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Holdings of French investment funds

Kloé Masselier and Romain Calleja
Monetary and Financial Statistics Directorate

With close to EUR 1,200 billion in outstanding net assets at end-2011 despite its considerable decline since 2010, the French investment fund market continues to be one of the most significant in the euro area. The French market ranks second after Luxemburg for all types of mutual funds and remains the leading issuer of money market fund shares/units, with a market share of 35%.

Money market fund management companies were led to make massive portfolio reallocations in the aftermath of the economic crisis and regulatory changes: assets invested in money market funds thus shifted substantially to short-term debt instruments, whose portfolio share rose from a mere 38% in 2006 to 72%.

For investment funds other than money market funds, net assets shrank by one-fifth between 2007 and 2011. At the end of 2011, their portfolios were made up of 39% equity, 31% long-term debt securities and 25% investment fund shares/units. Equity funds' assets remained fairly stable over the period considered, and were mainly invested (49%) in shares issued by euro area non-financial corporations, 27% of which were French. The bulk of bond funds' portfolios was, as a structural feature, invested in long-term debt instruments, which accounted for at least 80%. The share of government securities declined sharply, dropping from 45% in 2006 to 32% in 2011, in contrast to securities issued by financial institutions, which climbed from 28% in 2006 to 32%, and those issued by non-financial corporations (NFC), which rose from 20% to 26%.

Key words: investment funds, investment fund shares/units, debt securities, money market, stocks, bonds, assets held by investment funds, portfolio management, subscriptions, valuation

JEL codes: E44, G00, G11, G20, D01, O16

This report on investments by French investment funds draws on monthly statistical data collected by the Banque de France (Directorate General Statistics) for the Eurosystem. The Financial Market Authority (AMF), which oversees French investment funds, also provides the Banque de France with the information required to carry out this statistical survey.

Investment funds are broken down here into two major categories: money market funds, whose assets are largely invested in short-term instruments indexed to money market rates, and non-money market funds, which encompass all other types of investment funds.¹ Within these, we focus particularly on equity and bond funds.

At the end of 2011, euro area money market and non-money market funds' outstanding amounts totalled EUR 6,360 billion, i.e. one-third of the global market, which amounted to almost EUR 20,000 billion. The United States alone accounted for almost half of global outstanding amounts.²

In the euro area, France ranked first for money market funds, with outstanding amounts equal to 35% of the area's total at end-2011, followed by Luxemburg with 30% and Ireland with 29%. With a 16% market share, France ranked third for non-money market funds, behind Luxemburg's 33% and Germany's 19%.

I | Money market funds: outstanding amounts and investments

I | I Continued domination in the euro area despite the decline observed since 2009

Outstanding amounts of money market fund shares/units issued in the euro area declined from a EUR 1,250 billion high in 2008 to EUR 992 billion at the end of 2011. Over the three-year period, these outstanding amounts shrank by 4% in 2009, 8% in 2010 and 10% in 2011.

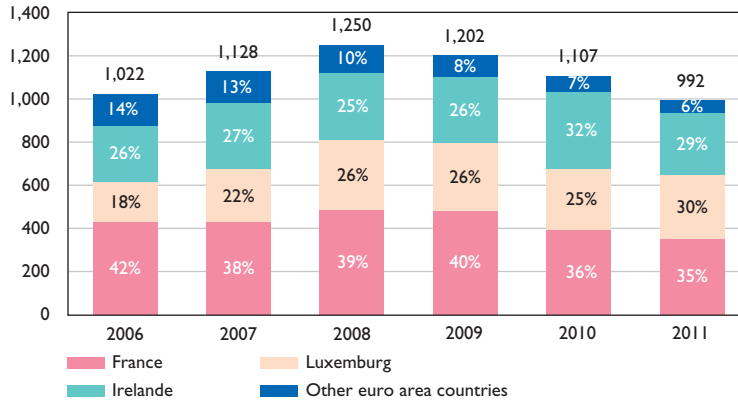
From the end of 2008, the drop to unprecedented rate of return offered to subscribers triggered massive redemptions, while many funds, particularly in Ireland and Luxemburg, disappeared because of some regulatory changes, for example the use of new definitions (see Box 1). Money market fund shares/units consequently declined significantly over three years to stand at less than EUR 1,000 billion at the end of 2011.

¹ Excluding real estate funds.

² Countries such as Australia (5%), Brazil (4%) and Japan (3%) have smaller market shares.

Chart I Outstanding amounts of money market fund shares/units issued in the euro area

(euro billions)



Sources: Banque de France, ECB, national central banks.

France was the first European country to develop these funds at the start of the 1980s and remains the primary issuer of money market fund shares/units within the euro area, with outstanding amounts equal to 35% of the total. This share nonetheless recently shrank from the 40% it posted in 2009, while Luxembourg's share rose from 26% in 2008 to 30% in 2011, and Ireland's grew from 25% in 2008 to 29% in 2011. These three countries account for 94% of all euro area money market funds.

Box I

New regulatory classification of money market funds

With effect from 1 July 2011, money market funds must conform to the new classifications resulting from the transposition of the recommendations of the Committee of European Securities Regulators (CESR),¹ now the European Financial Market Authority, on a "common definition of European money market funds". The objective of these new European definitions, which are harmonised and generally more binding than pre-existing national definitions, is to make the money market fund sector more consistent and limit investors' risk. To be called "money market funds", investment funds must now comply with various rules relating to the maturity of investments, portfolio sensitivity to interest rate, liquidity and credit risks or the ratings of securities held.

¹ "Committee of European securities regulators' guidelines on a common definition of European money market funds", CESR/10049, 19 May 2010.

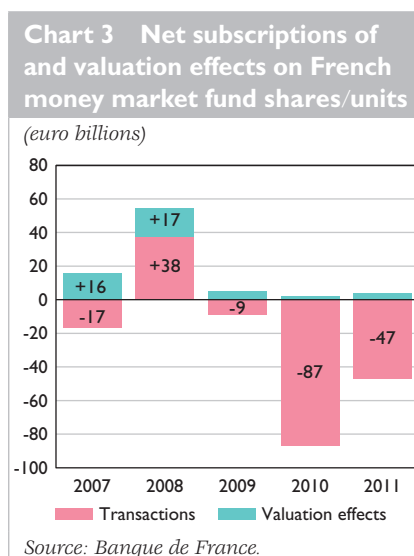
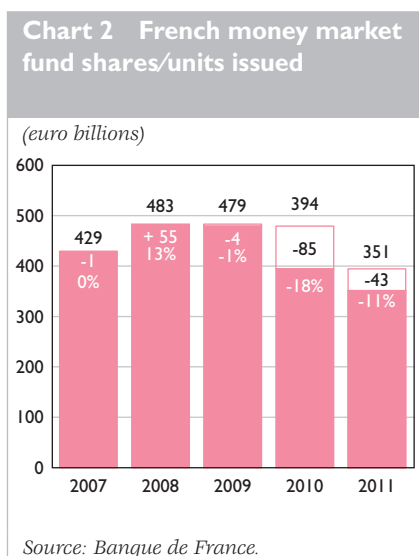
1 | 2 Non-financial corporations' withdrawal partially offset by an increase in insurance corporations' holdings

At the end of 2011, the outstanding amount of shares/units issued by French money market funds came to EUR 351 billion spread out among 467 funds. Average money market fund shares/units (EUR 750 million) were thus close to ten times larger than those of non-money market funds. This higher concentration in the money market fund sector may be ascribed to more consistent management objectives, and, probably, the greater consideration given to the size of management fees.

The outstanding amount of shares/units dropped by 18% to EUR 85 billion in 2010 then by 11% to EUR 43 billion in 2011 (see Chart 2).

In general, changes in outstanding amounts of money market fund shares/units³ were mainly due to the impact of transactions,⁴ with valuation effects having a very limited impact on these funds from 2009 onwards as a result of low money market rates. A few residual differences were due to reclassification, for example, merging of some funds, etc. (see Chart 3).

Money market funds declined from 2010 due to the drop in money market rates and, therefore, interest paid to investors (see below).



³ Changes in outstanding amounts = transactions + valuation + reclassifications, see Appendix 1.

⁴ Since 2010, funds' changes of category have been recorded as transactions. Data released before 2010 have therefore been adjusted to take account of this change in methodology and harmonise the data series presented in this paper.

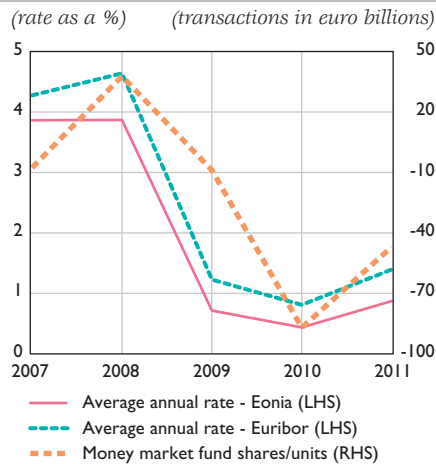
The slight upswing in rates observed in 2011 was accompanied by a falloff in net redemptions (see Chart 4).

While all groups of investors requested redemptions in 2010, the net outflows recorded in 2011 were primarily due to non-financial companies (see Chart 5).

At the end of 2011, over 50% of money market fund shares/units were held by financial institutions, particularly insurance corporations. The latter's share increased considerably, from 14% of outstanding amounts in 2006 to 23% in 2011.

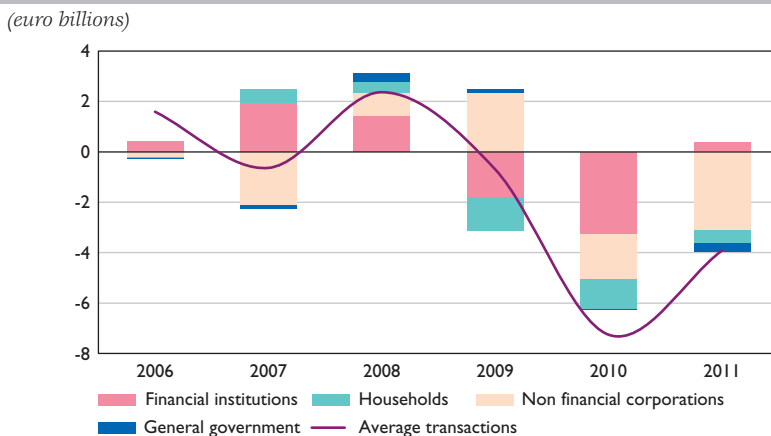
This change was due mainly to the sharp rise in life insurance, with a 30% leap in technical reserves over the period, and to increased risk on the bond markets, which led insurance corporations to turn to money market funds.

Chart 4 Net subscriptions of money market fund shares/units and changes in money market rates



Source: Banque de France.

Chart 5 Net subscriptions of money market fund shares/units, broken down by holding sector

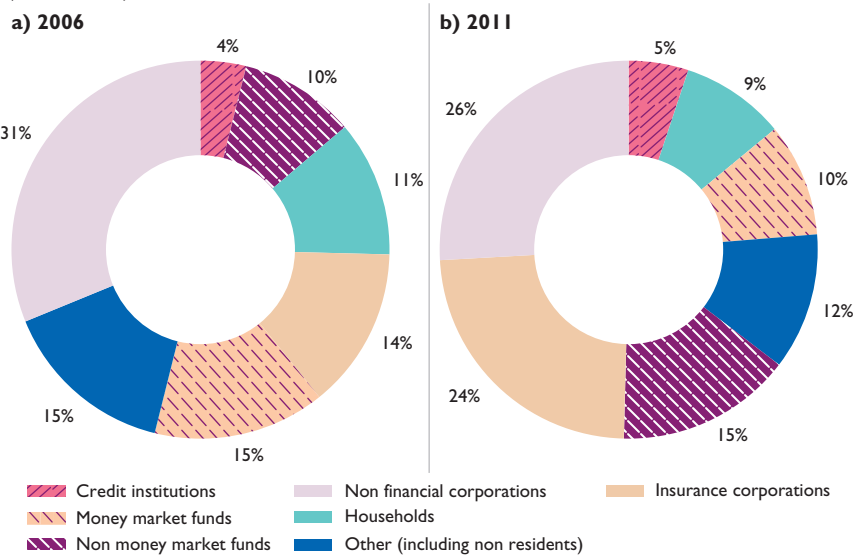


Source: Banque de France.

Conversely, non-financial corporations' share shrank significantly, from 31% of outstanding amounts in 2006 to 26% in 2011 (see Chart 6).

Chart 6 Breakdown of money market fund shares/units by holding sector

(euro billions)



Source: Banque de France.

I | 3 Reallocation of investments to short-term debt securities issued by French financial institutions

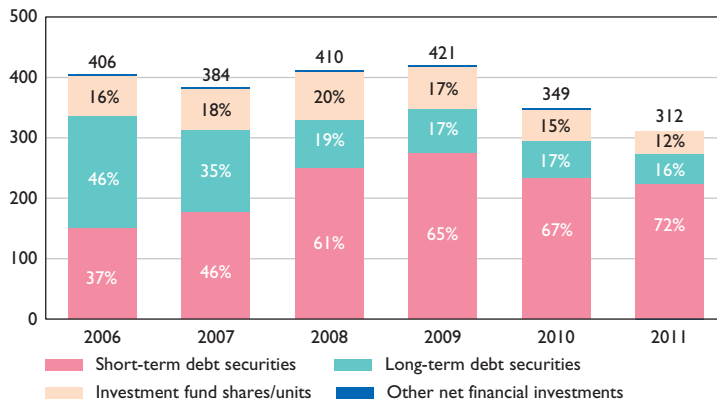
Money market funds must comply with a number of prudential rules that regulate their investments. These rules aim to ensure share holders' security by limiting the risks taken by the funds. Focusing, by definition, on short term security, funds are required to adhere to particularly strict investment rules. Money market funds in France therefore hold mainly debt securities, which account for over 80% of their holdings, with the remainder being made up almost entirely of money market fund shares/units.

A sharp reduction in average portfolio maturity

While conforming to these regulatory constraints, the structure of money market funds' investments nevertheless changed between 2006 and 2011 as a result of the economic crisis and the new classification of funds. In particular, long-term debt security holdings shrank by EUR 130 billion, while short-term debt security holdings grew by EUR 70 billion. This portfolio shift towards assets, mainly certificates of deposit, which are, on the face of it, less sensitive to rate changes, started in 2008 and continued from 2009

Chart 7 Changes in money market fund investments

(euro billions)



Source: Banque de France.

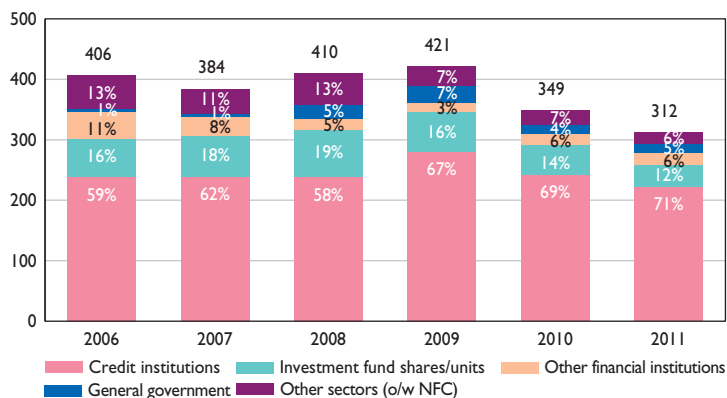
to 2011, with management companies anticipating the implementation of the new classification of money market funds, which limits the average maturity of securities held. At end-December 2011, over 70% of holdings, worth EUR 223 billion, were short-term debt securities, compared with 37% in 2006. A total of 16% were long-term debt securities, amounting to EUR 50 billion, down from 46% in 2006, and the rest were mutual fund shares/units, of which close to 98% were issued by money market funds (see Chart 7).

Up to 2008, investments in long-term debt securities were fairly evenly shared out between bonds and medium-term negotiable notes issued mainly by credit institutions. From 2008, the share of medium-term negotiable notes increased sharply to stand at three-quarters of all long-term portfolio securities.

A rise in the share of investments in securities issued by financial institutions

The breakdown of money market fund securities portfolio between the different categories of issuers also changed significantly between 2006 and 2011 (see Chart 8). The share of securities issued by credit institutions expanded substantially, from 59% in 2006 to 71% in 2011. The share of sovereign securities climbed from 1% to 5% over the period, while that of securities issued by non-financial corporations was halved, falling from 10% to 5%. Money market funds' dwindling appetite for securities issued by non-financial corporations was due mainly to the rating constraints imposed by the new regulations.⁵ The portfolio share of money market funds devoted to investment fund shares/units fell from 16% in 2006 to 12% at end-2011.

⁵ Article 28bis of Instruction 200502 of the AMF, amended on 3 May 2011, states that "a money market instrument is deemed not to be of high quality unless it has been awarded one of the two highest available short-term credit ratings by each recognised credit rating agency that has rated the instrument. If the instrument is not rated, the UCITS (or the management company) must determine that it is of an equivalent quality using an internal rating process."

Chart 8 Money market fund investments broken-down by issuing sector*(euro billions)*

Source: Banque de France.

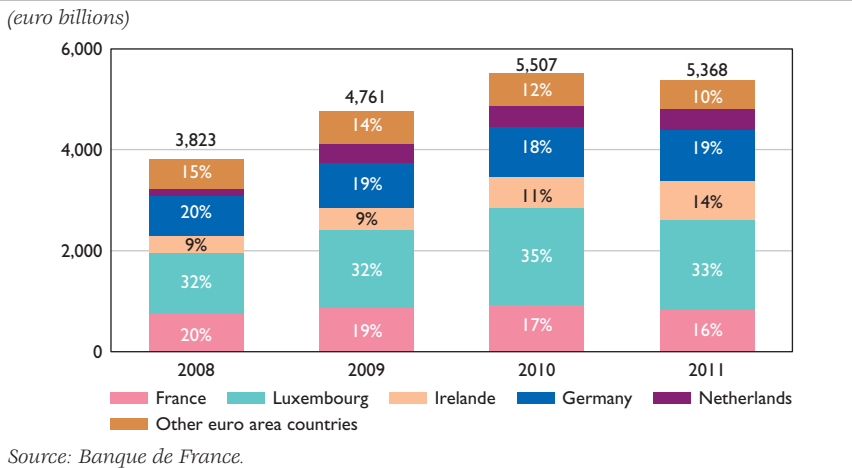
2| Non-money market funds: recent changes

The non-money market fund sector is intrinsically much more diversified than the money market fund sector. In addition to providing an overview of changes in the sector, we focus here especially on equity funds and bond funds, categories that appear to be the most homogenous and are particularly representative of the management of the equity and bond segments of portfolios of diversified funds.

2|1 The declining market share of French non-money market funds in the euro area

Outstandings of shares/units issued by non-money market funds in the euro area amounted to EUR 5,368 billion at end-2011, i.e. over five times the size of the outstanding amounts of money market fund shares/units. Geographically, they are less concentrated than money market funds: five main issuing countries accounted for 90% of the total at end-2011, compared to three countries for money market funds. This concentration was nonetheless up from 2008, when outstanding amounts issued by the five countries represented only 84% of the area's total. Luxemburg continued to be the first euro area issuer of non-money market fund shares/units, with a market share that hovered at 33% in 2011. Germany ranked second, with almost one-fifth of the total. It was followed by France, with 16% in 2011, after 20% in 2008, Ireland with 14% and the Netherlands with 8% (see Chart 9).

Chart 9 Market share of main euro area countries in the non-money market fund shares/units sector (outstanding amounts of investment fund shares/units issues)



Total outstanding amounts of euro area non-money market fund shares/units peaked at EUR 5,507 billion at end-2010, before slipping slightly to EUR 5,368 billion at end-2011 (40% increase over three years). The visible rebound in Ireland's shares/units issued in 2011 was largely due to the massive reclassification of money market funds in the non-money market category in the fourth quarter of 2011, following the implementation of the new classification of money market funds. Non-money market fund shares/units issued in the Netherlands also increased sharply (by 138% in 2009), bringing the Netherlands' share from 4% at end-2008 to close to 8% at end-2011.

It must be noted that the development of the European market was one of the objectives of the UCITS IV (*undertakings for the collective investment in transferable securities*) Directive applicable as of 1 July 2011. This directive facilitates the distribution of investment funds within the European Economic Area and, creates, inter alia, a passport for management companies, which permits them to manage funds incorporated in another Member State. This reform is nevertheless still too recent for its full impact on the asset management market to be measured.

2 | 2 Significant changes in outstanding amounts mainly due to valuation effects

At the end of 2011, shares/units issued by French non-money market funds stood at EUR 837 billion, distributed over more than 10,000 funds. Average outstanding amounts of non-money market fund shares/units came to

Chart 10 Outstanding amounts of French non-money market fund shares/units

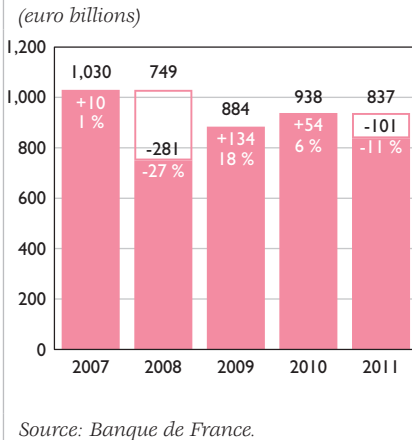
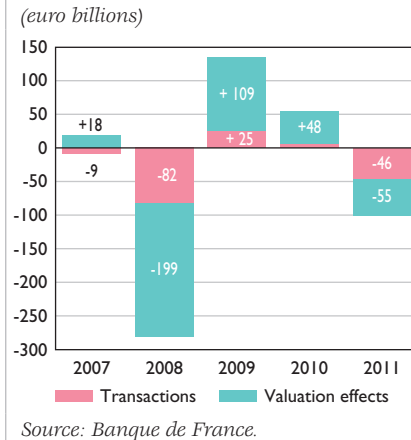


Chart 11 Net subscriptions of and valuation effects on French non-money market shares/units



EUR 80 million, an amount considerably lower than that of money market funds (EUR 750 million) (see Chart 10).

After dropping by 27% in 2008, total outstanding amounts recovered in 2009 and 2010 before declining once again in 2011. Their value thus shrank by close to 19% from 2007 to 2011.

Significant changes in outstanding amounts of all non-money market fund shares/units during the period mainly reflected valuation effects. The variations were nonetheless amplified by the transactions that accompanied both the price increases and the price decreases.

Valuation effects of non-money market fund shares/units were especially significant and erratic over the period, climbing from a negative EUR 199 billion in 2008 to EUR 109 billion in 2009 (see Chart 11). In comparison, changes in transactions were more moderate; from a negative EUR 82 billion in 2008 to EUR 25 billion in 2009, reflecting pre-dominantly pro-cyclical investment behaviour. This correlation between valuation effects and transactions was largely a result of changes in equity funds (see below).

2|3 Highly diverse investments reflecting the variety of funds in this category

Given the substantial diversity of the 10,000 funds in the non-money market funds sector, their total portfolio encompassed a large range of assets,

which varied with regard to the type of product as well as issuers' geographical or sectoral origin.

In all, the largest share of the EUR 800 billion worth of securities investments of non-money market funds was made up of equity, which amounted to 39% at end-2011, ahead of long-term debt securities, accounting for 31%, and investment fund shares/units, mainly non-money market fund shares/units, with 25%.

Short-term debt securities, composed primarily of certificates of deposit issued by credit institutions, represented only 5% of the portfolio. Long-term debt securities held by non-money market funds were fairly evenly distributed between securities issued by general government (12%), non-financial corporations (10%) and financial institutions (9%).

2|4 Equity funds have mainly invested in equity issued by euro area non-financial corporations

Outstanding amounts were highly sensitive to market changes

At the end of 2011, outstanding amounts of shares/units issued by French equity funds amounted to EUR 225 billion, shared out among 2,117 funds, i.e. average outstanding amounts of shares/units of EUR 106 million per fund.

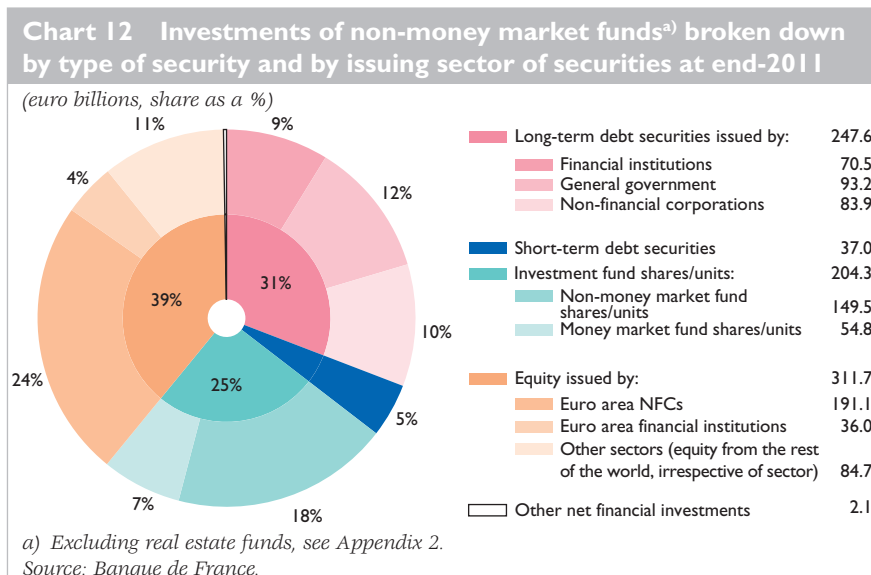
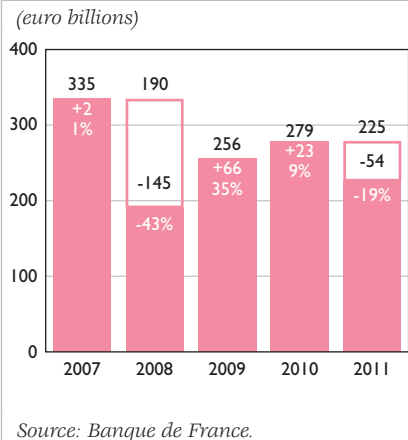
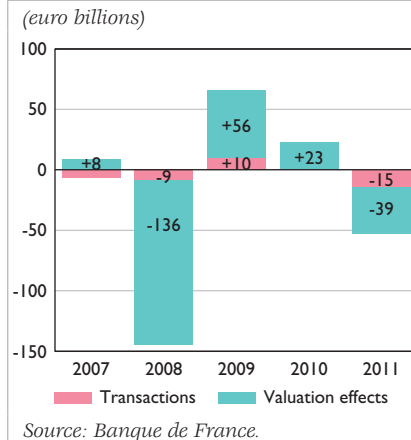


Chart 13 Shares/units issued by French equity funds**Chart 14 Net subscriptions of and valuation effects on French equity funds**

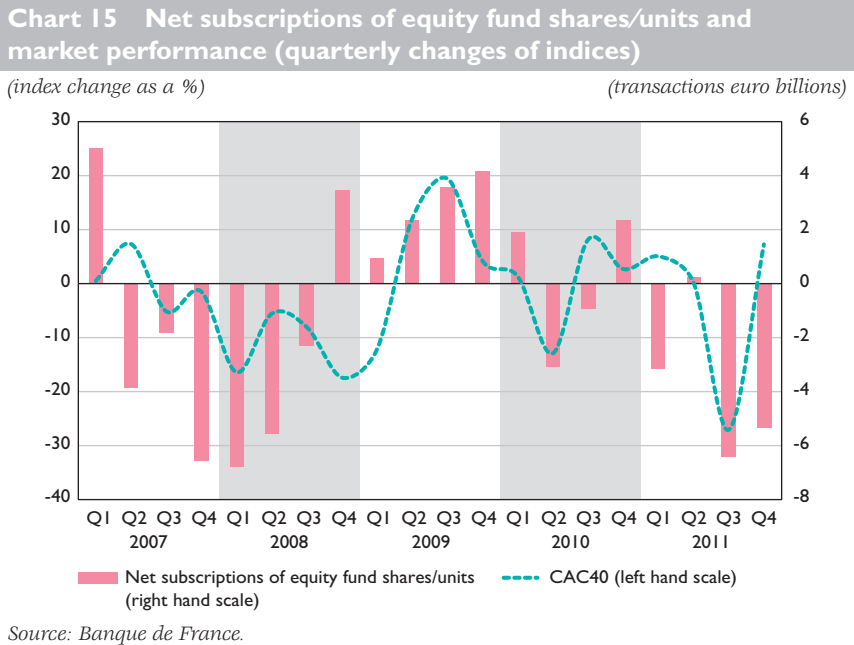
After rising over two consecutive years – climbing by EUR 66 billion in 2009 and by EUR 23 billion in 2010 – total outstanding amounts decreased by EUR 54 billion, i.e. 19%, in 2011. From end-2007 to end-2011, outstanding amounts of equity funds shrank by one third, while the CAC 40 lost over 40% of its value (see Chart 13).

Valuation effects, whether positive, as in 2007, 2009 and 2010, or negative, as in 2008 and 2011, were the main source of changes in outstanding amounts for this category of funds.

These valuation effects varied considerably, climbing from a negative EUR 136 billion in 2008, i.e. 40% below outstanding amounts at end-2007, to EUR 56 billion in 2009, i.e. 30% above outstanding amounts at end-2008) (see Chart 14).

The amplitude of changes in transactions was much smaller, ranging from a negative EUR 15 billion in 2011 to EUR 10 billion in 2009. In addition, transactions most often trended in the same direction as valuation.

A case in point: the downturn in indices that came on the heels of the subprime crisis in the summer of 2007, and increased tensions on the European sovereign debt market in the third quarter of 2011 coincided with periods of significant redemption activity in equity fund shares/units (see Chart 15).



A stable investment policy oriented towards equity issued by non-financial corporations

At end-2011, 83.9% of equity funds' portfolio was invested in equity broken down fairly evenly into three groups: resident issuers, issuers in the euro area outside France, and issuers in the rest of the world. Equity funds' other investments were almost entirely made up of investment fund shares/units (15.3 %), mainly equity fund shares/units, issued chiefly by residents. Despite the wide variations in total outstanding amounts of shares/units held, this investment structure hardly changed from 2006 to 2011. In 2011, 48.6% of the securities held by investment funds were equity securities issued by euro area non-financial corporations. 26.9% were issued by French non-financial corporations.

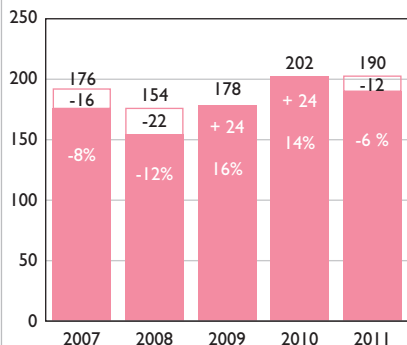
2 | 5 Bond funds enjoyed broadly favourable valuation effects

Outstanding amounts of shares/units issued, EUR 190 billion at the end of 2011, varied primarily in line with transactions

At the end of 2011, outstanding amounts of shares/units issued by French bond funds amounted to EUR 190 billion shared out among 1,252 funds, i.e. an average EUR 152 million worth of assets per fund.

Chart 16 Outstanding amounts of shares/units issued by French bond funds

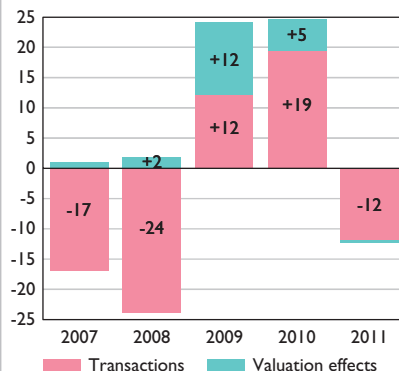
(euro billions)



Source: Banque de France.

Chart 17 Net subscriptions of and valuation effects on French bond funds

(euro billions)



Source: Banque de France.

After increasing over two consecutive years – they expanded by EUR 24 billion in both 2009 and 2010 – total outstanding amounts shrank by EUR 12 billion, or 6%, in 2011 (see Chart 16).

Transactions were the main source of changes in outstanding amounts of bond funds, unlike for equity funds. A few nuances notwithstanding, bond fund investors' behaviour appeared to be as pro-cyclical as equity fund investors'.

Gains amounted to EUR 12 billion in 2009 and EUR 5 billion in 2010, with substantial positive transactions of EUR 12 billion and EUR 19 billion in 2009 and 2010 respectively.

In 2011, a year marked by strong tensions on the European sovereign debt market, bond funds posted a very slight drop in shares/units issued but received significant redemption requests amounting to EUR 12 billion.

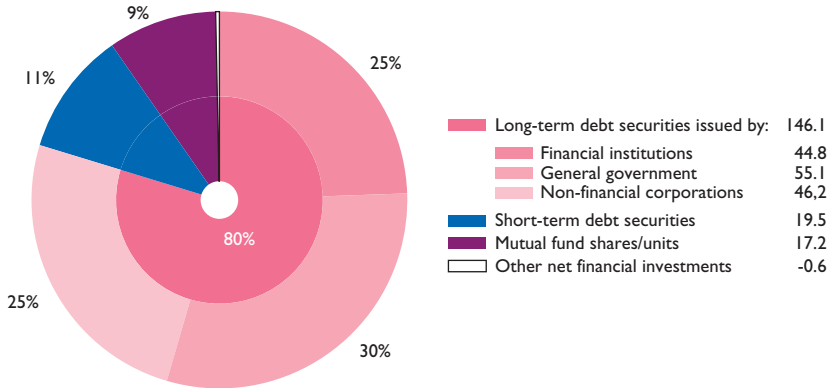
A portfolio composed of 80% of long-term debt securities

At the end of 2011, 80% of the bond funds portfolio was made up of long-term debt securities, the remainder being spread out among short-term debt securities, 11%, and mutual fund shares/units, 9%.

General government was the leading issuer of long-term debt securities held, representing roughly 30% of the total portfolio. The share ascribed to financial institutions, in particular credit institutions, and non-financial corporations was slightly lower at 25% each. Short-term debt securities

Chart 18 Bond fund portfolios broken down by type of security and issuing sector in 2011

(euro billions and as a %)



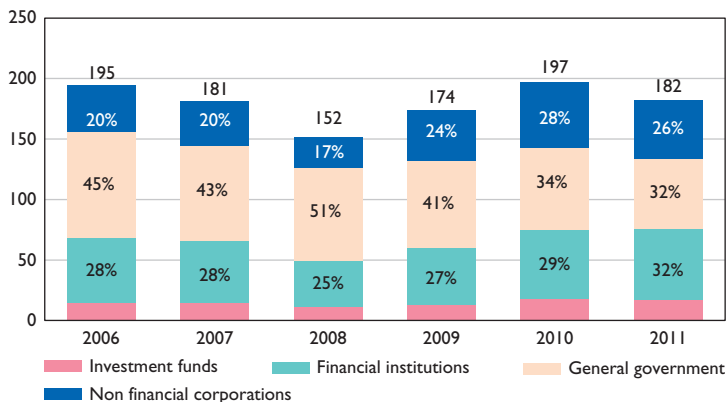
Source: Banque de France.

held were made up of 70% of certificates of deposit and of roughly 15% of treasury bonds. Half of the mutual fund shares/units held in the portfolio were money market funds (see Chart 18).

