Savings glut or...

**Euro Area**

- EME Savings

**EMEs’ saving glut in the 2000s...**

- Euro area Savings

Source: IMF WEO database
Savings glut or... investment dearth?

EMEs’ saving glut in the 2000s... and/or
ADVs’ investment dearth now?

Source: IMF WEO database
What evidence? Total investment

Total investment as a share of GDP
IMF WEO data, October 2016 (% of GDP)
What evidence? Business investment

Decomposition of the investment slump, 2008-14
average percent deviation from spring 2007 forecasts

Productive investment rate in the total economy
GFCF in machinery and equipment and intellectual property in % of value added, in value terms

Source: IMF WEO Chapter 4 ‘Private investment: what’s the holdup?’, April 2015.

1 Greece, Ireland, Italy, Portugal, Spain.

Source: Eurostat, BdF calculations.
What evidence? Businesses’ behaviour

Non-financial corporations retained earnings and investment
EUR bn. 4-quarter averages, euro area

- Red: Gross fixed capital formation
- Green: Retained earnings (LHS)
- Black: Net lending (+) / net borrowing (-)

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

- Yellow: Households
- Red: Non-financial corporations
- Green: Financial corporations
- Blue: General government

Source: Eurostat/ECB, latest observation: 20016Q2.
Opinion on obstacles to investment
Proportion of respondents (as a %), sample of SMEs located in France

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

What causes? Financial levers: cost of equity

Cost of equity in the euro area
in %

Source: Banque de France.
What causes? Financial levers: the US situation

Share buybacks and dividends and productive investment, United States

Source: S&P, BEA, BdF calculations.

Note: the chart tracks S&P 500 companies’ quarterly spending on share repurchases and dividends, as a percentage of reported operating profit. It started in the second quarter of 2009 when stocks started to recover.

Productive investment includes equipment and intellectual property and excludes residential and structures investment. It does not incorporate the oil sector investment (item “mining” in Structures).
What causes? Financial levers: Europe is lagging behind

**Innovative investments**

**New financing**

**Equity capital needs**

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

- **Euro area**: 52% equity, 42% debt
- **United Kingdom**: 80% equity, 57% debt
- **United States**: 121% equity, 42% debt

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