 02/03/12	138.74	403.44	175
03/03/12 to 09/03/12	128.35	410.91	176
10/03/12 to 16/03/12	126.99	414.53	176
17/03/12 to 23/03/12	111.29	420.73	176
24/03/12 to 30/03/12	109.36	418.57	177
31/03/12 to 06/04/12	74.64	392.39	176
07/04/12 to 13/04/12	93.80	395.88	175
14/04/12 to 20/04/12	106.82	398.72	175
21/04/12 to 27/04/12	108.50	409.19	175
28/04/12 to 04/05/12	103.31	405.76	175
05/05/12 to 11/05/12	110.23	403.49	174
12/05/12 to 18/05/12	97.33	406.77	174

Commercial paper			
	EUR billions ^{a)}		Number of issuers
	Issues	Stocks	
18/02/12 to 24/02/12	9.05	63.60	86
25/02/12 to 02/03/12	10.37	63.45	88
03/03/12 to 09/03/12	9.51	62.03	87
10/03/12 to 16/03/12	8.54	62.56	88
17/03/12 to 23/03/12	8.03	64.86	85
24/03/12 to 30/03/12	9.47	65.36	85
31/03/12 to 06/04/12	7.54	63.99	86
07/04/12 to 13/04/12	7.79	64.00	86
14/04/12 to 20/04/12	9.37	64.69	82
21/04/12 to 27/04/12	9.80	66.58	82
28/04/12 to 04/05/12	6.55	66.28	85
05/05/12 to 11/05/12	8.43	66.33	85
12/05/12 to 18/05/12	7.33	66.77	87

Negotiable medium-term notes			
	EUR billions ^{a)}		Number of issuers
	Issues	Stocks	
18/02/12 to 24/02/12	0.29	64.36	121
25/02/12 to 02/03/12	13.01	77.10	121
03/03/12 to 09/03/12	0.17	77.09	121
10/03/12 to 16/03/12	0.11	76.93	121
17/03/12 to 23/03/12	0.79	76.77	121
24/03/12 to 30/03/12	0.32	76.68	121
31/03/12 to 06/04/12	0.09	76.73	121
07/04/12 to 13/04/12	0.08	76.55	121
14/04/12 to 20/04/12	2.71	78.53	122
21/04/12 to 27/04/12	0.54	78.58	122
28/04/12 to 04/05/12	0.18	78.57	122
05/05/12 to 11/05/12	0.32	78.31	122
12/05/12 to 18/05/12	0.03	78.19	122

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

Source: Banque de France.

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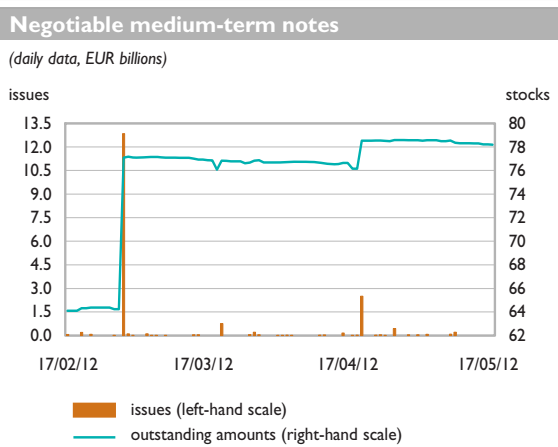
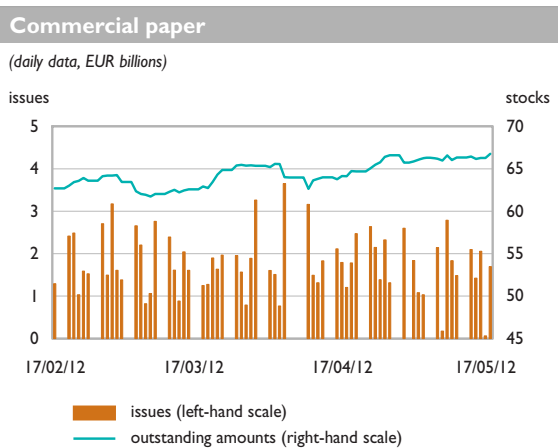
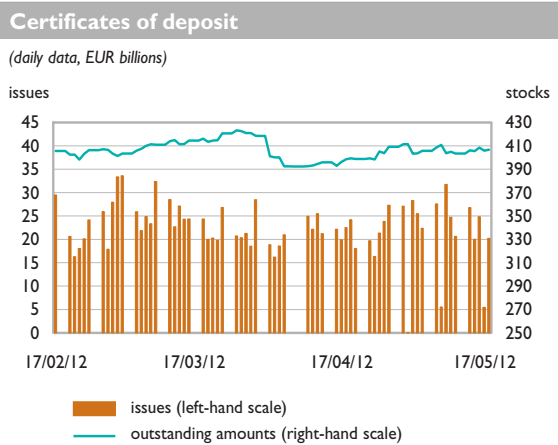
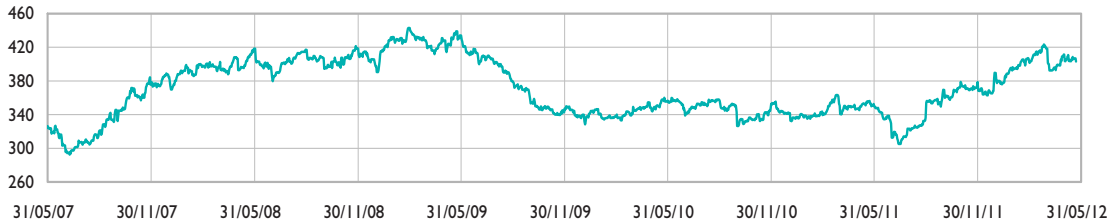