The portfolio share of short and long-term securities issued by general government varied considerably from 2006, increasing first to 51% in 2008, before slipping to 32% in 2011. Conversely, the share of securities issued by financial institutions, mainly credit institutions, rose from 28% to 32% over the period, as did that of non-financial corporations, which climbed from 20% to 26% (see Chart 19).

Chart 19 Portfolio structure of bond funds by issuing sector

(euro billions)



Source: Banque de France.

Appendix I

Investment fund statistics – methodology

Funds covered

The funds covered by the study include all general money market and non-money market funds, corporate mutual funds, managed futures funds, venture capital mutual investment funds, local investment funds and innovative investment funds.

Sources

Statistics presented in this article drew on four separate sources:

- monthly balance sheets submitted to the Banque de France by money market funds and non-money market funds. Are available for each investment fund: a detailed breakdown of portfolio positions, security by security, combined outstanding amounts for other balance sheet items, and the number and value of securities issued;
- investment funds net asset values (classified by ISIN2 code and with the corresponding number of shares/units) collected by the Financial Market Authority (AMF), which transmits them regularly to the Banque de France;
- the “DTOM” and “PROTIDE” surveys of resident holders of custodian accounts conducted by the Banque de France, which provide information on investment fund holdings by sector.

Methodology

The methodology is that used for *Stat Info* published on the Banque de France website (in French). It may be consulted by following the link below: http://www.banquefrance.fr/fileadmin/user_upload/banque_de_france/Economie_et_Statistiques/Flux_de_souscription_nettes_de_titres_d_OPCVM_et_de_flux_et_encours_de_placements_des_OPCVM_V3.pdf

Appendix 2

Definitions of non-money market fund categories

In France, the classification of investment funds, which is based on funds' exposure profile, is regulated by the Financial Market Authority. Data on non-money market funds presented in this study cover equity funds, bond funds, mixed funds and others but do not include real estate funds.

Equity funds (EUR 225 billion worth of securities issued) are made up of:

- “French equity” funds (11%), with an exposure rate of up to 60% to French shares;
- “Euro area equity” funds (28%), with an exposure rate of up to 60% to shares issued in one or more euro area countries;
- “EU Member State equity” funds (15%), with an exposure rate of up to 60% to shares issued in one or more EU countries;
- “International equity” funds (46%), with an exposure rate of up to 60% to a foreign equity market or to equity markets in several countries.

Bond funds (EUR 190 billion), which must have a maximum equity risk exposure of 10% of their portfolio, are made up of:

- “Bond and other euro-denominated debt securities” funds (70%), with permanent exposure to euro-denominated fixed-income securities;
- “Bond and other international debt securities” funds (30%), with permanent exposure to fixed-income securities denominated in currencies other than the euro, and possibly to euro-denominated fixed-income securities.

Mixed funds (EUR 254 billion worth of securities issued) are made up of:

- “Mixed funds” (95%), that encompass funds that do not fall under any other classification;

- Alternative funds (5%), which are funds of funds, invested mainly in equity or shares/units of other investment funds. These types of funds provide a greater degree of diversification, as investors spread risks across several funds.

The **other investment funds** (EUR 168 billion worth of securities issued) are made up of:

- Employee shareholding funds (FCPE) and investment companies with variable capital under employee share ownership (SICAVAS), irrespective of their investment strategy (all FCPE, even those with a yield close to money market rates are included in this category of non-money market funds) (49%);
- Formula funds (35%), whose management objective is to achieve and redistribute, at a scheduled maturity date, a level of return that is calculated by applying a pre-determined mathematical formula, based on market indicators. This performance objective is guaranteed by a credit institution;
- Venture capital mutual investment funds (FCPR), whose assets must include at least 40% of securities that are not admitted to trading on a financial market; innovative investment funds (FCPI), which are designed to help innovative French SMEs to raise capital; local investment funds (FIP), whose assets include at least 60% of financial securities, shares in limited liability companies and current account advances, of which at least 20% are in new companies (i.e. less than 8 years old) (15% in all);
- Commodity and financial futures funds (FCIMT) (1%).

Real estate funds are made up of:

- Real estate collective investment funds (OPCI), which are FCP or SICAV funds (open-ended mutual funds) that invest in real estate assets;
- Real estate investment companies (SCPI), which manage only real estate rental property.

Glossary

Investment fund shares/units: outstanding amounts of shares issued by investment funds at market value.

Share: certificate of ownership representing a proportional share in the issuer's equity, whose returns are not determined by contract but directly by the issuer's performance.

General government: central government, local government and social security funds. Most of their income is derived from mandatory contributions.

Other financial institutions: financial institutions other than credit institutions and investment funds. These are mainly insurance corporations, non-money market funds and investment companies.

Other net financial investments: all financial assets other than equity, debt securities and investment fund shares/units. These are mainly shares in securitisation vehicles, credit derivatives and other derivatives.

Financial and monetary institutions: group that includes credit institutions and money market funds.

Undertakings of Collective Investment in Transferable Securities (UCITS): investment vehicles incorporated and regulated in the European Union that are either SICAV (open-ended mutual funds) or FCP (collective investment funds). Investment funds manage portfolios of transferable securities (shares, bonds, etc.).

There are two categories of investment funds:

- Money market funds: investment funds whose assets are mainly invested in short-term products indexed to money market rates. In France, these are short-term money market funds and money market funds.
- Non-money market funds: see Appendix 2.

Redemptions: sales of investment fund shares/units by investors. They represent a net asset outflow for investment funds.

Residents: legal entities established in France.

Institutional sector: group of institutional units with similar economic behaviour characterised by their main activity and the nature of their business. Resident institutional sectors are: monetary authorities, non-financial corporations, financial corporations, general government, households and non-profit institutions serving households.

Non-financial corporations (NFC): legal entities that are market producers and which engage mainly in producing non-financial goods and services. Non-financial corporations may be privately or publicly funded.

Debt securities: securities made up of interest-paying bonds – debt instruments issued for a period of time of over three years – and money market instruments – debt instruments issued for a fixed period of time, which can be traded on a regulated market or over the counter. Short-term debt instruments are treasury bonds, commercial paper, certificates of deposit and other short-term negotiable debt securities. Long-term debt securities include bonds and similar securities and BMTN (French negotiable medium term notes and foreign equivalents).

SMEs in Europe: disparities between countries and sectors were greater in 2010 than before the crisis

Companies Directorate
Companies Observatory

The 2010 accounts of small and medium-sized enterprises (SMEs) from nine European countries, collected in the BACH-ESD database (Bank for the Accounts of Companies Harmonised - European Sectoral References Database), show an uneven improvement in performances after the 2008-2009 crisis and highlight the resilience of German SMEs.

Indeed, the profitability of SMEs increased following the recovery in activity in 2010. However, it remains below its pre-crisis level, and the disparities generated by the crisis between countries and sectors have widened. SMEs in the construction sector are still in a difficult situation, especially in Spain, Portugal and Italy. Those in the manufacturing industry have benefited from a marked recovery in activity, with performances rising significantly in Germany.

However, the crisis hardly affected the move towards a strengthening of equity capital that began ten years ago. Cash holdings are generally larger and the weight of bank borrowing is contained. In this respect, the situation of German SMEs has been getting closer to that of French SMEs.

Lying in an intermediate position compared to other European countries, French SMEs are characterised by a low level of bank debt, offset by relatively high trade payables and other debts including inter-company loans.

In addition, even though a significant share of French SMEs remains fragile, the dispersion is less pronounced in their case than in that of Southern European SMEs, both in terms of financial structure and profitability. In particular, trade credit weighs more heavily on working capital requirements in Southern Europe (Italy, Spain, Portugal) than in Northern Europe (mainly Austria, Germany, Belgium).

In the end, French SMEs have been overall relatively resilient to the deterioration in the economic environment, but have not benefited from the economic recovery in 2010 as much as their German counterparts.

Keywords: SME in industry, equity capital, debt, accounts receivable and payable, profitability, European comparisons, BACH
JEL codes: L20, L23, L25, L6, O52

I | The equity capital of SMEs has increased over the past ten years

The share of equity capital in the balance sheet has risen, in particular in Germany, which has got closer to France in industry and trade

According to the data collected in the BACH-ESD database,¹ the equity capital of European SMEs increased in the 2000s in most countries, irrespective of the sector, representing a growing share of resources on the balance sheet. Despite the 2008-2009 crisis, this share is still rising or has stabilized (see Charts 1):

- the decline in earnings in 2008 and 2009 did not affect the share of equity capital in the balance sheet total as equity amounts were bolstered by retained earnings from previous years and in some cases capital increases;
- the weight of equity capital in the balance sheet total continued to grow due to the contraction in total assets following the crisis, in most countries;
- accounting or tax arrangements helped to strengthen companies' equity capital in some countries, such as Italy and Belgium: the possibility given to Italian companies to reassess their real estate assets (land and buildings) led to an increase in equity capital; in Belgium, the tax provisions under the Act of 22 June 2005 on notional interest resulted in a reduction in the effective corporate tax rate and an increase in SMEs' equity capital.²
- with the 2010 recovery and the ensuing improvement in earnings, the equity capital increase gained momentum.

In manufacturing, the share of equity capital in the balance sheet total of French SMEs has climbed by more than 6 percentage points since 2000 to stand at 41.5% in 2010. It is one of the highest levels in Europe after that of Belgian and Polish SMEs (respectively 50.5% and 48.5%). The average ratio in these two countries has been stable for several years. In Belgium, the rise in 2007 partly stemmed from the tax provisions on notional interest designed to strengthen the equity capital of all SMEs. German SMEs, however, remain relatively less capitalised than in French ones. Nonetheless, 2010 results confirmed that the capital ratio has grown faster in Germany than in France for the past ten years, leading to a threefold decrease in the gap with French SMEs over the period.³

¹ See Appendix I.

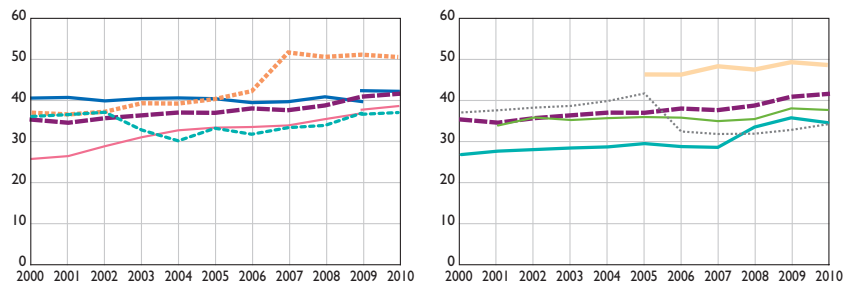
² These provisions aim at aligning, from a tax point of view, the treatment of shareholder returns (notional interest) with that of the interest on borrowed funds, such that these returns are deducted from the tax base, in the same way as the interest on loans.

³ This strengthening of equity capital in Germany is notably due to tax provisions decided on at the start of the 2000s, in order to harmonise the taxation of earnings: before that, taxes were lowered when earnings were distributed, which hardly encouraged companies to increase their equity capital.

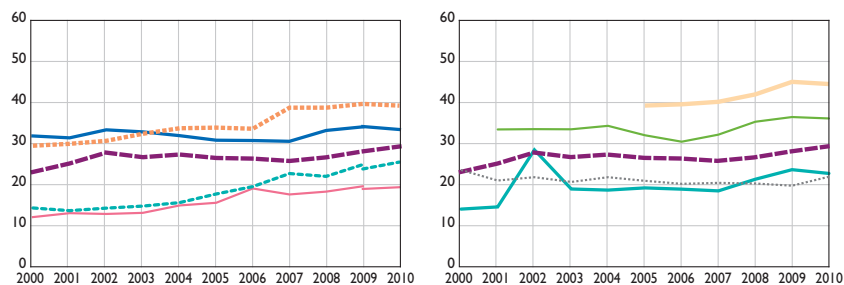
Charts I Equity capital over balance sheet total (2000-2010)

(average ratio in %)

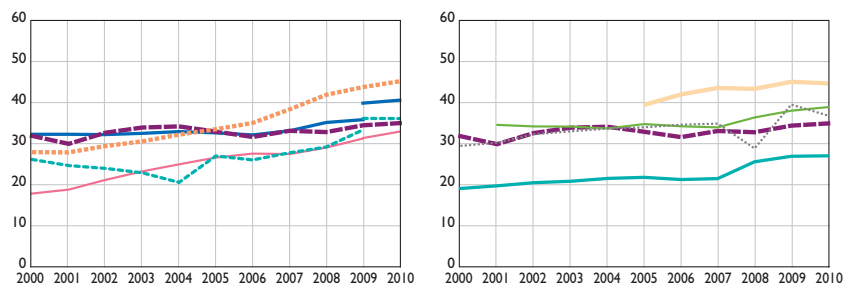
Manufacturing



Construction



Trade



Germany Belgium France Italy Poland
Austria Spain Netherlands Portugal

Notes: the average ratio, or weighted average, is the ratio of the aggregate amount of equity capital of all companies in the category under review over the aggregate amount of the total assets of these same companies. For Austria, Germany and Spain, data for 2009 and 2010 are calculated using a constant sample (only the companies present both years are included).

Source: Banque de France - BACH-ESD database (May 2012).

In Italy and Portugal,⁴ the share of equity capital in the balance sheet total is lower, at less than 35%.

⁴ In Portugal, the fact that the sample was widened and that small SMEs were better taken into account explains the observed decline in 2006.

Box

Comparison of provisions in France and Germany

• **Provisions account for a structurally larger share of companies' liabilities in Germany than in France.** In 2010, for all company sizes, provisions represented 21.7% of the balance sheet of manufacturing companies in Germany, compared with 6.9% in France. In both countries, the use of provisions increases with company size.

The share of provisions is greater in Germany, irrespective of the sector or company size, both in terms of pension provisions and other provisions. In France, companies are not required to constitute pension provisions, so they are little used. Conversely, company pensions are widespread in Germany, especially for large companies (SMEs prefer external *Pensionkassen*).

For the other provisions, German rules provide for the constitution of provisions as a precautionary measure (in particular against expected losses), while in France provisions are strictly regulated (a potential or conditional charge represents only a potential liability, then recorded off-balance).

• **The share of provisions in German companies' liabilities fell sharply in 2010, after rising in 2009 for specific reasons.** In 2009, according to BACH data, the balance sheet total of German companies as a whole decreased by 11.9% due to the crisis, but pension provisions "only" declined by 6.6%: their share thus increased over one year from 11.9% to 12.6% of the balance sheet total. Conversely, the German Accounting Law Modernization Act¹ that came into effect in 2010 now requires companies to deduct from the calculation of pension provisions the outsourced assets specifically dedicated to this purpose, which has resulted in a sharp drop in pension provisions. Furthermore, estimates of German companies' other provisions with a maturity of over one year should now be discounted.

• **From 2000 to 2010, the most notable development regarding the asset structure of occupational pension schemes in Germany is the decrease in the share of provisions set aside by companies.**² This development can be attributed to a series of reforms that have reduced the weight of pension liabilities for companies, by changing their method of calculation or by pushing back the age of retirement (67 years). Furthermore, an Act of 2001 favours pension funds and retirement insurance by employees (with an incentive of matching public contributions) over provisioning by employers. When divided by the total assets of occupational pension schemes,³ the provisions made by companies declined from 58.7% in 2000 to 53.2% in 2009.⁴

• **While provisions are greater in Germany than in France, reserves are larger in France.**

1 In German: Bilanzrechtsmodernisierungsgesetz.

2 Developments in pension provisions cannot be analysed in France, as this item is not included in the FIBEN national database.

3 Total assets held by companies, insurance companies and pension funds to meet their pension obligations vis-à-vis their employees or clients.

4 http://www.aba-online.de/seiten/betriebsrente/daten_fakten/1_Deckungsmittel_bav/Aktualisierungen_0811/1d-Deckungsmittel-bAV-seit1990relativ-2009_03_08_2011__SD_-Folie.pdf

In certain countries (Germany, Austria and, to a lesser extent, Italy), the lower share of equity capital is offset by high levels of provisions, which, in some respects, may be treated as equity capital (see Appendix 2 and Box).

For SMEs in the construction sector and trade, disparities between countries are more pronounced than in manufacturing. SMEs in construction display lower levels of equity capital, ranging between 20% and 35% of the balance sheet, except in Belgium and Poland, where they are close to, or exceed, 40% of the balance sheet in 2010.

In trade, the weight of equity capital has been steadily rising since 2000 in German and Belgian SMEs. Italian SMEs in this sector are characterised by a low level of capitalisation, although this ratio has been increasing sharply over the past three years.

The crisis of 2008-2009 reinforced an already strong dispersion across small SMEs

Just like the average ratio, quartiles rose in most countries between 2000 and 2010, confirming the growth in equity capital observed on the basis of the average ratio. Quartiles are particularly high in Belgium and Poland, irrespective of the size and the sector of the SMEs. They increased over the period in the three sectors under review in Germany and France. In Italy, the revaluation of land and buildings in 2008 explains the sharp rise in the weight of equity capital in the same year (see Charts 2).

In all countries, the weight of equity capital is more dispersed for small SMEs than for medium-sized ones, and the crisis has widened this gap. In construction and trade, for a quarter of small SMEs in Spain and Portugal, equity capital accounted for less than 5% of their balance sheet total in 2010, while for another quarter, this share exceeded 50%. In manufacturing, disparities are less pronounced albeit significant. In France, like in Germany and Italy, the dispersion is lower and hardly differs between small and medium-sized SMEs.⁵ Nevertheless, small French SMEs remain more capitalised than their German and Italian counterparts.

Small weight of bank debt in French SMEs

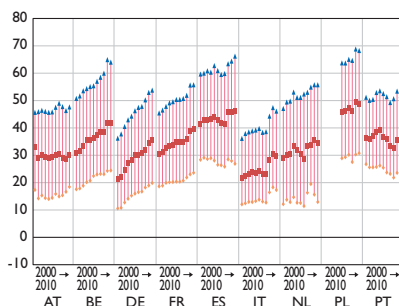
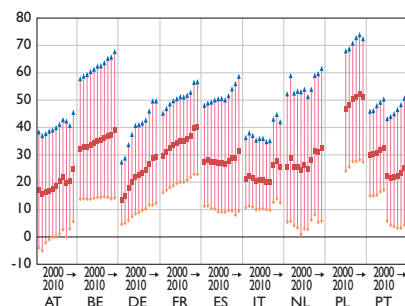
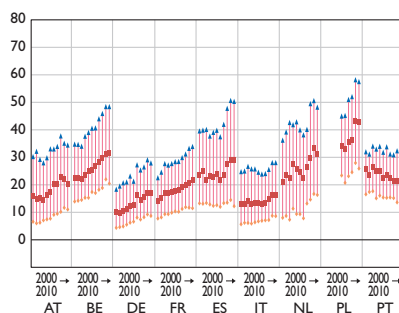
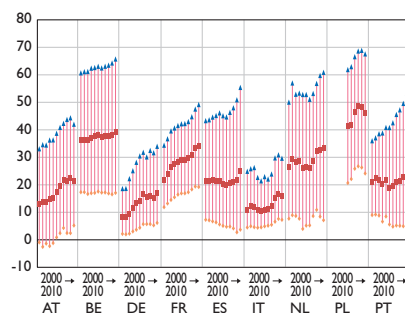
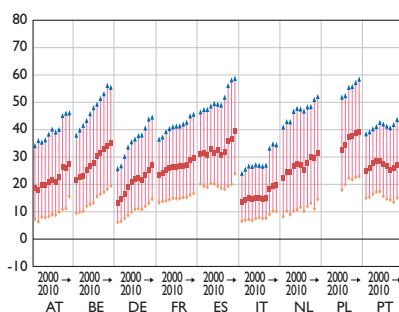
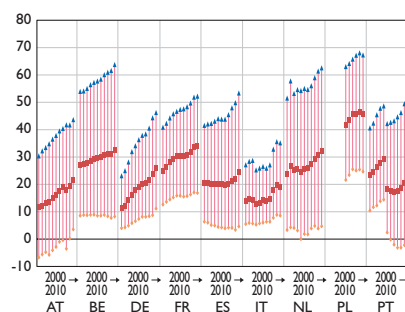
In 2010 and on the basis of the average ratio, the bank debt ratio of SMEs in Europe differed substantially across countries and sectors.⁶ In Italy, Portugal and Spain, the weight of bank debt on the balance sheet of SMEs was higher than in other countries: for example, over 30% of the entire balance sheet of SMEs in construction, and over 20% in industry. In trade, the gaps were

⁵ This lower dispersion should nevertheless be qualified: unlike in Spain and Portugal, the data from these three countries are based on a sample including few very small SMEs (less than 10 employees), yet disparities are more pronounced in the latter.

⁶ Bank debt covers loans of all maturities extended by credit institutions, including in some countries leasing and unmatured discounted bills (Belgium, Spain, France). Some of the divergences across countries may be explained by these different approaches, but they are primarily due to specific behaviour patterns and financing structures.

Charts 2 Equity capital over balance sheet total (2000-2010)

(quartiles in %)

SMEs with a turnover < EUR 10 million**SMEs with a turnover > EUR 10 million****Manufacturing****Construction****Trade**

◆ 1st quartile ■ Median ▲ Last quartile

Notes: Q1, Q2 (median) and Q3 are statistical indicators of dispersion.

In 2010, a quarter of the population of small SMEs in industry in France had a ratio of equity capital over total assets below 22.9%, half a ratio below 40.1% and three quarters of the population a ratio below 56.8% (i.e. one quarter above 56.8%). In Portugal, the introduction of a new statistical reporting system in 2005 led to a significant broadening of the sample and a statistical break, especially for small SMEs.

AT = Austria, BE = Belgium, DE = Germany, FR = France, ES = Spain, IT = Italy, NL = Netherlands, PL = Poland, PT = Portugal

Source: Banque de France - BACH-ESD database (May 2012).

narrower, with the exception of Italian SMEs, which stood out with a high ratio of bank debt (25% of the balance sheet). Finally, even though the level of bank debt of Spanish SMEs in trade was relatively high (20% of the balance sheet in 2010), it has decreased significantly since 2006 (see Charts 3).

Conversely, the bank debt ratio was lower in other countries, for example for French SMEs: 11% on average in 2010 in construction, 13% in manufacturing and 15% in trade. Slightly down on 2009, this level was actually one of the lowest among European countries. In ten years, the weight of bank loans dropped by more than three percentage points in manufacturing (16.5% in 2000). The ratio was also low in Poland, for the three sectors, as well as in Germany and Belgium for industry and trade.

As regards German SMEs, and irrespective of the area observed, the decrease has been significant since the start of the decade. This trend is much more pronounced than in other countries, in particular in France, such that the gap in favour of French SMEs has narrowed and is now relatively stable at around two percentage points (see Charts 3).

Bank debt hardly varies across French SMEs

Over ten years, the decline in the debt burden is also visible for the distribution of bank debt ratios of European SMEs. The decrease is especially pronounced in the case of small Spanish SMEs in trade and construction. In industry, the fall mostly affects SMEs in Spain, France and Belgium (see Charts 4).

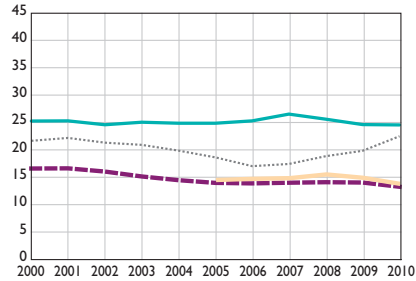
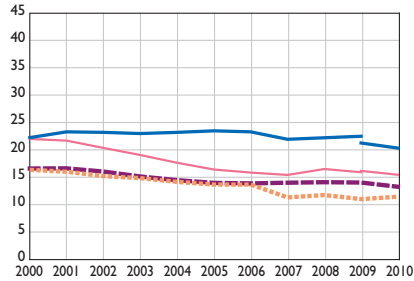
As for the share of equity capital, the dispersion is very pronounced among small SMEs. In Portugal, small and medium-sized SMEs are very different: in the three sectors under review, half of small SMEs had no bank debt in 2010, while half of medium-sized SMEs recorded a bank debt that represented over 19% of the balance sheet total in industry and construction – up sharply since 2007 – and over 14% in trade. In Germany and Austria, but also in Spain and Italy, the particularly high value of the last quartile (over 30% of the balance sheet total) points to a great disparity across small SMEs.

In Belgium, France and Poland, however, the bank debt ratio is relatively homogeneous across SMEs, with small variations between the values of the first quartile and the last. Finally, just like the average ratio, French, Belgian and Polish SMEs post low ratios of bank debt. Close to a quarter of small or medium-sized SMEs in France have little or no bank debt (less than 2% of liabilities). Nevertheless, the share of bank financing is slightly greater in small SMEs than in medium-sized ones (for example, 10% of resources in half of small SMEs in manufacturing in 2010, against less than 7% in the rest).

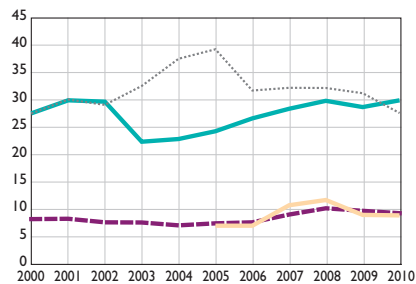
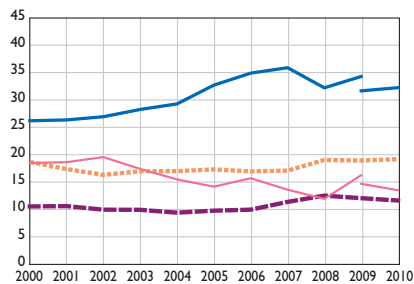
Charts 3 Bank debt over balance sheet total (2000-2010)

(average ratio in %)

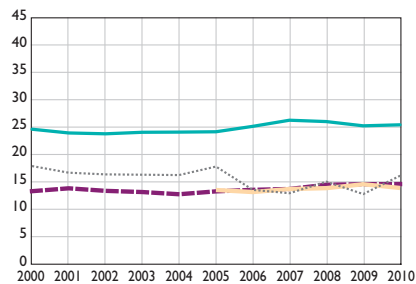
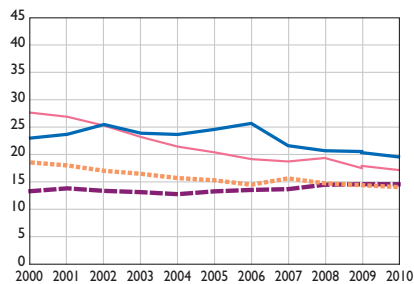
Manufacturing



Construction



Trade



— Germany - - - - Belgium - - - - France — Italy — Poland
— Spain ····· Portugal

Notes: The average ratio, or weighted average, is the ratio of the aggregate amount of bank debt of all companies in the category under review over the aggregate amount of total assets of these same companies. For Germany and Spain, data for 2009 and 2010 are calculated using a constant sample (only the companies present both years are included). Data for Austria and the Netherlands are not available.

Source: Banque de France - BACH-ESD database (May 2012).

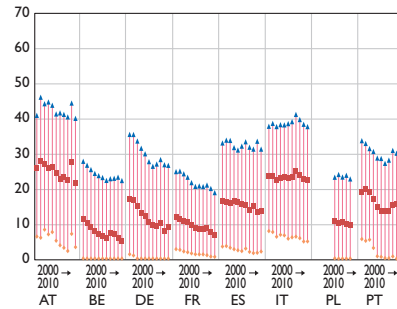
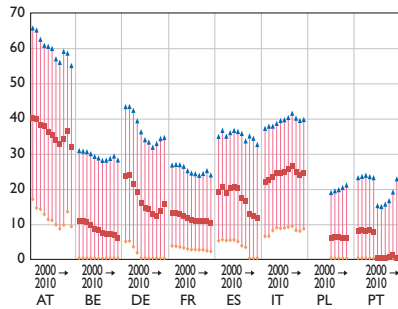
Charts 4 Bank debt over balance sheet total (2000-2010)

(quartiles in %)

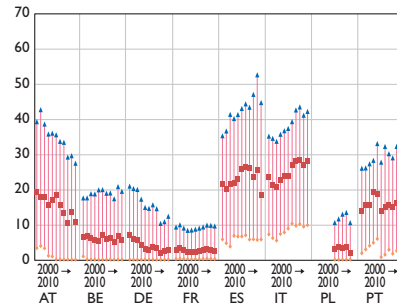
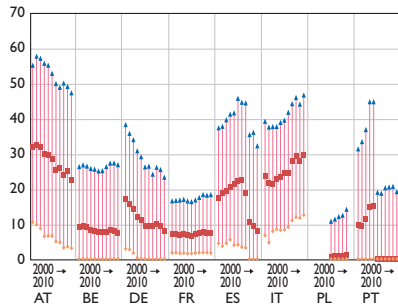
SMEs with a turnover < EUR 10 million

SMEs with a turnover > EUR 10 million

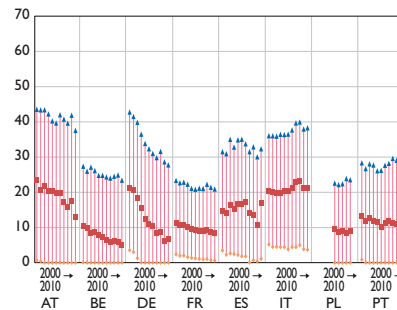
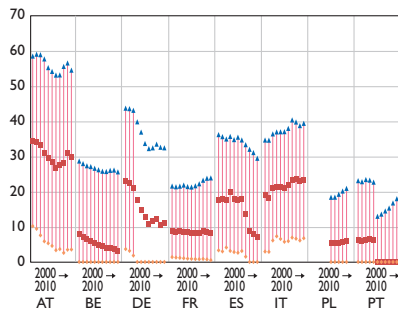
Manufacturing



Construction



Trade



◆ 1st quartile ■ Median ▲ Last quartile

Notes: Q1, Q2 (median) and Q3 are statistical indicators of dispersion.

In 2010, a quarter of the population of small SMEs in industry in France had a ratio of "bank debt over total assets" below 1.9%, half a ratio below 9.8% and three quarters of the population a ratio below 23.6%. In Portugal, the introduction of a new statistical reporting system in 2005 led to a significant broadening of the sample and a statistical break, especially for small SMEs. Data for the Netherlands are not available.

Source: Banque de France - BACH-ESD database (May 2012).

2| Short-term financing sources and requirements: a strong disparity across SMEs in Southern Europe

Trade payables and intercompany debt are a major source of financing in certain countries including France

In several countries, including France, the financing structure of SMEs is characterised by a high proportion of trade payables and "other debt". On average, when information is disclosed, the financial component of "other debt", which also includes intercompany debt, accounts alone for 17% of the balance sheet of SMEs in the manufacturing industry in Germany, 14% in Belgium and over 10% in France. The higher ratio in Germany is partly attributable to the method of accounting for certain debts. Indeed, some of the trade payables concerning subsidiaries of the same group are not recorded under trade payables, but under other debt with a maturity of less than one year, which is not the case in other countries.

The fact remains that these two items account for over 40% of the balance sheet total of French SMEs which, together with the relatively high level of equity capital (over 40% also), explains the low level of bank debt.

Italian and Spanish SMEs are characterised by a large share of trade payables on their balance sheet, whereas that of "other debt" is relatively small. German SMEs, on the other hand, post a lower share of trade payables than French SMEs, which is nevertheless offset by the high share of other debt, as well as high amounts of down-payments received, especially in construction (36% of liabilities in 2010), and to a lesser extent in manufacturing (7%).

In SMEs, the development of group structures, within which the financing is carried by a dedicated unit, leads to changes in companies' resource structure: for those that are affiliated to a group, the share of bank debt tends to decline in favour of intra-group financing. However, this phenomenon does not concern SMEs as much as larger companies.

Large trade credit and substantial working capital requirements in SMEs in Southern Europe

Trade accounts receivable and payable, expressed here as a percentage of turnover, are high in Southern Europe and low in Germany and Austria. In France and Belgium, they are in an intermediate position.

In 2010, trade receivables in Italy represent close to 37% of SMEs' turnover in industry, 31% in Portugal and 28% in Spain. In Germany, Austria and, to a lesser extent, in Poland, the share of these receivables was much smaller (around 10% in Germany and Austria, around 15% in Poland).

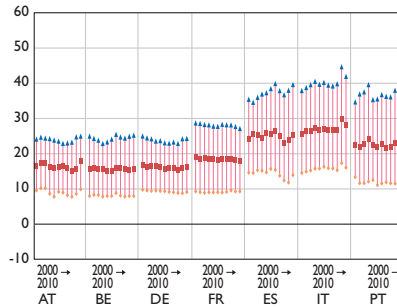
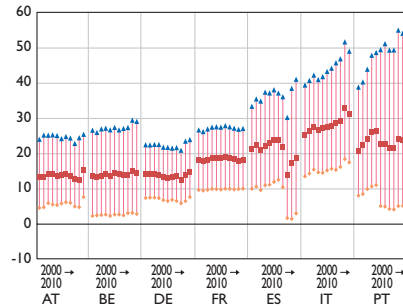
Charts 5 Working capital requirements over turnover

(quartiles in %)

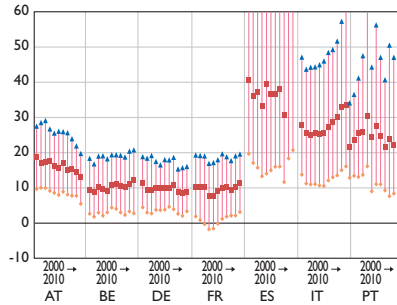
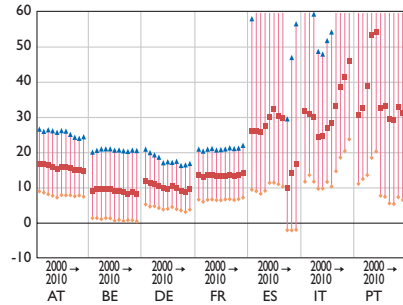
SMEs with a turnover < EUR 10 million

SMEs with a turnover > EUR 10 million

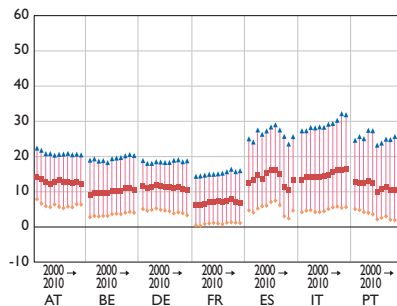
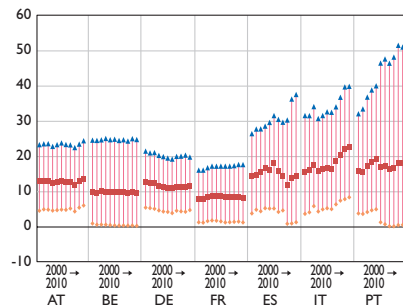
Manufacturing



Construction



Trade



◆ 1st quartile ■ Median ▲ Last quartile

Notes: Q1, Q2 (median) and Q3 are statistical indicators of dispersion.

