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How do VAT changes affect inflation in France?

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VAT rates changed in France on 1 January 2014 to finance the plan to stimulate business competitiveness: the standard and intermediate rates increased from 19.6% to 20% and from 7% to 10% respectively, while the reduced rate remained unchanged at 5.5%. Since VAT is a tax that is proportional to the value excluding tax of the good or service sold, changes in VAT rates should theoretically impact consumer prices. So how are these VAT changes expected to affect inflation?

This article makes an empirical assessment of the direct inflationary impact[1] of VAT changes since 1995. VAT changes have often had significant but short-lived effects on retailers' adjustment behaviour and on inflation. We find that approximately 80% of VAT changes are passed on to consumer prices one quarter after the rate change.

Many euro area countries recently raised their VAT rates, and indirect taxation contributed close to 0.5 of a percentage point (pp) to euro area inflation in 2012 and 2013. In France, the VAT rate changes on 1 January 2014 are likely to result in an increase in inflation of between 0.4 and 0.5 pp. The price adjustment should be swift and the inflationary effects of the VAT changes will last just a few months. In the current setting of moderate inflation (close to 1% year-on-year), these changes to VAT rates do not pose a major risk to price stability.

Key words: inflation, VAT, price adjustment

JEL codes: E31, E62, H22

1 *Excluding second-round effects due to macroeconomic adjustments (impact on consumer spending or price-wage spiral, for example).*

Since 2010, many euro area countries have undertaken substantial fiscal consolidation in response to the need to curb government debt. In particular, to boost revenues, some governments have opted to raise rates of direct taxation, such as income tax, and indirect taxation, i.e. consumer taxes generally levied by retailers on the State's behalf. Changes in indirect taxation influence prices because the after-tax price paid by the consumer is the sum of the before-tax price, whose payment is kept by the merchant as earnings, and taxes. Indirect taxes comprise taxes that are proportional to the value of the good, such as value added tax (VAT), and excise duties, which are charged per unit of the good sold (examples in France include the internal consumption tax on energy products and duties on alcoholic drinks). Since 2010, the contribution of indirect taxes to euro area inflation has increased, rising to around 0.5 pp in 2012 (ECB, 2011 and ECB, 2012).

As part of France's National Pact for Growth, Competitiveness and Employment, two VAT rates in France were changed on 1 January 2014: the standard rate went from 19.6% to 20% and the intermediate rate from 7% to 10%. How are these changes likely to affect inflation in France? If we assume that when standard and intermediate VAT rates change retailers do not adjust before-tax prices and pass on these changes in full to after-tax prices, then the two VAT increases should add just under 0.2 and 0.4 pp respectively to inflation, giving a theoretical impact from the VAT changes of slightly less than 0.6 pp of inflation in January 2014.

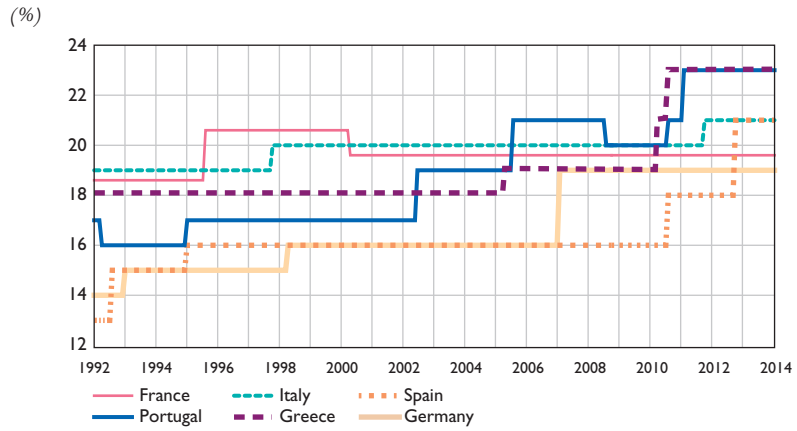
But the pass-through of VAT changes to inflation may be slow and partial. Section one of this article considers the linkage between VAT and inflation. From an analysis of VAT changes since 1995, we estimate in section two the degree and speed of the pass-through of VAT changes to inflation. In the final section, we conclude that in the event of a partial adjustment, the short-term impact of changes in VAT rates on inflation could be between 0.4 and 0.5 pp, and that the adjustment would be swift and concentrated in the month of January. In the current context of moderate inflation (close to 1%), the impact of these VAT changes does not present a major risk for price stability.

1| What effect is a VAT change expected to have on consumer prices?

In France, several indirect taxes were modified recently: a tax on soft drinks[2] and an intermediate VAT band were created in January 2012, and the excise duty on beer went up in October 2012. However, these

2 *See Berardi* et al. *(2012) for an assessment of the impact of this tax on prices.*

Chart 1 Standard VAT rate in six euro area countries



Source: European Commission.

taxation changes had a relatively moderate impact on aggregate inflation (Insee, 2012). VAT is the number-one source of tax revenues in France, generating approximately EUR 140 billion in 2012,[3] and in recent years has been one of the most commonly used indirect taxation instruments to make tax adjustments in euro area countries (see Chart 1). In Spain, for example, the standard rate of VAT increased from 16% to 21% between 2010 and 2013.

In France, four VAT rates apply to different classes of household consumption.[4] The standard rate of 19.6% covers approximately 55% of products in the price index, including virtually all manufactured products, alcohol, tobacco, energy and one-quarter of services. The intermediate rate of 7% applies to around 15% of the price index, particularly to some services (including restaurants, home improvement, transport and cultural services) and to a few goods such as non-refunded health products. The reduced rate of 5.5% chiefly concerns food products, or less than 20% of the price index. The super-reduced rate of 2.1% applies to products that account for a marginal share of consumer spending, including medicine refunded by Social Security and newspapers.[5]

Changes to VAT rates impact prices because the price paid by the consumer represents the sum of the before-tax price (comprising the cost of producing the good or service and the company's margins) and taxes proportional to the price before tax. However, the impact of a change in VAT on consumer spending may not be full or immediate (see Box 1).

3 Total indirect taxation revenues come to slightly more than EUR 200 billion.

4 VAT rates applicable in the overseas departments and communities are different but will not be changed in 2014. Some goods and services in Corsica are also subject to different VAT rates compared with those in mainland France. These differences are not included in the assessments.

5 Slightly over 10% of the consumer price index (CPI) comprises VAT-exempt services, including rents, medical services, financial services and insurance.

Box 1

Effects of a change in VAT rates on consumer prices: the impact may be mitigated by an adjustment to before-tax prices

VAT is proportional to the before-tax price (HT) (i.e. the producer price) and is added to it to create the after-tax price, which is what is effectively paid by the consumer:

$$p_{TTC} = (1 + \tau) \times p_{HT}$$

where p_{TTC} *is the after-tax price,* τ *is the VAT rate and* p_{HT} *is the before-tax price.*

In the event of a change in the VAT rate (from τ *to* τ'*), pass-through of the change in the VAT rate to the after-tax price depends on the reaction of the before-tax price:*

(i) If the before-tax price is not changed (see Chart a), the after-tax price reflects only the change in VAT rate. This effect corresponds to full pass-through of the change in VAT to the after-tax price. The rate of change in the after-tax price resulting from this "mechanical" impact of a VAT change on the after-tax price is written:

$$\frac{p_{TTC}' - p_{TTC}}{p_{TTC}} = \frac{\tau' - \tau}{1 + \tau}$$

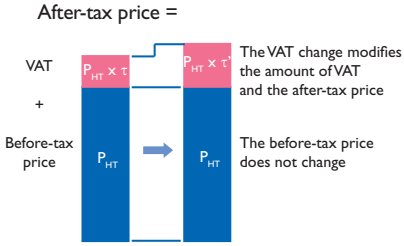
For example, when the standard rate was increased from 18.6 to 20.6% in 1995, the mechanical impact was $\frac{2}{1.186} = +1.69\%$

(ii) Conversely, retailers may opt to adjust the before-tax price (to cushion the impact of the VAT increase on demand, for example) to maintain a constant after-tax price (see Chart b). This effect corresponds to no pass-through of the VAT change.

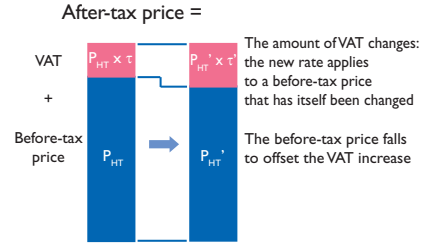
Intermediate situations between these two extremes reflect partial transmission of VAT changes to after-tax prices.

Impact on prices of an increase in VAT

a) Full pass-through to after-tax prices



b) No pass-through to after-tax prices



The price response to VAT changes could be partial, as VAT changes may lead to changes in behaviour by consumers and companies. For example, following a VAT increase, consumer demand may decline (especially if the increase in VAT is large), so companies may do well to absorb some of the VAT increase into their margins to prevent an excessive slump in demand (see Carbonnier, 2009, for a detailed theoretical study). The reaction by companies might thus depend on the size of the reaction by demand to changes in VAT rates and the level of competition of each market.

Furthermore, the price adjustment could be progressive as prices are not changed continuously by retailers, and the impact of a change in VAT could then be transmitted slowly to inflation. In France, the average time between two price changes is estimated to be approximately six months, albeit with substantial differences between sectors: energy and food prices are changed frequently while prices for services are changed just once a year (Baudry *et al.* 2005). The relative infrequency of price changes may be due to the related costs, such as relabeling, data collection and other costs.[6] It is thus possible that following an economic shock, companies may not immediately change their prices, which are then described as "sticky". Finally, the process of gathering information on the economic environment before a price change may be costly for retailers. Spacing out price changes over time makes it possible to lower these informational costs and might lead retailers to revise their prices only at certain periods of the year (Zbaracki *et al.*, 2004). In France, for example, price changes are much more frequent in the first quarter (Berardi *et al.*, 2013), which could, for example, promote swift pass-through to prices of VAT changes in January 2014.

2| Assessing the inflationary impact of VAT changes in France since 1995

French VAT rates have been changed several times in the last 20 years (see Table 1).[7] This section assesses the effects of these changes on price adjustments to provide a more accurate forecast of the likely effects of the VAT changes in January 2014.

It remains hard, including in an ex post assessment, to make *ceteris paribus* assumptions because many shocks may occur at the time of the VAT change. Observed price changes coinciding with a change in VAT may stem partly from other factors, and it is impossible to observe directly how inflation might have changed if VAT had not been modified. Yet the precise measurement of the inflationary impact of a VAT change does

6 *Gautier (2009) for a detailed description of theoretical models of price stickiness.*
7 *Before 1995, there was a higher rate that was gradually reduced (from 33.3% to 22%) and then eliminated in 1992; the reduced rate was cut from 7% to 5.5% in January 1989.*

Table 1 History of changes to French VAT rates since 1995

(% and in percentage points)

Date	Description	Mechanical impact on affected prices [a]	HICP share of affected products [b]	Mechanical impact on overall inflation (col. 3 x col. 4)	Estimated impact on overall inflation [c]
August 1995	Increase in standard rate (18.6% to 20.6%)	+1.7	57	1 point	0.8 point
Sept. 1999	Switch to reduced rate for home improvements (20.6% to 5.5%)	-12.5	1	-0.1 point	-0.1 point
April 2000	Reduction in standard rate (20.6% to 19.6%)	-0.8	60	-0.5 point	-0.1 point
July 2009	Switch to reduced rate for restaurants (19.6% to 5.5%)	-7.5 [d]	4	-0.3 point	-0.1 point
Jan. 2012	Creation of intermediate rate (5.5% to 7%)	+1.4	12	0.2 point	0.15 point

a) The mechanical impact is measured by assuming full pass-through to after-tax prices and no change to the before-tax price (see Box 1).
b) Shares are calculated from (annual) HICP weightings at a level of disaggregation that does not permit fine distinctions for certain sets of products and services subject to different VAT rates. The HICP shares of different VAT rates presented in the table are therefore slightly approximate.
c) To obtain the estimated impact of VAT changes on overall inflation, the impact of the VAT change is first measured by applying the double difference method (see Box 2) either to the broad index excluding energy, food and tobacco or to the sector index and multiplying the impact by the HICP share of the affected product.
d) The mechanical impact of a switch from 19.6% to 5.5% is -11.8%. However, since some restaurant services were not affected by the change in VAT (takeaway sales, alcohol, etc.), we used a mechanical impact of -7.5%, consistent with the assessment given in Senate Report No. 42 (2010-2011) by Senator Houel.

indeed correspond to the difference between inflation observed after the change and the "counterfactual" inflation that would have been observed without the change. To estimate counterfactual inflation, it is necessary to construct a measure of inflation that is as close as possible to what inflation would have been without the VAT change. In this article, this measure is reconstructed based on inflation in neighbouring countries that display similar consumer spending structures but that are not affected by French VAT changes. We use euro area inflation (excluding France) for this.[8] The impact of the VAT change is thus assessed as the difference between inflation gaps in France and the euro area before and after the VAT change (see Box 2).

Box 2

Empirical measure of the impact of changes to VAT rates

Our empirical measure of the pass-through of changes in VAT rates to after-tax prices is based on a "difference in differences" method. We illustrate the use of this method by applying it to the effect on the harmonised index of consumer prices (HICP) excluding energy, food and tobacco of the increase in the standard rate from 18.6% to 20.6% in August 1995.

8 Employing German data, Carare and Danninger (2008) use inflation in products subject to the reduced rate of VAT, while Insee (2012 and 2013) uses forecast inflation without a VAT change using a time series model.

We begin by calculating the difference between monthly changes in the price index in France from August 1995 and monthly average changes for the 1990-1999 period (excluding 1995):

$$\text{Diff}_{FR,m} = \pi^{95}_{FR,m} - \overline{\pi_{FR,m}}$$

where $\pi^{95}_{FR,m}$ *is the monthly change in prices in France in month* m *of 1995, and* $\overline{\pi_{FR,m}}$ *is the average monthly change in prices in France in month* m *over the 1990-1999 period (excluding 1995).*

This difference is used to measure the inflation gap observed for France in 1995 relative to a "standard" or "habitual" situation. When VAT was increased in August 1995, prices in France moved more dynamically than usual (see Chart a).

However, the increase in inflation from August 1995 in France may also be at least partially due to other economic shocks that occurred at the same time, such as higher commodity prices, for example. For this reason, we measure counterfactual inflation, which is intended to be close to what inflation would have been in France without the VAT increase. To do this, we use inflation in the euro area (excluding France), assuming that it depends on the same cyclical factors as inflation in France.[1] *As before, we calculate the inflation gap observed in the euro area (excluding France) relative to a standard or habitual situation:*

$$\text{Diff}_{EA,m} = \pi^{95}_{EA,m} - \overline{\pi_{EA,m}}$$

where $\pi^{95}_{EA,m}$ *is the monthly change in prices in the euro area (excluding France) in month* m *of 1995, and* $\overline{\pi_{EA,m}}$ *is the average monthly change in prices in the euro area (excluding France) in month* m *over the 1990-1999 period (excluding 1995). In 1995, prices in the euro area (excluding France) moved in line with their habitual seasonal patterns and inflation shocks specific to 1995 appear to be small in size (see Chart b).*

The impact of the change in VAT in France in 1995 is measured by the difference between the inflation gap between 1995 and the reference period for France and the same gap for the euro area (excluding France), which neutralises the effects of cyclical shocks that are contemporary with the VAT change (see Chart c). The difference in differences estimate of the impact of the VAT change on French inflation is thus calculated by:

$$DD_m = \text{Diff}_{FR,m} - \text{Diff}_{EA,m}$$

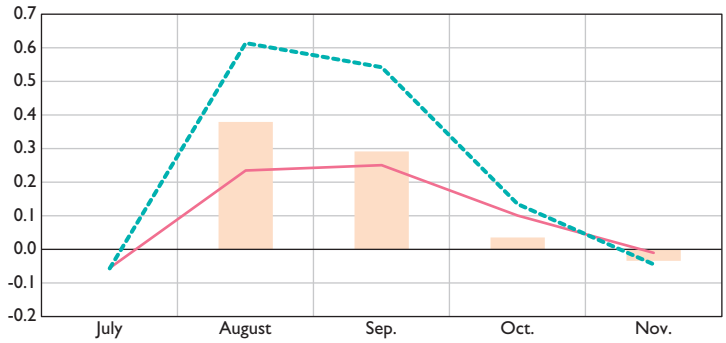
1 *This measure is an approximation and contains, by definition, some shocks that are specific to euro area countries, which are assumed to play a marginal role. For example, in January 1995, VAT was increased in Spain and Portugal, leading to an increase in euro area inflation in early 1995, but these increases would have a tiny impact on monthly euro area inflation in August 1995, the date of the VAT change in France that marks the start of the assessment.*

Measuring the inflationary impact of a VAT change: illustration of the difference in differences method

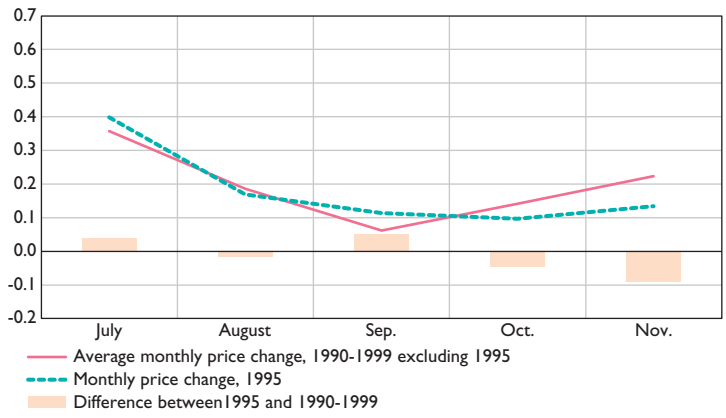
(%)

Difference ($Diff_{country,m}$) between the monthly price change in 1995 ($\pi^{95}_{country,m}$) and the average monthly change ($\overline{\pi_{country,m}}$) between 1990-1999 (excluding 1995)

a) France

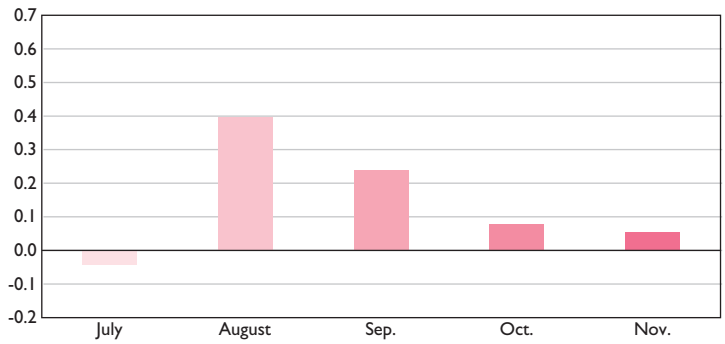


b) Euro area (excluding France)



c) Impact of the VAT increase in France in 1995

(DD_{m}, %)



Sources: HICP excluding energy products, food and tobacco, France and euro area (excluding France) (Insee, Eurostat).

2|1 The VAT hike in August 1995 caused inflation to go up by just under one percentage point

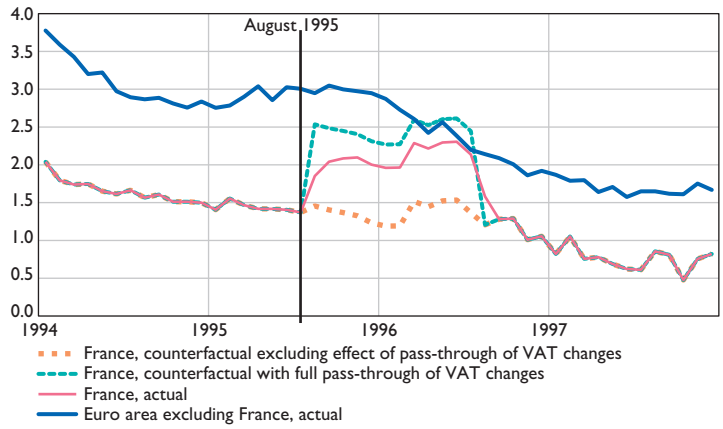
At 1 August 1995, the VAT rate rose from 18.6% to 20.6%, resulting in a mechanical price increase of 1.7% for affected products, which accounted for 57% of the price index. Overall, if the full increase had been transmitted to after-tax prices, inflation would have gone up by 1 pp.

Chart 2 shows inflation observed in France in 1995 (excluding energy, food and tobacco),[9] inflation that would have been observed if the price adjustment had been full and immediate, and counterfactual inflation assuming no VAT increase. From August 1995, inflation increases but the adjustment to the VAT increase is partial. To quantify the inflationary impact, we use the difference in differences method by comparing inflation in France and the euro area (excluding France) before and after the VAT increase (see Box 2). When the standard rate of VAT went up from 18.6% to 20.6%, the impact over the period from August-November 1995 was an increase of approximately 0.8 pp for inflation excluding energy, food and tobacco, corresponding to pass-through of around 80% of the VAT increase.[10]

How quickly is the VAT increase transmitted to after-tax prices? Based on individual price reports used to construct the consumer price index

Chart 2 Inflationary impact of the increase in the standard rate of VAT in 1995 (excluding energy products, food and tobacco)

(% year-on-year change)



Sources: HICP excluding energy products, food and tobacco, France and euro area (excluding France) (Insee, Eurostat).

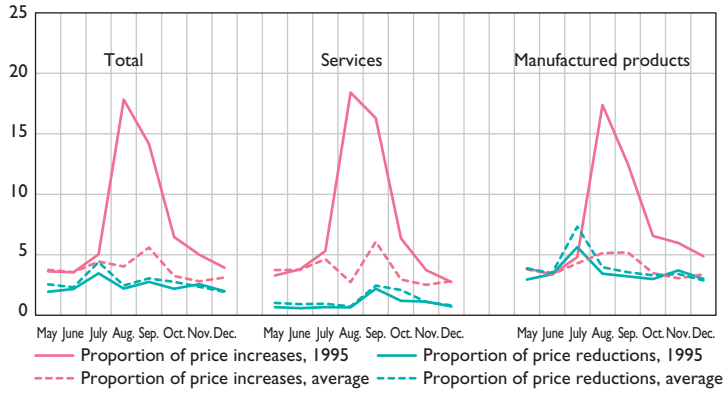
9 Food, energy and tobacco are excluded because prices for these products vary several times a month and are subject to many shocks that are difficult to control. Furthermore, food is mostly subject to the reduced rate and thus unaffected by the increase in the standard rate.

10 In the price index excluding energy, food and tobacco, slightly more than 60% of products and services are affected by the increase in the standard rate, for an expected mechanical impact from the VAT increase of close to 1.1 pp on inflation excluding food, energy and tobacco.

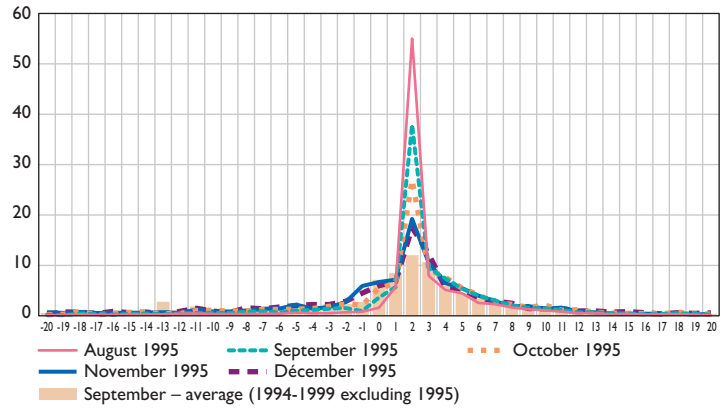
Charts 3 Impact of the increase in 1995 in the standard rate of VAT on the frequency and size of price changes

(%)

a) Frequency of price increases and reductions, by month[1)]



b) Distribution of price changes (among retailers that changed their prices)[1)]



Source: Individual consumer price quotes excluding energy, food and tobacco (Baudry et al.*, 2005).*
Note: The chart shows the average distribution of price changes in September over the 1994-1999 period (excluding 1995) (energy and food excluded).
1) Covering more than 70% of cases, zero price changes are not included in this chart or Chart 5b for the sake of clarity.

(Baudry *et al.*, 2005), we estimate the share of retailers that changed their prices and the size of price adjustments made at the time of the VAT increase. We calculate the frequencies of price increases and reductions[11] after August 1995 and make a comparison with the average over the 1996-1999 period: around 20% of retailers raised their prices in August and September 1995 compared with 5% on average (see Chart 3a). However, the impact of the VAT increase fades swiftly. The frequency of price

11 The frequency of price increases is calculated as the portion of price hikes in all price reports (Baudry et al.*, 2005).*

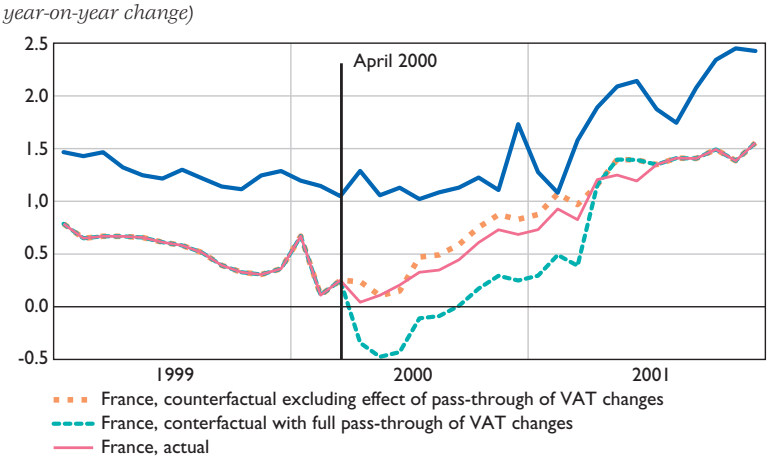
reductions is consistent with the habitual value. When prices do change, we see that many retailers adjust their prices by exactly 2%, i.e. more than 50% of price changes in August 1995 and 40% in September 1995, compared with an average of 10% in other years (see Chart 3b).

2|2 The VAT reduction in April 2000 had a modest impact on inflation

In April 2000, the standard rate of VAT was cut by one point. The mechanical impact on the price of goods and services subject to the standard rate was -0.8%. As the standard rate applies to approximately 60% of products, the expected impact on inflation is a reduction of 0.5 pp. In early 2000, inflation fell slightly, seemingly transmitting at least a portion of the VAT reduction (see Chart 4). But inflation in the euro area excluding France fell too, suggesting that the VAT cut had a modest impact on inflation in France. Comparing inflation in France and the euro area before and after the VAT change, we use the difference in differences method (see Box 2) to estimate that the impact on inflation excluding energy, food and tobacco was approximately -0.1 pp over the April-June 2000 period (see Chart 4). The pick-up in inflation from April 2000 owing to higher commodity prices complicates the assessment because this inflationary spike may have prompted some retailers to raise prices or to hold off cutting prices, making the impact of the VAT reduction on inflation trickier to measure in the short term.

Chart 4 Inflationary impact of the reduction in 2000 in the standard rate of VAT (excluding energy products, food and tobacco)

(% year-on-year change)

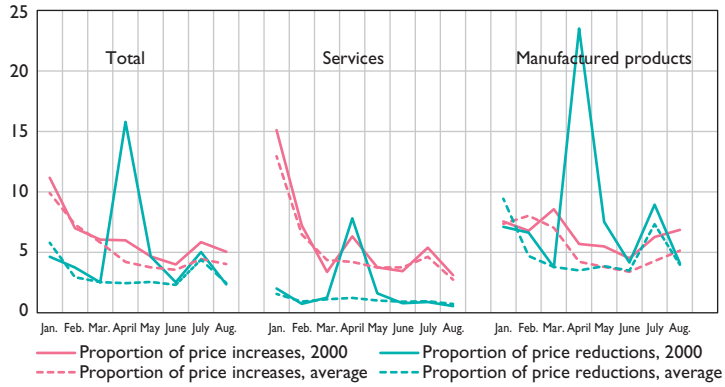


Sources: HICP excluding energy products, food and tobacco, France and euro area (excluding France) (Insee, Eurostat).

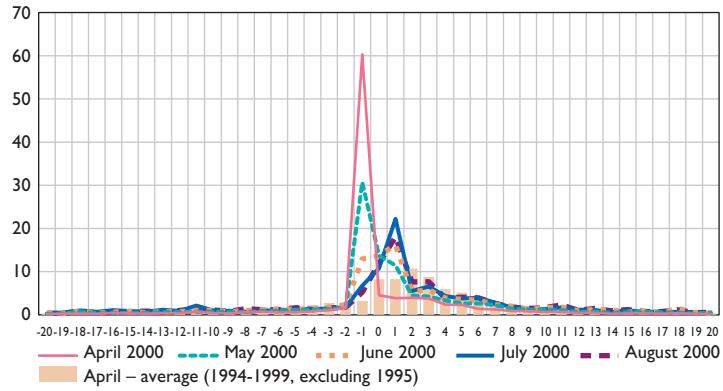
Charts 5 Impact of the reduction in 2000 in the standard rate of VAT on the frequency and size of price changes

(%)

a) Frequency of price increases and reductions, by month



b) Distribution of price changes (among retailers that changed their prices)



Source: Individual consumer price quotes excluding energy, food and tobacco (Baudry et al.*, 2005).*
Note: The chart shows the average distribution of price changes in September over the 1994-1999 period (excluding 1995) (energy and food excluded).

An analysis of individual price quotes seems however to show that the VAT reduction did prompt more retailers to lower their prices: 16% of companies cut prices in April 2000 compared with fewer than 3% usually (see Chart 5a). The impact on the frequency of price changes is thus weaker than in 1995, particularly in services. When retailers did lower their prices, most reduced by 1% exactly. In addition, the frequency of increases also went up over the period, reflecting higher commodity prices, which helped to mitigate the impact of the VAT reduction on inflation. Some companies may also have opted to put off or reduce price hikes that would have taken place without the VAT reduction, making the inflationary impact of the VAT change more persistent over time and harder to measure at the aggregate level. If we assess the impact of the increase in the frequency

of reductions between April and June 2000, its contribution to inflation was approximately -0.2 pp.[12]

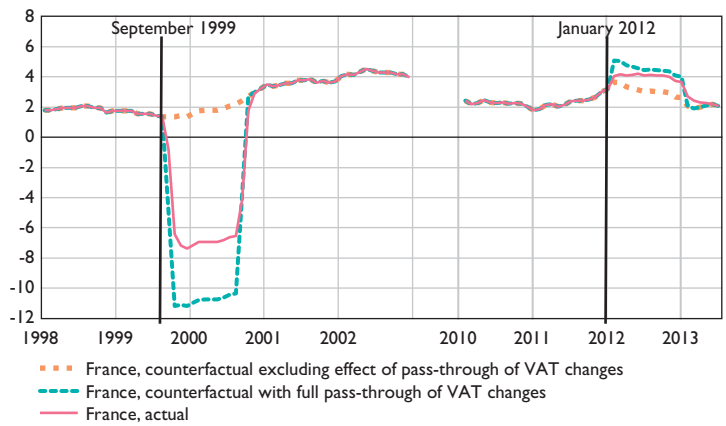
2|3 Inflationary impact of the switch to the reduced rate in some sectors

September 1999 for home improvement

In September 1999, the VAT rate for home improvement services was cut from 20.6% to 5.5%, implying a mechanical price decline of 12.5% in the sector. From September 1999, prices for home improvement services fell sharply (see Chart 6). Comparing inflation in this sector in France and the euro area, we estimate the inflationary impact of the VAT reduction in the sector at -9 pp (i.e. approximately 70% of the VAT reduction transmitted to prices). The impact of this VAT reduction on overall inflation was thus -0.1 pp. The impact was swift and spread out between September and November: around 20% of companies lowered their prices in September 1999, more than 50% did so in October, and more than three-quarters of reductions were exactly equal to the VAT cut (see Charts A in Appendix 2). In addition, the frequency of price increases was slightly lower than usual, as some companies opted to postpone raising their prices.

Chart 6 Inflationary impact of VAT changes in home improvement services

(year-on-year, %)

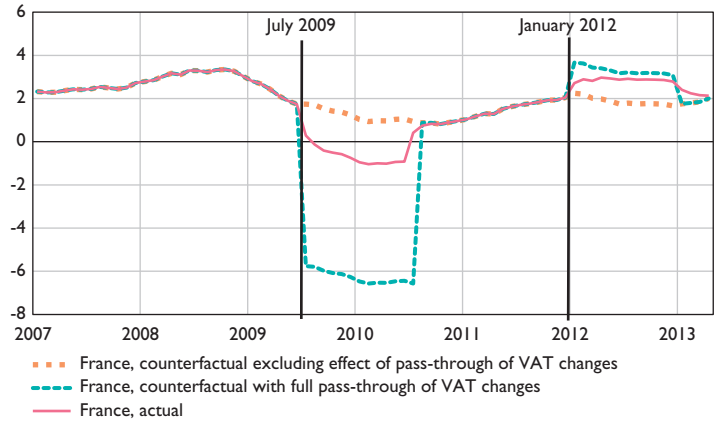


Sources: HICP for home improvement services, France and euro area (excluding France) (Insee, Eurostat).

12 Overall, approximately 20% more retailers than usual lowered their prices by 1%, for a contribution to inflation of -0.2 pp.

Chart 7 Inflationary impact of VAT changes in restaurant services

(year-on-year, %)



Sources: HICP for restaurant services, France and euro area (excluding France) (Insee, Eurostat).

July 2009 for the restaurant sector

For restaurants, the switch to the reduced rate in July 2009 implied a mechanical decline in sector prices of 11.8%. However, taking account of the share of takeaway services (already taxed at the reduced rate), alcohol sales (kept at the standard rate), and microcompanies (exempt from VAT), a Senate report[13] estimated pass-through of the VAT change to inflation for restaurants at -7.5%. Inflation in the restaurant sector declined from July 2009 onwards, but less sharply than expected (see Chart 7). Applying the difference in differences method, we estimate the impact of the switch to the reduced rate at -2 pp for restaurant prices and -0.1 pp for overall inflation. Around 20% of prices were lowered in July 2009, and many reductions were exactly equal to the VAT cut (see Charts B in Appendix 2). However, the switch to the reduced rate for restaurants was also accompanied by undertakings by companies in the sector, including price reductions for at least seven menu items, industry wage bargaining, hiring and investment commitments. These undertakings cushioned much of the impact of the VAT reduction on inflation: for example, the wage increase pushed up marginal costs and hence before-tax prices for companies (see Box 1). Also, from July 2009 on, the frequency of price increases fell, with some companies potentially opting to delay price hikes that might have taken place without the VAT reduction. This helped to make the VAT impact on inflation more diffuse and persistent over time.

13 Previously cited Senate briefing report.

2|4 Effects of introducing an intermediate rate in January 2012

The introduction of an intermediate rate of 7% on 1 January 2012 affected just under 15% of consumed products and services whose prices were mechanically increased by 1.4%, for an impact on overall inflation of approximately 0.2 pp. In particular, in the restaurant and home improvement sectors, inflation increased significantly starting in January 2012 (see Charts 6 and 7). Comparing inflation in France and the euro area (excluding France) before and after January 2012, we estimate the price impact of this VAT increase at approximately 1.1 pp in both cases, and the adjustment was complete only after three months. In other words, 75% of the VAT increase was transmitted to consumer prices but the impact of the increase on overall inflation was limited to approximately 0.15 pp between January and May 2012 according to our estimates and less than 0.1 pp in January 2012 according to Insee (2012).

3| How are the VAT changes on 1 January 2014 expected to impact inflation?

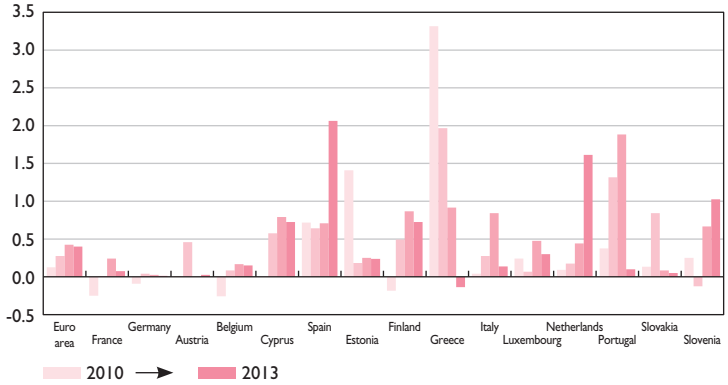
3|1 VAT has been increased frequently in recent years in euro area countries

Against a backdrop of serious economic and fiscal difficulties, VAT increases have played a significant part in sustaining euro area inflation in recent years. Spain, Greece, Italy and Portugal are among the countries most affected by VAT increases (see Appendix 1), which have been repeated over the period. These increases, which have often been 2 pp, have made a major contribution to inflation in these countries (see Chart 8). Since 2012, the number of euro area countries that have hiked VAT has risen (Cyprus, Finland, France, Ireland, Netherlands and Slovenia), while VAT increases have continued in Spain and Italy, making a sizeable contribution to euro area inflation in 2012 and 2013. Overall, indirect taxation contributed around 0.5 pp to euro area inflation in 2012 and 2013 (see Chart 8).

The previous estimates of the inflationary impact of VAT correspond to the maximum impact (i.e. assuming constant before-tax prices). However, amid the economic crisis, it seems that recent VAT increases have been transmitted only partially to inflation. Thus, the VAT increase in Italy in September 2011 (+1 pp) added approximately 0.5 pp to inflation (Banca d'Italia, 2012). Meanwhile, the pass-through of the VAT increase in Spain in 2010 was just over 50% three months after the measure, and was particularly weak in restaurant and tourist services, being estimated at 15% of the expected

Chart 8 Contribution of indirect taxation to euro area inflation

(in percentage points)



Source: Eurostat.
Note: Average annual gap between HICP inflation and inflation at constant tax rates (HICP-CT). The HICP-CT is not available for Ireland.

impact according to Insee (2010). Similarly, the two-point VAT increase in September 2012 in Spain was passed on partially, reaching approximately 50% of the expected total impact over the final quarter of 2012 (Insee, 2013). In a very challenging macroeconomic setting, companies apparently absorbed a portion of these VAT increases into their margins.

3|2 Inflationary impact of the changes to VAT rates on 1 January 2014

The standard and intermediate rates of VAT in France were raised in January 2014.[14] Assuming a full and immediate price pass-through, we estimate the expected impact of the VAT changes on inflation (see Table 2) as follows:

- the standard rate rose from 19.6% to 20%, giving a mechanical increase of 0.33%. Around 55% of products and services in the consumer price index are subject to the standard rate. If the price adjustment is full and immediate, this increase would lead to an increase in inflation of approximately 0.2 pp and would chiefly concern manufactured products;

- the intermediate rate rose from 7% to 10%, implying a mechanical price increase of 2.8% for products subject to this rate, which make up just under

14 The 2012 Supplementary Budget Act forecast a reduction in the reduced rate from 5.5% to 5% but this change was cancelled during discussions on the 2014 Budget Bill.

Table 2 Inflationary impacts of changes to VAT rates in January 2014

(% and in percentage points)

VAT rates	Main affected items	Mechanical impact on affected prices[a)]	HICP share[b)]	Mechanical impact on overall inflation[d)] (column 3 × column 4)	Uncertainties	
Standard 19.6% to 20%	Manufactured products, tobacco, alcohol, energy, a portion of services	+0.33%	0.54	+0.18 pp	The small mechanical increase may have no effect on psychological prices	The context of the slowdown in consumer spending and the effects of the CICE tax credit could lead retailers to moderate before-tax prices, mitigating the upward impact of VAT increases on after-tax prices.
Intermediate 7% to 10%	Transport, restaurant, lodging and cultural services, home renovation, non-refunded medicines	+2.80%	0.14	+0.40 pp		
Total	–	+0.85%	0.68[c)]	+0.58 pp	The impact could be between 0.4 and 0.5 pp	

a) The mechanical impact is measured by assuming full pass-through to after-tax prices and no change to the before-tax price (see Box 1). The total mechanical impact is the weighted average of the mechanical impacts solely on products affected by a change in VAT.
b) Shares are calculated from annual HICP weightings in 2013 at a level of disaggregation that does not permit fine distinctions for certain sets of products and services subject to different VAT rates. The HICP shares of different VAT rates presented in the table are therefore slightly approximate.
c) Around 20% of items in the HICP are subject to the reduced VAT rate of 5.5%, which will remain unchanged; approximately 10% of items in the HICP are exempt from VAT (rents, medical services, financial services and insurance), while the super-reduced VAT rate (2.1%) applies to a marginal portion of the HICP (refunded medicines, newspapers).
d) The maximum impact assuming a full and immediate pass-through to after-tax prices in January 2014 (before-tax prices not affected). It is obtained by multiplying the mechanical impact on affected prices by HICP share of the affected products.

15% of the price index. Assuming a full adjustment, the increase in this VAT rate would have a positive impact of 0.4 pp on inflation. The impact would be especially pronounced in services.

Overall, assuming a full and immediate adjustment, the expected impact of the changes to VAT rates would be close to 0.6 pp.[15]

Moreover, the adjustment should be fairly swift, for at least three reasons:

- an analysis of VAT changes since 1995 shows that it is rare for pass-through to take longer than one quarter;

15 Other provisions of the Budget Act change the VAT rate applicable to some HICP items (such as cinema tickets). However, these items represent a tiny share of the HICP, and the changes will have a negligible effect on overall inflation.

- a substantial proportion of companies habitually revise their prices at the beginning of the year, particularly in January (Berardi *et al.*, 2013);[16]

- most services, a sector where prices adjust more slowly, are subject to a relatively large tax increase, which should reduce the time of the price adjustment among service companies.

Some uncertain factors may affect the assessment of the upward impact of VAT changes on inflation. The increase in the standard rate implies small price hikes (less than 0.5%). For many psychological prices, ending in "9" or "0", which are by nature relatively stickier and usually subject to large changes (Levy *et al.*, 2011), this change may be expected to exert a weak impact, resulting in a smaller short-term inflationary impact than forecast. These prices mostly concern manufactured goods. Given the weak theoretical impact of the standard rate increase (+0.33%), it is likely that a portion of the VAT increase might be offset by a reduction in the before-tax price. In addition, in a setting of slowing consumer spending, retailers might trim their margins. If, as we observed with VAT changes since 1995, between 70% and 80% of the VAT increase is passed through to after-tax prices, then the impact on inflation of the increase in the intermediate and standard rates should be between 0.4 and 0.5 pp.

Furthermore, the National Pact for Growth, Competitiveness and Employment that introduced these VAT changes has also created a corporate tax credit (CICE) aimed at stimulating French business competitiveness. This tax credit lowers costs for companies and should have a negative impact on before-tax prices and hence on the pass-through of VAT changes to inflation. If competitiveness is high, it will be hard for companies to avoid passing on the reduction in the before-tax price linked to the decline in the cost of labour, with the result that the inflationary impact of the VAT increase could be partly offset by a larger reduction in the before-tax price than that observed in past cases of incomplete pass-through of VAT changes.

Overall, while the combined mechanical impact of these VAT changes at 1 January 2014 may add close to +0.6 pp to inflation, the effective impact may be just 0.4 pp of additional inflation. Further, the adjustment is expected to be swift, and the impact of the VAT changes on monthly inflation will likely be concentrated in the month of January.

16 In contrast with the changes of 1995 and 2000, the 2014 changes to the standard rate were announced more than one year ahead of time (end-2012), and retailers were therefore able to anticipate the measures, leading to a more diffuse effect on prices. However, expectations surely have a marginal influence on the direct inflationary impact of VAT changes because many price changes occur in January, giving retailers an incentive to time VAT-driven price changes to coincide with the date when they usually modify their prices.

Appendix 1

Main changes in VAT rates in the euro area since 2007

(% and change in percentage points)

Country	Date	Standard rate	Intermediate rate	Reduced rate
France	January 2014	20 (+0.4)	10 (+3)	5.5 (–)
	January 2012	19.6	7 (+1.5)	5.5
Germany	January 2007	19 (+3)	7	
Austria	Since 1984	20	12	10
Belgium	Since 1996	21	12	6
Cyprus	January 2013	18 (+1)	8	5
	March 2012	17 (+2)	8	5
Spain	September 2012	21 (+3)	10 (+2)	4
	July 2010	18 (+2)	8 (+1)	4
Estonia	July 2009	20 (+2)		9
Finland	January 2013	24 (+1)	14 (+1)	10 (+1)
Greece	January 2011	23	13 (+2)	6.5 (+1)
	July 2010	23 (+2)	11 (+1)	5.5 (+1)
	March 2010	21 (+2)	10 (+1)	5 (+0.5)
Ireland	January 2012	23 (+2)	13.5	9
	July 2011	21	13.5	9
	January 2010	21 (-0.5)	13.5	–
	December 2008	21.5 (+0.5)	13.5	–
Italy	September 2011	21 (+1)	10	4
Luxembourg	Since 1992	15	12	6
Malta	Since 2004	18		5
Netherlands	October 2012	21 (+2)		6
Portugal	January 2011	23 (+2)	13	6
	July 2010	21 (+1)	13 (+1)	6 (+1)
	July 2008	20 (-1)	12	5
	July 2005	21 (+2)	12	5
Slovakia	January 2011	20 (+1)	10	
Slovenia	July 2013	22 (+2)	9.5 (+1)	

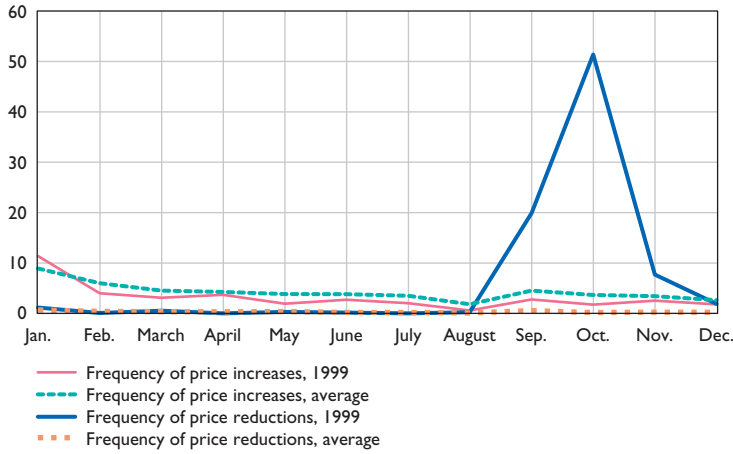
Source: Eurostat.

Appendix 2

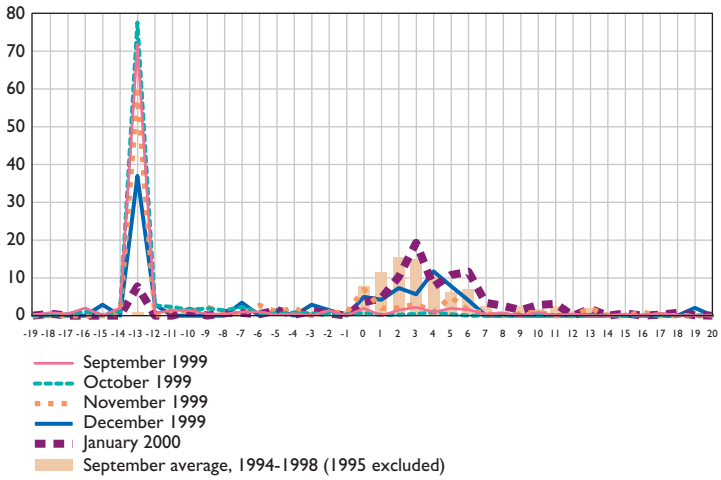
Charts A Impact of the switch to the reduced VAT rate for home maintenance and repair services

(%)

a) Impact on the frequency of price increases and reductions



b) Impact on the distribution of price changes

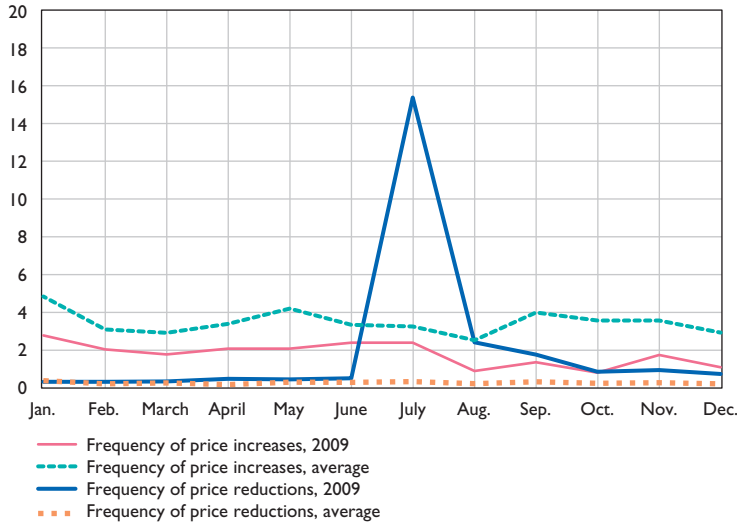


Source: Individual consumer price quotes for routine home maintenance and repair services.
Note: The chart shows the average distribution of price changes in September between 1994 and 1998 (excluding 1995).

