

AMF ANNUAL FINANCIAL CONVENTION – MADRID, 21 NOVEMBER 2016

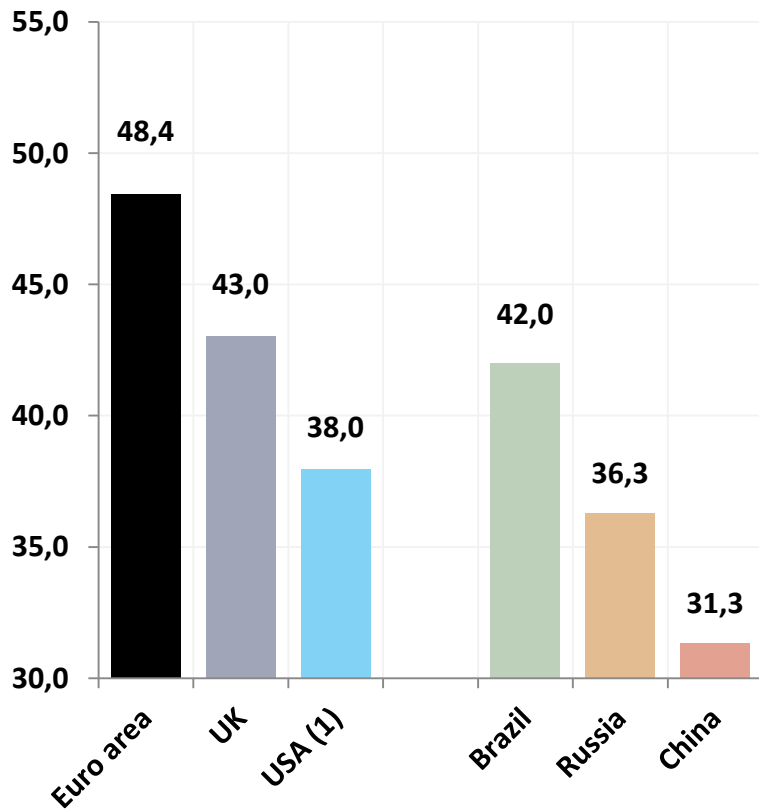
François Villeroy de Galhau, Governor of the Banque de France