In 2010, a quarter of the population of small SMEs in industry in France had a ratio of "working capital requirements over turnover" below 9.9%, half a ratio below 17.9% and three quarters of the population a ratio below 27%. In Portugal, the introduction of a new statistical reporting system in 2005 led to a significant broadening of the sample and a statistical break, especially for small SMEs. Data for the Netherlands and Poland are not available.

Source: Banque de France - BACH-ESD database (May 2012).

Similarly, trade payables are close to or greater than 20% of SMEs' turnover in industry in Italy, Spain and Portugal, but well below 10% in Germany, Austria and Belgium. This ratio is about 14% in French and Polish SMEs. As in the case of other debt, this low ratio in Germany is offset by higher "other debt": trade payables, if they concern a supplier belonging to the same group, are recorded under other debt (see above).

These different patterns of behaviour in terms of trade credit largely result in disparities in working capital requirements (WCR) between countries and sectors. The degree of dispersion within the same country is also significant.

Measured as a percentage of turnover, the weight of WCR is relatively small in SMEs in Austria, Belgium, Germany and France, at comparable levels. In manufacturing and for half of small and medium-sized SMEs, it is less than 17%.

For SMEs in Spain, Italy and Portugal, the gaps are much wider. The weight of WCR is considerable with a significantly higher median value (for example, over 25% of turnover for medium-sized SMEs in manufacturing). More importantly, there are great disparities with very large values in the upper quartile, especially for small SMEs, and notably in the construction sector (see Charts 5).

3| Cash positions in France: rather high albeit with large disparities

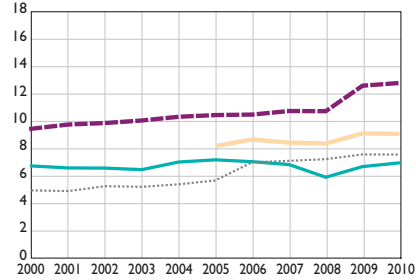
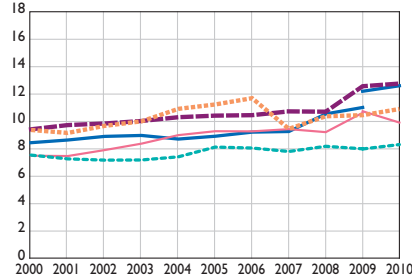
Cash holdings of French SMEs continued to rise after 2008

Compared to those of other European countries, SMEs in France are characterised by relatively large cash holdings (securities and bank deposits). These accounted for 13% of the balance sheet total in 2010 in manufacturing and trade, and over 16% in construction. More than their level, what is particularly noteworthy is the increase in their weight on companies' balance sheets, which occurred in 2009, both in small and medium-sized SMEs. The fact that SMEs strengthened their cash positions in spite of the crisis is due to the cash-generating adjustment efforts made by companies (inventory drawdowns, rigorous management of trade credit, etc.). Companies' "wait and see" behaviour with regard to investment also contributed to reinforcing the level of liquidity. With the reduction in the balance sheet total, the share of cash holdings on the assets side increased accordingly (see Charts 6).

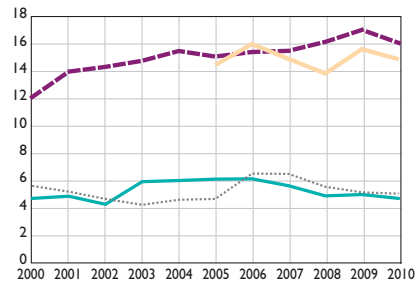
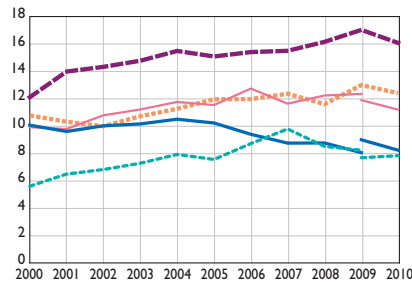
Charts 6 Liquidity over balance sheet total (2000-2010)

(average ratio in %)

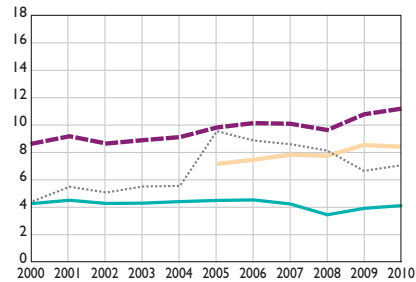
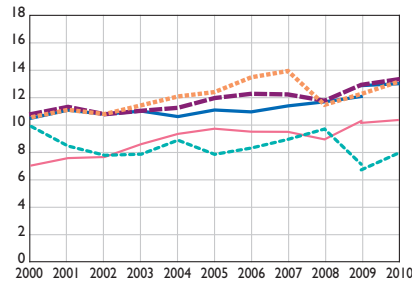
Manufacturing



Construction



Trade



— Germany - - - - - Belgium - - - - - France — Italy — Poland
- - - - - Austria — Spain ····· Portugal

Notes: The average ratio, or weighted average, is the ratio of the aggregate amount of liquidity of all companies in the category under review over the aggregate amount of total assets of these same companies. For Austria, Germany and Spain, data for 2009 and 2010 are calculated using a constant sample (only the companies present both years are included). Data for the Netherlands are not available.

Source: Banque de France – BACH-ESD database (May 2012).

Only Spanish SMEs in industry and trade, Belgian SMEs in trade and Polish SMEs in construction have an equivalent level. Finally, it should be noted that even though the level is lower than in France, German SMEs post a similar trend to that of French SMEs.

In addition, for SMEs in other countries, trends are more erratic than in France. In 2005, the sharp increase in the ratio for Portuguese SMEs can be attributed to the broadening of the sample following the establishment of a new statistical reporting system, and the inclusion of a larger number of very small businesses. In Spain, SMEs in construction recorded a fall in the weight of cash holdings from 2005.

Increasing disparities in France and Belgium

Over the last two years, the share of liquid assets on companies' balance sheets rose in most countries. In France and Belgium, it recorded a particularly sharp increase in the case of companies with already the largest amounts of liquid assets. However, it decreased in construction and trade in small SMEs in Austria, Germany and Spain, sometimes from 2005 (small Spanish SMEs in construction) (see Charts 7).

During the crisis, some SMEs did not use their available liquidity to invest, preferring to adopt a wait-and-see behaviour, while others failed to raise their cash resources, thereby increasing the degree of dispersion.

Thus, in manufacturing and trade, 25% of small SMEs had very little cash (less than 3% of their balance sheet), while for another quarter, liquid funds accounted for over 25% of the balance sheet in France and Belgium, and over 20% in Portugal. Disparities within these two sectors were lower in other countries, in particular in Austria, Italy and Poland.

In construction and with the exception of Italian SMEs, dispersion was very pronounced. In Belgium and France, while 25% of small SMEs with the least liquidity had very little cash, the level reached in the last quarter exceeded 30%.

The behaviour of medium-sized SMEs was more homogeneous. In France and Germany, the distribution of the ratio for medium-sized SMEs in industry was similar.

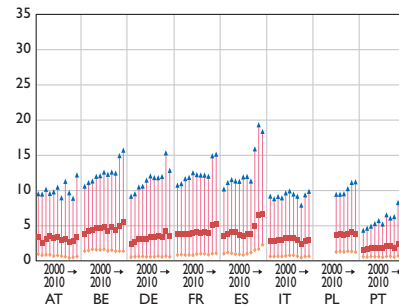
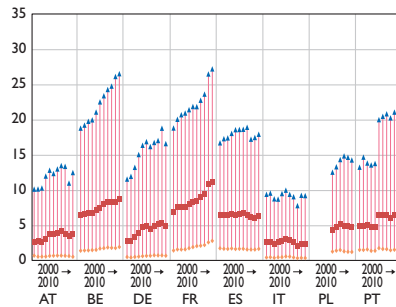
Charts 7 Liquidity over balance sheet total (2000-2010)

(quartiles in %)

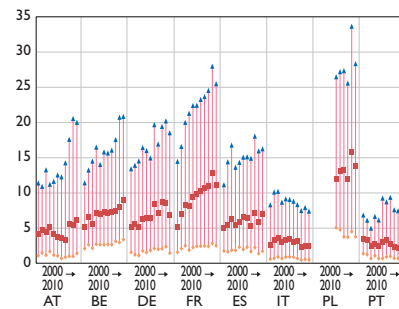
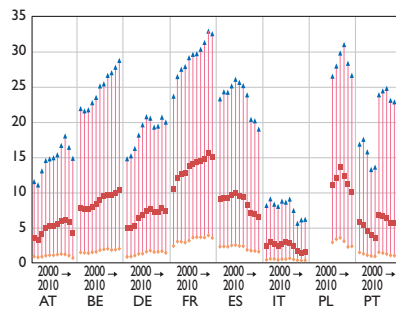
SMEs with a turnover < EUR 10 million

SMEs with a turnover > EUR 10 million

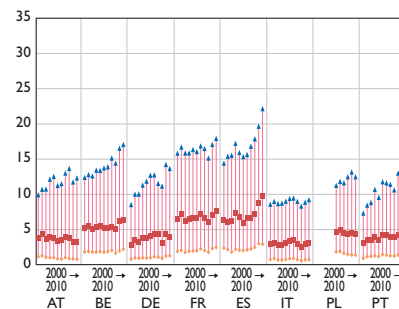
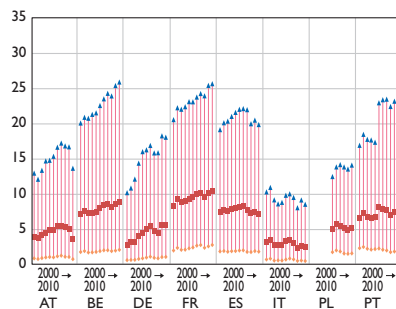
Manufacturing



Construction



Trade



◆ 1st quartile ■ Median ▲ Last quartile

Notes: Q1, Q2 (median) and Q3 are statistical indicators of dispersion.

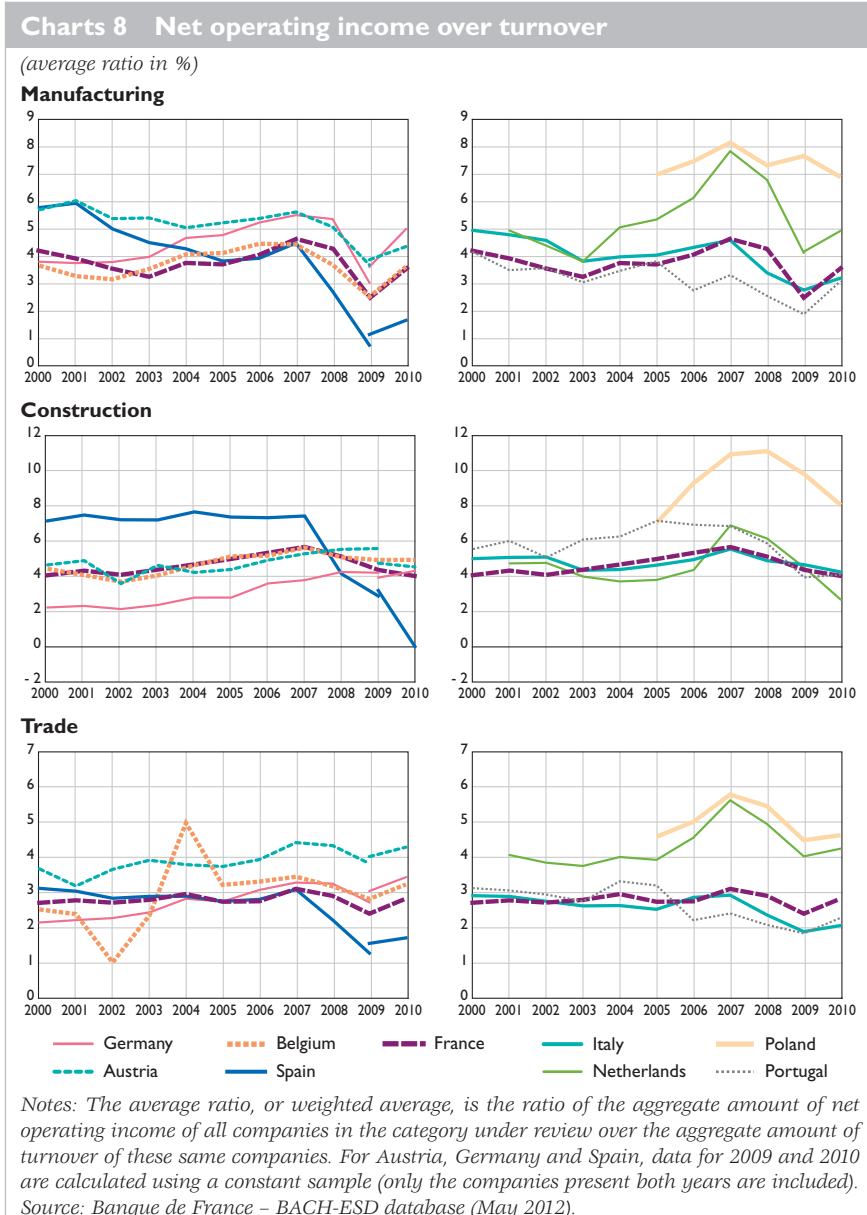
In 2010, a quarter of the population of small SMEs in industry in France had a ratio of "liquidity over total assets" below 2.7%, half a ratio below 11.1% and three quarters of the population a ratio below 27.2%. In Portugal, the introduction of a new statistical reporting system in 2005 led to a significant broadening of the sample and a statistical break, especially for small SMEs. Data for the Netherlands are not available.

Source: Banque de France - BACH-ESD database (May 2012).

4 | A rise in profitability, especially for German SMEs

The operating margin rate increased, in particular for German SMEs

In 2010, the operating margin rate (net operating income over turnover) picked up in most countries after the sharp decline due to



the 2008-2009 crisis, with the exception of SMEs in construction which recorded less favorable developments. Over the last ten years and for the three sectors, German SMEs significantly improved their performance, thus widening the gap with their European counterparts, especially in France (see Charts 8).

In 2010, the recovery essentially concerned the manufacturing industry, which had been heavily impacted by the recession in 2009. Despite this increased activity, the sector did not regain its pre-crisis level: the operating margin rate of French SMEs stood at 3.5% (+1.1 percentage points compared to 2009). It was close to that of Belgian, Italian and Portuguese SMEs. Spanish SMEs – down sharply since 2007 – hardly benefited from the recovery, with an operating margin rate of only 1.6% in 2010. In Germany and Austria, the operating margin was higher than that of French SMEs (over 5% in Germany in 2010). In Poland, SMEs maintained a high ratio of close to 7%.

For SMEs in trade, the decline in the operating margin rate was less pronounced in 2009 than for SMEs in industry, except in Spain, Poland and the Netherlands. The catch-up in 2010 was also more limited.

In construction, the situation was more uncertain, with a stagnation and even a decline in some countries in 2010. The operating margin rate continued to fall in Spanish SMEs in construction, with a marked drop from 2008. It even turned negative in 2010.

Disparities increased among small SMEs

Operating margin rates were relatively homogeneous in medium-sized SMEs, except in construction in Spain. In contrast, disparities were considerable in small SMEs, in particular in Belgium, Spain, the Netherlands and Portugal, where over 25% displayed a negative operating margin rate (see Charts 9).

Indeed, the crisis of 2008-2009 heightened the degree of dispersion and led to a sharp deterioration in the operating margin rate during these two years for some of the small SMEs. In small SMEs, the first quartile dropped significantly, with small SMEs in Spain and Portugal recording a particularly marked fall.

In addition, the recovery in 2010 was uneven across countries and sectors. It was strong in manufacturing for German SMEs, more contained in Belgian, French and Italian SMEs, where indicators were well below their pre-crisis level.

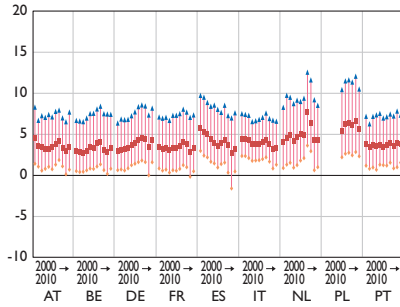
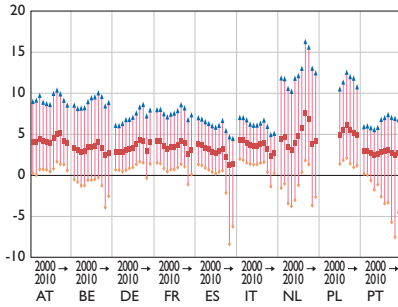
Charts 9 Net operating income over turnover

(quartiles in %)

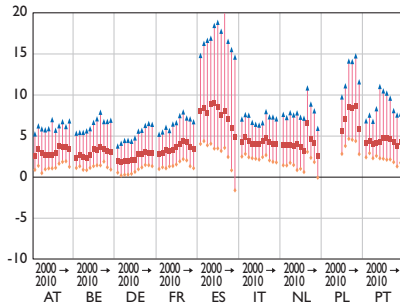
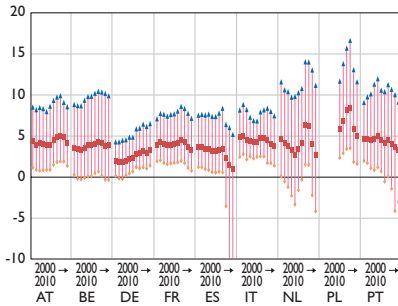
SMEs with a turnover < EUR 10 million

SMEs with a turnover > EUR 10 million

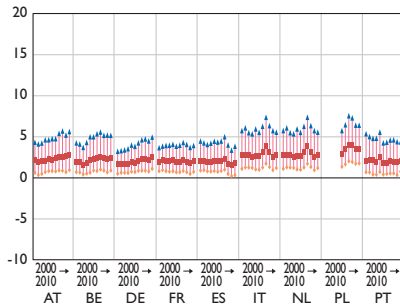
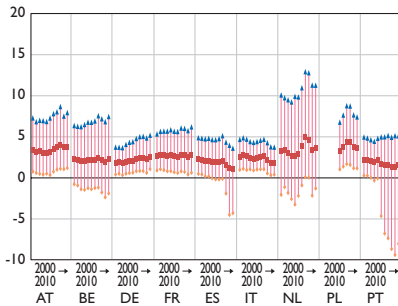
Manufacturing



Construction



Trade



◆ 1st quartile ■ Median ▲ Last quartile

Notes: Q1, Q2 (median) and Q3 are statistical indicators of dispersion.

In 2010, a quarter of the population of small SMEs in industry in France had a ratio of "net operating income over turnover" below 0.1%, half a ratio below 3.1% and three quarters of the population a ratio below 7.1%. In Portugal, the introduction of a new statistical reporting system in 2005 led to a significant broadening of the sample and a statistical break, especially for small SMEs.

Source: Banque de France - BACH-ESD database (May 2012).

The situation remains difficult in Portugal and Spain, especially in small SMEs. This is particularly the case in construction and trade, with operating margin rates still negative for a quarter of small SMEs.

In its *Quarterly Economic Bulletin* of January 2012, the Banco de España notes a slight improvement in business performance in 2010, especially in manufacturing. However, this improvement essentially concerns large companies and contrasts with the continued deterioration in smaller companies. Furthermore, the outlook as regards earnings in 2011 is once again unfavourable, especially in activities linked to household consumption.

A moderate recovery in SMEs' return on equity, more significant in Germany, still with the exception of construction

Pre-tax return on equity differs across countries and sectors, between -3.7% for Spanish SMEs in construction and over 25% for German SMEs in construction and trade (see Charts 10).

More so than the level, for which comparisons are not easy to interpret, the variations over the past ten years show, here again, the impact of the 2008-2009 crisis. Manufacturing is the most affected sector; the recovery in 2010 was moderate, except in Germany where the rebound was significant.

For SMEs in construction, the decline of 2008-2009 was pronounced in Spain, the Netherlands and Poland, but there was no significant improvement in 2010. In Spain, the deterioration continued and return on equity becomes negative. In Belgium and Austria, return on equity remains stable during the crisis.

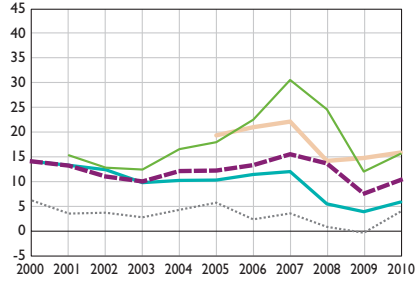
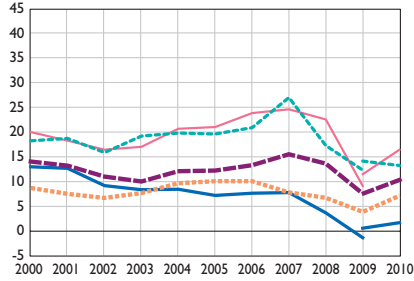
For SMEs in trade, the decline in the ROE in 2008-2009 gave way to a recovery in 2010, especially in Germany and Austria.

In general, German SMEs, despite being impacted by the crisis, are well positioned compared to their European counterparts. This higher performance is especially due to good operational efficiency, exemplified by a larger profit margin than in other SMEs, especially French ones. These results were confirmed by a study of the Bundesbank in December 2011, which highlights the outstanding profit growth of German SMEs from 2003, hardly dented by the 2009 crisis, with prospects for 2011 still favorable.

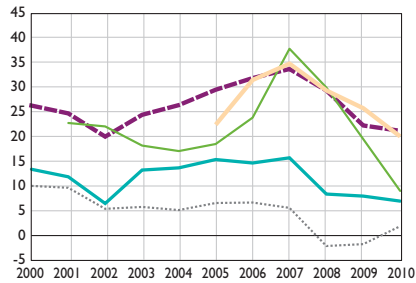
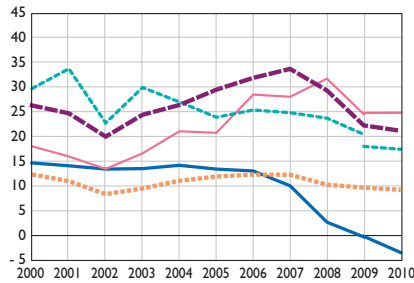
Charts 10 Pre-tax return on equity

(average ratio)

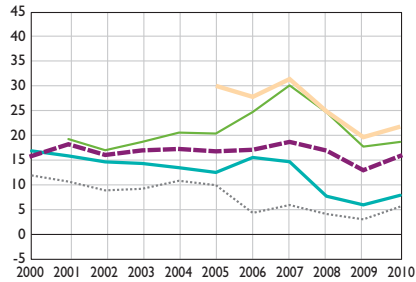
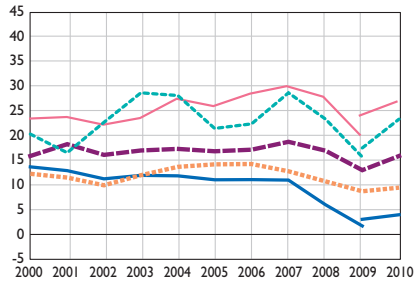
Manufacturing



Construction



Trade



Germany Austria Belgium France Italy Netherlands Poland Portugal Spain

Notes: The average ratio, or weighted average, is the ratio of the aggregate amount of pre-tax income of all companies in the category under review over the aggregate amount of equity capital of these same companies. For Austria, Germany and Spain, data for 2009 and 2010 are calculated using a constant sample (only the companies present both years are included). Source: Banque de France – BACH-ESD database (May 2012).

Appendix I

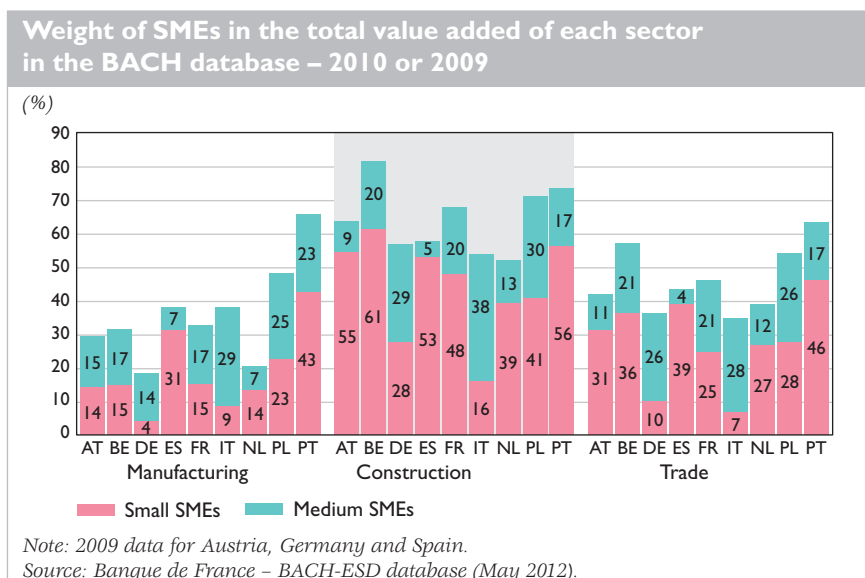
The BACH-ESD database

The analysis concerns the manufacturing, construction and trade sectors in nine countries (Germany, Austria, Belgium, Spain, France, Italy, Netherlands, Poland and Portugal) and draws on two databases containing the annual accounts of non-financial corporations and developed by the European Committee of Central Balance Sheet Data Offices.¹ BACH (Bank for the Accounts of Companies Harmonised) provides weighted average ratios for samples consisting of companies present for successive periods of two years (constant samples), while the ESD database (European Sectoral References Database) provides quartiles for 28 ratios per sector for different samples from one year to the next (variable samples).

Both databases are based on accounting aggregates harmonised in the framework of a working group of the European Committee of Central Balance Sheet Data Offices. Because differences between countries nevertheless remain, certain level comparisons are fragile.²

Since July 2010, these databases are managed by the Banque de France and available at the following address: www.bachesd.banque-france.fr

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



¹ An all-sector approach would require adjusting each sample by size and sector.

² The Committee is currently examining ways of improving data comparability. Results should be published in a redesigned BACH database in late 2012.

Some countries (Belgium, Portugal) have a very high coverage rate; others (Austria, Spain) have a rate below 50%. France is in an intermediate position with a coverage rate above 70% in terms of staff numbers. The coverage of medium-sized companies is more satisfactory than that of smaller firms, due to the existence of a collection threshold. This is also the case in Germany and Italy.

Principal variables concerning SMEs in the BACH database in 2009-2010

(turnover and value added in EUR billions)

Country	Number		Turnover		Value added		Staff		Coverage rate in 2009 ^{a)}	
	2009	2010	2009	2010	2009	2010	2009	2010	Turnover < EUR 10 million	Turnover > EUR 10 million
Manufacturing										
AT	2 447	2 447	15	15	6	6	93 965	94 155	6 (33)	26 (34)
BE	21 368	20 632	50	49	14	14	228 268	211 918	100	100
DE	6 495	6 495	78	82	26	27	452 312	459 893	58 (73)	58 (73)
ES	12 959	12 959	19	19	6	6	158 863	152 835	25 (48)	25 (48)
FR	33 160	32 492	188	185	60	60	1 142 948	1 077 692	74	88
IT	15 566	16 296	199	207	49	50	894 715	860 334	75	75
NL	10 254	11 008	25	27	9	9	na	na	87	82
PL	14 470	13 968	71	74	21	21	1 257 892	1 216 745	na	na
PT	40 659	38 742	39	39	12	11	564 653	534 186	100	100
Construction										
AT	2 237	2 237	7	7	3	3	52 213	53 241	1 (39)	11 (15)
BE	40 591	40 609	36	36	10	10	159 650	153 699	99	99
DE	2 580	2 580	17	16	5	5	83 876	73 153	28 (39)	28 (39)
ES	15 466	15 466	11	9	4	3	106 047	96 021	16 (44)	16 (44)
FR	31 129	31 306	105	103	36	35	654 845	641 534	69	93
IT	2 182	2 308	27	26	6	6	108 503	104 989	39	39
NL	10 891	12 757	21	22	7	7	na	na	83	83
PL	5 882	5 755	22	23	6	6	320 379	308 827	na	na
PT	48 248	45 840	22	21	6	6	303 231	286 651	99	100
Trade										
AT	3 629	3 629	16	16	3	4	55 737	57 892	2 (21)	15 (20)
BE	79 182	77 009	138	135	18	19	254 285	249 057	99	99
DE	7 539	7 539	84	89	13	14	212 629	230 967	47 (56)	47 (56)
ES	24 102	24 102	30	31	6	6	167 366	163 237	31 (56)	31 (56)
FR	68 954	70 221	352	357	58	60	1 060 566	1 050 080	67	87
IT	10 234	10 453	146	148	17	17	308 619	293 664	68	68
NL	29 214	31 482	70	76	14	14	na	na	85	84
PL	15 872	15 583	85	89	12	12	666 355	632 571	na	na
PT	99 037	96 202	71	72	11	11	463 633	455 661	100	100

a) in staff numbers, except for the Netherlands, Germany, and Italy in turnover.

Notes: In Germany, Spain and Italy, the coverage rate is calculated for all sizes; in Italy and Germany, the data mainly cover companies with a turnover over EUR 2 million, so the coverage of small SMEs is low. For Austria, Spain and Germany 2009 and 2010 data are not complete; ratios are calculated using a constant sample, which includes only the companies present both years. The coverage rate is therefore lower because the sample is incomplete. The figure in brackets corresponds to the coverage rate for the entire sample in 2009. Source: Banque de France - BACH-ESD (May 2012).

Appendix 2

Balance sheet structure of SMEs in nine European countries in 2010

The breakdown of SMEs' balance sheets between the major aggregates highlights a number of country-specific structural differences:

- on the assets side, the share of tangible fixed assets in France and Belgium is smaller than in other countries, irrespective of the sector;
- the weight of trade receivables is generally low in Germany, Austria and Belgium;
- liquid assets (securities and bank deposits) account in some cases for a significant share of assets, in particular in France;
- on the liabilities side, the level of equity capital is high in Belgium and Poland, to a lesser extent in France and Spain, compared to other countries, including Germany;
- SMEs in Austria and Germany are characterised by large provisions, due in part to the weight of pension provisions but also to practices that facilitate the recording of provisions in the accounts (see Box); these provisions nevertheless declined in Germany in 2010 because of new accounting rules, notably on pension provisions;¹
- compared to that of trade receivables, the share of trade payables is small in German, Austrian and Belgian SMEs.

The fact remains that the heterogeneous situation of SMEs across Europe with regard to their accounting data in the BACH-ESD database is partly due to the difficulty in comparing balance sheets and profit and loss accounts: indeed, accounting approaches are not perfectly homogeneous and the coverage rate of the BACH-ESD database, despite being satisfactory for industry, construction and trade as a whole, is uneven from one country to the next.

¹ *The new Accounting Law Modernisation Act of 2010 (so-called Bilanzrechtsmodernisierungsgesetz) changes the way in which provisions are accounted for, thus resulting in a decline in their amounts.*

Balance sheet structure of SMEs in nine European countries en 2010

(% of balance sheet total)

	AT	BE	DE	SP	FR	IT	NL	PL	PT
Manufacturing									
Assets									
A. Uncalled subscribed capital	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.0
C. Fixed assets	43.4	53.0	33.4	39.7	30.8	35.9	45.9	49.7	41.4
o/w C.1. Intangible assets	1.7	1.2	1.5	1.5	4.2	3.6	2.2	1.9	2.0
C.2. Tangible assets	33.8	18.8	26.2	31.1	20.7	26.6	29.1	41.9	32.1
C.3. Financial assets	8.0	33.1	5.7	7.1	5.9	5.8	14.5	5.0	7.2
D. Currents assets	56.6	46.2	65.9	60.0	68.3	63.2	54.1	48.1	57.4
o/w D.1. Inventories	20.2	10.6	27.0	18.3	20.9	18.7	13.0	16.4	16.2
D.2.1. Claims arising from sales and services (trade receivables)	14.8	15.2	14.6	23.8	25.0	33.0	na	19.4	24.3
D.2.7. Other claims	13.3	9.6	14.3	5.2	9.6	4.7	na	na	9.3
D.3. et D.4. Securities and bank deposits	8.3	10.9	9.9	12.6	12.8	6.9	na	9.0	7.5
E. Prepayments	0.0	0.5	0.7	0.3	0.9	0.8	0.0	2.1	1.2
Liabilities									
F. Debt with a maturity < 1 year	34.1	28.9	36.9	35.7	35.7	46.3	30.9	34.8	43.5
o/w F.2. Debt to credit institutions	11.7	4.3	7.4	8.5	2.9	15.3	na	7.2	8.6
F.3. Down-payments received	2.5	1.3	6.9	3.3	1.5	1.4	na	0.7	0.3
F.4. Debt arising from sales and the provision of services (trade payables)	8.6	11.2	8.8	15.9	18.1	22.5	na	16.9	16.8
F.10. Other debt	11.3	12.1	13.7	8.1	13.1	7.1	na	na	17.7
I. Debt with a maturity > 1 year	16.2	17.9	11.5	17.4	19.2	12.7	25.9	11.5	20.0
o/w I.2. Debt to credit institutions	na	7.0	7.9	11.7	10.2	9.2	na	6.4	13.8
J. Provisions for liabilities and charges	12.8	1.9	13.0	4.5	2.6	5.7	5.7	2.5	0.6
K. Accruals	0.0	0.7	0.1	0.3	1.0	0.9	0.0	3.2	1.9
L. Equity capital	36.9	50.5	38.5	42.1	41.5	34.4	37.6	48.5	34.1

.../...