Table 3 I
Negotiable debt securities – France

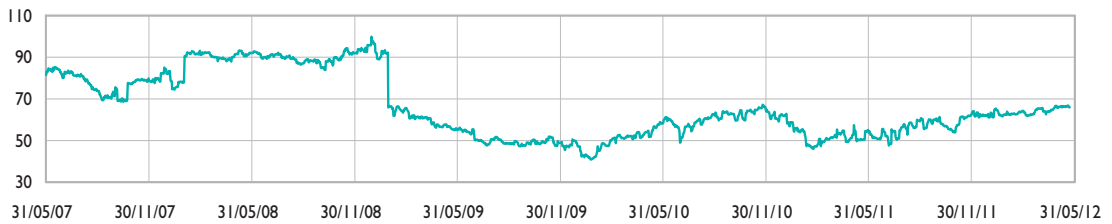
Certificates of deposit

(daily outstanding amounts in EUR billions)



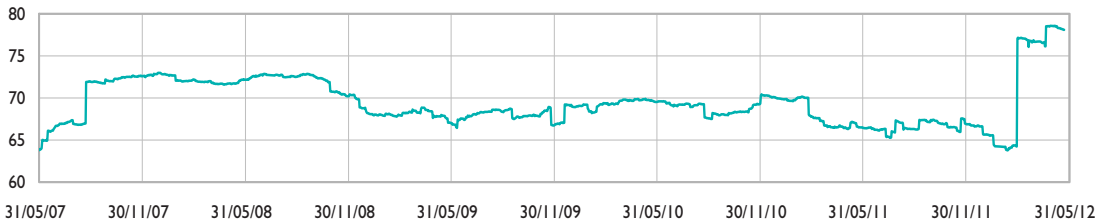
Commercial paper

(daily outstanding amounts in EUR billions)



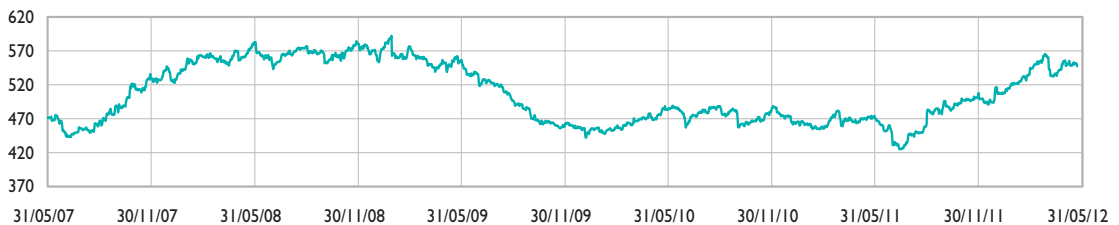
Negotiable medium-term notes

(daily outstanding amounts in EUR billions)



Negotiable debt securities, cumulated outstandings

(daily outstanding amounts in EUR billions)



Source: Banque de France.

