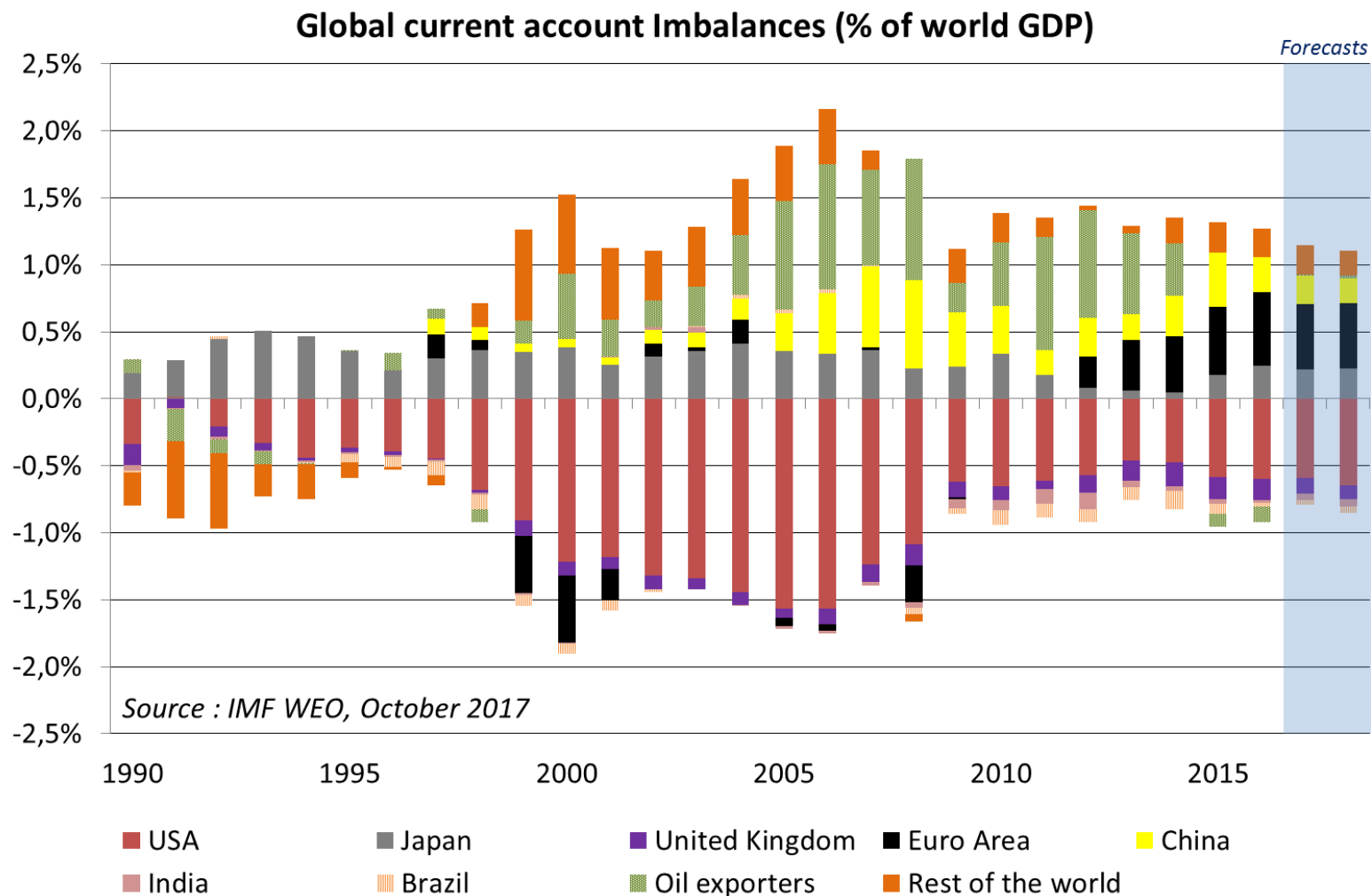




**EXTERNAL IMBALANCES:
CHALLENGES AND
POLICY RESPONSES**

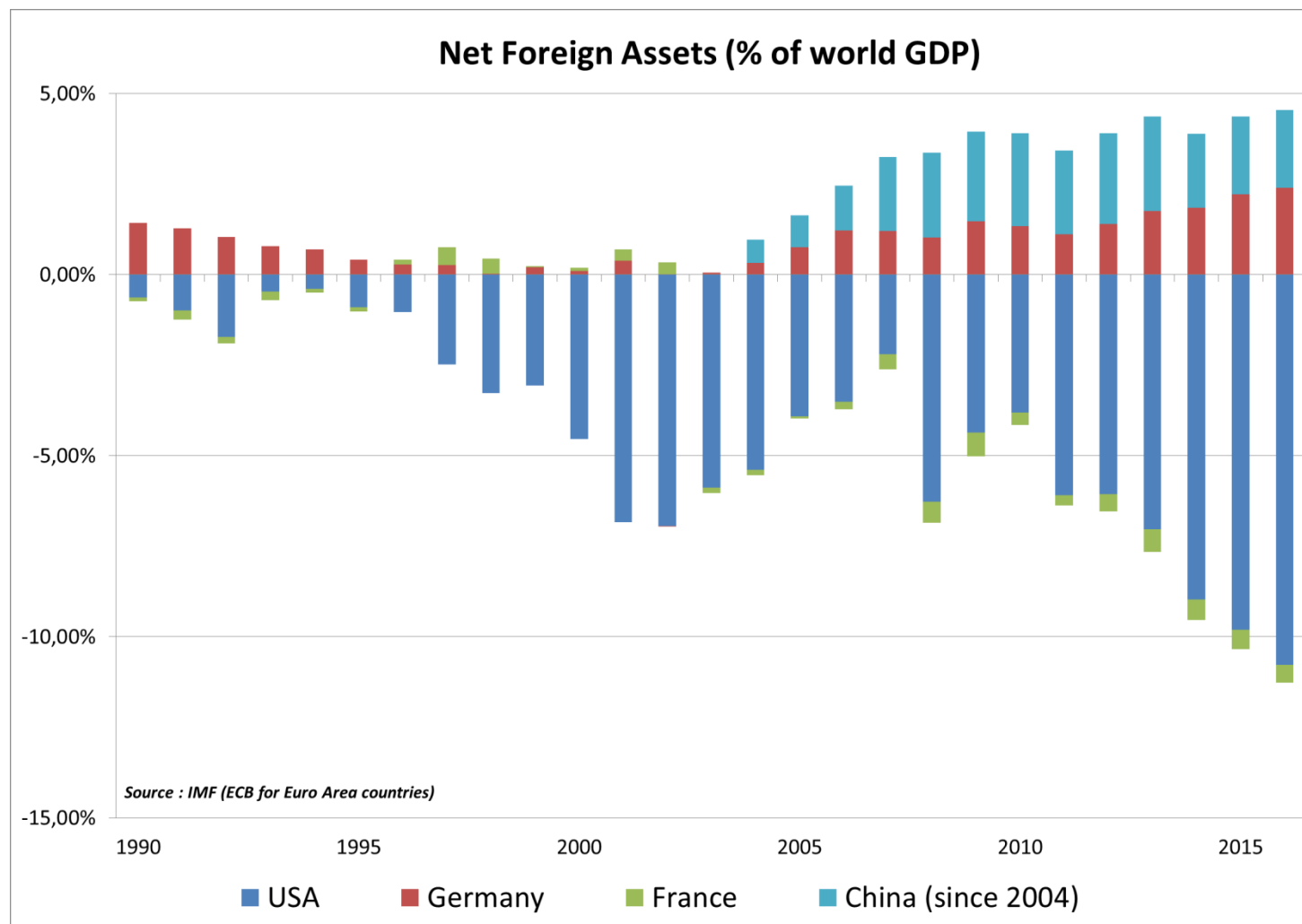