Balance sheet structure of SMEs in nine European countries en 2010 (cont'd)

(% of balance sheet total)

	AT	BE	DE	SP	FR	IT	NL	PL	PT
Construction									
Assets									
A. Uncalled subscribed capital	0.0	0.5	0.0	0.1	0.1	0.1	0.0	0.1	0.0
C. Fixed assets	45.1	42.5	17.2	31.4	22.1	24.6	41.4	34.8	32.0
o/w C.1. Intangible assets	1.0	0.4	0.3	0.4	1.7	1.7	0.8	1.8	6.0
C.2. Tangible assets	36.9	26.5	13.8	21.2	12.8	15.6	30.5	22.7	18.0
C.3. Financial assets	7.1	15.7	3.1	9.7	7.6	7.3	10.1	6.9	8.0
D. Currents assets	54.9	56.2	82.2	68.5	76.0	74.5	58.6	60.4	66.5
o/w D.1. Inventories	21.4	17.9	47.9	42.4	15.1	30.0	13.4	19.9	36.1
D.2.1. Claims arising from sales and services (trade receivables)	13.7	16.1	12.7	12.1	31.7	33.4	na	22.1	13.4
D.2.7. Other claims	12.0	9.8	10.4	5.8	13.2	6.4	na	na	12.1
D.3. et D.4. Securities and bank deposits	7.8	12.4	11.2	8.2	16.1	4.6	na	14.9	5.0
E. Prepayments	0.0	0.9	0.5	0.1	1.7	0.8	0.0	4.6	1.5
Liabilities									
F. Debt with a maturity < 1 year	41.2	37.7	62.2	33.3	45.2	54.7	31.8	36.4	43.8
o/w F.2. Debt to credit institutions	11.8	6.4	7.6	9.7	2.7	18.0	na	5.6	11.9
F.3. Down-payments received	8.6	3.5	36.5	3.4	5.6	4.7	na	2.5	0.6
F.4. Debt arising from sales and the provision of services (trade payables)	7.2	11.5	8.3	10.1	19.8	23.5	na	19.2	10.7
F.10. Other debt	13.6	16.3	9.9	10.1	17.0	8.6	na	na	20.5
I. Debt with a maturity > 1 year	25.6	19.8	7.6	31.6	16.0	18.9	24.7	11.3	29.9
o/w I.2. Debt to credit institutions	na	12.6	5.8	22.5	8.7	14.3	na	5.5	18.0
J. Provisions for liabilities and charges	7.9	1.6	11.0	1.3	2.3	2.9	7.5	3.1	0.9
K. Accruals	0.0	1.7	0.1	0.6	7.4	0.9	0.0	5.1	3.7
L. Equity capital	25.3	39.1	19.1	33.3	29.1	22.5	36.0	44.4	21.7

.../...

Balance sheet structure of SMEs in nine European countries en 2010 (cont'd)

(% of balance sheet total)

	AT	BE	DE	SP	FR	IT	NL	PL	PT
Trade									
Assets									
A. Uncalled subscribed capital	0.0	0.4	0.0	0.0	0.0	0.1	0.0	0.0	0.0
C. Fixed assets	45.2	38.6	19.8	33.1	27.1	25.7	37.8	32.9	27.4
o/w C.1. Intangible assets	2.1	1.4	0.9	1.0	9.7	3.4	1.2	1.2	2.1
C.2. Tangible assets	17.0	18.3	15.0	25.7	11.2	18.7	24.2	26.3	16.8
C.3. Financial assets	26.0	18.9	3.9	6.4	6.2	3.6	12.4	4.1	8.5
D. Currents assets	54.8	60.2	79.6	66.7	71.9	73.3	62.2	65.5	71.7
o/w D.1. Inventories	18.3	17.5	33.3	23.9	26.0	22.8	19.5	25.7	19.0
D.2.1. Claims arising from sales and services (trade receivables)	13.4	18.7	20.9	24.1	22.7	38.7	na	25.4	23.0
D.2.7. Other claims	15.3	10.9	15.1	5.7	9.9	5.6	na	na	20.6
D.3. et D.4. Securities and bank deposits	7.9	13.1	10.3	13.0	13.3	6.2	na	10.5	9.1
E. Prepayments	0.0	0.8	0.6	0.2	1.0	1.0	0.0	1.6	0.8
Liabilities									
F. Debt with a maturity < 1 year	34.0	38.3	48.5	43.2	43.5	57.5	31.2	44.7	46.5
o/w F.2. Debt to credit institutions	9.7	5.3	11.5	8.5	3.9	18.2	na	8.7	7.4
F.3. Down-payments received	0.7	0.7	1.5	0.4	1.3	0.7	na	0.4	0.1
F.4. Debt arising from sales and the provision of services (trade payables)	9.9	18.1	19.1	23.8	26.5	30.6	na	28.4	20.9
F.10. Other debt	13.6	14.3	16.4	10.5	11.9	8.1	na	na	18.1
I. Debt with a maturity > 1 year	22.0	14.4	8.7	15.7	20.0	10.5	23.1	7.9	14.7
o/w I.2. Debt to credit institutions	na	8.8	5.7	11.0	10.7	7.3	na	5.2	8.8
J. Provisions for liabilities and charges	8.0	1.2	9.4	0.5	1.2	4.1	6.8	1.1	0.5
K. Accruals	0.0	1.0	0.7	0.2	0.5	0.9	0.0	2.0	1.5
L. Equity capital	36.0	45.1	32.8	40.5	34.8	26.9	38.8	44.6	36.7

Source : Banque de France – BACH-ESD (May 2012).

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Analysis of banking activity by business line

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This article is a summary of the report by the CNIS (Conseil national de l'information statistique – National Council for Statistical Information) working group on “bank business lines” published in May 2012.¹

In recent years, French banks have made a major effort to expand the information they make available to the public, encouraged by recommendations from the authorities and expectations among financial market operators. However, such information is not always broken down by business line whereas there is a strong demand for such data given the highly diversified profile of French banks.

French banks operate as universal banks encompassing a wide range of businesses from consumer and SME lending to large-scale project financing, not forgetting portfolio management, trading activities and M&A advisory services. Each of these businesses has a very different risk and return profile, making published segment reporting especially useful since it enables performance to be compared for a given level of risk and can be used to monitor relative contribution to group profit. Beyond the aspects of financial institutions' financial analysis and robustness, the publication by banking groups of statistics by business line provides a better view of such groups' economic activity than information broken down by legal entity, since legal entities themselves encompass various different types of business.

In an environment marked by the financial crisis and in which many governments have had to support their banking systems, discussions over the various bank business lines have come into sharper focus. In September 2011, the CNIS set up a working group on bank business lines, which issued its conclusions in March 2012. This article summarises the main lessons drawn from the report and sets out recommendations aimed at the authorities and the banking sector to improve the availability and quality of bank statistics by business line.

Keywords: bank, banking group, business line, financial reporting, retail banking, investment banking, asset management, net banking income

JEL codes: G21, G24

¹ http://www.cnis.fr/files/content/sites/Cnis/files/Fichiers/publications/rapports/2012/RAP_2012_128_metiers_bancaires.PDF

For the past few years, the CNIS has been striving to better define the economic content of groups' activities, often poorly expressed in consolidated financial statements and in the statutory financial statements of legal entities belonging to those groups. In January 2008, the report by the working group on "Structural statistics based on groups of companies and their subgroups", chaired by Edouard Salustro, recommended that group statistics be drawn up along operating division lines so as to more accurately reflect companies' economic activity. In February 2010, the report by the CNIS working group chaired by Gilles de Margerie transposed these recommendations into the financial sector, making out a very comprehensive inventory of "statistics on financial groups". However, the report emphasised the difficulty of defining major bank business lines in a consistent way among banking groups, and recommended to pursue discussions with the aim of reaching a better understanding of the business areas within such groups.

The working group on bank business lines, set up in September 2011, continued the work of the previous two groups, with the following goals:

- to propose a definition of businesses (or business lines) falling within financial and mixed groups for which it would be both beneficial and conceivable to gather consistent statistics;
- to consider the issue of consolidated information (for banking groups) versus statutory information (for credit institutions);
- to propose a list of desired information for each business area such that business areas can be analysed separately;
- to define the required level of aggregation between groups of statistics that might be obtained to comply with confidentiality constraints.

This working group was chaired by Alain Duchâteau, Deputy Director General, Statistics at Banque de France and made up of representatives of Banque de France, the Secrétariat général de l'Autorité de contrôle prudentiel (SGACP), Insee, and industry and academic bodies. It consulted a large number of users of financial information (banks, rating agencies, portfolio management companies, authorities, investor representatives, financial journalists, etc.) as well as several banks that produce such information. It compared various points of view on the quantity and quality of available statistics and desirable improvements.

Working group members

Chairman:

Alain Duchâteau (Banque de France)

Secretariat:

Émilie Créte (Banque de France)

Daniel Gabrielli (Banque de France)

Other members:

Henri Cheynel (Association française des Banques – French Bankers' Association)

Marie-Dominique Kersuzan (SGACP – French Prudential Supervisory Authority)

Geoffrey Lefebvre (Insee)

Jean-Paul Pollin (Université d'Orléans)

Experts heard by the working group:

Philippe Bui (Autorité des Normes comptables – Accounting Standards Authority)

Jean-Paul Caudal (Fédération bancaire française – French Banking Federation)

Nick Hill (Moody's)

Matthieu Loriferne (Pimco)

Laëtitia Meneau (SGACP)

Thibault Nardin (Morgan Stanley)

Gilles Pouzin (Le Revenu and CFTC)

Jean-Gil Saby and Véronique Cotton (BNP Paribas)

The first part of the group's report sets out an inventory of information published by major French banks on their business lines, particularly in light of accounting rules governing the communication of such information. The second part identifies additional needs expressed by users as well as limitations highlighted by the institutions surveyed on extending the scope of reported information. In conclusion, various recommendations are presented to the authorities and the banking sector to improve the availability and quality of bank statistics by business line.

I | Segment reporting by major banks: quite detailed but heterogeneous

Large French banking groups have for several years been publishing financial information by business line in order to report on the main components of their revenue and profits. Although quarterly financial presentations provide quite detailed information by business line, the availability of these data varies by type of information (cash flow/balances), sector and group. There are several reasons for these inconsistencies.

I | I An accounting framework that allows for great flexibility both in the breakdown by business line and in the informational content

Segment reporting in financial statements was to some extent standardised with the entry into force, on 1 January 2005, of IFRSs (International Financial Reporting Standards), which apply to all listed and publicly traded European companies. In particular, IFRS 8 (Operating Segments) lays down a regulatory framework governing financial reporting by business line. However, this standard leaves groups a great freedom both in the way they segment their activities and the content of the information they release. Published segment reporting is based on internal management indicators used by key decision-makers within each company. This favours a “through the eyes of management approach” and, as such, does not help to harmonise the definition of operating segments between groups.

Furthermore, IFRS 8 sets out a minimum definition of the content of segment reporting, limiting it to the amount of profit generated by each segment and the corresponding total assets. Information on liabilities and other additional information is only required where it falls within the scope of internal reporting. This emphasis on income statement information is therefore reflected in the information published by banks. In particular, this is a result of the fact that IFRS 8 was designed to apply to all companies, regardless of the nature of their business.

I | 2 The scope of segment financial reporting varies from bank to bank

While banks publish a relatively large amount of income statement information, segmented balance sheet information is less specific and varies from group to group (see Appendix 1). Indeed, income statement information is not limited to bottom line profit, as recommended by IFRS 8, but sets out the main components of profit, from revenue (net banking income) to the main intermediate operating totals. However, the level of detail supplied differs from business line to business line, with the retail banking segment being analysed at a finer level of detail (e.g. with net banking income broken down into different revenue streams, business broken down by geographical region, etc.) than other segments, for which released information presents more heterogeneity between groups.

As regards balance sheet information, published segment reporting is more basic and is generally limited to total assets, liabilities and allocated capital. Total loans and deposits are also published for the retail banking segment.

This information is not systematically made available for other business lines. Similarly, risk-weighted assets by segment are only published by some groups.

I | 3 Comparisons between different banks' business lines are flimsy

In addition to differences in segment reporting between groups, comparing groups' individual positions and putting together statistics aggregating published information is no easy task due to two additional sources of heterogeneity:

- the lack of homogeneity in business scope (see detailed analysis in Appendix 2);
- the wide variety of internal conventions governing the allocation of funding and expenses between segments.

On the face of it, major banking groups appear to divide up their activities in similar ways, structuring them into the three traditional major business lines of retail banking, asset management, and corporate and investment banking, with each group usually using the same name for each of these business lines. But each of these major groupings contains groups of businesses or "subsegments" that can differ from group to group. For example, different groups may categorise an activity such as local government financing in different ways. Indeed, segmentation is often a result of the way in which a group has evolved over time, and is usually a function of its legal structure (with businesses housed in separate subsidiaries).

In addition to this difficulty in comparing business scope, each group has a multitude of internal conventions governing transfer pricing between activities and, accordingly, the allocation of income and expenses between business lines. For example, opportunity interest rates — i.e. the interest rates at which operating units borrow from or lend to their finance divisions to fund themselves or invest their surplus cash — are determined by each group's finance division. As well as reflecting market conditions, this internal cost of funds is an internal management tool that is used to guide a group's commercial strategy. As a result, these differences in internal pricing policy to some extent skew business line comparisons between banks.

Even within a given bank, an analysis of business lines over a long period is likely to be difficult due to the changes in business scope over time.

During crisis periods, this obstacle becomes greater as a result of the increase in M&A transactions, restructuring and the deleveraging policies that substantially affect both the size and shape of business areas within a given group. Moreover, regulatory changes in relation to capital and liquidity influence banks' business models by leading them to refocus on certain activities and adjust the size of their business lines. Finally, even under normal circumstances, it is common for groups to transfer activities from one business line to another, particularly when changes in senior management take place.

2| User needs and limitations encountered by producers

Following a series of interviews with a wide range of users of financial information produced by banks (banks, rating agencies, management companies, authorities, representatives of professional and retail investors, financial journalists, etc.), two types of needs had been expressed: the need for greater consistency between business lines to facilitate comparisons and the requirement for a deeper transparency in financial statements, particularly as regards information on stock data — the area where information was most often felt to be lacking.

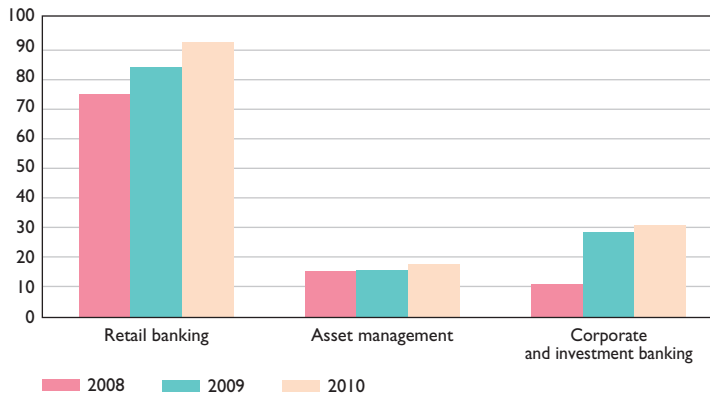
2|1 Obstacles to greater comparability of information by business line

The ability to compare segment information published by banks is a critical factor in the relevance of the information they produce, whether for the purposes of financial analysis, economic research or investment decisions. The current lack of consistency in business line information provided by banks limits the potential usefulness of such information and can lead to flawed analysis. Indeed, it is not uncommon for information to be used exactly as published by banks, since banking groups tend to apply the same labels to their business lines (even though the latter differ in scope), and it is therefore tempting to compare figures without making any adjustments.

This is not the case for the SGACP, which publishes some aggregate variables in the booklet issued alongside its activity report covering banking and insurance figures (see excerpt below). Preparing this information for publication calls for a large amount of painstaking work to restate data, requiring detailed knowledge of each bank's businesses.

Chart I Net banking income by business line

(euro billions)



Source: ACP 2011 report – calculated using consolidated data from seven French banking groups: BNP Paribas, Société générale, Crédit agricole, Crédit mutuel, BPCE, HSBC France and Dexia Crédit local.

Although the working group explored various options for improving this lack of consistency and comparability, none of these options appeared genuinely conclusive. The possibility of banks publishing more detailed analytical information to enable observers themselves to aggregate data in a consistent manner appears tricky at both an operational and a conceptual level; nor does it solve the problem of inconsistency in internal transfer pricing rules. Under current accounting rules, greater harmonisation between groups in respect of segmentation appears difficult to achieve. However, the international debate currently taking place on the advantages and disadvantages of separating retail banking and investment banking businesses could facilitate more rapid progress towards greater harmonisation in the way in which different business areas are defined.

2|2 A need for additional information on business lines

Not all of the professionals questioned by the working group expressed the same level of interest in information by business line. However, all were unanimous in the belief that it is important to improve the transparency of such information so that those business areas that generate performance, as well as any sources of vulnerability, can be clearly identified and both the quality of banks' business models and the degree of banks' sectoral and geographical diversification can be assessed.

While they expressed differing points of view, the users who met with the working group all agreed that income statement information is satisfactory

overall, while there is room for improvement as regards balance sheet information.

There is a desire for more transparent balance sheet information by business line. As a result of the financial crisis and pressure on liquidity, analysts and the market are more interested in balance sheet data pertaining to funding structures and liquidity. While major banks – which usually respond in a quick manner to market concerns – have introduced quarterly indicators in these areas, these indicators are only available at consolidated level and thus do not meet expectations as regards information by business line. Similarly, in a weakened macroeconomic environment, while asset quality and non-performing asset coverage policies have taken on particular importance, those users surveyed highlighted the lack of segment information in these areas, which are usually presented at consolidated level. They also emphasised that the lack of information in these areas is in contrast with the high level of detail published by some European banks (in particular those in difficulty) on the quality of their portfolios and the level of provisioning.

3 | **Five recommendations aimed at improving transparency in relation to business lines**

Based on these various observations, the working group issued five recommendations aimed at public authorities (recommendations 1 and 2) and banks (recommendations 3, 4 and 5):

- **Recommendation 1: flesh out in more detail the aggregate information by business line currently published by the Autorité de contrôle prudentiel (ACP) in its annual report on key figures about the French banking and insurance market**

Notwithstanding the various comparability limitations referred to in the report, the ACP strives to maximise the consistency of the aggregate data it publishes. This involves painstaking work to restate data and draws on the ACP's detailed knowledge of institutions. For editorial reasons, the only indicators that are published are net banking income and cost of risk, while other indicators published by banks are available.

In order to make the best possible use of this expertise, the working group recommends that the ACP include, either in its annual report or in an ad hoc publication, aggregate information on intermediate operating totals by business line. This would provide for a greater degree of granularity and more detailed segmentation by business line, for example by

separating corporate banking from investment banking within Corporate and Investment Banking (CIB) and separating out the French, foreign and specialist financing business lines within retail banking. It also recommends that consideration be given to providing dispersion indicators alongside aggregate data.

• **Recommendation 2: examine the option of drawing up a segment account for retail banking in France (Banque de France, Insee)**

Drawing up a national account for each business line would require each business area to be aligned with a corresponding legal scope, for example within a group's subsidiaries, and would require each subsidiary to operate within a single area of activity. However, in most cases, some of the activities of such business units cut across functional lines, and business lines do not reflect legal structures.

Furthermore, producing national statistics by business line would mean overcoming the obstacle that consolidated segment reporting published by banks also includes the activities of foreign subsidiaries. In addition, for the CIB and asset management business lines, French business cannot be separated out from foreign business based on information contained in company registration documents. Moreover, dividing businesses up geographically in this way would not make much sense, since most of the business areas in question are run at an international level.

Only in retail banking, where the location in which transactions take place is more clearly defined due to the local nature of this business, are activities separated out by geographical segment. Subject to a more in-depth examination of the available information, this could pave the way for drawing up a segment account for this business line.

The working group therefore recommends that the Banque de France and Insee lead discussions on the possibility of creating a retail banking account within French national accounts.

• **Recommendation 3: develop balance sheet information in relation to business lines**

In accordance with observed European best practice in terms of financial reporting by business line, the working group recommends that French banks publish more balance sheet information on their business lines, including in particular total loans, deposits and doubtful debts, doubtful debt coverage ratios (provisions divided by doubtful debt) and risk weighted assets.²

² An indicative list of information not published – or at least not systematically published – by certain banks.

In order to increase transparency in relation to funding and liquidity, the working group also recommends that certain relevant indicators be developed at business line level in connection with funding structure, cost of funds and liquidity within each business area.

- **Recommendation 4: provide a more detailed revenue breakdown within the income statement**

Although income statement information by business line appears satisfactory overall, income information is felt to be insufficiently detailed, particularly when compared with the standard of information published by major European and American banks. The only business line for which interest and fee income are generally shown separately is retail banking.

The working group therefore recommends that banks provide more detailed income information by breaking down net banking income into interest income, fee income and, where applicable, other types of income for each of their business lines.

- **Recommendation 5: provide more subsegment information**

Registration documents published by major French banks include detailed explanations of the methodology used to segment activity into business lines. However, the corresponding data is provided in much less detail. Activity figures for the various segments, which can have very different risk and return profiles (e.g. project financing vs. trading activities within CIB), would be very useful to analysts.

The working group therefore recommends that banks publish more detailed figures on the subsegments within their business lines.

Appendix I

Annual and quarterly income statement information produced by four major French banking groups

	BNP Paribas	Société générale	BPCE	Crédit agricole
Indicators available by business line				
Net Banking Income	✓	✓	✓	✓
of which interest income	✓ ^{a)}	✓ ^{a)}	✓ ^{c)}	N/A
of which fee income	✓ ^{a)}	✓ ^{a)}	✓ ^{c)}	N/A
Management fees	✓	✓	✓	✓
Gross operating income	✓	✓	✓	✓
Cost of risk	✓	✓	✓	✓
Operating profit	✓	✓	✓	✓
Non-operating items	✓	✓	✓	✓
of which net gains and losses on other assets	N/A	✓	✓	✓
of which share of net profit from equity affiliates	✓	✓	✓	✓
of which changes in goodwill arising on acquisition	N/A	✓	✓	✓
Profit before tax	✓	✓	✓	✓
Tax expense	N/A	✓	✓	✓
Net profit	N/A	✓	✓	✓
Cost-to-income ratio	✓	✓	✓	✓
Number of subsegments for which information is provided				
Retail banking	7	7	4	3
Asset management	3	3	0	0
CIB	2	3 ^{b)}	3 ^{b)}	2
Specialised financial services		5 ^{b)}	0	0

a) Data available for the French retail banking subsegment only.

b) Subsegment information for the net banking income indicator only.

c) Information only available for retail banking and only on an annual basis.

N/A: not available.

Sources: annual registration documents and quarterly financial reports.

Appendix 2

Summary table of business lines
within four major French banking groups

	BNP Paribas	Société générale	BPCE	Crédit agricole
Retail banking	<ul style="list-style-type: none"> - French network - Italian network - Belgian and Luxembourg networks - Europe Mediterranean network - US network - Specialist financing businesses: consumer lending and real-estate lending - Equipment finance 	<ul style="list-style-type: none"> - French network - International networks 	<ul style="list-style-type: none"> - French network - Insurance and foreign networks - Real-estate finance 	<ul style="list-style-type: none"> - French network - Foreign networks
Asset management	<ul style="list-style-type: none"> - Asset management - Insurance - Private banking - Online investment and brokerage - Securities services - Real-estate services 	<ul style="list-style-type: none"> - Private banking - Asset management - Investor services and online investment - Brokerage 	<ul style="list-style-type: none"> - Asset management - Insurance - Private banking - Private equity 	<ul style="list-style-type: none"> - Asset management - Insurance - Private banking
CIB	<ul style="list-style-type: none"> - Structured finance - Large corporate finance - Advisory services - Cash equities and commodities - Fixed income, currencies and credit 	<ul style="list-style-type: none"> - Cash equities - FICC (fixed income, currencies and commodities) - Advisory services - Structured finance and large corporates - Legacy assets 	<ul style="list-style-type: none"> - Project finance - Large corporate finance - Capital markets - Credit portfolio management 	<ul style="list-style-type: none"> - Large corporate finance - Equities and equity derivatives brokerage - Fixed income, currencies and credit - Structured finance
Specialised financial services		<ul style="list-style-type: none"> - Consumer lending - Equipment finance - Insurance - Vehicle fleet leasing and management - IT equipment leasing and management 	<ul style="list-style-type: none"> - Consumer lending - Lease finance - Sureties and guarantees - Factoring - Securities services 	<ul style="list-style-type: none"> - Consumer lending - Lease finance - Factoring

Source: registration documents.

Firms' financing and default risk during and after the crisis

Summary of a conference hosted by the Banque de France and OSEO on 9 and 10 February 2012

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Access to financing, whether from banks or financial markets, is crucial for the ongoing activity of firms and their growth. However, the worsening of the financial crisis heralded in late 2008 by the failure of Lehman Brothers led to a fall in the production of new loans and, as a consequence, in the growth rate of outstanding loans to non-financial firms during 2009. This development, which was common to many countries, sparked debate: was the decline in the production of new loans the result of falling demand for credit from firms following a reduction in their activity and a deterioration of the growth outlook? Or was it above all due to a change in the behaviour of banks whose credit standards for loans to companies had become tighter, notably because of higher default risk? Evaluating this increase in firms' default risk during the crisis and determining its main explanatory factors constitutes an essential element of an effective analysis of developments in the financing of firms and their consequences.

These were the different issues that the speakers analysed at a conference hosted on 9 and 10 February 2012 by the Banque de France and OSEO.¹ The first three studies presented, based on German, Italian and French data, showed that only a relatively marginal proportion of firms have faced credit rationing, even during the crisis. This conclusion is moreover consistent with the results of the survey conducted every six months by the European Central Bank (ECB) on enterprises' access to financing. This does not mean that the crisis did not lead banks to change their behaviour regarding the supply of credit and the setting of interest rates. An Italian study showed that the crisis caused banks to change the way they set interest rates, but not in a uniform manner. Moreover, studies based on Austrian and Spanish data clearly showed that the crisis was not the only determining factor in the change in banks' behaviour. The introduction of the new rules for prudential regulation, commonly

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NB. The complete programme for the conference can be viewed at the following address: <http://www.banque-france.fr/economie-et-statistiques/la-recherche/seminaires-et-colloques/firms-financing-and-default-risk-during-and-after-the-crisis.html>.

1 A French state-owned bank that specialises in the financing of SMEs.

known as Basel III, has also played an important role. Lastly, various studies devoted to firms' default risk showed that the default rate for firms has been strongly impacted by the economic crises. The Austrian, Swedish, Portuguese and French studies presented at the conference, all of which were conducted using large samples of company data, arrive at similar conclusions. Firms set up most recently, particularly small firms and those that accumulate short-term debt, are most exposed to default risk. This phenomenon is, however, more or less marked depending on the sector.

Keywords: financing, credit, default risk, bankruptcy.

JEL codes: E51, G21, G32, G33.

On 9 and 10 February 2012, the Banque de France and OSEO hosted a conference devoted to developments in the financing of firms during the crisis, and their consequences in terms of firms' default and bankruptcy risks. This event brought together economists from academia, banking institutions and statistical institutes. It had a two-fold objective. First, to make an as accurate as possible assessment of developments in the financing of firms, particularly by banks, during the crisis and to identify firms' determinants for these developments, as well as those stemming from banks. And second, to attempt to evaluate the impact of these financing developments, as well as that of the crisis itself, on firms' default risk and survival. Even if, as Christian Durand recalled in his opening address, the situation that we have witnessed for the past few months due to what is commonly referred to as the "debt crisis" differs somewhat from the situation that prevailed from 2007 to 2010, having an accurate assessment of the developments in the first few years of the crisis and of their determinants is crucial in deciding how best to address the current problems.

The conference was structured around three questions, which will be discussed here in turn:

- How did the supply of credit and firms' demand for credit change during the crisis? Did these developments lead to credit rationing for some firms?
- What changes in banks' behaviour have been observed since the mid-2000s? Was the crisis the sole determinant of these changes?
- How did firms' default and bankruptcy risk change during the crisis? What were the determinants of these changes?

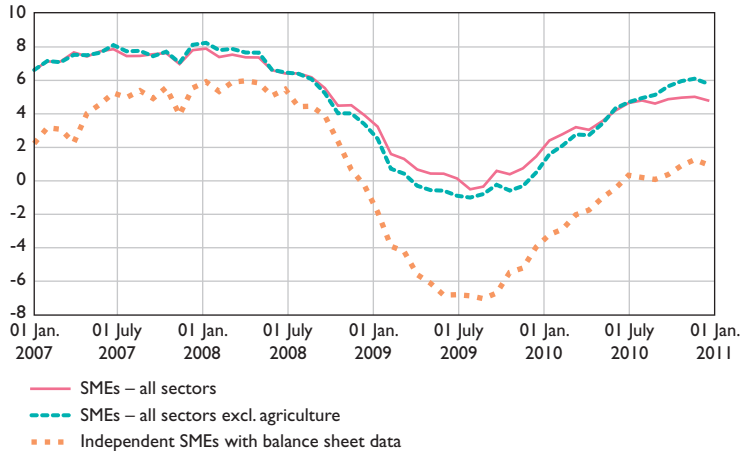
How did the supply of credit and firms' demand for credit change during the crisis? Did these developments lead to credit rationing for some firms?

In France and many other countries, notably in Europe, the financial crisis led to a more or less protracted slowdown in the granting of credit to businesses. Thus, in France, the annual growth rate of outstanding loans to firms fell significantly in 2009, and even became negative for some categories of firms (primarily small and medium-sized enterprises – SMEs, see Chart 1).²

² Kremp (E.) and Sevestre (P.) (2011): "Did the crisis induce credit rationing for French SMEs?"

Chart I Loans to SMEs in France, 2007-2011

(year-on-year change)



Source: Banque de France.

The same trend was observed in many other countries. Thus, in Germany, this growth rate declined in 2009 to -3.4% year-on-year in December of that year (Rottmann and Wollmershauser, 2011)³ and the same developments were observed in Italy, with a negative annual growth rate of loans to enterprises of -0.7% at the same date (Barboni and Rossi, 2011).⁴

In France, as in other countries, the reason for this slowdown has been the subject of much debate: was it caused by a decrease in the demand for lending from businesses which, faced with an unfavourable growth outlook, reduced their activity and revised their investment projects downwards? Or was it above all the result of a tightening by banks of their credit standards for loans to businesses? Identifying the primary cause for the slowdown observed in the granting of loans to firms is crucial to determine the economic policy measures, notably in respect of monetary policy, that should be implemented to avoid a potential “suffocation” of firms caused by credit rationing.

This is the question that the three studies presented in the first session of the conference set out to answer. The first study, presented by Horst Rottmann and Timo Wollmershauser, aimed to assess to what extent the lending behaviour of German banks could be deemed to be too restrictive. To do this, Horst Rottmann and Timo Wollmershauser used data from the economic survey conducted by the Ifo.⁵ In this survey, as well as the questions about the business climate, firms are surveyed every six months

3 Rottmann (H.) and Wollmershauser (T.) (2011): “A micro data approach to the identification of credit crunches”.

4 Barboni (G.) and Rossi (C.) (2011): “Does your neighbour know you better? Local banks and credit tightening in the financial crisis”.

5 Ifo Institute: Information und Forschung Institut.

about their perception of banks' behaviour regarding the granting of credit. There are three possible replies: firms can report that banks' behaviour is "accommodating", "normal" or "restrictive". The authors then estimate a model aimed at identifying what in the variation in firms' responses as to the restrictive nature or otherwise of banks' lending stems from greater strictness of their credit standards for loans and not from expected consequences of the economic situation, both from the point of view of firms and banks. The results obtained show that the "restrictive" nature of banks' supply of credit was more marked in the period 2003-2004 than it was during the recent financial crisis. More precisely, this restrictive behaviour decreased steadily between the start of the period analysed (2003-2004) and July 2007. Following the subprime crisis, the credit restriction indicator increased almost continuously up until end-2009, although it did not return to the levels seen in 2003-2004, then started to fall again from the start of 2010 onwards. Thus, while the crisis caused banks to adopt a more restrictive approach, it does not appear that this led to an increase in credit rationing for firms. The drop in outstanding loans to firms appears primarily to be due to a fall in demand for lending.

The analysis presented by Giorgia Barboni and Carlotta Rossi of Italian firms' access to credit before and during the crisis is in some respects similar to Rottmann and Wollmershauser's paper. The data it is based on are comparable in nature: they come from an annual survey carried out by the Banca d'Italia of firms in manufacturing and services. In this survey, firms are notably asked whether they have additional financing needs and, if so, whether they have been refused additional lending by banks. A positive response to these two questions is then taken as an indication that the firm has faced credit rationing.

Thus, the survey data give a direct answer to the question of the level of credit rationing to which Italian firms have been subject. Only 5.2% of the firms surveyed can be regarded as having been rationed in their request for bank lending. This figure may appear low. It should however be noted that it is consistent with those arising from other surveys, such as the ECB's SAFE⁶ survey conducted in the euro area countries and surveys carried out in France by Insee or OSEO.⁷ The paper's aim is then to estimate the respective roles of the crisis, firms' characteristics and those of banks in the variations in credit rationing. A hypothesis to which the authors subscribe particularly is that firms that have a relationship with a local bank (in contrast to banks that have a network of branches throughout the country) suffered less than other firms, everything else being equal: local banks appear to develop "special" relationships with their customer

6 "Survey on the access to finance of SMEs in the euro area", available at <http://www.ecb.int/stats/money/surveys/sme/html/index.en.html>. The first wave of the survey was carried out in June-July 2009, and part of the survey is conducted every six months in order to update the main results.

7 Source: semi-annual business surveys of SMEs, OSEO. Available in French at: http://www.oseo.fr/notre_mission/publications/etudes_et_rapports/generalistes.

firms, which leads them to be more accommodating should difficulties arise. Their findings do not invalidate this hypothesis: during the crisis, local banks turned down requests for lending from businesses less often than other banks.

This question of the possible rationing of credit is also the topic of the paper presented by Elisabeth Kremp and Patrick Sevestre,⁸ who investigate French SMEs' access to bank lending given that it is commonly agreed that SMEs are more subject than larger enterprises to difficulties in accessing external financing, including bank financing. This study differs, however, from the two previous papers in the nature of the data and the methodology used. Elisabeth Kremp and Patrick Sevestre estimate a disequilibrium model using balance sheet data from 60,000 independent SMEs (excluding micro-enterprises) compiled between 2004 and 2010. Their results show that these SMEs were rationed only to a small degree, even during the crisis. Over the period as a whole, less than 5% of firms with outstanding loans were subject to partial rationing and less than 1.5% of firms with no outstanding loans were in this position as a result of full rationing. The smallest SMEs and SMEs that were less than five years old were, however, affected more significantly: 7.0% of the smallest SMEs and 7.4% of the youngest SMEs were partly rationed; 2.6% of the smallest SMEs and 2.2% of the youngest SMEs were fully rationed. While this rationing increased slightly in 2009, it remained lower than its 2004 level owing to the sharp increase in loans observed up until 2007. This study's findings are therefore quite similar to those of the two previous papers. They are also corroborated by the SAFE survey that was conducted from 2009 onwards by the ECB among business managers: less than 30% of SMEs applied for loans in the six months preceding the survey, and less than one in ten of these SMEs that had applied for a loan reported having been subject to partial rationing and one in ten reported having been subjected to full rationing in 2009 or 2010. Similarly, OSEO's business surveys confirm on the one hand the limited nature of credit rationing and, on the other, the decisive role played by the reduction in firms' activity and in their investment projects.