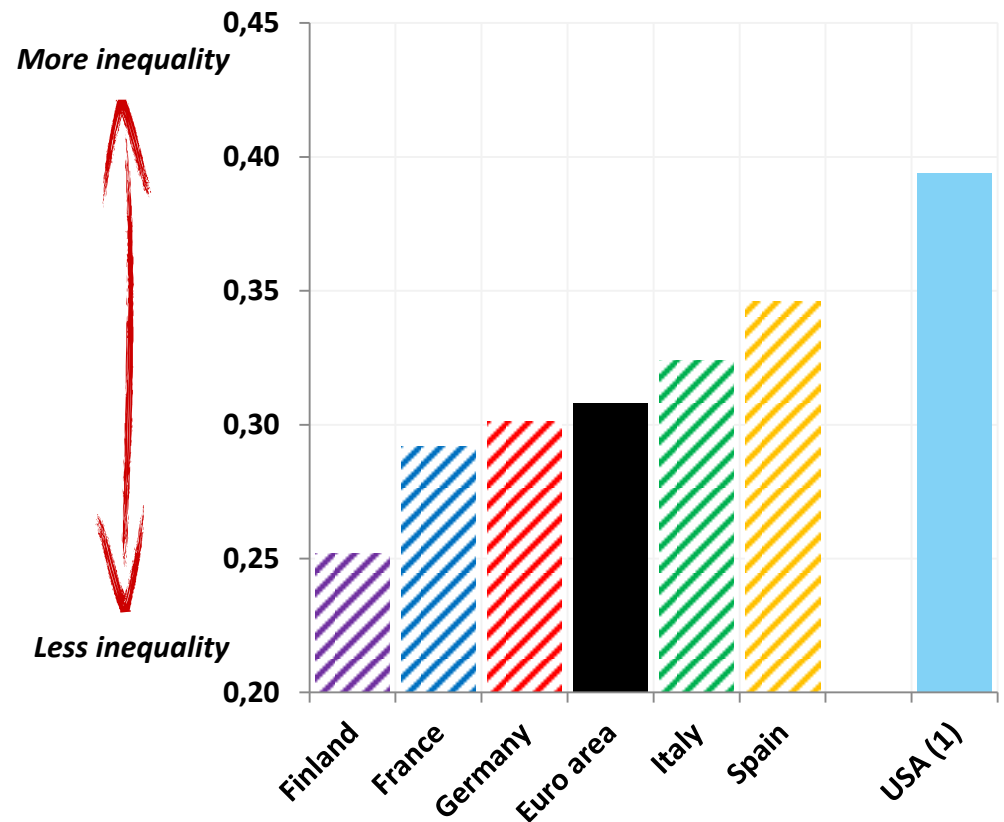
The European social model

- ✓ High standards of public service
- ✓ Relatively low levels of inequality

Government spending
% of GDP in 2015



Gini coefficient after tax and transfers
in 2015



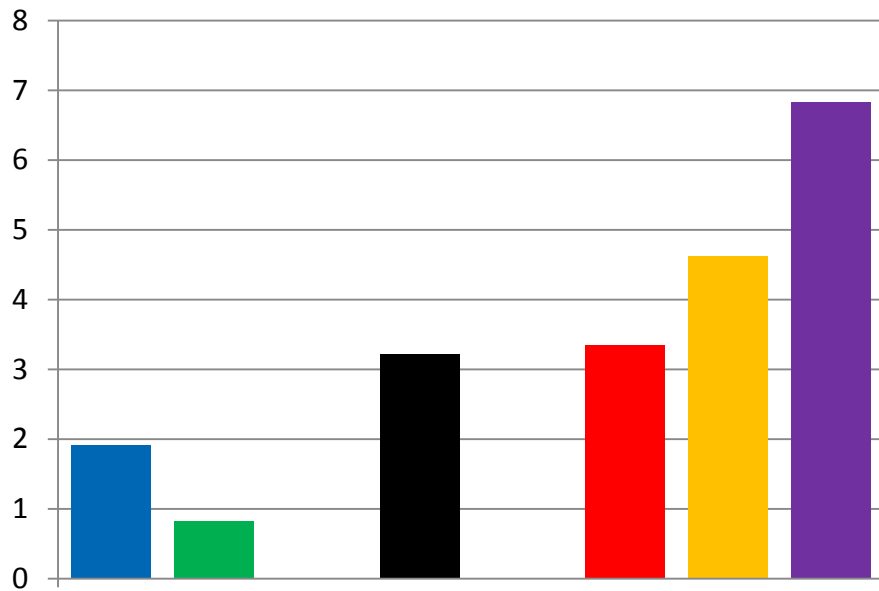
The need for reforms

Several European countries have succeeded in carrying out in-depth reforms:

- ✓ **Sweden** 1990s
- ✓ **Germany** 2000s
- ✓ **Spain** 2010s

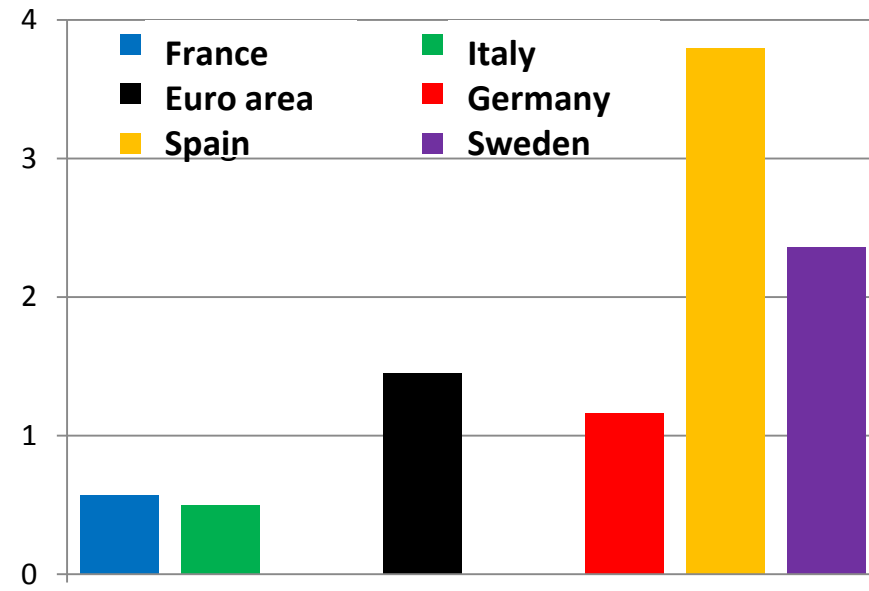
Progress made in 4 key areas (Enterprise, Employment, Education and Expenditure reduction) is delivering results today.