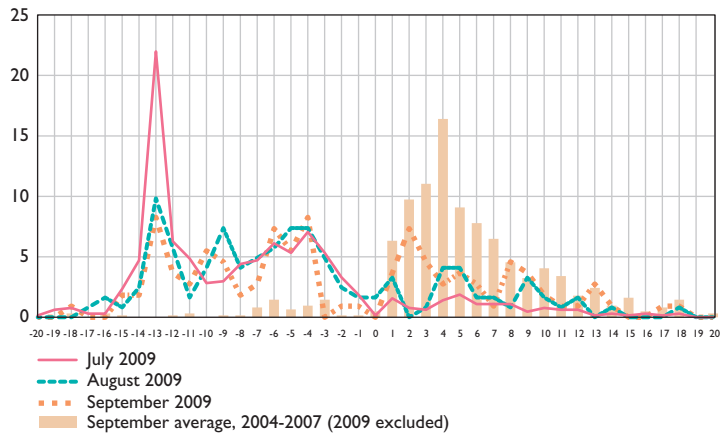
Charts B Impact of the switch to the reduced VAT rate for sit-in restaurant services

(%)

a) Impact on the frequency of price increases and reductions



b) Impact on the distribution of price changes



Source: Individual consumer price quotes for restaurant services.
Note: The chart shows the average distribution of price changes in September between 2004 and 2007.

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Securitisation in France: recent developments

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Securitisation helps to improve the efficiency of the economy's financing channels by converting illiquid assets such as bank loans or trade receivables into marketable financial securities.

At end-June 2013, securitised loans accounted for 8.4% of all private sector loans in France, a figure which is lower than the euro area average of 12.7% as the French market is geared more towards covered bonds.The French securitisation market remains modest, ranking fifth in the euro area at 30 June 2013 with total outstanding securitised assets of EUR 215.4 billion.

The majority of assets on the balance sheets of French securitisation vehicles are loans to resident counterparties, originated by credit institutions in France and in the rest of the euro area.

With the emergence of the crisis in 2007, banking institutions began to use securitisation to obtain refinancing from the European System of Central Banks – ESCB. Using new types of structures known as "retained securitisations", they were able to purchase securities backed by high quality assets that were eligible as collateral in refinancing operations.

Key words: securitisation, synthetic securitisation, retained securitisation, debts, loans, assignment, factoring, discount, credit risk, insurance risk, liability restructuring, financing, investment, securitisation vehicle, securitisation scheme, direct-lending fund, AIFM directive, conduits, bank refinancing, special purpose vehicle (*Fonds commun de créances, FCC*), securitisation fund (*Fonds commun de titrisation, FCT*), securitisation company, ABS, RMBS, CMBS, ABBT, ABCP, CLO, Basel 2, Basel 2.5

JEL codes: E44, G21, G22, G23, G24, G32, F65

Securitisation is a financial technique for reorganising the assets of an economic entity by converting relatively illiquid assets (debts, loans, etc.) into securities. To do this, the assets in question are sold to a special purpose vehicle (SPV) which in turn finances their acquisition by issuing securities, usually referred to as asset-backed securities (ABSs). The principal and interest payments on the issued securities are funded by the cash flow generated by the underlying assets.

Securitisation was introduced in France by Act 88-1201 of 23 December 1988 which created the *Fonds communs de créances* (FCC), the French equivalent to the SPV.[1] The legal framework for securitisation was later modernised by the Order of 13 June 2008,[2] which extended the purpose and legal form of securitisation vehicles, and by the application of the Basel 2.5 accord via CRD2 and CRD3. The recent reform of the French Insurance Code on 2 August 2013, aimed at encouraging the financing of small and medium-sized companies (SMEs), created a new type of securitisation fund called direct-lending funds, in which insurers are authorised to invest up to 5% of their total outstanding investments.[3]

1| Forms of securitisation in France

1|1 The new legal framework for securitisation

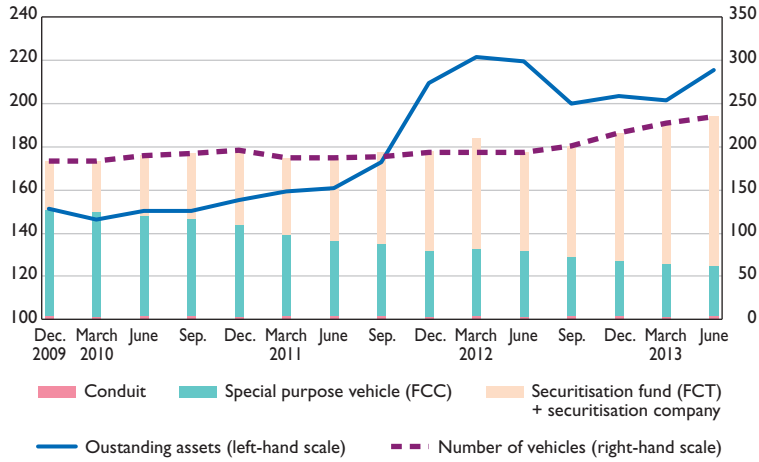
The development of the securitisation market in France in recent years has largely been shaped by the changes made to the legal status of securitisation vehicles.

As at 30 June 2013, the total number of securitisation vehicles in France stood at 234, up from 194 a year earlier, with the majority of the new entities created over the period taking the form of *Fonds communs de titrisation* (FCTs) or securitisation funds. This is because the legal status of securitisation vehicles has changed since the Bank began collecting data in December 2009, and all special purpose vehicles (FCCs) are gradually being replaced by securitisation funds and asset-backed commercial paper (ABCP) conduits.[4]

1 *Prior to this date, under the provisions of the Banking Act of 24 January 1984, the professional purchase of unmatured receivables as part of an entity's usual business was considered a credit activity, thereby confining securitisation exclusively to credit institutions.*
2 *The new legal framework broadened the range of assets eligible for securitisation (originally only bank loans) to trade receivables, insurance risks, debt securities, etc. It also extended the scope of eligible securitisation techniques (replenishment of vehicles, broader credit enhancement methods, active management of portfolios and the resale of acquired assets) and the types of securities that securitisation vehicles can issue (in addition to units in FCCs – which are due to be phased out under the Alternative Investment Fund Manager Directive – FCTs, short-term debt securities such as commercial paper or other short-term securities, etc.).*
3 *Decree No. 2013-717 of 2 August 2013 amending certain rules regarding the investments of insurance undertakings.*
4 *ABCP conduits are securitisation vehicles which mainly finance themselves by issuing short-term commercial paper (with a maturity of less than one year) backed by securitised assets.*

Chart 1 Number of securitisation vehicles and outstanding assets

(outstanding assets in EUR billions and vehicules in number of units)



Source: Banque de France.

Types of securitisation vehicle

The Order of 13 June 2008 and the Implementing Decree of 17 July 2008, which reformed the existing legal framework for securitisation, introduced two new types of securitisation vehicle:[5] the securitisation company, an independent structure which has a legal personality, and the securitisation fund or FCT, which is managed on a co-ownership basis. The vast majority of schemes in France are now FCTs; indeed, with the transposition of the Alternative Investment Fund Manager (AIFM) Directive into French law, all FCCs are due to be converted into FCTs by 22 July 2014 at the latest (see Box 1).

Both securitisation companies and FCTs are managed by a specially approved portfolio management company. The securities they issue may be offered publicly, or traded on a regulated market or organised multilateral trading system.

Other securitisation vehicles

Securitisation vehicles can also take the form of ABCP conduits. These are established as limited liability companies operating under ordinary law with the purpose of investing in securitisation transactions. Conduits are usually sponsored by a major bank which will provide a short-term borrowing facility to be used as required. This line of liquidity is intended to cover liquidity risk, not the credit risk associated with the underlying securitised assets.

5 *Securitisation schemes are governed by Articles L214-167 to L214-190 and R2 14-217 to D214-240 of the French Monetary and Financial Code (CMF).*

Box 1

The AIFM Directive and securitisation schemes

Since 22 July 2013, when Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (AIFM Directive) was transposed into French law, all securitisation schemes have been classified as alternative investment funds (AIF), except for those cases specified in the Directive.

The AIFs that fall within the scope of Directive 2011/6 1/EU of 8 June 2011 are those that meet the following two conditions:

- *they raise capital from a number of investors with a view to investing that capital for the benefit of those investors in accordance with a defined investment policy;*

- *they are not undertakings for collective investment in transferable securities (UCITS) as defined in Directive 2009/65/EC (UCITS IV Directive).*

Management companies managing securitisation vehicles with assets of more than EUR 0.1 billion (including leverage), or directly managing assets of more than EUR 0.5 billion must comply with the following requirements in addition to those of the AIFM Directive:

- *requirements regarding the net economic interest that the originator, sponsor or original lender must retain (5%);*

- *qualitative requirements regarding the sponsors or originators (access to information, risk monitoring, portfolio diversification, existence of a credit risk management policy with exposure limits);*

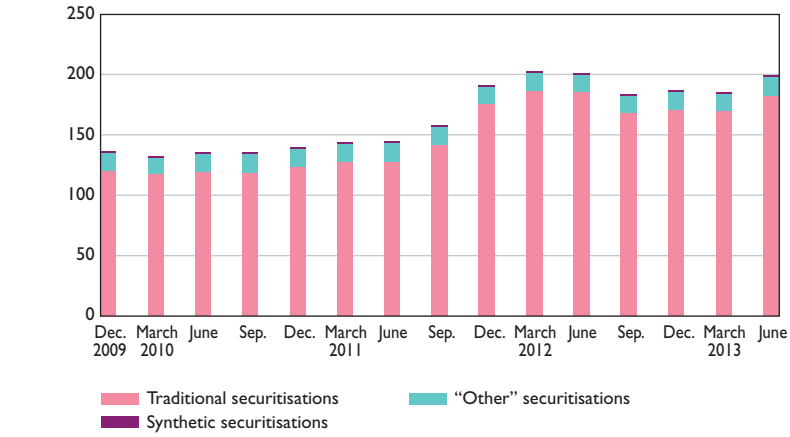
- *the requirement for the management company to have the necessary credit expertise and carry out regular stress tests on its credit positions.*

1|2 Predominance of cash securitisation

As at 30 June 2013, the outstanding amount of securities issued by French securitisation vehicles totalled EUR 198.7 billion, up nearly 45% compared with 31 December 2009 (EUR 136.7 billion), when the Banque de France first began collecting data on securitisation.

Chart 2 Outstanding amount of issued securities by type of securitisation

(EUR billions)



Source: Banque de France.

The figure hit a peak of EUR 202 billion at the end of March 2012, but fell back slightly in the second half of 2012 due primarily to the redemption of some structures set up by resident banks to obtain refinancing from the Eurosystem.

Traditional securitisation transactions are largely predominant in France (90% of outstanding securities at end-June 2013), and accounted for most of the variation in outstanding securities over the period under review. By contrast, the total outstanding amounts for synthetic securitisations and "other securitisations" remained relatively stable.

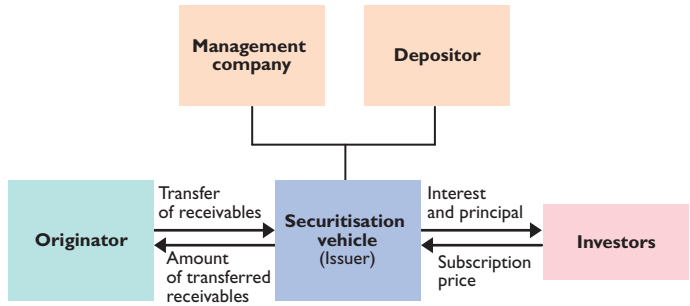
In the case of traditional, or cash, securitisations, the underlying assets are transferred to the securitisation vehicle via a true sale.[6] With synthetic securitisation, only the credit risk associated with the underlying assets is sold to the securitisation vehicle (via credit derivatives), instead of the assets themselves being transferred.[7] The category "other securitisations" corresponds to transactions involving the transfer of risks other than credit risk (corporate insurance risk or business risk).[8] At the end of June 2013, synthetic securitisations remained marginal in France, accounting for just 0.5% of the total outstanding amount of issued securities, while other securitisations accounted for 9.5%.

6 *A true sale is defined as a sale that is binding and in which the assets must be beyond the reach of the originator and its creditors, including in the event of the originator's insolvency.*

7 *For this type of transaction, the risk of default on the underlying assets needs to be calculated. This is usually done using mathematical models that reproduce the dynamics of the assets.*

8 *This category mainly consists of securities issued by conduit-type vehicles which carry out secondary securitisations involving the purchase of securities issued by other vehicles, and financing their acquisition through the issuance of ABCP.*

Simplified diagram of a securitisation transaction involving the true sale of underlying assets



Source: Banque de France.

1|3 Loans account for the bulk of securitised assets

At end-June 2013, 78.3% of the assets in French securitisation vehicles' balance sheets were loans, down from 80.6% at end-June 2012. The majority of these loans were originated by euro area banks (70% at end-June 2013), while banks in the rest of the world contributed just under 7%. Only a marginal share came from other euro area sources (1.7% in total from non-financial corporations, other financial intermediaries and insurance companies). This predominance of bank loans reflects the way securitisation has evolved in France: in 1988, only bank loans with a maturity of more than two years could be securitised.

The subsequent relaxation of legislation regarding the type and maturity of the assets eligible for securitisation led to the inclusion of shorter term bank loans (consumer loans, interbank receivables), but also of receivables in the form of securities issued by securitisation vehicles (i.e. re-securitisation), trade bills, or any other type of receivable, even future, generating a cash flow. At end-June 2013, re-securitisations accounted for nearly half of the outstanding securities held by French securitisation vehicles (and 9.6% of outstanding assets), while trade bills accounted for 7.6% of outstanding assets.[9]

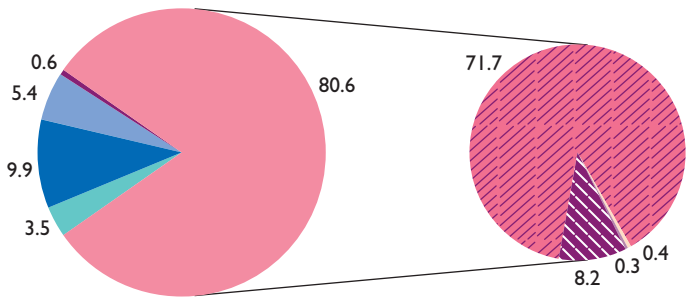
Deposits, which account for 3.9% of total outstanding assets, serve as liquidity reserves for securitisation vehicles, and are also used as collateral for synthetic securitisations (payment of guarantee deposits).

9 *Since the application of the French government Decree of 13 June 2008, the assets of securitisation vehicules may include the following:*
- *existing or future receivables under French or foreign law, either performing or distressed, of a fixed or an unfixed value (Articles R214-218 and R214-219 of the French Monetary and Financial Code, hereafter the CMF);*
- *cash subject to the conditions defined in Article R214-220 of the CMF;*
- *assets transferred in order to realise or post collateral or a guarantee, in accordance with Article L211-38 of the CMF;*
- *financial futures, where the maximum loss may not exceed the value of the asset (Article R214-224 of the CMF).*

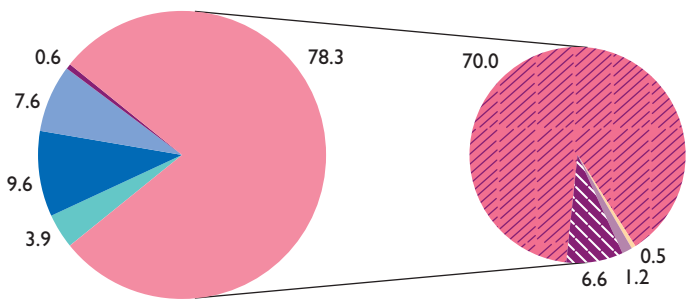
Charts 3 Structure of securitisation vehicles' assets

(%)

a) At 30 June 2012 (total outstanding assets: EUR 219.8 billion)



b) At 30 June 2013 (total outstanding assets: EUR 213 billion)



Securitised loans
Deposits
Debt securities
Trade receivables
Other assets including shares

Originated by:
Euro area banks
Banks in the rest of the world
Euro area non-financial corporations (NFCs)
Euro area other financial intermediaries and insurance companies

Source: Banque de France.

2| In France, securitisation is mainly used to finance domestic residential property loans

As at end-June 2013, out of a total of EUR 144.7 billion of securitised loans to French residents, 77.9% were mortgage loans, of which the majority were for the purchase of residential property (residential mortgage-backed securities – RMBSs, 76.4%), and the remainder for commercial property (commercial mortgage-backed securities – CMBSs).[10]

10 To help finance the property market, various other dedicated structures have been set up which are similar to securitisations, in that they involve the issuance of debt securities, but do not fall within the scope of the Banque de France's data collection on securitisation. These include mortgage credit institutions, home financing funds (CRH) and, since the Act of 22 October 2010, home financing companies (SFH).

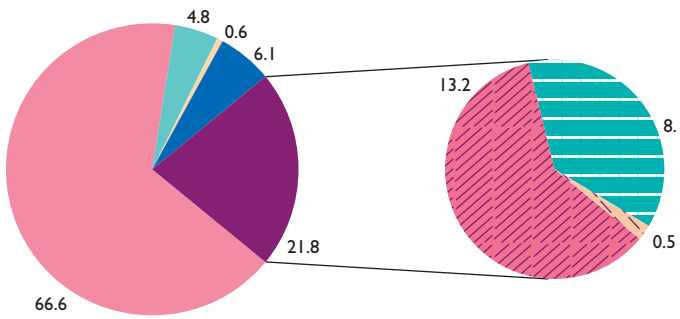
A much smaller proportion of total securitised loans to resident counterparties (13.3%) were ABSs, underpinned by various types of receivables: consumer loans, auto loans, loans to businesses (excluding trade receivables). The other securitised receivables from French residents included loans to local authorities (0.9% or EUR 1.3 billion) or to SMEs (collateralised loan obligations – CLOs).[11]

Securitisation in France is therefore essentially used to refinance loans to households and resident non-financial corporations.

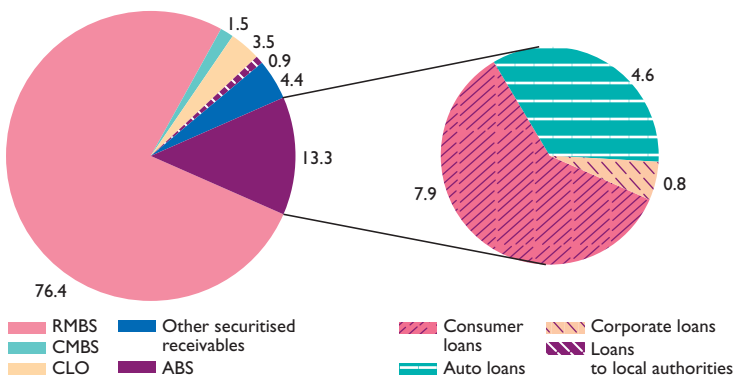
Charts 4 Breakdown of resident counterparty loans originated by MFIs

(%)

a) At 31 December 2009 (total outstanding amount: EUR 83.2 billion)



b) At 30 June 2013 (total outstanding amount: EUR 144.7 billion)



Source: Banque de France.

11 See the glossary below for a more detailed explanation of these products.

2 | 1 The main beneficiaries of loan securitisation in France are households

At 30 June 2013, loans to resident households accounted for 59.2% of the total assets held by French securitisation vehicles and 75.4% of the loans originated by monetary financial institutions (MFIs).

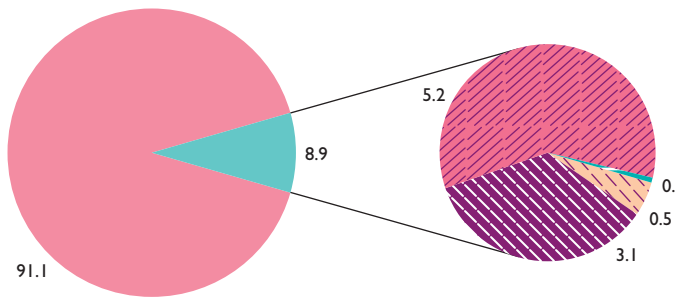
The amount of outstanding securitised loans to households fell slightly between June 2012 and June 2013, from EUR 134.4 billion to EUR 127.6 billion. This was primarily due to the redemption of a number of structures which were created in the second half of 2011 to obtain bank refinancing due to the tightening of liquidity conditions in the market.

By contrast, over the same period, the amount of securitised consumer loans increased from EUR 7.1 billion to EUR 10.8 billion, representing 8.5% of total securitised household loans.

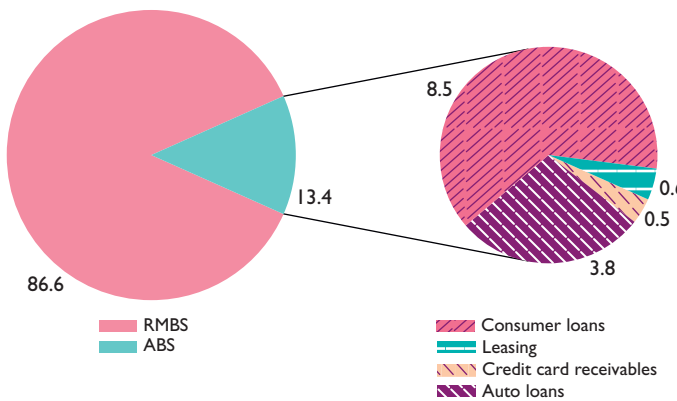
Charts 5 Breakdown of securitised loans to resident households

(%)

a) At 30 June 2012 (total outstanding amount: EUR 134.4 billion)



b) At 30 June 2013 (total outstanding amount: EUR 127.6 billion)



Source: Banque de France.

2|2 Resident NFCs also use securitisation to refinance their receivables

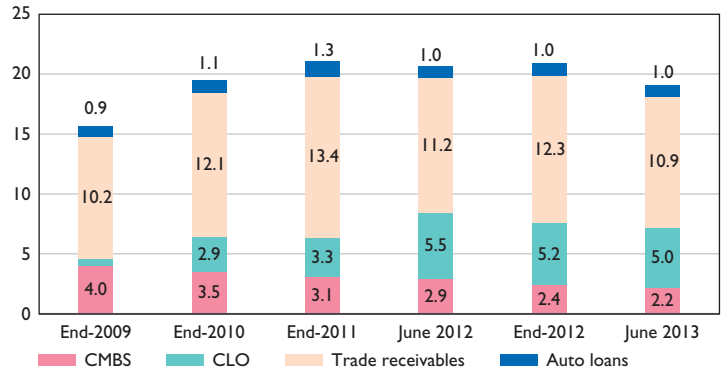
By selling their commercial receivables to securitisation vehicles, non-financial corporations (NFCs) can use securitisation as another source of financing, in addition to trade discounting and factoring.

The total value of securitised commercial receivables originated by NFCs rose from EUR 11.2 billion at end-June 2012 to EUR 12.3 billion at end-2012, before falling back to EUR 10.9 billion at end-June 2013.

SMEs are increasingly refinancing through structures such as CLOs, where the receivables of more than one company are pooled in order to benefit from economies of scale.[12] The outstanding amount of CLO structures rose from EUR 0.5 billion at end-2012 to EUR 5 billion at 30 June 2013.

Chart 6 Financing of resident NFCs by type of securitised asset

(EUR billions)



Source: Banque de France.

2|3 Bank refinancing and securitised loan portfolios

The purpose of securitisation transactions in the banking sector has evolved over time. Under the Basel I prudential framework, banks generally used securitisation for regulatory arbitrage. The requirements of the Cooke ratio prompted a certain number of credit institutions to seek to lighten their balance sheets by unloading parts of their loan portfolios. Under the Basel II prudential regime, however, the implementation of the McDonough ratio[13] tightened the prudential rules on the securitisation of bank loans.

12 The amount of receivables to be securitised has to be relatively large to amortise the costs associated with this type of financial structure. As a result, SMEs tend to prefer trade discounting or factoring to securitisation.

13 The McDonough ratio is defined in Directive 2006/48/EC on the taking up and pursuit of the business of credit institutions and 2006/49/CE on the capital adequacy of investment firms and credit institutions (together forming the Capital Adequacy Directive transposing the Basel II recommendations into European law).This Directive was transposed into French national law by the government Decree of 19 April 2007.

Box 2

Direct-lending funds

The reform of the French Insurance Code of 2 August 2013 extended the list of assets in which insurance companies may invest their technical provisions to include a new type of securitisation fund known as direct-lending funds. These have replaced the public-private partnership FCTs (PPP-FCTs) introduced under Decree 2011-1418 of 31 October 2011 which amended the rules for covering the regulated liabilities of insurance undertakings.

The assets in which these direct-lending securitisation funds are authorised to invest are listed in Article R332-14-2 of the Insurance Code. They include debt securities representing claims on private and public sector entities in European Union Member States, with a maturity of two years and above.

The liabilities of direct-lending funds can consist of euro-denominated bonds, shares or equities provided the credit risk associated with holding these securities is not divided into tranches.

The first direct-lending funds to have been set up (Fonds Novo) hold total combined assets of EUR 1.015 billion, comprising fixed-rate bonds (4% to 6% under current market conditions) with maturities of between 5 and 7 years and redeemable at maturity. To ensure diversification, the funds may not invest more than 10% of their asset portfolio in any one company, or more than 20% in a single business sector. The minimum recommended investment horizon is two years, and the lifespan of the fund is limited to 10 years.

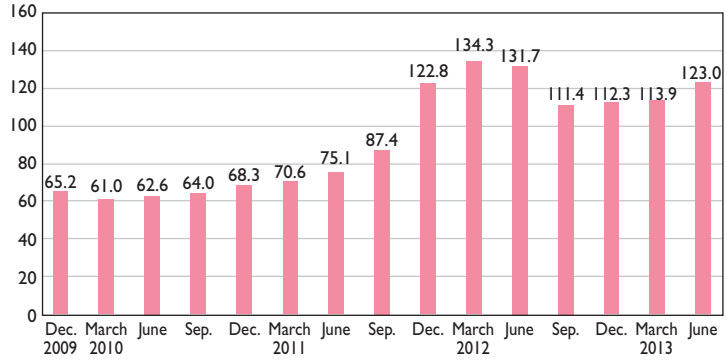
As a result credit institutions began to use securitisation more as a source of refinancing. Moreover, with the onset of the financial crises, new types of structures were created aimed at recycling high quality receivables into securitised assets that could be used as collateral in refinancing operations with the Eurosystem. The eligible securities issued by the securitisation vehicle are often purchased by the originating bank, for the purpose of refinancing ("retained securitisation"). Over the period under consideration, the volume of eligible securities issued by French securitisation vehicles almost doubled from EUR 65 billion in December 2009 to EUR 123 billion at end-June 2013.

The fall in eligible securities between June and September 2012 is attributable to the redemption of AAA-rated refinancing operations that were backed by RMBSs.[14] The share of this type of security in total eligible securities fell from 87% at end-June 2012 (EUR 131.7 billion) to 84.1% in June 2013 (EUR 126.4 billion). Conversely, the share of eligible ABSs fell from 14.3% (EUR 15.5 billion) to 11.8% (EUR 18 billion).

14 As of 1 March 2009, the minimum initial issue rating required for a security to be eligible for ECB refinancing was raised from "A" to "AAA". To remain eligible, the rating must be kept above "A". An automatic discount of 16% is applied to eligible securities issued by a securitisation vehicle.

Chart 7 Oustanding eligible securities issued by securitisation vehicles

(EUR billions)



Source: Banque de France.

Box 3

Securitisation under the current Basel 2.5 framework

The 2007 subprime crisis prompted an in-depth review of the existing Basel II framework governing securitisation transactions. As a result, in July 2009, the Basel Committee adopted a series of new measures, which were set out in the document entitled "Enhancements to the Basel II Framework". This, combined with "Revisions to the Basel II Market Risk Framework" constitutes the new Basel 2.5 framework which came into force on 31 December 2011.[1]

The new measures include the following:

- *for securitisation transactions carried out after 1 January 2011, originating banks must retain 5% of the securitised assets in their balance sheets. As of 1 January 2015, this will apply to all securitisation transactions, including those carried out prior to 2011;*

- *banks must assign a 1,250% risk weight (total deduction from capital) to guaranteed securitisations (credit enhancement) and to lines of liquidity;*

- *higher weightings must be applied to resecuritisation exposures.*[2]

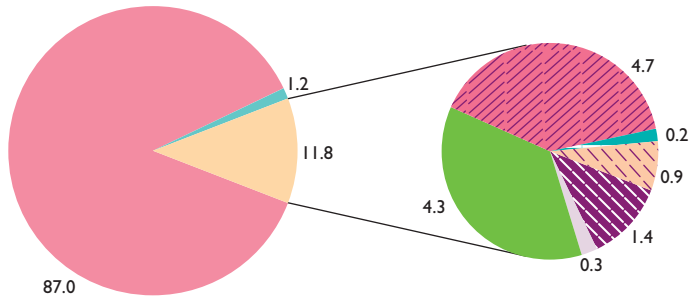
1 *This new regulatory framework was transposed into European law under Directives CRD 2 and CRD 3, which include a number of additions to the Basel Committee's recommendations such as the 5% retention floor for securitisations.*

2 *Resecuritisations are securitisation transactions in which at least part of the underlying assets are the product of an existing securitisation. In practice, it consists in the securitisation by one securitisation vehicle of securities issued by another vehicle.*

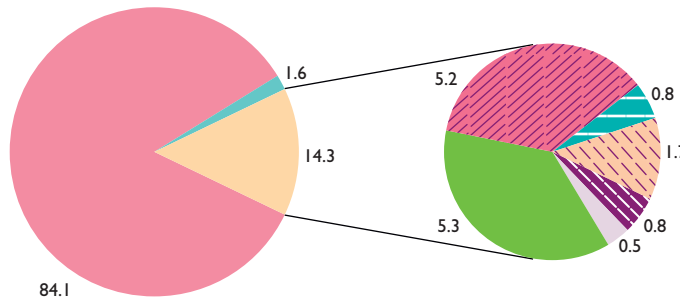
Charts 8 Breakdown of eligible securities by type of issue

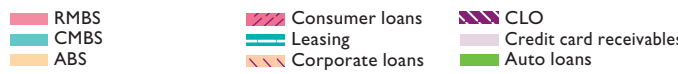
(%)

a) At 30 June 2012 (total outstanding amount: EUR 131.7 billion)



b) At 30 June 2013 (total outstanding amount: EUR 126.4 billion)





Source: Banque de France.

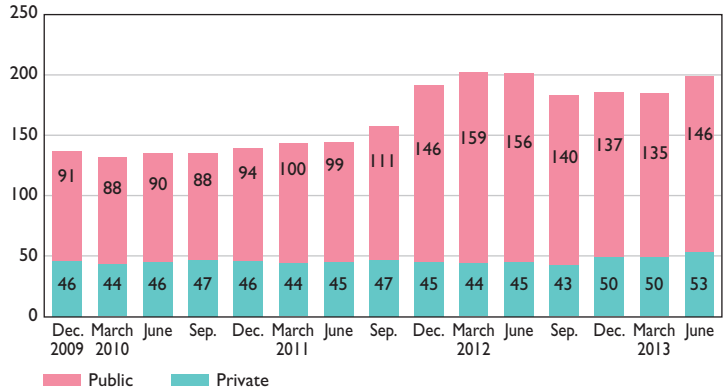
3| Securitisation: a tool for investment diversification

3|1 Securities issued by securitisation vehicles and main types of investor

Securitisation vehicles' liabilities mainly consist of debt securities (92% at 30 June 2013), with the remainder (8%) comprising deposits and various other financial products. This breakdown has remained more or less stable since the end of 2009. The securities issued are mainly long-term (79.5%) versus 12.5% short-term (maturity of less than one year).

Chart 9 Oustanding securities issued by securitisation vehicles, by type of offering

(EUR billions)



Source: Banque de France.

The issued securities attract various categories of investor with different investment objectives, including professional investors (private placements) and non-professional investors (public offerings).[15] Private placements are mainly targeted at companies providing third-party investment management services or qualified investors (sometimes grouped together in limited investment syndicates) on condition that the latter are investing for their own account.

The outstanding amount of private placements remained relatively stable over the period under review, averaging around EUR 45 billion up to September 2012, then rising gradually to EUR 53 billion at end-June 2013. Public offerings hit a peak of EUR 159 billion at the end of March 2012, then fell back to EUR 146 billion at end-June 2013.

The majority of debt securities issued publicly by securitisation vehicles are held by resident banks (83.5% at end-June 2013, down from 86.5% a year earlier), while the share held by other resident sectors has decreased (1.3%, versus 4.3% a year earlier). By contrast, the share held by the non-resident sector increased over the period, reaching 15.1% at end-June 2013 compared with 9.2% in June 2012.

3|2 Investors have access to new classes of risk

Securitisation has become a highly flexible technique that offers investors exposure to a broad variety of asset classes, ranging far beyond the bank

15 A public offering is defined in the CMF (Article L411-1) as "an advertisement, regardless of its form or method of dissemination, which contains sufficient information on the conditions of the offer and the securities being offered to enable an investor to decide whether to buy or subscribe to such securities".

loans used in traditional transactions. However, these different possibilities (such as synthetic securitisations, where only the credit risk is transferred and not the actual receivables) are only exploited to a limited extent in France. The extension of securitisation to sectors other than the banking sector and to NFCs, allows investors to gain exposure to risks such as insurance risk which has the advantage of being decorrelated from the risks associated with traditional investment instruments.

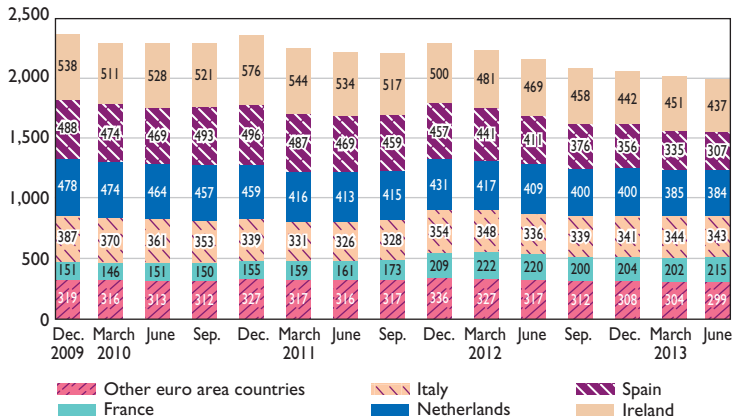
In France, securitisation vehicles have been authorised to issue securities underpinned by insurance risk since the Ordinance of 13 June 2008 (see Box 3). As at 30 June 2013, outstanding insurance risk securitisations totalled EUR 1 billion.

4| France's share of the European securitisation market remains modest

As at 30 June 2013, France ranked fifth in the euro area in terms of the total outstanding assets held by securitisation vehicles. Ireland ranked first, with a share of 22%, followed by the Netherlands (19.3%) and Spain (15.4%). France's share reached 10.8% by mid-2013, a substantial rise compared with 6.4% at end-2009. Indeed, of all the major countries using securitisation in the euro area, France was the only one to see an increase in the total balance sheet of its securitisation vehicles.

Chart 10 Total balance sheets of euro area securitisation vehicles

(EUR billions)

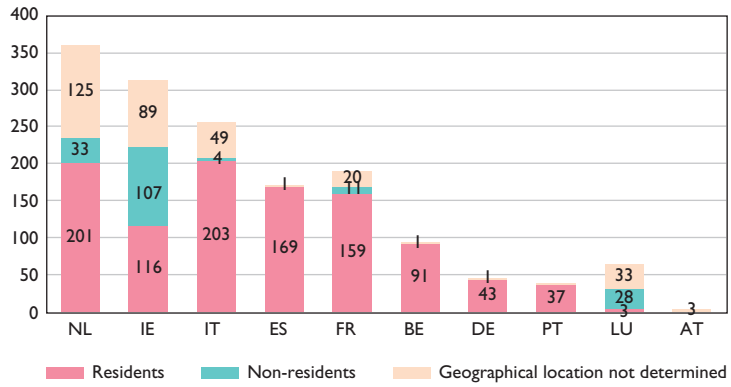


Source: European Central Bank.

In terms of the geographical origin of the loans and receivables acquired by securitisation vehicles, the share of transactions with non-resident entities was considerably lower in France (5.3%) than in Luxembourg (44%), Ireland (34.3%) and the Netherlands (9.2%).

Chart 11 Geographical origin of the assets (loans and receivables) transferred to securitisation vehicles (June 2012)

(EUR billions)



Source: European Central Bank.
Calculations: Banque de France.

Glossary

Asset-backed security (ABS)

The term asset-backed security refers to all securitisation instruments other than those backed by property loans. The underlying assets for ABSs include auto loans and credit leasing, credit card receivables, student loans, loans to small companies, franchise loans, etc.

Collateralised debt obligation (CDO)

A collateralised debt obligation (CDO) is a sub-category of asset-backed securities (ABSs) in which the underlying assets are receivables from a limited number of institutional (or similar) borrowers (20 to 500) as opposed to traditional portfolios of ABSs where the number is between 500 and 100,000 borrowers (mortgage loans and trade receivables). The majority of CDO assets are generated by the banking system and take the form of a portfolio of bonds (collateralised bond obligations – CBOs) or commercial loans (collateralised loan obligations – CLOs).

Commercial mortgage-backed security (CMBS)

Commercial mortgage-backed securities (CMBSs) are securities backed by commercial property loans (offices, shopping centres, etc.).

Covered bonds

Like ABSs, covered bonds are financial products that allow the securitisation of certain categories of receivables (essentially residential mortgage loans, receivables from public entities, and sometimes loans for shipbuilding and aircraft construction). However, in the Banque de France's statistical data collection, covered bonds differ from securities issued by securitisation vehicles in two main ways:

- covered bonds are issued by a credit institution and not by a securitisation vehicle;

- investors who acquire covered bonds have dual recourse, firstly against the issuer, but also against the cover pool (portfolio of underlying assets), whereas the holder of ABSs only has rights over the pool.

Depositor

The depositor must be a credit institution operating in an EEA (European economic area) member State or in a State listed by an Order issued by the Minister for the Economy, or any other institution authorised by that minister (Article L214-178 of the French Monetary and Financial Code – CMF) that is responsible for the custody of the cash and receivables acquired as well as for the control of the conformity of the decisions taken by the management company (Art. L214-229 of the CMF).

Management company

The management company in a securitisation transaction must be a portfolio management company, as defined in Article L532-9 of the CMF. In addition, the securitisation management company, unless exonerated under the terms of Article R214-226, must be authorised for that activity by the AMF (*Autorité des marchés financiers* – the Financial Markets Authority) (Art. L214-177 of the CMF).

Originator/seller

The originator of a securitisation transaction may be a bank or a company. The originator can also play the role of the agent for the transferred receivables. In that case, it oversees the transfer of the receivables, manages the cash in the securitisation vehicle and checks that there are sufficient securities issued (in the case of replenishable structures). It ensures that the procedures are followed for obtaining a rating and provides the information required by the supervisory authorities.

Residential mortgage-backed security (RMBS)

These are securities backed by residential property loans. In France, property loans to individuals are increasingly covered by guarantees and not by mortgages. The annual survey on the residential property financing conducted by the ACPR (*Autorité de contrôle prudentiel et de résolution* – the Prudential Supervisory and Resolution Authority) found that 52.9% of residential property loans granted in 2012 were guaranteed by a bank or by an insurance company, versus 33.6% that were guaranteed by a mortgage or a creditor's lien.

Securitisation company

The securitisation company is established as a limited liability company or as a closed corporation. Its minimum share capital is EUR 37,000 (Art. L224-2 of the French Commercial Code). Securitisation companies were created in order to promote the international use of this type of vehicle by lifting the risk of tax penalisation related to the transfer of foreign receivables to a French vehicle. In fact, non-double taxation agreements are only applicable if the transfer is to a tax resident with a legal personality.

Securitisation fund (FCT)

Since the Order of 13 June 2008, this vehicle has replaced the special purpose securitisation vehicle (FCC). The FCT is set up under the initiative of the company responsible for its management and the depositor (Art. L214-181 of the CMF). The fund's liabilities consist, at all times, of at least two units (Art. R214-233 of the CMF), each of which has a minimum amount of EUR 150 (Art. D214-234 of the CMF).

Special purpose vehicle (FCC)

The special purpose vehicle (FCC) was created by Act. 88-1201 of 23 December 1988 which laid the initial foundations for securitisation transactions in France. In accordance with the terms of the AIFM Directive, all FCCs must be converted into securitisation funds (FCTs) by 22 July 2014.

Financial situation of the major listed groups in H1 2013: faltering growth coupled with debt reduction

Claire Mangin, Lionel Rhein and Matthieu Roche-Toussaint
Companies Directorate

In the first half of 2013, turnover of the 76 leading industrial and commercial groups listed on segment A of Euronext levelled off, inching down by 1% after a 6% rise as at 30 June 2012. This was a consequence of weakening global economic growth as well as negative perimeter and exchange rate effects.

This slowdown in the growth of French groups was accompanied by contrasting trends in profitability: while operating profits shrank from H1 2012, operating income and net profit only dipped moderately and even picked up slightly from the lows recorded at the end of 2012.

Dwindling profits reduced groups' ability to generate cash flow. Therefore, they took cash from reserves accumulated in 2012 – rather than contracting new loans – to repay maturing debts. Combined with financial innovations and asset disposal policies, this strategy allowed them to reduce their financial debt. Financial debt decreased by 6%, to stand at 80% of equity capital, a 6-point drop year-on-year, and the lowest level since 2008. The downward adjustment of investments contributed to the same trend.

Financial structures remained sound, even though equity was always matched by a significant proportion of goodwill, whose valuation could be subjective. In addition, growth in equity waned, reined in by smaller profits and the negative impact of other comprehensive income, mainly currency conversion differences.

At the end of the first half, the groups' outlook for business activity and profits for the second half of the year was more favourable. The upturn in their stock market capitalisation reflected market confidence in these groups.

Key words: IFRS consolidated accounts, profits, major industrial and commercial companies, major French groups, other comprehensive income (OCI), companies listed on segment A of Euronext

JEL codes: F23, G30, G32, L25

1| Business activity steadied in the first half of 2013

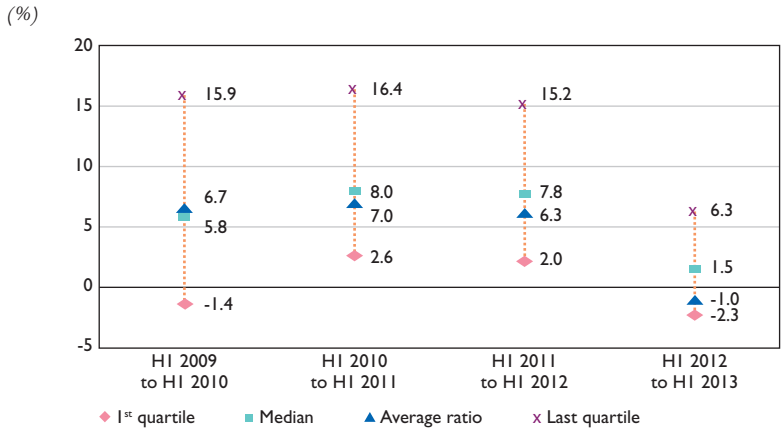
1|1 A break in growth

After several years of brisk growth at an annual rate that hovered between 6% and 8%, the first half of 2013 saw French groups' growth come to a halt, a consequence of the global economic slowdown and negative exchange rate effects.

Following on from the first quarter, which had already seen a 1.3% decline, total turnover of the 76 leading groups fell by 1% over the first half to EUR 648 billion.

This decrease was more widespread than it had been the previous year at the same date. Turnover declined from H1 2012 to H1 2013 in 28 out of 76 groups, i.e. 37%, while in the first half of 2012, only 21% of groups had posted a year-on-year drop in turnover (see Chart 1).

Chart 1 Half-yearly turnover growth



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

1|2 Increased sectoral disparity

Disparities increased year-on-year. While in H1 2012, business activity continued to soar in all the major sectors, in H1 2013 there were major differences across sectors (see Chart 2).

Growth surged in services and especially trade, thanks in particular to the additional income generated by external acquisitions made in 2012.

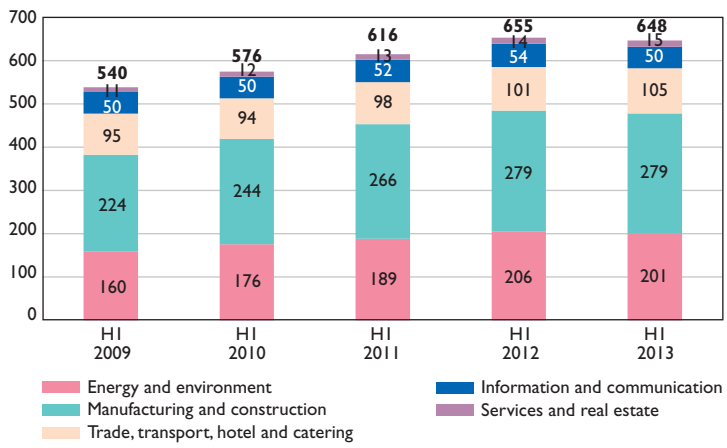
In the energy and environment sector, growth varied across groups. Overall, this sector suffered the sharpest downturn. The 9% growth recorded in 2012 was followed by a 2.4% slide. This was due to the combination of several factors: reduction in oil production volumes, drop in average sales prices despite rising demand for energy – together with flagging petrol prices and government regulation of prices in Europe – and losses associated with plant shutdowns resulting from discontinued or offloaded operations.

The information and communication sector also showed a sharp 7.4% decline in turnover, due to the downturn in the advertising market, declining activity in the mobile telephone sector and sales of subsidiaries.

Turnover in the manufacturing industry levelled off at EUR 279 billion, a 0.3% drop, with contrasting results across the branches.

Chart 2 Turnover by sector

(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

Business activity grew in aeronautics. It expanded significantly in the luxury goods sector where geographical shifts and adjusted sales formats enabled the sector to withstand the fluctuations of the economic environment.

Sales volumes decreased in the automotive, construction and pharmaceutical industries. Continued international expansion and price hikes did not make up for a weak European market.

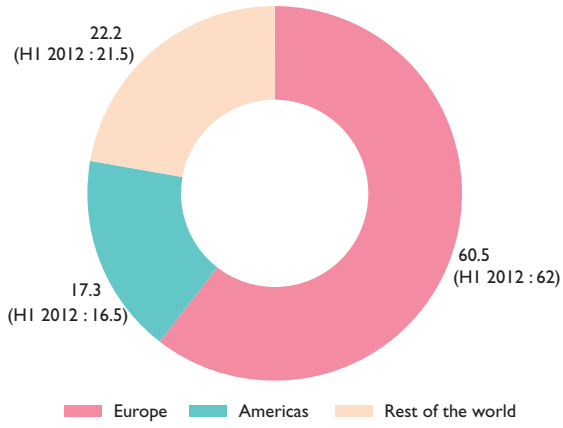
1|3 The international market (excluding Europe) continued to be the mainstay of business activity

The leading groups' international expansion stalled overall in the first half of 2013. The share of turnover earned in France by the groups under review[1] levelled off at 38%.

The share of the European market decreased. While Europe still accounted for 62% of total turnover in the first half of 2012, this share dropped to 60.5% at the end of H1 2013 (see Chart 3). Conversely, cumulative turnover increased by 5% in the Americas and 3% in the rest of the world.