Several explanations can be given for this finding, which might appear surprising. First of all, as early as October 2008, the ECB implemented strong non-standard monetary policy measures in order to allow banks to continue to play their role of financing the economy. In addition, in France, the setting in place of credit mediation also certainly played a positive role with respect to SMEs' access to bank financing. In addition, as David Scharfstein showed in his opening lecture, European banks, which accounted for nearly 30% of the syndicated loan market in the United States between 2005 and 2007, subsequently encountered

8 Kremp (E.) and Sevestre (P.) (2011): "Did the crisis induce credit rationing for French SMEs?"

difficulties in financing their dollar-denominated loans, which led them to scale back their positions on this market. It is therefore possible that at least part of the funds freed up in this way were used to maintain the financing of firms in Europe. Lastly, if the crisis did not result in extensive rationing, this may be because there had been relatively abundant credit in the preceding period. This was the argument put forward by two of the papers presented at the conference.

What changes in banks' behaviour have been observed since the mid-2000s? Was the crisis the sole determinant of these changes?

The low level of credit rationing during the crisis might seem paradoxical. However, Horst Rottmann and Timo Wollmershauser's paper discussed above shows that banks steadily increased their supply of lending to businesses between 2004 and 2007 and that, in spite of the fall triggered by the crisis, credit supply remained at a much higher level than in 2004.

Paul Gaggl and Maria Teresa Valderrama's⁹ paper investigates whether it was the low level of interest rates observed in the years preceding the crisis, notably between June 2003 and December 2005, that led banks to have accommodating lending policies. To answer this question, the authors constructed a database bringing together information on the outstanding loans of over 47,000 Austrian firms, the characteristics of these firms (size, age, sector of activity, financial ratios, etc.) and the possible occurrence of bankruptcy. Aggregated information on banks was also included in the analysis. The period considered is 2000-2008. The central conclusion of the analysis conducted is that the ECB's keeping interest rates low over quite a long period (around two-and-a-half years) led banks to "soften" their credit standards and to extend loans to riskier firms which they would not have lent to if interest rates had been higher. These banks' higher loan portfolio risk then made them more vulnerable to a negative shock such as the failure of Lehman Brothers and forced them to reduce their supply of credit.

It was, among other reasons, to limit credit booms in times of economic expansion and credit rationing when there is a downturn that a set of new prudential regulations, known as Basel III, has been put in place. One of the components of this new framework aims to make it compulsory for banks to build up a capital buffer during periods of economic growth, i.e. to raise their capital ratio in order to limit the risks of excessive surges in credit. In contrast, during downturns, this buffer serves to cushion

⁹ Gaggl (P.) and Valderrama (M.T.) (2011): "Do banks take more risk in extended periods of expansive monetary policy? Evidence from a natural experiment".

unfavourable shocks and can help less well-capitalised banks to avoid substantially reducing their supply of credit.

The purpose of the study by Gabriel Jimenez, Steven Ongena, José-Luys Peydro and Jesus Saurina¹⁰ is precisely to assess the impact on the supply of credit by Spanish banks of quite similar regulatory measures introduced in Spain at the start of the 2000s. This study draws on a database that compiles information on loans extended to more than 100,000 Spanish firms, the characteristics of these loans and of the recipient firms and, above all, information on the setting in place of capital buffers by banks. Two periods are looked at: 2000-2001 and 2007-2009. The authors show that these measures did indeed produce the expected effects for Spanish banks: the setting in place of these capital buffers reduced the growth of credit during the economic upturn, but increased it during the crisis, thus cushioning the adverse impact of the crisis on credit supply.

While the ability of firms to obtain a loan from their bank(s) is obviously crucial for them to continue with their business and its expansion, the cost at which these loans are obtained is also a very important component of financing conditions for firms. This issue of the impact of interest rate developments on loans to businesses was addressed by Leonardo Gambacorta and Paolo Emilio Mistrulli.¹¹ Their study aims to identify the banks that were most able to limit the widening of the spread (i.e. the difference between the interest rate on the loan and the rate at which the bank can obtain refinancing from the ECB) in spite of the crisis. To do this, they analyse developments in the interest rates on overdrafts granted between June 2008 and March 2010 to more than 80,000 Italian firms. Their conclusion is that it was the largest, most liquid and best-capitalised banks that widened their spread the least. In addition, firms that had a "close" relationship with their bank¹² saw their spread increase less significantly than that applied to other firms.

Lastly, Carlos Gonzalez-Aguado and Javier Suarez presented a theoretical model aimed at explaining why firms' probability of default or of bankruptcy increases following a protracted period of low interest rates. The explanation that they offer relates not to banks, but to firms themselves. In the proposed model, entrepreneurs have to call on external finance. The available resources are drawn from the cash flow from the firm's past activity and from its new borrowing. The entrepreneur uses these resources to repay past borrowing and to remunerate his investment.

10 Jimenez (G.), Ongena (S.), Peydro (J.L.) and Saurina (J.) (2011): "Macroprudential policy, counter-cyclical bank capital buffers and credit supply: evidence from the Spanish dynamic provisioning experiments".

11 Gambacorta (L.) and Mistrulli (P.) (2011): "Bank heterogeneity and interest rate setting: what lessons have we learned since Lehman Brothers?"

12 This "closeness" is measured using different indicators: whether the firm's head office is located in the same region as that of the bank extending the loan; the number of banks lending to the firm and other indicators of the concentration of lenders; and the length of the firm's credit history with the bank.

A highly indebted entrepreneur must therefore devote a large proportion of his firm's resources to repaying his borrowing and, if his own remuneration becomes too low, may no longer have the incentive to keep running his business. This is how excessively low interest rates can lead to higher risk of company defaults: a low rate of interest encourages entrepreneurs to take on high levels of debt, which, in the event of an increase in interest rates, reduces their own remuneration and may prove to be prejudicial, over the short term, to the survival of their business. However, over the long term, this increase in interest rates leads firms to reduce their optimal debt levels and lowers their default rate.

The issue of firms' default risk was the subject of the conference's third session.

How did firms' default and bankruptcy risk change during the crisis? What were the determinants of these changes?

The presentation by Andrea Weber and Christine Zulehner¹³ was devoted to the investigation of two related questions: what is the relationship between the performance of firms and the composition of their workforce? And does this relationship vary over the economic cycle? To answer these questions, Weber and Zulehner exploited the Austrian Social Security Database, which enabled them to match longitudinal data on employees and firms in the private sector (apart from those in the construction, tourism and public administration sectors). They limit their analysis to firms that were set up between 1978 and 2003. In particular, they examine the survival of these firms, for each of which they have quarterly information about staff levels, the proportion of women, the proportion of blue collar workers, the median wage and average age of employees. The median survival time for the observed firms is 6.25 years. During the crisis periods, this median survival time drops to 5.5 years. By estimating a statistical model for firm survival, Weber and Zulehner find that a firm's probability of survival increases with the proportion of women employed by the firm, with this effect being even more pronounced in the case of large companies. Generally speaking, the firm's survival depends significantly on the characteristics of its workforce; it increases with firm size and the proportion of highly skilled and young workers. It is higher in firms with a lower turnover rate. The net number of firms set up varies greatly over the cycle. Firms set up during the periods of economic crisis hire less often from the stock of unemployed workers, pay higher wages to compensate for the risk of unemployment, but are subject to higher default rates.

¹³ Weber (A.) and Zulehner (C.): "Firm performance and workforce characteristics during the economic crisis".

The issue of the relationship between the macroeconomic cycle and company default risk was also the subject of the presentation by Tor Jacobson, Jesper Lindé and Kasper Roszbach.¹⁴ Their study draws on an extremely rich panel dataset that contains observations for virtually all of the firms set up in Sweden between 1990 and 2009. During this period, Sweden went through a full-scale banking crisis. The results obtained by Jacobson, Lindé and Roszbach show that macroeconomic fluctuations had a substantial impact on business defaults. Their analysis was carried out using a logit model that included both financial ratios and macroeconomic factors as explanatory variables. This model accounts with great precision for the very sharp increase in the number of business defaults during the banking crisis, as well as the fluctuations in default frequencies during the other sub-periods. Moreover, the effects of the macroeconomic variables differ from one economic sector to another. The model's out-of-sample evaluations show that it performs better than logit models that exclude macro information and than statistical analyses of time series carried out on aggregate data. The results of this study show that firm-specific factors make it possible to accurately predict firms' relative risk of default, but that macroeconomic factors are necessary to understand fluctuations in the absolute risk level.

But bankruptcy is not the only event that brings a firm's activity to an end. Some firms exit via voluntary liquidation, an event that is legally and economically distinct. In an econometric analysis based on Portuguese company data, Antonio Antunes, José Mata and Pedro Portugal¹⁵ distinguish between voluntary liquidations and bankruptcies, which are quite different both regarding the magnitude of the losses incurred and the identity of those that bear them. In the case of liquidation, the creditors are generally repaid. On the other hand, bankruptcies result in outright losses for creditors, whose loans are not paid back. To conduct their analysis, Antunes, Mata and Portugal combined two very rich sources of data. The first contains information about all Portuguese firms that employ paid labour, while the second provides information about all of the loans granted by banks to firms. These data make it possible to distinguish between liquidations and bankruptcies. Larger firms and those that are the most productive have lower probabilities both of exiting voluntarily and of going bankrupt. When examining other determinants of exit, Antunes, Mata and Portugal find that access to funds differs greatly between voluntary exit and bankruptcy. Their findings also support the idea that financial decisions are used to signal firms' quality and reduce the degree of information asymmetries between borrowers and lenders. Probabilities of bankruptcy increase with the amount of short-term loans taken out by a firm, whereas the probability of voluntary exit is not affected by this type

¹⁴ Jacobson (T.), Lindé (J.) and Roszbach (K.): "Firm default and aggregate fluctuations".

¹⁵ Antunes (A.), Mata (J.) and Portugal (P.): "Borrowing patterns, bankruptcy and voluntary liquidation".

of debt. Firms that borrow from several banks have a lower likelihood of voluntary exit. Conversely, firms that borrow from several banks have a higher risk of going bankrupt. Younger firms have a lower probability of exiting voluntarily and of going bankrupt. Firms that have more owners and those that have foreign owners have significantly lower probabilities of going bankrupt, while the reverse is true for voluntary exit.

Lastly, Denis Fougère, Cécile Golfier, Guillaume Horny and Elisabeth Kremp¹⁶ measured the effect of the 2008 crisis on the failure rate of firms in France. The point of departure for their study is the observation that the rise in failures among firms resident in France in 2008-2010 was preceded by an acceleration in business start-ups in 2003-2004. Consequently, in order to identify the impact of the 2008 economic and financial crisis, they distinguish among the failures that occurred in 2008-2010 those that were caused by the crisis and those that resulted mechanically from company demography, since we know that many businesses do not survive the first years of their existence. The study by Fougère *et al.* was conducted using a sample of firms set up between 1 January 2000 and 31 December 2007, extracted from the Banque de France's Companies Directorate database. This period makes it possible both to encompass the 2003-2004 period in which business start-ups accelerated and to study firms that were still young at the onset of the crisis. The originality of this study stems from the size of the dataset and the diversity of the statistical sources. The statistical analysis focuses on the lapse of time between the date of the firm's creation and the date of its first default. The impact of the crisis is estimated using a duration model, stratified according to the date of the firm's creation. This model takes account of the effects of the firm's age, its sector of activity, its size and its history of payment incidents on trade bills. The proportion of failures attributable to the crisis varies greatly from one sector to another. All cohorts combined, it amounted to 27% in retail trade, 35% in transportation, 43% in manufacturing and 46% in construction. In particular, the most recently created firms, i.e. those set up in 2006 and 2007, were those that were affected most by the crisis.

Did firms alter their liquidity management after the crisis?

This was the topic which Murillo Campello¹⁷ focused on his presentation, this being the second keynote speech of the conference after David Scharfstein's lecture. Campello's point of departure was that companies use the cash they have to meet their liquidity needs, particularly during crises. If the amount of cash held influences investment, firms' liquidity

¹⁶ Fougère (P.), Golfier (C.), Horny (G.) and Kremp (E.): "Did the 2008 crisis affect the survival of French firms?".

¹⁷ Campello (M.): "Corporate liquidity management: lessons from the financial crisis".

management is of particular interest for the economy. But the causal link between holding cash and investment is hard to establish. It was noticed that US firms were accumulating cash in the years leading up to the 2008 crisis. This accumulation was particularly pronounced among “riskier firms”. This development was due to a change in the law that occurred in 2004: in that year, Congress passed the Homeland Investment Act (HIA), which provided for a one-off tax break for firms that brought back to the United States cash held abroad. The tax rate on repatriated cash dividends was lowered from 35% to 5.25%. Congress predicted that this measure would create 500,000 jobs over the following two years as a result of funding investment with this cash. Following the adoption of this law, only USD 400 billion of the USD 1,000 billion that US companies held in cash abroad was repatriated and the resulting job creation was much more modest than anticipated. Moreover, from August 2007, the first signs of a liquidity shortage for firms were observed. In particular, those with maturing debt had difficulty obtaining refinancing. Firms consequently resorted on a large scale to taking out lines of credit. What happened then? Some 19% of firms that took out credit lines violated their covenants, but these lines of credit were only cancelled for 9% of them. The others renegotiated their credit lines, with these new lines having similar maturities, but consisting of lower amounts. These lines of credit, many of which were not repaid, created very serious problems for banks. Firms used credit lines to ensure that they had sufficient levels of liquidity. But this raises many questions: should lines of credit enable firms to obtain liquidity? Are banks the best institutions to provide this type of service to firms? Which firms should be allowed to take out credit lines? How do credit lines and liquidity needs interact? While banks can help firms to insure themselves against idiosyncratic risks, they are not the best providers of liquidity insurance for systematically riskier firms. Since the start of the crisis, firms have accumulated large amounts of cash, notably because of their low levels of investment, difficulties in accessing liquidity in capital markets, a slowdown in acquisition activity and because the tax systems in most of the countries in which US firms operate encouraged the holding of cash. In total, the amount of cash accumulated by US firms now stands at over USD 2,000 billion. We should therefore expect to see intensive M&A activity over the coming months.

Murillo Campello came back to this prediction in the roundtable that concluded the conference. During the roundtable, David Scharfstein argued for the setting in place of an optimal system of regulation for the two activities that currently fall within the competence of banks, i.e. the granting of loans to firms and risk-sharing. His greatest fear is that these activities are partly taken over by the shadow banking system. Another problem is ensuring that creditors that have provided short-term credit are reimbursed in the event of the firm going into liquidation. Should the US Treasury open credit lines for them, with the risk of losing money if

there are too many credit lines? Pierre Jaillet then recalled the respective roles of equity capital, bank financing and market financing in the financing of firms. He also stressed the responsibility of economic policies, including monetary policy, in ensuring that external financing (bank and market financing) is not subject to distortion that would generally hamper growth and lead to an inefficient allocation of capital or to credit rationing, both of which would affect potential growth. He considered that over the past few years, economic policies have been pragmatic and able to adapt in order to avoid such distortions and any kind of credit rationing. Arnaud Caudoux commented that, during the last two months of 2011 and at the start of 2012, OSEO observed a collapse in requests for bank financing guarantees. He added that the difficulties in accessing long-term financing that companies suffer from stem not so much from the lack of long-term resources, but more from the absence of an appropriate financing mechanism (the investors are there and have funds, but lack a tool to invest in SMEs). OSEO is studying, together with the banking industry and the Treasury, the development of such mechanisms, notably via the introduction of a system of covered bonds backed by SME debt, with a State guarantee (hence OSEO's involvement). Lastly, Jean-Paul Pollin raised two points that in his view are important: on the one hand, the impact of the new regulations on the financial sector and, on the other, the possible contraction in the future of financing via equity capital. The first point concerns primarily European firms. First, because external financing in continental Europe is strongly intermediated. And then, because Europe has chosen to introduce, in parallel with the Basel III accords, new regulations for the insurance sector, known as Solvency 2. We may wonder whether the respective effects of these changes in the regulation of banks and insurance companies will not lead to a significant tightening of financing conditions for businesses. Second, the new regulatory framework to which financial institutions will be subject to should also encourage them to reduce their equity capital financing. But this is not the main cause for the rise in what we may fear is a genuine "equity gap", i.e. a scarcity of financing via share issuance. Above all, this scarcity (or this higher cost of equity capital) will stem from the ageing population, and perhaps also from investor wariness regarding these risky investments (that have been relatively unprofitable over the past decade) which the crisis has exacerbated.

Among the conference speakers and discussants were:

- G. Barboni (LEM, Sant'Anna School of Advanced Studies)
- C. Bruneau (Université de Paris I – Panthéon Sorbonne)
- M. Campello (Cornell University and NBER)
- A. Caudoux (OSEO)
- G. Cette (Banque de France)
- L. Clerc (Banque de France)
- C. Durand (Banque de France)
- D. Fougère (CREST and Banque de France)
- L. Gambacorta (Bank for International Settlements)
- P. Givord (Insee, CREST)
- C. Golfier (Banque de France)
- G. Horny (Banque de France)
- J-P. Huiban (INRA, ALISS)
- T. Jacobson (Sveriges Riksbank)
- P. Jaillet (Banque de France)
- E. Krempl (Banque de France and NBER)
- C. Lelarge (Insee, CREST)
- J-S. Mésonnier (Banque de France)
- P. Mistrulli (Banca d'Italia)
- B. Mojon (Banque de France)
- S. Ongena (University of Tilburg)
- B. Planès (OSEO)
- J-P. Pollin (Université d'Orléans)
- P. Portugal (Banco de Portugal)
- D. Scharfstein (Harvard Business School and NBER)
- P. Sevestre (Banque de France and Université de Paris I – Panthéon Sorbonne)
- J. Suarez (CEMFI)
- M.T. Valderrama (Oesterreichische Nationalbank)
- A. Weber (University of Mannheim)
- T. Wollmershäuser (CESifo and University of Munich)
- C. Zulehner (Johannes Kepler University Linz)

18th International Panel Data Conference: a brief synthesis

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This short article provides a brief overview of the highlights of the 18th International Panel Data Conference organised by the Banque de France on 5 and 6 July 2012. Five invited speakers, Jerry Hausman (MIT), Franz Palm and Jean-Pierre Urbain (both from Maastricht University), Christian Gourieroux (University of Toronto and CREST-ENSAE) and Matthew Shapiro (University of Michigan), gave lectures at the conference. The conference also allowed about 180 researchers to present and discuss research papers both in theoretical and applied panel data econometrics. Besides their academic interest, many of the issues dealt with in these papers proved to be relevant for all those in charge of providing a better scientific basis for monetary policy decisions.

Keywords: Panel data, econometric modelling, microeconomics, macroeconomics and monetary policy

JEL codes: C23, C33, C5

On 5 and 6 July 2012, the Banque de France hosted the 18th International Panel Data Conference.¹ The aim of this conference was to bring together economists, econometricians, statisticians and social scientists who are interested in or are working on panel data issues, i.e. on models and econometric techniques associated with datasets comprising repeated observations on a set of individuals, such as country panels or panelised surveys about firms or households. This conference could be seen as a celebration of the 35th anniversary of the very first conference on panel data econometrics ever,² organised in 1977 by Jacques Mairesse and Pascal Mazodier at Insee (Paris), as well as of the 25th anniversary of the first conference of the current series of International Panel Data Conferences, held in 1987 at Paris-Val de Marne University by ERUDITE, an academic research centre that focuses on panel data econometrics.

The conference programme included a wide variety of invited and contributed papers covering a broad spectrum of theoretical and applied research in panel data econometrics.³ Around 120 research papers, grouped within 29 parallel sessions, were presented by researchers from 25 countries from Europe, North and South America, the Asia-Pacific region and Africa. In addition to these 29 parallel sessions, four lectures were given by Jerry Hausman (MIT), Franz Palm and Jean-Pierre Urbain (both from Maastricht University), Christian Gourieroux (University of Toronto and CREST-ENSAE) and Matthew Shapiro (University of Michigan).

This short article outlines the interest of panel data econometrics for issues dealt with within central banks and provides an overview of the four invited lectures.

I| Why is empirical research on individual data needed?

In his opening speech, Christian Pfister (Banque de France) outlined the interest of the Banque de France and the Eurosystem in the use of microeconomic data in general, and in panel data econometric techniques in particular. The preparation of monetary policy decisions, as well as the regulation and supervision of financial activities, requires a growing use of empirical research in order to enhance our understanding of the relations between different agents or between different economic sectors. Empirical analysis based on individual information (such as countries, firms or

¹ The conference was jointly sponsored by the Banque de France, the CNRS (Centre national de la recherche scientifique), ERUDITE (Équipe de recherche sur l'utilisation des données individuelles en lien avec la théorie économique, Université Paris-Est Créteil), the GENES (Groupe des Ecoles nationales d'Économie et de Statistique), INRA (Institut national de la Recherche agronomique) and the Journal of Applied Econometrics.

² The next 19th International Panel Data Conference will take place at Cass Business School in London on Thursday and Friday 4-5 July 2013.

³ The detailed programme is available on the Banque de France website: <http://www.banque-france.fr/18th-international-panel-data-conference/html/program.htm>

households) is key to understanding how differences among countries, firms or households may have an impact on macroeconomic outcomes.

Indeed, the statistical information collected and processed by the Banque de France often takes the form of panel datasets, i.e. of observations regarding the same firm or the same bank over successive periods of time. Many Banque de France economists make a great use of these panel data samples and of the associated econometric techniques. As an example, research conducted in Eurosystem networks such as the Monetary Transmission Network (MTN), the Inflation Persistence Network (IPN), the Wage Dynamics Network (WDN) and more recently the Household Finance and Consumption Network (HFCN) or the Competitiveness Network (ComptNet) heavily relies on panel data samples and econometric techniques. This research provides insights about issues such as the dynamics of prices and wages, the determinants of corporate funding decisions, of bank lending or of households' finances, contributing to a better scientific basis for monetary policy decisions.

II| **Synthesis of invited lectures**

Five leading researchers, Jerry Hausman (MIT), Franz Palm and Jean-Pierre Urbain (both from Maastricht University), Christian Gourieroux (University of Toronto and CREST-ENSAE) and Matthew Shapiro (University of Michigan), were invited to give a lecture at the conference.

The first keynote lecture was given by Jerry Hausman (MIT) on the treatment of unobserved heterogeneity in duration models. These models aim to explain the time spent by a person or a firm in a given state (for example unemployed for a worker, or not defaulting for a firm). Such durations may depend on unobserved factors (the so-called "unobserved heterogeneity") that have, nevertheless, to be taken into account in order to get a correct assessment of the impact of the observed factors. As an example, a worker can stay unemployed for a shorter period than another worker because he devotes more effort to finding a job. There are two modelling approaches for this question: one can either try to explain the time of exit from the state under consideration (e.g. exit from unemployment for a worker), the so-called "hazard function", or alternatively, one can try to explain the actual duration spent in the state until the exit, the "survivor function". Most often, the process being modelled is the hazard function. Unfortunately, accounting for unobserved heterogeneity then requires quite strong assumptions. Jerry Hausman showed in his lecture that adopting the survivor function approach allows for less restrictive assumptions about the unobserved heterogeneity, thus making this approach preferable to the usual one.

The second lecture was given by Franz Palm and Jean-Pierre Urbain (both from Maastricht University) in a specific invited session. They devoted their talk to a general overview of the recent developments in panel data econometrics dealing with panels where the number of individuals in the sample is not necessarily very large while the number of periods where they are observed may be quite large. Such characteristics are typical of macro or meso-panels, i.e. of panels made of country-level or industry-level data. Besides their small size in the individual dimension, these panels also have another distinctive feature: the individuals in these panels (be they countries or industries) are very likely to be correlated one with the other (known as “cross-section dependence”). This makes many usual econometric techniques unsuited to these panels. Franz Palm and Jean-Pierre Urbain presented a fairly extensive and detailed presentation of the techniques available to researchers facing such panel structures.

Christian Gourieroux (University of Toronto and CREST-ENSAE) dedicated his keynote lecture to the issues raised by the estimation of non-linear models with common factors when the number of individuals in the sample is large. “Common factors” represent unobserved global factors that may affect individuals’ decisions with a different intensity. Examples of applications can be found in finance where, for example, one seeks to analyse the risk histories of a large number of mortgage loans. Unfortunately, when the number of individuals/loans in the sample is large, this requires estimating a large number of parameters. Moreover, this may become almost unfeasible when the model is non-linear. Christian Gourieroux suggested in his lecture that this problem can be solved by estimating exchangeable nonlinear dynamic panel models with common factors and showed that there exists an efficient way to estimate such models.

The fourth lecture of the conference was given by Matthew D. Shapiro (University of Michigan). He presented one of his important contributions to the empirical literature about households’ behaviour: the measurement of parameters characterising household preferences, such as their risk aversion. This is clearly a crucial issue for understanding household portfolio choices, among other decisions. Unfortunately, measures of risk aversion that are collected through surveys are very likely to be subject to measurement errors. Matthew Shapiro then presented an econometric approach that allows measurement errors to be taken into account when measuring the risk tolerance as well as, possibly, other preference parameters. In an empirical analysis, he showed that there are major differences in risk tolerance across individuals: wealthier and high income people have a higher risk tolerance while old people are less willing to take risks than young people, all else being equal.

Quarterly Selection of Articles

Autumn 2005

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

Winter 2005/2006

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

Spring 2006

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

Summer 2006

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

Autumn 2006

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

Winter 2006/2007

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

Spring 2007

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

Summer 2007

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

Autumn 2007

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

Winter 2007

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

Spring 2008

- The macroeconomic impact of structural reforms
- Recent trends in productivity: structural acceleration in the euro area and deceleration in the United States?
- Productivity decomposition and sectoral dynamics

Summer 2008

- TARGET2 and European financial integration
- 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

Spring 2012

- High-growth SMEs
- The financial situation of the major French groups remained sound in the first half of 2011
- Leveraged buy-outs in France: substantial differences between small and medium-sized targets
- Monetary and credit developments in 2011
- Has the 2008-2009 recession increased the structural share of unemployment in the euro area?
- 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)
- 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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(<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 the 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)

	2012						
	Jan.	Feb.	March	April	May	June	July
Changes in production from the previous month ^{a)}							
Total manufacturing	3	-4	7	-1	-14	2	-3
Food products and beverages	0	1	14	8	3	6	-1
Electrical, electronic and computer equipment and other machinery	11	-1	-1	-2	-6	3	-1
Automotive industry	-2	1	-6	-26	-17	-14	-13
Other transport equipment	7	-1	10	6	-2	22	3
Other manufacturing	4	-5	6	-3	-19	2	-1
Production forecasts ^{a)}							
Total manufacturing	0	3	1	-2	5	-1	-3
Food products and beverages	7	9	8	7	12	10	9
Electrical, electronic and computer equipment and other machinery	1	1	0	2	3	-2	-2
Automotive industry	-10	-8	-11	-9	-6	-16	-20
Other transport equipment	16	17	15	17	20	6	7
Other manufacturing	-1	4	2	-3	3	-2	-4
Changes in orders from the previous month ^{a)}							
Total manufacturing	2	1	0	0	-9	-1	-2
Foreign	1	2	-2	1	-4	0	0
Order books ^{a)}							
Total manufacturing	3	2	-1	-1	-3	-3	-4
Food products and beverages	2	5	1	7	3	-3	-4
Electrical, electronic and computer equipment and other machinery	5	1	-1	0	3	5	1
Automotive industry	-20	-21	-39	-34	-48	-49	-44
Other transport equipment	53	56	48	51	48	43	45
Other manufacturing	1	0	-1	-4	-5	-4	-4
Inventories of finished goods ^{a)}							
Total manufacturing	3	4	5	5	5	5	5
Food products and beverages	2	-3	3	4	3	4	4
Electrical, electronic and computer equipment and other machinery	7	9	11	8	8	11	11
Automotive industry	1	7	0	4	2	1	-4
Other transport equipment	6	4	5	2	5	3	4
Other manufacturing	2	2	5	4	5	6	6
Capacity utilisation rate ^{b)}							
Total manufacturing	78,7	78,2	78,3	78,0	76,8	77,2	77,0
Staff levels (total manufacturing) ^{a)}							
Changes from the previous month	-1	-1	-1	-2	-2	-1	-2
Forecast for the coming month	-1	-1	0	-2	-2	-2	-3
Business sentiment indicator ^{c)}							
	96	95	95	94	92	91	90

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)

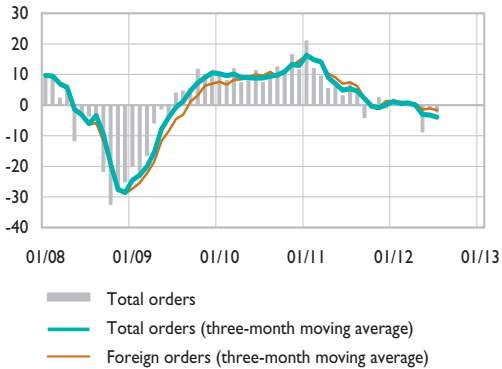
Business sentiment indicator

(100 = 1981 – last value)



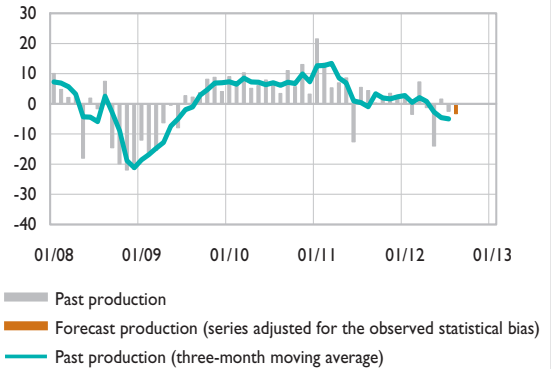
Orders ^{a)}

(balance of opinions; monthly change)



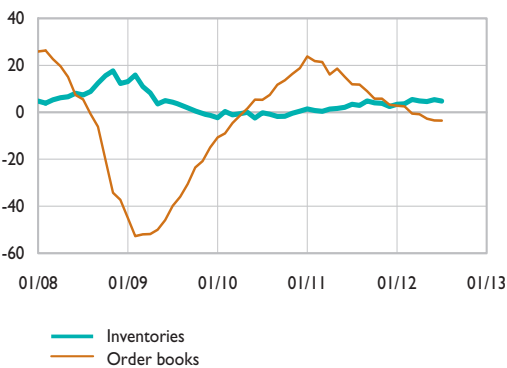
Production ^{a)}

(balance of opinions; monthly change)



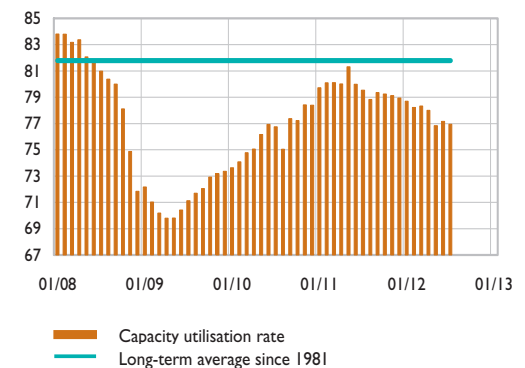
Inventories and order books ^{a)}

(balance of opinions; compared to levels deemed normal)



Capacity utilisation rate ^{a)}

(%)



^{a)} Manufacturing.

Source: Banque de France.

Produced 21 August 2012

Table 3
Consumer price index ^{a)}

(annual % change)

	2011		2012						
	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July
France	2.7	2.7	2.6	2.5	2.6	2.4	2.3	2.3	2.2
Germany	2.8	2.3	2.3	2.5	2.3	2.2	2.2	2.0	1.9
Italy	3.7	3.7	3.4	3.4	3.8	3.7	3.5	3.6	3.6
Euro area	3.0	2.7	2.7	2.7	2.7	2.6	2.4	2.4	2.4
United Kingdom	4.8	4.2	3.6	3.4	3.5	3.0	2.8	2.4	2.6
European Union	3.3	3.0	2.9	2.9	2.9	2.7	2.6	2.5	2.5
United States	3.4	3.0	2.9	2.9	2.7	2.3	1.7	1.7	1.4
Japan	-0.5	-0.2	0.1	0.3	0.5	0.5	0.2	-0.1	na

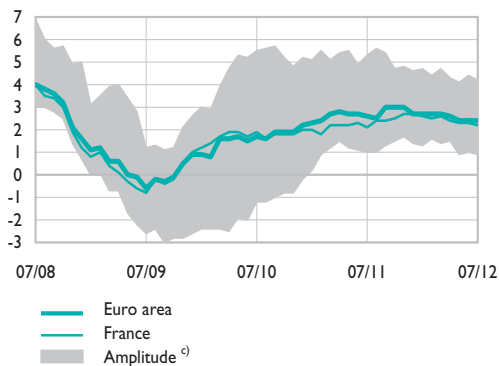
(annual average)

(seasonally-adjusted monthly % change)

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

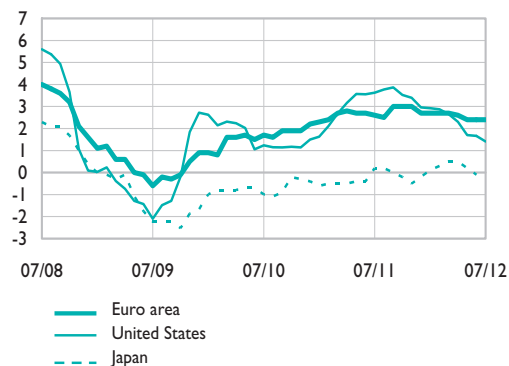
France and the euro area

(annual % change)



International comparisons

(annual % change)



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

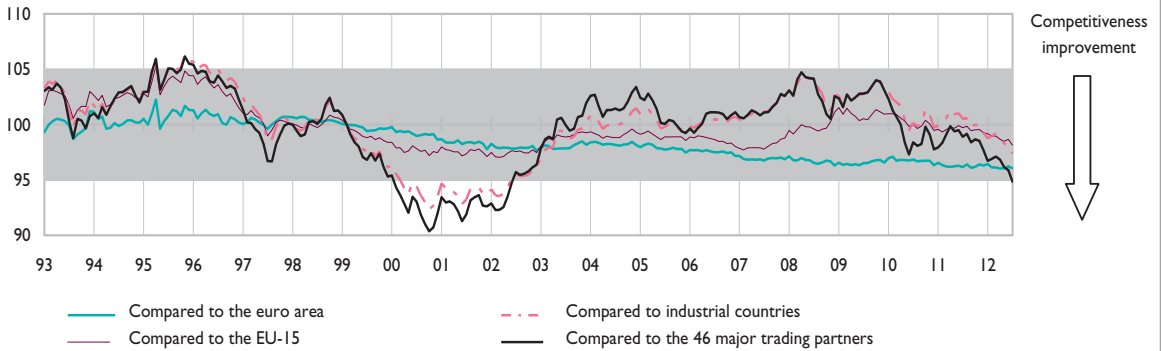
b) The series of seasonally adjusted monthly changes in the HIPC is not available for the European Union.

