

RE-ACTIVATING THE INVESTMENT CHANNEL

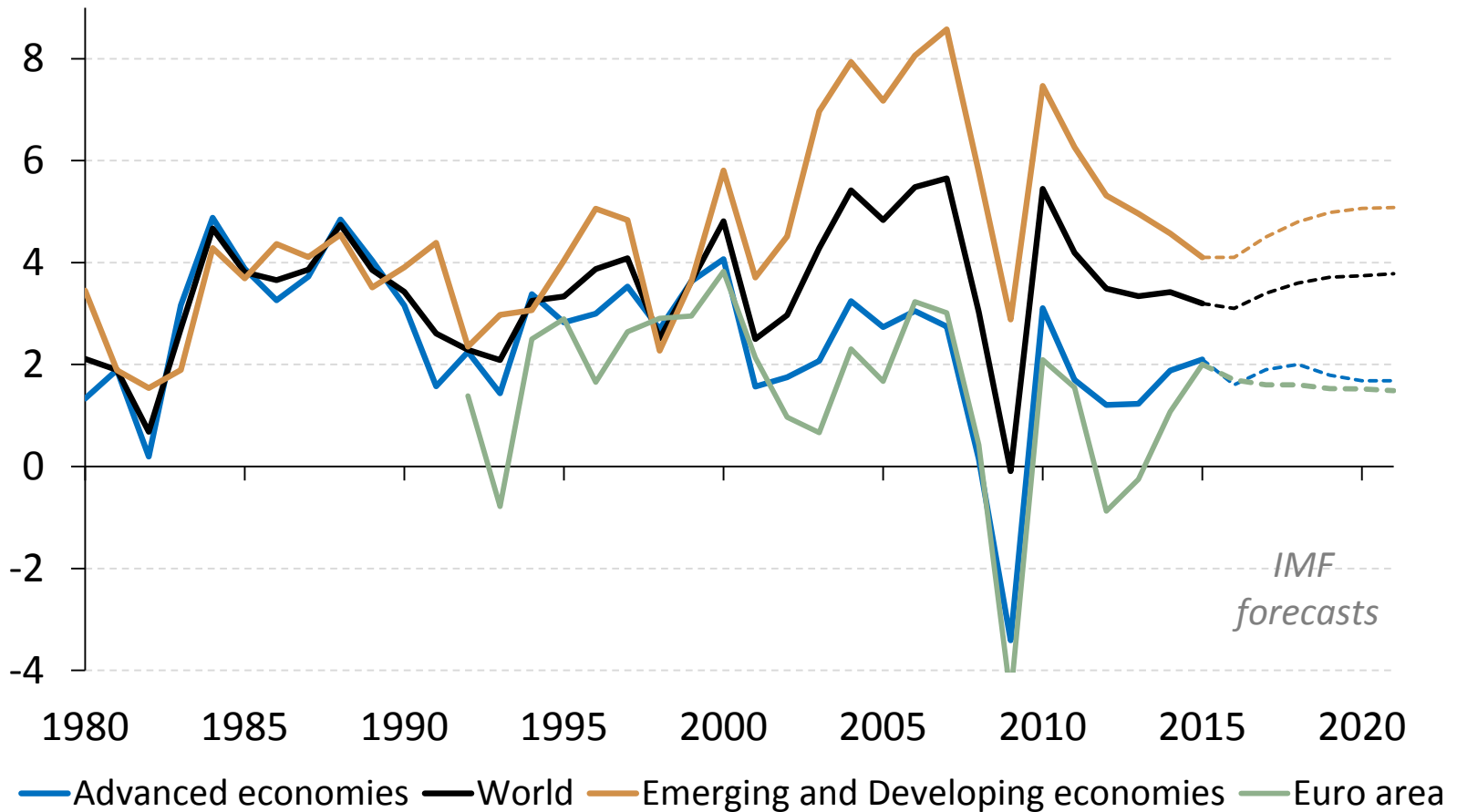
EIB-BDF CONFERENCE, PARIS 10 MARCH 2017

François Villeroy de Galhau, Governor of the Banque de France

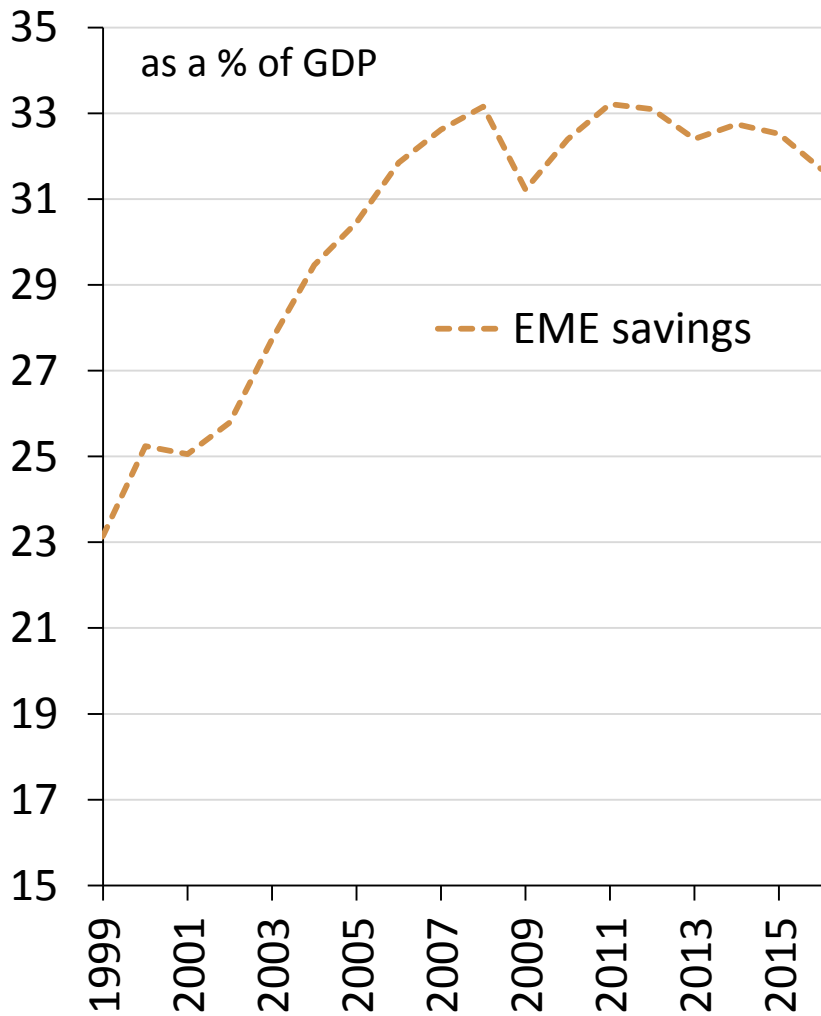