Chart 3 Geographical breakdown of turnover in H1 2013

(%)



Source: Financial statements of the 48 groups.
Calculations: Banque de France – September 2013.
NB: Half-yearly reports are not fully homogeneous in terms of the geographical breakdown of the activity: on 30 June 2013, only 50 out of the 76 groups studied disclosed sectoral information with homogeneous distribution zones.

1 And reporting on this indicator, i.e. a reduced sample of 50 groups.

Generally, the least international groups, which were therefore most exposed to difficult conditions in Europe, had the lowest growth rates. To the purely economic reasons, such as the business slump in Europe and the rebound in the Americas, may be added the effects of the perimeter change which highlighted several large groups' off-loading of European subsidiaries and expansion of activities in Asia and America.

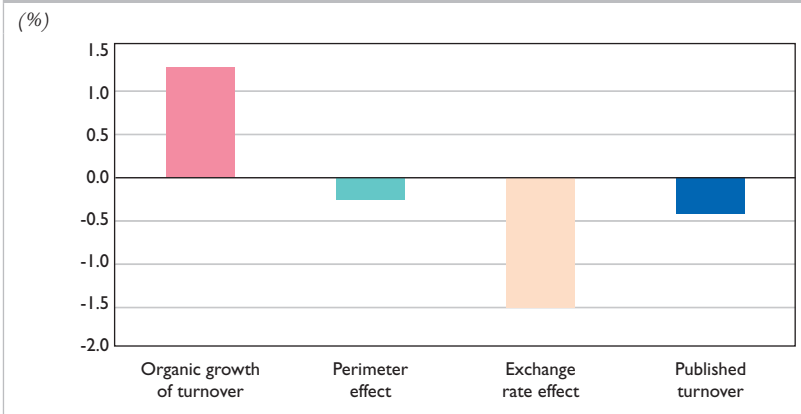
1|4 Adverse perimeter and exchange rate effects

The negative net impact of perimeter effects

The groups under review, which are large and international, do not have rigid structures. Their make-up evolves regularly depending on acquisitions and sales of subsidiaries. The turnover thus incorporates effects of changes in perimeter, reflecting contributions by entities that entered the scope of consolidation in H2 2012, and excluding those that exited it at that time. Most groups report these perimeter changes or provide enough elements that make it possible to assess the role played by external growth.

At the end of the first half of 2013, most French groups benefited from the increase in acquisitions since the second half of 2012. The perimeter effect was therefore positive for 47% of groups and negative for 29%. For close to two thirds of these groups, perimeter effects contributed even more than internal or organic growth.

Chart 4 Breakdown of turnover growth in H1 2013



Source: Financial statements of the 73 groups.
Calculations: Banque de France – September 2013.
NB: This is measured on the groups in the sample that report on the breakdown of turnover growth, i.e. 73 out of 76 groups; hence the difference with the total growth in turnover represented in Chart 1.

This dynamic external growth policy aimed to expand or diversify activity, and also seek synergies. For example, groups acquired large entities in order to achieve a dominant position on the market, or smaller companies for their promising futures and recognised technological expertise.

Conversely, other groups conducted geographical and sectoral repositioning policies, which led them to dispose of non-strategic assets while enabling them to generate cash flow and reduce their debts.

The asset disposals, which were less frequent than acquisitions but more broad based, held back turnover growth. Overall, measured on the basis of only the companies that disclosed such information, the net perimeter effect was slightly negative, by about 0.2 of a point, due to major divestments particularly in the trade, hotel, retail, energy, environment and communication sectors.

The implementation of IFRS standards heightened perimeter effects

The negative effect of perimeter changes was also amplified by the implementation of certain IFRS standards.

IFRS 5 "Non-current assets held for sale and discontinued operations" authorises groups to classify subsidiaries whose sale is highly probable but not yet effective at the date of closure as assets held for sale. In practice, detailed disclosure of assets and liabilities within disposal groups, including their turnover, is presented separately in the balance sheet and reclassified under the item "Net result from non-current assets sold or held for sale". This method, which aims to make group accounts more forward-looking, weighed significantly on the turnover of a large group.

In addition, IFRS 11 "Joint Arrangements", issued on 12 May 2011, scraps the proportionate consolidation method applicable to entities that are controlled jointly. Results of joint arrangements classified as joint ventures are now accounted for using the equity method, and accounts of those classified as joint operations are fully consolidated line by line. Some groups have already implemented this standard, which will become mandatory on 1 January 2014. With the new recognition requirements resulting mainly in the application of the equity method, the impact on the total turnover of the sample was negative but limited because proportionate consolidation was not widely used among French groups.

The appreciation of the euro affected consolidated turnover

Given their international scope, the 76 groups' turnover was also influenced by a currency effect. The conversion into euro of the accounts of some foreign subsidiaries had a knock-on effect on the growth of the groups' consolidated turnover, regardless of their actual level of activity.

The first half of 2013 was characterised by a general appreciation in the euro exchange rate: a slight strengthening against the US dollar and the pound sterling and a more notable rise against other currencies, especially the yen and most South American currencies.[2]

Fluctuations in the exchange rate therefore had a negative impact unlike in the first half of 2012. This impact on almost all French groups varied and was proportional to the volume of foreign-currency denominated sales.

The exchange rate effect exacerbated the decrease in turnover in the most international branches such as pharmaceuticals, telecommunications and aeronautics. It had less impact in the groups whose operations centred on the euro area, which however suffered from the worsening of the economic environment.

The contribution of the exchange rate effect is estimated to be negative 1.5 point over the entire sample that reported on this data.

Measured at a constant exchange rate, the outlook for growth in 2013 was marginally more promising with business activity growing by at least 0.5%.

1|5 The improvement was confirmed in the third quarter

The second half of 2013 appeared to be starting off on a more favourable note. Turnover for Q3 2013 increased by 3% from the previous year, enabling the 76 groups to record a cumulative growth over the first nine months that was almost identical to that of 2012. This recovery was nonetheless hampered by persisting negative exchange rate effects, which neutralised the increases in organic growth and the favourable perimeter effects.

2| A limited decline in profits

Listless turnover was accompanied by a decrease in profits, whose main indicators declined from the first half of 2012.

Growth in profits did not however follow the same pattern as in the previous year. In 2013, the decline was due to the drop in gross profits that companies had been able to stabilise in 2012. However, operating and net profits dropped less sharply than in 2012 and even improved slightly from their end-2012 level.

2 *The euro-dollar exchange rate stood at USD 1.31 to EUR 1 compared with USD 1.30 to EUR 1 on average over the first half of 2012, i.e. a 1.3% rise.The euro also rose 3.7% against the pound sterling (climbing from 0.82 to 0.85), by 5% against the yen (from 103.3 to 108.5), by 10.8% against the Brazilian real (from 2.41 to 2.67) and by 18% against the Argentine peso (from 5.7 to 6.73).*

2|1 Operating profits shrank

Operating profitability is measured through EBITDA (Earnings before interest, tax, depreciation and amortisation), the difference between operating income and expenses, before depreciation and amortisation. It is comparable to the concept of gross operating surplus in French accounting standards. 38 out of the 76 groups analysed reported this intermediate balance. We also reconstituted it for the other groups.

While turnover decreased by only 1%, groups' real gross profits dropped by close to 6% to stand at EUR 89.5 billion.

The downturn in the price/cost differential that started in 2012 sharpened in 2013. The drop in production volumes in some sectors, together with pressure on sales prices, weakened gross operating margin rates (EBITDA/sales), which slid 0.7 of a point from 14.5% at the end of June 2012 to an average of 13.8%. This ratio receded in 43 out of 76, i.e. 56% of the groups. The sharpest decreases were in the pharmaceutical and nuclear industries and construction and telecommunications. While the drop in commodity prices benefited a large number of groups, helping to cut back costs, it also penalised producer groups (energy, metals).

2|2 Operating income decreased by 7%

Operating profit – operating income net of operating expenses (including calculated costs such as amortisations and provisions) – measures the intrinsic performance of the group, before financial expenses and taxes. 64 groups in the sample disclosed this intermediate balance. A comparable indicator (operating income, income from operating activities for instance) was used for the others, provided that it was also calculated after deduction of amortisations, provisions and depreciation.

In H1 2013, cumulative operating income amounted to EUR 55 billion, a EUR 4 billion drop from H1 2012. Overall, this decline was fully accounted for by the decline in the gross margin rate. There were nonetheless significant disparities across the groups.

For most groups, several additional factors contributed to amplifying the decrease in operating profits. The first half of 2013 thus marked a new wave of tangible and intangible asset depreciation, including on goodwill. This was mainly in groups in the energy, automotive, pharmaceutical and telecommunications industries.

2012 had already been marked by a sharp rise in depreciation caused by the worsening economic environment and the increase in country risk. The groups mostly recognised this impairment loss as a liability in the H2 2012 accounts. This explains why H1 2013 amounts increased further from those of H1 2012.

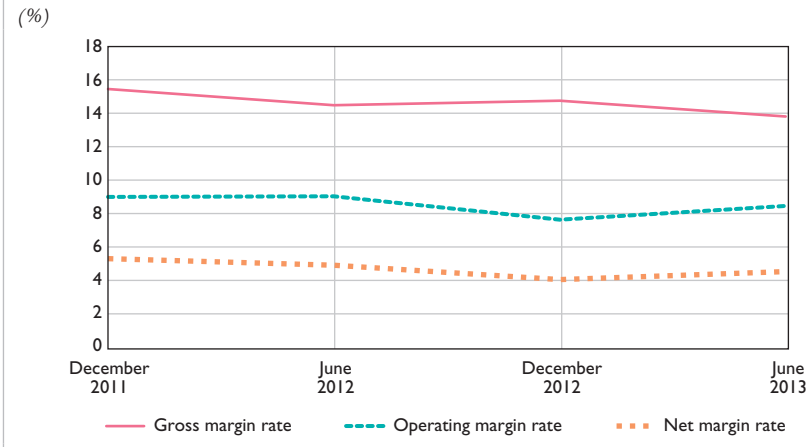
Other factors had a negative impact on some groups' operating profits:

- rise in restructuring costs linked to medium-term savings programmes;
- losses on sales of participating interests;
- losses on futures markets in operational financial instruments;
- provisions to cover group exposure to country risk in southern Europe and the Middle East for example.

The balance of these non-recurring income and expenses was positive by some EUR 1 billion in H1 2013, mainly thanks to substantial gains achieved by a few large groups on asset disposals.

Overall, compared with the first half of 2012, the operating margin rate (operating income over turnover) slid by half a point, from 9.0% to 8.5%. Compared to the 7.8% low at the end of 2012 this was a sharper increase (see Chart 5).

Chart 5 Growth in margin rates 2011-2013



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

2|3 Net profits dropped less sharply than in H1 2012

Net profit, i.e. operating profits after recognition of financial expenses and taxation, declined anew. Cumulating at EUR 29 billion, compared with EUR 32 billion the previous year, net profits dropped by 9% from June 2012; after decreasing by 18% between June 2011 and June 2012 (see Chart 6).

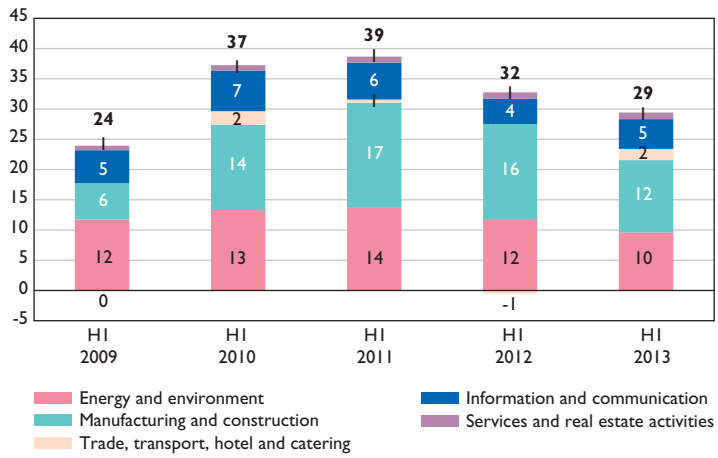
While the drop in operating income had a knock-on effect on net profit, the other expenses that are also liable to have an impact on bottom-line profits did not cause further deterioration. On the contrary, they tended to decrease. As the taxable income base shrank, taxes (including deferred taxes) decreased by EUR 1 billion, to stand at EUR 18 billion, despite the creation of the new 3% tax on dividends paid out, while financial fees dropped, in line with the 6% reduction in debt volumes.

Consolidated net profit incorporates losses and gains from subsidiaries sold or held for sale and whose contribution is recorded separately in IFRS accounts under "Net income of discontinued activities". In the first half of 2013, this contribution was mostly positive. It bucked the general trend of falling profits and showed that assets sold by the French groups are highly profitable.

With turnover dropping slightly and net profit falling more rapidly, net margin rates shrank automatically, dropping on average from 4.9% in June 2012 to 4.5% in mid-2013.

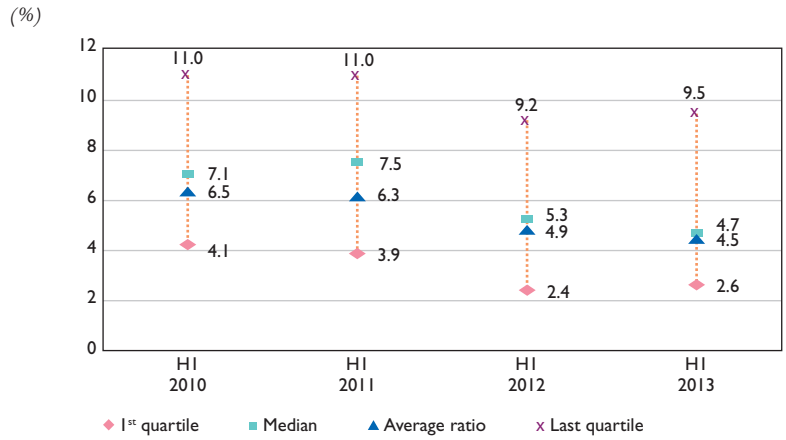
Chart 6 Net profit by sector

(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

Chart 7 Net margin rate (net profit/sales)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

The net margin rate receded in 44 out of the 76 groups under study. This was almost as many as the 50 groups in 2012, compared to 37 only in 2011. Half of the groups had a net margin rate below 4.7%, compared to 5.3% in 2012. In addition, eight groups reported accounting losses in the first half compared to only four in 2012.

The ratio distribution nevertheless showed that differences stabilised. Bottom-line profits improved slightly in the first quartile of the sample (see Chart 7), which means the least profitable groups recovered their profits or minimised their losses.

3| Groups drew on their cash reserves to reduce their debt

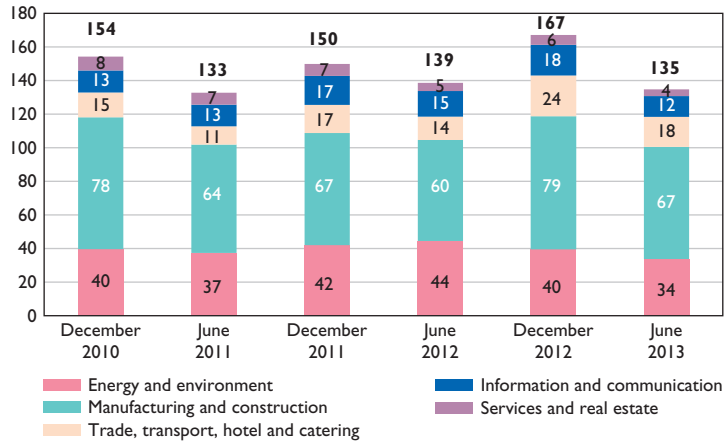
3|1 Cash position declined

On 30 June 2013, the aggregate cash position of the major non-financial groups was EUR 135 billion, a EUR 32 billion drop from December 2012's record high, and a EUR 4 billion reduction from June 2012.

This drop was seasonal in nature, unlike in December. In the first half of the year, the groups paid out most of the annual dividends. This whittled down cash reserves, which were subsequently rebuilt in the second half (see Chart 8).

Chart 8 Cash position at closure of accounts

(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

In 2013, the seasonal decline was exacerbated by the recognition, in the accounts of several large groups, of roughly EUR 4 billion in outflows of cash held by subsidiaries held for sale. However, compared to H1 2012, the cash position decreased by 3% only, from EUR 139 billion to EUR 135 billion. The drop in profits limited groups' ability to generate liquidity (see Chart 9). Their cash flow from operating activities dropped by EUR 7 billion. On the other hand, the groups adjusted their investment spending downwards to an equivalent amount, which meant that financing requirements remained stable year-on-year.

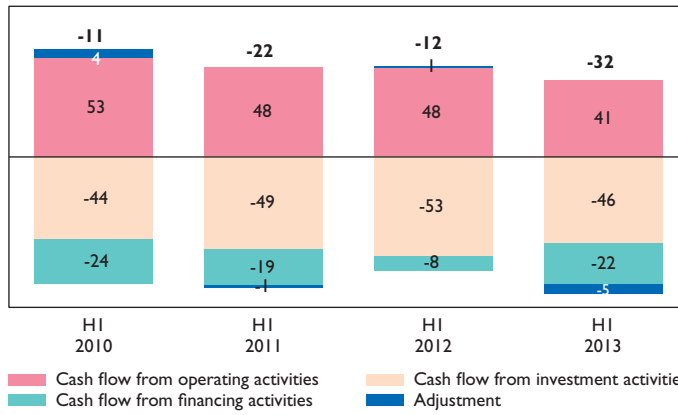
Groups used internal resources to meet these requirements. They tapped 2012 cash reserves to finance investments and, in particular, pay out dividends and reimburse maturing debt.

However, the share of cash reserves in total assets varied little, levelling off at 6.7% as it did at the end of June 2012. This was fairly uniform within the population of groups. Only three companies stood out with liquidity exceeding 20% of their assets.

Financial debt declined by 6% to stand at its lowest level since 2008 (see below). Trends however varied across all sectors year-on-year. The cash position shrank mainly in the energy and information communication sectors. However, it increased in aviation and industry, mainly in the automotive sector, which continued to feel the boost from the destocking carried out in H2 2012.

Chart 9 Breakdown of cash flows

(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

3|2 Operating cash flow decreased by 15%

Cash flow generated by operating activities is the difference between the group's self-financing capacity and changes in working capital requirements. It fell to EUR 41 billion in H1 2013; down from EUR 48 billion in the same period of 2012 (see Chart 9).

In 2012, the groups managed to maintain their self-financing capacity. The drop in income, largely due to the upsurge in accounting expenses – amortisations, provisions and depreciation – had no direct or immediate impact on the cash position. This was not the case in the first half of 2013, which saw a reduction in the groups' gross margin rate.

Operating working capital requirements (OWCR), the financing required for companies' current operations, contracted. In H1 2013, the 76 groups had an aggregate operating working capital requirement of EUR 194 billion, 3% less than on 30 June 2012. The decline was centred on industry. It was mainly a result of a 13% decrease from June 2012 in the trade credit balance,[3] and a 1% adjustment in inventories. OWCR nonetheless increased sharply in several groups, particularly in the aeronautics sector, which enjoyed an upsurge in demand and a positive outlook.

3 The trade credit balance is defined as the difference between trade receivables and trade payables.

3|3 Investment spending shrank by 13%

Cash flow from investment activities may be broken down into four main types of transactions:

- acquisitions of tangible and intangible fixed assets;
- acquisitions of financial fixed assets;
- disposals of tangible and intangible fixed assets;
- disposals of financial fixed assets.

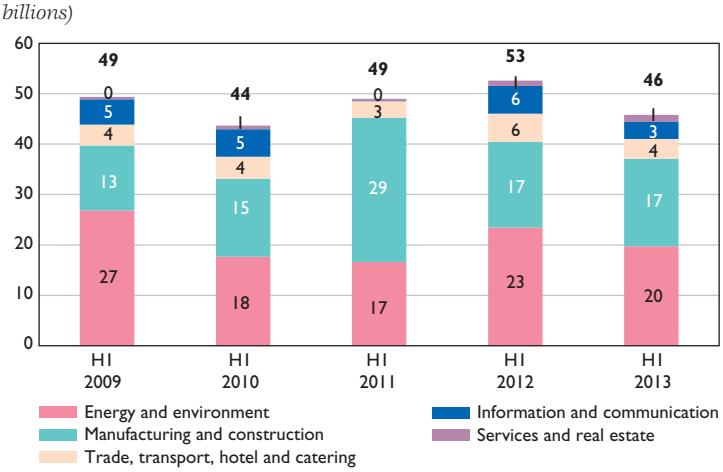
The less promising environment notwithstanding, the groups made only slight cut backs to their net capital investment spending. The drop centred mostly on the information and communication and transport sectors. Investment remained stable in industry as well as energy and the environment, sectors with the highest capital intensity. These sectors accounted for EUR 22 billion, the lion's share of the EUR 43 billion of total capital investments. Investment spending increased in over half of the groups.

H1 2013 saw a sharp reduction in purely financial investments, while income from disposals increased slightly, enabling groups to self-finance close to 80% of acquisitions.

Overall, investment activities generated cash outflows of EUR 46 billion: 13%, or EUR 7 billion, less than in the first half of 2012.

Chart 10 Investment flows by sector of activity

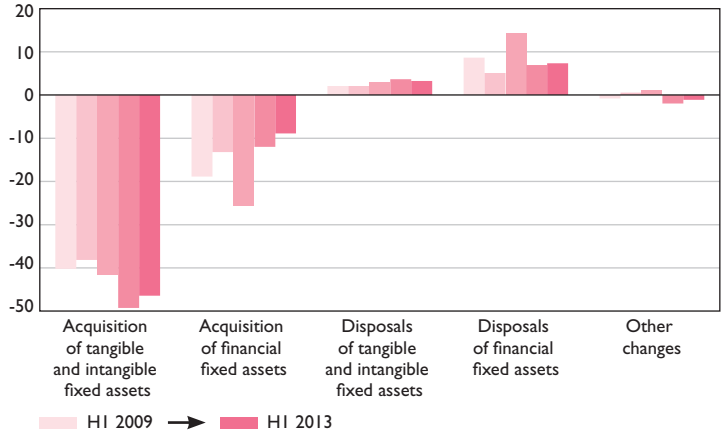
(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

Chart 11 Breakdown of cash flows from investment activities

(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

3|4 Financing flows increased groups' financing requirements

Cash flow from financing activities mainly consisted of financial transactions (dividends, issues and purchases of shares) and financial debt. These flows were influenced by bond maturities and were highly volatile. In the first half of the year, they were also structurally negative due to the pay out of annual dividends.

In 2013, groups' cash outflows to financing activities amounted to over EUR 22 billion, which was a sharp rise from H1 2012 when net cash outflows amounted to only EUR 7.5 billion.

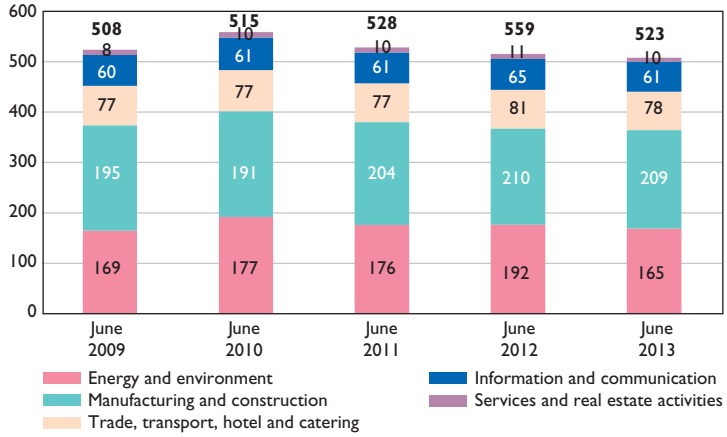
Year-on-year, this deficit was due mainly to groups' reduced use of financial debt as well as the increase in reimbursements and a surge from EUR 28 billion to EUR 30 billion in dividends paid out.

3|5 Debt decreased

Due to reduced borrowing, financial debt of the 76 groups declined by EUR 36 billion, i.e. 6%, from June 2012 to stand at EUR 523 billion. It had increased regularly since 2008, climbing by 3% in 2011 and 5% in 2012 for instance.

Chart 12 Financial debt by sector

(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

This was not a general trend because financial debts increased further in half of the groups analysed. It was amplified by several major transactions by a few large groups, such as the replacement of traditional bond issues with perpetual subordinated bonds.[4] In recent years, the groups already mostly refinanced their bank debt by issuing bonds. This process continued in the first half of 2013[5] with an added step: the income from issuance of these undated subordinated bonds was used for the early redemption of initial bond issues.

Debt levels were also affected by perimeter changes. Asset disposal policies conducted by some groups were aimed explicitly at reducing their debt. They contributed unevenly, but significantly, to the overall decrease in financial debt in the groups in the sample. In addition, a large number of groups set objectives with regard to the net debt/EBITDA ratio, which determines their rating on the financial markets and shapes lending rates and terms. Given the drop in operating profits, the discontinuation of operations whose debts were subsequently removed from the consolidated accounts, was an effective way of complying with these standards.

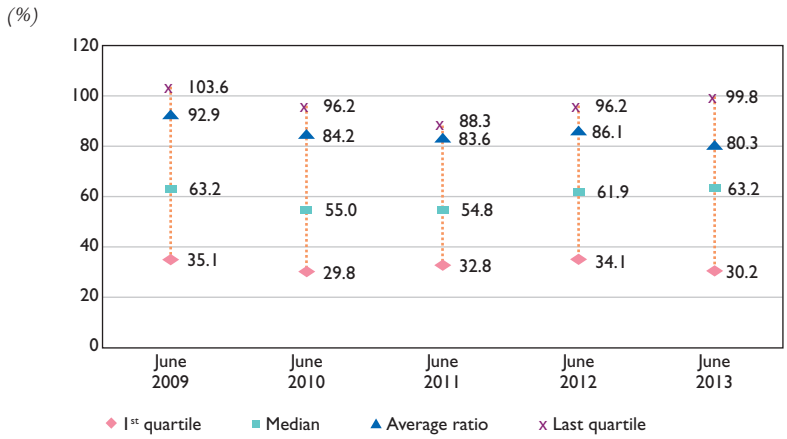
3|6 Debt levels at their lowest since 2008

Set against languishing equity, which grew by a meagre 0.4%, the debt ratio shed 6 points to drop from 86% to 80% at end-June 2012. This was

4 *These bonds are undated but redeemable at the option of the issuer (after a specified maturity date). These "hybrid" instruments are recognised as equity under IFRS. They therefore allow groups to improve their financial structure ratios and also increase the maturity of their debt. New transactions of this type were completed in H2 2013 with identical objectives.*

5 *As the half-yearly reports published by the groups are less detailed than the annual statements, they do not measure the share of bond debt in total financial debt. As a reminder, this share was 61% on 31 December 2012 for groups that used bond financing.*

Chart 13 Financial debt to equity



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

its lowest level since 2008 and reflected the consolidation of financial structures (see Chart 13).

This average rate, which was influenced by the operations described above, nonetheless masked strong disparities, which not only persisted but also tended to increase.

Debt in fact increased in 54% of the groups, particularly those that already had the highest debt. The last quartile of groups had a debt ratio close to 100% at end-June 2013 after 96% in June 2012. Conversely, the first quartile of the sample had a ratio below 30%.

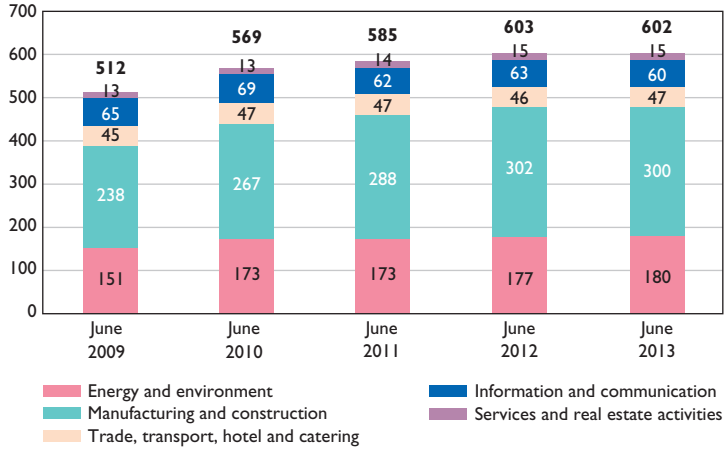
4| Stagnation of equity capital

4|1 Growth of equity slowed down considerably

As at 30 June 2013, the 76 groups' share of equity amounted to EUR 602 billion. With the addition of minority interests, it came close to EUR 652 billion, i.e. 32% of total assets, a level that was stable over the medium term (see Chart 15).

Chart 14 Equity – group share

(%)

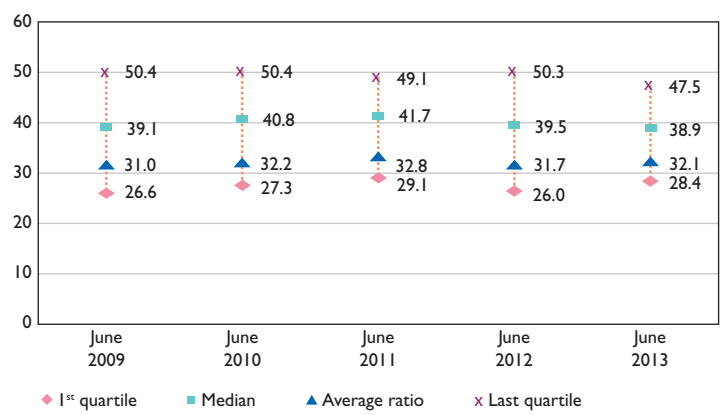


Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

Like with the cash position, the group share of equity capital decreased from the closure of the annual accounts in 2012, falling by EUR 4 billion, i.e. 0.7%, as half-yearly profits did not suffice in themselves to cover annual dividends and share buybacks.

Chart 15 Equity to total assets

(%)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

Year-on-year, total equity grew by 0.4%, i.e. 3 billion. However, this was at a much slower rate than in previous years, for instance 2.7% growth between June 2011 and June 2012, 3.3% from June 2010 to June 2011. Growth in equity was solely due to the EUR 4 billion increase in minority interests following the anticipated global consolidation of subsidiaries. The drop in profits, increase in dividends paid out and negative contribution of other comprehensive income (see paragraph 4|2) jointly led to a virtual stagnation of equity.

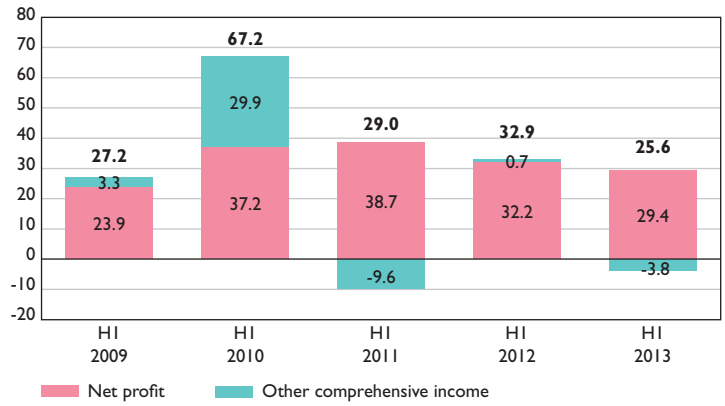
4|2 The negative impact of other comprehensive income

One of the specific features of IFRS consolidated accounts is other comprehensive income (OCI). These accounting assets and liabilities do not enter into the determination of net profit and have no impact on the cash position. They are recorded directly in equity capital. Since the end of 2008, groups are required to track these entries in the "Comprehensive income statement".

The amounts as well as contributions of these "other items" are highly volatile. In the first half of 2013, their total impact was negative by almost EUR 4 billion while it was almost neutral over the first six months of 2012 (see Chart 16).

Chart 16 Net profit and comprehensive income

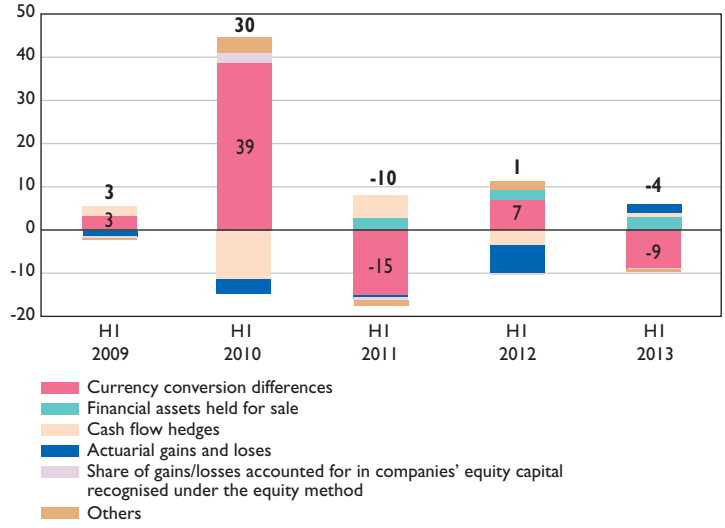
(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

Chart 17 Breakdown of OCI

(EUR billions)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

The main components of OCI, over the previous period, were the changes in currency conversion differences from overseas subsidiaries that held accounts in foreign currency. They amounted to a EUR 9 billion loss, compared with a EUR 7 billion gain in 2012 (see Chart 17).

The negative impact of exchange rate effects on equity may be traced to the fact that statements of assets and liabilities of these subsidiaries were converted at the exchange rate that was in force at the date of closure of the accounts. As at 30 June 2013, the euro had risen against almost all the other currencies. In relative terms, the impact of exchange rate effects on equity was comparable to that of turnover, i.e. about negative 1.4 point.

4|3 Goodwill to equity ratio

Given disposals and depreciations of assets over the last two years, net goodwill shrank by about 3% from June 2012.

For the 72 out of 76 groups in the sample that reported this data at that time of the year, net goodwill amounted to EUR 307 billion, i.e. 56% of equity. For half of these groups, this share was capped at 40%. However, about ten groups stood out with a proportion of goodwill that exceeded equity.

Box

Impact of IFRS standards on groups' financial statements: almost eight years after they were implemented in Europe, what assessment can be made of the adoption of IFRS accounting standards by the main French industrial and trade groups?

The main criticism made to the IFRS standards is the use of fair value and its pro-cyclical nature. Analysis of the accounts of industrial and commercial groups however shows that this has had limited impact, mainly because fair value assessment applies necessarily to only some items on the balance sheet:

- *investment property: these assets are insignificant in the groups in the sample;*

- *financial instruments and derivatives: they are mainly assessed at real market value, which raises no particular problems. They are mostly assets that are assessed based on internal evaluation models, on the basis of specific parameters, which are highly contested; however these assets account for only very limited amounts in the groups in the sample;*

- *impairment tests, particularly for goodwill. Unlike under French standards, goodwill is not amortised under IFRS but verified through regular impairment tests. During the first transition year in 2005, the change in standards led to a mechanical 38% rise in groups' net profits. Conversely, in 2011 and especially 2012, following the worsening of the economic outlook, impairment played a prominent role in the fall-off in groups' operating profits, contributing up to 40%. However, the aggregate net value remained moderate, representing an average 13% of gross goodwill at end-2012.*[1]

Other specific features of IFRS that are different from French accounting standards, however, have potentially significant effects:

- *disposals or discontinued activities are forecast and separated in a specific line item "Net income from discontinued operations". While this accounting recognition gives financial statements predictive value, it also heightens perimeter changes;*

- *classifying perpetual subordinated bonds as equity capital rather than financial debt makes it possible to show lower debt levels;*

- *provisions for pension liabilities, which have to be accounted for under IFRS, represent significant amounts – 30% of equity at end-2012 – and increase groups' liabilities;*[1]

- *other comprehensive income (OCI): these highly volatile transactions have a direct impact on equity. Removing them from equity and recognising them in the income statement would more strongly sway net profit.*[2] *However, their total impact on equity was fairly small. Over the 2008 2012 period, accumulated OCI only accounted for EUR 20 billion, i.e. 3% of total equity.*

1 See Mangin, Moya and Rhein (2013).
2 In H1 2013, the drop was estimated to be 22% instead of 9%.

4|4 A sharp rise in stock market capitalisation over the year

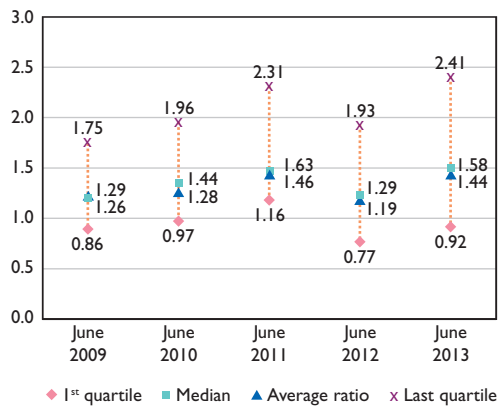
The stock market value of French groups has increased sharply in recent months, on the heels of the revaluation of stock market indices. Compared to June 2012, it rose by 20% to stand at EUR 936 billion, totally cancelling out the decline observed over the previous period. This upsurge was a result of investors' upward adjustment of groups' growth and profit prospects.

Stock market capitalisation[6] exceeded 44% of equity of the groups analysed, substantially up from the 19% recorded in June 2012 and close to the 50% record high of 2008.

At 30 June 2013, half of the sample studied had a price to book ratio above 1.6, compared with 1.3 on 30 June 2012. 27 groups had a ratio above 2 (compared with 18 in June 2012) and one quarter of the sample had very high ratios, above or equal to 2.4. Conversely, only 11 groups were under-evaluated with a ratio below 0.8; 17 groups were in this category in June 2012. Year-on-year, the groups that saw the largest increases in this ratio all simultaneously increased their turnover and improved their final profits.

Chart 18 Stock market capitalisation to equity

(%)



Source: Financial statements of the 76 groups.
Calculations: Banque de France – September 2013.

6 *Number of shares multiplied by the value of the securities.*

Appendix 1

1 | Methodology

The study focuses on non-financial groups listed on the Paris financial market with financial years spanning from 1 January of year N to 31 December of year N + 1 and listed on segment A of Euronext (capitalisation above EUR 1 billion). The sample has been enhanced from previous publications, bringing the number of groups included from 70 to 76. It is estimated that these groups represent 80% of the turnover achieved by all the companies listed in France and 60% of all French groups that establish consolidated accounts.

The consolidated half-yearly accounts of 2009, 2010, 2011, 2012 and 2013 are taken into account and the groups are broken down into the following sectors:

Groups under review

Energy and environment	AREVA, EDF, GDF SUEZ, MAUREL ET PROM, TOTAL, VEOLIA ENVIRONNEMENT
Manufacturing and construction	AIR LIQUIDE, ALCATEL-LUCENT, ARKEMA, BIC, BIOMÉRIEUX, BOUYGUES, CIMENTS FRANÇAIS, DANONE, DASSAULT AVIATION, EADS, ERAMET, ESSILOR, FROMAGERIE BEL, HERMÈS, IMERYS, INGENICO, IPSEN, L'ORÉAL, LAFARGE, LEGRAND, LVMH, MICHELIN, NEXANS, PEUGEOT, PLASTIC OMNIUM, RENAULT, SAFRAN, SAINT-GOBAIN, SANOFI-AVENTIS, SARTORIUS, SCHNEIDER, SEB, SOMFY, THALÈS, VALEO, VALLOUREC, VICAT, VINCI, VIRBAC
Trade, transport, hotel and catering	ACCOR, ADP, AIR FRANCE KLM, BOLLORÉ, CARREFOUR, CFAO, EIFFAGE, EUROTUNNEL, KERING (ex-PPR), ORPEA, RALLYE, REXEL, RUBIS
Information and communication	ATOS ORIGIN, CAP GEMINI, DASSAULT SYSTÈMES, FRANCE TELECOM ORANGE, GEMALTO, ILIAD, IPSOS, LAGARDÈRE, MÉTROPOLE TV, VIVENDI
Services and real estate activities	BOURBON, BUREAU VERITAS, EDENRED, JC DECAUX, NEXITY, PUBLICIS, TECHNIP, TÉLÉPERFORMANCE

Groups not reviewed

Financial statements in USD	ARCELORMITTAL CGG VERITAS SCHLUMBERGER STMICROELECTRONICS
Financial institutions and similar entities	AXA BNP PARIBAS CIC CNP CRÉDIT AGRICOLE EULER HERMÈS EURAZEO NATIXIS NYSE EURONEXT PARIS ORLÉANS SCOR SE SOCIÉTÉ GÉNÉRALE
Groups with financial years that do not end on 31 December	ALSTOM EUTELSAT COMMUNICATIONS NEOPOST PERNOD RICARD RÉMY COINTREAU SODEXO VILMORIN & CIE ZODIAC
Property companies	ALTAREA FDL FONCIÈRE DES RÉGIONS FONCIÈRE LYONNAISE GECINA NOM. ICADE KLÉPIERRE MERCIALYS SILIC UNIBAIL-RODAMCO
Groups already consolidated by other groups or investment funds in the sample	APRR CASINO GUICHARD CAMBODGE NOM. CHRISTIAN DIOR COLAS FAURECIA FINANCIÈRE DE L'ODET HAVAS SUEZ ENVIRONNEMENT TF1 TOTAL GABON WENDEL

2| Data analysed

The main items analysed for the data of the 76 groups in the 2013 sample:

I. GENERAL INFORMATION
Company name
SIREN number
NACE code of the group's principal activity
II. INCOME STATEMENT
Turnover
o/w turnover in France
o/w turnover by geographical area (Europe, Americas, rest of the world)
EBITDA
Operating income
Current operating income
Net profit
III. COMPREHENSIVE INCOME
Change in currency conversion differences
Financial assets available for sale
Cash flow hedges
Change in revaluation surplus
Actuarial gains and losses
Earnings and losses recorded directly as equity
Other
Comprehensive income
IV. BALANCE SHEET
Goodwill – gross value
Goodwill – net value
Other intangible fixed assets
Tangible fixed assets
Inventories
Trade receivables
Total assets (current and non-current)
Total financial debt
O/w bond debt
Minority interests
Shareholder equity
Trade payables
Total liabilities (current and non-current)

V. CHANGE IN EQUITY
Change in issued share capital
Dividends paid out (group share + minority share)
Currency conversion differences
Gains/ losses on financial instruments
Revaluations of other assets
Actuarial losses and gains
Equity-accounted companies
VI. CASH FLOW
Cash flow from operating activities
Cash flow from investment activities
• acquisitions of tangible and intangible fixed assets
• acquisitions of financial fixed assets
• disposals of tangible and intangible fixed assets
• disposals of financial fixed assets
• other changes
Cash flow from financing activities
Change in net cash position
Net cash position at year-end
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The performances of French firms deteriorated in 2012 but they consolidated their financial structures

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Companies Directorate
Companies Observatory

After two consecutive years of sustained growth, the turnover of French firms slowed down sharply in 2012, both in France and abroad. All categories of firms were affected as were most economic sectors. This was particularly the case for large manufacturing groups and their value-added creation, which grew by just 0.7%, compared with 4.5% in 2011.

After taking into account staff costs, corporate margins, under pressure since the start of the financial crisis, continued to decline. The margin rate fell to its lowest since 1996, to stand at 22%. The return on capital employed (ROCE) and the return on equity (ROE) also fell, compounded by large enterprises' past financial provisions. Consequently, the savings rate and internal financing ratio dropped to historically low levels.

This decrease in earning power, coupled with the rise in dividend payments, had a negative impact on equity whose share in total liabilities declined to 31.2%.

Most companies nevertheless managed to preserve their balance sheet structure and their financial autonomy, in different ways depending on their size: most intermediate-sized enterprises (ISEs) and small and medium-sized enterprises (SMEs) stabilised their working capital requirements and reduced capital expenditure, while large enterprises tended to favour bond issuance. For the latter category, debt ratios worsened and repayment periods lengthened. Irrespective of their size, firms benefited from historically low financing costs.

The availability of stable funding and the reduction of short-term debt also allowed firms to restore balance sheet structures, which had deteriorated slightly in 2011. Companies shored up their working capital and improved their cash positions that, after the closure of accounts and irrespective of the indicator used, reached overall close to the highest level seen for 15 years.

Lastly, even though they did not worsen in year-on-year terms, major disparities persist, especially among SMEs.

Key words: activity, profitability, debt, investment, groups, SMEs, ISEs

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

NB: The authors would like to thank Franck Lemaire for his invaluable help in collecting and processing data, and managing the databases.

1| Activity slowed down and operating profit dropped

1|1 Slowdown in activity, especially in the manufacturing sector

In 2012, nominal turnover only increased by 2.5%, after 7.8% in 2011. Large enterprises were slightly more affected, while the slowdown was less pronounced for ISEs and SMEs.

In 2012, growth in turnover was underpinned by strong sales of own services (up 4.5%) while sales of goods grew by 2.6%. However, sales of own goods slowed sharply but remained slightly positive (up 0.4%).

Sales of own goods and services across all sectors were strongly impacted by activity in the manufacturing sector, which by itself accounted for almost 73%. In this sector, sales of own goods declined by 0.6% and the gap between turnover growth (0.4%) and broad production (0.1%) also revealed a decline in production taken into inventory or capitalised.[1] The significant

Table 1 Change in activity

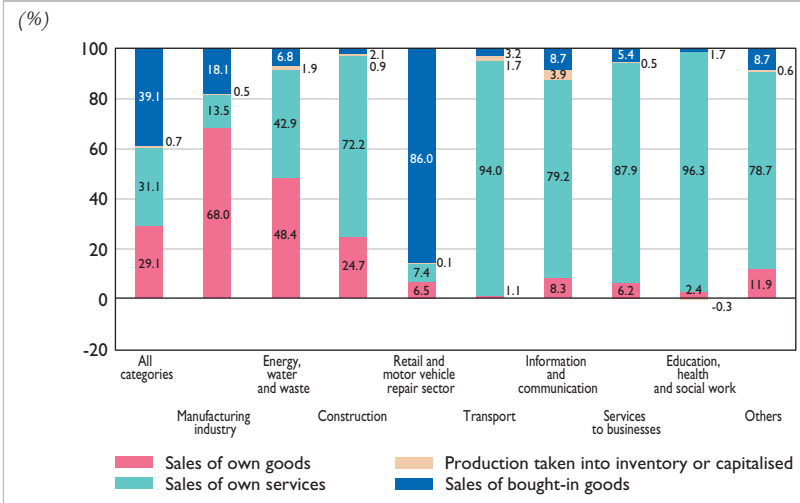
(%)

	Turnover			O/w exports			Value added			Gross operating surplus		
	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011
SMEs	3.5	7.9	2.9	10.8	13.8	4.5	3.4	5.8	2.7	8.0	6.0	-2.0
ISEs	4.8	8.2	3.3	10.1	12.0	3.4	4.4	4.5	1.7	7.7	1.9	-4.2
LEs	6.9	7.3	1.7	15.9	12.5	2.1	7.0	3.5	-1.5	22.3	1.7	-12.3
Total	**5.3**	**7.8**	**2.5**	**13.1**	**12.5**	**2.9**	**5.2**	**4.5**	**0.7**	**13.8**	**2.9**	**-7.0**
O/w main sectors:												
Manufacturing industry	*8.9*	*9.3*	*0.4*	*15.6*	*13.5*	*0.1*	*8.2*	*2.9*	*-2.7*	*45.8*	*-0.2*	*-24.8*
Energy, water and waste	*6.3*	*1.7*	*6.0*	*3.4*	*19.3*	*21.6*	*8.1*	*-1.1*	*4.0*	*15.2*	*-3.7*	*12.1*
Construction	*0.0*	*5.9*	*1.9*	*12.9*	*-6.0*	*-13.5*	*-1.3*	*4.2*	*-0.3*	*-6.9*	*2.2*	*-14.3*
Trade	*3.4*	*7.5*	*2.7*	*10.7*	*15.4*	*1.7*	*4.0*	*3.9*	*1.3*	*7.5*	*2.0*	*-4.1*
Transport and warehousing	*5.1*	*6.5*	*4.0*	*5.7*	*6.8*	*8.4*	*4.2*	*3.4*	*4.8*	*6.3*	*4.3*	*9.0*
Information and communication	*3.6*	*13.6*	*1.0*	*12.3*	*6.3*	*18.8*	*3.2*	*11.7*	*0.1*	*1.7*	*16.4*	*-6.6*
Services to businesses	*5.4*	*7.1*	*3.0*	*8.5*	*-0.7*	*18.5*	*6.2*	*7.4*	*1.1*	*7.7*	*1.8*	*-2.3*
Education, health and social work	*4.6*	*6.1*	*6.0*	*0.1*	*27.0*	*-1.5*	*4.5*	*6.2*	*5.6*	*2.4*	*2.7*	*5.8*

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME *(*Loi de modernisation de l'économie – Economic Modernisation Act*).*
Note: The changes are calculated on a sample of companies whose balance sheets are presented for two consecutive years (balanced sample). Entries and exits to the sample resulting from mergers, defaults or creations or are not taken into account. The size and the sector used are those of n-1 *irrespective of the position of the companies in year* n*. Hence we take the size and the sector in 2011 when we compare 2012 to 2011, and that of 2010 when we compare 2011 to 2010. For further details on the FIBEN database and the definition of company sizes according to the* LME *criteria, see Appendices 1 and 2.*

1 Turnover = sales of own goods + sales of own services + sales of bought-in goods
Broad production = production (sold, inventoried and capitalised) + sales of goods
= turnover + production taken into inventory or capitalised.

