



Navigating a changing weather

Meeting with Observatory Group
New York City

June 10, 2019

Denis BEAU
First Deputy Governor

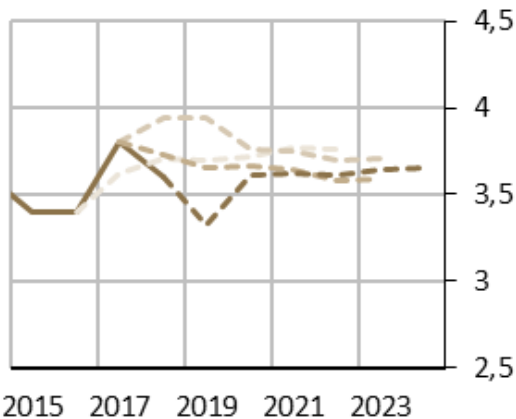


Uncertain prospects

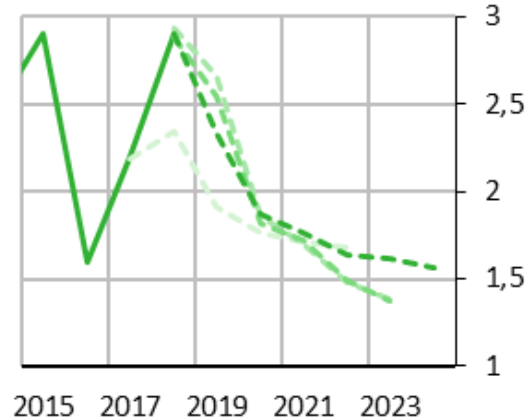
- IMF revising down growth over the past year...
- ... against the backdrop of unabated (economic, political & geopolitical) uncertainties...
- ... leading central banks to adopt a (relatively) more accommodative stance over monetary policy

Growth forecast
(annual GDP growth, %)

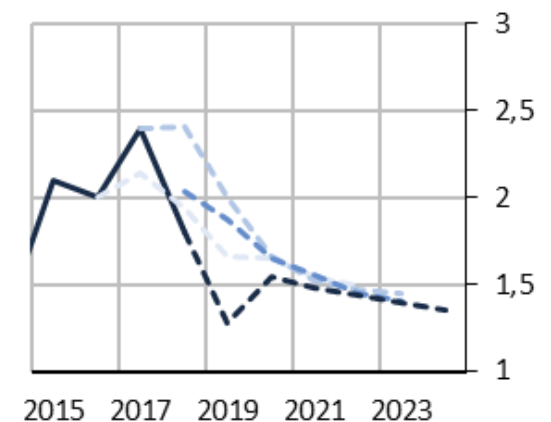
World



US



Euro area

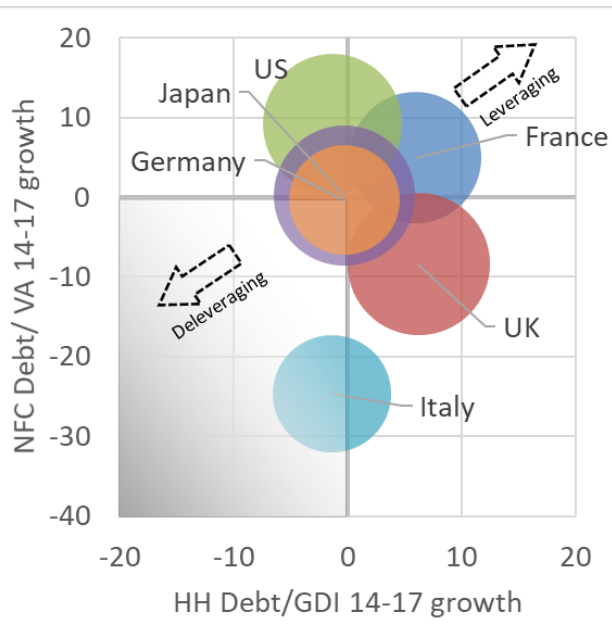


Source: IMF (WEO)

Side effects of low for longer

- Non-financial actors leveraging up and financial actors prone to more risk taking