Sluggish post-crisis growth, especially in the euro area...

Real GDP growth

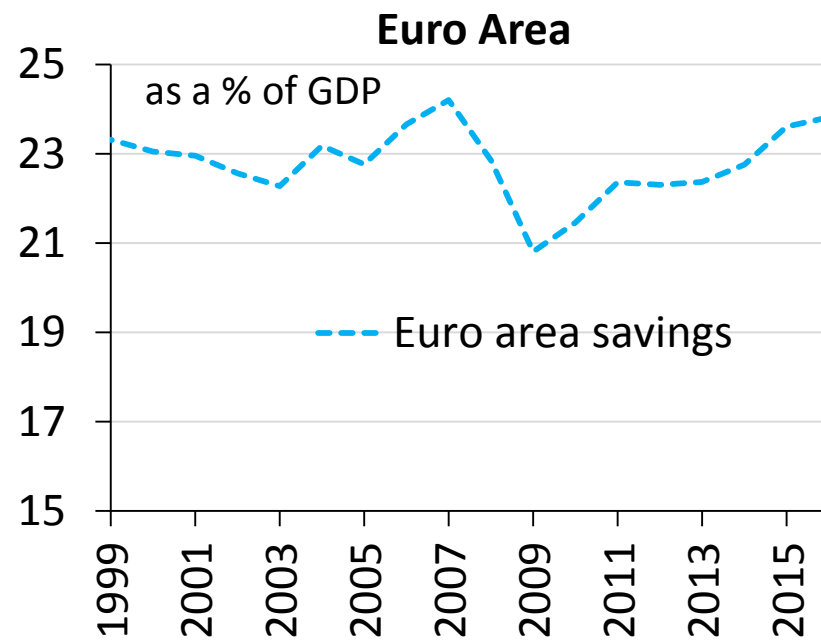
IMF WEO data, January 2017 (constant prices, y/y % change)



... while savings are plentiful...