Chart 1 Breakdown of broad production by sector in 2012



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

share of ancillary activities – merchanting, services – in manufacturing lent strength to activity in the industrial sector in 2012 (see Chart 1).

1|2 Slowdown in export momentum

Exports grew at a much less sustained pace than in the two previous years where they had posted double-digit growth, i.e. 2.9%, against 12.5% in 2011 and 13.1% in 2010.

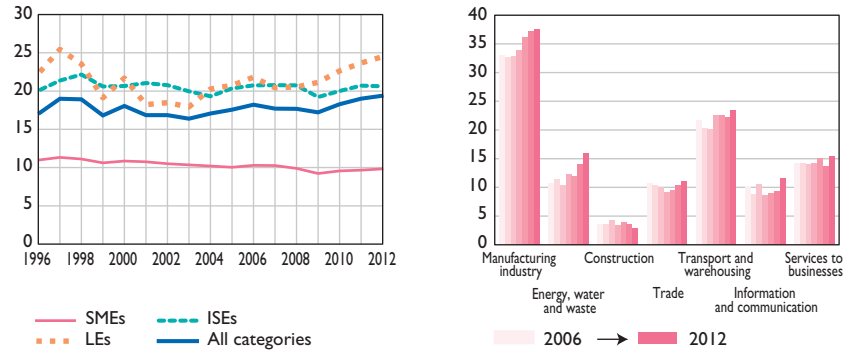
As a result of the deceleration in global trade, the slowdown of French exports in 2012 affected all sizes of company. Large enterprises were nevertheless worse hit than SMEs or ISEs, with export growth falling from 12.5% in 2011 to 2.1% in 2012 compared with 13.8% to 4.5% for SMEs and 12% to 3.4% for ISEs.

Export growth differed sharply from one sector to another. Manufacturing, which is the most open sector to foreign trade, only saw a tiny increase in exports, with its export ratio remaining at 37.5%. In the transport sector, exports grew twice as fast as turnover. However, the construction sector saw as sharp decline in exports (down 13.5%).

Lastly, the share of exports in turnover grew for the third consecutive year to stand at 19.4% in 2012, even though it stagnated for ISEs (see Charts 2).

Charts 2 Share of exports in turnover

(%)



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

1|3 A slowdown in value added growth despite the moderation of production costs

The slowdown in activity that affected all sectors except energy led to a deceleration in value added, from 4.5% in 2011 to 0.7% in 2012.

Production costs continued to increase in 2012 (3%), but at a slower pace than in 2011 (9.3%). Thanks to lower commodity price inflation and the weakness of domestic demand, the cost of consuming goods (up 2.5%)

Table 2 Changes in production costs

(%)

		Production and sale of goods	Total production costs	Purchases of goods	Purchases of raw materials	Other purchases and external expenses[a)]	Value added	Staff costs
SMEs	2010/2009	3.6	3.7	3.1	4.3	4.3	3.4	3.1
	2011/2010	8.0	9.1	8.5	12.8	7.7	5.8	5.8
	2012/2011	2.9	3.0	2.9	1.9	3.7	2.7	3.9
ISEs	2010/2009	5.0	5.3	4.8	8.7	3.5	4.4	3.8
	2011/2010	8.5	9.9	11.2	13.1	5.2	4.5	5.5
	2012/2011	3.1	3.6	2.0	1.1	8.4	1.7	3.4
LEs	2010/2009	7.0	6.9	6.3	15.4	2.4	7.0	2.8
	2011/2010	7.5	9.0	9.1	13.8	5.5	3.5	5.1
	2012/2011	1.4	2.5	2.7	1.5	3.0	-1.5	1.9
Total	2010/2009	**5.4**	**5.5**	**4.7**	**10.9**	**3.1**	**5.2**	**3.2**
	2011/2010	**7.9**	**9.3**	**9.7**	**13.4**	**6.0**	**4.5**	**5.4**
	2012/2011	**2.4**	**3.0**	**2.5**	**1.4**	**4.7**	**0.7**	**3.0**
O/W manufacturing industry	2010/2009	*9.5*	*10.0*	*11.8*	*13.7*	*3.4*	*8.2*	*2.4*
	2011/2010	*9.5*	*11.8*	*14.6*	*14.6*	*5.2*	*2.9*	*5.1*
	2012/2011	*0.1*	*0.9*	*1.3*	*-0.9*	*3.7*	*-2.7*	*2.8*

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.
Note: See Table 1.
a) Other purchases and external costs are adjusted for external staff costs and leasing costs.

and commodities (up 1.4%) were contained. Growth in "other purchases and external expenses" was more significant (4.7%).

Value added declined in two sectors: manufacturing (down 2.7% in 2012), marked by the fall in production in automobile and coke manufacturing and refining, and construction (down 0.3%), after rebounding in 2011.

Trade also slowed but remained positive (0.3%). The only exception in this gloomy environment was transport, which continued to post an annual value added growth rate of above 3%.

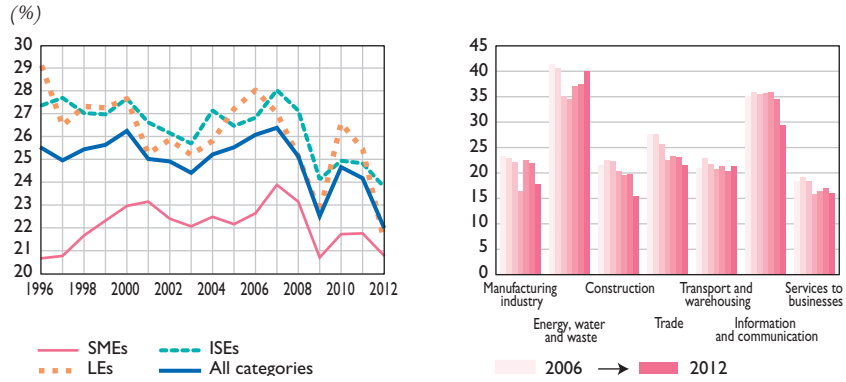
1|4 Operating margins deteriorated further

Gross operating profit declined by a nominal 7%, after having risen by 2.9% in 2011. As a result, the margin rate (gross operating profit/value added) continued to fall to stand at 22%. It therefore remained very much below its pre-crisis level of 26.4% in 2007 and reached its lowest level in 15 years.[2]

Compared with 2011, the margin rate lost two percentage points in large enterprises and around one percentage point in SMEs and ISEs (see Charts 3).

In 2011, higher operating expenses had undermined the improvement in profitability. In 2012, the fall in the margin rate stemmed more from the slowdown in activity than from a very strong rise in staff costs. The latter only rose by 3%, i.e. 2.5 percentage points, less than their average for

Charts 3 Margin ratio – gross operating profit / value added



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

2 *Since 1985 according to Insee.*

Table 3 Value added/gross operating profit

(% change)

	SMEs			ISEs			LEs			All firms		
	2010/2009	2011/2010	2012/2011	2010/2009	2011/2010	2012/2011	2010/2009	2011/2010	2012/2011	2010/2009	2011/2010	2012/2011
Value added	3.4	5.8	2.7	4.4	4.5	1.7	7.0	3.5	-1.5	5.2	4.5	0.7
Staff costs	3.1	5.8	3.9	3.8	5.5	3.4	2.8	5.1	1.9	3.2	5.4	3.0
O/w wages and salaries	*2.7*	*4.6*	*3.5*	*2.9*	*3.9*	*3.1*	*-0.2*	*2.3*	*1.1*	*1.6*	*3.5*	*2.4*
Social contributions	*3.3*	*6.6*	*4.5*	*3.7*	*6.3*	*4.7*	*9.2*	*10.5*	*3.6*	*5.7*	*8.1*	*4.2*
External staff	*8.3*	*17.7*	*5.6*	*11.7*	*18.3*	*1.5*	*5.3*	*13.7*	*3.2*	*8.1*	*16.2*	*3.2*
Gross operating profit	8.0	6.0	-2.0	7.7	1.9	-4.2	22.3	1.7	-12.3	13.8	2.9	-7.0

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

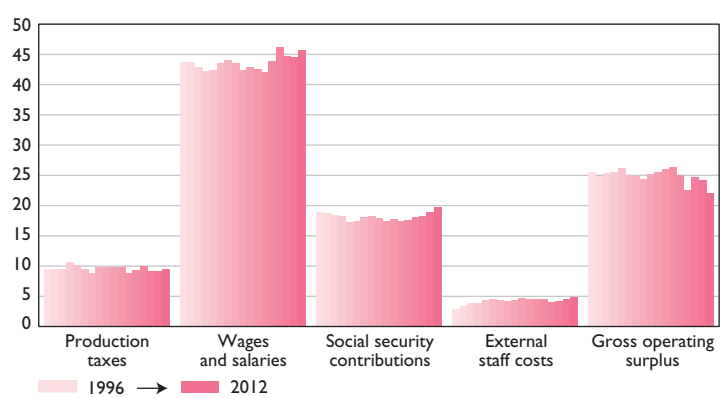
the 2011/2010 period and 1 percentage point less than their 1996-2012 long-term average (4%).

While wages and salaries rose moderately by 2.4%, external staff costs and above all employers' social contributions increased much faster, by 3.2% and 4.2% respectively.

Another indicator of profitability, the gross operating profit margin (GOPM, gross operating profit/turnover) contracted further in 2012, to stand at 5.8%, or its lowest level since 1996. In manufacturing, the fall was even sharper (from 5.3% to 4.1%), due to the capital goods sector whose operating profit even became negative (-0.4%).

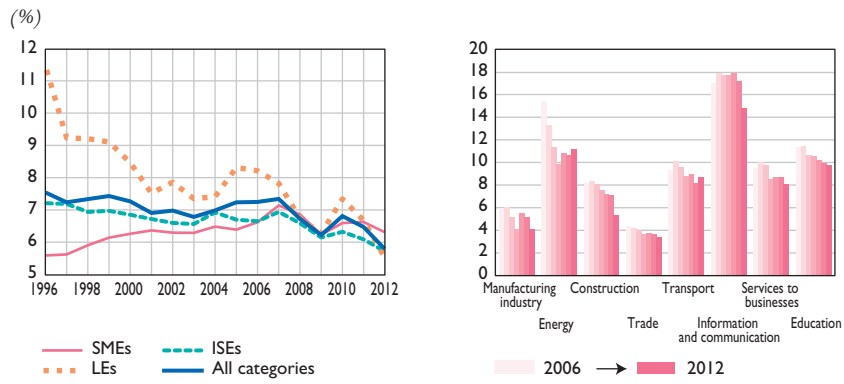
Chart 4 Breakdown of companies' value added

(%)



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

Charts 5 Gross operating profit margin: gross operating profit/turnover



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

2| Working capital requirements stabilised, while investment contracted

2 | 1 Inventory building halted and intercompany loans increased

The overall working capital requirement increased by a nominal 1.1%, of which 1.4% for its main component, the operating working capital requirement (OWCR). The latter has been levelling off since 2010 at a little over 17 days of sales after having dropped regularly from the end of the 1990s.[3] Indeed, its weight was almost double in 1996 (see Chart 6a).

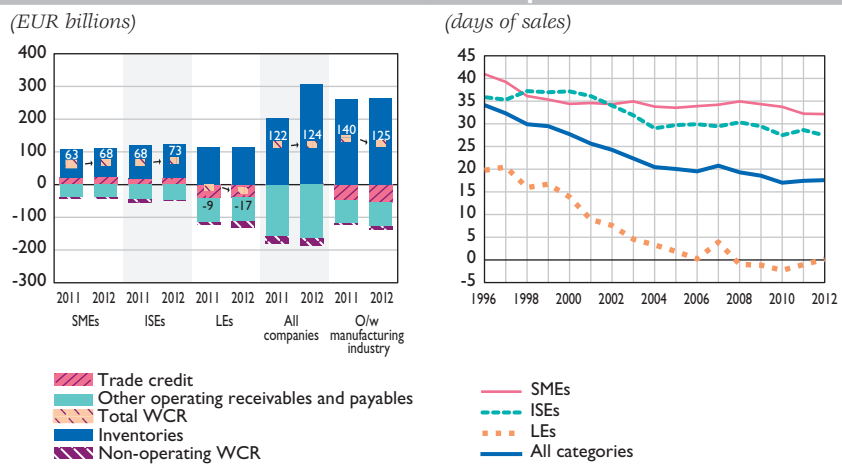
Whereas in 2011, restocking had contributed significantly to working capital requirements, the level of inventories was almost stable year-on-year (up 1.8%). Companies stabilised their inventories of final goods but reduced those of raw materials and intermediate goods.

The other components of OWCR however displayed mixed developments.

• The trade credit position, which reflects the trade position of firms against other economic agents, deteriorated overall. The trade credit position, which was negative in 2011 and therefore generated resources, became positive in 2012 because large French firms benefited from fewer advances or instalments from their foreign or public clients.

3 *The change in the OWCR/turnover ratio displays a small differential but in the opposite direction according to the sample. For a sliding sample, limited to companies whose accounts are available over a period of two successive years – calculation method used in Chart 6a –, the weight of OWCR fell by 0.2 percentage point from 17.7 to 17.5. Calculated using a non-constant sample – calculation method used in Chart 5 –, this ratio increased from 17.4 in 2011 to 17.6 in 2012, i.e. up 0.2 percentage point.*

Charts 6
A – Working capital requirements **B – Operating working capital requirements**



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

• Conversely, the position of "other operating assets and liabilities" – mainly comprising deferred payment of tax and social security liabilities – improved by 3.3%, chiefly benefiting SMEs and ISEs, which obtained cash advances of EUR 87 billion for the population under review (see Chart 6b).

• In total, OWCR fell in ISEs to 27.4 days of sales (down 1.2 day on 2011). In SMEs, it inched down by 0.1 day to stand at 32.1 day of sales. The payment periods of SMEs contracted further but their average lead time for paying suppliers exceeded this gain, resulting in a slight worsening of SMEs' trade credit position. In large enterprises, this position is structurally negative as trade payables are greater than trade receivables. For these companies, it is therefore a resource or an external source of financing, but it contracted in 2012 and the OWCR fell to stand at zero (see Charts 6).

• Major disparities were observed across sectors, in accordance with the nature of the sector of activity.[4] In 2012, manufacturing stood out thanks to its contained OWCR, which fell by 2 days to 25.7 days. This sector, which alone accounts for 45% of this requirement, saw an improvement in its days sales outstanding (DSO). The energy and trade sectors were affected by an opposite trend.

4 See "La situation des entreprises – dossier statistique", http://www.banque-france.fr/economie-et-statistiques/entreprises/structure-et-performances-des-entreprises/la-situation-des-entreprises-dossier-statistique.html

2|2 Investment faltered

After the broad-based rebound in 2011, capital expenditure contracted slightly: down 3.3%, after increasing by 5% en 2011. It declined above all for SMEs and, to a lesser extent, for ISEs, by 14.1% and 4.6% respectively, in an environment burdened by a weak demand outlook and economic slack. Large enterprises however continued their investment effort, driven notably by significant operations in the energy sector – maintenance of facilities and development of new energies – and in transport infrastructure (see Table 4).

Measured by the investment-to-value added ratio, the investment effort or investment rate stabilised at 22.5% (down 0.2 percentage point). ISEs continued to display a structurally higher investment rate (24.6%) than that of other categories of firm, but it was lower than in 2011. That of SMEs fell more sharply in 2012, to 17.8%.[5] SMEs are characterised by an uneven investment propensity over time and low fixed capital investment in many cases. Thus, the investment rate only exceeded 12% for a quarter of SMEs, compared with 20% for ISEs and 21% for large enterprises, and for half of SMEs, it did not exceed 4%.[6]

The sector's capital intensity directly influenced investment rates. For instance, the energy sector whose capital goods-to-salaried employee ratio is the highest (15 times greater than that of business support activities) is also that with the highest investment rate. Conversely, that of the construction sector is the lowest (see Charts 7).

The decline in investment flows in 2012 also contributed to slowing firms' capital accumulation trend. The net book value of operating assets increased further by 4.4% in 2012 (see Appendix 5), but less than the 5.4% observed in 2011.

Table 4 Changes in investment

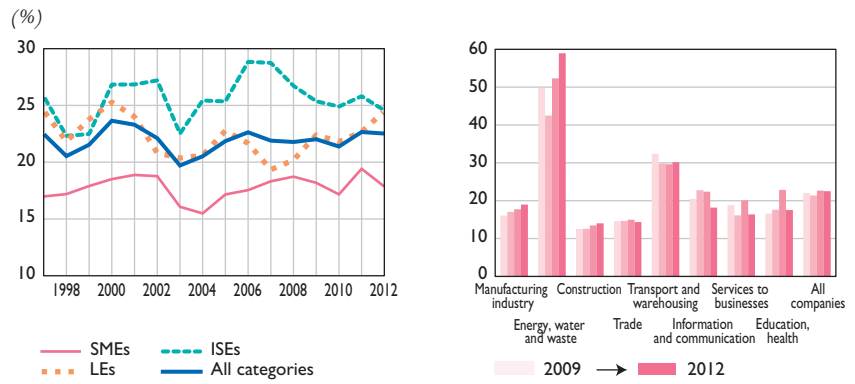
(%)

	Operating investment				Internal financing			
	2009/ 2008	2010/ 2009	2011/ 2010	2012/ 2011	2009/ 2008	2010/ 2009	2011/ 2010	2012/ 2011
SMEs	-18.2	-13.4	4.3	-14.1	-17.5	9.9	-3.1	-11.0
ISEs	-18.6	-4.3	2.0	-4.6	-24.1	14.6	-0.3	-12.1
LEs	-11.0	-8.0	8.2	4.2	-18.3	20.8	-8.3	-20.3
Total	**-15.8**	**-8.0**	**5.0**	**-3.3**	**-19.7**	**16.9**	**-5.2**	**-16.2**
O/w manufacturing industry	*-20.9*	*-0.3*	*3.4*	*3.5*	*-27.8*	*51.2*	*-26.3*	*-23.8*

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.
Note: See Table 1.

5 *SMEs' investments in 2012 nevertheless appear to be higher, compared to the first estimate published in September, on the basis of a partial sample of balance sheets filed over H1 2013* (see op. cit.).
6 *As regards SME investment, see "The economic slowdown took a toll on SME's profits and investments in 2012",* op. cit.

Charts 7 Investment ratio: Investment (including leasing/acquisition) /value added



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

3| A deterioration in performances

The contraction in firms' gross profitability (see above) has a mechanical impact on the overall profitability, which fell from one year to the next.

3|1 The narrowing of margins and the increase in provisions weighed on profitability

Net economic profitability is calculated as the ratio of the net operating profit (NOP) to the net stock of operating capital, which is made up of operating fixed assets and operating working capital requirements. It assesses companies' economic performance in the utilisation of the factors of production, without taking into account their financial structure. After taking account of charges to depreciation and provisions, which were stable year-on-year, NOP declined nominally by 13.3% and net economic profitability of operating capital fell slightly to stand at 4.7 %, or one percentage point lower than in 2011 and far below its 2007 level of 8%.

This analysis does not change when taking into account other income and non-operating expenses, mainly financial items, and corporation tax.

The decline in gross operating profit directly affected the internal financing capacity (down 6.5%) but other expenses, which tend to influence overall profitability, did not result in a further deterioration. On the contrary, they showed a downward trend.

Table 5 Changes in company profits in France

(%)

	Gross operating profit			Net operating profit			Internal financing capacity			Net internal financing capacity		
	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011
SMEs	8.0	6.0	-2.0	14.9	5.4	-8.5	6.9	3.6	-4.3	24.2	1.7	-12.1
ISEs	7.7	1.9	-4.2	17.5	-0.6	-8.2	8.2	6.3	-4.6	39.7	7.0	-19.8
LEs	22.3	1.7	-12.3	37.1	-3.9	-21.1	19.9	0.3	-8.1	63.6	-5.5	-38.4
Total	**13.8**	**2.9**	**-7.0**	**24.4**	**-0.4**	**-13.3**	**14.4**	**2.4**	**-6.5**	**51.5**	**-1.8**	**-29.9**
O/w manufacturing industry	*45.8*	*-0.2*	*-24.8*	*93.9*	*-4.3*	*-35.2*	*29.6*	*-6.6*	*-8.3*	*87.7*	*-12.3*	*-30.8*

Scope: Non-financial companies as defined by the LME.
Source: Banque de France, FIBEN, November 2013.
Note: See Table 1.

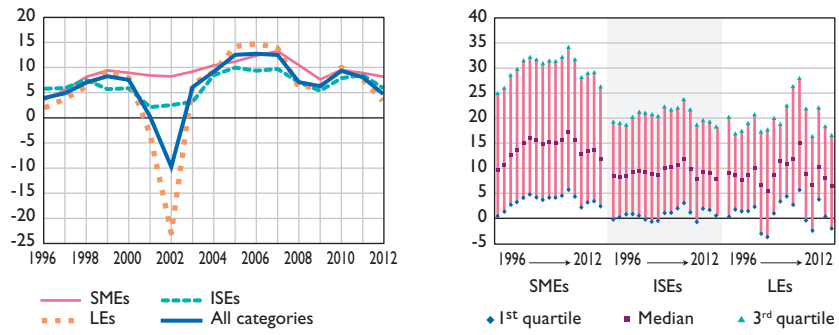
With lower taxable profits, the corporate income tax charge dropped by 15.7%, while financial charges fell by 8.3%, due to the very moderate rise in debt (see below) and the decrease in interest rates.

However, the net internal financing capacity showed a sharper decline of almost 30%, due to the significant rise in provisions for financial and non-recurring expenses. This deterioration can above all be attributed to large enterprises. It was already visible in 2011 and worsened in 2012. It mainly stemmed from writedowns of financial asset held by subsidiaries in France or abroad, which the groups justified by the weakening of the economic environment or the rise in country risk.

Net financial profitability (net internal financing capacity-to-equity) also contracted to stand at 4.6% on average, losing 3.5 percentage points on 2011. This decline can largely be attributed to large enterprises (down 4.6 percentage points to 3.1%) and ISEs, with the profitability of SMEs also falling a little (see Charts 8).

Charts 8 Net internal financing to equity

(%)



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

Irrespective of their size, the profitability of the least profitable firms fell compared with 2012. The most profitable companies were equally affected.

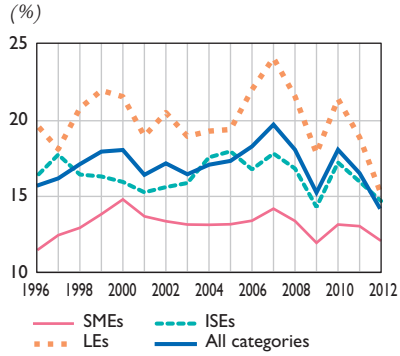
The number of firms reporting a negative net income (around 24% of French firms), which had fallen in 2010 and 2011 after hitting a high of 27% during the 2009 crisis, has now stopped declining. Companies' performances therefore worsened overall in 2012.

Lastly, firms' taxable profits decreased by almost 23% compared with 2011 and by 33% for large enterprises, after falling by 5% in 2011. The net income-to-sales ratio stood at 4.5%, and was down 1.7 percentage point on 2011 (see Appendix 4).

3|2 Savings and internal financing rates reached a historical low

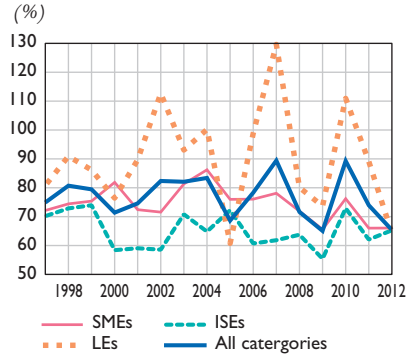
The savings rate measures the percentage of income that companies can devote to funding organic growth. Internal financing (cash flow — dividends paid out) is set against total income generated by the company's business (total income is value added and non-operating income, particularly financial income). Internal financing contracted by a further 16.2% in 2012 after falling by 5.2% in 2011, mainly affected by the reduction in cash flow. As a result, the savings rate dropped in 2012, to stand at 14.2% compared with 16.5% in 2011 (see Chart 9).

Chart 9 Savings rate
Internal financing/total income



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

Chart 10 Internal financing ratio
Internal financing /investment



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

The investment internal financing ratio also fell. It lost 8.5 percentage points, after dropping by 15.4 percentage points in 2011, to stand at 65.4%, its lowest level since 1997 (excluding 2009) and even since 1985 according to Insee (see Chart 10).

3|3 A breakdown of total income that adversely affected internal financing

Although distributions to shareholders and partners contributed to a lesser extent to the decline in net saving than in 2011, they nevertheless amplified this fall.

Dividends paid out in 2012, from 2011 profits, rose by 4.6% and represented 10% of total income. Contrary to the previous year where the rise had been contained, SMEs increased dividend payments more than other categories of firms: by 7.5%, compared with 5% and 4% by ISEs and large enterprises respectively.

This can be ascribed to the growing international dimension of groups, which generated significant financial flows between resident subsidiaries and parent companies located abroad. This development should also be put into perspective since funds paid out to shareholders may be re-injected in the form of contributions to current accounts, capital increases or issuance premiums, and thus contribute to the financing of companies.

As regards government levies, the decrease in corporate taxation, stemming from lower taxable profit, was offset by the rebound in taxes and levies on production (representing the greatest part of government levies) that was partly attributable to the rise in the corporate contribution (*forfait social*). The share of government levies thus fell by -0.2 of a percentage point to reach 10.4% of total income in 2012.

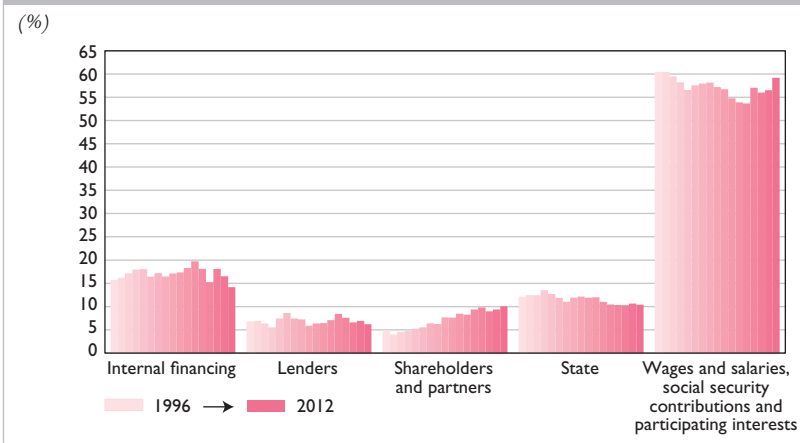
Taking account of employer social security contributions, which are recognised as staff costs, the rate of tax levies and social security contributions reached 19%.

The share of financial costs, which had risen slightly in 2011 due to the increase in debt (see below), fell in 2012, from 6.9% to 6.2%, mainly due to the lower interest rates observed over recent years.

In 2012, the main trends identified in long-term analyses of the breakdown of total income between firms' partners were confirmed. These included:

- the predominance of staff costs, including employee profit sharing, amounting to 59% of income in 2012;

Chart 11 Breakdown of total income



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

• the changing share of lenders: varying between 5% and 9% in relation to changes in interest rates and debt;

• stability of the share of tax accruing to the government over the past five years at roughly 10%;

• increase in payouts to partners and shareholders: from 4% on average 15 years ago, for all types of companies, the share of dividends in total income has risen almost continuously to reach a rate of 10%;

• overall, internal financing decreased and stood at one of its lowest levels since 1996 (see Chart 11).

Box 1

The position of groups on a consolidated basis

Analysis of the consolidated accounts provides further insight into the financial position of French companies. This data outlines the behaviour of the largest companies; it extends the scope to all business conducted within groups, including that conducted by non-resident subsidiaries when these groups are international (which is the case for the largest groups). Unlike company accounts, which are distorted by double-counting when they are aggregated, consolidated accounts neutralise these effects.

The 4,000 groups that filed consolidated balance sheets generated a total of over EUR 2,200 billion in sales revenue in 2012 and EUR 73 billion in consolidated net profits.

.../...

Similar to the analysis based on the company accounts, 2012 showed a deterioration in groups' performances with financial structures remaining sound, marked in particular by an improvement in cash positions.

The operating margin and overall profitability flagged

In 2012, groups' consolidated turnover rose by a further 4.9%, following an increase of 7.2% between 2010 and 2011. This takes account, irrespective of real activity (organic growth), of exchange rate and consolidation scope effects.

It reflects the impact of the economic slowdown in Europe, which was partly offset by the expansion of French groups in more dynamic areas such as emerging countries and the Americas. The growth in turnover was therefore a little stronger among the large French groups, which also have the greatest international reach, than in other firm categories (5%, compared with 4.3%).

With a 2% fall in operating income, the operating margin rate (operating income/turnover) inched down by 0.4 percentage point to stand at 8%. This decline was observed in both large groups and ISEs.

Consolidated net earnings dropped by 17%, after falling by 13% in 2011, affected by further depreciation charges, for both goodwill and fixed assets. This led to a general decline in the net return on equity, which was more pronounced for groups complying with IFRS standards. Overall, ROE stood at 7%, down from 9% in 2011, and significantly below the 15% observed in 2007.

In H1 2013, and on the basis of a sub-group limited to 76 main listed non-financial groups, activity continued to slow, with turnover down 1% and narrowing margins.

Chart A
Net operating profit/turnover

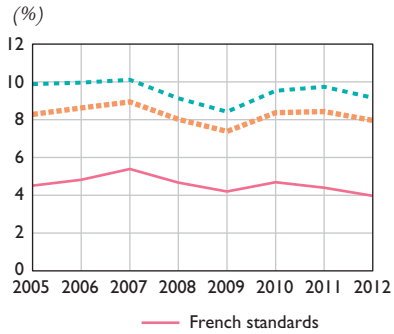
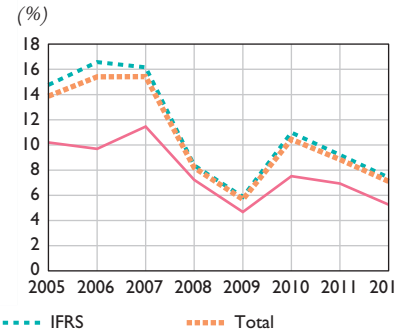


Chart B
Group net income/equity (group)



Source: Banque de France, FIBEN database of consolidated accounts, November 2013.
Scope: Non-financial groups.

.../...

Overall, with net earnings of EUR 29 billion over the first six months, down 9%, the net margin ratio stood at 4.5% (0.5 percentage point lower than in June 2012). It nevertheless improved slightly from the low of 4% reached at end-2012.

Stable financial structure and stronger cash positions

Year-on-year, the financial structure of the groups remained similar.

Equity continued to account for a little over 30% of the balance sheet, which is an adequate level but the volume of goodwill on asset side was significant and represented 43.4% of equity, down very slightly by 0.4 percentage point over the year.

Growth of financial debt slowed to 1.9%, against 4.6% in 2011 resulting in a stabilisation of the gross debt ratio at 103% of equity. The share of bank debt fell and only accounted for 40% of financial debt, or 2 percentage points lower than in 2011, where as it had reached a high of 50% in 2008.

The cash position, made up of cash and marketable securities, rose by 5% in 2012 and represented 6% of the balance sheet (up 0.2 percentage point). The net cash-to-equity ratio also increased in 2012, to stand at 19.8 %.

Chart C
Net financial debt/equity

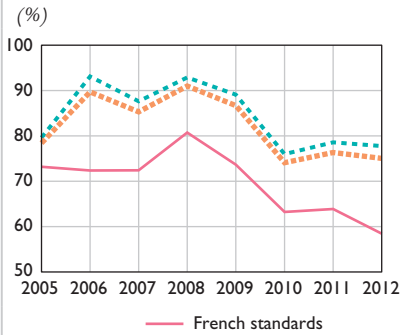
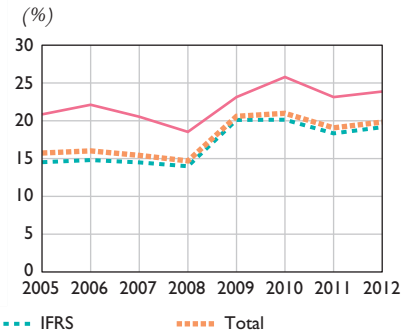


Chart D
Net cash position/equity



French standards — IFRS — Total

Source: Banque de France, FIBEN database of consolidated accounts, November 2013.
Scope: Non-financial groups.

4| Financial structures remained sound

Overall, companies improved their balance sheet structures. This improvement was seen in both large enterprises, which reduced their bank debt and SMEs, which shored up their cash position.

4|1 The increase in equity slowed down

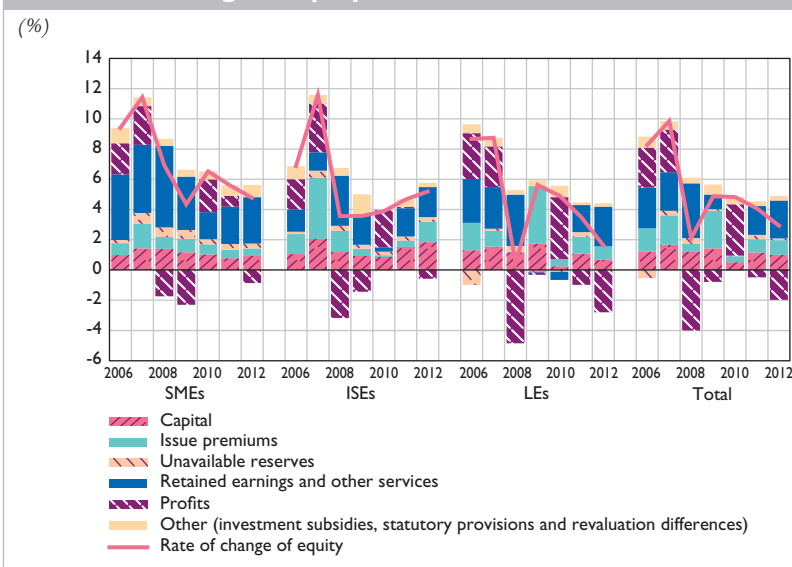
Equity varies from one year to the next in relation to changes in share capital and the appropriation of previous year's profits (dividends paid out or retained in the company) which impacts the level of reserves and retained earnings.

Equity increased again by 2.9% in 2012, but the rate of increase slowed compared to previous years: up 4.1% in 2011 and 4.8% in 2010.

This increase can be attributed to the rise in the share capital and issue premium items, on the one hand, and the allocation of retained earnings to reserves on the other (see Chart 12). This slower rise in equity partly reflects the implementation of a similar dividend payment policy to that of 2011, whereas 2012 profits were 23% lower[7] than the previous year.

Despite lower profits, shareholders and partners benefited from an increase in dividends paid from profits, whose share rose from 76% in 2011 from 2010 profits to 82% in 2012 from 2011 profits.

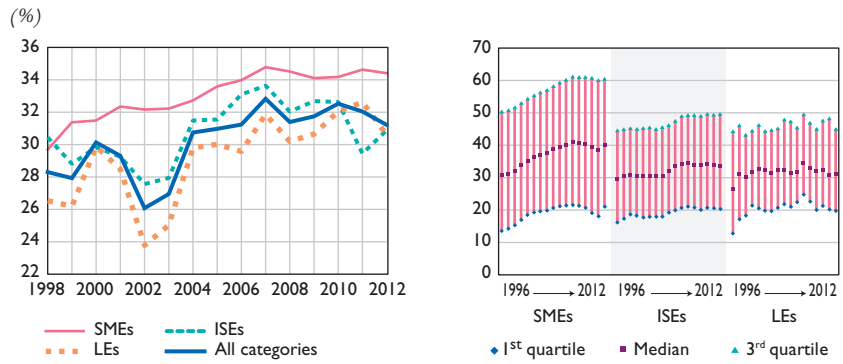
Chart 12 Change in equity



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.
Note: The curves show annual changes in equity; the charts show the respective contributions of each of their components.

7 *The negative value of the "income" component observed in the 2012 charts should not be interpreted as an income loss but as a fall in profits.*

Charts 13 Equity/total resources



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

As a ratio of total liabilities, the share of equity fell by a further 0.8 percentage point in 2012 compared with 2011 to stand at 31.2%, reflecting a decline in corporate solvency over the past two years. The quartile distribution of this ratio confirms this slight fall for ISEs and large enterprises. The share of equity in total liabilities was above 40% in half of SMEs, but for a quarter of them this rate did not exceed 20% (see Charts 13).[8]

Consequently, situations differ significantly and around 7% of the population studied in 2012 even display negative equity, i.e. cumulated losses that exceed their assets. In nearly all cases, such situations concern SMEs.

4|2 Bank debt declined but the debt ratio worsened in large enterprises

Financial debt grew less rapidly in 2012 than in 2011 (2.8%, after 5.2%). This slowdown can be attributed to the small nominal rise in working capital requirements, together with the reduction in fixed investments that limited firms' financing needs. Nevertheless, the contraction in internal financing required an increased use of external funding, including debt.

Like the previous year, this rise in debt was more marked in large enterprises, whose investment effort continued and whose working capital requirements grew, than in other categories of firm. With easy access to financial markets, large enterprises moved massively from bank debt to bond issuance, which now covers an increasing share of their financial

8 *Additional data on very small enterprises, which are not available in FIBEN, appeared to indicate even greater divergences, with very low levels of equity.*

Table 6 Change in debt

(%)

	Financial debt			O/w 1 – bank debt			O/w 2 – bond debt			O/w 3 – other debts, including group and partners		
	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011	2010 /2009	2011 /2010	2012 /2011
SMEs	1.3	3.5	2.7	-0.3	2.1	0.7	4.8	6.9	15.6	4.0	5.4	6.0
ISEs	1.7	4.1	1.3	-3.6	-0.5	-5.5	17.2	12.3	19.5	3.9	5.3	3.0
LEs	2.7	6.1	3.5	-12.6	1.1	-12.4	8.7	7.8	11.3	7.3	3.5	1.3
Total	**2.3**	**5.2**	**2.8**	**-5.9**	**0.7**	**-5.9**	**9.8**	**8.4**	**12.5**	**6.1**	**4.2**	**2.1**
O/w manufacturing industry	*2.3*	*6.5*	*0.5*	*-10.4*	*1.5*	*-16.6*	*8.0*	*13.0*	*25.1*	*6.6*	*2.8*	*0.4*

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.
Note: See Table 1.

debt (see Appendix 5). This behaviour was particularly pronounced in the case of large listed companies. These firms implemented an opportunistic refinancing strategy aiming to diversify their funding and extend the maturity of the debt.[9]

Conversely, SMEs, which are more reliant on bank loans, increased their bank borrowings with a structure effect associated with the nature of their debt. They took on more short-term debt (up 13.8%) to cover the rise in their overall working capital requirement. The contraction in investment on the other hand allowed them to reduce medium- to long-term bank borrowings by 1.3%.

Overall, total bank debt fell by 5.9%.[10] The rise was concentrated on the other components of financial debt, notably bonds and to a lesser extent other debts, made up of specific types of financing (conditional advances, participating loans, contributions from groups and partners, etc.), whose share increased in line with the size of the companies (see Table 6 and Charts 14).

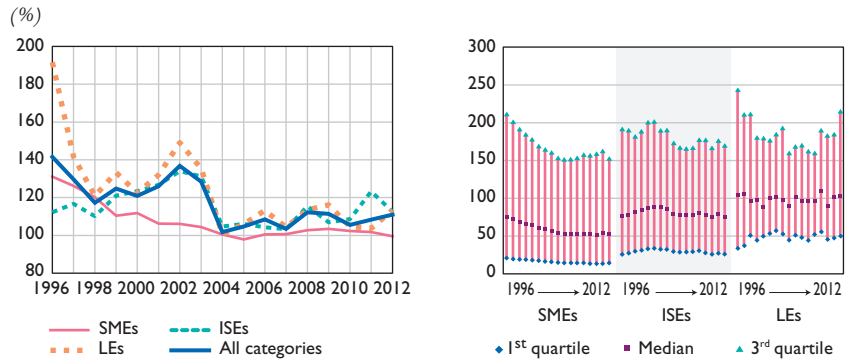
The debt-to-equity ratio[11] continued the trend observed in 2011. It rose by two percentage points to reach 111.0%.

The deterioration in this ratio was entirely attributable to large companies (almost 114% of equity), which alone accounted for 58% of total financial debt.

Conversely, the debt ratio continued to decline in SMEs, falling below the 100% threshold, and decreased sharply in ISEs. Net of cash and marketable securities, the debt ratio dropped to 85.6% of equity and to only 54.4% for SMEs.

9 As regards the financing of groups, see "La situation financière à fin 2012 des 70 grands groupes non financiers cotés en bourse: les effets de la crise se font inégalement ressentir", op.cit.
10 According to Central Credit Register data, which cover a greater number of companies, outstandings of drawn loans varied little in 2012: They only increased by an annual rate of 0.8%, driven notably by real estate activities. In September 2013, outstandings of drawn loans were zero year-on-year.
11 The amounts of equity and debt are adjusted for the estimated double-counting.

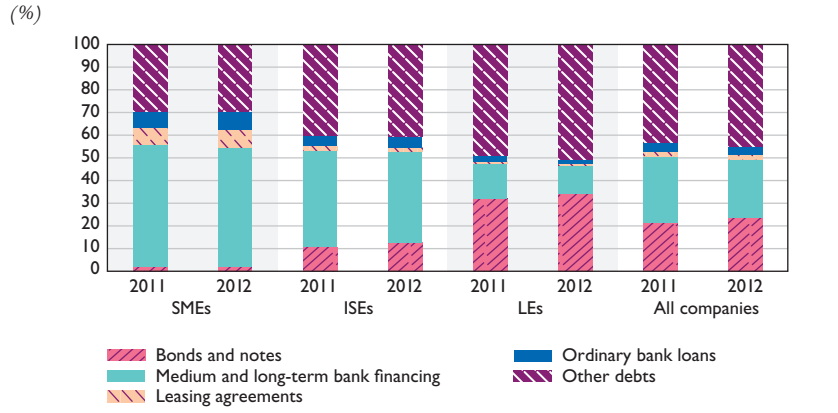
Charts 14 Financial debt/equity



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

The calculation of another debt indicator, "bank and bond debt-to-value added", not affected by double-counting, showed that the debt ratio stabilised in 2012 as did the substitution effect between bond debt and bank debt in large enterprises.

Chart 15 Structure of firms' financial debt



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

4|3 Balance sheet structures improved

To achieve a sound balance sheet structure, long-term liabilities must cover at least long-term assets as well as permanent working capital requirements.

Chart 16
Bank and bond debt/value added

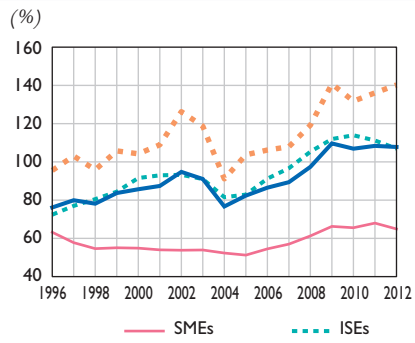
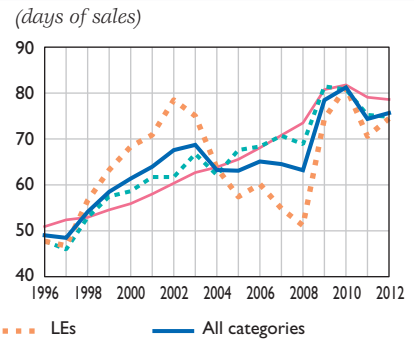


Chart 17
Overall net working capital



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

Analysis of the overall net working capital, assessed using the ratio of overall net working capital to pre-tax turnover, highlights the soundness of the balance sheet structures and their regular improvement over the medium to long term. This stems from companies' ability to match growing business activity with an increasing accumulation of long-term liabilities. After the slowdown in 2011, a rebound was observed in the year under review. Overall net working capital stood at 76 days of sales, compared with 50 days 15 years ago.

The surplus was also sufficient to finance all working capital requirements. The average coverage ratio was 511% in 2012, marked by strong sector differences. With 253%, trade had the lowest coverage ratio whereas other sectors, such as transport, accommodation, health and communication benefited from excess working capital.

4|4 Net cash position improved in 2012

In 2012, the significant 5.6% rise in overall net working capital, while companies' total working capital requirements only increased by a nominal 1.1%, contributed to the 7.0% year-on-year improvement in companies' net cash position[12], which had contracted by 7.2% in 2011. Admittedly, firms increased their short-term funding by 10.0%, through short-term bank borrowing, discounted trade bills[13] and cash advances from their groups, but there was a simultaneous 7.9% rise in cash on the asset side.

12 The net cash position is the difference between cash and cash equivalents and short-term lending; claims with a maturity of up to one year and intra-group debts are attached to cash assets and cash liabilities respectively. The aim of this classification is to enable a better analysis of the cash position, particularly by taking trends resulting from the centralised management of cash at group level into account in these aggregates.
13 Factoring outstandings are not taken into account because they are not available in the form of a uniform series over the period and can therefore not be captured correctly in the company accounts.

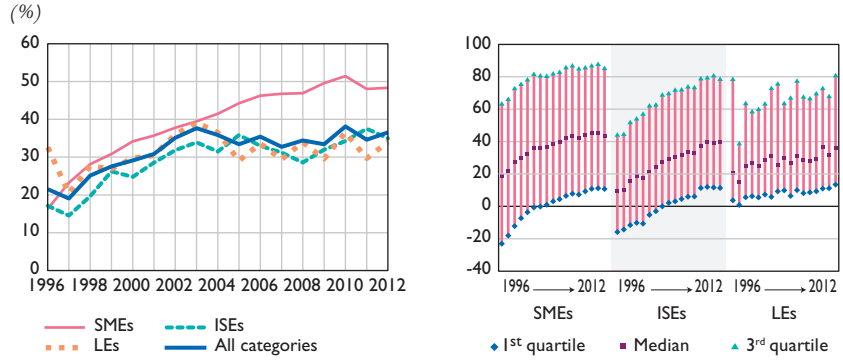
Calculated at the accounts closing date, there was an overall improvement in cash positions, irrespective of the indicator used. The net cash position accounted, on average, for 36.5% of equity, up 2 percentage points on 2011. It was significantly higher in SMEs than in large enterprises: over 48% in SMEs, 35% in ISEs and 34% in large enterprises. The net cash position of the accommodation and restaurant sector was 77% and twice as high as the average. Within industry, agri-food sector ranked last, with a ratio of below 16%.

Liquid assets (excluding short-term claims on the group and partners) accounted for 8% of balance sheet assets (15.5% in SMEs), an average that has been relatively stable over the long term. However, expressed in terms of days of sales, cash on the asset side has grown substantially over the past 15 years, from 28 days in 1997 to 42 days in 2012. Companies have thus demonstrated their ability to convert an increasing share of their business into liquidity, with the peak observed in 2010 (44 days).

Companies also made use of significant volumes of loans and cash advances from groups and partners, some of which were non-resident firms. These transactions generated net positive flows, amounting to 4% of the balance sheet total. This means that resident companies extended more financing to their subsidiaries located outside France and their foreign parent companies than they received from the latter.