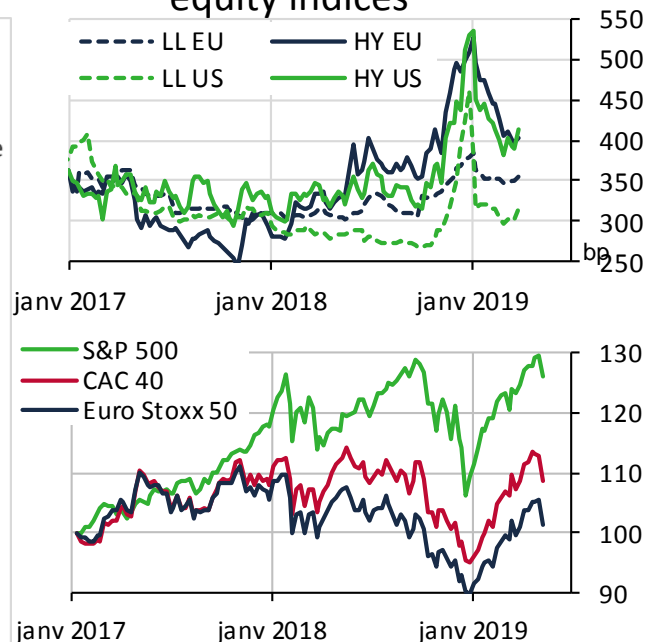
Growth in NFCs and households indebtedness



Source: OECD

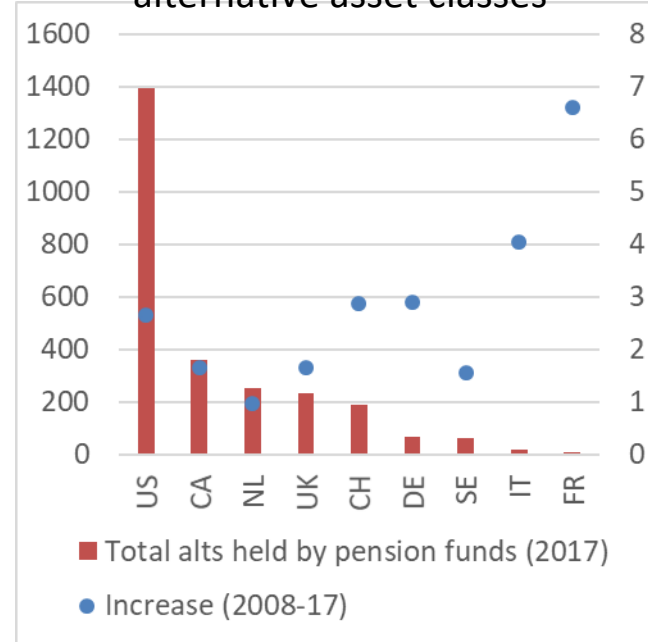
Note: 2014-2017 growth in NFC and households debt; the size of the circle is proportional to total non financial agents's debt in % of GDP

Corporate debt spreads and equity indices



Source: Bloomberg

Allocation of pension funds to alternative asset classes

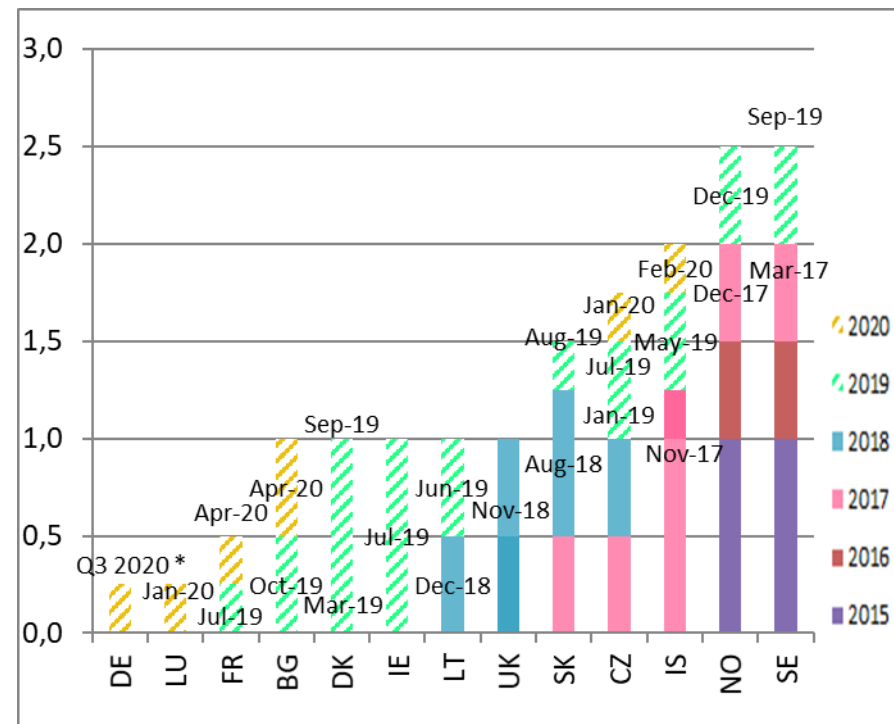


Source: Ivashina & Lerner (2018) based on Perquin
Note: Total allocation to alternative asset classes by pension funds; increase expressed as 2017 amount divided by 2008 amount