**FRANÇOIS VILLEROY DE GALHAU
GOVERNOR OF THE BANQUE DE FRANCE**

RECENT TRENDS IN GLOBAL IMBALANCES

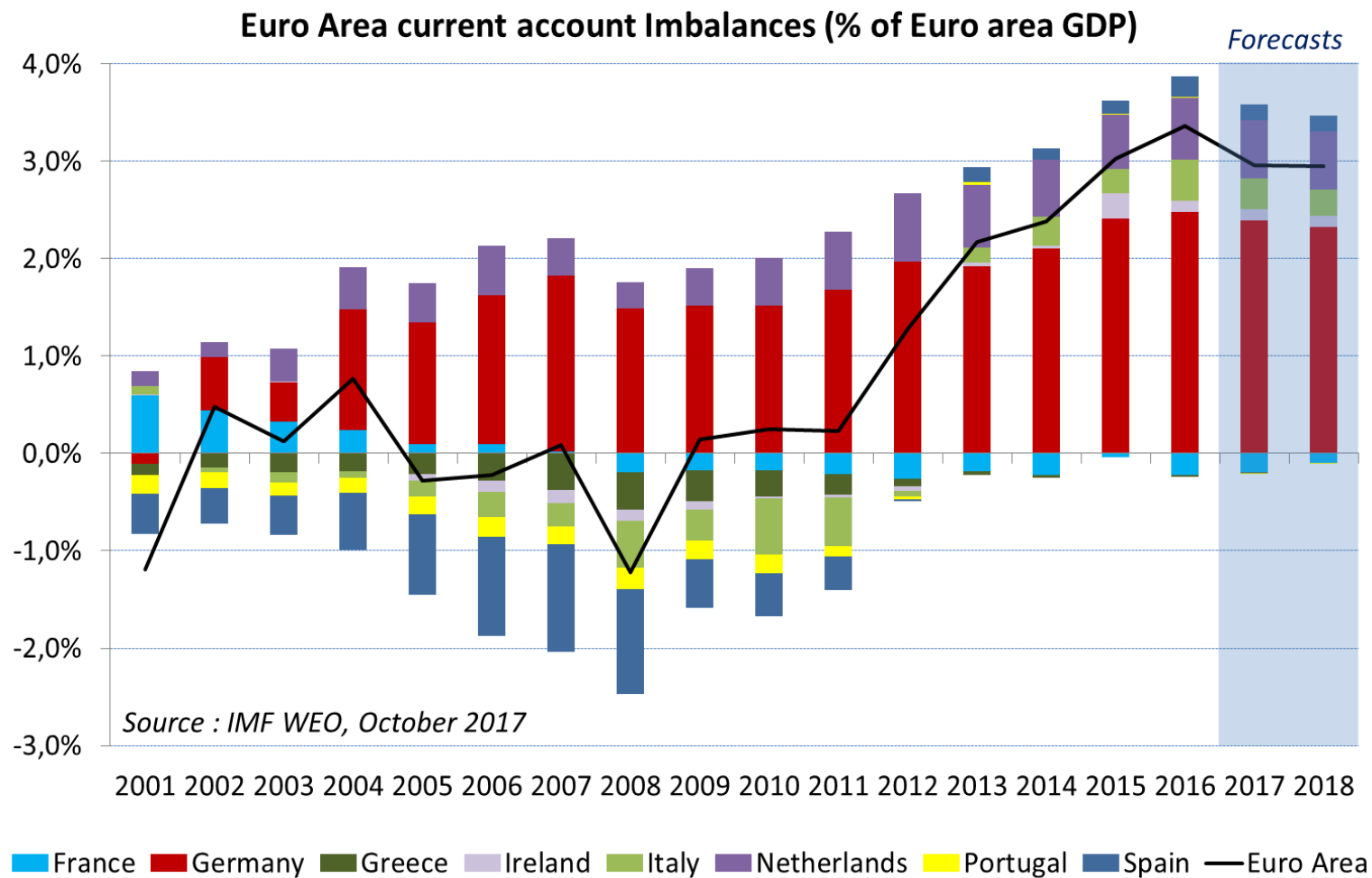