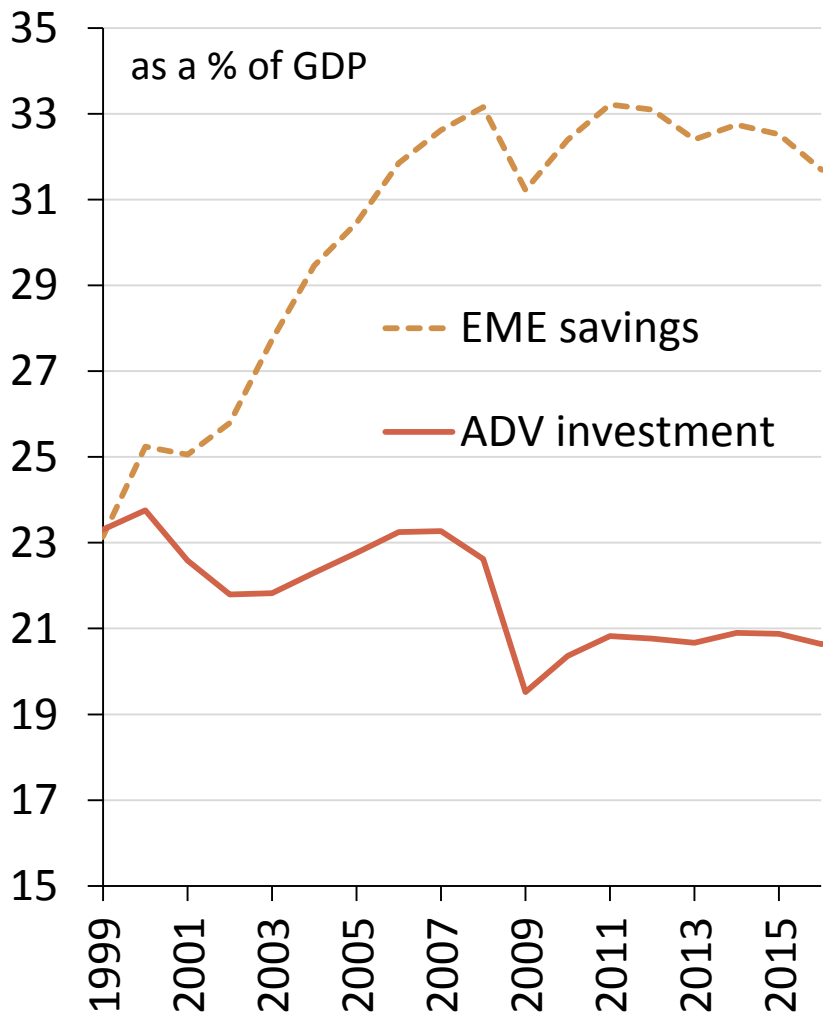


EMEs' saving glut in the 2000s...

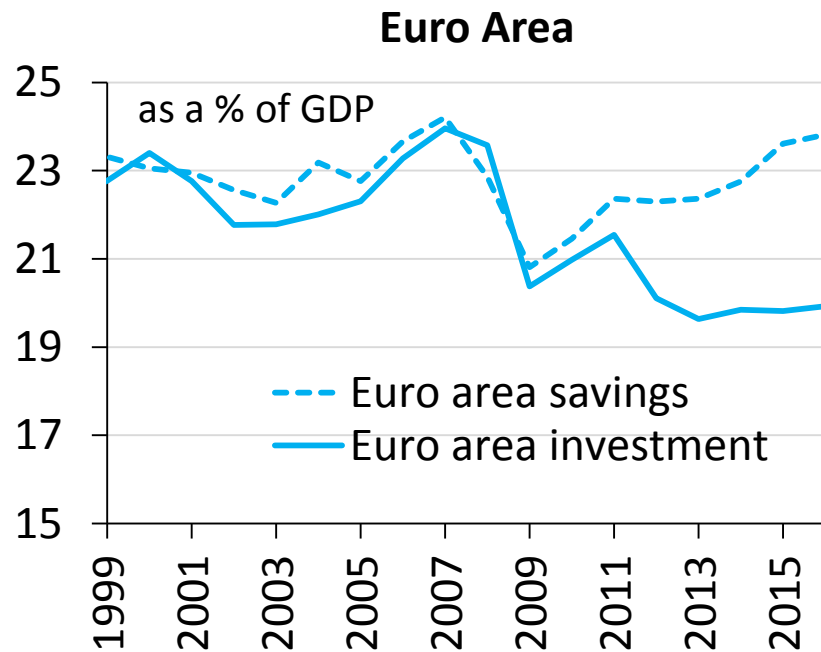


Source: IMF WEO database

... and investment scarce



EMEs' saving glut in the 2000s...
and/or
ADV's investment deficit?