The dispersion on these types of indicators is particularly marked. Year-on-year, the improvement in the net cash position was actually influenced by a small fraction of large enterprises that sharply increased their cash positions or reduced their ordinary bank loans.

Charts 18 Net cash position/equity



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

Box 2

Corporate cash flow statements in 2012

In 2012, the narrowing of margins reduced firms' ability to generate liquidity. However, net investment flows, including financial, also contracted. Overall, the decline in net financing flows resulted in a strengthening of cash positions.

Table of flows

(for 100 euro of turnover)

	SMEs		ISEs		LEs		All sizes	
	2011	2012	2011	2012	2011	2012	2011	2012
(+) Gross operating surplus	**6.3**	**6.3**	**6.0**	**5.7**	**6.8**	**5.6**	**6.5**	**5.8**
(-) Change in operating WCR	-0.7	0.3	0.7	-0.1	-0.1	0.1	0.3	0.1
(+) Operating cash flow	**7.0**	**6.0**	**5.3**	**5.8**	**6.9**	**5.5**	**6.2**	**5.7**
(+) Other non-operating transactions	2.3	2.2	5.9	5.3	12.7	10.8	7.7	6.8
(-) Interest expenses	1.3	1.2	2.3	2.2	3.7	3.1	2.5	2.3
(-) Participating interests	0.1	0.1	0.3	0.3	0.2	0.2	0.2	0.2
(-) Dividend payments	2.3	2.4	3.9	3.7	7.7	7.2	5.1	4.8
(-) Corporation tax	1.1	1.1	0.8	0.9	1.0	0.5	1.0	0.8
(-) Non-operating WCR	0.4	0.3	-0.7	0.7	0.8	-0.8	0.1	0.0
(+) Total cash flow	**4.1**	**3.1**	**4.6**	**3.3**	**6.2**	**6.1**	**5.0**	**4.4**
(-) Net investment flows	**4.3**	**4.2**	**7.6**	**5.2**	**13.8**	**8.9**	**9.3**	**6.5**
(+) Net funding flows	**1.5**	**1.6**	**4.1**	**2.9**	**6.2**	**6.0**	**4.2**	**3.9**
(+) Change in equity financing	0.6	0.8	1.8	2.3	1.6	3.2	1.4	2.3
(+) Change in long-term debt	0.7	0.5	1.4	0.2	2.5	1.7	1.7	0.9
(+) O/w change in bank loans	*0.2*	*-0.2*	*-0.1*	*-1.2*	*-0.3*	*-1.3*	*-0.1*	*-1.0*
(+) Change in cash liabilities	0.2	0.3	0.7	0.4	2.1	1.1	1.1	0.7
Change in cash assets	**0.7**	**0.5**	**0.9**	**1.0**	**-1.4**	**3.2**	**-0.1**	**1.8**
Change in net cash position	*0.5*	*0.2*	*0.2*	*0.6*	*-3.5*	*2.1*	*-1.2*	*1.1*
Change in ONWC	*0.9*	*0.7*	*0.3*	*1.1*	*-2.9*	*1.4*	*-0.8*	*1.1*
Change in NWCR	*0.4*	*0.6*	*0.0*	*0.6*	*0.7*	*-0.7*	*0.4*	*0.1*

Source: Banque de France, FIBEN, November 2013.
Scope: NFCs as defined by the LME*; all business sectors except sectors KZ (Finance, excluding holding companies) and O (Administration).*

In greater detail, per 100 euro of turnover, current activity enabled SMEs to generate surplus operating cash flows of 5.7 euro en 2012, down on 2011, without any impact on working capital requirements. After payments to their partners (lenders, the State, shareholders and partners), available cash flow was only 4.4 euro (5.0 euro in 2011).

As regards investments, net spending was reduced, falling from 9.3 euro in 2011 to 6.5 euro in 2012 per 100 euro of turnover.

Despite this contraction, the cash flow generated was not sufficient to cover investment spending, resulting in external financing needs of 2.1 euro (4.4 – 6.5).

Financing flows show a use of external financing of 3.9 euro (compared with 4.2 in 2011), mainly in the form of stable funding – equity and debt – but with a negative change in bank borrowing.

This boosted cash, which increased by 1.8 euro per 100 euro of turnover.

SMEs showed particularly significant dispersions: 10% of SMEs have almost no cash on the asset side whereas, at the other end of the spectrum, for a quarter of the sample cash represented over 35% of assets. Besides showing a generally satisfactory ratio, these disparities indicate that some firms had tight cash positions.

In 2012, based on the sample analysed, the proportion of firms with a negative net cash position stood at 17.5%, unchanged compared with 2011 and thus interrupting the continuous improvement observed over the past 15 years.

By analysing the three main types of cash flows (i.e. stemming from operating activities, investment activities and financing activities) we can describe the use in the year under review of internal funds and explain how firms managed to generate this level of liquidity (see Box 2).

5| Overall, firms preserved their financial autonomy

Financial autonomy reflects a firm's ability to develop autonomously vis-à-vis its capital providers. In this respect, the development observed in 2012 was mixed. While the fall in overall earnings and the contraction in the internal financing ratio (see above) are likely to undermine the independence of firms vis-à-vis external lenders, other indicators highlight their ability to meet funding constraints.

5|1 An extension in the maturity of debt

As a result of the decline in the internal financing capacity and the increase in the debt value, debt repayment periods were longer. The maturity of debt stood at 6 years and 8 months in 2012, or 7 months longer than in 2011 and 13 months longer than in 2010 (see Charts 19).

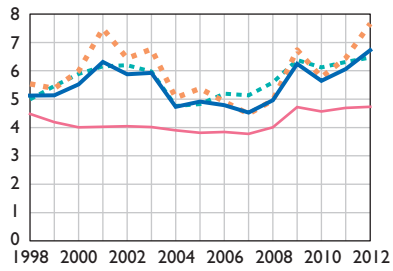
The impact of these longer repayment periods on firms' positions should nevertheless be put into perspective.

After taking into account cash and marketable securities, firms were theoretically able to repay all their loans within a period of 5.2 years, which is a reasonable period by banking industry standards, even though it is longer than before the recession. In SMEs, this period stood at only 2.6 years (see Charts 19).

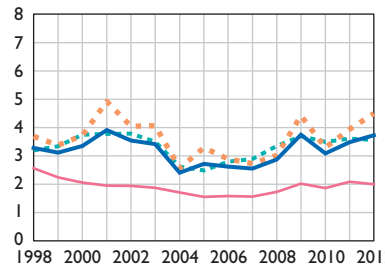
Charts 19 Financial debt

(%)

a) To internal-financing capacity



b) Net available cash to internal-financing capacity



SMEs ISEs LEs All categories

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

However, the proportion of short-term bank borrowing fell in financial debt. A high proportion of short-term bank borrowing in debt can reflect a vulnerable situation due to the precarious nature of this type of funding and its cost. That said, the share of short-term borrowing was reduced threefold over the 1996-2012 period. It fell from 11.7% to 3.8% despite having risen in 2012 among SMEs and ISEs.

Trends however varied across the different categories:

• over the medium term, SMEs should continue to stabilise their debt. The deterioration of their debt repayment capacity in 2012 was above all attributable to the cyclical decline in their internal financing capacity but did not stop their debt ratios from continuing to fall. Overall, this attested to the fairly good match between the level of their operating performances and their debt;

• the investment rate of ISEs was structurally higher than that of other firm categories and their internal financing rate was the lowest. They therefore had to make greater use of debt to finance their development, which affected average payment periods, which had been rising regularly for some years;

• in large enterprises, a number of factors combined to push this ratio up over the past three years: a continued investment effort, a decline in internal funding and a rise in debt flows. This lengthening can also be attributed to a deliberate long-term debt strategy, via bond issuance[14] or private placements that replaced bank loans. It specifically aims to increase the maturity of the debt while remaining in control of short-term repayment conditions.

14 Bond issuance has the advantage of being redeemable at maturity which reduces outflows on the internal financing capacity during the life of the bond.

5|2 Financing costs fell

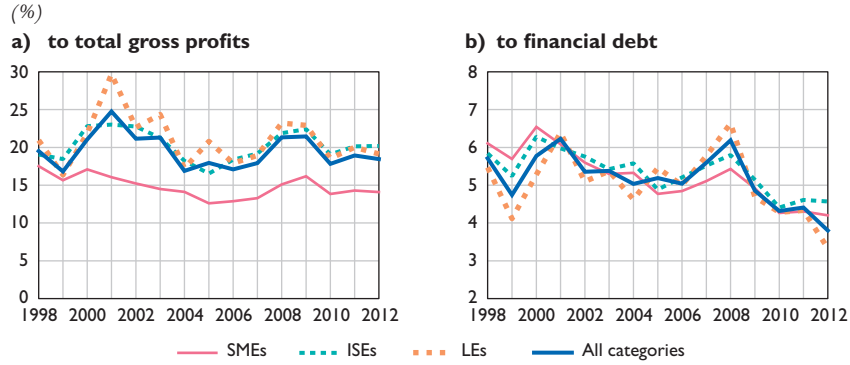
Notwithstanding the rising in debt, rates and volumes, financial costs only increased moderately, with the interest coverage ratio[15] declining by 0.5% from 18.9% to 18.4%. This ratio measures the ability of a company to pay for the cost of its borrowing out of total gross profit. It is particularly sensitive to changes in the company's position and therefore often serves as a relevant and early indicator of difficulties. Its value declined in SMEs and large enterprises, but remained stable in ISEs (see Charts 20).

The fall in financial costs can be attributed to the lower apparent cost of debt (ratio of financial costs to financial debt). This reflects the level of interest required by lenders, i.e. banks, financial companies, stock markets, groups and partners. In the wake of the decline in market rates, driven by the financial crisis of October 2008, this apparent cost fell significantly. These costs continued to fall in 2012, particularly in large enterprises.

Lastly, it should be noted that the financial costs generated by the different types of debt could be offset by similar financial income received by companies, in particular by French groups from their non-resident subsidiaries.

Charts 20 Financial costs

(%)



Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by LME.

15 Total gross profit is the gross operating profit plus the non-operating income, but excluding interest payments and capital gains and losses on sales.

Appendix 1

FIBEN data

Database of company accounts

The company accounts collected by the Banque de France represent one-third of all companies taxed under the "*bénéfice industriel et commercial*" (industrial and commercial profits), and "*bénéfice réel normal*" (real and normal profits) (BIC-BRN) regimes. The data cover all companies doing business in France, with a turnover exceeding EUR 0.75 million and bank debt exceeding EUR 0.38 million. As regards staff, the data cover over 75% in most sectors and reaches or exceeds 80% in retail and wholesale trade and industry.

Main ratios used

An explanation of the financial analysis methodology and the definition of ratios used are available at the following link:
http://www.banque-france.fr/fileadmin/user_upload/banque_de_france/Economie_et_Statistiques/METHODOLOGIE_SITUATION_DES_ENTREPRISES.pdf

Financial links

The Banque de France identifies financial linkages and analyses the capital interests held by other companies, classifying shareholders as non-financial companies (including holding companies), financial institutions (banks, mutual funds, or insurance companies), natural persons (individuals or employees), the State, or as foreign companies. A distinction is made between independent companies and companies belonging to large or small groups.

Database of consolidated accounts

Since 1992, the Banque de France has relied on its branch network to collect consolidated accounts drawn up by over 4,000 companies. This base includes the largest industrial and commercial companies doing business in France. The study eliminated sub-groups that are consolidated by parent companies.

The consolidation, carried out by the companies themselves, consists in aggregating the individual accounts of legal entities within the group,

after eliminating intra-group flows and parent company interests. The companies considered all have parent companies whose head offices are located in France; the scope of consolidation may include subsidiaries or second-tier subsidiaries that are head quartered outside France.

Failures

In this paper, business failures are defined as the initiation of receivership proceedings or of liquidation proceedings when the latter has not been preceded by receivership proceedings. However, when a business continuation plan or disposal plan is put in place between a receivership and a liquidation or second receivership, it terminates the initial receivership. The liquidation and the second receivership are therefore considered as the initiation of proceedings, i.e. a new failure of the legal entity.

The information is provided by registries of commercial courts, automatically in 90% of cases and manually in the remaining cases (companies within the jurisdiction of the *Tribunaux de Grande Instance* that are competent to rule on commercial issues). Once the data on proceedings are electronically recorded by the registries, they are transmitted to the Banque de France within 24 hours. To this data are added analyses by the Legal Notices Bulletin and the information transmitted manually by the *Tribunaux de Grande Instance*. Legal events concerning natural persons only, such as personal bankruptcy, are not recorded.

The Central Credit Register

The Central Credit Register makes monthly records of the loans granted by credit institutions to their clients above a specific threshold (EUR 25,000 since January 2006). The loans recorded are classified as "drawn loans" and "undrawn loans". Loans drawn include short, medium and long-term loans, finance leases and securitised loans.

Scope

All business activities are included except sectors KZ (Finance excluding holding companies) and OQ (General government). Compared with previous years, it was extended to include sectors P (education) and Q (human health and social work). Similarly, public companies (state-owned industrial and commercial companies – EPIC – and semi-public companies) were added which meant reintegrating a few large public companies such as SNCF, RFF, RATP, etc.

Appendix 2

The company size and sector categories

Each data source does not necessarily provide all the information required to define company size as defined by the Economic Modernisation Act of 4 August 2008 (*LME*). In some cases, sizes are approximated as best as possible based on the information available.

1| Attribution of size and activity sectors for the purposes of analysing the company account

The decree implementing the *LME* published on 20 December 2008, which defines the company statistically,[16] specifies company size categories in line with European Commission definitions, and the criteria that define them. There are four thresholds: number of employees, turnover, total assets of legal units and the financial links between them.

The first three criteria are drawn up for each company, understood as the smallest combination of legal units that make up an organisational unit producing goods or services, which benefits from a certain degree of autonomy (defined on the basis of financial links). A financial link corresponds to a holding of at least 50% of the capital of a legal unit.

When a company consists of several legal entities (it is classed as a "multi-entity" company as opposed to a "single entity" company), the company accounts of the constituting legal entities are aggregated to define the "company". This approach does not address double-accounting between units of the same company.

Company sizes are defined as follows:

- **SMEs**: up to 250 employees, with annual turnover not exceeding EUR 50 million or the balance sheet total not exceeding EUR 43 million;

- **Intermediate-sized enterprises (ISEs)**: companies that are not SMEs, with up to 5,000 employees, with annual turnover not exceeding EUR 1.5 billion or the balance sheet total not exceeding EUR 2 billion;

- **Large enterprises**: other companies.

16 http://www.legifrance.gouv.fr/affichTexte.do;jsessionid=AE22AD6AA9827C20CEBCA70F67427237.tpdjo01v_3?cidTexte=JORFTEXT000019961059&categorieLien=id

Average size of each category of company 2012

(in number and millions of euro)

	Number of companies	Number of legal entities	Average employees per company	Average turnover	Average value added	Average financial debt	Average bank debt	Average equity
All categories	186,675	372,719	55	16	4	8	3	8
SMEs	181,650	300,782	19	4	1	1	1	1
ISEs	4,809	27,287	630	212	51	92	43	81
LEs	216	20,257	17,603	5,754	1,485	4,218	639	3,720

Source: Banque de France, FIBEN, November 2013.
Scope: NFCs as defined by the LME*; all business sectors except sectors KZ (Finance, excluding holding companies) and O (Administration).*

Economic weight of non-financial companies in 2012

(headcount in thousands; turnover, value added, bank debt, financial debt, equity in EUR billions)

	Number of companies	Number of legal entities	Headcount	Turnover	Value added	Financial debt [a]	Bank debt	Equity [a]
All categories	**186,675**	**372,719**	**10,319**	**3,060**	**804**	**1,572**	**494**	**1,416**
By size								
SMEs	181,650	300,782	3,487	798	238	220	150	221
o/w subsidiaries of foreign companies	*7,281*	*19,643*	*255*	*91*	*24*	*37*	*16*	*23*
ISEs	4,809	51,680	3,030	1,019	245	440	206	392
o/w subsidiaries of foreign companies	*1,366*	*11,076*	*974*	*391*	*91*	*143*	*41*	*111*
Large enterprises	216	20,257	3,802	1,243	321	911	138	804
By sector								
Agriculture	2,697	3,816	56	11	4	5	3	15
Manufacturing industry	28,593	67,547	2,459	928	211	391	79	501
Energy, water, waste	2,330	7,361	388	164	46	226	28	112
Construction	30,534	53,882	940	191	66	80	29	80
Trade	68,875	123,269	2,451	1,157	182	276	99	336
Transport and warehousing	7,608	16,411	1,078	176	72	148	51	93
Accommodation and catering	9,060	19,243	412	45	22	34	15	20
Information and communication	4,690	9,958	445	135	68	132	28	76
Real estate activities	7,755	17,425	101	35	20	157	108	85
Services to businesses	17,905	39,583	1,582	161	85	91	39	75
Education, health	4,335	9,432	292	30	18	18	10	11
Services to households	2,293	4,792	113	27	8	14	5	13
Breakdown in %								
By size								
SMEs	97.3	80.7	33.8	26.1	29.6	14.0	30.3	15.6
o/w subsidiaries of foreign companies	*3.9*	*5.3*	*2.5*	*3.0*	*2.9*	*2.3*	*3.1*	*1.6*
ISEs	2.6	13.9	29.4	33.3	30.5	28.0	41.7	27.6
o/w subsidiaries of foreign companies	*0.7*	*3.0*	*9.4*	*12.8*	*11.3*	*9.1*	*8.3*	*7.8*
Large enterprises	0.1	5.4	36.8	40.6	39.9	58.0	27.9	56.7
By sector								
Agriculture	1.4	1.0	0.5	0.4	0.5	0.3	0.7	1.1
Manufacturing industry	15.3	18.1	23.8	30.3	26.3	24.9	16.1	35.4
Energy, water, waste	1.2	2.0	3.8	5.4	5.7	14.4	5.7	7.9
Construction	16.4	14.5	9.1	6.2	8.2	5.1	5.9	5.7
Trade	36.9	33.1	23.8	37.8	22.7	17.6	20.0	23.7
Transport and warehousing	4.1	4.4	10.4	5.8	9.0	9.4	10.3	6.6
Accommodation and catering	4.9	5.2	4.0	1.5	2.8	2.1	3.1	1.4
Information and communication	2.5	2.7	4.3	4.4	8.4	8.4	5.7	5.4
Real estate activities	4.2	4.7	1.0	1.1	2.6	10.0	21.8	6.0
Services to businesses	9.6	10.6	15.3	5.3	10.6	5.8	7.9	5.3
Education, health	2.3	2.5	2.8	1.0	2.2	1.2	2.1	0.8
Services to households	1.2	1.3	1.1	0.9	1.0	0.9	0.9	0.9

Source: Banque de France, FIBEN, November 2013.
Scope: NFCs as defined by the LME*; all business sectors except sectors KZ (Finance, excluding holding companies) and O (Administration).*
Note: Amounts adjusted for estimated double-counting.
a) The number of legal entities corresponds to the number of entities in the firm's consolidation scope as defined by the LME, irrespective of whether its balance sheet is in the FIBEN database.

SMEs and ISEs may be either a single legal entity or a multi-entity reporting to either a French or a foreign parent company.

The activity sector is based on the 2008 aggregate nomenclature, itself based on the NAF Rev. 2.

In the case of a multi-entity company, the sector is determined by allocating each entity to a corresponding sector. The multi-entity company's sector is defined by the entity that generates the highest annual turnover for the company, provided it exceeds 50% of total revenue. If not, the sector is determined based on the staff headcount criterion, again, provided that the entity's staff represents more than 50% of the multi-entity's total staff. In cases where no single entity accounts for over 50% of sales or staff, the sector of the entity with the highest annual turnover is assigned to the group as a whole.

2| Definition of sizes for the analysis of consolidated accounts

The following size categories are used when analysing consolidated data (they are in line with those used for company accounts):

• **Medium-sized group**: up to 250 employees, annual turnover not exceeding EUR 50 million or the balance sheet total not exceeding EUR 43 million;

• **Intermediate-sized group**: group that does not belong to the first category, with up to 5,000 employees, annual turnover not exceeding EUR 1.5 billion or the annual balance sheet total not exceeding EUR 2 billion;

• **Large group**: other groups.

Economic weight of groups in 2012

(headcount in thousands; turnover, financial debt, equity and balance sheet total in EUR billions)

	Number	Headcount	Turnover	Financial debt	Equity	Balance sheet total
Total	**3,911**	**9,608**	**2,237**	**999**	**974**	**3,244**
Mid-sized group	1,493	174	53	17	23	56
Intermediate-sized groups	2,200	1,713	439	175	157	477
Large groups	218	7,720	1,745	806	795	2,710

Source: Banque de France, FIBEN database of consolidated accounts, November 2013.
Scope: Non-financial groups.

Appendix 3

Recap of the main data and findings for all French companies

Rate of change

(%)

	SMEs		ISEs		LEs		All companies	
	2011	2012	2011	2012	2011	2012	2011	2012
Turnover	7.9	2.9	8.2	3.3	7.3	1.6	7.8	2.5
Value added	5.8	2.7	4.5	1.7	3.5	-1.5	4.5	0.7
Gross operating surplus	6.0	-2.0	1.9	-4.2	1.7	-12.3	2.9	-7.0
Net operating surplus	5.4	-8.5	-0.6	-8.2	-3.9	-21.1	-0.4	-13.3
Internal financing capacity	3.6	-4.3	6.3	-4.6	0.3	-8.1	2.4	-6.5
Net internal financing capacity	1.7	-12.1	7.0	-19.8	-5.5	-38.4	-1.8	-29.9
Internal financing	-3.1	-11.0	-0.3	-12.1	-8.3	-20.3	-5.2	-16.2
Investment	4.3	-14.1	2.0	-4.6	8.2	4.2	5.0	-3.3
Equity	5.6	4.8	4.7	5.2	3.5	1.6	4.1	2.9
Financial debt	3.5	2.7	4.1	1.3	6.1	3.5	5.2	2.8
Cash	4.6	3.0	4.8	5.3	-4.7	10.9	-0.4	7.9

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.

Ratios

(%)

	Average rate		1st quartile		Median		Last quartile	
	2011	2012	2011	2012	2011	2012	2011	2012
Gross operating surplus/turnover	6.5	5.8	2.1	1.8	5.8	5.3	11.8	10.7
Margin ratio: gross operating surplus/value added	24.2	23.07	7.8	6.7	18.9	17.2	34.2	31.2
Net return on operating capital: net operating surplus/operating capital	5.6	4.7	1.9	1.6	8.7	8.0	21.8	20.2
Net financial profitability: net internal financing capacity/equity	8.1	4.6	3.3	2.3	13.5	11.7	28.8	26.0
Saving ratio: internal financing/total income	16.5	14.2	3.8	2.6	11.9	10.5	22.0	20.0
Investment ratio: operating investment/value added	22.7	22.5	1.0	1.0	4.2	4.0	12.4	12.0
Debt ratio: financial debt[a]/equity[a]	109.1	111.3	14.4	14.8	54.4	53.3	163.1	153.3
Weight of equity: equity[a]/total resources[a]	32.0	31.2	18.4	21.2	38.4	39.9	58.9	60.3
Apparent repayment period: financial debt[a]/internal financing capacity[a]	6.1	6.7	0.6	0.7	2.0	2.1	5.1	5.0
Apparent cost of debt: financial costs[a]/financial debt[a]	4.4	3.8	2.4	2.3	4.1	3.9	6.4	6.1

Source: Banque de France, FIBEN, November 2013.
Scope: Non-financial companies as defined by the LME.
a) amounts adjusted for estimated double-counting.

Appendix 4

Profit and Loss Account

Profit and loss account

(% of turnover)

	SMEs		ISEs		LEs		All sizes	
	2011	2012	2011	2012	2011	2012	2011	2012
Operations								
Turnover	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
(+) Production taken into inventory	0.2	0.1	0.2	0.1	0.3	0.0	0.2	0.1
(+) Production capitalised	0.4	0.5	0.3	0.3	0.9	0.9	0.6	0.6
Production and sale of bought-in goods	**100.6**	**100.6**	**100.6**	**100.4**	**101.2**	**101**	**100.8**	**100.7**
(-) Purchase cost of sold goods	35.5	35.5	37.2	36.7	23.9	24.1	31.2	31.2
(-) Cost of materials consumed	12.9	12.8	17.1	16.7	21.7	21.7	17.9	17.7
(-) Purchases and external costs (excl. external staff and leasing)	22.4	22.6	21.7	22.8	29.1	29.5	25	25.5
Value added	**29.8**	**29.8**	**24.6**	**24.2**	**26.5**	**25.7**	**26.8**	**26.3**
(+) Operating subsidies	0.2	0.2	0.2	0.2	0.7	0.7	0.4	0.4
(-) Wages and salaries, social security contributions	20.5	20.7	15.2	15.2	16.4	16.4	17	17.1
(-) External staff costs	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3
(-) Taxes and related payments	1.4	1.5	1.8	1.8	3.7	3.7	2.5	2.5
(+) Other operating income and expenses	-0.4	-0.4	-0.5	-0.4	0.6	0.5	0.0	0.0
Gross operating surplus	**6.6**	**6.3**	**6.2**	**5.7**	**6.5**	**5.6**	**6.4**	**5.8**
Net operating surplus	**4.5**	**4.0**	**3.9**	**3.5**	**3.7**	**2.9**	**4.0**	**3.4**
Breakdown of overall earnings								
Gross operating surplus	**6.6**	**6.3**	**6.2**	**5.7**	**6.5**	**5.6**	**6.4**	**5.8**
(+) Other non-operating transactions[a)]	2.4	2.2	5.6	5.3	12.2	10.8	7.5	6.8
Total gross profit[a)]	**9.1**	**8.5**	**11.7**	**11**	**18.7**	**16.4**	**13.9**	**12.6**
(-) Interest and related expenses [a)]	1.2	1.2	2.2	2.2	3.7	3.1	2.6	2.3
(-) Compensation of employees	0.1	0.1	0.3	0.3	0.2	0.2	0.2	0.2
(-) Corporate income tax	1.2	1.1	0.9	0.9	0.9	0.5	1.0	0.8
Internal financing capacity [a)]	**6.5**	**6.1**	**8.3**	**7.7**	**13.9**	**12.6**	**10.2**	**9.3**
(-) Charges to provisions, depreciation and amortisation	3.3	3.3	4.0	4.3	5.7	7.6	4.5	5.4
Internal financing capacity [a)]	**3.2**	**2.7**	**4.3**	**3.4**	**8.3**	**5.0**	**5.7**	**3.9**
Net profit [a)]	**3.6**	**3.2**	**4.6**	**4.2**	**8.7**	**5.7**	**6.1**	**4.6**

Source: Banque de France, FIBEN, November 2013.
Scope: NFCs as defined by the LME*; all business sectors except sectors KZ (Finance, excluding holding companies) and OQ (Administration).*
a) No adjustments for double-accounting are made at this stage.

Appendix 5

Functional balance sheet

Functional balance sheet

(% of total)

	SMEs		ISEs		LEs		All sizes	
	2011	2012	2011	2012	2011	2012	2011	2012
Assets								
Intangible fixed assets	9.7	10	9.4	9.4	6.3	6.4	7.6	7.8
Tangible fixed assets	45.1	46	38.5	38.8	33.2	32.8	36.4	36.4
Leased goods	3.3	3.3	0.9	0.9	0.4	0.4	1	0.9
Other fixed assets [a]	12.3	10.4	30	29.4	47.2	46.6	37.3	36.7
Fixed assets [a]	**70.4**	**69.8**	**78.8**	**78.5**	**87**	**86.3**	**82.3**	**81.8**
Inventories	13.8	14.1	8.5	8.4	4.6	4.4	7	6.9
Trade credit	3.2	3.4	1.6	1.6	-1.7	-1.5	-0.1	0.1
Other operating receivables and payables	-6.2	-6.4	-3.7	-3.9	-3	-2.9	-3.7	-3.7
Operating working capital requirements	**10.8**	**11.1**	**6.3**	**6.1**	**-0.1**	**0**	**3.3**	**3.3**
Non-operating working capital requirements	**-0.9**	**-0.6**	**-0.7**	**-0.2**	**-0.1**	**-0.6**	**-0.4**	**-0.5**
Cash	9.6	10	3.5	3.7	3.4	3.6	4.4	4.5
Marketable securities	5.9	5.5	3.2	3	3.2	3.2	3.6	3.5
Claims of up to one year on the group and partners [a]	4.1	4.3	8.9	8.9	6.5	7.5	6.8	7.5
Cash assets [a]	**19.6**	**19.8**	**15.6**	**15.6**	**13.2**	**14.3**	**14.8**	**15.5**
Liabilities								
Equity [a]	**34.6**	**34.4**	**29.4**	**30.9**	**32.6**	**30.6**	**32**	**31.2**
Depreciation and provisions	**30.1**	**31.4**	**34.3**	**34.4**	**33.5**	**34.7**	**33.2**	**34.1**
Bonds and notes	0.7	0.8	3.9	4.4	10.8	11.9	7.4	8.2
Bank loans	18.9	18	15.5	13.9	5.3	4.3	10.1	8.9
Leasing	2.6	2.6	0.7	0.6	0.3	0.3	0.7	0.7
Other debts [a]	10	9.7	11.7	11	14	14.4	12.8	12.8
Long-term debt [a]	**32.3**	**31.1**	**31.8**	**29.9**	**30.4**	**30.8**	**31**	**30.6**
Ordinary bank loans	2.5	2.7	1.7	1.7	0.9	0.7	1.4	1.3
Claims of up to one year of group and partners [a]	0.4	0.4	2.8	3	2.6	3.2	2.3	2.8
Cash liabilities [a]	**2.9**	**3.1**	**4.5**	**4.8**	**3.5**	**3.9**	**3.7**	**4.1**

Source: Banque de France, FIBEN, November 2013.
Scope: NFCs as defined by the LME*; all business sectors except sectors KZ (Finance, excluding holding companies) and O (Administration).*
a) amounts adjusted for estimated double-counting.

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Innovation at work: introducing the first banknote in the Europa series

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From a cash perspective, the euro has been an undisputed success and has grown to take on the stature of an international currency in the space of a few years. Building on this success, on 2 May 2013, the national central banks simultaneously put a new series of euro-denominated banknotes – known as the "Europa" series – into circulation throughout the Eurosystem.

Harnessing the technological advances of the last decade, the new series meets three objectives: maintain public confidence by making security features easier to check and harder to counterfeit; improve the durability of smaller denominations; and make notes easier for the visually-impaired to use.

The process of putting a new banknote into circulation is a complex one. Meeting public expectations takes meticulous preparation by central banks and close collaboration with cash cycle participants.

Key words: banknote issuance, new "Europa" series, €5 note, banknote circulation, security features

JEL codes: E4, E41, E42, E5, E58

On 1 January 2002, the euro became the single currency[1] of 12 European Union (EU) countries,[2] which were later joined by Slovenia in 2007, Cyprus and Malta in 2008, Slovakia in 2009, Estonia in 2011 and Latvia in 2014.

Under the authority of the European Central Bank (ECB)[3] these 18 countries put into circulation banknotes that are legal tender[4] in all the countries of the euro area.

Total banknote circulation in the euro area at end-October 2013 amounted to EUR 924.2 billion, or 15.8 billion banknotes. This includes all euro banknotes present in the economy, including those outside the euro area. Banknote circulation is measured as the difference between total banknotes put into circulation and total banknotes withdrawn from circulation by all Eurosystem central banks since joining the euro area. The size of this figure demonstrates the success of the euro, which has grown to take on the stature of an international currency in the space of a few years.

1| Genesis of the new series of euro banknotes

1|1 Long-term decisions, taken since 2002

Monetary decisions for the euro area are taken centrally by the Governing Council[5] and then implemented in a decentralised manner by the national central banks (NCB). In addition to monetary policy decisions, several projects are also conducted in parallel. This is the case, for example, in the field of cash, with decisions being prepared and discussed within working groups before being submitted to the Governing Council.

Why a change in series?

The ECB and NCBs are responsible for the integrity of euro banknotes, i.e. for the quality of banknotes in circulation and their resistance to counterfeiting. The objective in putting a new series of banknotes into circulation is to preserve long-term public confidence in the currency.

1 *The euro became the single scriptural currency for these 12 countries on 1 January 1999.*
2 *Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.*
3 *Article 128 TFEU (ex-Article 106 TEC): "The European Central Bank shall have the exclusive right to authorise the issue of euro banknotes within the Union. The European Central Bank and the national central banks may issue such notes. The banknotes issued by the European Central Bank and the national central banks shall be the only such notes to have the status of legal tender within the Union."*
4 *Legal tender is a regime whereby monetary tokens must be accepted as payment at their nominal value. Thus, according to Article R642-3 of the French Penal Code: "The fact of refusing to accept banknotes or coins with legal tender in France at their designated value shall be punishable by the fine provided for class 2 offences."*
5 *The Governing Council is the Eurosystem's decision-making body. It comprises the six members of the ECB's Executive Board and the governors of euro area NCBs. It meets twice a month.*

To ensure that they remain easy to authenticate while staying ahead of counterfeits, which likewise harness the latest technological advances, banknotes need to be upgraded on a regular basis. The process of producing a new banknote takes a long time, because it comprises multiple phases, including research and development, industrialisation, and production of the quantities needed to put the notes into circulation. Accordingly, the Eurosystem began planning in 2002 for the launch of a new series with revamped security features, to keep ahead of counterfeiters. It also used the opportunity to make the notes more user-friendly, especially for the visually impaired, and enhance the durability of smaller denominations.

Main principles governing the issuance of the Europa series

It was decided to keep the same number of denominations (seven) and values (€5, €10, €20, €50, €100, €200 and €500), and the same colours and themes ("Ages and styles") as the first series. Similarly, it was confirmed that the banknotes would continue to be made of the same material, i.e. paper substrate.[6]

The issuance procedures for the new Europa series (ES2), however, are different from those of the first series.

For one thing, the timetable for issuing the second series is different from that of the seven denominations of the first series, which were all issued at the same time on 1 January 2002, with the legacy national currencies ceasing to be legal tender one and a half months later on 17 February 2002. By contrast, the second series will be introduced gradually (about one denomination every year) and the old series will continue to be legal tender for several years.

It was also decided to issue the new banknotes in increasing order of value. Accordingly, the €5 note will be the first to be issued, followed at regular

6 *In other countries, particularly in Asia, banknotes are sometimes made from a polymer.*

intervals by the other denominations, i.e. the €5 will be followed by the €10, then the €20, and so on.

The old and new series will circulate in parallel for several years and will both be legal tender. The banknotes from the first series will then be withdrawn gradually from circulation by the NCBs and will cease to be legal tender at a date that will be announced well in advance. To use up the remaining stocks, €5 notes from the first series will be issued for several months alongside the second series in numerous euro area countries.

Although they may not be used as a payment instrument once they are no longer legal tender, banknotes from the first series will always retain their value and may be exchanged at any time at the Banque de France and other euro area NCBs for banknotes from the second series.

1|2 Determining the characteristics of the new banknotes

New security features to maintain public confidence

The security features of the new notes are designed to be technically complex – and thus hard to counterfeit – to guarantee the integrity of banknotes, while still being easily identifiable by the public (see Box 1). Users can make sure that banknotes are genuine in a few seconds by following the Feel-Look-Tilt method.[7]

Increased durability

The new banknotes will have a longer lifespan thanks to a stronger substrate for the two smallest denominations, in the form of a varnish to protect them against wear.

More user-friendly

The design of the notes was revisited to accommodate the needs of visually impaired users, who have to be able to distinguish between different denominations. Visually impaired users were consulted during the design phase of the second series, and their requirements were included in the final design. For example, banknotes in the Europa series show the value in large bold raised letters, which are easier to feel, on the front of the note. Moreover, the numbers indicating the value of the new banknotes on the front and back of the notes have also been made larger, to make them easier to identify.

7 *See the ECB's website: http://www.ecb.europa.eu/euro/banknotes/security/html/index.en.html*

Box 1

Security features of the new €5 banknote

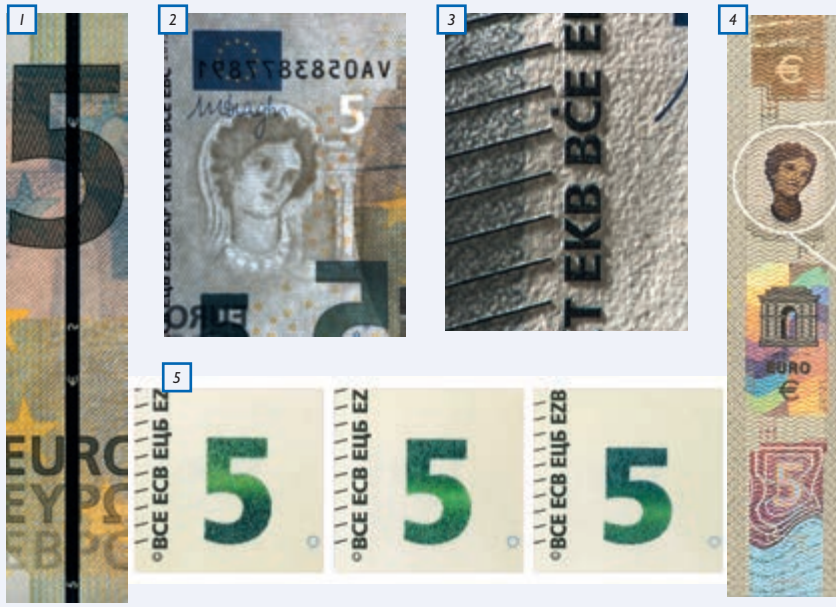
1 – Security thread. Look at the banknote against the light. The security thread appears as a dark stripe. On the new €5 note, the euro symbol (€) can be seen, rather than the word "EURO".

2 – Portrait watermark. Look at the banknote against the light. A portrait of the princess Europa, a window and the value of the banknote become visible.

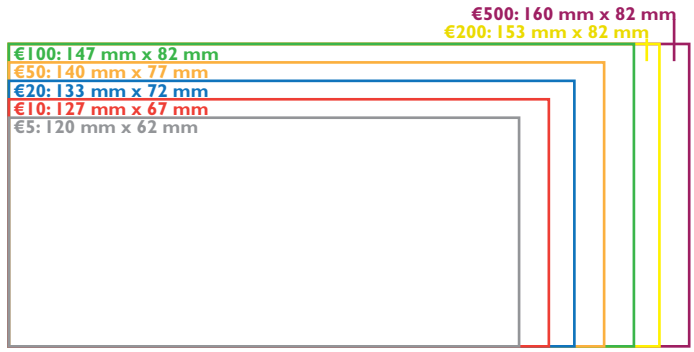
3 – Raised print. On the €5 note of the Europa series, there is a series of short raised lines on the left and right edges. The main image, the lettering and the large value numeral also feel thicker.

4 – Portrait hologram. A portrait of Europa, a window and the value of the banknote appear in the silvery stripe.

5 – Emerald number on the banknote. Tilt the banknote. The number indicating the note's value displays an effect of the light that moves up and down. The number also changes colour from emerald green to deep blue.



The dominant colours of the banknotes remain the same in the Europa series – although they have become more pronounced – to make it easier to distinguish between denominations (neighbouring denominations have sharply contrasting colours, such as grey for the €5, red for the €10 and blue for the €20).



The size of the banknotes increases with value, as with the first series.

As an additional guide, raised lines have been added to the edges of all the banknotes in the Europa series.

Work on finalising the technical features of the new series of banknotes got underway in spring 2005 at the Banque de France printing works and paper mill. Special attention was paid to the new security features.

For professional cash handlers, such as bankers and merchants, the new security features must be readable by sorting and counting machines to facilitate automatic authentication and recognition of banknotes. Additional features are solely for central banks and may be read by them for final authentication purposes.

1|3 Roll-out across the euro area

The new euro banknotes are being issued as part of a collective project by the Eurosystem.

One of the founding principles of Monetary Union, the pooling of resources and requirements, is concretely put into practice within the field of cash. Indeed, it would not be efficient for every NCB to print the specific amount that it alone needs of each of the seven denominations (which would mean very small volumes of certain denominations for some countries). Thus, each NCB is responsible for producing a limited number of notes each year.

The entire European decision-making system was involved in estimating the requirements. The final estimate collated the forecasts of the individual NCBs with the ECB's aggregate analysis. The amount of new banknotes to be produced reflects three factors: the need to replace the worn banknotes

that NCBs must withdraw every day from circulation after quality sorting; the outlook for banknote use (based on growth, consumption, payment methods, hoarding, and other factors); and the optimal stock of banknotes.

Determining the optimal stock of banknotes is a challenge for NCBs, which must constantly chart a course between the need to keep safety margins in case of exceptional events, such as strikes, economic crises or natural disasters, and their responsibility to curb costs (see Box 3).

Once the requirements in terms of new banknotes have been estimated, production is shared between Eurosystem member countries according to their capital keys.[8] Each NCB can either print the banknotes for which it is responsible for producing or outsource the task to duly selected printers. Pooling production between the NCBs makes it possible to adjust the quantities produced per denomination according to the needs of different national territories.

1|4 Manufacturing and introducing the banknotes

In terms of timing, the initial estimates for the required amounts of new €5 notes from the Europa series were prepared in summer 2010, i.e. three years before the date of issue. The Governing Council formally assigned production allocations (the volume to be produced by each NCB) in the second half of 2010.

The Governing Council's decision of 11 January 2011 launched the prototype phase for the new banknote. At the end of 2011, a pilot production project was carried out jointly by the Banque de France, the Nationale Bank van België/Banque Nationale de Belgique, FNMT[9] a Spanish printing firm, and OeBS[10] an Austrian printing firm.

NCBs carried out tests to check, for example, that the banknotes were uniform no matter who made them. Once this phase was successfully completed, it was decided to move to full-scale production. Responsibility for producing 2.9 billion €5 notes was entrusted to five countries: France, Spain, Austria, Italy and Belgium.

Getting the volume of notes needed to change over a series to distribution points is an important logistical challenge. The process of supplying the 72 cash centres in metropolitan France and the six cash centres of the IEDOM (note-issuing bank for French overseas departments where the euro circulates) began ten months before the date of issue.

8 NCB shares in the capital of the ECB are calculated based on a key reflecting the share of each country in the total EU population and gross domestic product (GDP). These two factors are equally weighted.
9 Fábrica Nacional de Moneda y Timbre, *a semi-public company.*
10 Oesterreichische Banknoten und Sicherheitsdruckerei, *a state-owned company.*

2| Adapting central bank sorting machines and the equipment used by professional cash handlers

The French cash environment has changed profoundly since the first euro banknotes were issued in 2002. The entire sector has developed towards an automation of the process. From the sorting machines used by central banks to supermarket cash tills, from CIT company sorting centres to banks' automated teller machines (ATMs), automated equipment now occupies a central place in banknote processing. Meanwhile, flows of banknotes have become much larger.

While this is not the first time the machinery used by the central bank has been adapted, the increased automation of cash processes has prompted the Banque de France to reconsider its role within the French cash cycle.

2|1 Adapting the machines used by the central bank

The NCBs began by taking steps to adapt their sorting machines and information systems. In France, tests were carried out at the Paris cash centre since 2010 to check banknote compliance and make sure that sorting machines' authenticity and quality sensors were adjusted for the new banknote, while also able to accommodate two series of the same denomination (owing to dual circulation). Once this work was completed in 2012, upgrading the sorting equipment meant that the machines had to be temporarily shut down, and all had to increase their involvement to make the changes while striving to keep the production impact to a minimum. Thanks to these measures, all of the Banque de France's machines were ready to sort the new €5 note before 2 May 2013.

2|2 Preparing third parties

The Banque de France in the meanwhile started providing information to banks and CIT companies, which are front-line players in the cash cycle, to enable them to begin adapting their own machines.

While running internal tests on its own equipment, the Banque de France made its testing platform available to manufacturers of equipment likely to be used to process Europa series €5 notes, to allow them to test their own distribution, authentication and recycling equipment.

Box 2

The Banque de France in the French cash cycle

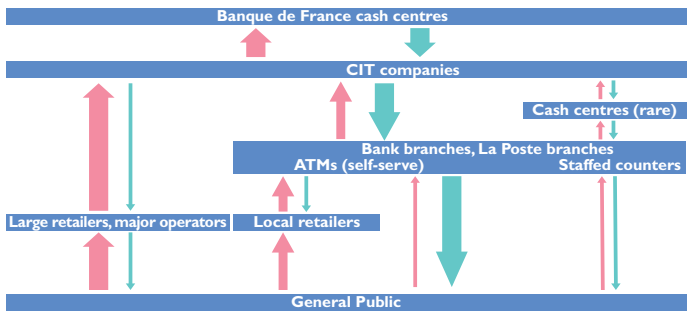
Cash management is one of the Banque de France's core tasks. It consists in putting banknotes and coins into circulation through the banking system to meet the needs of the economy and in ensuring public confidence in money by guaranteeing the quality of the notes and coins in circulation. To maintain the quality of banknotes, the Banque de France, as the issuing institution, uses two channels:

• Systematically sorting all the banknotes deposited at its counters, checking that notes are genuine and withdrawing any that are deemed unfit, i.e. worn, torn, stained or dirty. In 2012, the Banque de France sorted almost 7.6 billion banknotes, of which 1.4 billion were deemed unfit for circulation and destroyed.

• Overseeing recycling by private stakeholders. This is a system enabling the authentication and withdrawal of unfit banknotes (which are sent back to the central bank) by third parties (commercial banks, CIT companies, retailers) with a view to the replenishment of ATMs. Agreements signed with the Banque de France provide for the use of equipment tested positively with a Eurosystem central bank, the preparation and implementation of internal control procedures and inspections potentially leading to disciplinary action. To date, around 6,400 facilities, mainly bank branches, replenish ATMs either partly or entirely using banknotes that do not come from the Banque de France.

The introduction of a new banknote necessitates significant efforts to adapt the equipment used to sort banknotes.

Diagram



Source: Banque de France.

From 10 January 2013, the Banque de France also gave third parties the opportunity to borrow the new €5 notes to allow them to conduct tests at their own facilities to make sure their equipment was ready for the new series. In addition, third parties were able to test sample notes prepared

by the Chamalières printing works. These samples had all the mechanical characteristics of the actual banknotes without the visual appearance.

2 | 3 Communicating with professionals and the general public

Nationwide and local communications campaigns targeting professionals

The Banque de France communicates continuously and closely with its long-standing clients (commercial banks), along with their service providers (CIT companies). But the introduction of a new banknote requires communications to be opened up beyond this first circle, notably because of the increased automation in banknote processing and the major changes required. Professionals operating automated machines (automated pay stations used in supermarkets, car parks and drinks machines, automated tellers) need to make adaptation, mainly software, to be able to accept banknotes from the Europa series.

Information was sent out to this second circle through multiple channels, with local and nationwide campaigns.

The nationwide campaign naturally entailed meetings with representatives of large retailers, beginning in September 2012. These direct dealings covered the 6,000 automated pay stations in metropolitan France. The Banque de France also acted bilaterally, through meetings and newsletters, to reach out to particularly important players, such as public transit companies, car park and motorway operators, food and drink vendors, and so on.

In addition, the Banque de France publishes *La Lettre du Fiduciaire*, a newsletter for professionals that enables the central bank to convey relevant information. The January 2013 issue was entirely devoted to the new ES2 €5 note.

The local campaign relied on the Banque de France's branch network. Branch directors play a special role in the local economic environment, making them key players in conveying information.

Providing training on banknote authentication offers another effective way to disseminate information. Some 200 Banque de France employees are responsible for training each year between 20,000 and 25,000 professionals, who then go on to train their colleagues. These training sessions on the security features of euro banknotes, which are conducted either on business premises or at the Banque de France, target a broad range of people working at credit institutions and similar entities, CIT companies,

retailers (large and local), state-owned companies that receive large volumes of cash payments (rail and transit operators, for example) and law enforcement agencies. Training on the new €5 note began on 11 January 2013. Currency monitoring committees that deal with the same entities as those that receive authentication training were also used to disseminate information about ES2.

Eurosystem communications campaign targeting the general public

On 8 November 2012, the ECB announced the introduction of the new series of euro banknotes, starting with the €5 note, and revealed three new security features (portrait watermark, portrait hologram and emerald number).

On 10 January 2013, the ECB revealed all of the characteristics of the new banknote.