Produced 24 May 2012

Table 32
Mutual fund shares/units – France

(EUR billions)

	2011			2012
	June	Sept.	Dec.	March
Net assets of mutual fund shares/units by category				
Money-market funds	369.03	364.35	351.07	379.52
Bond mutual funds	197.82	189.37	190.94	
Equity mutual funds	276.90	218.89	225.25	
Mixed funds	262.70	240.90	239.06	
Funds of alternative funds	15.37	14.70	16.62	
Guaranteed-performance mutual funds	0.01	0.00	0.00	
Structured funds ("fonds à formule")	58.82	55.69	53.99	

Net assets of money-market funds

(EUR billions)

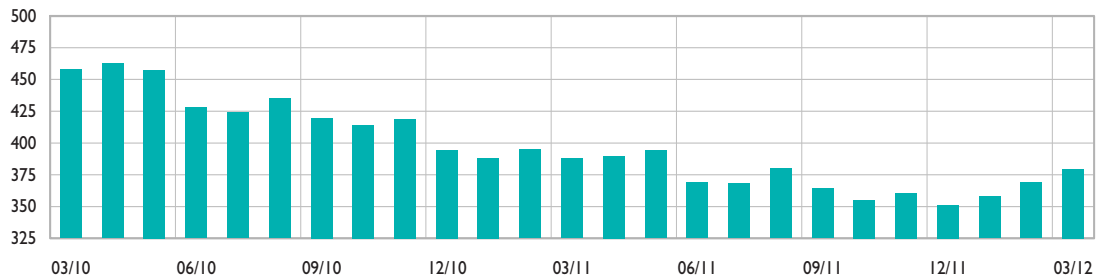


Table 33
Debt securities and quoted shares issued by French residents

(EUR billions)

	Outstanding amounts ^{a)}		12-month total	Net issues ^{b)}		
	2011	2012		2012		
	March ^{c)}	March ^{c)}	Jan. ^{c)}	Feb. ^{c)}	March ^{c)}	
Debt securities issued by French residents						
Total	3,116.5	3,356.1	239.7	-1.4	41.1	26.1
Non-financial corporations	407.0	446.8	39.8	6.1	4.5	1.8
Short-term (≤ 1 year)	29.9	37.5	7.6	1.2	1.4	0.5
Long-term (> 1 year)	377.1	409.3	32.2	4.9	3.1	1.3
General government	1,404.9	1,538.7	133.8	9.1	22.9	16.7
Short-term (≤ 1 year)	225.6	234.7	9.1	0.1	1.4	6.9
Long-term (> 1 year)	1,179.4	1,304.1	124.7	9.0	21.6	9.8
Monetary financial institutions ^{d)}	1,126.4	1,206.6	80.2	-12.1	12.5	13.0
Short-term (≤ 1 year)	306.0	353.7	47.7	-1.6	1.2	7.3
Long-term (> 1 year) ^{d)}	820.4	852.9	32.5	-10.5	11.2	5.7
Non-monetary financial institutions ^{e)}	178.1	164.0	-14.2	-4.5	1.1	-5.4

(EUR billions)

	Outstanding amounts ^{f)}		Net issues ^{b)}			Gross issues ^{g)}	Repurchases ^{g)}
	2011	2012	12-month total	2012		12-month total	12-month total
	March	March		Feb.	March		
French quoted shares							
Total	1,371.6	1,210.5	14.2	1.0	2.0	17.7	3.5
Non-financial corporations	1,171.6	1,075.5	10.7	0.5	1.8	14.1	3.5
Monetary financial institutions	146.3	88.9	3.0	0.5	0.2	3.0	0.0
Non-monetary financial institutions	53.7	46.2	0.5	0.0	0.0	0.5	0.0

a) Nominal values for outstanding amounts of debt securities.