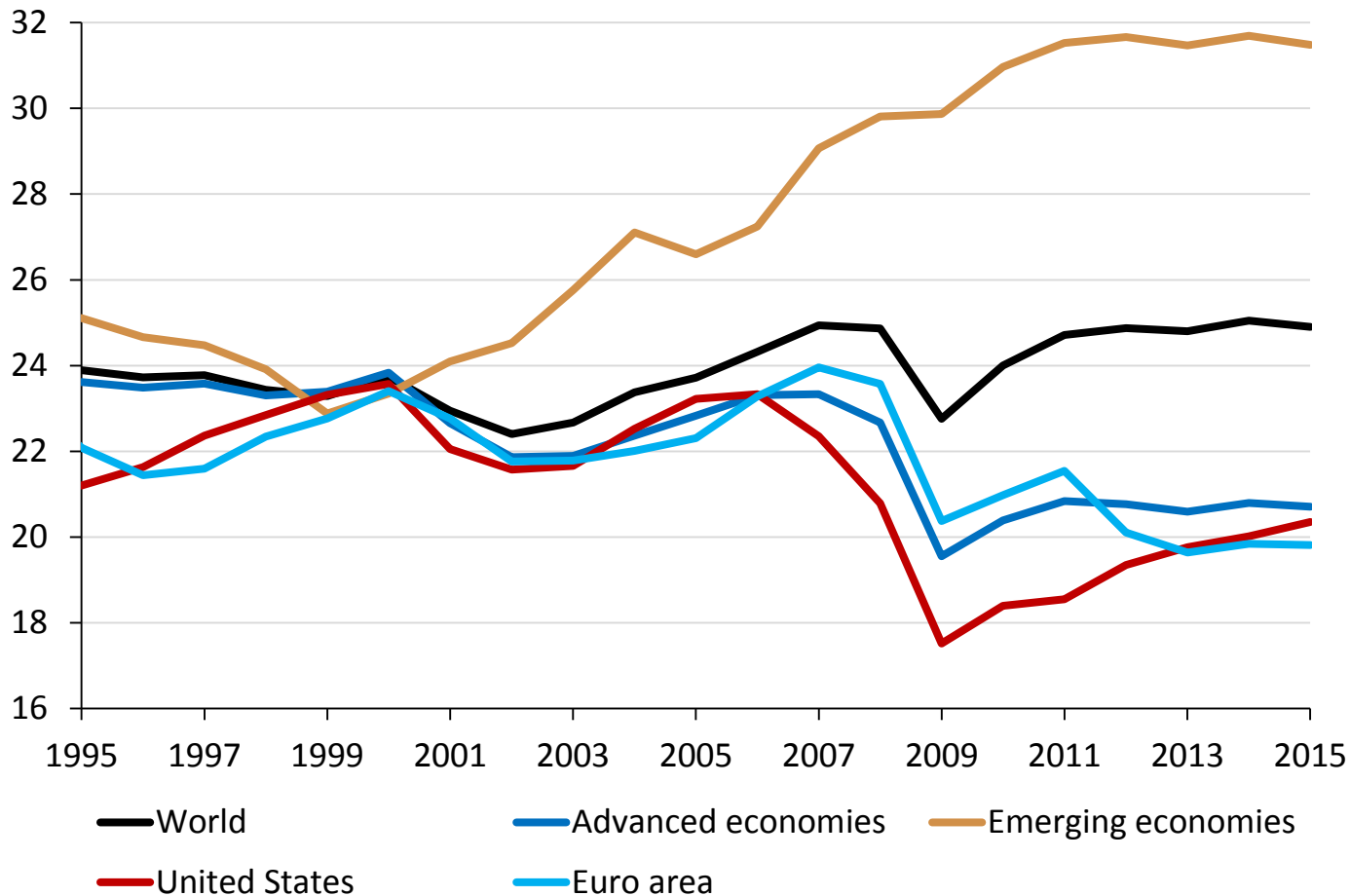


Source: IMF WEO database

Investment has not returned to pre-crisis levels in most advanced economies

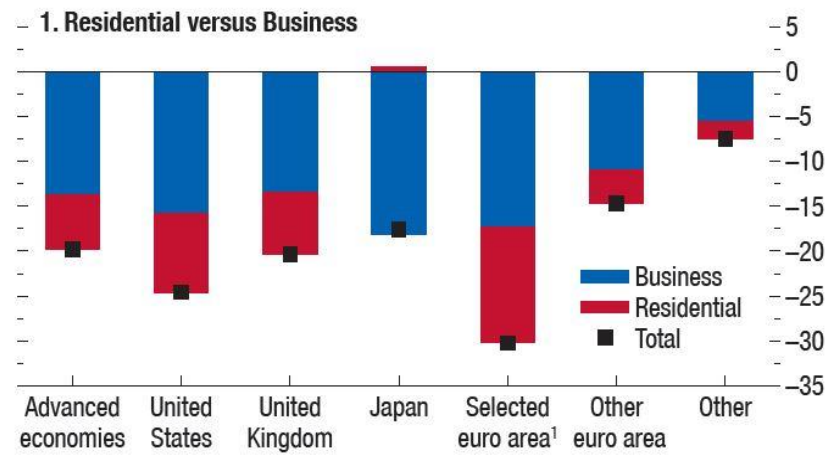
Total investment as a share of GDP

IMF WEO data, October 2016 (% of GDP)