EVOLUTION OF NET INTERNATIONAL INVESTMENT POSITIONS

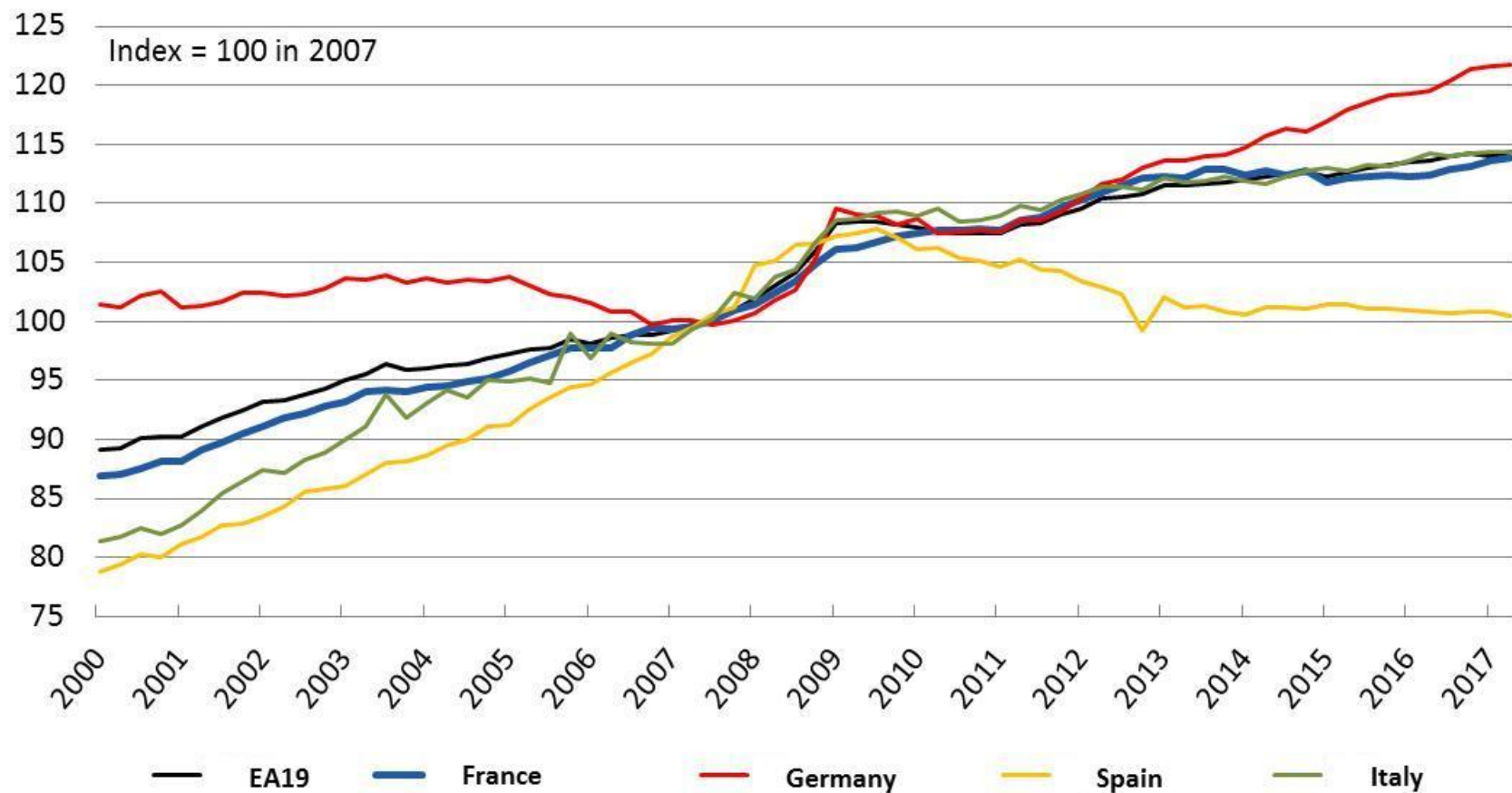


FOCUS ON EURO AREA IMBALANCES