Aggregate GDP growth
2014 and 2015 (%)



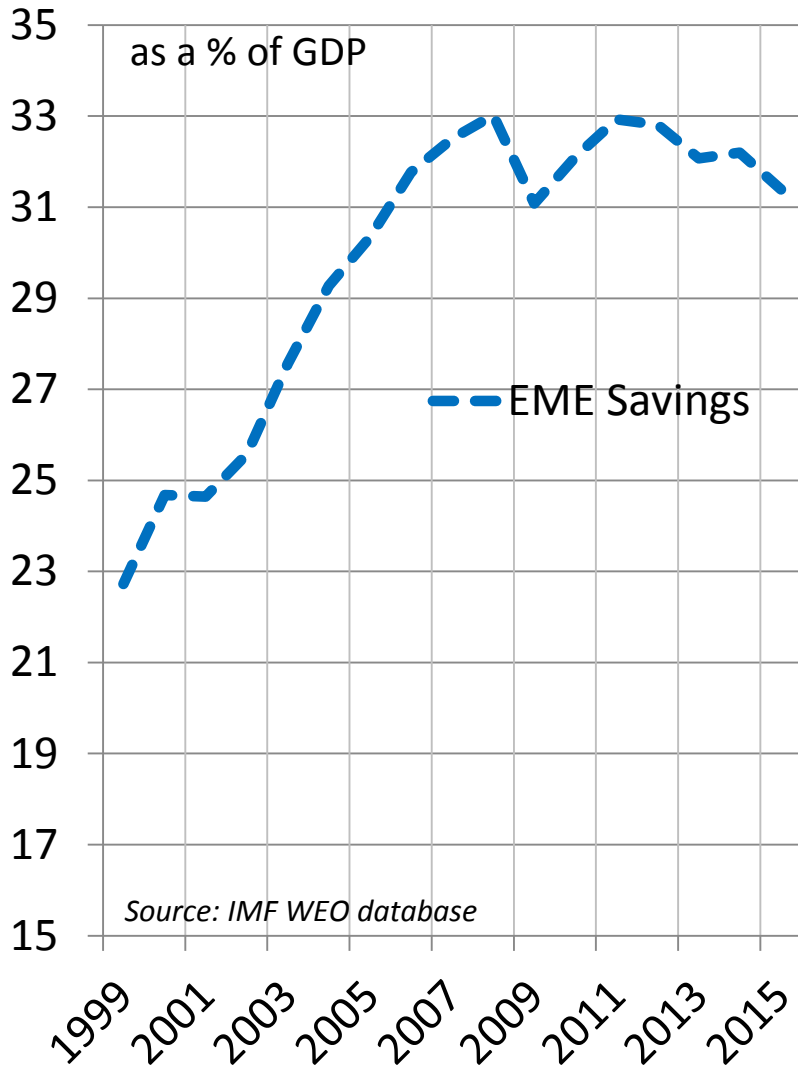
Source: Eurostat

Aggregate growth in market sector employment, 2014 and 2015 (%)