Additionally, the ECB set up a website devoted to the new series at *http://www.new-banknotes-euro.eu/*. Deliberately playful and translated into all European languages, the website is packed with information for European citizens.

The ECB also sent more than three million leaflets directly to merchants and through the NCBs provided large quantities of leaflets targeting professionals and the general public.

3| Initial results of the issuance of Europa series €5 notes

3|1 Contrasting trends in national issuance

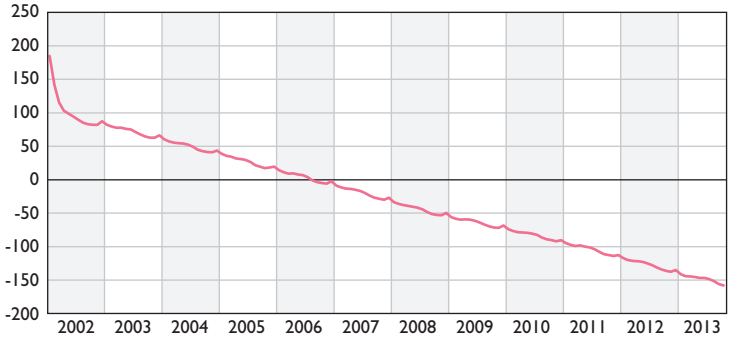
Net issuance of the smallest denomination in the range of euro banknotes has been negative in France since 2006 (cf. Chart 1), totalling –158 million notes as at end-October 2013.

In other words, since the euro was introduced, the number of €5 banknotes deposited at Banque de France branches has exceeded the number of €5 banknotes issued, a fact attributable to substantial intra-zone migrations. (see Box 3).

France is not alone in this: 8 of the 17 Eurosystem countries are negative issuers. Conversely Germany alone has issued 1,660 million €5 notes since 2002.

Chart 1 Net issuance of EUR 5 in France

(million banknotes)



Source: Banque de France.

The scale of net issuance largely reflects whether the notes are distributed through ATMs. The €5 note is offered to the public through ATMs in just 8 out of 17 countries: in many countries, such as France (with the exception of the Banque Postale network), distribution of €5 notes remains marginal. Conversely, German commercial banks make massive use of this channel, which explains the relative size of net issuance in Germany.

3|2 Lessons from the introduction of the Europa series

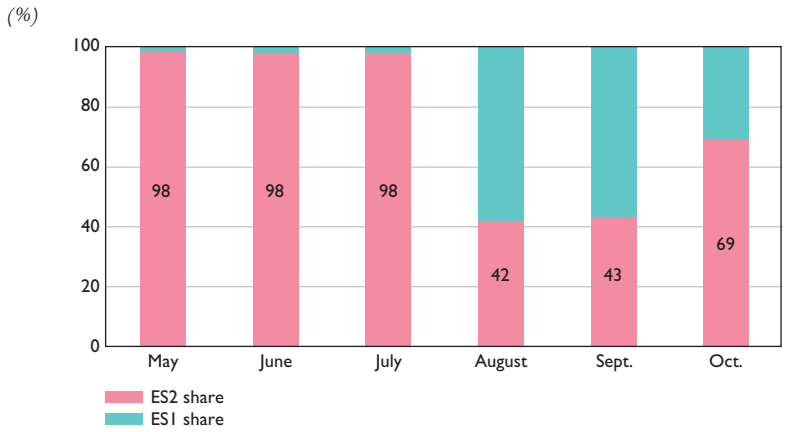
Stable flows into and out of the Banque de France's branches

Under the subsidiarity principle, whereby NCBs are deemed capable of taking the most efficient decisions because they have the best understanding of the specificities of their national cash cycle, each NCB was entrusted with choosing an issuance scenario. However, they had to comply with two requirements: facilitate dissemination of the new ES2 series, and run down the remaining stocks of the old series to avoid having to destroy them. The Banque de France opted for a scenario that consisted in issuing only ES2 from 2 May to 1 August 2013 (except when expressly requested by third parties). Then, from August 2013, the Banque de France's branches put their remaining stocks into circulation, combining €5 notes from the first series (ES1) with those from the ES2 series (see Chart 2).

Given the size of the remaining stock of ES1, the last banknotes from the old series were issued in November 2013.

Outflows of the smallest denomination in the range (withdrawals from the Banque de France's branches) are relatively stable from year to year (see Chart 3). The introduction of the new banknote did not fundamentally

Chart 2 Share of ES1 and ES2 banknotes in withdrawals in 2013



Source: Banque de France.

alter the withdrawal patterns of bank clients, and volumes, while on the low side, were steady. Withdrawals of the €5 note were in line with expectations in terms of level and seasonal characteristics noted in previous years.

Box 3

How many €5 banknotes actually circulate in France?

The concept of national currency in circulation became obsolete when euro notes and coins were introduced in the European monetary area (see Glossary).

Net issuance is defined as the cumulative sum of the difference between outgoing (withdrawals) and incoming (deposits) flows at each NCB's branches since the country joined the euro area. For France, because of migrations from other euro area countries, total withdrawals and deposits show a negative balance of –158 million banknotes for the €5 as at 31 October 2013.

Because production has been pooled, there is no reliable figure for the exact number of banknotes in circulation nationally. However, and notably as part of the process of forecasting the number of new banknotes required to issue a new banknote, indirect statistical methods are used to attempt to estimate the quantity of banknotes circulating nationally.

Each EU country participates in the capital of the ECB based on a key that reflects population (50%) and gross domestic product (50%). Profits and losses are shared

.../...

between member nations according to this capital key (members of the EU that are not also members of the euro area are obviously excluded). France's share of the ECB's capital amounted in 2013 to 20.32% although it will be reassessed in 2014 when Latvia joins the euro area. If a country's capital key (i.e. share of economy/population) were reflected in the number of banknotes in circulation, then the estimated number of €5 banknotes in France would be approximately 328 million, equivalent to €1,640 million.

Various methods (see below) provide a body of evidence suggesting that ***the actual number of banknotes in circulation in France is between 140 and 180 million, equivalent to between EUR 700 and EUR 900 million.***

Demonstration

Measurement based on the flowback period gives an estimated number of approximately 140 million banknotes in circulation.

Banknotes are generally grouped into three categories. Depending on patterns of use for these banknotes, certain statistical properties are expected, particularly concerning the flowback period:

- *banknotes used to give change (€5) tend to have longer flowback periods than those used for transaction purposes, because they circulate from person to person, stay in merchants' tills and return to the central bank only to be destroyed;*

- *banknotes used for transaction purposes (€10, €20 and €50) typically have short flowback periods. Essentially put into circulation via ATMs and spent fairly quickly, these notes are not usually kept by the public or merchants, and therefore return fairly quickly to the central bank via banks;*

- *banknotes used for hoarding purposes (€100, €200 and €500) have the longest flowback periods because they are marginally used in transactions and are more likely to be "kept under a mattress".*

The flowback period is calculated as follows:

Flowback period = monthly circulation/average monthly inflows

For the euro area as a whole, flowback periods are broadly consistent with the above description:

Table A Apparent flowback period, by denomination, euro area

(number of months)

Euro area	EUR 500	EUR 200	EUR 100	EUR 50	EUR 20	EUR 10	EUR 5
2012	33.2	24.5	16.3	6.9	3.2	2.8	5.0

Source: ECB.

.../...

The same was true for francs in 1999:

Table B Apparent flowback period, by denomination, France

(number of months)

France	FRF 500	FRF 200	FRF 100	FRF 50	FRF 20
1999	12.0	2.6	1.8	6.5	8.5

Source: Banque de France.

However, euro flowback periods within France deviate from the above, revealing the impact of banknote migrations (owing to the calculation formula, the data for denominations subject to negative net issuance are not significant).

Table C Apparent flowback period, by denomination, France

(number of months)

France	EUR 500	EUR 200	EUR 100	EUR 50	EUR 20	EUR 10	EUR 5
2012	1.7	1.5	13.9	4.4	8.7	3.4	na

Source: Banque de France.

Average monthly net issuance for a given year may therefore be estimated by: average monthly net issuance = flowback period x average monthly inflows

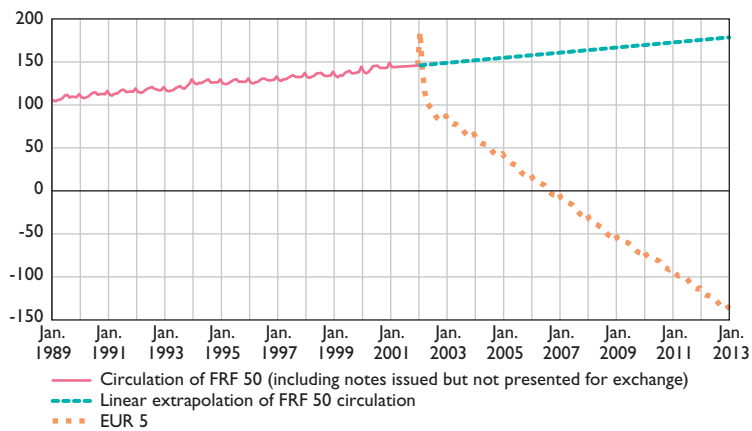
Assuming a theoretical flowback period of five months for the €5 note, based on average monthly lodgements in 2012 (27.4 million banknotes), monthly circulation in France would be around 137 million banknotes.

Taking the circulation of the denomination previously used to give change and extrapolating it linearly may also be used to estimate the current circulation of the €5.

Assuming that the €5 note plays an equivalent role in the economy to that played by the FRF 50 note, ***if circulation of the FRF 50 banknote were linearly extrapolated, it would amount to approximately 180 million banknotes in 2013 (see Chart).***

Circulation of FRF 50 and EUR 5 banknotes between 1989 and 2013

(million banknotes)



Source: Banque de France.

A swift increase for ES2

The new series has gained ground very swiftly (see Chart 4). Assuming that the portion lodged at the Banque de France's branches is consistent

Box 4

2012 key data

France (metropolitan and overseas)

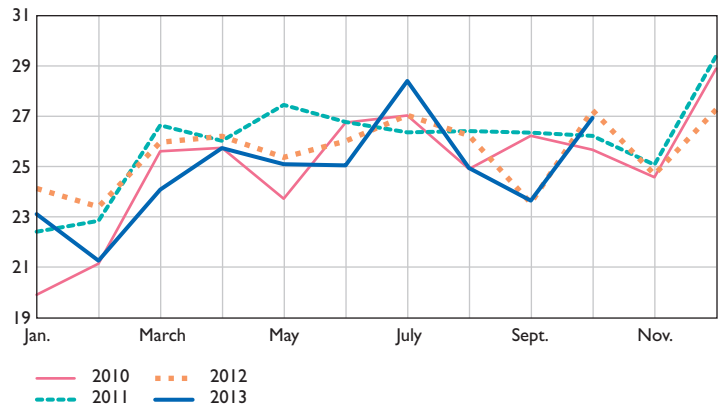
- *Net issuance: 3,674 million banknotes (up 8.8% compared with 2011) with a value of EUR 95.9 billion (up 8.0%)*
- *7,669 million banknotes distributed by the Banque de France and the IEDOM (down 0.8%)*
- *7,373 million banknotes received at the Banque de France and the IEDOM (down 1.8%)*
- *7,567 million banknotes sorted (up 1.9%)*
- *1,178 million banknotes processed and returned to public circulation by external firms in 2012 (Banque de France estimate)*
- *16,229 million coins issued (up 5.8%) with an equivalent value of EUR 2.9 billion (up 3.6%)*

Euro area

- *Net issuance: 15,687 million banknotes (up 4.9% compared with 2011) with an equivalent value of EUR 912.6 billion (up 2.7%)*
- *35,748 million banknotes distributed by NCBs (down 0.2%)*
- *35,025 million banknotes received at NCBs (up 0.0%)*
- *102,032 million coins in circulation (up 4.4%) with an equivalent value of EUR 23.7 billion (up 2.5%)*

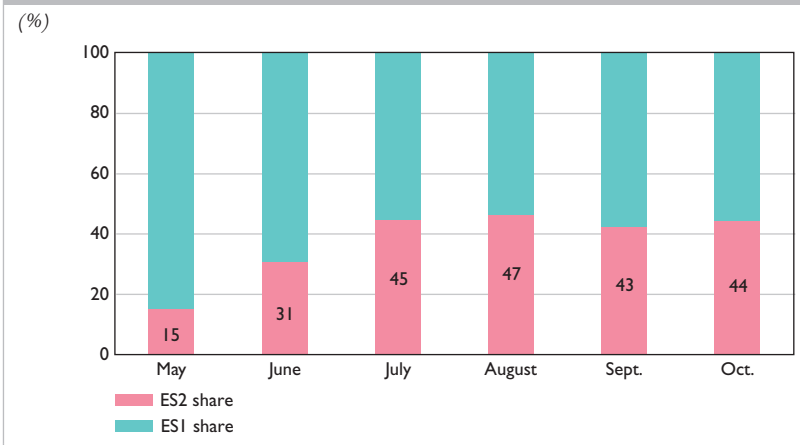
Chart 3 Monthly withdrawals of EUR 5 from Banque de France counters, 2010-2013

(million banknotes)



Source: Banque de France.

Chart 4 Shares of ES1 and ES2 EUR 5 notes in sorting, 2013



Source: Banque de France.

with the share in circulation, it would seem that the ES2 series has already been successfully distributed and that the new banknote occupies a very significant share of €5 circulation. At end-October, ES2 banknotes accounted for approximately 44% of deposits (since deposits of banknotes with the Banque de France combine ES1 and ES2 series, this is an approximate number based on sorting data, which separate out the two €5 series). This swift increase is attributable to massive distribution during the first three months of issuance, in accordance with the issuance scenario.

The new €5 note has had a smooth introduction, constituting a success for the cash sector.

Issuing the new €5 banknote gave the Eurosystem the opportunity to conduct a full-scale trial using small volumes and values, since the challenges that lie ahead are far greater, namely replacement of the €10 (the smallest denomination used widely in ATMs), followed by that of the €20, for which issuance in France accounts for 80% of the euro area total, and the €50, which is far and away the most widely distributed denomination in Europe. The experience gained has been used to better identify the needs of professionals, and communication measures have already begun for the €10.

This initial exercise was also a chance to take stock of the developments within the cash cycle since 2002, especially the increasing use of automation (banknote processing machines, supermarket tills) and growth in flows. But beyond the technical progress of recent years, the exercise testifies – through banknote migrations and successful, real initiatives – to the achievement of a political project, namely to build a community, at least in the field of cash, and exemplify European togetherness.

Appendix 1

Glossary

Allocated circulation: reference base used to allocate the monetary income relating to the currency in circulation (called seigniorage income). It corresponds to the circulation recorded as a liability on the balance sheets of Eurosystem NCBs, pursuant to the decision by the ECB Governing Council on 6 December 2001. Accordingly, 8% of the value of euro banknotes in circulation is carried on the balance sheet of the ECB, with the remainder being distributed among the other national central banks of the Eurosystem in proportion to their share in the capital of the ECB (determined by the size of the economy and population of each euro area Member State). This circulation is defined as an overall amount, with no breakdown by denomination or number of banknotes. The transition from net issuance to allocated circulation is done using an entry entitled "Eurosystem claim/liability related to euro banknotes". The accounting mechanism is described in the table below.

Table A Accounting for currency in circulation on the Banque de France balance sheet

(EUR billions, % change)

	2011	2012	Change
Eurosystem circulation (A)	888.6	912.6	2.7
Circulation recorded on the ECB balance sheet (B = 8% of A)	*71.1*	*73.0*	2.7
Circulation distributed between euro area NCBs (C = 92% of A)	*817.5*	*839.6*	2.7
"Euro banknotes" item recorded on the balance sheet of the Banque de France (D = C x BdF's share in the capital of the ECB under the capital key)	166.1	170.6	2.7
Net issuance – France (E)	88.8	95.9	8.0
Banque de France claim on the Eurosystem related to euro banknotes, carried as an asset on the balance sheet F = D – E	77.3	74.7	-3.4
FRF banknotes recorded on the balance sheet of the Banque de France under "Other transactions"	0.6		na

Source: Banque de France.

Available stocks: stocks of new and fit banknotes available and intended to be put into circulation.

Average banknote lifespan: estimate based on the overall recovery rate of fit banknotes after sorting and the average banknote flowback period.
Average lifespan = flowback period/ (1 – recovery rate)

A second method consists in calculating the following ratio:
Average lifespan = average net issuance in year $_{N-1}$*/volume of banknotes destroyed in the current year*

Table B Apparent lifespan, by denomination, France

(number of months)

France	EUR 500	EUR 200	EUR 100	EUR 50	EUR 20	EUR 10	EUR 5
2011	16.0	19.1	76.3	26.6	58.6	18.8	na
2012	9.4	8.5	77.0	29.9	64.1	20.6	na

Source: Banque de France.

Banknote processing: process consisting in counting and authenticating banknotes and/or sorting banknotes for quality, either by machine or manually (in the case of mutilated banknotes).

Banknote flowback period: average length of time between when a banknote is issued by a Banque de France branch and its return.
Flowback period = average monthly net issuance/average monthly inflows
Following the introduction of the euro, this concept has become less meaningful owing to cross-border migrations.

Table C Apparent flowback period, by denomination, France

(number of months)

France	EUR 500	EUR 200	EUR 100	EUR 50	EUR 20	EUR 10	EUR 5
2012	1.7	1.5	13.9	4.4	8.7	3.4	na

Sources: ECB, Banque de France.

Currency in circulation: the concept of "national circulation" became statistically meaningless on 1 January 2002 as a result of cross-border migrations of banknotes. Since then, the concept of "currency in circulation" has applied only at the level of the euro area. It corresponds to all euro banknotes and coins in circulation, including outside the euro area (and including legacy banknotes that have not been returned to NCBs and that are still legal tender). Currency in circulation is thus measured as the difference between the total amount of banknotes and/or coins put into circulation and that of banknotes and/or coins withdrawn from circulation by all the Eurosystem central banks since joining the euro area. This statistical indicator, which may be broken down by denomination, is expressed in volume terms (number of notes or coins) or in value terms (total amount of face values). At national level, the concept of "net issuance" is used (see below).

Deposits: see Inflows.

ECB: European Central Bank.

Eurosystem: at 1 January 2011, 17 euro area NCBs and the ECB made up the Eurosystem.

Fit banknotes: banknotes that have been sorted, authenticated and deemed of adequate quality to be put back into circulation by NCBs.

Inflows: flows of banknotes/coins whose deposit at NCB counters has been registered.

NCB: National Central Bank, member of the Eurosystem.

Net issuance: cumulative sum of differences between outflows (withdrawals) and inflows (deposits) to and from the branches of each NCB since that country joined the euro area. The sum of net issuance by euro area Member States is equal to euro area currency in circulation. Net issuance is thus a stock, while deposits and withdrawals are flows.

For year N,
Net issuance N = ∑ (net outflows since the Member State joined the euro) = ∑ [(annual outflows – annual inflows) since the Member State joined the euro]

Euro area currency in circulation$_N$ = ∑ (Net issuance$_N$ of euro area Member States since joining)

Table D Volume of net issuance, by denomination

(million, % change)

France	EUR 500	EUR 200	EUR 100	EUR 50	EUR 20	EUR 10	EUR 5	Total
2011	4.0	3.9	138.5	434.2	2,197.2	713.2	-112.6	3,378.4
2012	1.5	0.9	148.0	516.6	2,362.2	780.1	-134.9	3,674.4
Change over one year	**-61.9**	**-76.1**	**6.8**	**19.0**	**7.5**	**9.4**	**na**	**8.8**

Source: ECB.

Net outflows: difference between outflows and inflows for a given period. Net outflows are calculated at cash centre or national level, either by denomination or all denominations combined. The cumulative sum of net national outflows, all denominations combined, is equal to net issuance. Net outflows are a good indicator of public demand for banknotes and/or coins.
Over the same period: net outflows = outflows – inflows

Outflows: flows of banknotes/coins withdrawn from NCB branches and ultimately delivered to the general public.

Pooling: euro area-wide coordinated system for the manufacture and supply of banknotes to NCBs.

Recovery rate: ratio between the number of fit banknotes and the number of sorted banknotes.
Recovery rate = number of fit banknotes/number of sorted banknotes

Banknote quality sorting: process consisting in sorting genuine banknotes to identify if their quality meets the standards for being returned to circulation. A sorting machine classifies banknotes into one of three categories:
1) genuine worn banknotes (destroyed);
2) genuine fit banknotes (prepared and put back into circulation);
3) suspicious banknotes (processed manually and visually checked by cash handler).

Withdrawals: see Outflows.

Appendix 2

The seven euro banknotes

€5

"Europa" Series
Size: 120 x 62 mm
Colour: Grey
Architectural style: Classical
Date of issue: 2 May 2013

Size: 120 x 62 mm
Colour: Grey
Architectural style: Classical

€10

Size: 127 x 67 mm
Colour: Red
Architectural style: Romanesque

€20

Size: 133 x 72 mm
Colour: Blue
Architectural style: Gothic

€50

Size:140 x 77 mm
Colour: Orange
Architectural style: Renaissance

€100

Size: 147 x 82 mm
Colour: Green
Architectural style: Baroque and rococo

€200

Size: 153 x 82 mm
Colour: Yellow
Architectural style: 19th century architecture, "glass and steel"

€500

Size: 160 x 82 mm
Colour: Purple
Architectural style: Modern 20th century architecture

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– 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

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– Estimating the sacrifice ratio for the euro area
– The position of industrial firms in 2005

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

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

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– Household savings behaviour in 2010

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– 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
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Summary of the BDF/EABCN/EJ/PSE conference on 8-9 December 2011

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– Analysis of banking activity by business line
– 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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  "The dangers linked to emergence of virtual currencies: the exemple of bitcoins"

Statistics

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Economic developments

Money, investment and financing

Financial markets and interest rates

Other statistics

Nota bene

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

Table 1
Industrial activity indicators – Monthly Business Survey – France

(NAF revision 2; seasonally-adjusted data)

	2013						2014
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Changes in production from the previous month [a]							
Total manufacturing	**3**	**2**	**8**	**5**	**12**	**-9**	**6**
Food products and beverages	2	6	-2	-1	17	-2	3
Electrical, electronic and computer equipement and other machinery	7	4	10	6	7	-6	8
Automotive industry	-11	3	0	0	18	2	-4
Other transport equipment	10	-11	9	9	6	-2	13
Other manufacturing	3	0	9	6	10	-9	7
Production forecasts [a]							
Total manufacturing	**-1**	**9**	**7**	**5**	**0**	**13**	**6**
Food products and beverages	10	10	10	5	8	11	8
Electrical, electronic and computer equipement and other machinery	1	11	8	-1	3	10	2
Automotive industry	2	8	13	14	-6	6	4
Other transport equipment	8	10	4	7	3	9	4
Other manufacturing	-5	12	7	6	4	13	7
Changes in orders from the previous month [a]							
Total manufacturing	**-3**	**6**	**4**	**6**	**14**	**2**	**5**
Foreign	-2	6	4	6	11	0	7
Order books [a]							
Total manufacturing	**-8**	**-6**	**-3**	**-1**	**2**	**1**	**1**
Food products and beverages	3	-3	-2	-9	-4	-2	-5
Electrical, electronic and computer equipement and other machinery	-3	-4	-4	2	2	-2	2
Automotive industry	-52	-44	-32	-27	-28	-31	-34
Other transport equipment	32	40	55	50	56	48	49
Other manufacturing	-10	-8	-5	-2	1	2	3
Inventories of finished goods [a]							
Total manufacturing	**2**	**0**	**1**	**2**	**3**	**3**	**3**
Food products and beverages	2	2	-1	1	3	2	1
Electrical, electronic and computer equipement and other machinery	7	7	8	8	9	7	7
Automotive industry	-2	-5	-3	1	1	5	-1
Other transport equipment	2	1	0	2	-2	-1	4
Other manufacturing	1	-1	0	1	2	3	2
Capacity utilisation rate [b]							
Total manufacturing	**75.9**	**74.2**	**76.1**	**76.3**	**76.8**	**74.9**	**76.1**
Staff levels (total manufacturing) [a]							
Changes from the previous month	-2	1	-1	-1	0	0	0
Forecast for the coming month	-3	-4	-2	-3	-2	-2	-2
Business sentiment indicator [c]							
	95	**97**	**97**	**100**	**101**	**99**	**99**

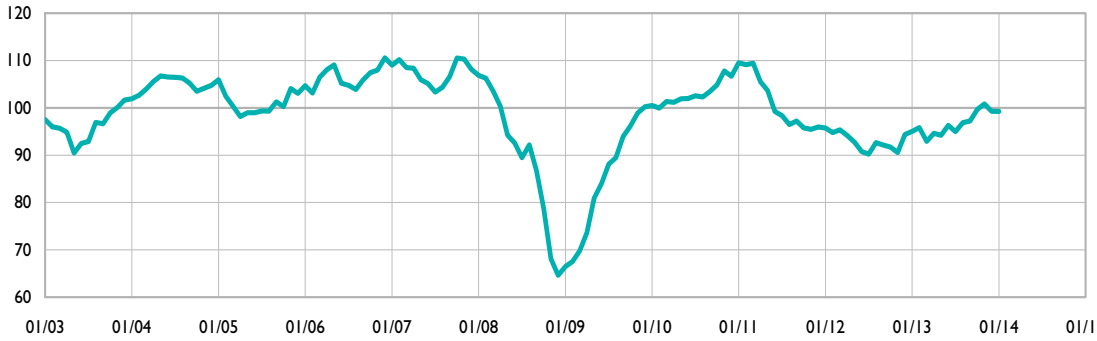
a) Data given as a balance of opinions. Forecast series are adjusted for bias when it is statistically significant.
b) Data given as a percentage.
c) The indicator summarises industrial managers' sentiment regarding business conditions. The higher the indicator is, the more positive the assessment. The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

Source: Banque de France. *Produced 19 February 2014*

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

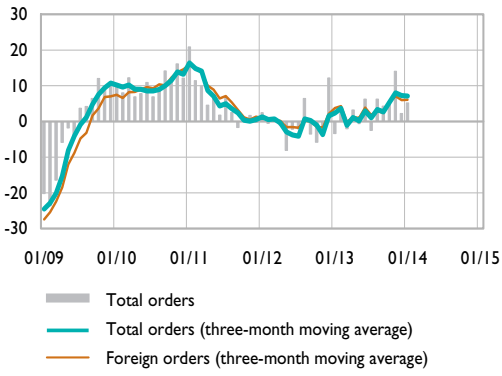
Business sentiment indicator

(100 = 1981 – last value)



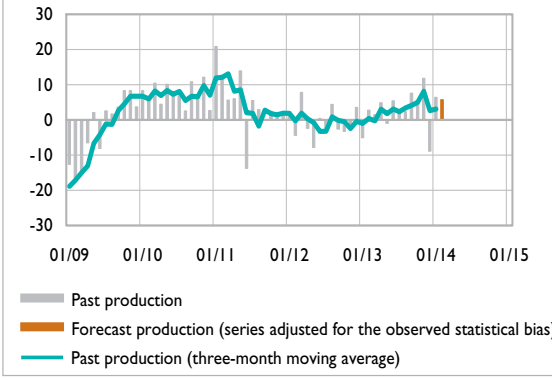
Orders [a)]

(balance of opinions; monthly change)



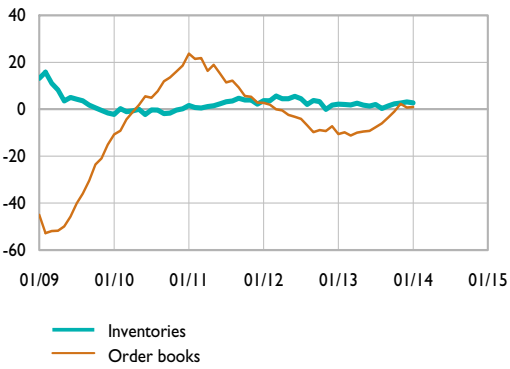
Production [a)]

(balance of opinions; monthly change)



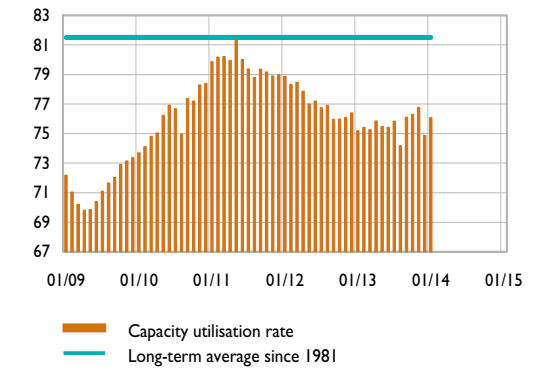
Inventories and order books [a)]

(balance of opinions; compared to levels deemed normal)



Capacity utilisation rate [a)]

(%)



a) Manufacturing.
Source: Banque de France.

Produced 19 February 2014

Table 3
Consumer price index [a]

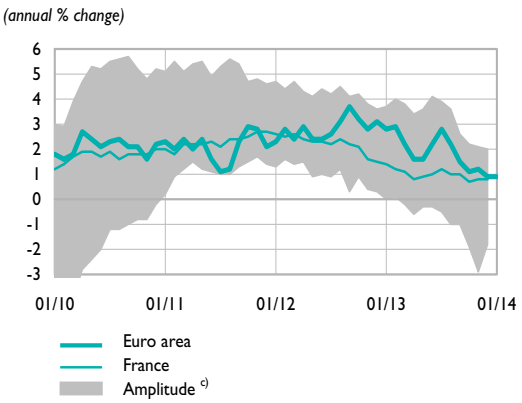
(annual % change)

	2013								2014
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
France	0.9	1.0	1.2	1.0	1.0	0.7	0.8	0.8	na
Germany	1.6	1.9	1.9	1.6	1.6	1.2	1.6	1.2	1.2
Italy	1.3	1.4	1.2	1.2	0.9	0.8	0.7	0.7	0.6
Euro area	1.6	2.2	2.8	2.2	1.5	1.1	1.2	0.9	0.9
United Kingdom	2.7	2.9	2.8	2.7	2.7	2.2	2.1	2.0	na
European Union	1.6	1.7	1.7	1.5	1.3	0.9	1.0	1.0	na
United States	1.4	1.8	2.0	1.5	1.2	1.0	1.2	1.5	na
Japan	-0.3	0.2	0.7	0.9	1.0	1.1	1.6	1.6	na

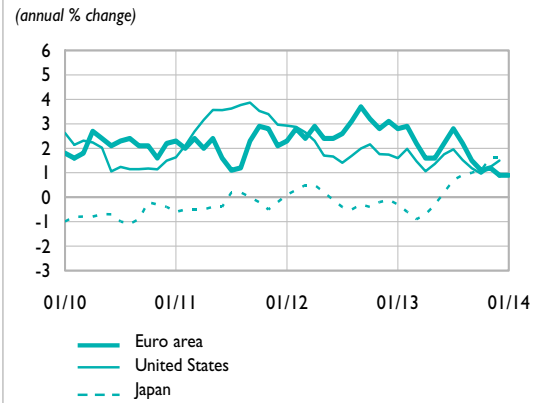
(annual average) *(seasonally-adjusted monthly % change)*

	2011	2012	2013	2013					2014
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
France	2.3	2.2	1.0	0.1	0.1	-0.1	0.1	0.1	na
Germany	2.5	2.1	1.6	0.0	0.1	-0.1	0.3	-0.1	0.0
Italy	2.9	3.3	1.3	0.1	0.0	0.0	0.0	0.2	0.0
Euro area	2.1	2.8	1.9	0.0	0.0	-0.2	0.0	-0.1	0.0
United Kingdom	4.5	2.8	2.6	0.2	0.2	0.1	0.1	0.2	na
European Union [b]	3.1	2.6	1.5	–	–	–	–	–	–
United States	3.2	2.1	1.5	0.1	0.2	-0.1	0.0	0.3	na
Japan	-0.3	0.0	0.4	0.1	0.2	0.0	0.4	0.1	na

France and the euro area



International comparisons



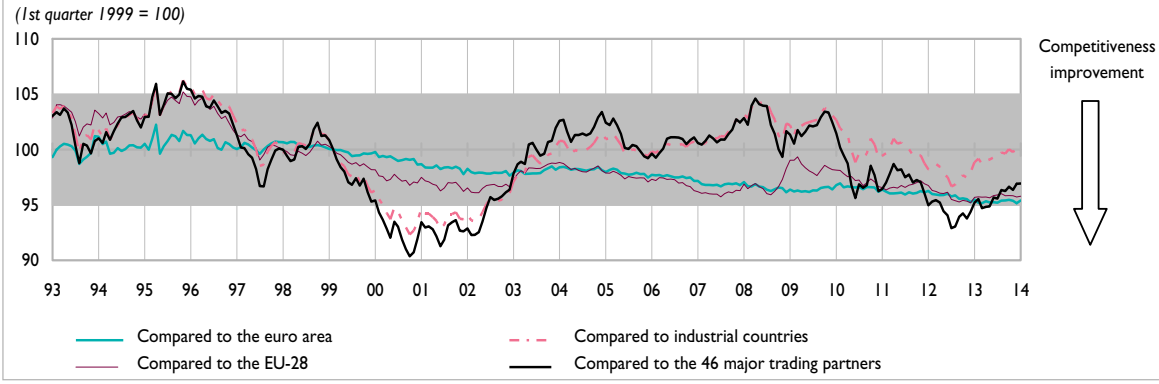
a) Harmonised indices except for the United States and Japan (national indices).
b) The series of seasonally adjusted monthly changes in the HIPC is not available for the European Union.
c) Gap between the extreme values of harmonised price indices observed in the euro area (changing composition).

Sources: National data, Eurostat.

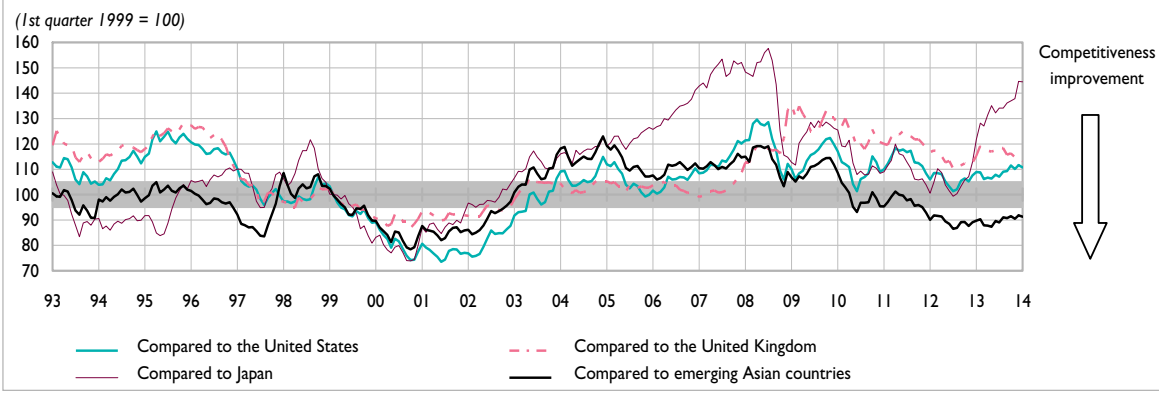
Produced 19 February 2014

Table 4
The competitiveness of France's economy

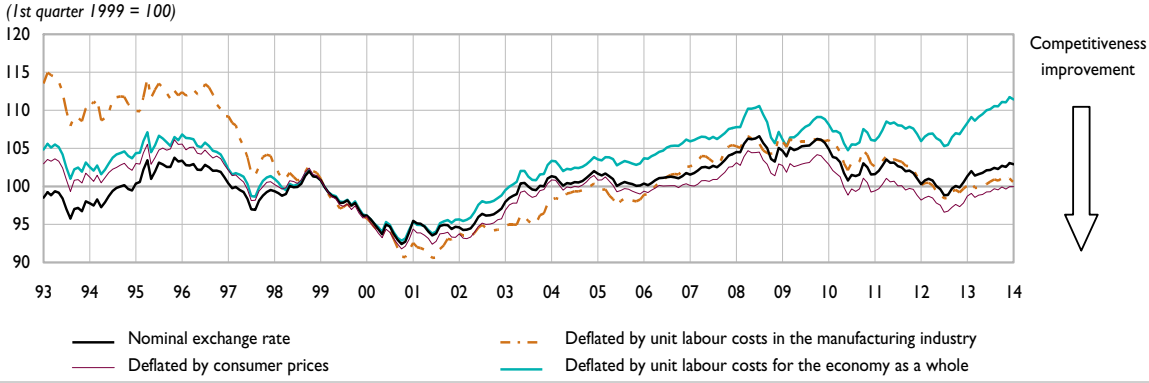
Indicators deflated by consumer prices



Indicators deflated by consumer prices



Indicators of competitiveness compared to 24 OECD countries



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

Calculations: Banque de France.

Produced 19 February 2014

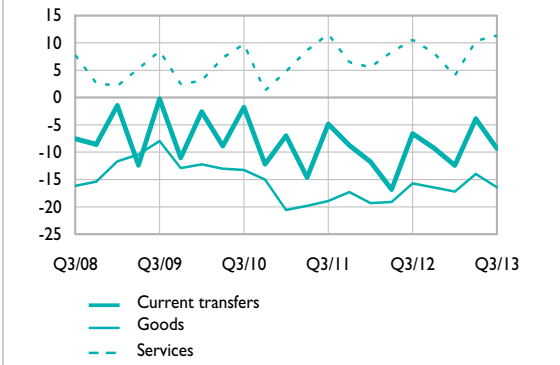
Table 5
Balance of payments – Main components (quarterly data) – France

(unadjusted data, EUR billions)

	2011	2012	2012		2013		
			Q3	Q4	Q1	Q2	Q3
Current account	**-35.2**	**-44.4**	**-6.6**	**-9.2**	**-12.4**	**-3.9**	**-9.3**
Goods	-76.6	-70.6	-15.7	-16.4	-17.2	-14.0	-16.4
Services	31.5	32.6	10.6	8.2	4.0	10.3	11.3
Income	45.1	29.7	8.2	8.3	10.3	10.4	6.6
Current transfers	-35.2	-36.2	-9.7	-9.2	-9.4	-10.6	-10.8
Capital account	0.0	-0.4	-0.5	0.2	0.2	1.0	0.2
Financial account	**53.6**	**74.2**	**26.4**	**19.5**	**-24.6**	**1.6**	**16.8**
Direct investment	-15.1	-9.4	-8.5	0.3	-2.7	1.8	4.5
French direct investment abroad	*-42.8*	*-28.9*	*-11.1*	*-4.0*	*-0.8*	*-0.1*	*0.0*
Foreign direct investment in France	*27.7*	*19.5*	*2.6*	*4.3*	*-1.9*	*1.9*	*4.5*
Portfolio investment	228.5	39.2	-32.4	0.9	6.5	24.9	16.2
Assets	*166.6*	*6.3*	*0.7*	*-13.0*	*-37.4*	*-13.8*	*-13.7*
Liabilities	*61.9*	*32.9*	*-33.1*	*13.9*	*43.8*	*38.8*	*29.9*
Financial derivatives	13.9	14.3	0.4	9.1	4.3	5.9	-0.7
Other investment	-179.3	34.1	67.3	11.9	-33.1	-31.2	-1.3
Reserve assets	5.5	-4.0	-0.5	-2.8	0.5	0.3	-1.9
Net errors and omissions	**-18.4**	**-29.4**	**-19.3**	**-10.5**	**36.8**	**1.3**	**-7.6**

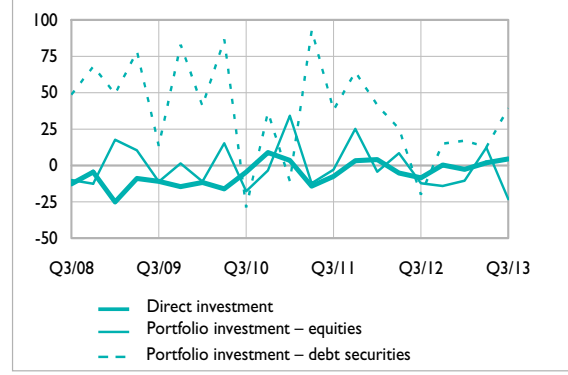
Current account balance

(unadjusted data, EUR billions)



Financial account balance

(unadjusted data, EUR billions)



Source: Banque de France.

Produced 19 February 2014

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

(unadjusted data, EUR billions)

	2011	2012	2012		2013		
			Q3	Q4	Q1	Q2	Q3
Current account	**-35.2**	**-44.4**	**-6.6**	**-9.2**	**-12.4**	**-3.9**	**-9.3**
Goods	**-76.6**	**-70.6**	**-15.7**	**-16.4**	**-17.2**	**-14.0**	**-16.4**
Exports	*424.4*	*437.8*	*105.8*	*110.7*	*108.4*	*111.1*	*103.4*
Imports	*501.0*	*508.4*	*121.5*	*127.1*	*125.6*	*125.1*	*119.8*
General merchandise	-77.4	-71.2	-16.0	-16.5	-17.5	-14.7	-16.6
Goods procured in ports by carriers	-2.8	-3.0	-0.7	-0.8	-0.7	-0.5	-0.7
Goods for processing and repairs on goods	3.6	3.6	0.9	0.8	0.9	1.2	0.9
Services	**31.5**	**32.6**	**10.6**	**8.2**	**4.0**	**10.3**	**11.3**
Exports	*169.4*	*168.3*	*46.8*	*42.1*	*36.4*	*46.3*	*49.6*
Imports	*137.9*	*135.7*	*36.2*	*33.9*	*32.4*	*36.0*	*38.3*
Transportation	-2.5	-0.4	0.0	0.0	-0.7	-0.3	-0.5
Travel	7.1	11.3	5.8	1.4	0.4	3.5	5.7
Communications services	2.3	1.9	0.5	0.4	0.5	0.4	0.4
Construction services	2.1	1.8	0.5	0.9	0.3	0.4	0.6
Insurance services	1.6	1.3	0.3	0.7	-0.1	0.8	0.6
Financial services	2.1	1.6	0.4	0.2	0.5	0.4	0.5
Computer and information services	-0.7	-1.6	-0.4	-0.4	-0.4	-0.2	-0.2
Royalties and license fees	3.7	2.2	0.3	0.6	0.1	0.2	0.2
Other business services	15.4	13.8	3.1	4.3	3.2	4.8	3.8
Personal, cultural and recreational services	0.4	0.4	0.1	0.1	0.1	0.1	0.2
Government services	0.2	0.3	0.1	0.0	0.1	0.1	0.1
Income	**45.1**	**29.7**	**8.2**	**8.3**	**10.3**	**10.4**	**6.6**
Compensation of employees	14.7	15.5	3.9	3.9	3.9	4.0	4.0
Investment income	30.4	14.2	4.3	4.4	6.3	6.4	2.6
Direct investment	*38.7*	*32.1*	*7.8*	*7.2*	*7.6*	*16.1*	*4.8*
Portfolio investment	*-9.0*	*-18.3*	*-3.6*	*-2.9*	*-1.7*	*-10.6*	*-2.9*
Other investment	*0.7*	*0.4*	*0.1*	*0.1*	*0.4*	*0.9*	*0.7*
Current transfers	**-35.2**	**-36.2**	**-9.7**	**-9.2**	**-9.4**	**-10.6**	**-10.8**
General government	-17.4	-17.6	-5.1	-4.6	-4.3	-6.7	-6.7
Other sectors	-17.7	-18.6	-4.5	-4.6	-5.1	-3.9	-4.1
of which workers' remittances	*-7.6*	*-8.2*	*-2.1*	*-2.1*	*-2.1*	*-2.1*	*-2.1*
Capital account	0.0	-0.4	-0.5	0.2	0.2	1.0	0.2

Source: Banque de France.

Produced 19 February 2014

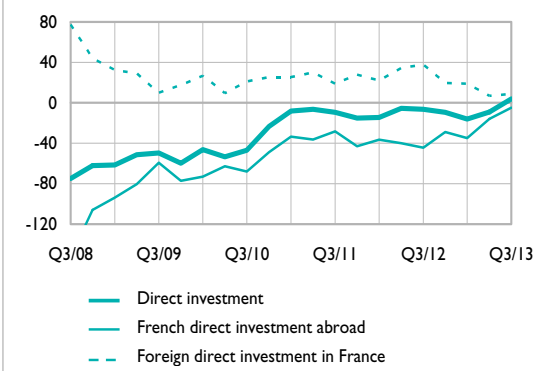
Table 7
Balance of payments – Financial flows (quarterly data) – France

(unadjusted data, EUR billions)

	2011	2012	2012		2013		
			Q3	Q4	Q1	Q2	Q3
Financial account	**53.6**	**74.2**	**26.4**	**19.5**	**-24.6**	**1.6**	**16.8**
Direct investment	-15.1	-9.4	-8.5	0.3	-2.7	1.8	4.5
French direct investment abroad	-42.8	-28.9	-11.1	-4.0	-0.8	-0.1	0.0
of which equity capital and reinvested earnings	*-28.4*	*-40.7*	*-13.5*	*-8.9*	*-1.6*	*1.4*	*-1.2*
Foreign direct investment in France	27.7	19.5	2.6	4.3	-1.9	1.9	4.5
of which equity capital and reinvested earnings	*20.2*	*15.5*	*2.0*	*9.1*	*3.8*	*3.3*	*3.3*
Portfolio investment	228.5	39.2	-32.4	0.9	6.5	24.9	16.2
Assets	166.6	6.3	0.7	-13.0	-37.4	-13.8	-13.7
Equity securities	*39.3*	*-50.1*	*-13.2*	*-33.9*	*-13.3*	*4.4*	*-21.1*
Bonds and notes	*87.2*	*78.8*	*17.7*	*7.7*	*-25.5*	*-8.5*	*0.1*
Short-term debt securities	*40.1*	*-22.4*	*-3.7*	*13.1*	*1.4*	*-9.7*	*7.3*
Liabilities	61.9	32.9	-33.1	13.9	43.8	38.8	29.9
Equity securities	*5.0*	*27.9*	*1.0*	*19.8*	*2.8*	*8.0*	*-2.0*
Bonds and notes	*80.3*	*41.7*	*-18.2*	*13.8*	*21.3*	*29.3*	*12.5*
Short-term debt securities	*-23.4*	*-36.7*	*-15.9*	*-19.7*	*19.7*	*1.5*	*19.4*
Financial derivatives	13.9	14.3	0.4	9.1	4.3	5.9	-0.7
Other investment	-179.3	34.1	67.3	11.9	-33.1	-31.2	-1.3
Reserve assets	5.5	-4.0	-0.5	-2.8	0.5	0.3	-1.9
Net errors and omissions	**-18.4**	**-29.4**	**-19.3**	**-10.5**	**36.8**	**1.3**	**-7.6**

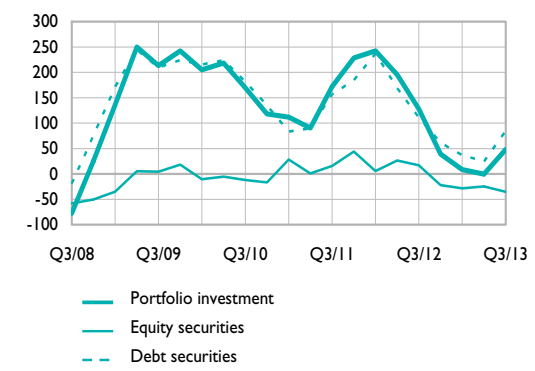
Direct investment account

(cumulated flows over 4 quarters)



Portfolio investment account

(cumulated flows over 4 quarters)



Source: Banque de France.