Deploying a macroprudential response

- Macroprudential policy could seek to help preventing excesses...
 - soft intervention (communication)
 - hard intervention (e.g. in France: art. 458 / corporate debt)
- ... but action mostly geared toward building up resilience and room for manoeuvre ahead of the next crisis
 - CCyB to be raised in good times and to be relaxed when facing risks of credit crunch
 - a complement to monetary policy now and in the future

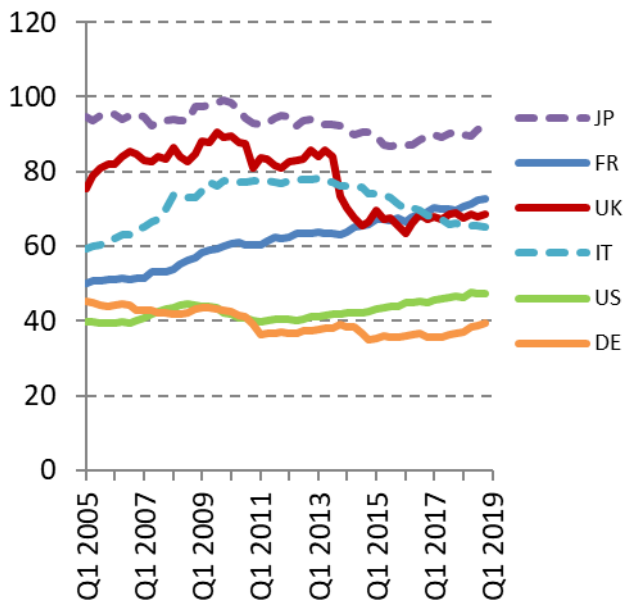
CCyB implemented in EU and EEA jurisdictions



NFCs taking on debt – low interest rate curse and roll over risk

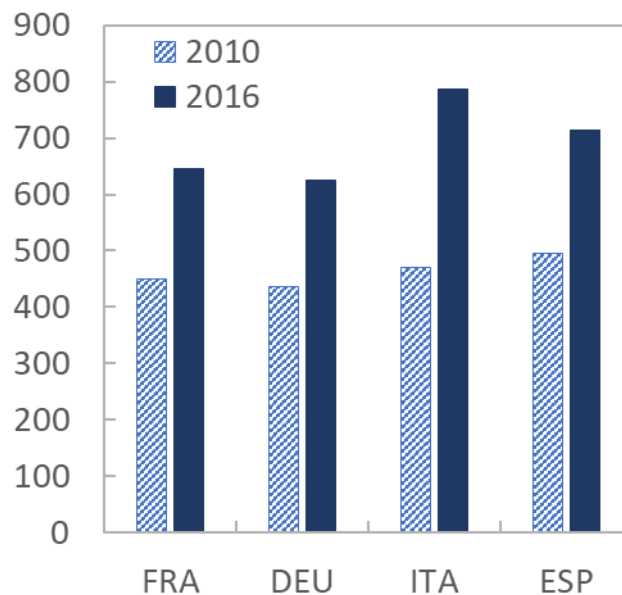
- French NFCs have more debt but this is partly a composition effect
- Leveraging up in the corporate sector should be approached and addressed as a global development

NFCs indebtedness



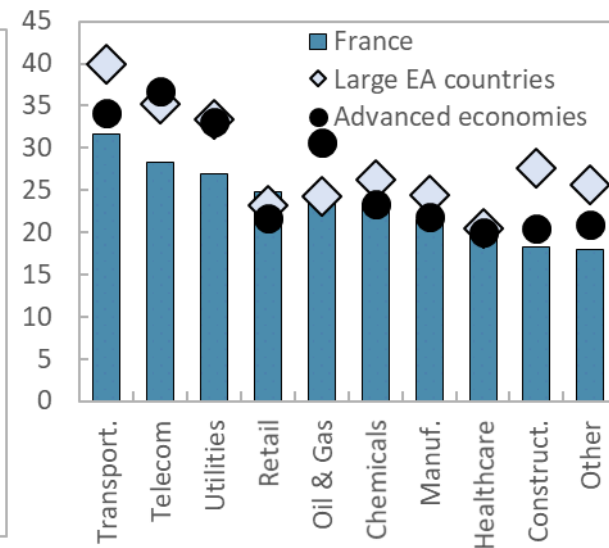
Source: OECD
Note: NFC debt as % of GDP

Debt to EBIT



Sources: Worldscope and IMF staff estimations.