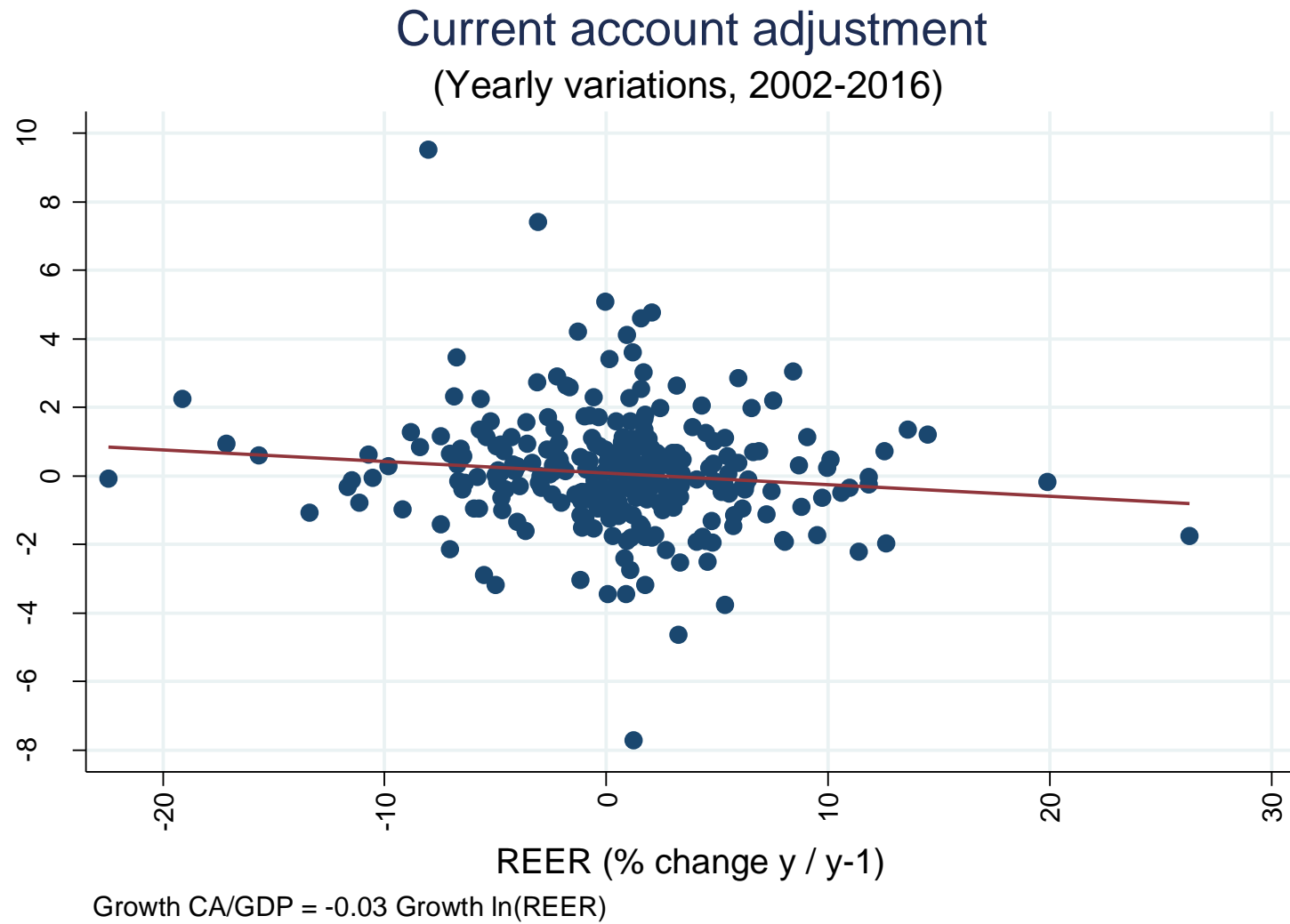


EVOLUTION OF UNIT LABOR COSTS IN THE EURO AREA



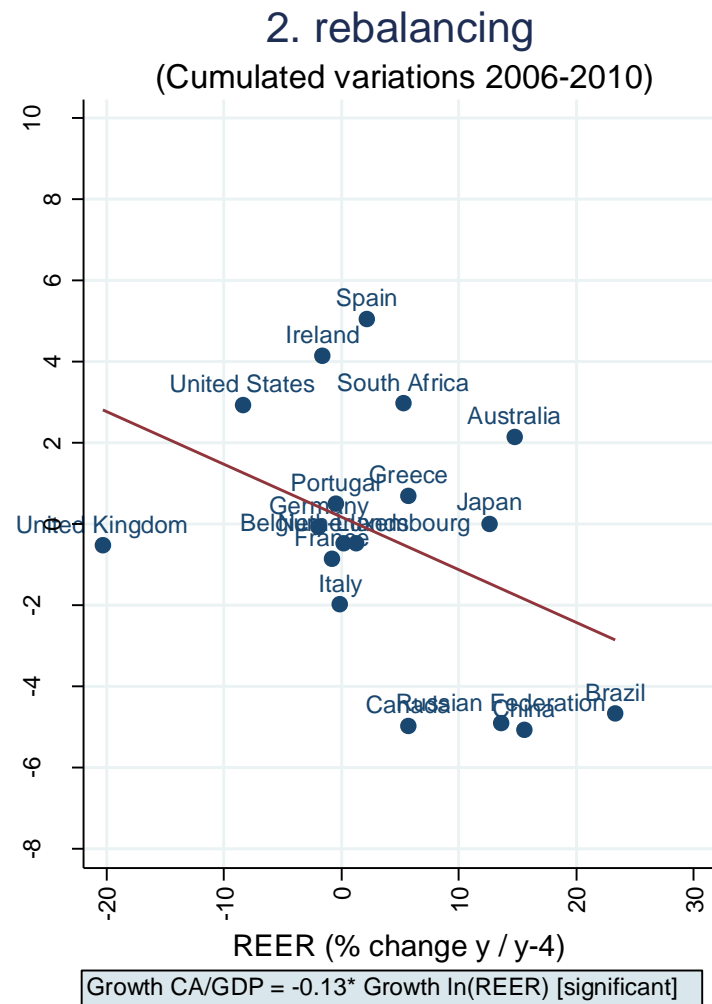