Produced 19 February 2014

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

(unadjusted data, EUR billions)

	3rd quarter 2013					
	EMU [a]	**EU-28 excl. EMU** [b]	**USA**	**Japan**	**Switzerland**	**China**
Current account	**-13.0**	**0.4**	**1.5**	**0.5**	**2.4**	**na**
Receipts	*84.2*	*26.6*	*14.6*	*2.2*	*9.1*	*6.1*
Expenditure	*97.2*	*26.2*	*13.1*	*1.8*	*6.7*	*na*
Goods	-19.6	2.1	0.4	0.8	0.4	-2.8
Receipts	*47.0*	*13.8*	*6.6*	*1.7*	*3.3*	*3.8*
Expenditure	*66.7*	*11.8*	*6.2*	*0.9*	*2.9*	*6.6*
Services	5.0	1.5	0.0	-0.3	0.7	0.7
Receipts	*21.2*	*7.4*	*4.3*	*0.1*	*2.5*	*1.7*
Expenditure	*16.1*	*5.9*	*4.3*	*0.4*	*1.8*	*1.0*
Income	2.8	2.0	1.2	0.0	2.2	na
Receipts	*14.4*	*4.3*	*3.4*	*0.5*	*3.0*	*0.5*
Expenditure [c]	*11.5*	*2.3*	*2.2*	*0.4*	*0.8*	*na*
Current Transfers	-1.2	-5.2	0.0	-0.1	-0.9	-0.1
Financial account						
Direct investment	3.3	0.1	0.3	0.2	0.8	-0.4
French direct investment abroad	*1.8*	*-0.6*	*-0.4*	*0.1*	*0.8*	*-0.5*
Foreign direct investment in France	*1.5*	*0.7*	*0.7*	*0.1*	*0.0*	*0.1*
Portfolio investment – Assets [d]	-7.5	-5.3	2.5	-3.6	-0.8	0.2
Equity securities	*-5.7*	*-5.3*	*-3.0*	*-6.2*	*-0.6*	*0.4*
Bonds and notes	*-0.6*	*-3.9*	*4.8*	*-1.2*	*-0.1*	*0.0*
Short-term debt securities	*-1.2*	*3.9*	*0.7*	*3.8*	*0.0*	*-0.1*
Other investment	13.3	-0.3	2.9	-24.8	3.0	6.9

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, Croatia).
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.

Source: Banque de France.

Produced 19 February 2014

Table 9
Balance of payments (monthly data) – France

(unadjusted data, EUR billions)

	2012	2013			12-month total	
					2012	2013
	Dec.	Oct.	Nov.	Dec.	Dec.	Dec.
Current account	**-0.3**	**-3.4**	**-3.8**	**-0.4**	**-44.4**	**-33.2**
Goods	-5.5	-4.7	-5.0	-5.1	-70.6	-62.3
Services	4.3	2.1	2.2	4.4	32.6	34.3
Income	3.9	2.2	2.1	3.8	29.7	35.4
Current transfers	-3.0	-3.1	-3.1	-3.5	-36.2	-40.6
Capital account	-0.1	0.1	0.1	0.4	-0.4	1.9
Financial account	**-13.3**	**16.5**	**12.2**	**-16.0**	**74.2**	**6.6**
Direct investment	1.5	8.0	-3.5	-0.9	-9.4	7.2
French direct investment abroad	*-3.1*	*7.8*	*-2.8*	*-0.4*	*-28.9*	*3.7*
Equity capital	*-4.1*	*5.4*	*-2.9*	*-0.4*	*-34.8*	*5.3*
Reinvested earnings	*-0.5*	*-0.5*	*-0.5*	*-0.5*	*-5.9*	*-6.2*
Other capital	*1.6*	*2.9*	*0.5*	*0.5*	*11.7*	*4.5*
Foreign direct investment in France	*4.6*	*0.2*	*-0.7*	*-0.5*	*19.5*	*3.5*
Equity capital	*5.2*	*0.9*	*0.0*	*-0.4*	*14.7*	*10.3*
Reinvested earnings	*0.1*	*0.1*	*0.1*	*0.1*	*0.8*	*0.8*
Other capital	*-0.7*	*-0.7*	*-0.8*	*-0.1*	*4.1*	*-7.5*
Portfolio investment	41.1	-11.3	5.8	42.0	39.2	84.0
Assets	*37.4*	*-11.7*	*-14.7*	*36.2*	*6.3*	*-55.2*
Equity securities	*-28.1*	*-2.5*	*-3.3*	*-4.2*	*-50.1*	*-39.9*
Bonds and notes	*24.6*	*-8.2*	*-10.5*	*19.3*	*78.8*	*-33.3*
Short-term debt securities	*40.9*	*-1.1*	*-0.9*	*21.1*	*-22.4*	*18.1*
Liabilities	*3.7*	*0.4*	*20.5*	*5.8*	*32.9*	*139.2*
Equity securities	*10.9*	*0.1*	*3.0*	*12.5*	*27.9*	*24.2*
Bonds and notes	*0.3*	*-0.9*	*16.5*	*3.1*	*41.7*	*81.9*
Short-term debt securities	*-7.5*	*1.2*	*1.1*	*-9.8*	*-36.7*	*33.1*
Financial derivatives	7.1	1.1	0.7	3.9	14.3	15.1
Other investment	-63.3	17.5	8.4	-61.6	34.1	-101.3
Reserve assets	0.3	1.2	0.9	0.6	-4.0	1.5
Net errors and omissions	**13.6**	**-13.2**	**-8.5**	**16.0**	**-29.4**	**24.7**

Source: Banque de France.

Produced 19 February 2014

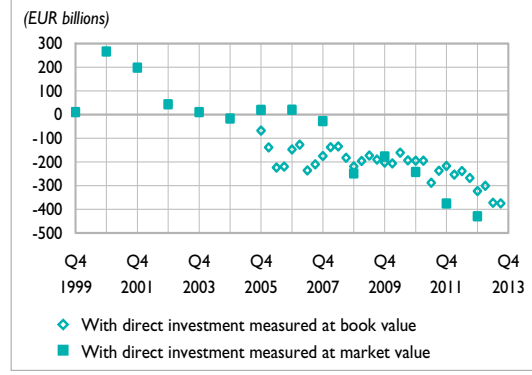
Table 10
France's international investment position (direct investment measured at book value)

(EUR billions)

	2008	2009	2010	2011	2012	2013
	Dec.	Dec.	Dec.	Dec.	Dec.	Q3
Assets	**4,414.1**	**4,661.2**	**5,547.5**	**5,976.0**	**6,115.9**	**5,911.5**
French direct investment abroad	975.3	1,036.0	1,109.3	1,142.8	1,167.4	1,148.1
Equity capital and reinvested earnings	*658.6*	*726.1*	*835.3*	*852.6*	*889.9*	*874.2*
Other capital	*316.7*	*309.9*	*274.0*	*290.2*	*277.4*	*274.0*
Portfolio investment (foreign securities held by residents)	1,857.4	2,049.9	2,078.0	1,826.7	1,947.9	2,032.6
Financial derivatives	234.0	273.5	868.0	1,237.1	1,301.6	1,009.7
Other investment	1,273.5	1,209.5	1,367.6	1,636.3	1,559.1	1,603.2
Reserve assets	74.0	92.4	124.5	133.1	139.9	117.9
Liabilities	**-4,633.3**	**-4,864.1**	**-5,742.4**	**-6,192.6**	**-6,439.1**	**-6,286.5**
Foreign direct investment in France	-684.5	-683.9	-714.8	-737.3	-756.4	-758.8
Equity capital and reinvested earnings	*-395.3*	*-408.4*	*-430.6*	*-443.8*	*-459.1*	*-469.5*
Other capital	*-289.2*	*-275.5*	*-284.2*	*-293.5*	*-297.2*	*-289.3*
Portfolio investment (French securities held by non-residents)	-1,872.5	-2,299.7	-2,430.8	-2,425.5	-2,629.2	-2,781.7
Financial derivatives	-289.3	-311.8	-906.1	-1,278.6	-1,344.3	-1,060.7
Other investment	-1,787.0	-1,568.6	-1,690.7	-1,751.2	-1,709.2	-1,685.2
Net position	**-219.2**	**-202.8**	**-194.9**	**-216.6**	**-323.1**	**-375.0**

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

France's international investment position



Source: Banque de France.

Produced 19 February 2014

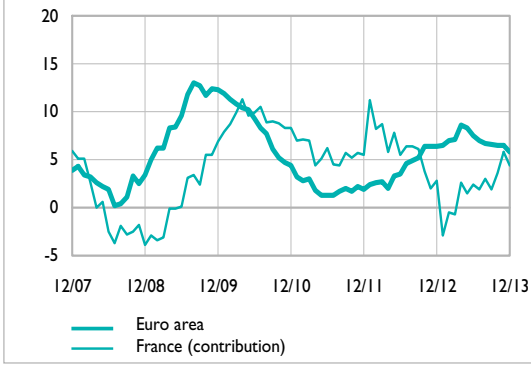
Table 11
Main monetary and financial aggregates – France and the euro area

(annual percentage growth rate)

	2011	2012	2013	2012	2013						
	Dec.	Dec.	Dec.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
M1											
Euro area [a]	1.9	6.4	5.8	6.4	7.5	7.0	6.7	6.6	6.5	6.5	5.8
France (contribution)	5.5	2.8	4.4	2.8	2.4	1.9	3.0	1.9	3.6	5.8	4.4
M2											
Euro area [a]	1.9	4.5	2.5	4.5	4.3	4.0	4.0	3.8	3.2	3.0	2.5
France (contribution)	6.8	5.2	2.7	5.2	4.4	3.6	4.1	3.6	2.6	3.6	2.7
M3											
Euro area [a]	1.6	3.5	1.0	3.5	2.4	2.1	2.3	2.0	1.4	1.5	1.0
France (contribution)	3.0	2.6	1.5	2.6	2.5	2.1	2.9	2.7	1.4	2.6	1.5
Loans to the private sector											
Euro area [a]	1.0	-0.6	-2.3	-0.6	-1.6	-1.9	-2.1	-2.1	-2.1	-2.3	-2.3
France [b]	3.1	2.5	0.6	2.5	2.3	1.8	2.1	1.7	1.5	1.5	0.6

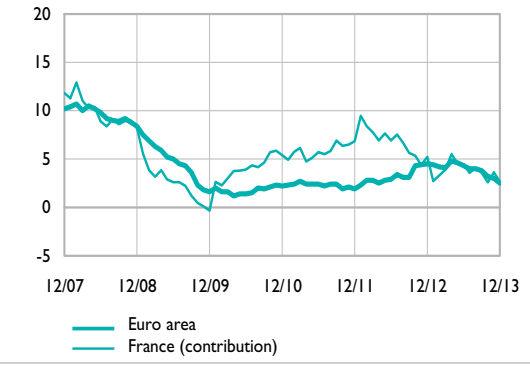
M1

(annual percentage growth rate)



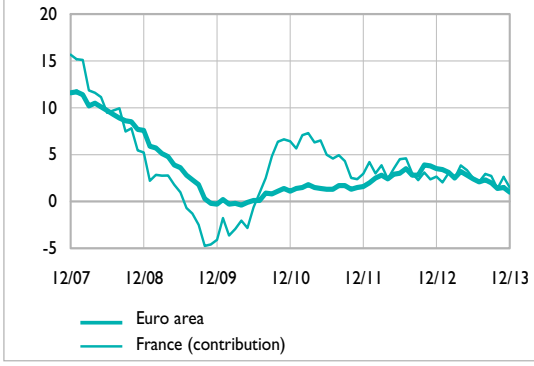
M2

(annual percentage growth rate)



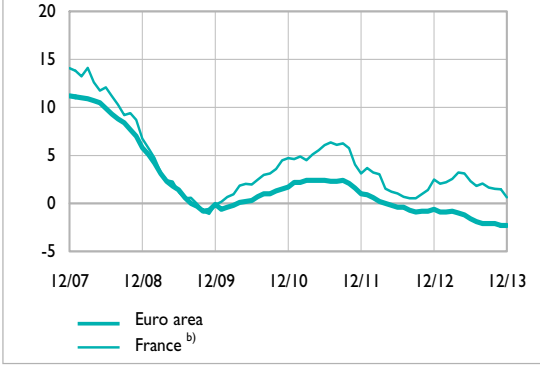
M3

(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 19 February 2014*

Table 12
Banque de France Monthly Statement [a]

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

	2011	2012	2013	2013	2013			2014
	Dec.	Dec.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
Assets								
National territory	295.8	326.4	199.7	264.1	211.9	201.8	199.7	189.7
Loans	218.4	234.2	127.1	172.5	135.4	126.7	127.1	117.3
MFIs [b]	*218.2*	*234.0*	*127.0*	*172.3*	*135.3*	*126.5*	*127.0*	*117.1*
General government	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other sectors	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*
Securities other than shares	76.9	92.1	72.5	91.6	76.4	75.0	72.5	72.3
MFIs	*34.1*	*32.2*	*25.2*	*31.6*	*25.2*	*25.1*	*25.2*	*25.6*
General government	*42.9*	*59.9*	*47.3*	*59.9*	*51.2*	*49.9*	*47.3*	*46.7*
Other sectors	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Shares and other equity	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other euro area countries [b]	106.8	87.6	91.4	89.8	91.1	92.1	91.4	91.9
Rest of the world [b]	110.5	114.9	88.3	113.7	91.3	88.6	88.3	93.6
Gold	95.3	98.8	68.2	96.1	76.1	72.1	68.2	72.6
Not broken down by geographical area [c]	105.3	109.6	107.6	106.7	102.7	104.9	107.6	101.1
Total	**713.6**	**737.3**	**555.2**	**670.4**	**573.2**	**559.6**	**555.2**	**549.0**
Liabilities								
National territory – Deposits	185.6	200.3	116.0	142.8	97.7	84.7	116.0	96.0
MFIs	176.2	194.8	112.2	140.7	96.2	83.2	112.2	94.4
General government	8.9	4.9	3.3	1.4	0.7	0.7	3.3	0.7
Other sectors	0.5	0.6	0.6	0.7	0.8	0.8	0.6	0.9
Other euro area countries – Deposits	79.6	73.9	34.1	85.8	60.1	68.1	34.1	48.2
Rest of the world – Deposits	143.4	146.0	112.6	133.0	121.1	115.7	112.6	113.8
Not broken down by geographical area	305.0	317.1	292.5	308.9	294.4	291.1	292.5	291.0
Banknotes and coins in circulation [d]	169.0	173.5	181.7	167.9	175.7	176.3	181.7	176.8
of which coins [e]	*2.8*	*2.9*	*3.0*	*2.9*	*3.0*	*3.0*	*3.0*	*3.0*
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital reserves and revaluation account	112.4	117.0	86.6	114.2	95.2	91.2	86.6	91.0
Other liabilities	23.6	26.5	24.1	26.7	23.5	23.6	24.1	23.2
Total [f]	**713.6**	**737.3**	**555.2**	**670.4**	**573.2**	**559.6**	**555.2**	**549.0**

a) These statistics are transmitted to the European Central Bank, on the 15th working day following the end of the month to which they relate, within the production of the consolidated balance sheet of the monetary financial institutions (Regulation ECB/2008/32).
b) This item includes the outstanding amounts of market operations.
c) Including the adjustment linked to the method of accounting used for measuring the euro notes on the liability side of the balance sheet of the Banque de France since January 2002.
d) Since January 2002, banknotes in circulation are treated according to specific euro area accounting conventions to bring them in line with the capital key share. 8% of the total value of euro banknotes in circulation is allocated to the European Central Bank. The remaining 92% is broken down between the NCBs in proportion to their share in the paid-up capital of the ECB.
e) Coins in circulation are not a liability of MFIs in the participating Member States, but a liability of the central government. However, coins are part of the monetary aggregates and, by convention, this liability is to be entered under the category 'currency in circulation'. The counterpart to this liability is to be included within 'remaining assets'. (Regulation ECB/2008/32.)
f) The total of the balance sheet at end 2012 published in March 2013 (731.8 bn) can be calculated by substracting from the total of the Monthly Statement at end December 2012 (737.3 bn): coins (2.9 bn) and miscellaneous amounts linked to the accounting gap between the statement established in the early January 2013 and the Annual Accounts, which include all the year-end entries (2.6 bn).

Source: Banque de France. *Produced 19 February 2014*

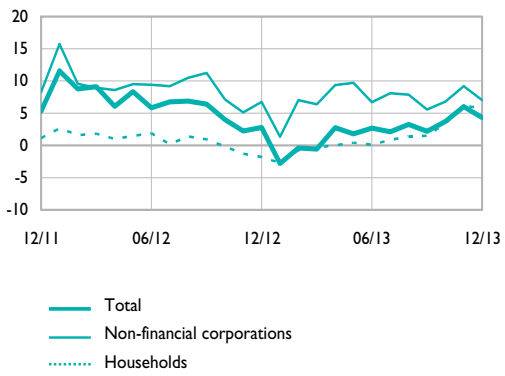
Table 13
Deposits – France

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

	2011	2012	2013	2012	2013			
	Dec.	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
Overnight deposits								
Total non-financial sectors (excluding central government)	546.3	555.9	588.9	555.9	561.6	557.7	559.3	588.9
Households and similar	*284.4*	*279.2*	*295.3*	*279.2*	*292.1*	*292.2*	*289.5*	*295.3*
Non-financial corporations	*203.3*	*214.7*	*229.3*	*214.7*	*211.1*	*208.8*	*214.0*	*229.3*
General government (excl. central government)	*58.6*	*62.0*	*64.2*	*62.0*	*58.3*	*56.7*	*55.8*	*64.2*
Other sectors	39.3	42.5	35.3	42.5	38.3	41.1	37.1	35.3
Total – Outstanding amounts	**585.1**	**598.0**	**623.8**	**598.0**	**599.4**	**598.4**	**596.0**	**623.8**
Total – Growth rate	**5.3**	**2.8**	**4.3**	**2.8**	**2.2**	**3.7**	**6.0**	**4.3**
Passbook savings accounts								
"A" and "Blue" passbooks	214.7	247.2	263.2	247.2	261.3	259.8	259.0	263.2
Housing savings accounts	36.1	35.2	33.4	35.2	34.2	33.7	33.3	33.4
Sustainable development passbook accounts	69.4	92.0	100.7	92.0	99.3	99.2	99.0	100.7
People's savings passbooks	52.4	51.7	48.3	51.7	49.5	49.3	48.9	48.3
Youth passbooks	7.0	7.0	6.9	7.0	6.9	6.9	6.9	6.9
Taxable passbooks	179.7	178.7	172.1	178.7	177.8	174.4	172.2	172.1
Total – Outstanding amounts	**559.3**	**611.7**	**624.6**	**611.7**	**628.9**	**623.2**	**619.3**	**624.6**
Total – Growth rate	**7.3**	**9.4**	**2.1**	**9.4**	**6.3**	**4.0**	**3.2**	**2.1**

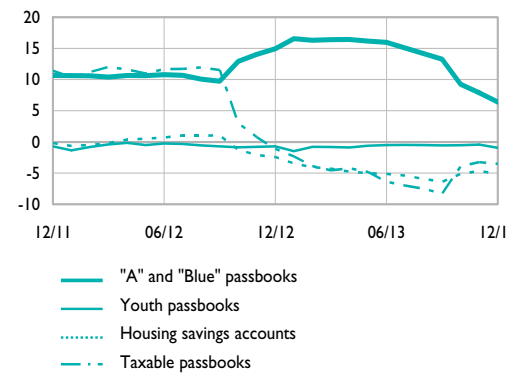
Overnight deposits

(annual growth rate)



Passbook savings accounts

(annual growth rate)



Source: Banque de France.

Produced 19 February 2014

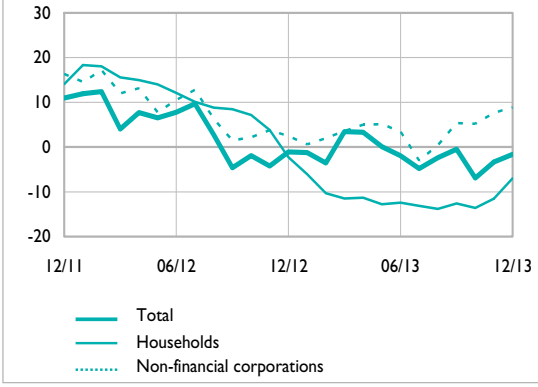
Table 14
Time deposits – France

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

	2011	2012	2013	2012	2013			
	Dec.	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
Deposits with agreed maturity up to two years								
Total non-financial sectors (excl. central government)	108.1	111.8	116.6	111.8	109.3	110.1	111.6	116.6
Households and similar	*31.7*	*30.9*	*28.7*	*30.9*	*29.0*	*28.6*	*28.6*	*28.7*
Non-financial corporations	*75.5*	*79.9*	*86.9*	*79.9*	*79.3*	*80.4*	*82.0*	*86.9*
General government (excl. central government)	*1.0*	*0.9*	*1.0*	*0.9*	*1.0*	*1.1*	*1.1*	*1.0*
Other sectors	42.7	40.7	33.4	40.7	36.3	32.2	31.6	33.4
Total – Outstanding amounts	**150.9**	**152.5**	**150.0**	**152.5**	**145.6**	**142.3**	**143.2**	**150.0**
Total – Growth rate	**10.9**	**-1.1**	**-1.6**	**-1.1**	**-0.5**	**-6.9**	**-3.3**	**-1.6**
Deposits with agreed maturity of over two years								
Total non-financial sectors (excl. central government)	306.7	328.9	342.2	328.9	335.8	337.3	337.4	342.2
Households and similar	*259.0*	*269.4*	*274.8*	*269.4*	*270.0*	*270.5*	*270.8*	*274.8*
PEL	*186.6*	*188.2*	*197.6*	*188.2*	*192.0*	*192.6*	*193.2*	*197.6*
PEP	*24.4*	*24.0*	*23.0*	*24.0*	*22.9*	*22.7*	*22.6*	*23.0*
Other	*48.0*	*57.1*	*54.2*	*57.1*	*55.1*	*55.2*	*54.9*	*54.2*
Non-financial corporations	*46.6*	*58.1*	*65.5*	*58.1*	*64.0*	*65.1*	*64.8*	*65.5*
General government (excl. central government)	*1.1*	*1.4*	*1.9*	*1.4*	*1.8*	*1.7*	*1.9*	*1.9*
Other sectors	177.0	154.7	157.0	154.7	158.1	164.8	164.7	157.0
Total – Outstanding amounts	**483.7**	**483.5**	**499.2**	**483.5**	**493.9**	**502.1**	**502.1**	**499.2**
Total – Growth rate	**18.8**	**0.3**	**3.4**	**0.3**	**2.7**	**4.6**	**4.5**	**3.4**

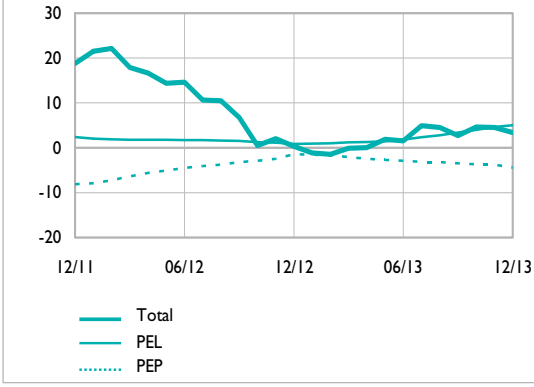
Deposits up to 2 years

(annual percentage growth rate)



Deposits over 2 years

(annual percentage growth rate)



Sources: Banque de France, European Central Bank.

Produced 19 February 2014

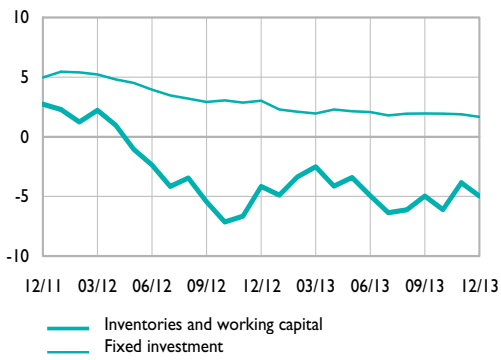
Table 15
Loans extended by credit institutions established in France to French residents – France

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

	2011	2012	2013	2012	2013				
	Dec.	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.
Loans to resident clients									
Private sector	2,053.7	2,100.0	2,112.0	2,100.0	2,116.7	2,121.3	2,124.0	2,122.4	2,112.0
General government	195.1	206.8	212.9	206.8	212.1	211.1	212.9	213.1	212.9
Total – Outstanding amounts	**2,248.7**	**2,306.7**	**2,324.9**	**2,306.7**	**2,328.8**	**2,332.4**	**2,336.9**	**2,335.5**	**2,324.9**
Private sector	3.1	2.5	0.6	2.5	2.1	1.7	1.5	1.5	0.6
General government	-6.7	6.1	2.7	6.1	6.3	6.3	3.5	3.1	2.7
Total – Growth rate	**2.2**	**2.8**	**0.8**	**2.8**	**2.4**	**2.1**	**1.7**	**1.6**	**0.8**
Loans to non-financial companies									
Fixed investment	547.1	563.0	566.3	563.0	562.8	561.8	563.9	564.8	566.3
Inventories and working capital	187.5	174.1	166.3	174.1	166.5	168.0	167.1	168.5	166.3
Other lending	81.2	82.0	80.8	82.0	80.9	82.1	79.3	80.5	80.8
Total – Outstanding amounts	**815.9**	**819.1**	**813.4**	**819.1**	**810.3**	**812.0**	**810.2**	**813.8**	**813.4**
Total – Growth rate	**4.4**	**1.0**	**-0.2**	**1.0**	**-0.1**	**0.2**	**-0.1**	**0.3**	**-0.2**
Loans to households									
Loans for house purchase	847.0	874.2	906.8	874.2	894.6	897.5	901.0	902.7	906.8
Consumer loans	161.1	160.4	157.3	160.4	155.7	155.9	155.8	156.3	157.3
Other lending	92.8	92.1	92.3	92.1	92.9	92.9	93.0	93.0	92.3
Total – Outstanding amounts	**1,100.9**	**1,126.7**	**1,156.3**	**1,126.7**	**1,143.2**	**1,146.4**	**1,149.9**	**1,152.0**	**1,156.3**
Total – Growth rate	**5.6**	**2.3**	**2.5**	**2.3**	**2.3**	**2.4**	**2.5**	**2.6**	**2.5**

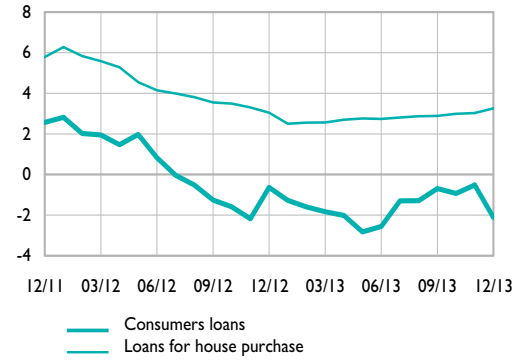
Loans to non-financial companies – France

(annual percentage growth rate)



Loans to households – France

(annual percentage growth rate)



Source: Banque de France.

Produced 19 February 2014

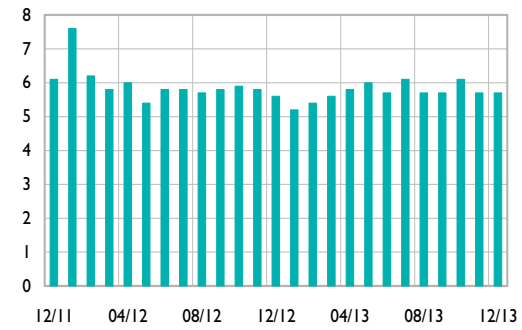
Table 16
New loans to residents, (excl. overdrafts) – France

(monthly flows - seasonally adjusted - in euro billions)

	2012			2013		
	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
Loans to non-financial corporations						
Loans ≤ 1 million euro [a]	5.9	5.8	5.6	6.1	5.7	5.7
Loans > 1 million euro [a]	15.2	13.9	13.4	10.1	10.4	11.0
Loans to households						
Cash loans to sole traders and individuals (excl. revolving consumer credit)	4.2	4.2	4.1	4.0	3.8	3.9
Housing loans	8.3	7.9	8.7	13.9	12.8	12.1

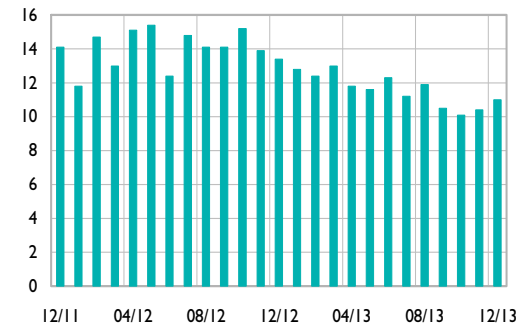
Non-financial corporations – Loans ≤ 1 million euro

(monthly flows - seasonally adjusted - in euro billions)



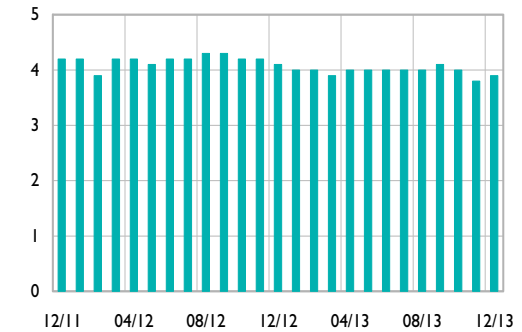
Non-financial corporations – Loans > 1 million euro

(monthly flows - seasonally adjusted - in euro billions)



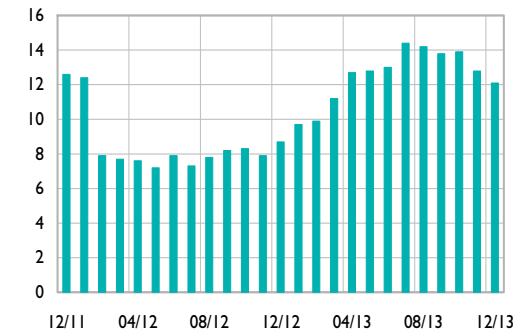
Households - Cash loans

(monthly flows - seasonally adjusted - in euro billions)



Households - Housing loans

(monthly flows - seasonally adjusted - in euro billions)



a) All initial rate fixation periods.

Sources: Banque de France, European Central Bank.

Produced 19 February 2014

Table 17
Investment and financing – Insurance corporations and pension funds – Euro area and France

(EUR billions)

Euro area

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2012		2013			2013
	Q3	Q4	Q1	Q2	Q3	Sept.
Financial assets						
Currency and deposits	-13.8	-2.2	-8.0	-8.1	-15.1	790.5
of which deposits included in M3 [a]	*2.5*	*15.1*	*11.0*	*7.6*	*2.7*	*199.1*
Short-term debt securities	11.6	-4.8	-1.7	-14.1	-22.0	55.2
Long-term debt securities	79.2	137.4	96.3	114.5	113.4	3,039.8
Loans	14.8	8.1	12.1	10.8	2.1	486.9
Shares and other equity	69.5	88.9	96.2	94.3	128.7	2,858.9
of which quoted shares	*-17.0*	*-4.7*	*1.6*	*0.4*	*10.3*	*424.3*
Remaining net assets	-3.5	-39.2	-20.0	-22.8	-26.1	236.0
Financing						
Debt securities	1.8	6.5	5.0	3.2	2.6	52.1
Loans	9.3	-15.4	0.3	-7.2	-22.9	298.6
Shares and other equity	2.3	0.4	2.4	2.1	1.1	512.2
Insurance technical reserves	126.7	151.3	167.1	175.1	186.0	6,641.6
Life insurance	*118.5*	*138.6*	*154.5*	*163.8*	*172.2*	*5,792.9*
Non-life insurance	*8.2*	*12.7*	*12.6*	*11.3*	*13.8*	*848.7*
Net lending/net borrowing (B9B)	**17.7**	**45.4**	**0.1**	**1.6**	**14.2**	

(EUR billions)

France

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2012		2013			2013
	Q3	Q4	Q1	Q2	Q3	Sept.
Financial assets						
Currency and deposits	3.0	2.8	2.1	5.2	7.3	34.6
Short-term debt securities	9.3	-9.4	-4.1	-13.0	-17.5	18.1
Long-term debt securities	-3.1	42.7	44.1	59.1	72.9	1,289.6
Loans	0.7	0.9	0.9	1.1	1.1	36.0
Shares and other equity	20.8	10.2	11.7	2.8	-7.4	675.8
of which quoted shares	*-10.4*	*-10.4*	*-2.7*	*-3.3*	*-4.4*	*73.3*
Remaining net assets	-9.6	-12.2	-8.1	-6.1	-3.4	4.6
Financing						
Debt securities	0.0	0.6	0.9	1.7	2.5	11.2
Loans	-3.4	7.2	11.0	14.5	13.8	99.4
Shares and other equity	1.7	2.1	1.6	1.5	1.2	111.0
Insurance technical reserves	13.2	26.8	40.9	46.4	50.5	1,795.3
Life insurance and pension funds	*7.8*	*19.8*	*31.3*	*37.1*	*40.0*	*1,525.0*
Non-life insurance	*5.4*	*7.0*	*9.6*	*9.3*	*10.5*	*270.3*
Net lending/net borrowing (B9B)	**14.1**	**5.9**	**3.4**	**-3.2**	**-2.1**	

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

Sources: Banque de France, European Central Bank. *Produced 19 February 2014*

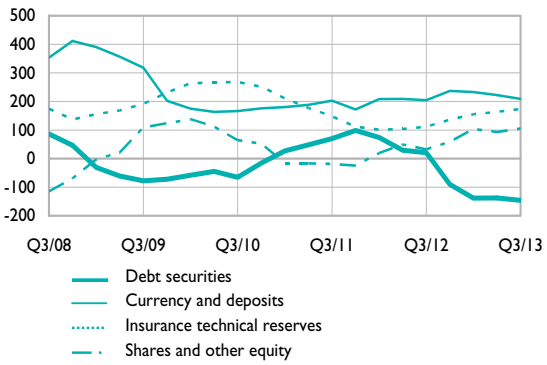
Table 18
Investment and financing – Households – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2012		2013			2013
	Q3	Q4	Q1	Q2	Q3	Sept.
Financial assets						
Currency and deposits	204.5	236.7	233.0	222.3	209.2	7,140.2
of which deposits included in M3 [a]	*150.8*	*213.4*	*213.7*	*206.2*	*171.1*	*5,386.3*
Short-term debt securities	24.7	-1.5	-14.8	-18.1	-25.1	38.6
Long-term debt securities	-3.7	-88.5	-123.6	-119.7	-121.3	1,256.9
Shares and other equity	31.9	58.9	103.4	93.2	105.2	4,741.2
Quoted shares	8.3	-0.8	5.9	-2.5	-14.4	831.3
Unquoted shares and other equity	58.1	55.9	60.1	40.9	55.5	2,471.6
Mutual fund shares	-34.6	3.8	37.4	54.8	64.1	1,438.3
of which money market fund shares	*-27.4*	*-30.9*	*-39.0*	*-29.7*	*-25.9*	*101.2*
Insurance technical reserves	111.1	136.2	155.1	163.9	174.0	6,400.0
Remaining net assets	-53.0	-35.5	-29.7	-47.3	-56.8	-120.5
Financing						
Loans	18.9	13.9	0.5	-10.7	-1.4	6,158.4
of which from euro area MFIs	*1.1*	*25.0*	*20.9*	*1.0*	*7.0*	*5,275.9*
Revaluation of financial assets						
Shares and other equity	316.7	336.9	264.1	340.7	348.6	
Insurance technical reserves	184.4	182.8	162.7	120.8	77.4	
Other flows	31.9	78.5	6.7	60.4	14.3	
Change in net financial worth	**829.5**	**890.5**	**756.4**	**826.9**	**726.7**	

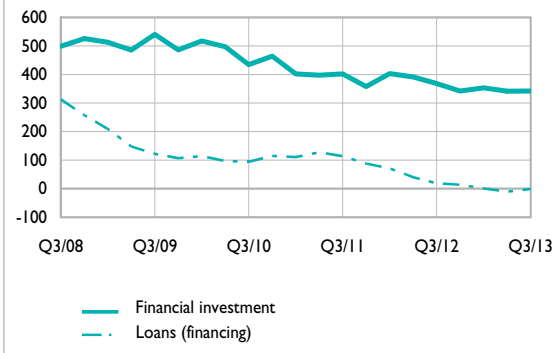
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)



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

Source: European Central Bank.

Produced 19 February 2014

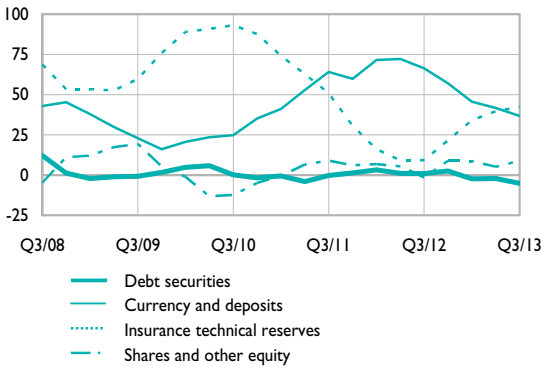
Table 19
Investment and financing – Households – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2012		2013			2013
	Q3	Q4	Q1	Q2	Q3	Sept.
Financial assets						
Currency and deposits	66.3	57.0	45.6	41.8	36.8	1,306.2
Short-term debt securities	-0.3	-0.7	-0.5	-0.5	-0.5	0.9
Long-term debt securities	1.3	3.3	-1.8	-1.6	-4.6	60.5
Shares and other equity	-1.5	8.8	8.7	5.2	8.8	1,087.9
Quoted shares	-5.0	-6.1	-4.5	-6.0	-4.8	168.6
Unquoted shares and other equity	17.2	22.1	23.0	20.1	23.1	610.3
Mutual fund shares	-13.7	-7.2	-9.8	-9.0	-9.5	309.1
of which money market fund shares	*-6.9*	*-8.3*	*-8.0*	*-7.9*	*-6.1*	*21.1*
Insurance technical reserves	9.3	21.5	34.2	39.6	42.4	1,623.7
Remaining net assets	8.8	-1.3	11.1	22.7	0.4	67.9
Financing						
Loans	30.6	26.4	21.1	22.3	26.8	1,169.6
Revaluation of financial assets						
Shares and other equity	78.2	87.6	56.8	73.3	100.3	
Insurance technical reserves	20.1	24.6	16.4	23.4	26.5	
Other flows	13.2	11.7	6.2	4.8	-0.1	
Change in net financial worth	**164.8**	**186.1**	**155.6**	**186.4**	**183.3**	

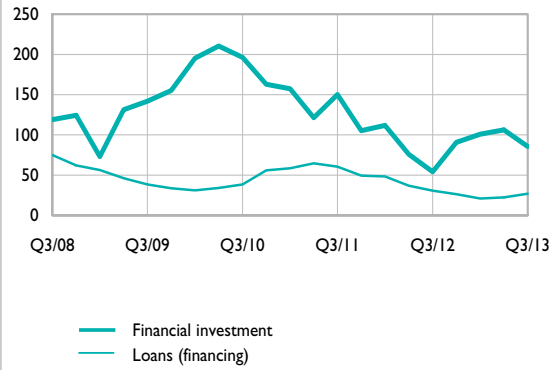
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Investment and financing flows

(EUR billions, cumulated flows over 4 quarters)



Source: Banque de France.

Produced 19 February 2014

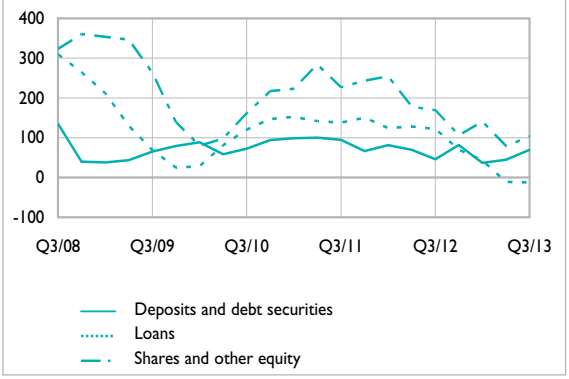
Table 20
Investment and financing – Non-financial corporations – Euro area

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2012		2013			2013
	Q3	Q4	Q1	Q2	Q3	Sept.
Financial assets						
Currency and deposits	51.2	86.6	63.5	74.9	102.7	2,068.3
of which deposits included in M3 [a]	*32.8*	*69.9*	*75.6*	*76.7*	*86.7*	*1,674.9*
Debt securities	-5.4	-5.1	-26.9	-30.4	-32.9	324.6
Loans	122.6	69.6	42.8	-11.0	-12.2	3,139.1
Shares and other equity	169.4	105.6	140.7	78.7	102.9	8,543.0
Insurance technical reserves	4.2	4.5	4.9	4.7	4.8	183.9
Remaining net assets	-23.8	4.1	8.4	56.3	33.0	100.9
Financing						
Debt	184.5	125.6	109.7	39.4	8.9	9,947.9
Loans	70.1	1.7	0.0	-55.8	-83.9	8,501.4
of which from euro area MFIs	*-71.6*	*-108.5*	*-115.2*	*-157.5*	*-166.2*	*4,393.5*
Debt securities	109.4	119.5	105.4	91.0	88.8	1,094.5
Pension fund reserves	5.0	4.4	4.2	4.1	4.0	352.0
Shares and other equity	189.3	182.8	145.4	129.3	159.2	14,579.2
Quoted shares	*15.7*	*26.5*	*10.8*	*20.9*	*20.1*	*4,199.1*
Unquoted shares and other equity	*173.6*	*156.3*	*134.5*	*108.4*	*139.1*	*10,380.1*
Net lending/net borrowing (B9B)	**-55.7**	**-43.1**	**-21.7**	**4.6**	**30.0**	

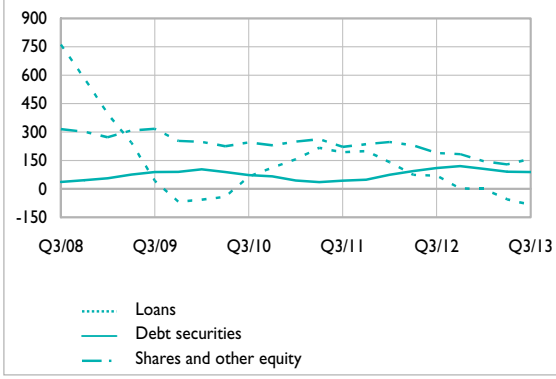
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)



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

Source: European Central Bank.

Produced 19 February 2014

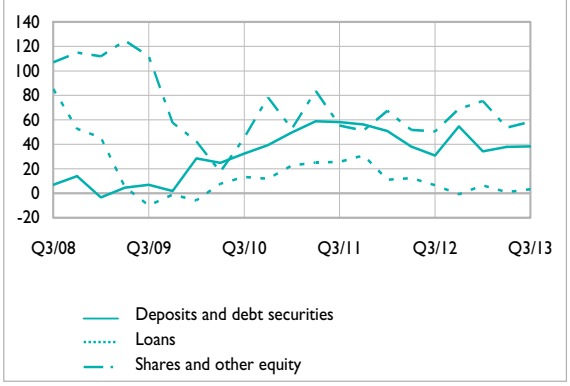
Table 21
Investment and financing – Non-financial corporations – France

(EUR billions)

	Cumulated transaction flows over 4 quarters					Outstanding amounts
	2012		2013			2013
	Q3	Q4	Q1	Q2	Q3	Sept.
Financial assets						
Currency and deposits	40.8	56.0	51.7	51.8	49.1	457.8
Debt securities	-10.0	-1.3	-17.4	-13.8	-10.7	53.1
Loans	6.4	-1.0	6.4	0.9	3.3	726.8
Shares and other equity	50.5	68.9	75.2	53.6	58.4	3,103.0
Insurance technical reserves	0.8	0.6	0.9	0.4	0.4	53.5
Remaining net assets	-2.1	-26.0	-29.0	-10.7	-16.6	-37.2
Financing						
Debt	79.6	53.0	41.6	5.4	13.1	2,140.4
Loans	25.6	-0.6	0.3	-18.8	-15.5	1,622.0
Debt securities	54.0	53.6	41.3	24.2	28.6	518.4
Shares and other equity	84.1	87.9	72.9	73.1	74.8	4,817.2
Quoted shares	*6.7*	*10.4*	*9.4*	*11.6*	*11.7*	*1,293.4*
Unquoted shares and other equity	*77.4*	*77.5*	*63.5*	*61.5*	*63.1*	*3,523.9*
Net lending/net borrowing (B9B)	**-77.4**	**-43.7**	**-26.7**	**3.8**	**-3.9**	

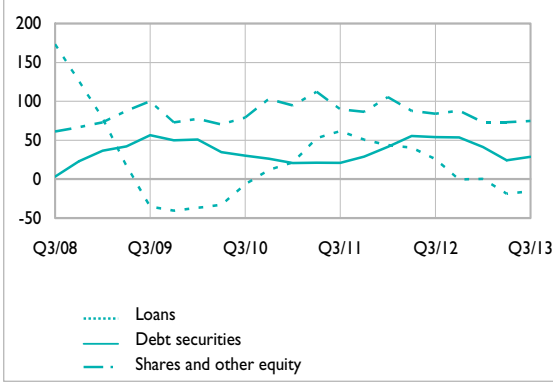
Investment flows

(EUR billions, cumulated flows over 4 quarters)



Financing flows

(EUR billions, cumulated flows over 4 quarters)



Source: Banque de France.

Produced 19 February 2014

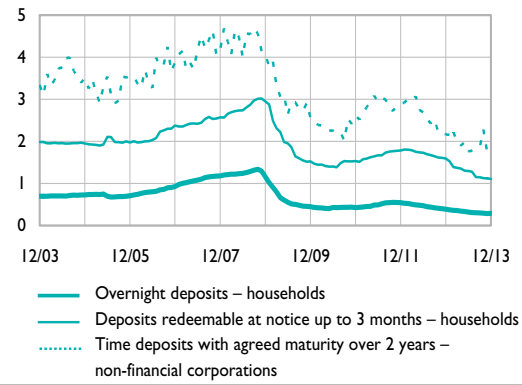
Table 22
Interest rates on bank deposits – France and the euro area

(average monthly rates – %)

	2012	2013	2012	2013				
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.
Euro area								
Overnight deposits – households	0.39	0.29	0.39	0.30	0.30	0.29	0.29	0.29
Deposits redeemable at notice up to 3 months – households	1.59	1.11	1.59	1.15	1.15	1.13	1.12	1.11
Time deposits with agreed maturity over 2 years – non-financial corporations	2.16	1.63	2.16	1.85	1.87	2.28	1.73	1.63
France								
"A" passbooks (end of period)	2.25	1.25	2.25	1.25	1.25	1.25	1.25	1.25
Regulated savings deposits	2.25	1.27	2.25	1.27	1.27	1.27	1.27	1.27
Market rate savings deposits	1.82	1.25	1.82	1.31	1.30	1.25	1.25	1.25
Deposits with agreed maturity up to 2 years	2.26	1.97	2.26	2.08	2.07	2.04	2.00	1.97
Deposits with agreed maturity over 2 years	3.01	2.91	3.01	2.94	2.98	2.92	2.96	2.91

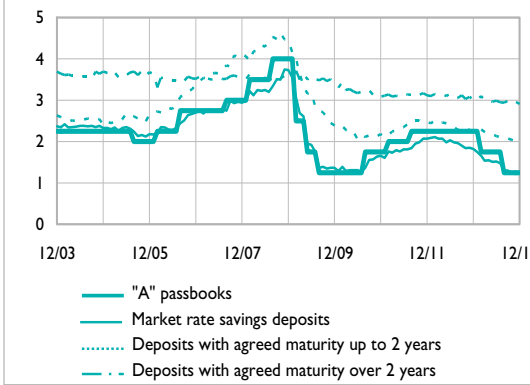
Euro area

(average monthly rates – %)



France

(average monthly rates – %)



Sources: Banque de France, European Central Bank.