The weakness in productive investment is particularly worrying

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

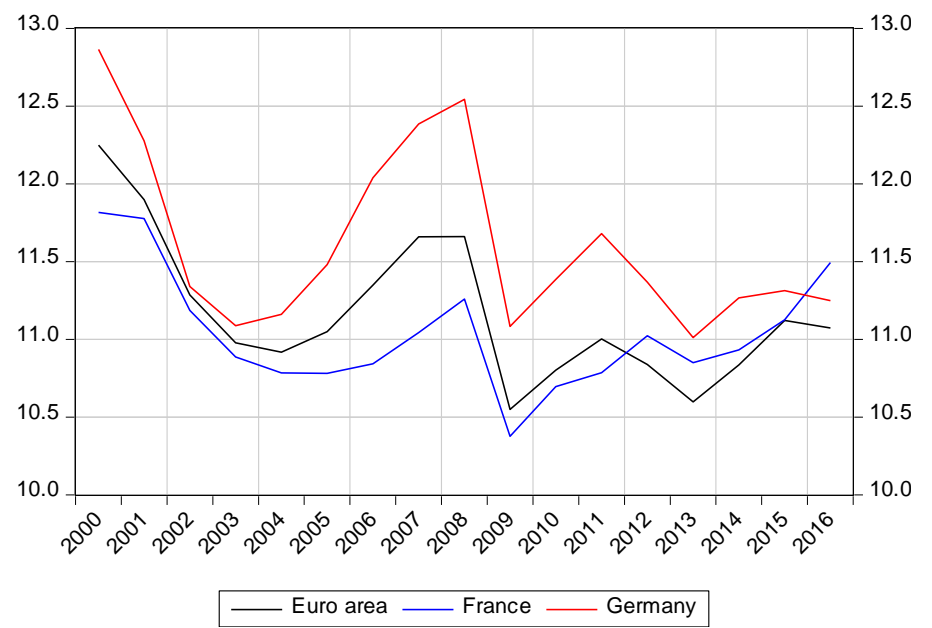


Source: IMF WEO Chapter 4 'Private investment: what's the holdup?', April 2015.

¹Greece, Ireland, Italy, Portugal, Spain.