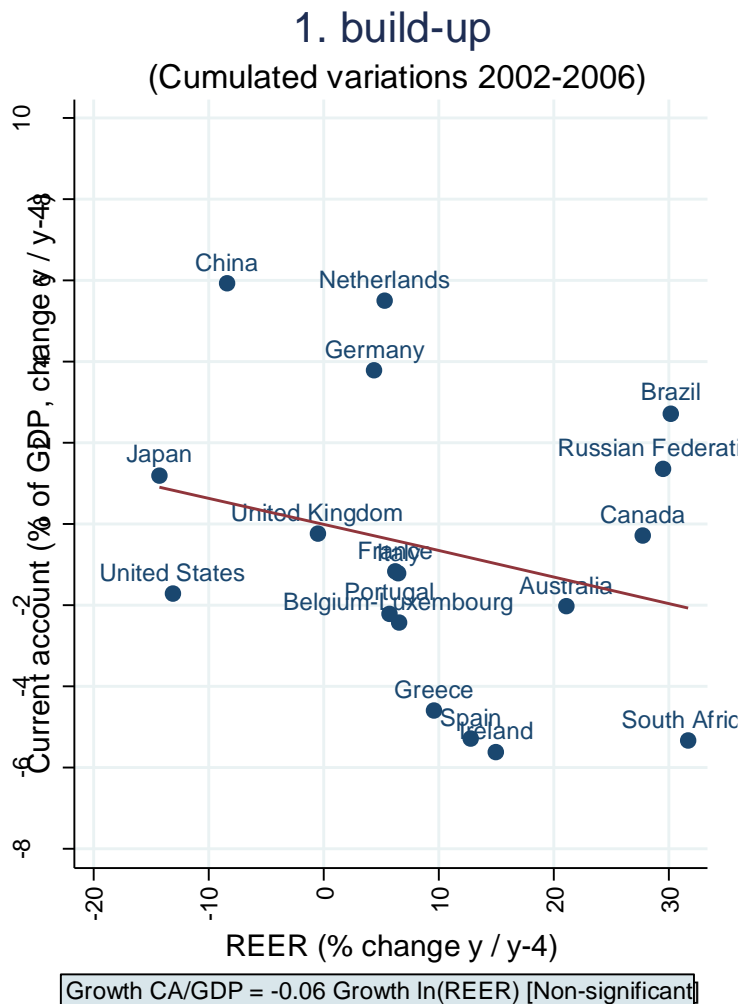


YEARLY VARIATIONS OF THE CURRENT ACCOUNT ARE WEAKLY RELATED TO REER CHANGES





STRONGER RELATION BETWEEN CURRENT ACCOUNTS AND REER DURING REBALANCING



Source: Banque de France calculations based on IMF data. * Indicates statistical significance.