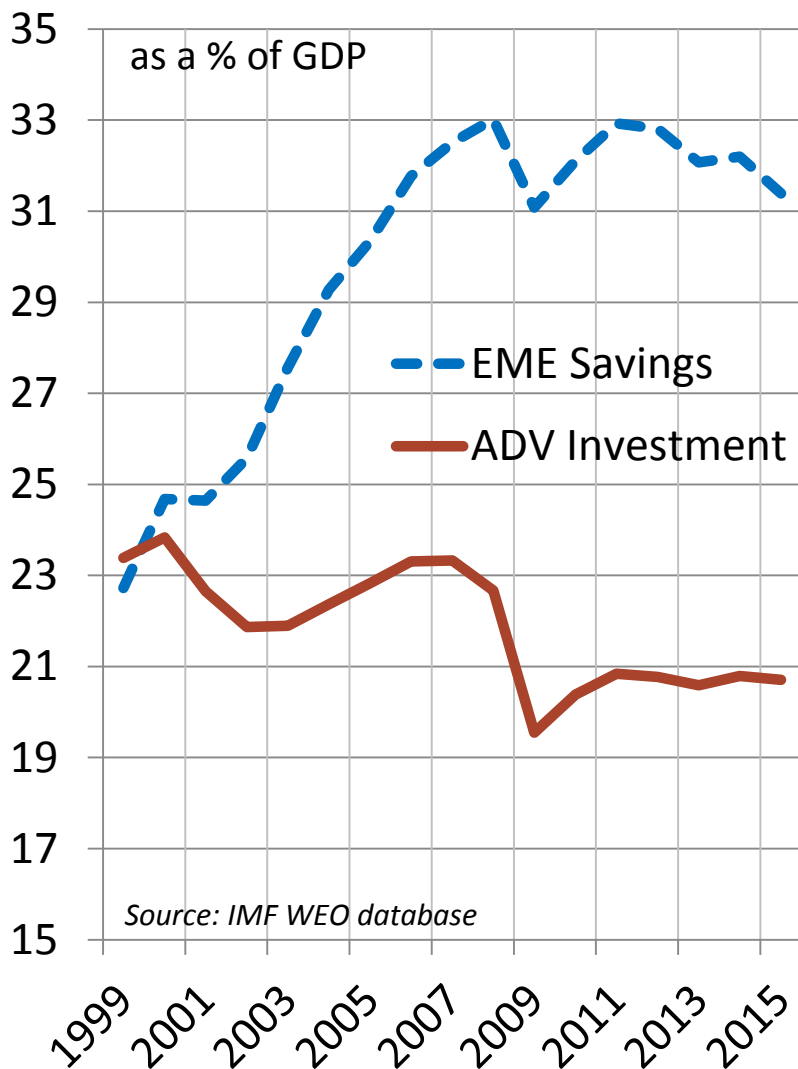


From the saving glut...

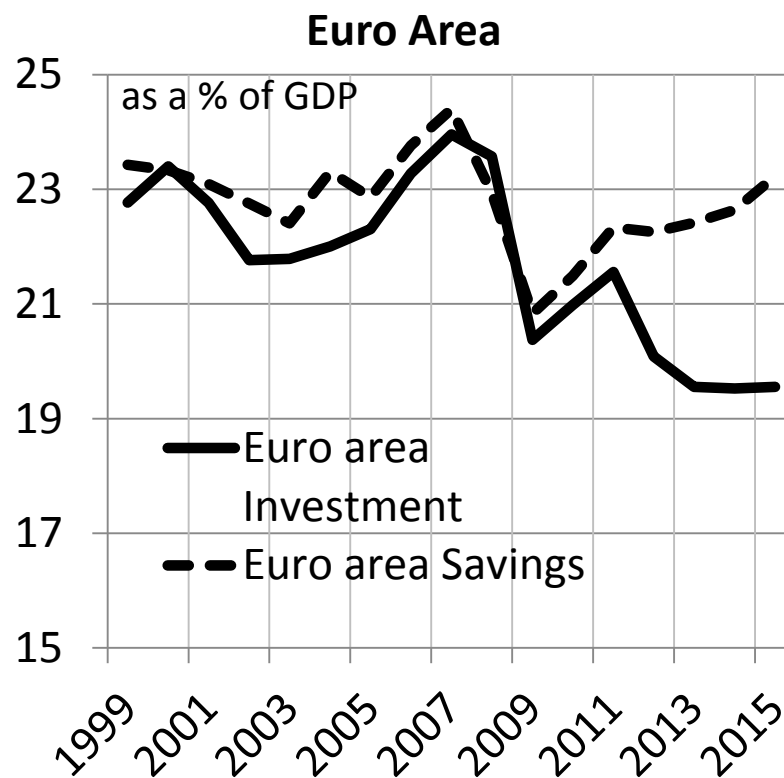
EMEs' saving glut in the 2000s...