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

c) Data possibly revised.

d) Excluding the impact of intra-group transactions between banks.

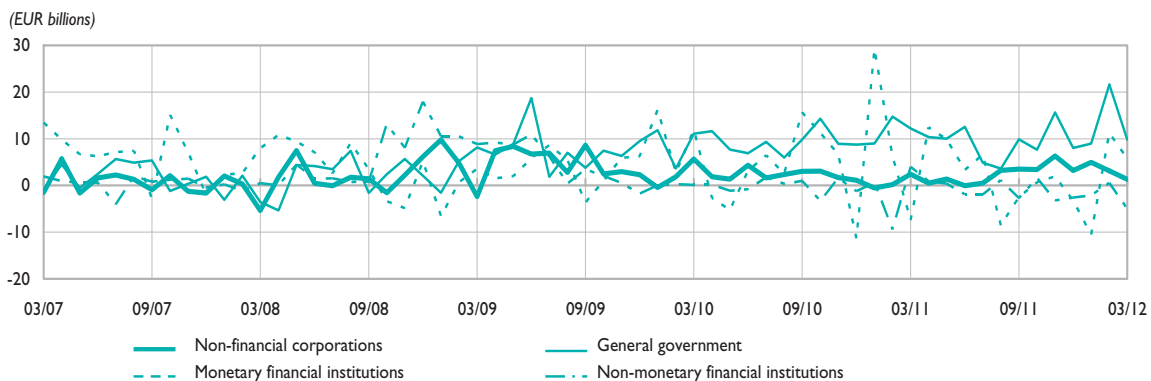
e) Including units issued by SPVs.

f) Market values for outstanding amounts of quoted shares.

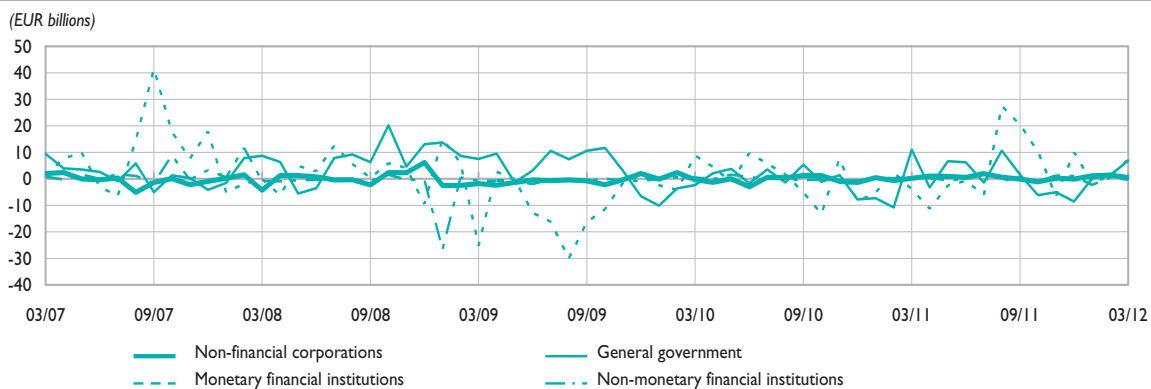
g) Non-seasonally adjusted data.