EXTERNAL POSITIONS HAVE WIDENED, BOTH NET AND GROSS

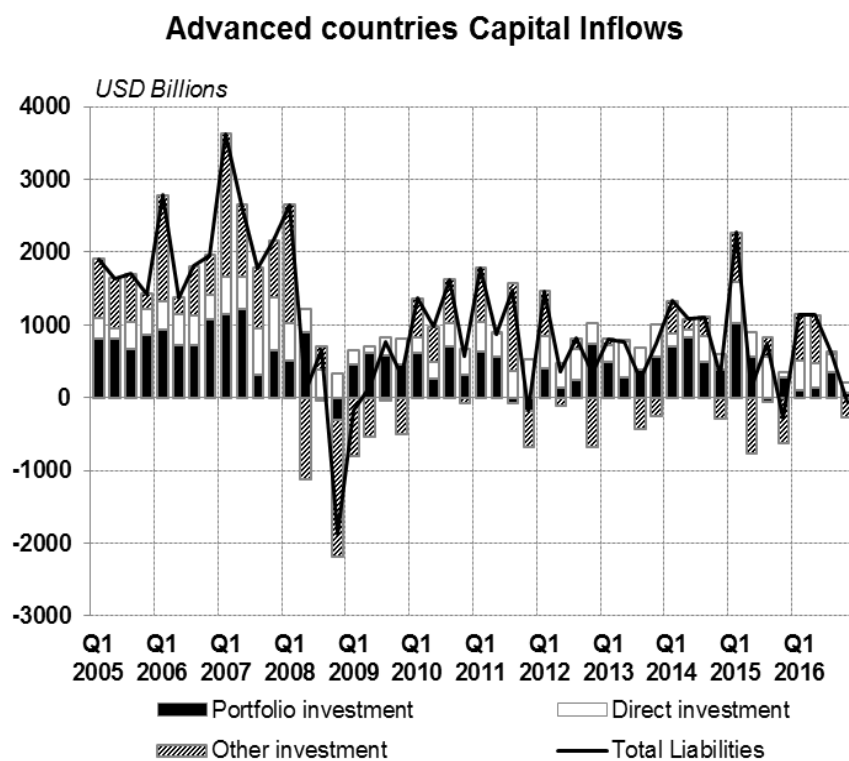
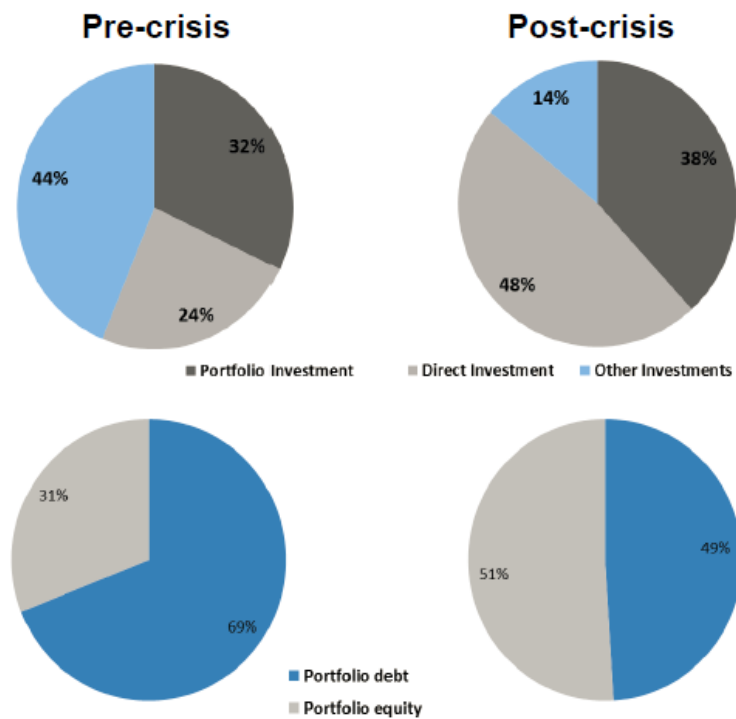
Evolution of **gross positions** (mean of IIP assets + liabilities), % of GDP

Year	US	DE	FR	ES	EZ
1995	55.2	63.5	86.3	53.8	
2000	81.8	138.5	159.3	106.5	103.2
2005	109.1	169.2	211.5	135.7	128.6
2010	153.9	243.1	294.8	170.0	190.9
2015	149.5	229.4	296.5	194.7	232.0

Evolution of **net positions** (NIIP), % of GDP

Year	US	DE	FR	ES	EZ
1995	-3.6	5.1	-2.3	-18.9	
2000	-14.9	1.6	2.2	-35.1	-6.3
2005	-14.2	12.6	-1.5	-55.9	-9.5
2010	-16.8	25.9	-8.6	-89.2	-13.7
2015	-41.4	47.7	-15.4	-88	-11.9