...to the investment crunch

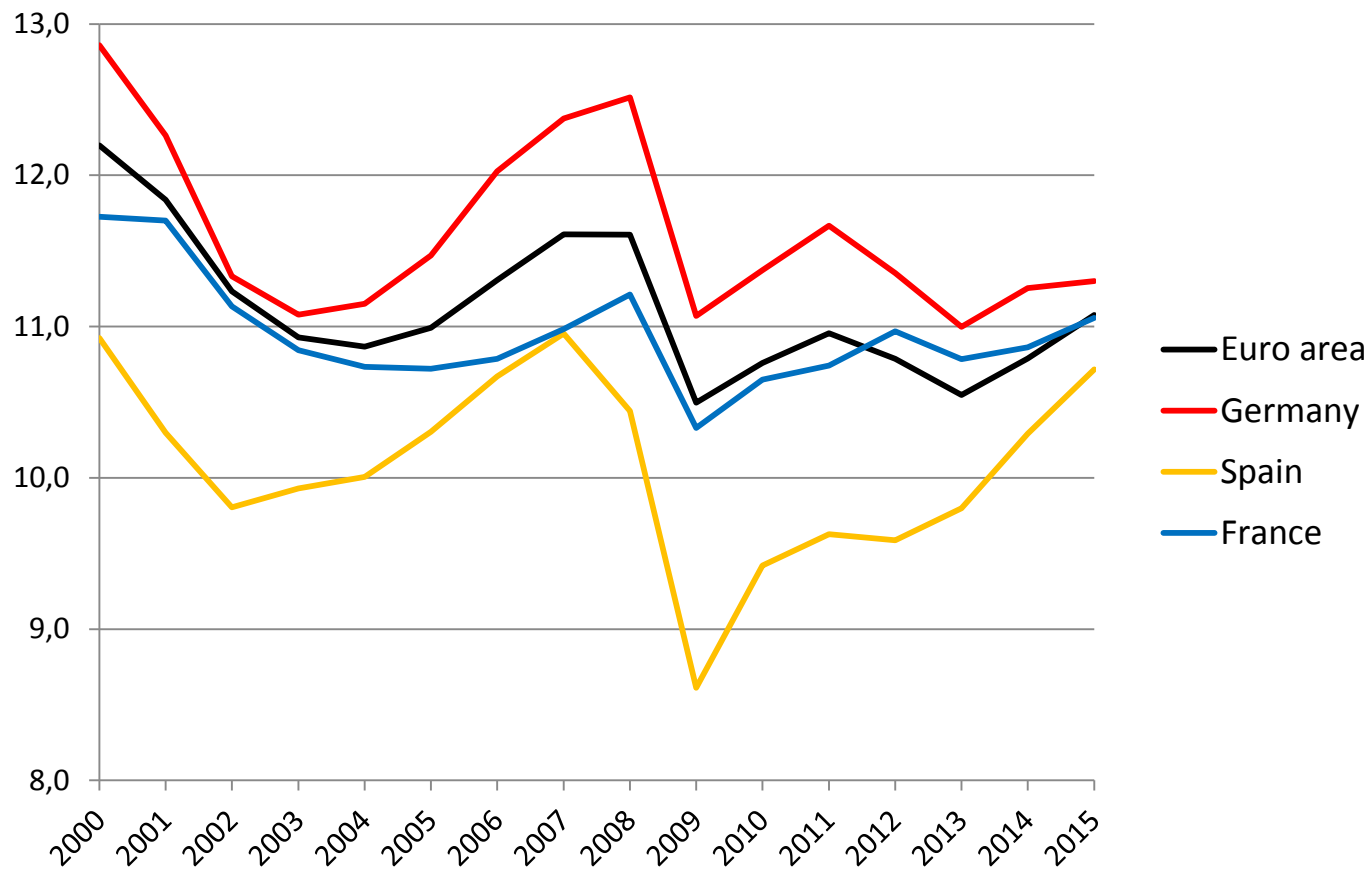


EMEs' saving glut in the 2000s...
and/or
ADV's investment crunch now



Productive investment rate in the total economy

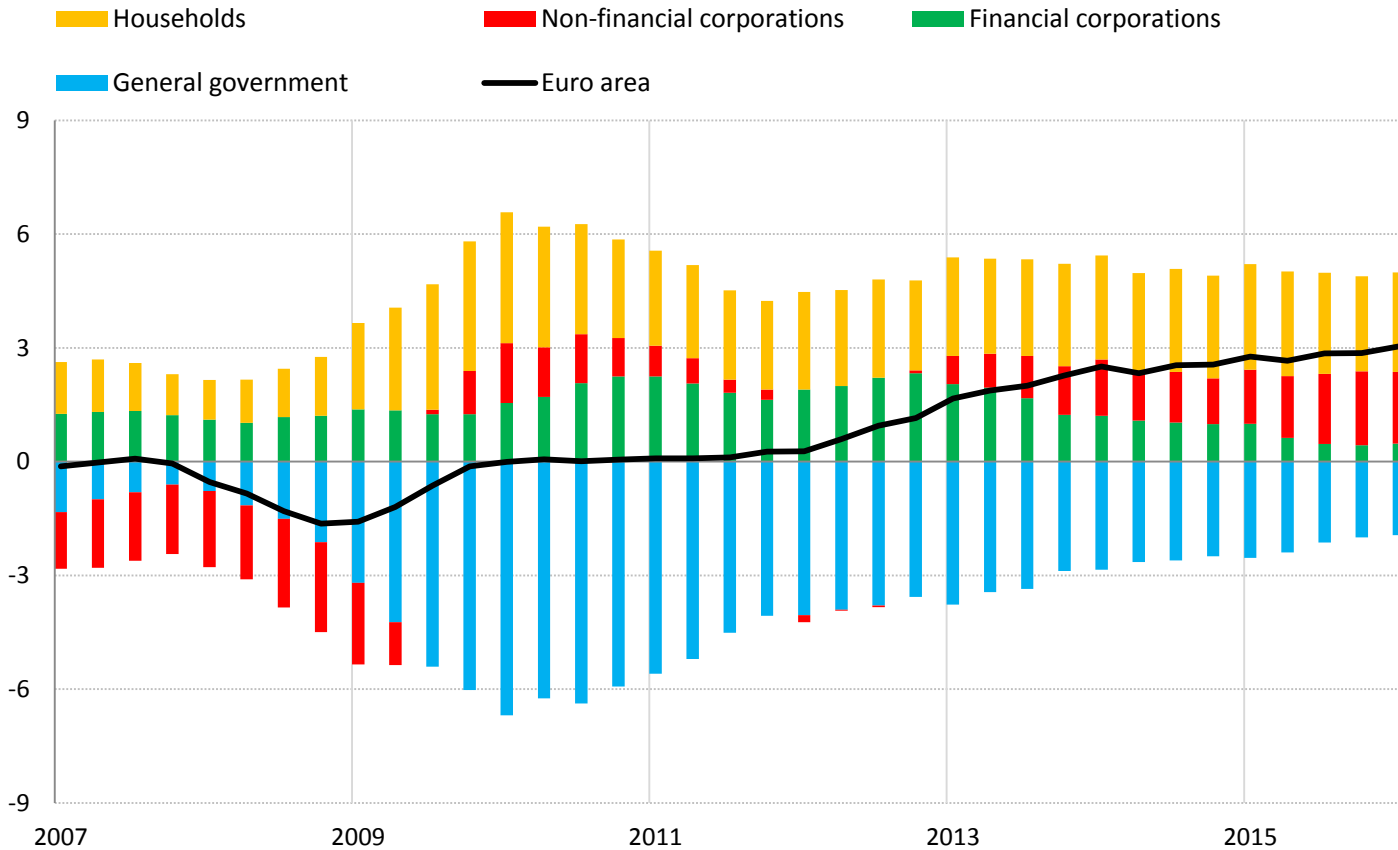
GFCF in machinery and equipment and intellectual property in % of value added, in value terms