Average debt to assets

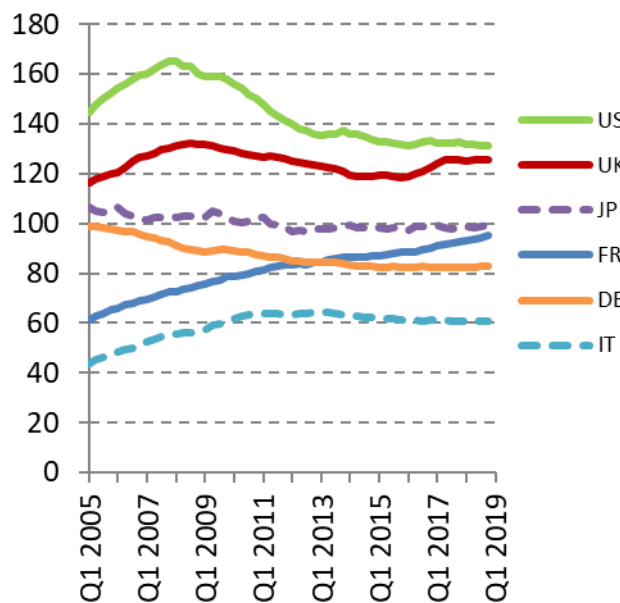


Sources: Worldscope and IMF staff estimations.

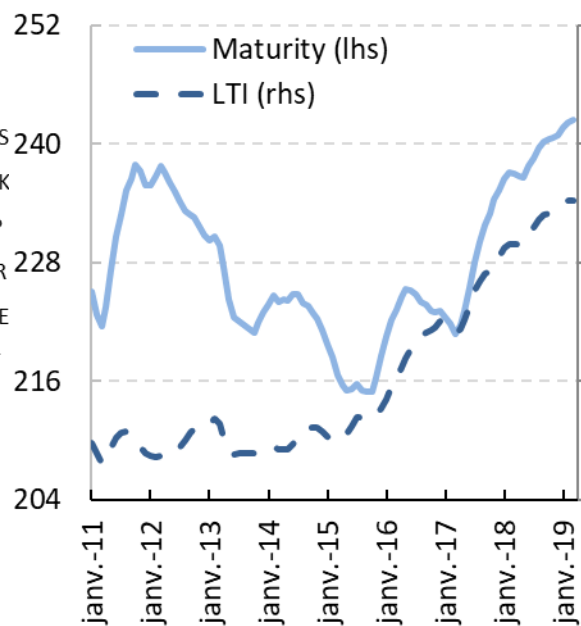
Households mortgaging up – at what cost?

- Households' debt at average level and credit risk well under control thanks to structural features...
- ... but debt-to-income ratio keeps growing on the back of a gradual shift toward laxer credit conditions, raising medium term sustainability concerns

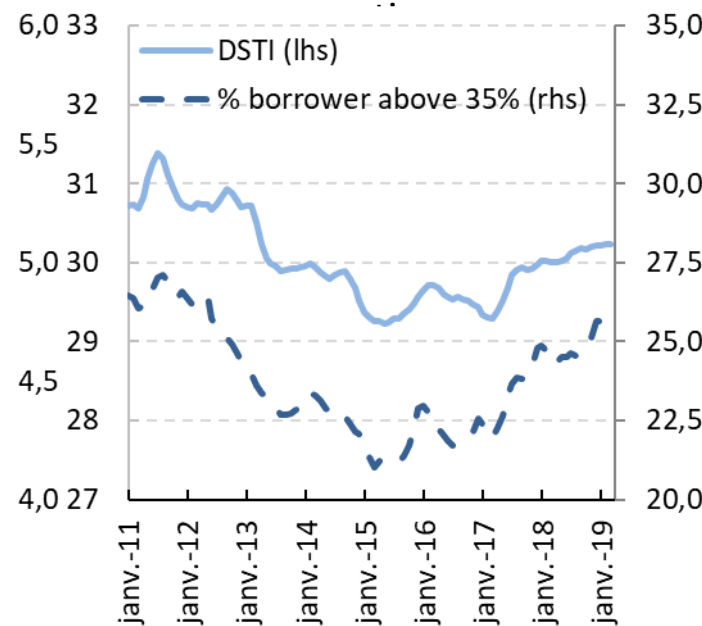
Households indebtedness



Loan maturity at origination



Average debt service to income



Source: OECD

Source: Banque de France, ACPR

Source: Banque de France, ACPR