Composition of global financial flows



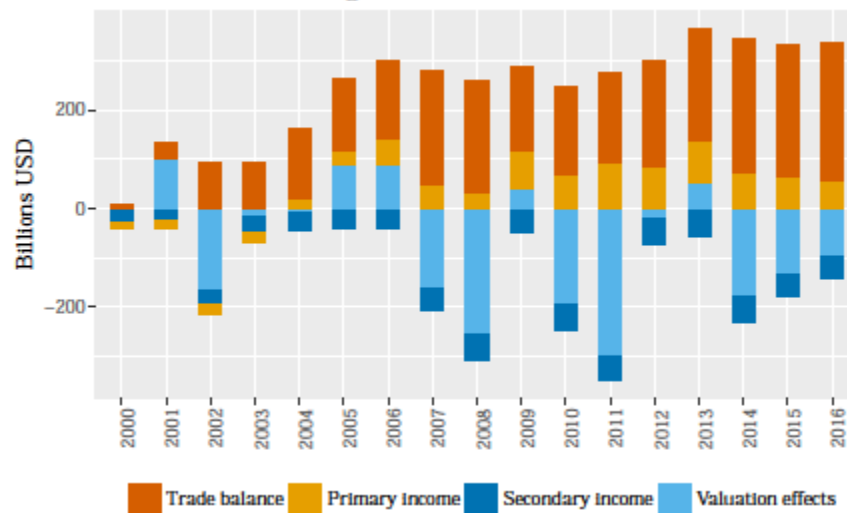


VALUATION EFFECTS AND INCOME FLOWS ARE INCREASINGLY DRIVING NET EXTERNAL POSITIONS

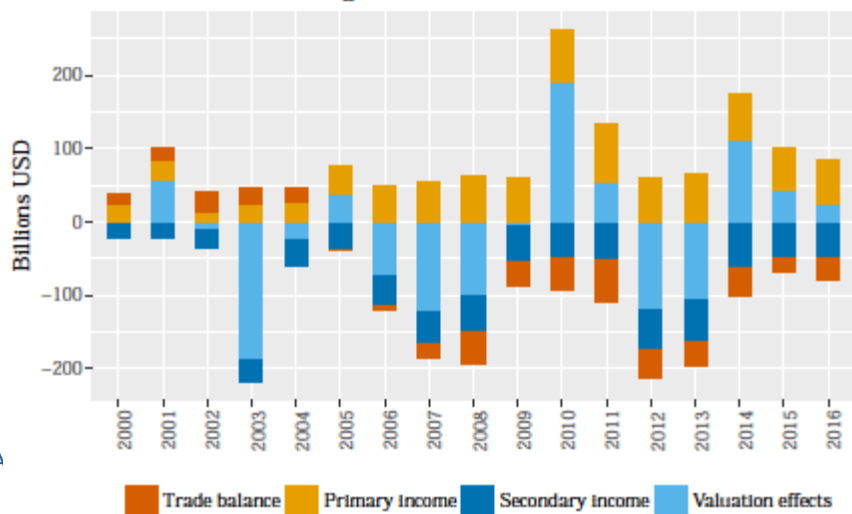
Contribution to changes in NIIP – US



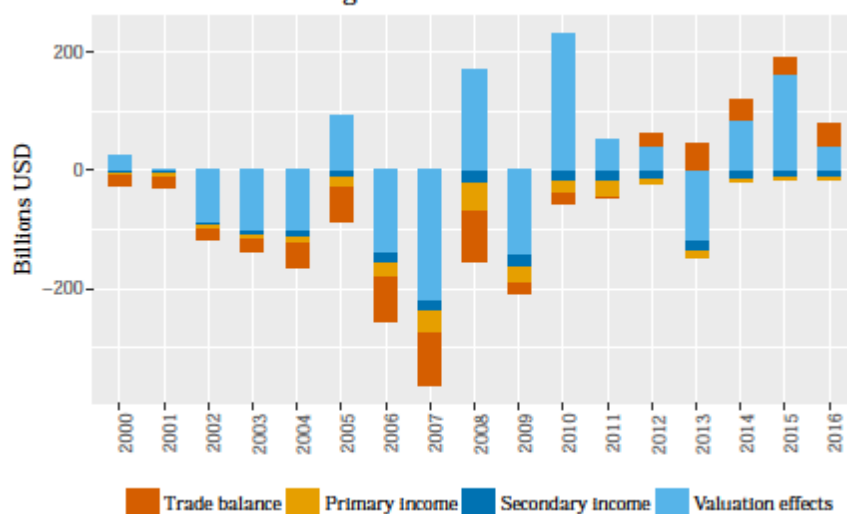
Contribution to changes in NIIP – DE



Contribution to changes in NIIP – FR



Contribution to changes in NIIP – ES





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