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

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



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



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

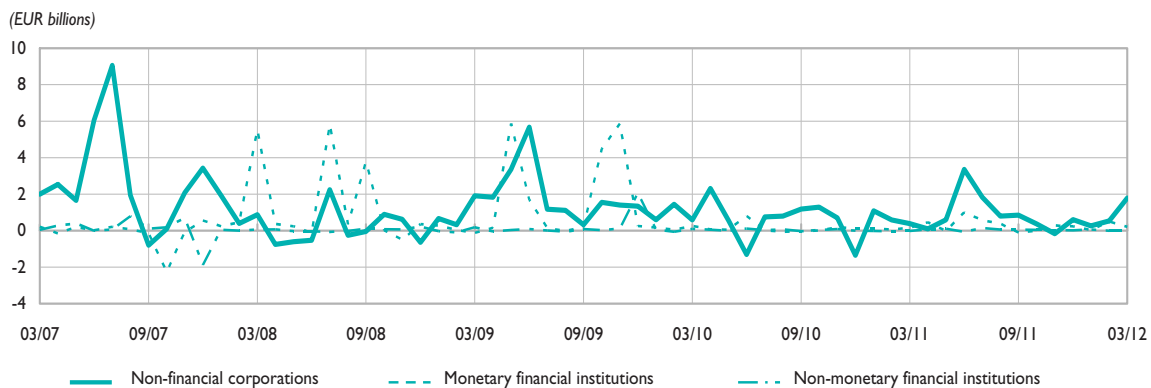


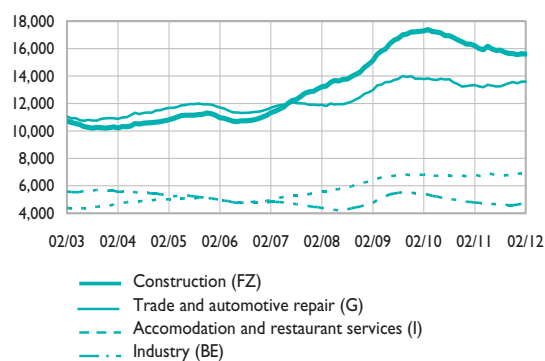
Table 35
Company failures by economic sector – France

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

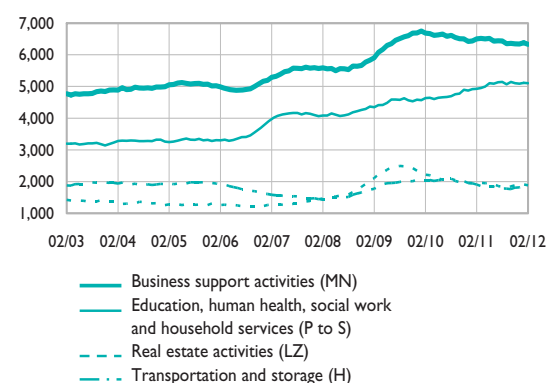
	2011											2012	
	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Agriculture, forestry and fishing (AZ)	1,240	1,247	1,258	1,255	1,234	1,245	1,237	1,238	1,259	1,254	1,242	1,259	1,264
Industry (BE)	4,781	4,768	4,695	4,771	4,679	4,672	4,667	4,627	4,594	4,596	4,631	4,697	4,702
Construction (FZ)	16,207	16,004	15,911	16,169	15,988	15,865	15,895	15,742	15,646	15,631	15,553	15,624	15,600
Trade and automotive repair (G)	13,336	13,240	13,182	13,356	13,302	13,238	13,249	13,358	13,476	13,560	13,478	13,586	13,600
Transportation and storage (H)	1,903	1,858	1,834	1,838	1,838	1,790	1,784	1,776	1,760	1,805	1,817	1,841	1,886
Accommodation and restaurant services (I)	6,819	6,723	6,768	6,929	6,854	6,758	6,762	6,787	6,782	6,868	6,882	6,917	6,922
Information and communication sector (JZ)	1,571	1,605	1,572	1,570	1,556	1,557	1,558	1,538	1,549	1,540	1,558	1,597	1,597
Financial and insurance activities (KZ)	1,083	1,098	1,092	1,114	1,086	1,072	1,086	1,143	1,142	1,166	1,159	1,187	1,204
Real estate activities (LZ)	1,987	1,961	1,947	1,959	1,919	1,856	1,837	1,827	1,847	1,884	1,904	1,908	1,880
Business support activities (MN)	6,505	6,518	6,505	6,518	6,432	6,440	6,438	6,350	6,363	6,344	6,343	6,379	6,329
Education, human health, social work and household services (P to S)	4,928	4,953	4,999	5,101	5,088	5,135	5,145	5,069	5,143	5,102	5,089	5,113	5,103
Sector unknown	89	87	87	93	96	95	95	100	101	105	105	112	108
Total sectors	60,449	60,062	59,850	60,673	60,072	59,723	59,753	59,555	59,662	59,855	59,761	60,220	60,195

Company failures – 12-month total

(number of companies – unadjusted data)



(number of companies – unadjusted data)