Source: Eurostat, BdF calculations.

A significant change in businesses' behaviour

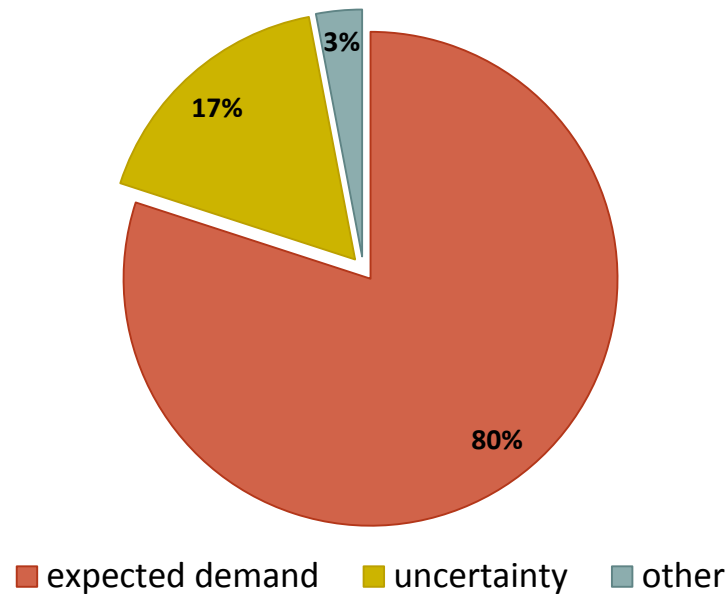
Euro area net lending/net borrowing percentage of GDP, 4-quarter averages



Source: Eurostat/ECB, latest observation: 20016Q2.