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

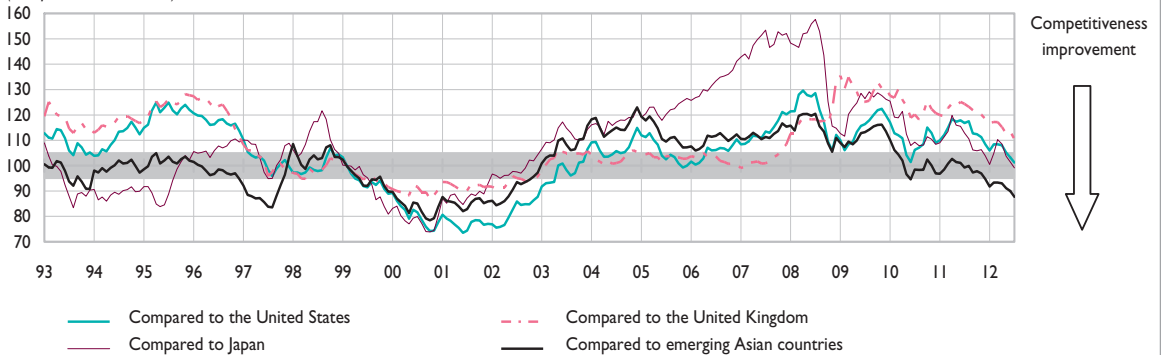
Indicators deflated by consumer prices

(1st quarter 1999 = 100)



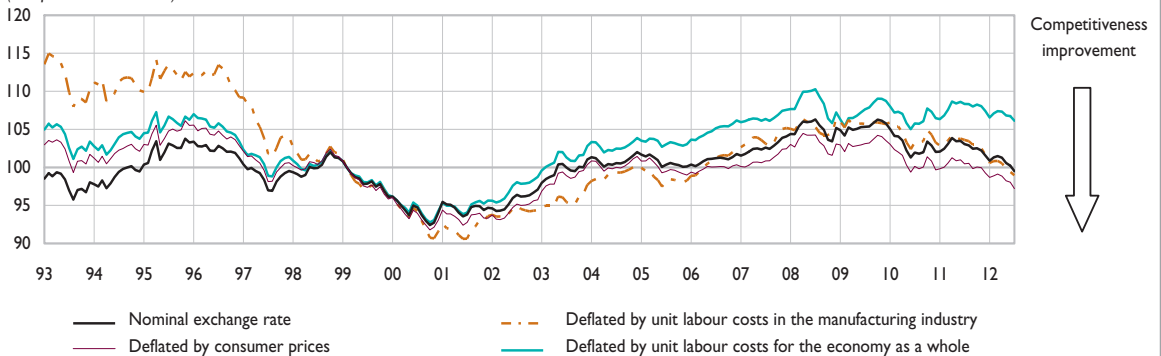
Indicators deflated by consumer prices

(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.

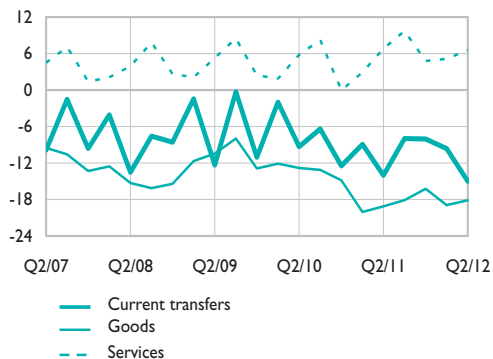
Table 5
Balance of payments – Main components (quarterly data) – France

(unadjusted data, EUR billions)

	2010	2011	2011			2012	
			Q2	Q3	Q4	Q1	Q2
Current account	-30.2	-38.9	-14.0	-8.0	-8.0	-9.6	-15.0
Goods	-52.9	-73.5	-19.1	-18.1	-16.2	-18.9	-18.1
Services	15.9	24.2	6.8	9.7	4.8	5.1	6.6
Income	40.7	46.9	7.3	11.2	14.0	11.4	4.5
Current transfers	-33.8	-36.6	-9.0	-10.8	-10.6	-7.2	-7.9
Capital account	0.0	-0.1	0.0	-0.6	0.5	0.0	-0.1
Financial account	27.5	58.1	44.5	-1.9	47.1	0.1	-1.7
Direct investment	-34.9	-35.4	-27.7	-8.5	-0.2	-4.9	-8.5
French direct investment abroad	-58.0	-64.8	-35.9	-16.8	-14.6	-16.9	-23.4
Foreign direct investment in France	23.1	29.5	8.2	8.3	14.4	12.0	14.8
Portfolio investment	123.2	251.6	69.0	56.4	104.0	24.6	23.7
Assets	26.2	177.5	-1.2	87.8	113.0	-3.6	18.9
Liabilities	96.9	74.1	70.2	-31.4	-9.1	28.2	4.8
Financial derivatives	34.3	13.8	7.5	0.4	2.3	-1.9	4.4
Other investment	-89.3	-177.3	-5.3	-55.7	-61.1	-17.9	-20.3
Reserve assets	-5.8	5.5	1.1	5.5	2.1	0.2	-0.9
Net errors and omissions	2.7	-19.1	-30.5	10.4	-39.6	9.5	16.8

Current account balance

(unadjusted data, EUR billions)



Financial account balance

(unadjusted data, EUR billions)

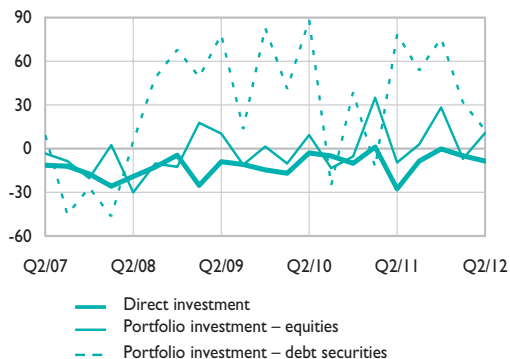


Table 6
Balance of payments – Current and capital accounts (quarterly data) – France

(unadjusted data, EUR billions)

	2010	2011	2011			2012	
			Q2	Q3	Q4	Q1	Q2
Current account	-30,2	-38,9	-14,0	-8,0	-8,0	-9,6	-15,0
Goods	-52,9	-73,5	-19,1	-18,1	-16,2	-18,9	-18,1
Exports	392,0	424,0	107,1	101,4	109,1	112,4	110,3
Imports	444,9	497,5	126,2	119,5	125,4	131,3	128,4
General merchandise	-54,1	-73,6	-19,0	-18,3	-16,4	-18,8	-18,0
Goods procured in ports by carriers	-2,0	-2,8	-0,7	-0,7	-0,7	-0,9	-0,8
Goods for processing and repairs on goods	3,2	2,9	0,6	0,9	0,9	0,8	0,7
Services	15,9	24,2	6,8	9,7	4,8	5,1	6,6
Exports	145,1	161,5	41,4	45,5	39,1	35,9	37,6
Imports	129,2	137,2	34,6	35,8	34,3	30,8	31,0
Transportation	-3,2	-5,3	-1,6	-0,9	-0,9	-1,0	-0,7
Travel	5,9	7,5	2,5	5,5	-0,3	1,7	3,0
Communications services	0,8	1,3	0,3	0,3	0,4	0,2	0,3
Construction services	2,1	2,2	0,6	0,5	0,7	0,4	0,6
Insurance services	0,5	1,6	0,6	0,6	0,3	0,1	0,2
Financial services	0,7	2,1	0,5	0,5	0,6	0,4	0,5
Computer and information services	-0,4	-0,7	-0,1	-0,2	-0,2	-0,2	-0,2
Royalties and license fees	2,9	4,1	0,9	0,8	1,2	1,1	0,6
Other business services	6,3	10,9	2,9	2,6	3,0	2,3	2,2
Personal, cultural and recreational services	0,1	0,3	0,1	0,0	0,1	0,1	-0,1
Government services	0,2	0,2	0,1	0,1	0,0	0,1	0,0
Income	40,7	46,9	7,3	11,2	14,0	11,4	4,5
Compensation of employees	10,9	12,4	3,1	3,1	3,1	3,0	2,9
Investment income	29,8	34,6	4,2	8,1	10,9	8,3	1,6
Direct investment	37,1	39,7	11,2	7,6	11,1	9,7	9,2
Portfolio investment	-5,1	-5,8	-7,1	-0,1	-0,6	-1,5	-7,9
Other investment	-2,3	0,7	0,1	0,5	0,5	0,2	0,2
Current transfers	-33,8	-36,6	-9,0	-10,8	-10,6	-7,2	-7,9
General government	-18,4	-19,3	-4,8	-6,0	-6,1	-2,4	-4,3
Other sectors	-15,4	-17,3	-4,2	-4,8	-4,4	-4,9	-3,6
of which workers' remittances	-9,1	-9,0	-2,2	-2,2	-2,2	-2,4	-1,6
Capital account	0,0	-0,1	0,0	-0,6	0,5	0,0	-0,1

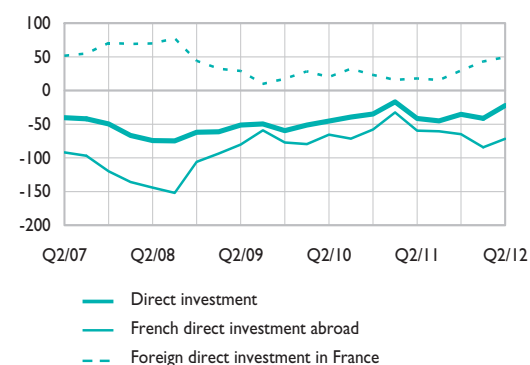
Table 7
Balance of payments – Financial flows (quarterly data) – France

(unadjusted data, EUR billions)

	2010	2011	2011			2012	
			Q2	Q3	Q4	Q1	Q2
Financial account	27,5	58,1	44,5	-1,9	47,1	0,1	-1,7
Direct investment	-34,9	-35,4	-27,7	-8,5	-0,2	-4,9	-8,5
French direct investment abroad	-58,0	-64,8	-35,9	-16,8	-14,6	-16,9	-23,4
of which equity capital and reinvested earnings	-45,4	-48,3	-20,5	-10,3	-14,8	-10,7	-8,0
Foreign direct investment in France	23,1	29,5	8,2	8,3	14,4	12,0	14,8
of which equity capital and reinvested earnings	16,7	19,1	4,5	-1,1	12,4	2,5	5,5
Portfolio investment	123,2	251,6	69,0	56,4	104,0	24,6	23,7
Assets	26,2	177,5	-1,2	87,8	113,0	-3,6	18,9
Equity securities	-15,9	54,0	-14,4	9,6	33,9	-10,7	0,3
Bonds and notes	16,2	80,8	-7,2	59,3	62,3	35,8	16,7
Short-term debt securities	25,9	42,7	20,4	18,9	16,8	-28,8	2,0
Liabilities	96,9	74,1	70,2	-31,4	-9,1	28,2	4,8
Equity securities	-3,8	2,5	4,8	-6,8	-5,7	3,8	10,5
Bonds and notes	99,1	96,0	58,0	-2,5	24,3	26,0	6,9
Short-term debt securities	1,7	-24,4	7,4	-22,1	-27,7	-1,7	-12,6
Financial derivatives	34,3	13,8	7,5	0,4	2,3	-1,9	4,4
Other investment	-89,3	-177,3	-5,3	-55,7	-61,1	-17,9	-20,3
Reserve assets	-5,8	5,5	1,1	5,5	2,1	0,2	-0,9
Net errors and omissions	2,7	-19,1	-30,5	10,4	-39,6	9,5	16,8

Direct investment account

(cumulated flows over 4 quarters)



Portfolio investment account

(cumulated flows over 4 quarters)

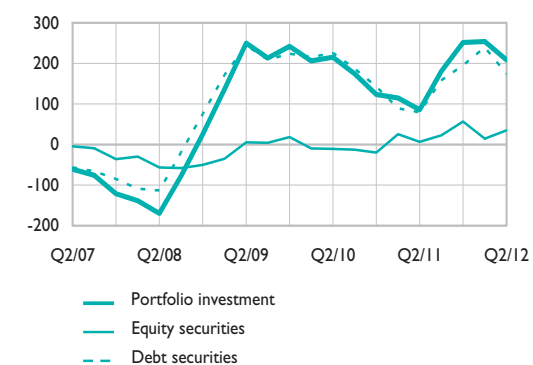


Table 8
Balance of payments – Geographical breakdown (quarterly data) – France

(unadjusted data, EUR billions)

	1st quarter 2012					
	EMU ^{a)}	EU-27 excl. EMU ^{b)}	USA	Japan	Switzerland	China
Current account	-2,9	0,9	-1,5	-0,8	2,3	na
Receipts	85,8	31,4	11,9	2,3	8,4	5,5
Expenditure	88,7	30,5	13,5	3,1	6,1	na
Goods	-10,7	0,1	-1,0	-0,5	0,7	-5,8
Receipts	53,3	14,1	6,6	1,7	3,7	3,9
Expenditure	64,0	13,9	7,6	2,2	3,1	9,7
Services	1,5	-0,7	0,7	-0,1	0,5	0,5
Receipts	14,0	4,1	3,4	0,3	1,7	1,4
Expenditure	12,6	4,8	2,7	0,4	1,3	0,9
Income	8,1	2,6	-1,2	-0,2	1,6	na
Receipts	17,4	4,8	1,7	0,3	2,6	0,2
Expenditure ^{c)}	9,3	2,2	2,9	0,4	1,0	na
Current Transfers	-1,8	-1,2	0,0	-0,1	-0,5	-0,1
Financial account						
Direct investment	-3,4	1,3	-1,3	-0,5	3,3	-0,3
French direct investment abroad	-4,6	-0,9	-5,1	-0,2	-0,9	-0,3
Foreign direct investment in France	1,2	2,2	3,8	-0,4	4,2	0,0
Portfolio investment – Assets ^{d)}	14,1	-20,7	1,2	0,5	0,1	0,5
Equity securities	-0,7	-0,4	-5,0	-3,2	-0,2	0,6
Bonds and notes	35,7	-7,9	3,8	0,7	0,0	0,0
Short-term debt securities	-20,9	-12,4	2,5	3,0	0,3	-0,1
Other investment	-8,4	-67,0	43,3	-9,0	-2,4	4,8

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)

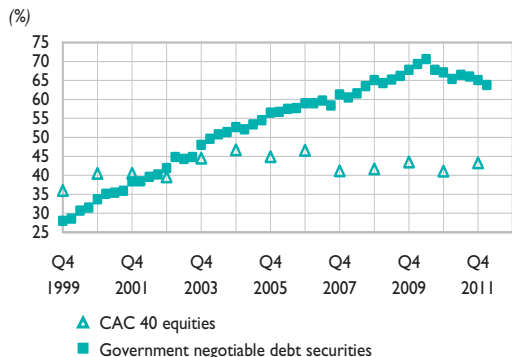
	2011	2012			12-month total	
		June	April	May	June	June
						2011
	June	April	May	June	June	June
Current account	-4,0	-4,2	-7,4	-3,4	-41,8	-40,6
Goods	-5,7	-6,3	-6,0	-5,8	-67,1	-71,3
Services	3,4	1,4	2,3	2,8	17,9	26,2
Income	1,2	3,1	-0,8	2,1	42,2	41,0
Current transfers	-3,0	-2,4	-2,9	-2,6	-34,8	-36,5
Capital account	-0,1	-0,1	0,0	0,0	-0,2	-0,1
Financial account	30,2	0,4	5,6	-7,7	44,7	43,6
Direct investment	-6,7	-1,6	-1,5	-5,5	-41,7	-22,2
<i>French direct investment abroad</i>	-6,4	-5,7	-6,0	-11,6	-59,6	-71,7
Equity capital	-4,1	-0,3	0,2	-0,8	-19,7	-15,8
Reinvested earnings	-2,3	-2,4	-2,4	-2,4	-23,3	-28,0
Other capital	-0,1	-3,0	-3,9	-8,4	-16,6	-27,9
<i>Foreign direct investment in France</i>	-0,3	4,1	4,5	6,1	17,9	49,5
Equity capital	1,2	1,2	0,5	1,4	8,2	11,2
Reinvested earnings	0,6	0,8	0,8	0,8	6,1	8,2
Other capital	-2,0	2,1	3,2	4,0	3,6	30,1
Portfolio investment	88,1	-18,4	-19,8	61,9	85,8	208,7
Assets	42,7	3,3	-30,5	46,1	4,0	216,1
Equity securities	5,3	-3,4	-5,3	8,9	-4,7	33,1
Bonds and notes	6,8	7,1	-13,2	22,8	-8,2	174,1
Short-term debt securities	30,5	-0,4	-12,0	14,4	16,9	8,9
Liabilities	45,5	-21,6	10,7	15,8	81,8	-7,5
Equity securities	8,6	-11,2	1,0	20,7	11,3	1,8
Bonds and notes	37,2	-8,5	3,8	11,6	57,1	54,7
Short-term debt securities	-0,3	-2,0	5,9	-16,5	13,4	-64,1
Financial derivatives	6,2	2,3	2,2	-0,1	26,6	5,3
Other investment	-58,3	18,8	25,2	-64,3	-18,1	-154,9
Reserve assets	0,8	-0,7	-0,5	0,3	-7,9	6,8
Net errors and omissions	-26,1	3,9	1,8	11,1	-2,7	-2,9

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

(EUR billions)

	2007	2008	2009	2010	2011	2012
	Dec.	Dec.	Dec.	Dec.	Dec.	Q1
Assets	4 533,5	4 414,1	4 661,2	5 597,8	5 877,4	5 866,0
French direct investment abroad	874,2	975,3	1 036,0	1 149,6	1 222,3	1 232,5
Equity capital and reinvested earnings	598,2	658,6	726,1	820,2	872,7	879,1
Other capital	276,0	316,7	309,9	329,4	349,6	353,4
Portfolio investment (foreign securities held by residents)	2 014,1	1 857,4	2 049,9	2 090,4	1 828,9	1 887,3
Financial derivatives	241,0	234,0	273,5	867,5	1 214,5	1 139,2
Other investment	1 325,7	1 273,5	1 209,5	1 365,9	1 478,7	1 472,8
Reserve assets	78,6	74,0	92,4	124,5	133,1	134,2
Liabilities	-4 708,2	-4 633,3	-4 864,1	-5 709,8	-6 025,2	-6 018,6
Foreign direct investment in France	-649,1	-684,5	-683,9	-709,8	-736,7	-747,7
Equity capital and reinvested earnings	-386,2	-395,3	-408,4	-422,9	-437,9	-440,5
Other capital	-262,9	-289,2	-275,5	-286,9	-298,8	-307,2
Portfolio investment (French securities held by non-residents)	-1 987,9	-1 872,5	-2 299,7	-2 431,8	-2 451,8	-2 534,3
Financial derivatives	-312,6	-289,3	-311,8	-905,5	-1 253,7	-1 178,4
Other investment	-1 758,7	-1 787,0	-1 568,6	-1 662,7	-1 583,0	-1 558,2
Net position	-174,7	-219,2	-202,8	-111,9	-147,8	-152,5

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



France's international investment position

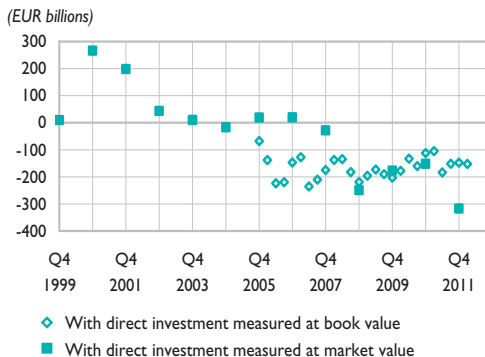


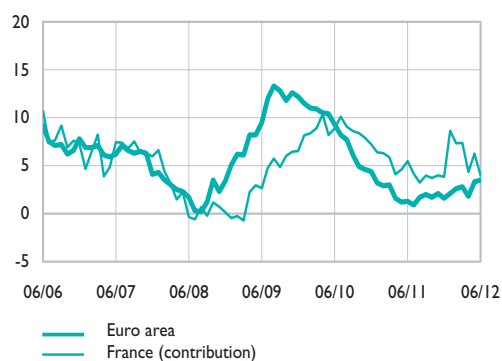
Table I
Main monetary and financial aggregates – France and the euro area

(annual percentage growth rate)

	2009	2010	2011	2011	2011	2012						
	Dec.	Dec.	Dec.	June	Dec.	Jan.	Feb.	March	April	May	June	
M1												
Euro area ^{a)}	12,2	4,4	1,6	1,3	1,6	2,1	2,6	2,8	1,8	3,3	3,5	
France (contribution)	6,5	7,2	3,8	5,5	3,8	8,6	7,3	7,4	4,3	6,2	4,0	
M2												
Euro area ^{a)}	1,6	2,3	1,8	2,3	1,8	2,3	2,8	3,0	2,5	2,9	3,0	
France (contribution)	0,0	7,4	3,5	6,4	3,5	6,1	5,6	5,6	4,2	4,8	4,3	
M3												
Euro area ^{a)}	-0,3	1,7	1,5	1,9	1,5	2,5	2,8	3,2	2,6	3,1	3,2	
France (contribution)	-4,1	6,6	3,0	5,0	3,0	4,5	3,2	4,1	2,4	3,3	4,7	
Loans to the private sector												
Euro area ^{a)}	-0,1	1,9	1,1	2,6	1,1	1,2	0,8	0,6	0,2	-0,1	-0,2	
France ^{b)}	-0,6	5,0	2,4	6,1	2,4	2,8	2,2	2,1	0,4	0,2	0,5	

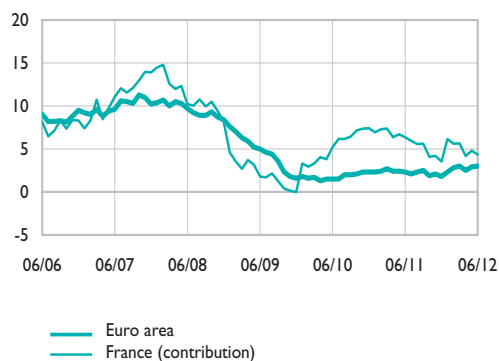
M1

(annual percentage growth rate)



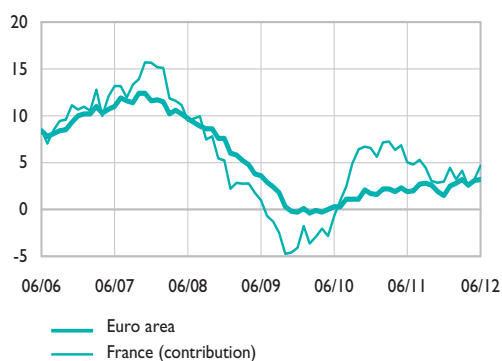
M2

(annual percentage growth rate)



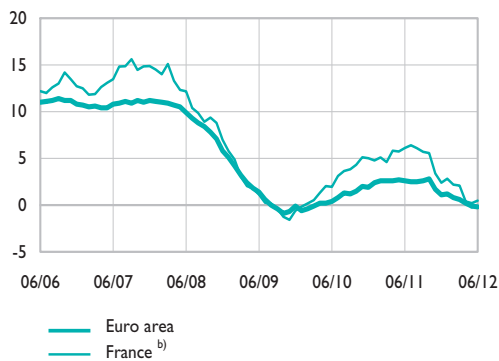
M3

(annual percentage growth rate)



Loans to the private sector

(annual percentage growth rate)



a) Seasonal and calendar effect adjusted data.

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

Sources: Banque de France, European Central Bank.

Produced 21 August 2012

Table I2
Balance sheet of the Banque de France

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

	2009	2010	2011	2011	2012			
	Dec	Dec	Dec	June	March	April	May	June
Assets								
National territory	180.1	103.4	295.9	96.8	319.2	323.5	334.6	336.1
Loans	143.6	56.3	218.4	40.1	225.7	228.3	234.6	237.9
MFIs ^{a)}	143.5	56.1	218.2	39.9	225.5	228.1	234.4	237.7
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 ^{b)}	36.0	46.6	77.0	56.2	93.0	94.8	99.7	98.0
MFIs	19.4	24.3	34.1	27.2	40.7	40.9	41.3	36.2
Central government	16.6	22.3	42.9	29.0	52.3	53.9	58.4	61.8
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	0.4	0.3	0.2
Other euro area countries ^{a)}	77.5	102.5	106.8	100.3	102.2	101.5	94.9	94.2
Rest of the world ^{a)}	96.3	99.1	110.5	111.5	102.5	107.4	113.7	98.5
Gold	60.0	82.6	95.3	81.7	97.4	98.4	98.2	97.6
Not broken down by geographical area ^{c)}	96.3	97.7	105.1	99.2	100.7	100.8	100.3	104.5
Total	510.2	485.3	713.6	489.5	722.1	731.6	741.7	730.9
Liabilities								
National territory – Deposits	88.6	51.5	185.6	57.6	235.6	257.5	242.3	269.1
MFIs	68.0	49.6	176.2	56.7	180.4	224.1	204.1	198.6
Central government	19.0	1.5	8.9	0.4	54.6	33.0	37.6	69.8
Other sectors	1.6	0.4	0.5	0.5	0.6	0.5	0.6	0.7
Other euro area countries – Deposits	62.0	28.3	79.6	18.3	47.3	26.3	48.2	12.2
MFIs	62.0	28.3	79.6	18.3	47.3	26.3	48.2	12.2
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	133.0	137.6	141.7	144.1	138.6
Not broken down by geographical area	246.9	282.6	305.0	280.6	301.6	306.0	307.0	311.0
Currency in circulation ^{d)}	153.7	160.1	169.0	156.8	165.4	166.2	167.9	170.0
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	95.9	114.7	117.4	117.5	116.4
Other liabilities	22.6	24.9	23.6	27.9	21.5	22.4	21.6	24.6
Total	510.2	485.3	713.6	489.5	722.1	731.6	741.7	730.9

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

b) The breakdown by sector of issuance (MFIs, central government) has been precised.

c) 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.

d) 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 13
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	2012			
	Dec.	Dec.	Dec.	June	March	April	May	June
Assets								
National territory	4 527,2	4 565,2	4 983,9	4 638,6	5 032,9	5 064,8	5 058,6	5 071,4
Loans	3 509,9	3 559,1	3 958,6	3 707,3	3 949,3	3 978,6	3 974,8	3 995,1
MFIs	1 486,5	1 413,9	1 747,4	1 494,5	1 721,8	1 755,6	1 744,4	1 757,9
General government	196,1	214,8	195,1	187,2	194,3	197,1	196,7	196,8
Private sector	1 827,4	1 930,4	2 016,2	2 025,5	2 033,3	2 026,0	2 033,7	2 040,4
Securities other than shares	622,6	613,6	673,2	564,1	713,9	716,5	710,2	705,9
MFIs ≤ 2 years	229,8	208,5	223,1	170,0	244,0	252,2	236,7	227,0
MFIs > 2 years	113,4	134,8	131,9	126,3	118,2	110,7	114,6	116,4
General government	159,7	152,1	152,8	145,9	168,6	165,6	169,9	175,5
Private sector	119,8	118,3	165,3	121,8	183,1	188,1	189,0	187,1
Money market fund shares/units	79,1	52,6	43,6	53,2	53,4	54,5	55,6	57,5
Shares and other equity	315,5	339,9	308,5	314,0	316,3	315,2	318,1	313,0
Other euro area countries	1 034,4	1 020,2	815,0	915,1	818,5	821,5	842,8	838,2
Rest of the world	848,2	962,9	975,6	955,4	988,2	969,7	1 008,1	954,2
Not broken down by geographical area	1 247,1	1 278,7	1 624,2	1 288,6	1 614,7	1 650,7	1 894,6	1 772,7
Total	7 656,7	7 827,1	8 398,7	7 797,6	8 454,3	8 506,7	8 804,1	8 636,5
Liabilities								
National territory – Deposits	3 099,0	3 035,3	3 606,8	3 217,0	3 594,5	3 580,2	3 591,4	3 625,6
MFIs	1 571,3	1 423,1	1 808,6	1 488,6	1 772,4	1 755,9	1 771,5	1 796,2
Central government	28,3	28,7	36,6	70,4	31,0	28,1	32,6	32,7
Other sectors	1 499,4	1 583,5	1 761,6	1 658,1	1 791,1	1 796,2	1 787,3	1 796,7
Overnight deposits	463,1	502,1	527,4	507,9	522,7	519,2	517,9	524,5
Deposits with agreed maturity ≤ 2 years	131,3	133,4	156,0	135,0	157,1	157,0	159,2	156,9
Deposits with agreed maturity > 2 years	362,4	377,0	483,7	431,7	495,0	496,9	490,2	496,4
Deposits redeemable at notice ≤ 3 months	501,1	518,8	559,3	537,8	575,6	581,0	581,0	582,1
Repos	41,5	52,3	35,3	45,7	40,8	42,2	39,0	36,7
Other euro area countries – Deposits	338,3	380,3	354,0	375,7	355,6	353,2	353,5	355,2
MFIs	229,3	220,6	241,7	229,7	234,0	234,4	229,3	234,2
Other sectors	109,0	159,7	112,4	146,0	121,6	118,7	124,2	121,0
Rest of the world – Deposits	880,9	968,9	791,3	912,1	786,0	815,3	854,9	785,8
Not broken down by geographical area	3 338,6	3 442,6	3 646,6	3 292,8	3 718,2	3 758,1	4 004,4	3 869,9
Debt securities issued ≤ 2 years	381,4	409,8	420,0	395,0	437,8	439,5	425,3	414,8
Debt securities issued > 2 years	715,2	754,9	821,9	810,7	843,1	847,9	847,1	844,0
Money market fund shares/units	479,2	394,3	351,1	369,0	379,5	387,8	396,3	387,9
Capital and reserves	454,7	476,7	498,3	491,9	504,7	506,6	503,6	510,3
Other	1 308,1	1 406,9	1 555,2	1 226,2	1 553,0	1 576,3	1 832,2	1 713,0
Total	7 656,7	7 827,1	8 398,7	7 797,6	8 454,3	8 506,7	8 804,1	8 636,5

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

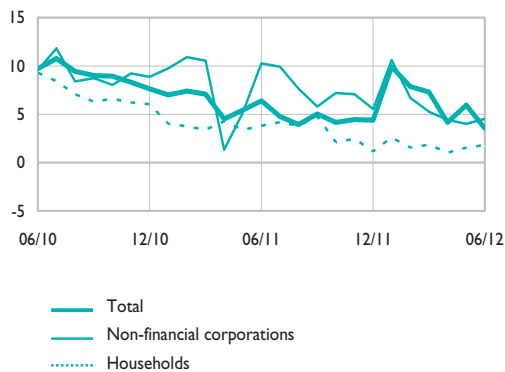
Table I4
Deposits – France

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

	2009	2010	2011	2011	2012			
	Dec.	Dec.	Dec.	June	March	April	May	June
Overnight deposits								
Total non-financial sectors (excluding central government)	481,1	516,3	541,2	513,8	514,9	517,8	515,7	531,2
Households and similar	262,4	278,4	284,4	283,2	279,0	286,2	279,2	288,7
Non-financial corporations	167,0	182,5	198,2	181,2	183,0	179,5	179,5	190,3
General government (excl. central government)	51,7	55,4	58,6	49,4	52,9	52,2	57,0	52,2
Other sectors	32,6	38,7	38,8	36,2	51,6	45,9	47,1	38,3
Total – Outstanding amounts	513,7	555,1	580,0	550,0	566,5	563,7	562,9	569,6
Total – Growth rate	6,8	7,6	4,4	6,4	7,3	4,2	6,0	3,6
Passbook savings accounts								
"A" and "Blue" passbooks	183,4	193,5	214,7	203,7	222,0	224,5	225,2	225,9
Housing savings accounts	36,6	36,1	36,1	36,1	36,3	36,5	36,5	36,4
Sustainable development passbook accounts	69,1	68,0	69,4	68,5	70,9	71,6	71,4	71,3
People's savings passbooks	58,3	54,4	52,4	52,8	51,8	52,0	51,9	51,8
Youth passbooks	7,2	7,0	7,0	6,9	6,8	6,9	6,8	6,8
Taxable passbooks	146,5	159,8	179,7	169,9	187,8	189,5	189,2	190,0
Total – Outstanding amounts	501,1	518,8	559,3	537,8	575,6	581,0	581,0	582,1
Total – Growth rate	3,1	3,5	7,3	6,6	7,9	8,0	7,9	8,2

Overnight deposits

(annual growth rate)



Passbook savings accounts

(annual growth rate)

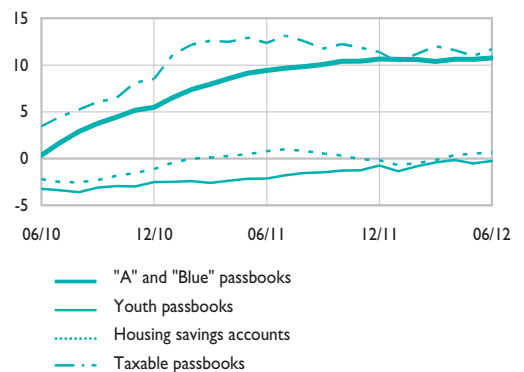


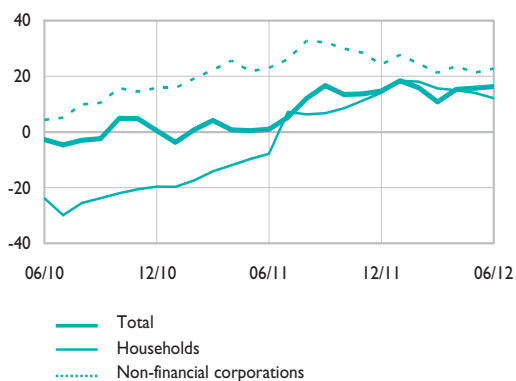
Table 15
Time deposits – France

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

	2009	2010	2011	2011	2012			
	Dec.	Dec.	Dec.	June	March	April	May	June
Deposits with agreed maturity up to two years								
Total non-financial sectors (excl. central government)	86,1	89,1	113,2	99,2	120,4	120,6	120,5	120,1
Households and similar	30,4	24,5	31,7	29,7	33,9	33,6	33,8	33,5
Non-financial corporations	55,1	63,9	80,6	68,6	85,4	85,9	85,7	85,7
General government (excl. central government)	0,6	0,7	1,0	0,9	1,1	1,1	1,0	0,9
Other sectors	45,1	44,2	42,7	35,8	36,7	36,4	38,6	36,7
Total – Outstanding amounts	131,3	133,4	156,0	135,0	157,1	157,0	159,2	156,9
Total – Growth rate	-27,4	0,5	14,7	1,0	10,8	15,3	15,7	16,3
Deposits with agreed maturity of over two years								
Total non-financial sectors (excl. central government)	264,3	282,6	306,7	294,3	318,0	319,8	319,9	320,8
Households and similar	241,4	248,0	259,0	251,8	265,8	266,4	266,7	266,4
PEL	173,8	182,3	186,6	182,8	186,6	186,6	186,5	185,9
PEP	29,0	26,6	24,4	25,0	24,2	24,1	24,0	23,9
Other	38,6	39,1	48,0	44,0	55,0	55,7	56,2	56,5
Non-financial corporations	22,5	34,0	46,6	41,8	51,0	52,2	52,0	53,2
General government (excl. central government)	0,4	0,6	1,1	0,8	1,2	1,2	1,2	1,2
Other sectors	98,1	94,4	177,0	137,3	177,0	177,0	170,3	175,6
Total – Outstanding amounts	362,4	377,0	483,7	431,7	495,0	496,9	490,2	496,4
Total – Growth rate	38,1	3,5	18,8	8,6	17,9	16,7	14,4	14,5