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

Table 36
Retail payment systems – France

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

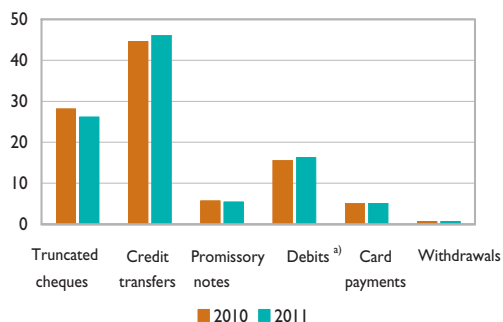
	2008	2009	2010	2011	2012			2012
					Feb.	March	April	Share
Cheques	6,533	5,700	5,590	5,478	5,177	4,695	5,564	23.7
Credit transfers	8,413	8,473	8,865	9,646	9,741	10,069	11,226	47.8
of which SEPA credit transfers	29	95	683	2,555	3,623	3,857	4,269	18.2
Promissory notes	1,523	1,250	1,138	1,142	1,026	1,132	1,158	4.9
Direct debits	1,814	1,801	1,827	1,938	2,057	2,003	2,232	9.5
Interbank payment orders	147	143	133	130	142	77	90	0.4
Electronic payment orders	1,061	1,082	1,141	1,343	1,241	1,243	1,786	7.6
Card payments	921	957	1,009	1,085	1,033	1,069	1,267	5.4
ATM withdrawals	142	143	140	145	128	136	160	0.7
Total	20,554	19,550	19,844	20,907	20,545	20,424	23,484	100.0

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

	2008	2009	2010	2011	2012			2012
					Feb.	March	April	Share
Cheques	10,996	10,287	9,507	9,112	8,429	8,265	9,532	16.5
Credit transfers	7,425	7,527	7,356	7,549	7,511	7,933	8,248	14.3
of which SEPA credit transfers	13	38	270	1,400	1,794	2,166	2,142	3.7
Promissory notes	355	334	311	303	279	302	319	0.6
Direct debits	7,864	8,163	8,194	8,502	8,947	8,699	9,749	16.9
Interbank payment orders	425	394	364	342	309	261	282	0.5
Electronic payment orders	47	56	66	76	87	51	107	0.2
Card payments	19,219	20,542	21,505	22,969	22,095	22,778	26,796	46.5
ATM withdrawals	2,462	2,454	2,375	2,422	2,158	2,338	2,651	4.6
Total	48,794	49,757	49,677	51,275	49,814	50,627	57,685	100.0

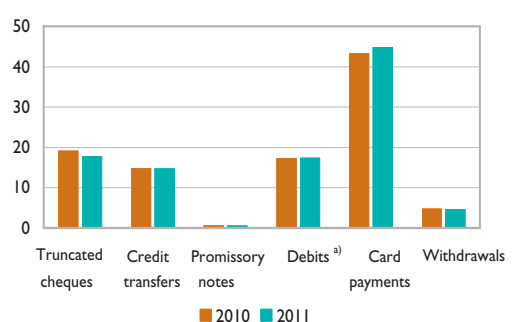
Market share developments
for main non-cash means of payment

(% of amounts exchanged)



Market share developments
for main non-cash means of payment

(% of volumes exchanged)



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

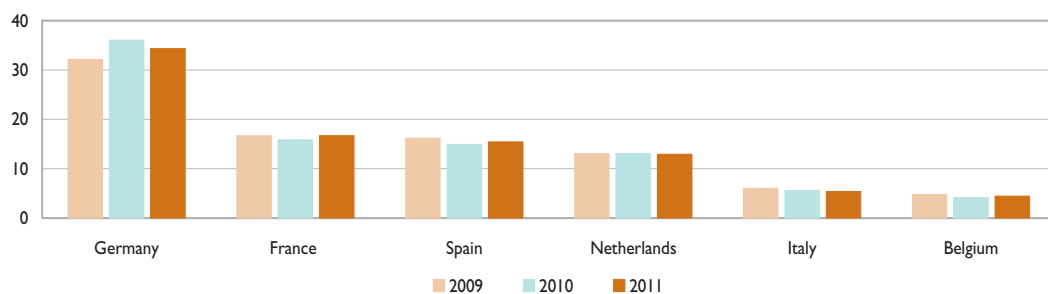
Table 37
Large-value payment systems – EU