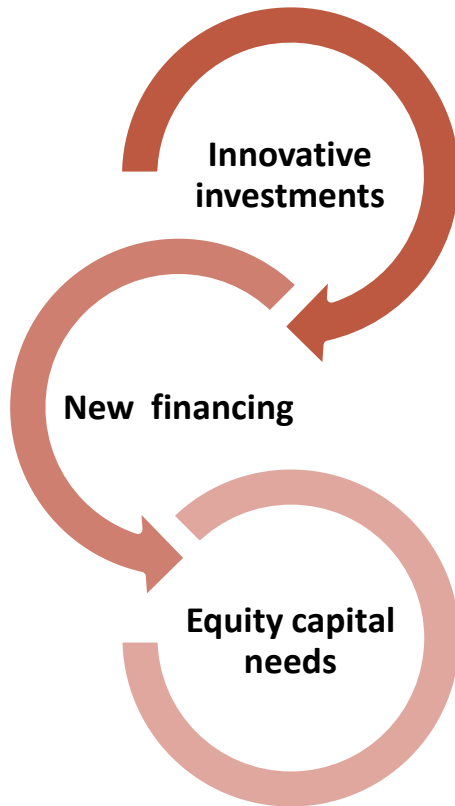
Determinants of business investment growth

Contribution to the business investment slowdown, panel of 22 advanced economies, 1996-2014

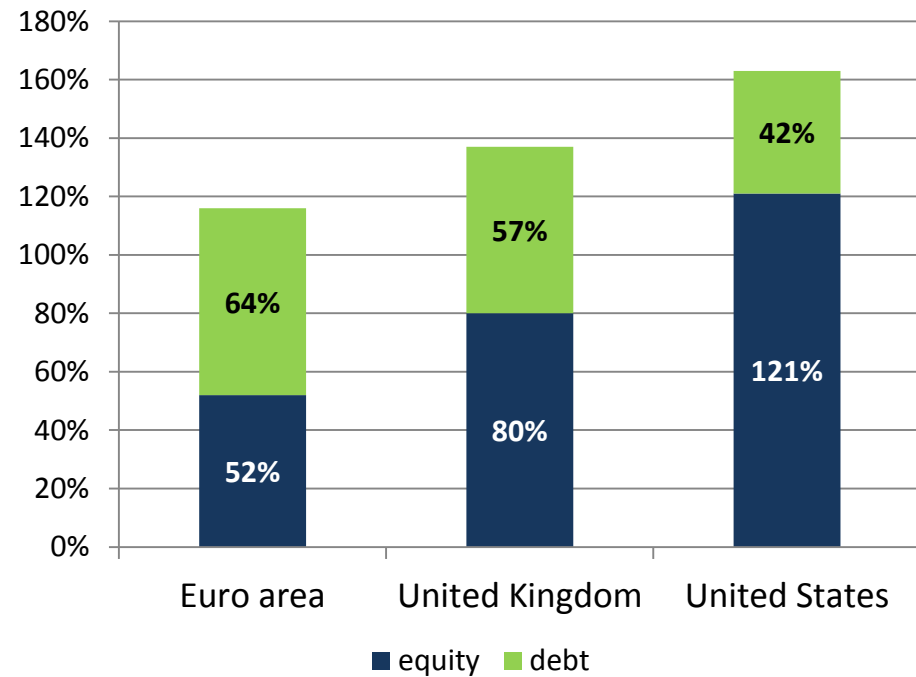


Source: Matthieu Bussière, Laurent Ferrara and Juliana Milovich, 'Explaining the recent slump in investment: the role of expected demand and uncertainty', Banque de France WP n°571, September 2015.