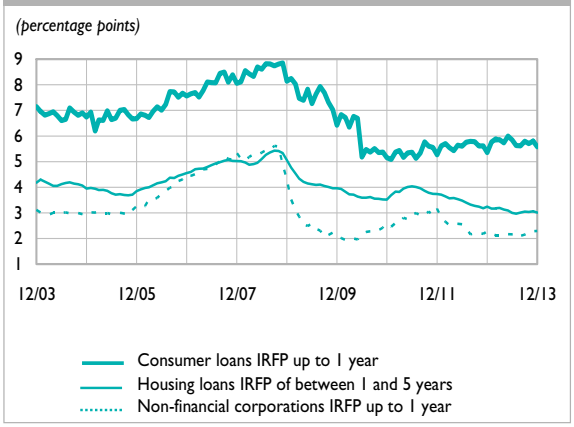
Produced 19 February 2014

Table 23
Interest rates on bank loans – France and the euro area

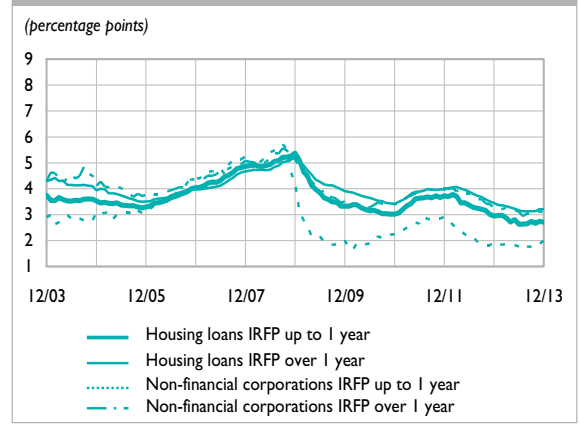
(average monthly rate – %)

	2013											
	Jan.	**Feb.**	**March**	**April**	**May**	**June**	**July**	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**
Euro area												
Consumer loans												
Floating rate and IRFP of up to 1 year [a)]	5.77	5.89	5.86	5.74	6.00	5.85	5.63	5.62	5.80	5.71	5.81	5.58
Loans for house purchase												
Floating rate and IRFP of between 1 and 5 years	3.17	3.17	3.19	3.13	3.09	3.00	2.97	3.01	3.05	3.04	3.06	3.01
Non financial corporations of over EUR 1 million												
IRFP of up to 1 year [a)]	2.20	2.12	2.12	2.21	2.17	2.17	2.23	2.10	2.15	2.25	2.28	2.29
France												
Consumer loans	**6.17**	**6.08**	**6.08**	**5.99**	**5.92**	**5.85**	**5.75**	**5.76**	**5.76**	**5.73**	**5.82**	**5.81**
Loans for house purchase												
IRFP of up to 1 year [a)]	2.97	2.97	2.87	2.72	2.81	2.63	2.64	2.65	2.74	2.67	2.74	2.71
IRFP of over 1 year [a)]	3.37	3.36	3.32	3.28	3.23	3.17	3.13	3.13	3.14	3.14	3.21	3.21
Non-financial corporations												
IRFP of up to 1 year [a)]	1.82	1.85	1.86	1.85	1.82	1.77	1.89	1.77	1.76	1.88	1.87	1.99
IRFP of over 1 year [a)]	3.25	3.21	3.26	3.21	3.18	3.11	2.94	3.05	3.06	3.05	3.13	3.08

Euro area



France



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

Sources: Banque de France, European Central Bank.

Produced 19 February 2014

Table 24
Usury rates on loans to households and cost of business credit – France

(%)

Usury ceiling with effect from the 1st day of the reference period	2013			2014
	April	July	Oct.	Jan.
Loans to households under Articles L312-1 to L312-36 of the french Consumer Code (housing loans)				
Fixed-rate loans	5.43	5.23	5.03	5.04
Floating-rate loans	5.01	4.68	4.45	4.51
Bridge loans	5.55	5.44	5.29	5.23
Loans to households not within the scope of Articles L312-1 to L312-36 of the French Consumer Code (consumer loans)				
Loans up to EUR 3,000	20.29	20.09	20.23	20.23
Loans comprised between EUR 3,000 and EUR 6,000	16.25	15.77	15.17	15.12
Loans over EUR 6,000	11.48	11.05	10.52	10.35

	2012	2013			
	Oct.	Jan.	April	July	Oct.
Loans to enterprises					
Discount					
up to EUR 15,245	2.70	2.57	2.75	2.69	3.09
EUR 15,245 to EUR 45,735	3.12	2.77	2.98	3.23	3.91
EUR 45,735 to EUR 76,225	3.07	2.90	3.26	3.04	3.32
EUR 76,225 to EUR 304,898	2.14	2.33	2.27	2.15	2.52
EUR 304,898 to EUR 1,524,490	1.20	1.44	1.60	1.42	1.55
over EUR 1,524,490	0.76	1.05	0.90	0.85	1.10
Overdrafts					
up to EUR 15,245	9.73	9.79	9.84	9.92	9.94
EUR 15,245 to EUR 45,735	6.26	6.01	6.39	6.19	6.66
EUR 45,735 to EUR 76,225	4.93	4.43	4.50	4.55	5.11
EUR 76,225 to EUR 304,898	2.97	2.74	3.40	3.69	3.87
EUR 304,898 to EUR 1,524,490	1.89	1.82	1.95	1.83	2.13
over EUR 1,524,490	1.34	1.19	1.24	1.15	1.36
Other short-term loans					
up to EUR 15,245	3.76	3.40	3.57	3.43	3.63
EUR 15,245 to EUR 45,735	3.30	3.05	3.09	3.15	3.39
EUR 45,735 to EUR 76,225	2.68	2.75	2.57	2.61	2.73
EUR 76,225 to EUR 304,898	2.07	2.13	2.19	2.22	2.21
EUR 304,898 to EUR 1,524,490	1.66	1.67	1.61	1.74	1.72
over EUR 1,524,490	1.57	1.76	1.74	1.80	1.92
Medium and long-term loans					
up to EUR 15,245	3.63	3.51	3.23	3.20	3.22
EUR 15,245 to EUR 45,735	3.34	3.13	2.97	2.89	2.95
EUR 45,735 to EUR 76,225	3.31	3.08	2.93	2.88	2.89
EUR 76,225 to EUR 304,898	3.38	3.13	3.07	2.92	2.96
EUR 304,898 to EUR 1,524,490	3.26	2.99	2.86	2.78	2.83
over EUR 1,524,490	2.64	2.55	2.49	2.38	2.50

Source: Banque de France.

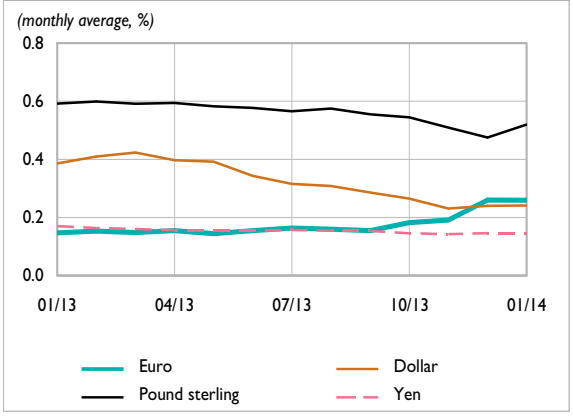
Produced 19 February 2014

Table 25
Interest rates

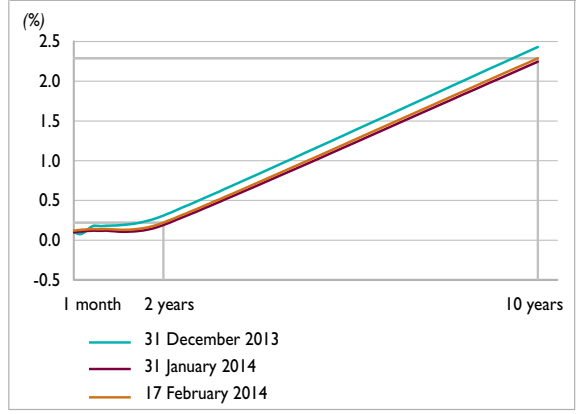
(%)

	Monthly average [a]										Key interest rates at 17/02/14
	2013									2014	
	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
Short-term interbank interest rates											
Euro											**0.25**
Overnight	0.06	0.08	0.07	0.07	0.06	0.07	0.09	0.11	0.13	0.17	
3-month	0.15	0.14	0.15	0.16	0.16	0.15	0.18	0.19	0.26	0.26	
1-year	0.51	0.48	0.46	0.43	0.48	0.46	0.51	0.46	0.54	0.55	
Pound sterling											**0.50**
Overnight	0.48	0.48	0.47	0.47	0.47	0.45	0.45	0.44	0.44	0.45	
3-month	0.59	0.58	0.58	0.57	0.57	0.56	0.54	0.51	0.48	0.52	
1-year	0.90	0.88	0.87	0.88	0.87	0.89	0.86	0.86	0.85	0.86	
Dollar											**0.25**
Overnight	0.18	0.18	0.17	0.16	0.15	0.14	0.15	0.13	0.12	0.13	
3-month	0.40	0.39	0.34	0.32	0.31	0.29	0.26	0.23	0.24	0.24	
1-year	0.81	0.82	0.68	0.69	0.68	0.64	0.58	0.55	0.55	0.57	
Yen											**0.10**
Overnight	0.10	0.10	0.09	0.08	0.08	0.08	0.07	0.07	0.07	0.07	
3-month	0.16	0.16	0.15	0.16	0.15	0.15	0.15	0.14	0.15	0.14	
1-year	0.38	0.40	0.33	0.34	0.34	0.33	0.33	0.32	0.27	0.27	
10-year benchmark government bond yields [b]											
France	1.80	1.87	2.21	2.25	2.36	2.49	2.39	2.27	2.33	2.38	
Germany	1.25	1.37	1.62	1.62	1.80	1.93	1.81	1.72	1.85	1.78	
Euro area	2.86	2.69	3.07	3.10	3.10	3.41	3.16	3.17	3.31	3.21	
United Kingdom	1.71	1.87	2.21	2.36	2.62	2.89	2.69	2.75	2.93	2.86	
United States	1.73	1.93	2.29	2.57	2.75	2.83	2.62	2.73	2.89	2.85	
Japan	0.58	0.78	0.85	0.83	0.76	0.72	0.63	0.62	0.68	0.68	

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.

Sources: Banque de France, European Central Bank.

Produced 19 February 2014

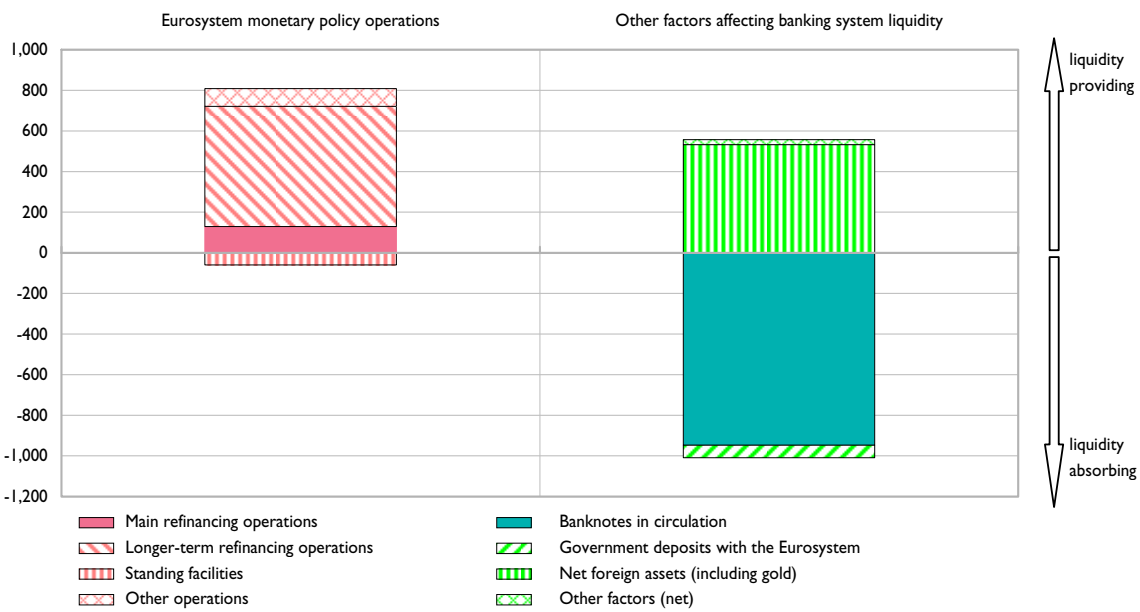
Table 26
Banking system liquidity and refinancing operations – Euro area

(EUR billions, daily average for the reserve maintenance period from 11 December 2013 to 14 January 2014)

	Liquidity providing	Liquidity absorbing	Net contribution
Contribution to banking system liquidity			
(a) Eurosystem monetary policy operations	**958.5**	**209.4**	**749.1**
Main refinancing operations	129.3		129.3
Longer-term refinancing operations	592.2		592.2
Standing facilities	0.3	60.1	-59.8
Other	236.8	149.3	87.5
(b) Other factors affecting banking system liquidity	**532.7**	**1,033.7**	**-501.0**
Banknotes in circulation		947.9	-947.9
Government deposits with the Eurosystem		61.2	-61.2
Net foreign assets (including gold)	532.7		532.7
Other factors (net)		24.7	24.7
(c) Reserves maintained by credit institutions (a) + (b)			**248.1**
including reserve requirements			*103.4*

Net contribution to banking system liquidity

(EUR billions, daily average for the reserve maintenance period from 11 December 2013 to 14 January 2014)



Sources: Banque de France, European Central Bank.

Produced 19 February 2014

Table 27
Eurosystem key rates; minimum reserves

(%)

Key rates for the Eurosystem (latest changes)						
Main refinancing operations			Standing facilities			
Date of		Fixed rate	Date of		Deposit	Marginal lending
decision	settlement		decision	settlement		
05/07/2012	11/07/2012	0.75	05/07/2012	11/07/2012	0.00	1.50
02/05/2013	08/05/2013	0.50	02/05/2013	08/05/2013	0.00	1.00
07/11/2013	13/11/2013	0.25	07/11/2013	13/11/2013	0.00	0.75

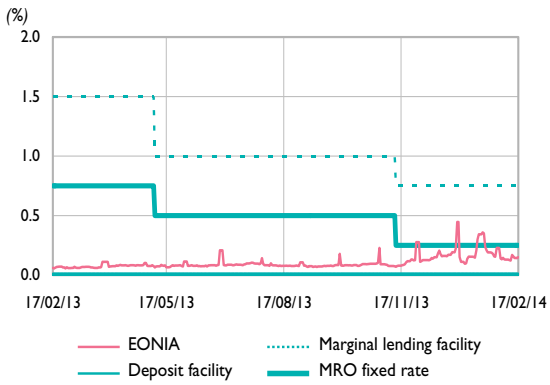
(%)

Main refinancing operations				Longer-term refinancing operations		
		Marginal rate	Weighted average rate			Marginal rate
2014	8 January [a]	0.25	0.25	2013	29 August	0.50
	15 January	0.25	0.25		11 September	0.50
	22 January	0.25	0.25		9 October	0.50
	29 January	0.25	0.25		31 October	0.50
	5 February	0.25	0.25		13 November	0.25
	12 February	0.25	0.25		11 December	0.25

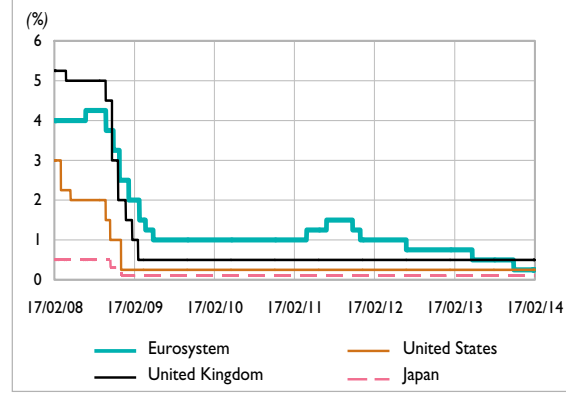
(EUR billions – rates as a %)

Minimum reserves (daily averages)								
Reserve maintenance period ending on		Required reserves		Current accounts		Excess reserves		Interest rate on minimum reserves
		Euro area	France	Euro area	France	Euro area	France	
2013	6 August	104.50	19.70	269.60	36.50	165.10	16.80	0.50
	10 September	104.90	19.70	274.50	44.50	169.60	24.80	0.50
	8 October	103.80	19.90	268.40	42.80	164.70	22.90	0.50
	12 November	103.80	19.70	244.90	41.60	141.10	21.90	0.50
	10 December	103.30	19.60	220.20	36.00	116.90	16.40	0.25
2014	14 January	103.40	19.60	248.10	43.10	144.80	23.50	0.25

Eurosystem key rates and EONIA



Central bank key rates



a) Fixed rate tender procedure.

Sources: European Central Bank, ESCB.

Produced 19 February 2014

Table 28
Negotiable debt securities – France

Certificates of deposit

	EUR billions [a]		Number of issuers
	Issues	Stocks	
16/11/13 to 22/11/13	41.13	272.35	150
23/11/13 to 29/11/13	34.22	266.89	149
30/11/13 to 06/12/13	39.91	261.84	149
07/12/13 to 13/12/13	51.05	259.19	149
14/12/13 to 20/12/13	49.81	253.30	149
21/12/13 to 27/12/13	36.58	249.03	151
28/12/13 to 03/01/14	52.69	245.22	149
04/01/14 to 10/01/14	71.14	262.27	149
11/01/14 to 17/01/14	66.89	263.91	149
18/01/14 to 24/01/14	68.06	272.41	150
25/01/14 to 31/01/14	50.39	278.55	148
01/02/14 to 07/02/14	48.05	281.80	149
08/02/14 to 14/02/14	50.55	281.60	149

Commercial paper

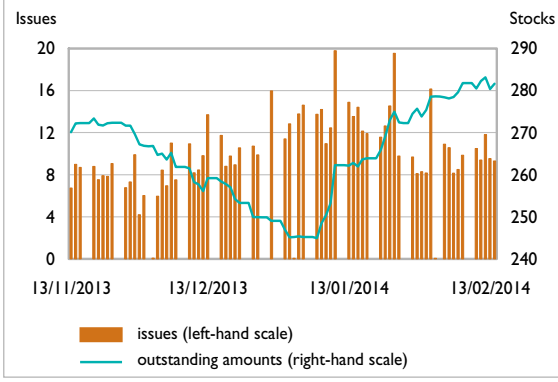
	EUR billions [a]		Number of issuers
	Issues	Stocks	
16/11/13 to 22/11/13	8.22	54.53	92
23/11/13 to 29/11/13	8.10	57.11	93
30/11/13 to 06/12/13	3.94	57.27	95
07/12/13 to 13/12/13	4.73	56.83	94
14/12/13 to 20/12/13	6.98	55.68	91
21/12/13 to 27/12/13	3.44	54.23	89
28/12/13 to 03/01/14	4.91	50.79	81
04/01/14 to 10/01/14	10.76	54.07	90
11/01/14 to 17/01/14	7.54	51.60	94
18/01/14 to 24/01/14	10.22	53.44	94
25/01/14 to 31/01/14	8.44	55.41	94
01/02/14 to 07/02/14	6.98	49.15	97
08/02/14 to 14/02/14	10.38	53.53	97

Negotiable medium-term notes

	EUR billions [a]		Number of issuers
	Issues	Stocks	
16/11/13 to 22/11/13	0.37	77.22	114
23/11/13 to 29/11/13	0.33	77.48	114
30/11/13 to 06/12/13	0.59	77.85	114
07/12/13 to 13/12/13	0.06	77.67	113
14/12/13 to 20/12/13	0.65	77.95	113
21/12/13 to 27/12/13	0.08	77.84	113
28/12/13 to 03/01/14	0.22	77.77	112
04/01/14 to 10/01/14	0.59	77.88	112
11/01/14 to 17/01/14	0.18	77.83	111
18/01/14 to 24/01/14	0.49	78.21	111
25/01/14 to 31/01/14	0.38	78.05	111
01/02/14 to 07/02/14	0.47	76.76	111
08/02/14 to 14/02/14	0.15	76.34	111

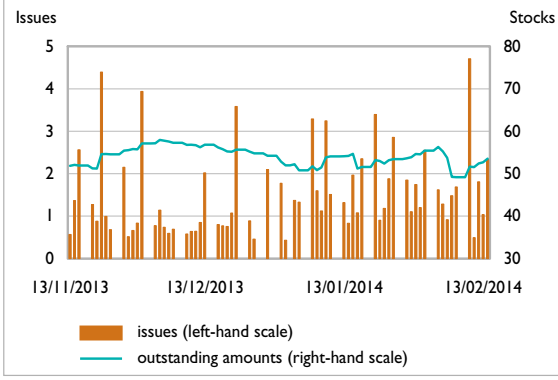
Certificates of deposit

(daily data, EUR billions)



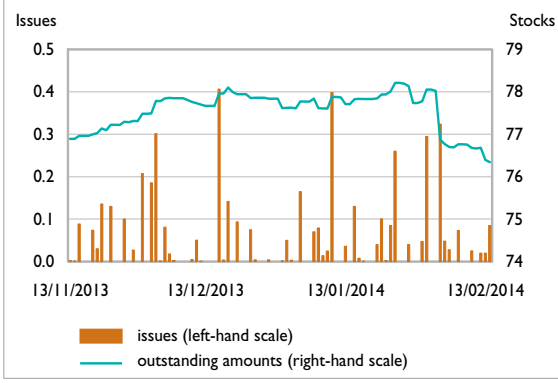
Commercial paper

(daily data, EUR billions)



Negotiable medium-term notes

(daily data, EUR billions)



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

Source: Banque de France.

Produced 19 February 2014

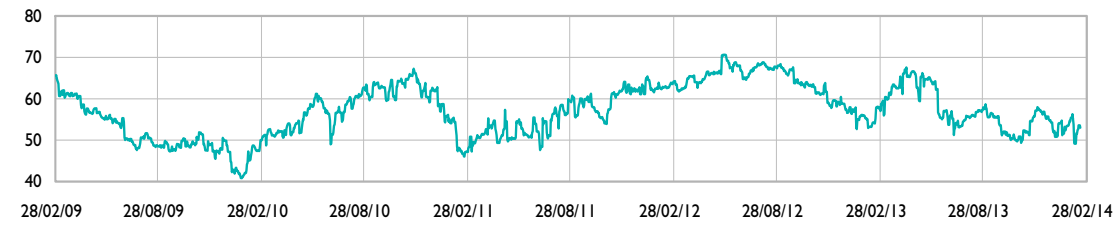
Table 29
Negotiable debt securities – France

Certificates of deposit

(daily outstanding amounts in EUR billions)

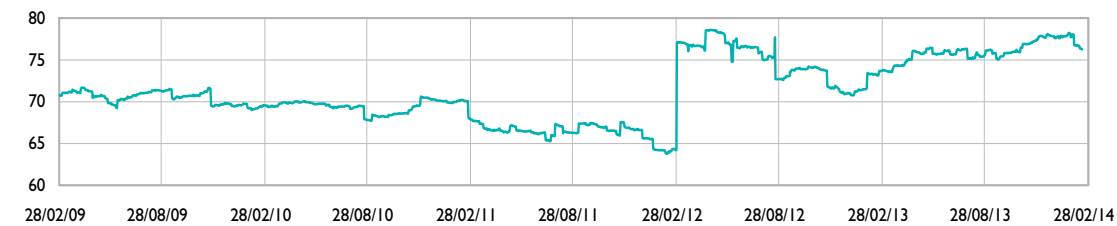
Commercial paper

(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.

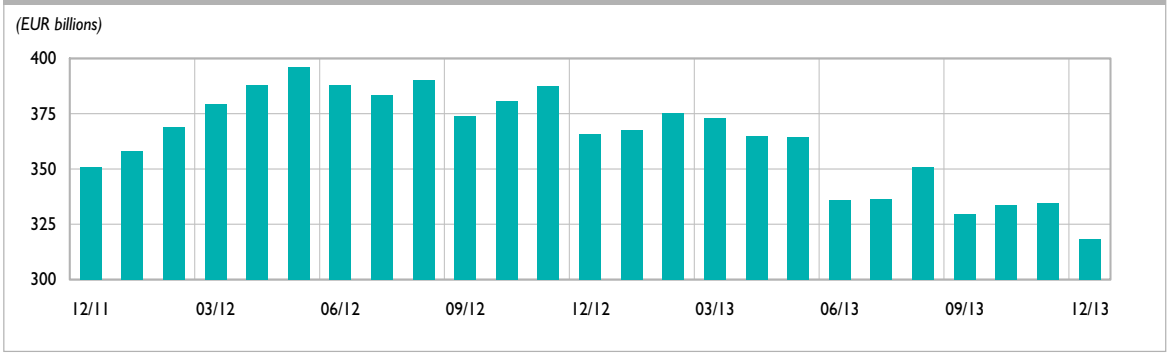
Produced 19 February 2014

Table 30
Mutual fund shares/units – France

(EUR billions)

	2013			2013
	March	June	Sept.	Dec.
Net assets of mutual fund shares/units by category				
Money-market funds	373.17	335.85	329.53	318.23
Bond mutual funds	205.63	204.64	206.28	
Equity mutual funds	247.20	240.86	256.60	
Mixed funds	260.52	258.12	266.07	
Funds of alternative funds	13.94	13.28	12.41	
Guaranteed-performance mutual funds	0.00	0.00	0.00	
Structured funds ("fonds à formule")	49.36	46.22	45.25	

Net assets of money-market funds



Source: Banque de France.

Produced 19 February 2014

Table 31
Debt securities and quoted shares issued by French residents

(EUR billions)

	Outstanding amounts [a]		Net issues [b]			
	2012	2013	12-month	2013		
	Dec. [c]	Dec. [c]	total	Oct. [c]	Nov. [c]	Dec. [c]
Debt securities issued by French residents						
Total	**3,302.9**	**3,346.0**	**43.1**	**6.9**	**15.8**	**-5.2**
Non-financial corporations	477.6	498.7	21.1	1.8	6.8	-4.5
Short-term (≤ 1 year)	*35.8*	*33.7*	*-2.1*	*0.4*	*1.4*	*-4.7*
Long-term (> 1 year)	*441.8*	*465.0*	*23.2*	*1.4*	*5.5*	*0.1*
General government	1,543.4	1,622.1	78.7	1.6	8.6	5.5
Short-term (≤ 1 year)	*197.5*	*209.4*	*12.0*	*0.3*	*4.3*	*-3.5*
Long-term (> 1 year)	*1,345.9*	*1,412.7*	*66.8*	*1.4*	*4.3*	*9.0*
Monetary financial institutions [d]	1,142.3	1,088.5	-53.8	2.7	0.9	-7.5
Short-term (≤ 1 year)	*302.4*	*229.2*	*-73.1*	*-3.1*	*-3.6*	*-11.9*
Long-term (> 1 year) [d]	*840.0*	*859.3*	*19.4*	*5.9*	*4.5*	*4.3*
Non-monetary financial institutions [e]	139.6	136.6	-2.9	0.8	-0.6	1.4

(EUR billions)

	Outstanding amounts [f]		Net issues [b]			Gross issues [g]	Repurchases [g]
	2012	2013	12-month	2013		12-month	12-month
	Dec.	Dec.	total	Nov.	Dec.	total	total
French quoted shares							
Total	**1,267.7**	**1,549.4**	**11.2**	**1.1**	**1.2**	**16.2**	**5.0**
Non-financial corporations	1,112.4	1,325.2	9.6	1.0	0.5	14.6	5.0
Monetary financial institutions	105.6	150.5	0.7	0.3	0.2	0.7	0.0
Non-monetary financial institutions	49.7	73.7	0.9	-0.1	0.5	0.9	0.0

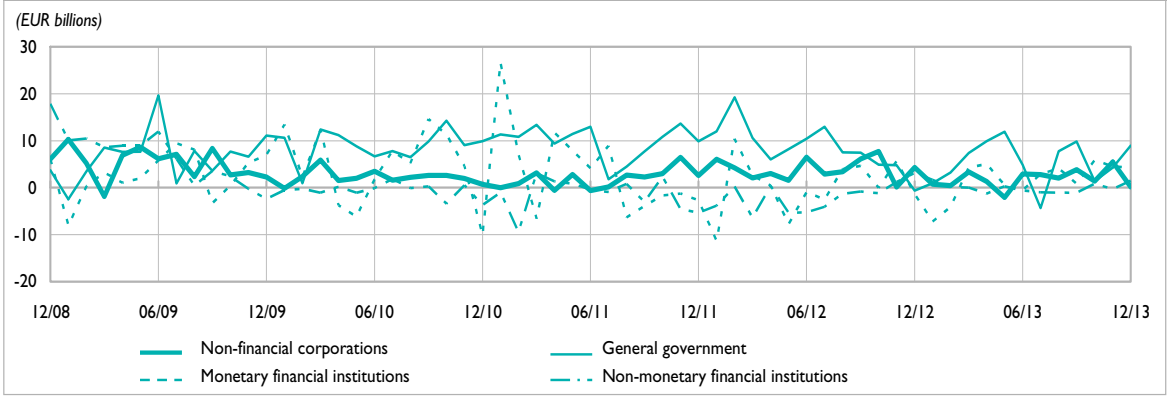
a) Nominal values for outstanding amounts of debt securities.
b) Monthly data are seasonally adjusted. The 12-month total is unadjusted.
c) Data possibly revised.
d) Excluding the impact of intra-group transactions between banks.
e) Including units issued by SPVs.
f) Market values for outstanding amounts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

Source: Banque de France.

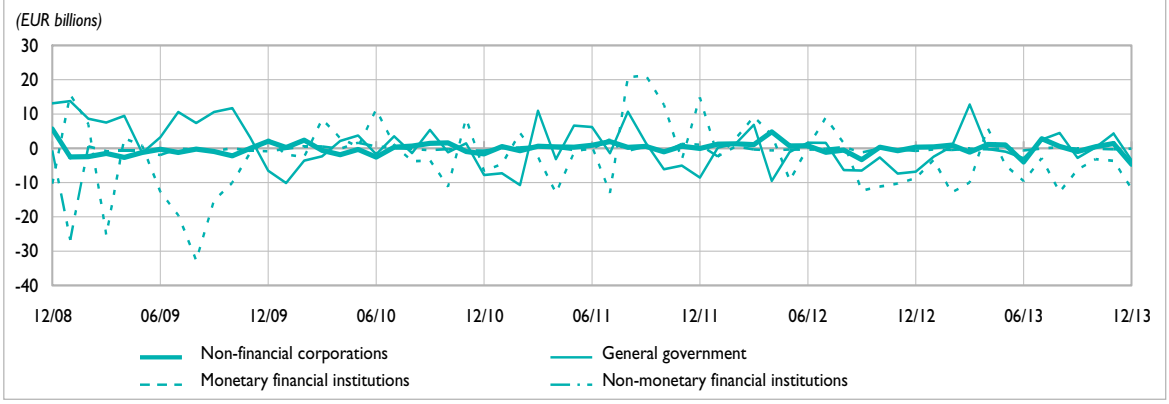
Produced 19 February 2014

Table 32
Debt securities and quoted shares issued by French residents, by sector

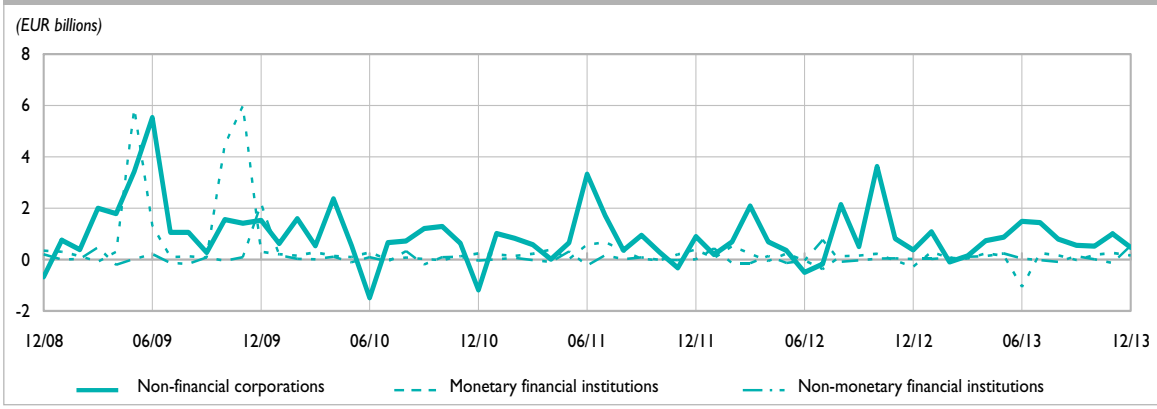
Net issues of long-term debt securities by French residents (seasonally adjusted)



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



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



Source: Banque de France.

Produced 19 February 2014

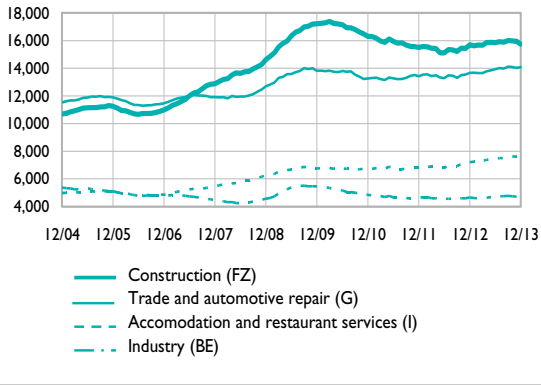
Table 33
Company failures by economic sector – France

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

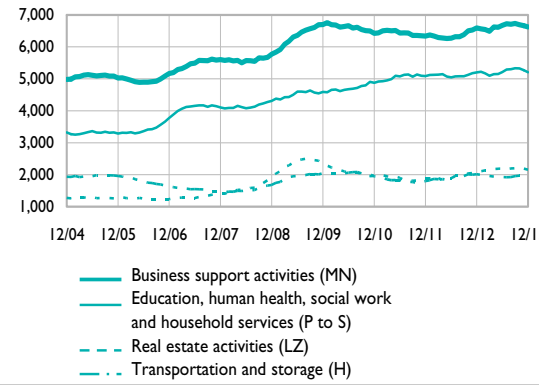
	2012	2013											
	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Agriculture, forestry and fishing (AZ)	1,230	1,252	1,248	1,220	1,225	1,220	1,249	1,256	1,265	1,282	1,276	1,266	1,256
Industry (BE)	4,668	4,617	4,598	4,619	4,650	4,691	4,683	4,751	4,764	4,784	4,747	4,724	4,736
Construction (FZ)	15,705	15,621	15,675	15,670	15,862	15,881	15,851	15,922	15,890	16,004	15,985	15,945	15,743
Trade and automotive repair (G)	13,665	13,678	13,659	13,659	13,779	13,852	13,934	14,020	13,979	14,125	14,094	14,030	14,084
Transportation and storage (H)	2,013	1,992	1,964	1,957	1,939	1,940	1,926	1,918	1,922	1,951	1,967	1,973	1,996
Accomodation and restaurant services (I)	7,214	7,256	7,246	7,286	7,389	7,435	7,466	7,511	7,498	7,607	7,635	7,615	7,600
Information and communication sector (JZ)	1,561	1,537	1,511	1,497	1,522	1,519	1,521	1,569	1,562	1,547	1,558	1,579	1,603
Financial and insurance activities (KZ)	1,165	1,134	1,114	1,131	1,131	1,113	1,108	1,131	1,126	1,134	1,143	1,145	1,164
Real estate activities (LZ)	2,084	2,106	2,138	2,145	2,182	2,188	2,195	2,181	2,196	2,200	2,198	2,190	2,156
Business support activities (MN)	6,593	6,563	6,543	6,486	6,625	6,616	6,669	6,722	6,708	6,729	6,691	6,660	6,624
Education, human health, social work and household services (P to S)	5,202	5,218	5,170	5,095	5,145	5,148	5,208	5,291	5,302	5,330	5,328	5,270	5,204
Sector unknown	105	100	94	92	89	96	97	98	95	94	93	88	86
Total sectors	**61,205**	**61,074**	**60,960**	**60,857**	**61,538**	**61,699**	**61,907**	**62,370**	**62,307**	**62,787**	**62,715**	**62,485**	**62,252**

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.
Data for last month are preliminary.

Source: Banque de France.

Produced 19 February 2014

Table 34
Retail payment systems – France

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

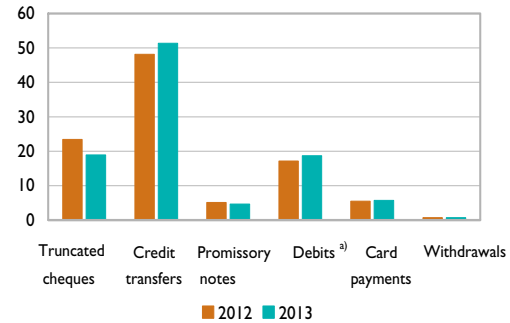
	2010	2011	2012	2013	2013		2014	2014
					Nov.	Dec.	Jan.	Share
Cheques	5,590	5,478	4,947	3,986	3,739	4,395	3,848	18.3
Credit transfers	8,865	9,646	10,167	10,827	10,264	13,452	10,770	51.3
of which SEPA credit transfers	683	2,555	4,130	5,967	6,627	10,004	8,920	42.5
Promissory notes	1,138	1,142	1,079	981	1,020	1,109	1,142	5.4
Direct debits	1,827	1,938	2,004	2,048	1,889	2,235	1,902	9.1
Interbank payment orders	133	130	131	129	208	112	90	0.4
Electronic payment orders	1,141	1,343	1,491	1,766	1,383	2,144	1,937	9.2
Card payments	1,009	1,085	1,152	1,200	1,178	1,559	1,165	5.6
ATM withdrawals	140	145	146	147	138	172	126	0.6
Total	**19,844**	**20,907**	**21,116**	**21,085**	**19,818**	**25,179**	**20,981**	**100.0**

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

	2010	2011	2012	2013	2013		2014	2014
					Nov.	Dec.	Jan.	Share
Cheques	9,507	9,112	8,588	8,040	7,857	9,505	8,033	15.4
Credit transfers	7,356	7,549	7,593	7,722	7,341	8,937	7,866	15.1
of which SEPA credit transfers	270	1,400	2,154	3,641	4,534	6,274	6,512	12.5
Promissory notes	311	303	291	281	301	310	274	0.5
Direct debits	8,194	8,502	8,680	8,737	7,882	8,350	8,298	15.9
Interbank payment orders	364	342	320	301	393	333	259	0.5
Electronic payment orders	66	76	101	127	134	182	146	0.3
Card payments	21,505	22,969	24,489	25,868	25,473	32,313	25,255	48.4
ATM withdrawals	2,375	2,422	2,407	2,397	2,268	2,670	2,084	4.0
Total	**49,677**	**51,275**	**52,469**	**53,472**	**51,650**	**62,600**	**52,215**	**100.0**

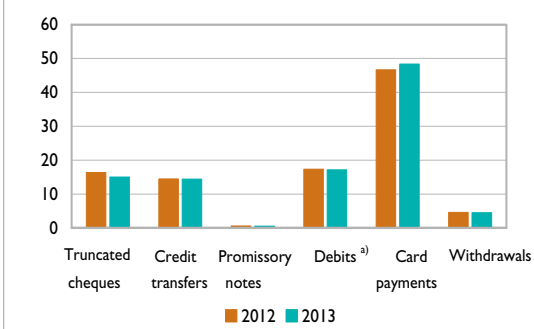
Market share developments for main non-cash means of payment

(% of amounts exchanged)



Market share developments for main non-cash means of payment

(% of volumes exchanged)



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

Sources: GSIT, STET.

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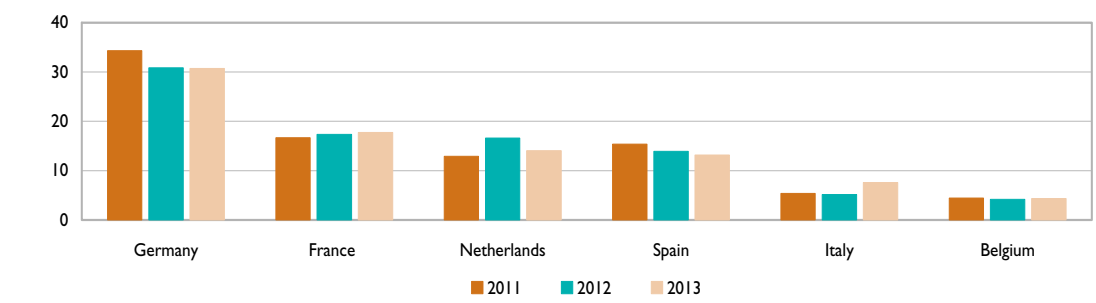
Table 35
Large-value payment systems – EU

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

	2010	2011	2012	2013	2013		2014	2014
					Nov.	Dec.	Jan.	Share
France	365	398	431	343	335	369	352	17.6
Germany	829	818	764	594	586	657	637	31.9
Austria	27	27	25	21	22	25	25	1.2
Belgium	95	106	104	84	81	89	90	4.5
Cyprus	2	2	3	1	0	0	0	0.0
Spain	342	367	345	255	237	263	253	12.7
Estonia	–	1	1	1	1	1	1	0.1
Finland	35	47	85	39	34	37	38	1.9
Greece	28	23	20	34	30	39	28	1.4
Ireland	30	21	17	15	15	16	16	0.8
Italy	129	129	128	147	154	173	163	8.1
Luxembourg	40	57	70	67	59	61	69	3.5
Malta	0	0	1	0	1	1	0	0.0
Netherlands [a]	300	308	412	272	256	258	254	12.7
Portugal	20	22	14	11	10	12	10	0.5
Slovakia	3	3	3	2	2	3	3	0.2
Slovenia	2	2	3	2	2	3	2	0.1
EPM-ECB	37	36	35	29	30	38	37	1.8
Total TARGET2 euro area [b]	**2,283**	**2,368**	**2,462**	**1,918**	**1,855**	**2,046**	**1,980**	**99.0**
Non-euro area	16	17	15	17	16	16	20	1.0
Total TARGET2 EU [b]	**2,299**	**2,385**	**2,477**	**1,935**	**1,871**	**2,062**	**1,999**	**100.0**
Euro1 [c]	**241**	**249**	**226**	**191**	**175**	**197**	**191**	

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.

Sources: Banque de France, European Central Bank.

Produced 19 February 2014

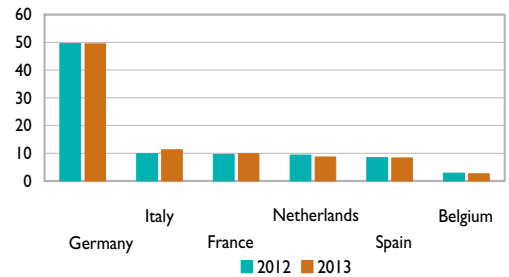
Table 36
Large-value payment systems – EU

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

	2010	2011	2012	2013	2013		2014	2014
					Nov.	Dec.	Jan.	Share
France	31,850	34,139	33,830	35,753	33,677	40,355	35,006	9.8
Germany	173,218	172,884	175,611	179,655	182,192	198,207	178,203	49.8
Austria	5,266	6,294	6,711	4,719	4,416	4,974	4,316	1.2
Belgium	9,454	10,265	9,955	9,322	9,340	10,199	9,153	2.6
Cyprus	466	515	613	872	841	811	610	0.2
Spain	29,195	29,509	29,760	30,105	28,523	31,351	28,653	8.0
Estonia	–	329	360	417	421	448	346	0.1
Finland	1,589	1,571	1,611	1,596	1,594	1,661	1,561	0.4
Greece	5,904	5,861	4,335	4,292	4,380	3,849	3,015	0.8
Ireland	4,961	4,376	4,012	3,589	3,627	4,121	3,581	1.0
Italy	33,649	33,643	34,837	40,711	40,331	47,218	43,733	12.2
Luxembourg	3,033	3,229	3,509	4,398	4,500	4,927	4,657	1.3
Malta	65	72	157	236	305	327	322	0.1
Netherlands [a]	33,304	32,490	33,144	31,300	29,498	32,139	28,197	7.9
Portugal	4,206	4,165	4,166	4,276	4,301	5,058	4,725	1.3
Slovakia	582	730	1,090	1,255	1,353	1,441	1,237	0.3
Slovenia	3,023	3,039	2,786	2,697	2,712	3,099	2,647	0.7
EPM-ECB	333	379	553	590	659	682	685	0.2
Total TARGET2 euro area [b]	**340,099**	**343,488**	**347,040**	**355,785**	**352,669**	**390,866**	**350,645**	**98.0**
Non-euro area	3,281	5,017	7,145	7,313	7,282	7,634	7,196	2.0
Total TARGET2 EU [b]	**343,380**	**348,505**	**354,185**	**363,099**	**359,951**	**398,500**	**357,842**	**100.0**
Euro1 [c]	**230,124**	**242,499**	**260,135**	**251,518**	**238,934**	**259,368**	**224,612**	

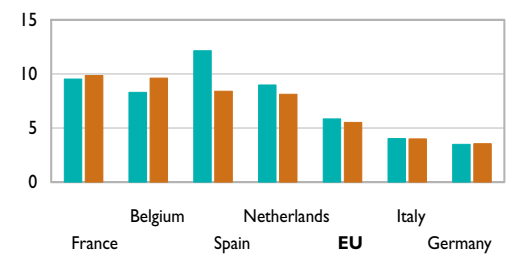
Market share of each financial centre in the TARGET2 system

(% of volumes exchanged)



Average transaction amount in the TARGET2 system

(EUR millions)



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

Sources: Banque de France, European Central Bank. *Produced 19 February 2014*

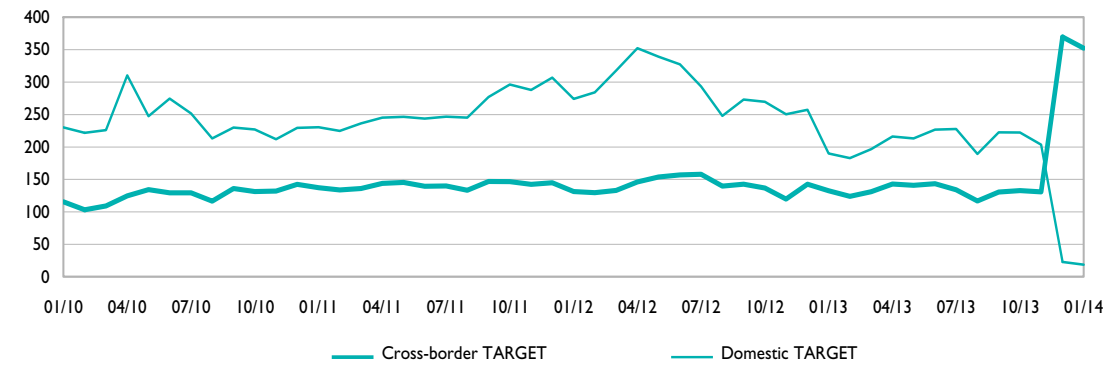
Table 37
Large-value payment systems – France

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

	2010	2011	2012	2013	2013			2013
					Oct.	Nov.	Dec.	Share
Collateral used in domestic TARGET [b]								
French negotiable securities	105.7	81.6	127.4	114.1	132.8	117.0	70.1	22.6
Private claims	149.8	146.4	189.9	180.7	169.8	167.9	167.0	53.8
Securities collateralised through CCBM	76.9	60.5	53.7	63.7	61.8	62.8	69.1	22.3
Other securities [c]	5.9	3.5	2.7	3.4	3.9	3.9	4.0	1.3
Total	**338.3**	**292.0**	**373.8**	**361.9**	**368.3**	**351.6**	**310.2**	**100.0**

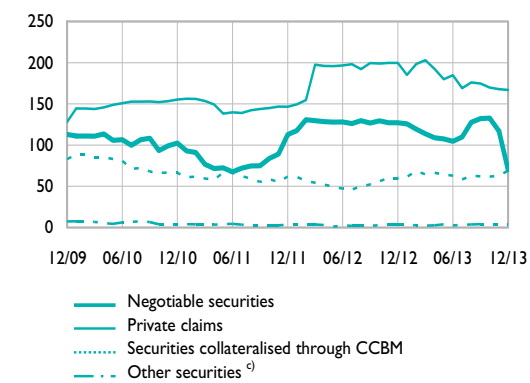
Monthly change in amounts exchanged in French payment systems [a]

(EUR billions, daily average)

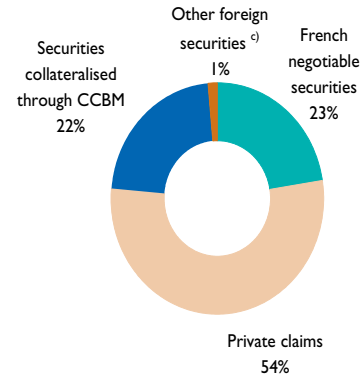


Monthly change in collateral [b]

(EUR billions, daily average)



Collateral used in December 2013 [b]



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

Source: Banque de France.

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