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

	2008	2009	2010	2011	2012			2012
					Jan.	Feb.	March	Share
France	398	367	365	398	405	414	451	15.8
Germany	972	707	829	818	897	880	894	31.4
Austria	59	28	27	27	32	33	28	1.0
Belgium	152	106	95	106	113	110	114	4.0
Cyprus	1	2	2	2	2	2	4	0.1
Spain	331	356	342	367	334	352	410	14.4
Finland	33	28	35	47	93	89	102	3.6
Greece	30	29	28	23	18	22	25	0.9
Ireland	32	30	30	21	19	19	23	0.8
Italy	221	133	129	129	126	131	156	5.5
Luxembourg	60	40	40	57	71	69	73	2.6
Malta	0	0	0	0	1	1	1	0.0
Netherlands ^{a)}	264	287	300	308	488	472	485	17.0
Portugal	16	17	20	22	18	19	19	0.7
Slovakia	–	3	3	3	3	3	4	0.1
Slovenia	2	2	2	2	3	3	4	0.1
EPM-ECB	43	47	37	36	38	34	40	1.4
Total TARGET2 euro area^{b)}	2,614	2,182	2,283	2,367	2,661	2,652	2,832	99.4
Non-euro area	53	16	16	17	20	16	17	0.6
Total TARGET2 EU^{b)}	2,667	2,198	2,299	2,383	2,681	2,668	2,848	100.0
Euro1^{c)}	287	255	241	249	253	243	247	

Market share of each financial centre in the TARGET2 system

(% of turnover)



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

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

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

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

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

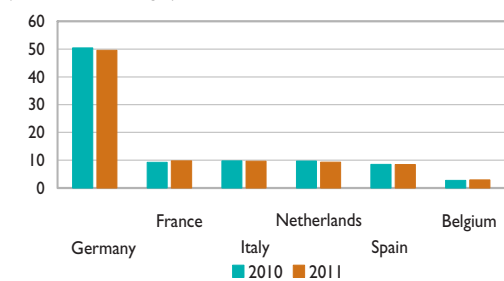
Table 38
Large-value payment systems – EU

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

	2008	2009	2010	2011	2012			2012
					Jan.	Feb.	March	Share
France	25,992	29,773	31,850	34,141	32,810	32,605	33,687	9.4
Germany	181,625	174,695	173,218	172,884	169,975	173,775	178,647	50.0
Austria	14,199	6,539	5,266	6,294	6,143	6,252	6,440	1.8
Belgium	9,884	8,517	9,454	10,265	8,937	9,155	9,649	2.7
Cyprus	392	389	466	515	513	576	615	0.2
Spain	36,167	29,580	29,195	29,509	28,936	30,177	30,122	8.4
Finland	1,587	1,652	1,589	1,571	1,540	1,573	1,712	0.5
Greece	5,117	5,692	5,904	5,861	4,645	5,081	5,503	1.5
Ireland	5,139	4,824	4,961	4,376	3,679	3,811	3,907	1.1
Italy	36,491	33,943	33,649	33,643	31,517	34,027	34,804	9.8
Luxembourg	3,037	2,847	3,033	3,229	3,109	3,316	2,896	0.8
Malta	50	59	65	72	146	146	152	0.0
Netherlands ^{a)}	37,745	36,930	33,304	32,490	32,711	32,253	32,695	9.2
Portugal	5,072	4,191	4,206	4,165	4,156	4,116	4,132	1.2
Slovakia	–	606	582	730	819	889	1,004	0.3
Slovenia	3,018	3,073	3,023	3,039	2,868	2,834	2,932	0.8
EPM-ECB	176	312	333	379	392	463	590	0.2
Total TARGET2 euro area ^{b)}	365,690	343,621	340,099	343,160	332,896	341,050	349,488	97.9
Non-euro area	4,277	2,364	3,281	5,344	6,684	7,182	7,464	2.1
Total TARGET2 EU ^{b)}	369,967	345,985	343,380	348,505	339,580	348,233	356,953	100.0
Euro1 ^{c)}	250,766	227,674	230,124	242,499	247,752	258,630	267,069	