Financial levers: Europe is lagging behind



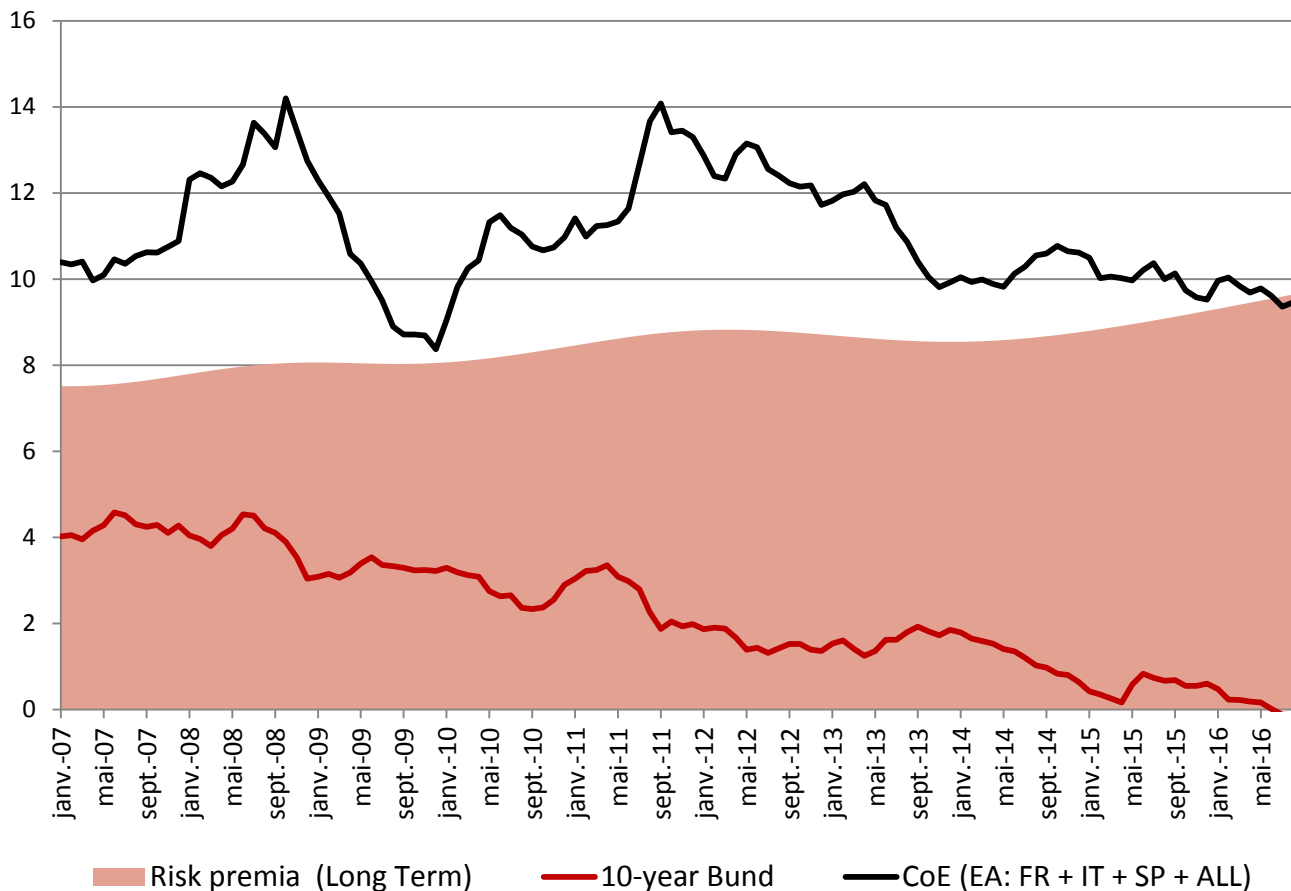
NFC liabilities: net equity capital and financial debt as a % of GDP



Source: Banque de France; data as of 31 Dec. 2015

Cost of equity in the euro area

in %



Source: Banque de France.

A “Financing and Investment Union”

- Capital Markets Union + Juncker Plan + Banking Union
- Better channel abundant European savings (current account surplus of EUR 350 bn / year) towards productive investment across borders



A collective economic strategy

- Combine more structural reforms (France, Italy) and more fiscal support (Germany)
- An institution fostering confidence: the euro area Finance Minister



In the longer term, a European fiscal capacity

- A euro area stabilisation tool: unemployment insurance scheme
- A means to finance certain « European public goods »
- The ability to issue common debt and even raise taxes