Deposits up to 2 years

(annual percentage growth rate)



Deposits over 2 years

(annual percentage growth rate)

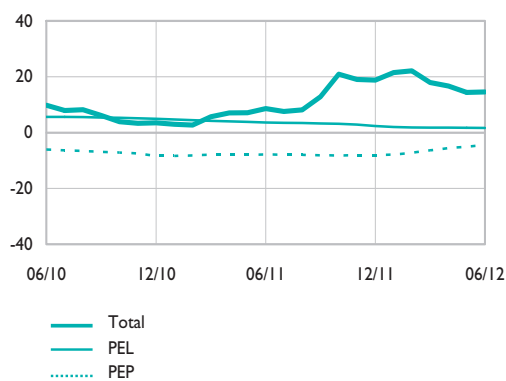
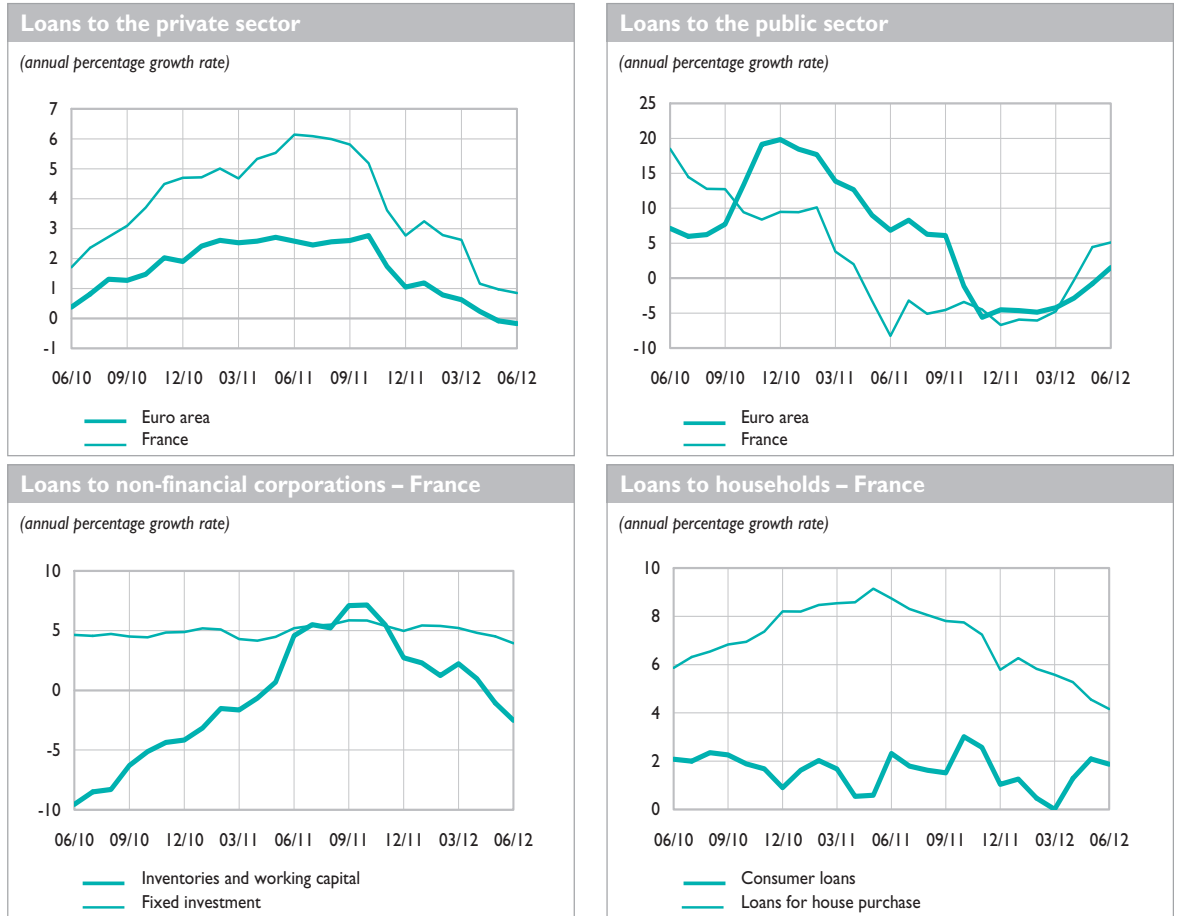


Table 16
Loans extended by credit institutions established in France to French residents – France

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

	2009	2010	2011	2011	2012				
	Dec.	Dec.	Dec.	June	Feb.	March	April	May	June
Loans from monetary financial institutions									
Private sector	1 827,5	1 930,6	2 016,3	2 025,7	2 032,8	2 033,5	2 026,2	2 033,8	2 040,6
General government	196,1	214,8	195,1	187,2	195,4	194,3	197,1	196,7	196,8
Total – Outstanding amounts	2 023,6	2 145,4	2 211,4	2 212,9	2 228,2	2 227,7	2 223,2	2 230,6	2 237,4
Private sector	-0,6	4,7	2,8	6,1	2,8	2,6	1,2	1,0	0,9
General government	12,8	9,5	-6,7	-8,2	-6,1	-4,7	-0,3	4,4	5,1
Total – Growth rate	0,5	5,2	1,9	4,7	1,9	1,9	1,0	1,3	1,2
Loans from credit institutions to non-financial corporations									
Fixed investment	500,1	525,0	547,1	533,8	552,2	552,3	551,8	554,2	554,9
Inventories and working capital	185,7	179,7	187,5	194,9	184,9	185,9	184,6	181,4	184,0
Other lending	83,5	76,1	81,2	79,6	78,2	79,9	80,3	78,2	81,6
Total – Outstanding amounts	769,3	780,8	815,9	808,2	815,4	818,1	816,6	813,7	820,5
Total – Growth rate	-1,2	1,2	4,4	4,2	4,1	3,9	3,2	2,8	2,0
Loans from credit institutions to households									
Loans for house purchase	737,6	796,6	843,2	825,0	849,7	852,0	853,1	854,5	857,6
Consumer loans	152,9	154,7	149,3	152,2	147,6	147,5	148,2	149,8	152,1
Other lending	84,2	87,1	90,5	90,7	91,0	89,8	90,0	90,1	89,6
Total – Outstanding amounts	974,7	1 038,4	1 083,1	1 067,9	1 088,2	1 089,4	1 091,3	1 094,4	1 099,3
Total – Growth rate	4,0	6,6	4,9	7,4	4,8	4,5	4,4	4,0	3,6

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.

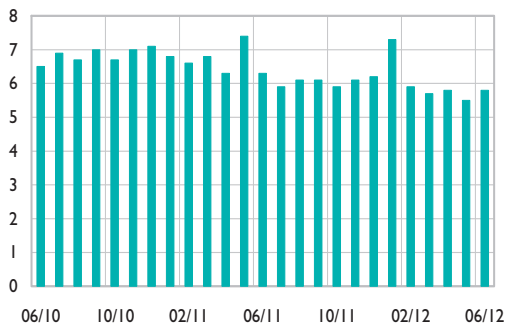
Table 18
New loans to residents, (excl. overdrafts) – France

(monthly flows - seasonally adjusted - in euro billions)

	2011			2012		
	April	May	June	April	May	June
loans to non-financial corporations						
Loans ≤ 1 million euro ^{a)}	6,3	7,4	6,3	5,8	5,5	5,8
Loans > 1 million euro ^{a)}	12,9	13,7	15,0	13,9	15,1	13,1
Loans to households						
Cash loans to sole traders and individuals (excl. revolving consumer credit)	4,1	4,2	3,7	4,0	4,2	4,1
Housing loans	11,8	12,3	11,5	6,2	6,3	7,8

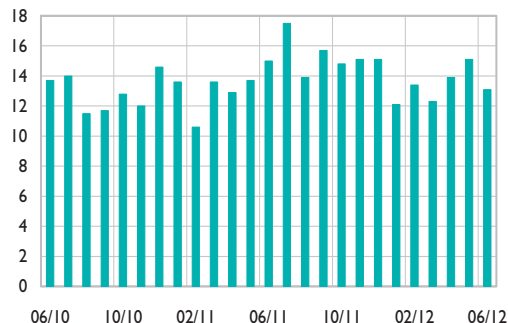
Non-financial corporations – Loans ≤ 1 million euro

(monthly flows - seasonally adjusted - in euro billions)



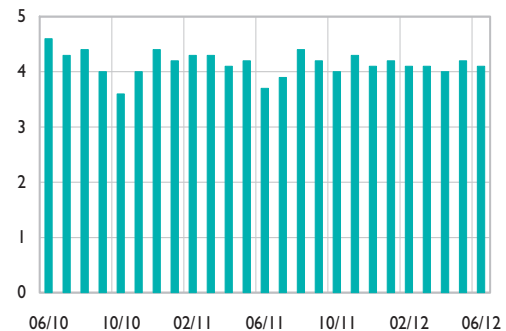
Non-financial corporations – Loans > 1 million euro

(monthly flows - seasonally adjusted - in euro billions)



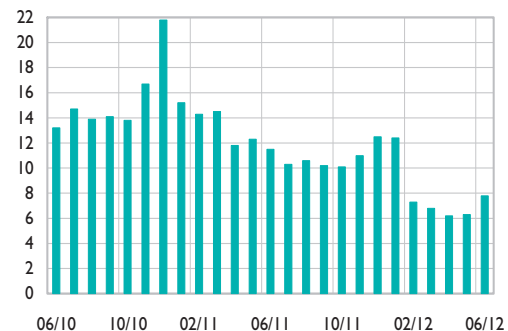
Households - Cash loans

(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
	2011				2012	2012
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	-3.6	-7.0	15.0	25.1	30.0	818.2
<i>of which deposits included in M3 ^{a)}</i>	-9.2	-15.0	4.9	16.0	30.7	206.7
Short-term debt securities	9.9	4.4	9.7	21.8	12.5	64.8
Long-term debt securities	173.2	156.9	96.1	27.5	5.6	2,743.9
Loans	19.5	18.4	15.1	6.3	7.8	475.6
Shares and other equity	52.2	82.8	105.6	91.7	119.4	2,549.2
<i>of which quoted shares</i>	15.1	15.0	9.9	5.5	3.3	532.2
Remaining net assets	-7.2	-42.4	-40.2	-41.1	-63.7	228.9
Financing						
Debt securities	0.4	2.6	3.3	3.1	3.0	34.0
Loans	9.9	14.1	14.3	6.4	7.8	298.9
Shares and other equity	4.1	1.9	3.0	3.1	2.7	411.6
Insurance technical reserves	221.3	186.2	150.0	117.5	102.0	6,228.6
<i>Life insurance</i>	201.2	172.2	138.6	115.6	103.4	5,400.6
<i>Non-life insurance</i>	20.1	14.0	11.4	1.8	-1.4	828.1
Net lending/net borrowing (B9B)	8.4	8.3	30.8	1.3	-3.9	

(EUR billions)

France	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2011				2012	2012
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	3.7	1.9	7.0	9.1	10.1	31.0
Short-term debt securities	4.2	2.1	6.3	18.4	9.2	30.4
Long-term debt securities	119.9	94.0	55.6	-14.1	-23.3	1,140.8
Loans	0.9	1.0	1.1	1.0	0.9	34.6
Shares and other equity	-28.1	-18.1	9.2	13.9	22.6	616.8
<i>of which quoted shares</i>	-2.8	-3.3	-1.5	-2.3	-9.9	63.7
Remaining net assets	2.3	2.8	5.8	4.4	2.0	5.3
Financing						
Debt securities	1.1	2.4	1.5	1.6	1.3	8.2
Loans	10.7	9.9	11.2	1.3	-3.0	81.1
Shares and other equity	1.0	0.6	0.4	0.0	0.8	100.3
Insurance technical reserves	84.6	74.9	63.8	43.3	24.0	1,700.1
<i>Life insurance and pension funds</i>	74.8	64.2	53.3	34.3	19.9	1,446.5
<i>Non-life insurance</i>	9.8	10.7	10.5	9.0	4.1	253.6
Net lending/net borrowing (B9B)	12.1	3.5	15.2	-7.5	1.5	

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.

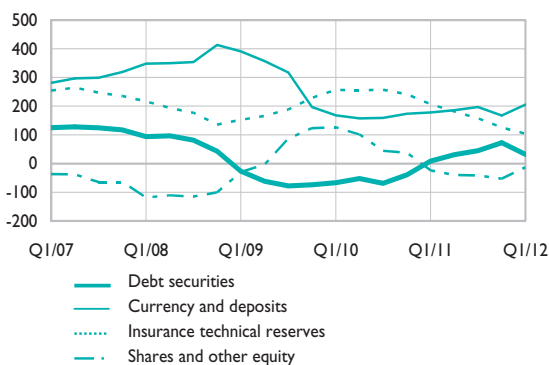
Table 20
Investment and financing – Households – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2011				2012	2012
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	178,2	185,8	196,7	167,7	205,3	6 846,1
<i>of which deposits included in M3 ^{a)}</i>	111,0	107,2	113,8	83,1	123,8	5 154,7
Short-term debt securities	4,5	13,9	5,1	29,3	11,0	60,7
Long-term debt securities	4,3	16,8	39,3	43,3	20,7	1 355,5
Shares and other equity	-24,0	-39,2	-40,8	-52,4	-13,6	4 177,6
Quoted shares	6,8	-2,8	8,5	12,7	1,7	711,6
Unquoted shares and other equity	35,9	24,9	21,6	15,0	49,6	2 157,1
Mutual fund shares	-66,7	-61,2	-71,0	-80,1	-65,0	1 308,9
<i>of which money market fund shares</i>	-41,3	-34,7	-24,0	-21,8	-22,0	153,5
Insurance technical reserves	206,8	181,7	157,8	125,5	104,1	6 004,1
Remaining net assets	52,3	34,1	24,3	33,6	11,5	148,1
Financing						
Loans	124,7	140,1	125,6	92,9	75,9	6 194,2
<i>of which from euro area MFIs</i>	169,6	167,7	148,0	81,1	33,6	5 269,3
Revaluation of financial assets						
Shares and other equity	119,7	232,5	-330,4	-372,8	-330,8	
Insurance technical reserves	49,1	67,4	-24,1	16,8	96,5	
Other flows	-99,4	14,0	-10,1	28,2	57,5	
Change in net financial worth	366,8	566,7	-107,7	-73,6	86,4	

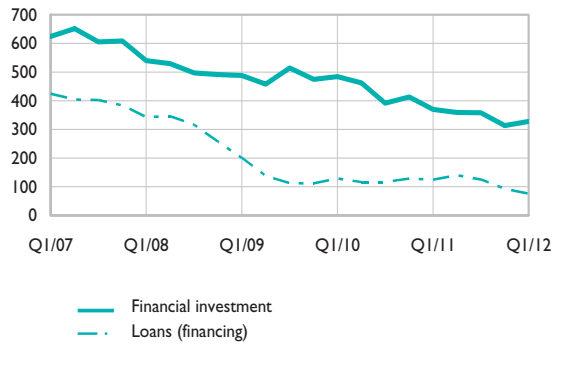
Investment flows

(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.

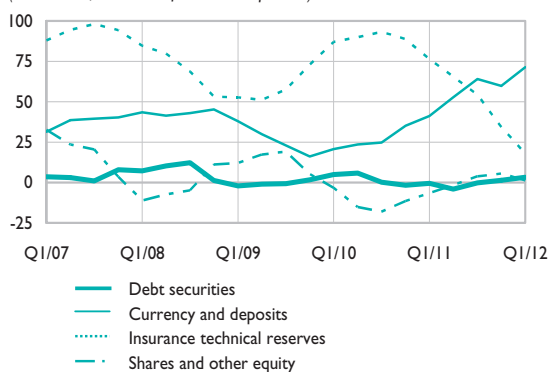
Table 21
Investment and financing – Households – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2011				2012	2012
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	41.2	52.8	64.1	59.8	71.4	1,231.7
Short-term debt securities	-0.4	-3.1	-1.6	0.2	-0.5	1.5
Long-term debt securities	-0.1	-1.0	1.4	1.1	3.7	63.1
Shares and other equity	-6.6	-1.6	3.8	5.6	1.3	961.3
Quoted shares	7.0	1.5	5.9	5.7	-1.4	146.0
Unquoted shares and other equity	10.9	16.2	14.3	10.9	15.4	526.3
Mutual fund shares	-24.4	-19.3	-16.3	-11.0	-12.7	289.0
of which money market fund shares	-17.8	-14.3	-9.9	-7.3	-6.2	32.8
Insurance technical reserves	76.3	65.5	54.4	34.4	18.0	1,533.3
Remaining net assets	42.8	16.1	5.5	17.6	-2.6	102.2
Financing						
Loans	63.1	73.2	72.9	58.9	55.8	1,139.5
Revaluation of financial assets						
Shares and other equity	45.3	101.5	-64.3	-71.9	-45.5	
Insurance technical reserves	8.8	20.9	-13.6	-12.4	-3.2	
Other flows	-0.3	-0.3	-5.6	3.1	5.1	
Change in net financial worth	144.1	177.6	-28.8	-21.3	-8.1	

Investment flows

(EUR billions, cumulated flows over 4 quarters)



Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)

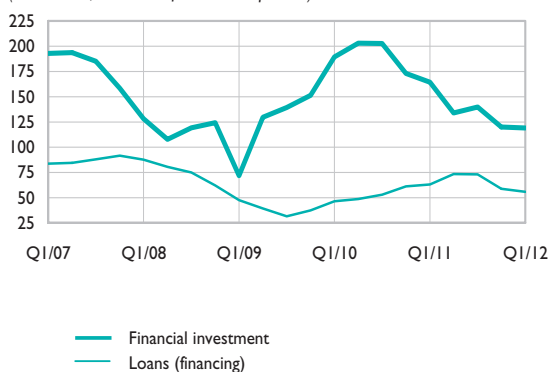


Table 22
Investment and financing – Non-financial corporations – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2011				2012	2012
	Q1	Q2	Q3	Q4	Q1	March
Financial assets						
Currency and deposits	108.8	107.2	99.2	65.9	60.3	1,994.5
<i>of which deposits included in M3 ^{a)}</i>	62.3	65.1	41.0	-6.1	3.5	1,564.3
Debt securities	15.2	26.4	10.3	8.7	14.6	403.0
Loans	172.6	184.6	190.2	182.7	199.6	3,219.7
Shares and other equity	268.2	310.2	279.3	205.2	213.8	7,640.7
Insurance technical reserves	-3.2	-1.9	-1.2	0.7	0.9	168.9
Remaining net assets	-9.2	3.3	-18.6	-32.7	-44.2	23.2
Financing						
Debt	261.3	315.5	297.2	256.3	251.8	9,879.8
Loans	214.2	270.0	247.4	211.8	184.9	8,568.4
<i>of which from euro area MFIs</i>	42.1	72.9	80.2	56.7	12.6	4,699.3
Debt securities	46.1	44.5	48.8	43.6	66.0	974.6
Pension fund reserves	0.9	1.0	1.0	0.9	0.9	336.7
Shares and other equity	248.2	259.7	260.1	208.3	228.4	12,628.1
Quoted shares	29.4	27.9	28.7	27.4	20.2	3,570.5
Unquoted shares and other equity	218.8	231.8	231.4	180.9	208.2	9,057.6
Net lending/net borrowing (B9B)	42.9	54.6	1.8	-34.2	-35.3	

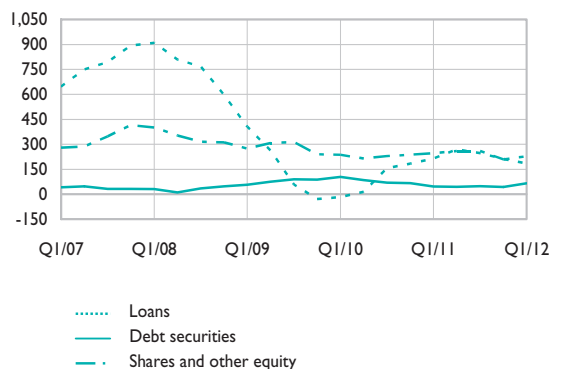
Investment flows

(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	
	2011				2012	2012	
	Q1	Q2	Q3	Q4	Q1	March	
Financial assets							
Currency and deposits	65,8	75,6	84,2	64,8	43,6	419,8	
Debt securities	-1,4	2,8	4,6	7,5	6,7	74,4	
Loans	-0,9	15,1	18,4	14,4	28,8	358,1	
Shares and other equity	63,4	84,8	57,9	59,6	86,4	2 633,8	
Insurance technical reserves	-0,2	0,1	0,3	0,5	0,4	53,5	
Remaining net assets	-11,9	-1,3	-39,0	-28,9	-11,8	-17,8	
Financing							
Debt	29,3	56,2	72,6	76,6	100,4	1 691,4	
Loans	8,7	35,2	51,7	47,7	60,1	1 238,0	
Debt securities	20,7	21,0	20,9	28,9	40,3	453,4	
Shares and other equity	94,8	112,3	89,6	86,4	103,0	4 030,3	
Quoted shares	6,6	9,0	10,4	10,3	10,6	1 075,5	
Unquoted shares and other equity	88,1	103,3	79,3	76,1	92,4	2 954,8	
Net lending/net borrowing (B9B)	-9,2	8,7	-35,8	-45,0	-49,2		

Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)



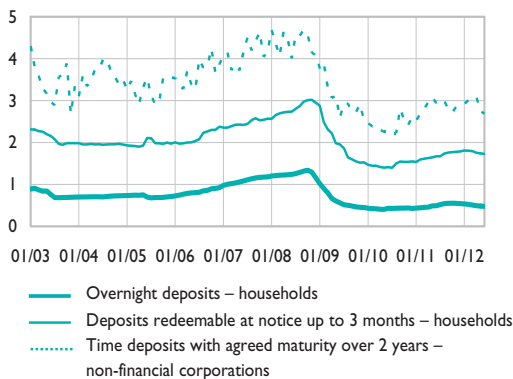
Table 24
Interest rates on deposits – France and the euro area

(average monthly rates – %)

	2010	2011	2011	2012				
	déc.	déc.	June	Feb.	March	April	May	June
Euro area								
Overnight deposits – households	0,43	0,54	0,49	0,52	0,51	0,49	0,48	0,48
Deposits redeemable at notice up to 3 months – households	1,55	1,79	1,67	1,81	1,79	1,76	1,74	1,73
Time deposits with agreed maturity over 2 years – non-financial corporations	2,60	2,90	2,94	3,01	2,98	3,07	2,75	2,69
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	1,81	2,11	2,07	2,07	1,98	2,03
Deposits with agreed maturity up to 2 years	2,18	2,28	2,35	2,31	2,25	2,28	2,23	2,19
Deposits with agreed maturity over 2 years	3,09	3,12	3,15	3,15	3,13	3,15	3,10	3,15

Euro area

(average monthly rates – %)



France

(average monthly rates – %)

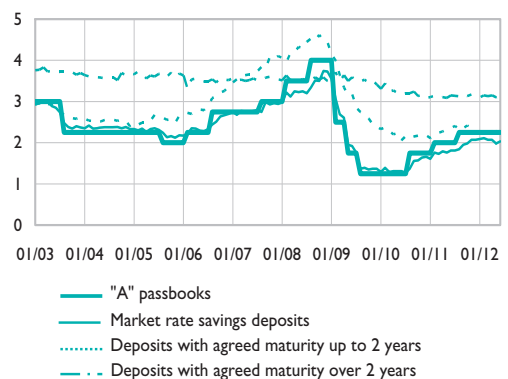
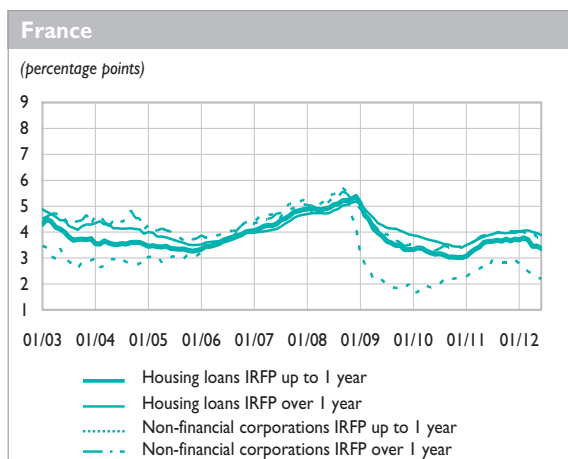
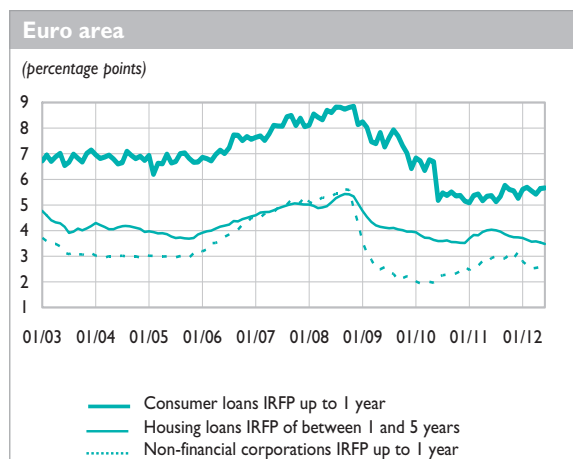


Table 25
Cost of credit – France and the euro area

(average monthly rate – %)

	2011						2012					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
Euro area												
Consumer loans												
Floating rate and IRFP of up to 1 year ^{a)}	5,13	5,34	5,77	5,60	5,56	5,26	5,61	5,70	5,55	5,42	5,65	5,67
Loans for house purchase												
Floating rate and IRFP of between 1 and 5 years	4,02	3,96	3,86	3,79	3,74	3,74	3,71	3,64	3,57	3,58	3,54	3,48
Non financial corporations of over EUR 1 million												
IRFP of up to 1 year ^{a)}	2,99	2,90	2,91	3,05	2,91	3,16	2,80	2,65	2,52	2,54	2,58	2,56
France												
Consumer loans	6,23	6,27	6,16	6,22	6,29	6,35	6,59	6,66	6,63	6,53	6,52	6,43
Loans for house purchase												
IRFP of up to 1 year ^{a)}	3,65	3,69	3,65	3,73	3,66	3,73	3,70	3,78	3,71	3,45	3,46	3,37
IRFP of over 1 year ^{a)}	3,92	3,99	3,97	3,96	3,98	3,97	4,02	4,06	4,07	4,01	3,96	3,89
Non-financial corporations												
IRFP of up to 1 year ^{a)}	2,93	2,83	2,84	2,84	2,84	2,93	2,79	2,62	2,48	2,39	2,23	2,22
IRFP of over 1 year ^{a)}	3,92	3,97	3,97	3,98	4,01	4,01	4,01	4,01	3,90	3,98	3,81	3,81



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		
	Oct.	Jan.	April	July
Loans to households (under Articles L312-I to L312-36 of the French Consumer Code)				
Housing loans				
Fixed-rate loans	6,23	6,24	6,32	6,36
Floating-rate loans	5,61	5,83	5,88	5,81
Bridge loans	6,28	6,43	6,48	6,32
Consumer loans				
Loans up to and including EUR 1.524	21,03	20,65	20,56	20,25
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	19,27	19,15	19,15	19,24
Personal loans and other loans of over EUR 1.524 and loans up to EUR 3.000	12,76	13,98	15,27	16,40
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	18,16	17,69	17,15	16,88
Personal loans and other loans of over EUR 3.000 and loans up to EUR 6.000	11,65	12,51	13,27	14,04
Overdraft facilities, revolving loans, and instalment credit loans of over EUR 6.000 and reverse annuity mortgage loans	16,62	15,78	14,81	14,07
Personal loans and other loans or over EUR 6.000	10,10	10,60	10,93	11,23

	2011			2012	
	Q2	Q3	Q4	Q1	Q2
Loans to enterprises					
Discount					
up to EUR 15,245	3,07	3,38	3,53	3,30	3,22
EUR 15,245 to EUR 45,735	3,15	3,53	3,65	3,61	3,27
EUR 45,735 to EUR 76,225	2,99	3,21	3,39	3,33	3,09
EUR 76,225 to EUR 304,898	3,03	3,27	3,20	3,17	2,74
EUR 304,898 to EUR 1,524,490	2,48	2,69	2,57	2,27	1,74
over EUR 1,524,490	2,24	2,35	2,28	1,87	1,40
Overdrafts					
up to EUR 15,245	10,56	10,63	10,21	9,96	9,85
EUR 15,245 to EUR 45,735	7,82	7,84	7,60	7,21	6,62
EUR 45,735 to EUR 76,225	5,28	5,60	5,59	5,57	5,21
EUR 76,225 to EUR 304,898	3,37	3,84	3,93	3,69	3,33
EUR 304,898 to EUR 1,524,490	2,29	2,66	2,79	2,53	2,18
over EUR 1,524,490	1,89	2,27	2,14	1,98	1,70
Other short-term loans					
up to EUR 15,245	3,95	4,14	4,24	4,18	3,90
EUR 15,245 to EUR 45,735	3,72	3,98	4,14	3,91	3,49
EUR 45,735 to EUR 76,225	3,49	3,77	3,67	3,48	3,18
EUR 76,225 to EUR 304,898	2,91	3,27	3,17	3,01	2,69
EUR 304,898 to EUR 1,524,490	2,32	2,57	2,69	2,52	2,04
over EUR 1,524,490	2,05	2,30	2,41	2,38	1,98
Medium and long-term loans					
up to EUR 15,245	3,70	4,11	4,06	4,21	4,13
EUR 15,245 to EUR 45,735	3,57	3,91	3,85	3,98	3,80
EUR 45,735 to EUR 76,225	3,50	3,86	3,86	3,97	3,77
EUR 76,225 to EUR 304,898	3,65	3,92	3,90	4,00	3,83
EUR 304,898 to EUR 1,524,490	3,53	3,77	3,80	3,95	3,61
over EUR 1,524,490	3,10	3,47	3,47	3,23	2,84

Source: Banque de France.