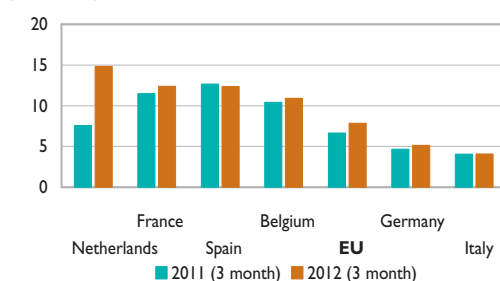
Market share of each financial centre in the TARGET2 system

(% of volumes exchanged)



Average transaction amount in the TARGET2 system

(EUR millions)



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

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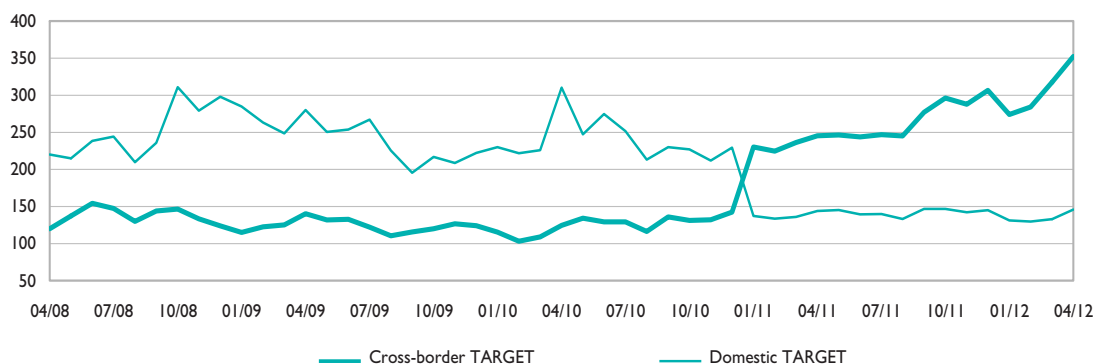
Table 39
Large-value payment systems – France

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

	2008	2009	2010	2011	2012			2012
					Feb.	March	April	Share
Collateral used in domestic TARGET^{b)}								
French negotiable securities	51.2	114.6	105.7	81.6	130.9	129.6	128.5	33.8
Private claims	79.9	129.0	149.8	146.4	154.7	197.6	196.0	51.6
Securities collateralised through CCBM	62.8	79.9	76.9	60.5	56.3	54.4	52.1	13.7
Other securities ^{c)}	8.2	7.9	5.9	3.5	3.6	3.6	3.2	0.8
Total	202.1	331.3	338.3	292.0	345.5	385.2	379.8	100.0

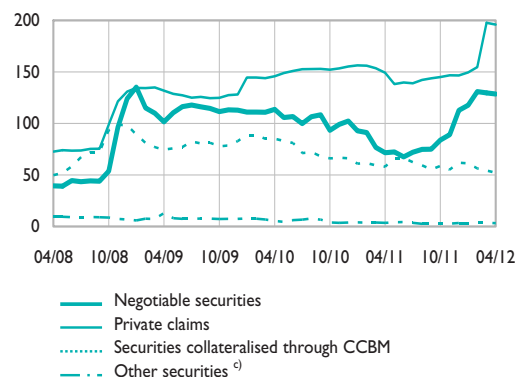
Monthly change in amounts exchanged in French payment systems^{a)}

(EUR billions, daily average)

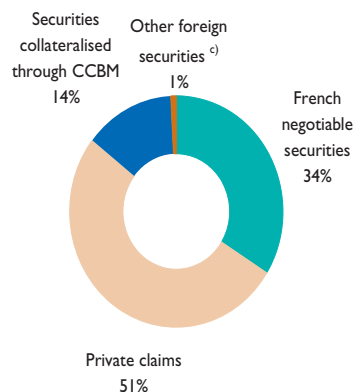


Monthly change in collateral^{b)}

(EUR billions, daily average)



Garanties mobilisées en Avril 2012^{b)}



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

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

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

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