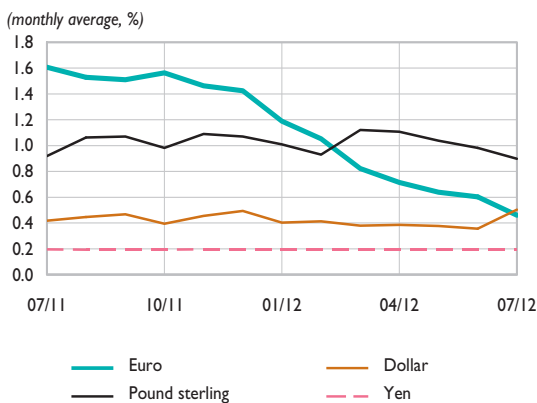
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Table 27
Interest rates

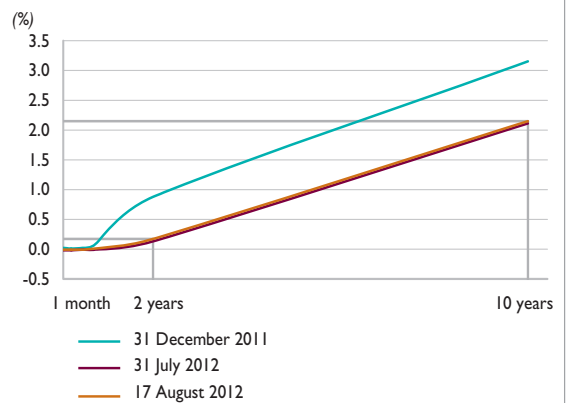
(%)

	Monthly average ^{a)}										Key interest rates at 17/08/12	
	2011			2012								
	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July		
Short-term interbank interest rates												
Euro												0.75
Overnight	0.91	0.72	0.58	0.38	0.38	0.28	0.27	0.28	0.27	0.14	0.14	
3-month	1.56	1.46	1.42	1.19	1.05	0.82	0.71	0.64	0.60	0.46	0.46	
1-year	2.10	1.99	2.01	1.79	1.60	1.35	1.24	1.17	1.14	1.00	1.00	
Pound sterling												0.50
Overnight	0.60	0.62	0.61	0.63	0.62	0.58	0.58	0.54	0.56	0.55	0.55	
3-month	0.98	1.09	1.07	1.01	0.93	1.12	1.11	1.04	0.98	0.90	0.90	
1-year	1.71	1.80	1.74	1.75	1.66	1.84	1.69	1.69	1.54	1.51	1.51	
Dollar												0.25
Overnight	0.20	0.22	0.16	0.15	0.14	0.17	0.12	0.15	0.14	0.10	0.10	
3-month	0.39	0.45	0.49	0.40	0.41	0.38	0.39	0.38	0.36	0.50	0.50	
1-year	1.02	1.11	1.16	1.15	1.15	1.13	1.04	1.14	1.09	1.11	1.11	
Yen												0.10
Overnight	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.10	0.10	
3-month	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
1-year	0.73	0.82	0.86	0.63	0.57	0.55	0.56	0.52	0.53	0.52	0.52	
10-year benchmark government bond yields ^{b)}												
France	2.99	3.41	3.16	3.18	3.02	2.95	2.99	2.75	2.57	2.28	2.28	
Germany	2.04	1.94	2.01	1.86	1.90	1.88	1.72	1.46	1.43	1.31	1.31	
Euro area	4.09	4.41	4.11	3.92	3.75	3.29	3.39	3.53	3.41	3.25	3.25	
United Kingdom	2.49	2.23	2.13	2.04	2.13	2.25	2.12	1.87	1.67	1.55	1.55	
United States	2.14	2.02	1.99	1.95	1.97	2.16	2.03	1.79	1.61	1.51	1.51	
Japan	1.01	0.99	1.01	0.98	0.97	1.01	0.95	0.86	0.84	0.78	0.78	

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 13 June to 10 July 2012)

	Liquidity providing	Liquidity absorbing	Net contribution
Contribution to banking system liquidity			
(a) Eurosystem monetary policy operations	1,518.2	981.5	536.8
Main refinancing operations	160.7		160.7
Longer-term refinancing operations	1,074.9		1,074.9
Standing facilities	1.8	770.6	-768.8
Other	280.7	210.9	69.8
(b) Other factors affecting banking system liquidity	606.1	1,031.3	-425.2
Banknotes in circulation		892.5	-892.5
Government deposits with the Eurosystem		138.8	-138.8
Net foreign assets (including gold)	666.7		666.7
Other factors (net)	-60.6		-60.6
(c) Reserves maintained by credit institutions (a) + (b)			111.5
<i>including reserve requirements</i>			<i>106.9</i>

Net contribution to banking system liquidity

(EUR billions, daily average for the reserve maintenance period from 13 June to 10 July 2012)

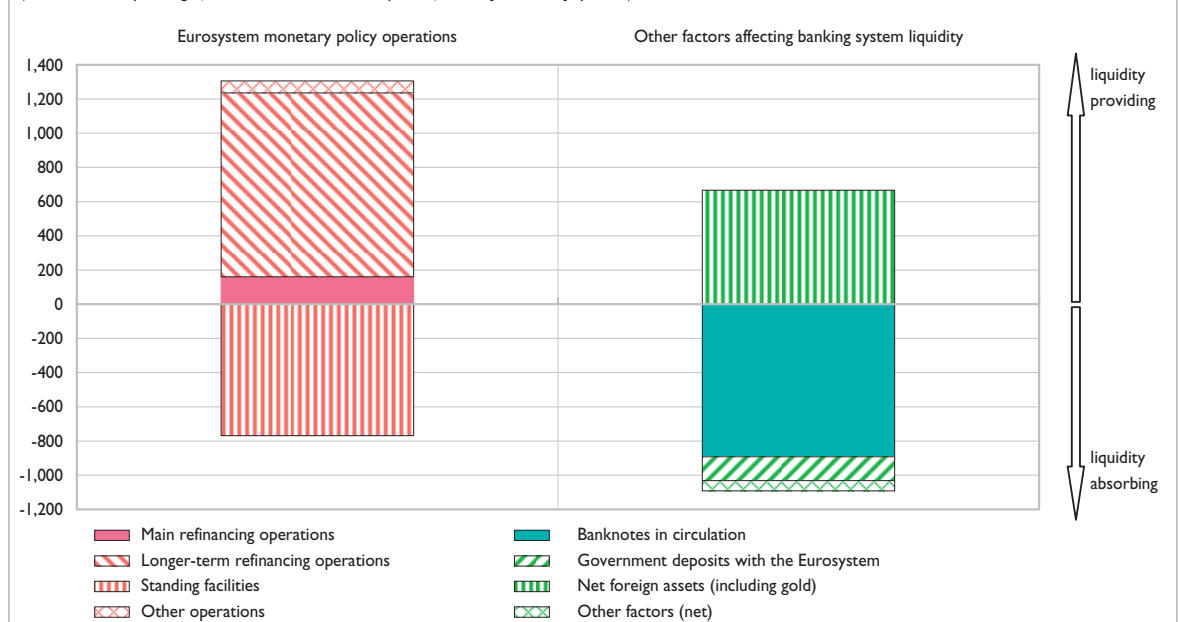


Table 29
Eurosystem key rates; minimum reserves

(%)

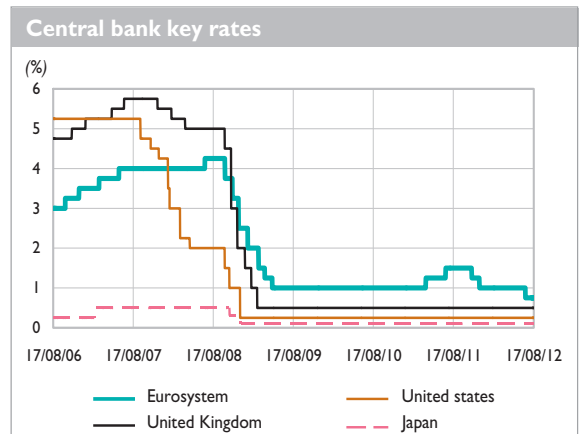
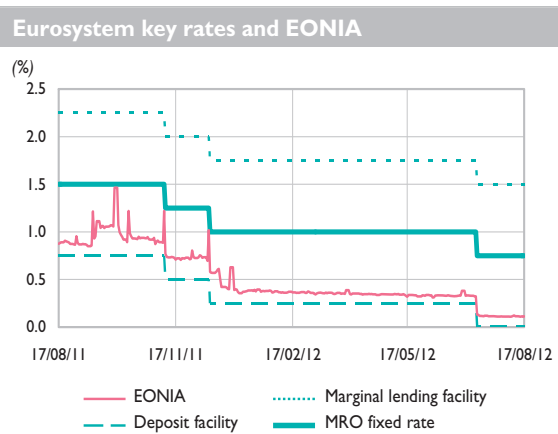
Key rates for the Eurosystem (latest changes)							
Main refinancing operations				Standing facilities			
Date of		Fixed rate	Date of		Deposit	Marginal lending	
decision	settlement		decision	settlement			
03/11/11	09/11/11	1.25	03/11/11	09/11/11	0.50	2.00	
08/12/11	14/12/11	1.00	08/12/11	14/12/11	0.25	1.75	
05/07/12	11/07/12	0.75	05/07/12	11/07/12	0.00	1.50	

(%)

Main refinancing operations				Longer-term refinancing operations		
		Marginal rate	Weighted average rate			Marginal rate
2012	4 July ^{a)}	1.00	1.00	2012	31 May	1.00
	11 July	0.75	0.75		13 June	1.00
	18 July	0.75	0.75		28 June	1.00
	25 July	0.75	0.75		11 July	0.75
	1 August	0.75	0.75		26 July	0.75
	8 August	0.75	0.75		8 August	0.75

(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	
2012	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
	8 May	105.22	19.83	110.49	22.34	5.27	2.51	1.00
	12 June	106.58	19.78	110.79	21.96	4.21	2.18	1.00
	10 July	106.91	20.03	111.53	21.71	4.62	1.68	1.00
	7 August	106.99	20.04	510.23	80.63	403.24	60.60	0.75



a) Fixed rate tender procedure.

Sources: European Central Bank, ESCB.

Produced 21 August 2012

Table 30
Negotiable debt securities – France

Certificates of deposit			
	EUR billions ^{a)}		Number of issuers
	Issues	Stocks	
19/05/12 to 25/05/12	103.56	406.78	174
26/05/12 to 01/06/12	77.97	401.03	174
02/06/12 to 08/06/12	102.04	399.68	175
09/06/12 to 15/06/12	109.05	397.54	175
16/06/12 to 22/06/12	87.55	397.67	173
23/06/12 to 29/06/12	104.81	394.28	173
30/06/12 to 06/07/12	83.94	385.13	172
07/07/12 to 13/07/12	88.66	387.81	171
14/07/12 to 20/07/12	103.55	395.26	172
21/07/12 to 27/07/12	88.72	400.08	172
28/07/12 to 03/08/12	93.68	404.66	171
04/08/12 to 10/08/12	104.43	414.19	171
11/08/12 to 17/08/12	76.09	414.44	171

Commercial paper			
	EUR billions ^{a)}		Number of issuers
	Issues	Stocks	
19/05/12 to 25/05/12	12.96	70.62	86
26/05/12 to 01/06/12	6.12	69.17	88
02/06/12 to 08/06/12	5.14	67.56	91
09/06/12 to 15/06/12	9.47	68.77	91
16/06/12 to 22/06/12	6.56	68.01	88
23/06/12 to 29/06/12	7.70	64.78	86
30/06/12 to 06/07/12	7.19	65.18	89
07/07/12 to 13/07/12	8.94	66.83	89
14/07/12 to 20/07/12	9.24	67.60	84
21/07/12 to 27/07/12	8.02	68.03	87
28/07/12 to 03/08/12	5.89	68.68	88
04/08/12 to 10/08/12	6.42	67.61	86
11/08/12 to 17/08/12	4.96	67.21	85

Negotiable medium-term notes			
	EUR billions ^{a)}		Number of issuers
	Issues	Stocks	
19/05/12 to 25/05/12	0.06	77.02	122
26/05/12 to 01/06/12	0.20	76.86	122
02/06/12 to 08/06/12	2.56	77.29	122
09/06/12 to 15/06/12	0.32	76.46	121
16/06/12 to 22/06/12	0.32	76.63	120
23/06/12 to 29/06/12	0.33	76.68	119
30/06/12 to 06/07/12	0.21	76.58	119
07/07/12 to 13/07/12	0.26	76.48	117
14/07/12 to 20/07/12	0.14	76.49	116
21/07/12 to 27/07/12	0.60	75.97	117
28/07/12 to 03/08/12	0.07	75.00	117
04/08/12 to 10/08/12	0.63	75.48	117
11/08/12 to 17/08/12	0.27	75.22	117

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).

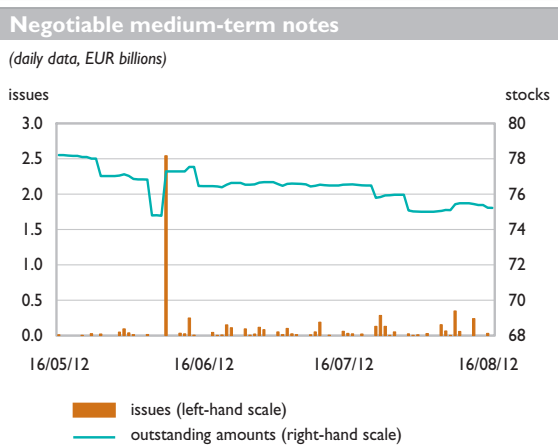
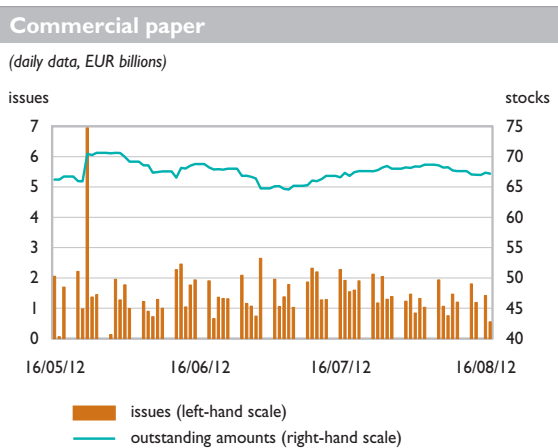
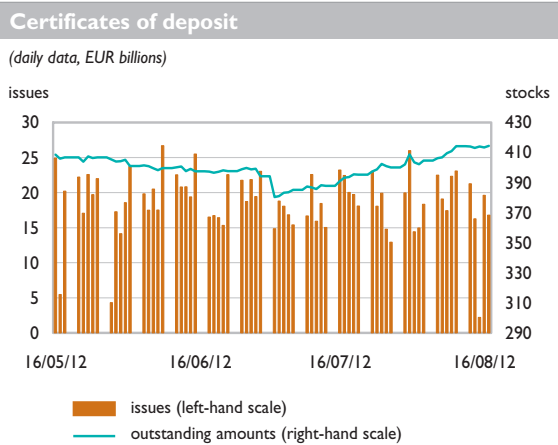


Table 3 I
Negotiable debt securities – France

Certificates of deposit

(daily outstanding amounts in EUR billions)



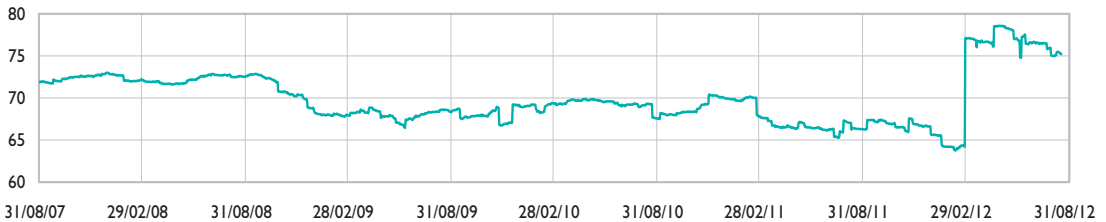
Commercial paper

(daily outstanding amounts in EUR billions)



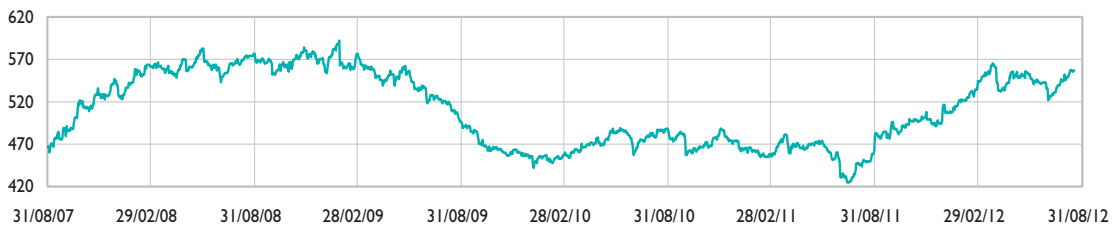
Negotiable medium-term notes

(daily outstanding amounts in EUR billions)



Negotiable debt securities, cumulated outstandings

(daily outstanding amounts in EUR billions)



Source: Banque de France.

Produced 21 August 2012

Table 32
Mutual fund shares/units – France

(EUR billions)

	2011		2012	2012
	Sept.	Dec.	March	June
Net assets of mutual fund shares/units by category				
Money-market funds	364.35	351.05	379.52	387.89
Bond mutual funds	189.37	190.90	205.53	
Equity mutual funds	218.89	225.12	241.92	
Mixed funds	240.90	239.26	246.49	
Funds of alternative funds	14.70	16.66	15.44	
Guaranteed-performance mutual funds	0.00	0.00	0.00	
Structured funds ("fonds à formule")	55.69	53.99	52.68	

Net assets of money-market funds

(EUR billions)

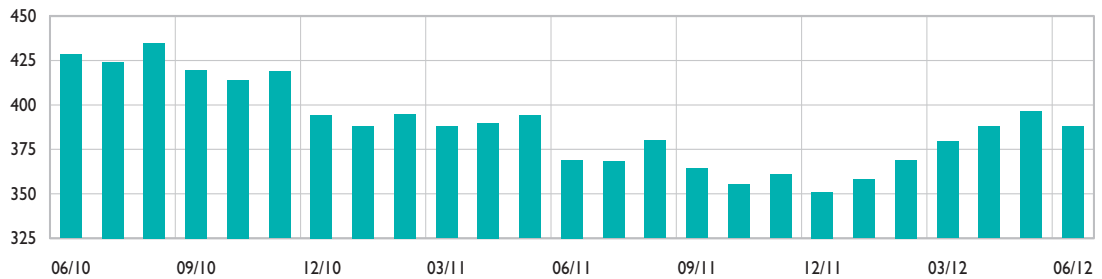


Table 33
Debt securities and quoted shares issued by French residents

(EUR billions)

	Outstanding amounts ^{a)}		Net issues ^{b)}			
	2011	2012	12-month total	2012		
	June ^{c)}	June ^{c)}		April ^{c)}	May ^{c)}	June ^{c)}
Debt securities issued by French residents						
Total	3,179.4	3,370.7	191.3	11.2	-6.8	13.7
Non-financial corporations	412.3	465.0	52.6	7.2	1.2	6.2
Short-term (≤ 1 year)	31.7	44.4	12.7	5.1	1.3	0.6
Long-term (> 1 year)	380.6	420.6	40.0	2.1	-0.2	5.6
General government	1,462.2	1,567.8	105.6	-2.3	5.8	11.7
Short-term (≤ 1 year)	235.2	225.7	-9.5	-9.5	-1.1	1.6
Long-term (> 1 year)	1,227.0	1,342.1	115.1	7.3	6.9	10.1
Monetary financial institutions ^{d)}	1,126.9	1,183.2	56.3	7.5	-9.5	-2.9
Short-term (≤ 1 year)	281.9	338.9	56.9	5.6	-7.8	-0.2
Long-term (> 1 year) ^{d)}	845.0	844.4	-0.6	1.9	-1.7	-2.7
Non-monetary financial institutions ^{e)}	178.0	154.7	-23.2	-1.2	-4.4	-1.3

(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
	June	June		May	June		
French quoted shares							
Total	1,397.6	1,128.5	9.8	0.5	0.1	14.5	4.7
Non-financial corporations	1,200.1	1,014.2	7.0	0.3	-0.2	11.7	4.6
Monetary financial institutions	141.9	74.5	2.3	0.2	0.2	2.3	0.0
Non-monetary financial institutions	55.7	39.9	0.5	0.0	0.1	0.5	0.0

a) Nominal values for outstanding amounts of debt securities.

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

c) Data possibly revised.

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

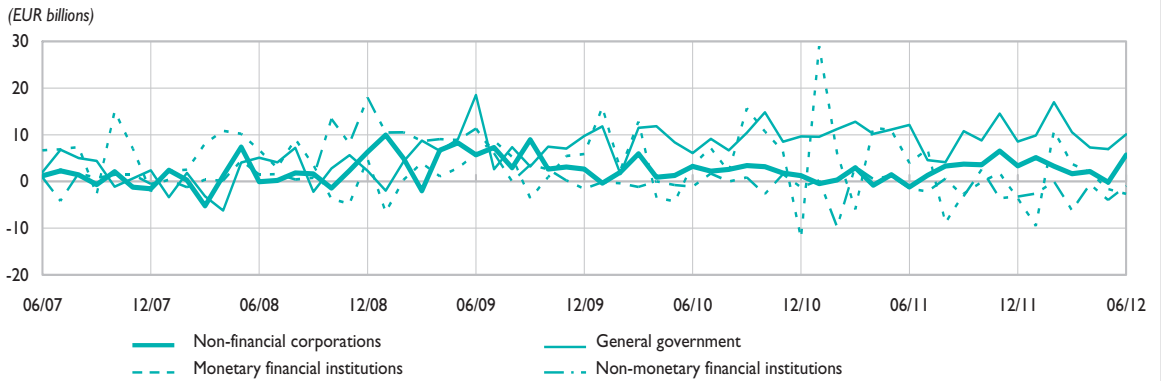
e) Including units issued by SPVs.

f) Market values for outstanding amounts of quoted shares.

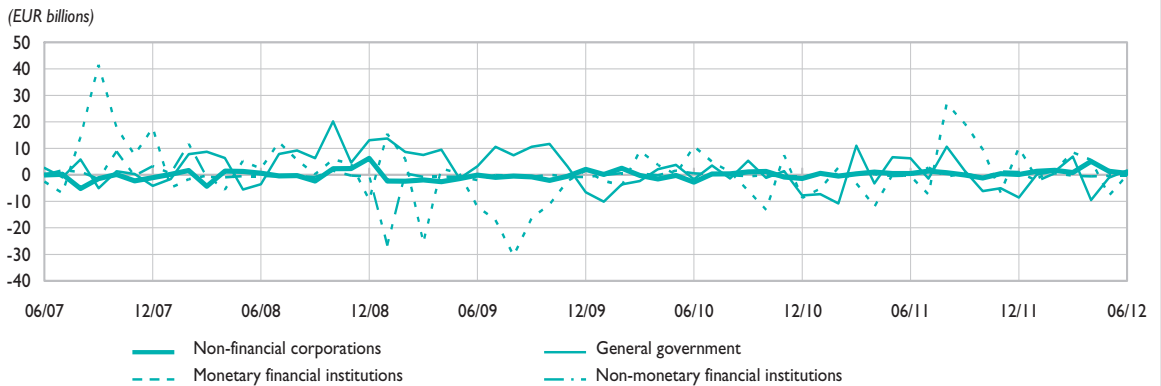
g) Non-seasonally adjusted data.

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)

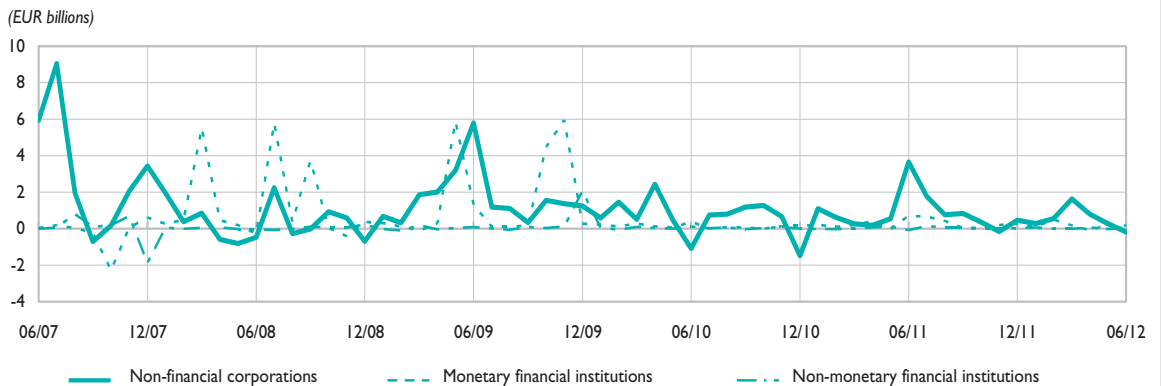


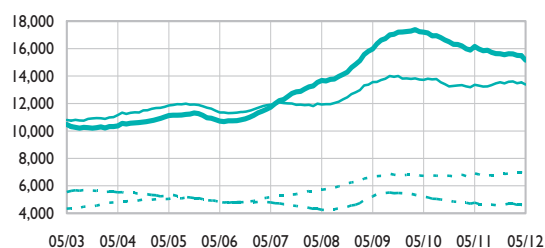
Table 35
Company failures by economic sector – France

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

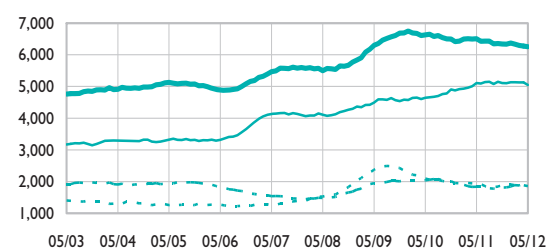
	2011								2012				
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May
Agriculture, forestry and fishing (AZ)	1,248	1,229	1,240	1,232	1,233	1,258	1,253	1,245	1,262	1,271	1,247	1,252	1,245
Industry (BE)	4,776	4,682	4,678	4,675	4,635	4,597	4,599	4,633	4,698	4,703	4,608	4,608	4,500
Construction (FZ)	16,156	15,973	15,848	15,879	15,723	15,633	15,624	15,549	15,625	15,610	15,502	15,478	15,161
Trade and automotive repair (G)	13,355	13,301	13,231	13,241	13,342	13,463	13,547	13,467	13,579	13,601	13,477	13,538	13,382
Transportation and storage (H)	1,836	1,837	1,791	1,785	1,778	1,762	1,807	1,819	1,844	1,889	1,875	1,928	1,910
Accommodation and restaurant services (I)	6,914	6,839	6,745	6,749	6,777	6,773	6,857	6,872	6,910	6,920	6,962	6,964	6,868
Information and communication sector (JZ)	1,565	1,552	1,553	1,554	1,534	1,546	1,537	1,555	1,597	1,598	1,549	1,563	1,572
Financial and insurance activities (KZ)	1,112	1,083	1,068	1,082	1,139	1,139	1,163	1,157	1,185	1,203	1,173	1,187	1,165
Real estate activities (LZ)	1,954	1,914	1,850	1,831	1,822	1,841	1,880	1,901	1,907	1,880	1,857	1,884	1,855
Business support activities (MN)	6,510	6,425	6,434	6,432	6,345	6,358	6,341	6,336	6,373	6,334	6,293	6,274	6,252
Education, human health, social work and household services (P to S)	5,107	5,093	5,139	5,149	5,078	5,149	5,110	5,103	5,134	5,133	5,126	5,131	5,046
Sector unknown	93	95	94	94	99	100	104	104	111	107	107	108	101
Total sectors	60,626	60,023	59,671	59,703	59,505	59,619	59,822	59,741	60,225	60,249	59,776	59,915	59,057

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)

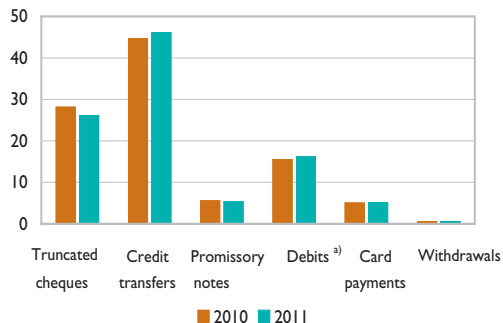
	2008	2009	2010	2011	2012			2012
					May	June	July	Share
Cheques	6,533	5,700	5,590	5,478	4,542	4,999	5,521	25.0
Credit transfers	8,413	8,473	8,865	9,646	9,224	10,856	10,711	48.6
of which SEPA credit transfers	29	95	683	2,555	3,634	4,498	4,441	20.1
Promissory notes	1,523	1,250	1,138	1,142	1,070	1,099	1,060	4.8
Direct debits	1,814	1,801	1,827	1,938	1,937	1,952	1,931	8.8
Interbank payment orders	147	143	133	130	119	65	70	0.3
Electronic payment orders	1,061	1,082	1,141	1,343	1,396	1,835	1,390	6.3
Card payments	921	957	1,009	1,085	1,100	1,160	1,213	5.5
ATM withdrawals	142	143	140	145	147	151	162	0.7
Total	20,554	19,550	19,844	20,907	19,534	22,118	22,057	100.0

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

	2008	2009	2010	2011	2012			2012
					May	June	July	Share
Cheques	10,996	10,287	9,507	9,112	8,194	8,718	8,750	16.2
Credit transfers	7,425	7,527	7,356	7,549	6,870	8,152	7,499	13.9
of which SEPA credit transfers	13	38	270	1,400	1,828	2,416	2,230	4.1
Promissory notes	355	334	311	303	289	304	293	0.5
Direct debits	7,864	8,163	8,194	8,502	8,694	8,710	8,800	16.3
Interbank payment orders	425	394	364	342	279	264	273	0.5
Electronic payment orders	47	56	66	76	118	67	102	0.2
Card payments	19,219	20,542	21,505	22,969	23,638	24,723	25,705	47.6
ATM withdrawals	2,462	2,454	2,375	2,422	2,475	2,545	2,576	4.8
Total	48,794	49,757	49,677	51,275	50,557	53,483	53,997	100.0

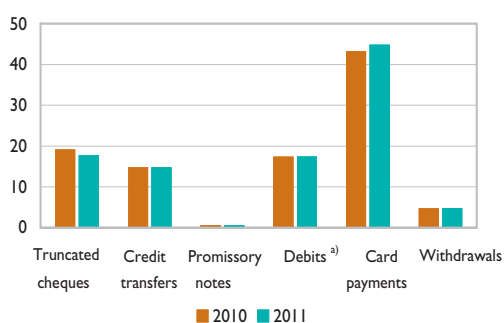
Market share developments
for main non-cash means of payment

(% 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.

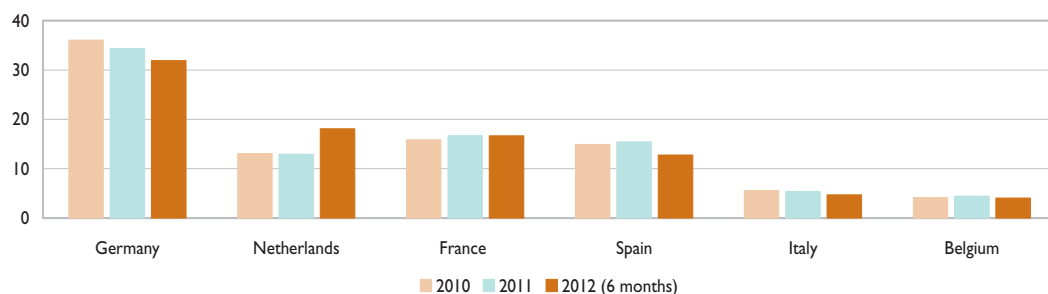
Table 37
Large-value payment systems – EU

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

	2008	2009	2010	2011	2012			2012
					May	June	July	Share
France	398	367	365	398	493	484	451	18.5
Germany	972	707	829	818	896	769	687	28.1
Austria	59	28	27	27	31	26	25	1.0
Belgium	152	106	95	106	107	109	101	4.1
Cyprus	1	2	2	2	3	3	3	0.1
Spain	331	356	342	367	318	366	350	14.3
Finland	33	28	35	47	99	99	89	3.6
Greece	30	29	28	23	14	33	31	1.3
Ireland	32	30	30	21	18	19	17	0.7
Italy	221	133	129	129	115	121	117	4.8
Luxembourg	60	40	40	57	71	77	77	3.1
Malta	0	0	0	0	1	1	1	0.0
Netherlands ^{a)}	264	287	300	308	490	520	422	17.3
Portugal	16	17	20	22	15	19	14	0.6
Slovakia	–	3	3	3	5	5	3	0.1
Slovenia	2	2	2	2	3	4	3	0.1
EPM-ECB	43	47	37	36	37	37	35	1.4
Total TARGET2 euro area^{b)}	2,614	2,182	2,283	2,367	2,716	2,692	2,427	99.3
Non-euro area	53	16	16	17	16	18	16	0.7
Total TARGET2 EU^{b)}	2,667	2,198	2,299	2,383	2,732	2,710	2,443	100.0
Euro1^{c)}	287	255	241	249	238	248	222	

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.

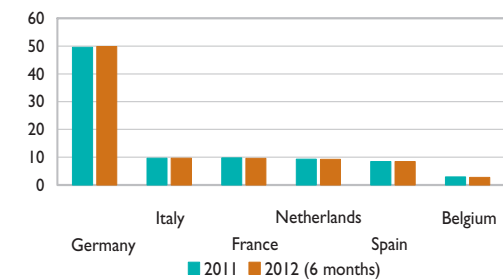
Table 38
Large-value payment systems – EU

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

	2008	2009	2010	2011	2012			2012
					May	June	July	Share
France	25,992	29,773	31,850	34,141	32,614	36,640	34,937	9.6
Germany	181,625	174,695	173,218	172,884	173,759	180,090	177,290	48.9
Austria	14,199	6,539	5,266	6,294	6,506	6,799	6,994	1.9
Belgium	9,884	8,517	9,454	10,265	10,574	10,238	10,772	3.0
Cyprus	392	389	466	515	639	666	652	0.2
Spain	36,167	29,580	29,195	29,509	29,740	31,296	30,723	8.5
Finland	1,587	1,652	1,589	1,571	1,596	1,688	1,566	0.4
Greece	5,117	5,692	5,904	5,861	4,578	4,555	3,900	1.1
Ireland	5,139	4,824	4,961	4,376	4,096	4,330	4,813	1.3
Italy	36,491	33,943	33,649	33,643	34,794	35,547	36,659	10.1
Luxembourg	3,037	2,847	3,033	3,229	2,848	3,260	4,107	1.1
Malta	50	59	65	72	156	152	177	0.0
Netherlands ^{a)}	37,745	36,930	33,304	32,490	31,516	33,390	33,580	9.3
Portugal	5,072	4,191	4,206	4,165	4,294	4,283	4,216	1.2
Slovakia	–	606	582	730	1,108	1,166	1,092	0.3
Slovenia	3,018	3,073	3,023	3,039	2,827	2,808	2,735	0.8
EPM-ECB	176	312	333	379	582	586	577	0.2
Total TARGET2 euro area ^{b)}	365,690	343,621	340,099	343,160	342,229	357,495	354,790	97.9
Non-euro area	4,277	2,364	3,281	5,344	7,279	7,497	7,674	2.1
Total TARGET2 EU ^{b)}	369,967	345,985	343,380	348,505	349,508	364,992	362,464	100.0
Euro1 ^{c)}	250,766	227,674	230,124	242,499	263,684	268,381	266,284	

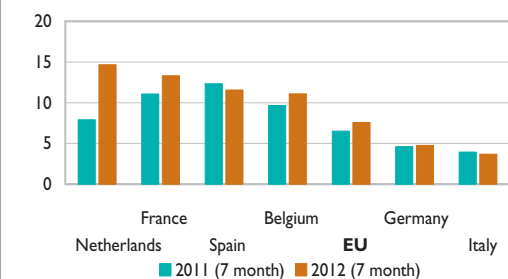
Market share of each financial centre in the TARGET2 system

(% of volumes exchanged)



Average transaction amount in the TARGET2 system

(EUR millions)



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

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

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

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

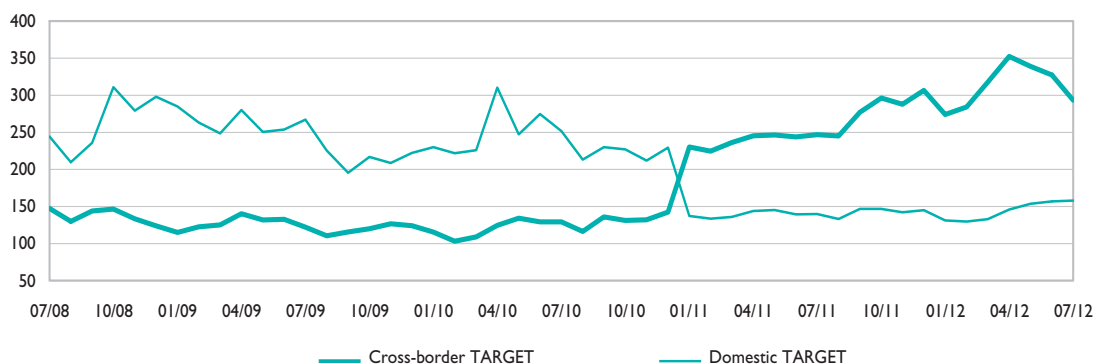
Table 39
Large-value payment systems – France

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

	2008	2009	2010	2011	2012			2012
					May	June	July	Share
Collateral used in domestic TARGET^{b)}								
French negotiable securities	51.2	114.6	105.7	81.6	128.0	128.2	126.2	33.9
Private claims	79.9	129.0	149.8	146.4	195.8	196.6	198.1	53.2
Securities collateralised through CCBM	62.8	79.9	76.9	60.5	49.4	47.1	46.0	12.4
Other securities ^{c)}	8.2	7.9	5.9	3.5	1.1	2.4	2.1	0.6
Total	202.1	331.3	338.3	292.0	374.3	374.3	372.4	100.0

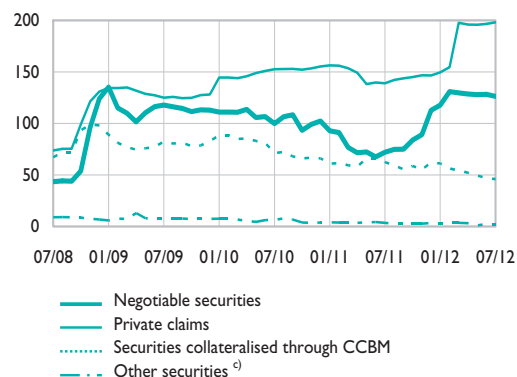
Monthly change in amounts exchanged in French payment systems^{a)}

(EUR billions, daily average)

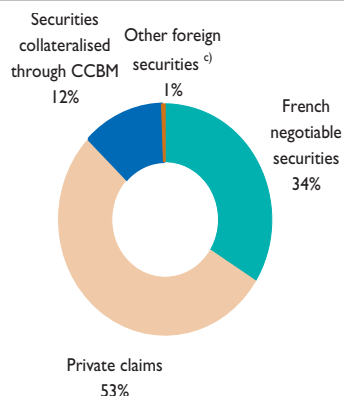


Monthly change in collateral^{b)}

(EUR billions, daily average)



Collateral used in July 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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