Productive investment rate in the total economy

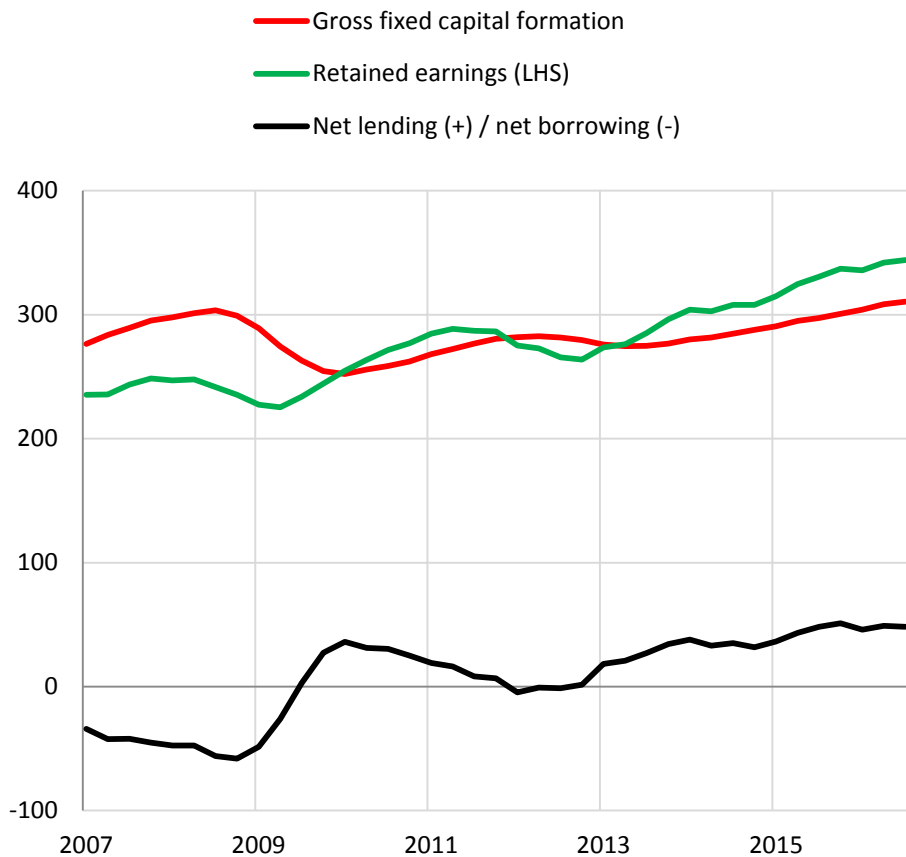
GFCF in machinery and equipment and intellectual property in % of value added, in value terms



Source: Eurostat, BdF calculations.

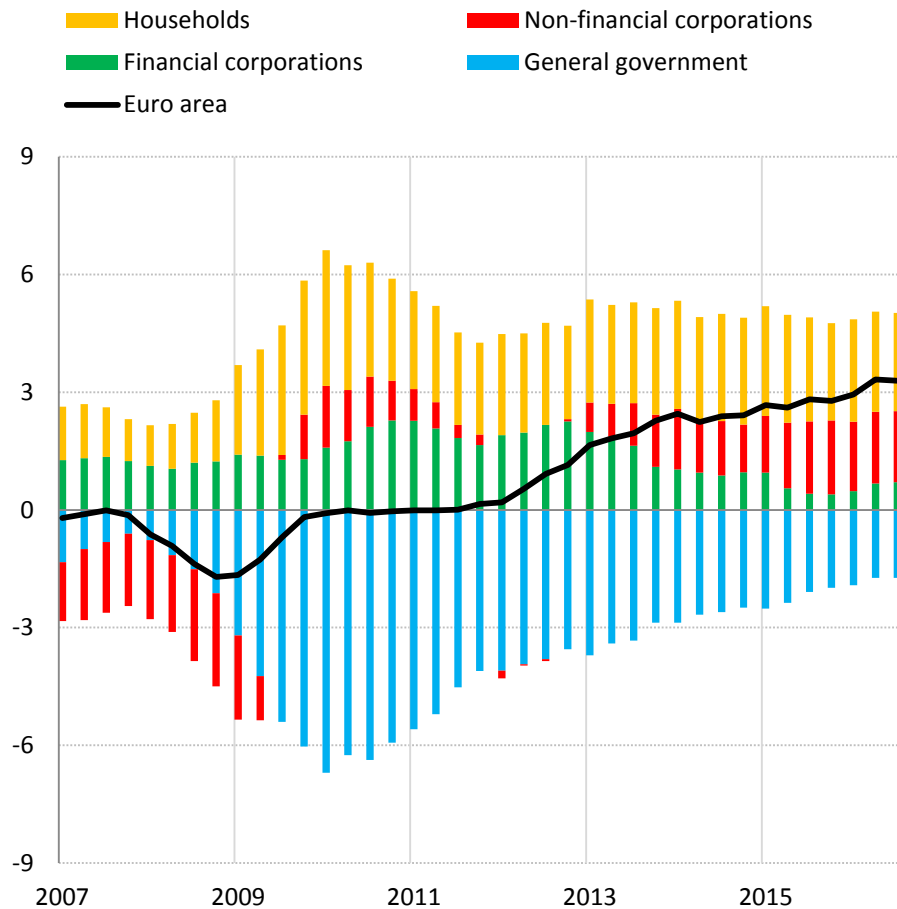
NFCs have turned from net borrowers into net lenders

NFC retained earnings and investment (EUR bn. 4-quarter averages)



Source: Eurostat/ECB, latest observation: 20016Q3

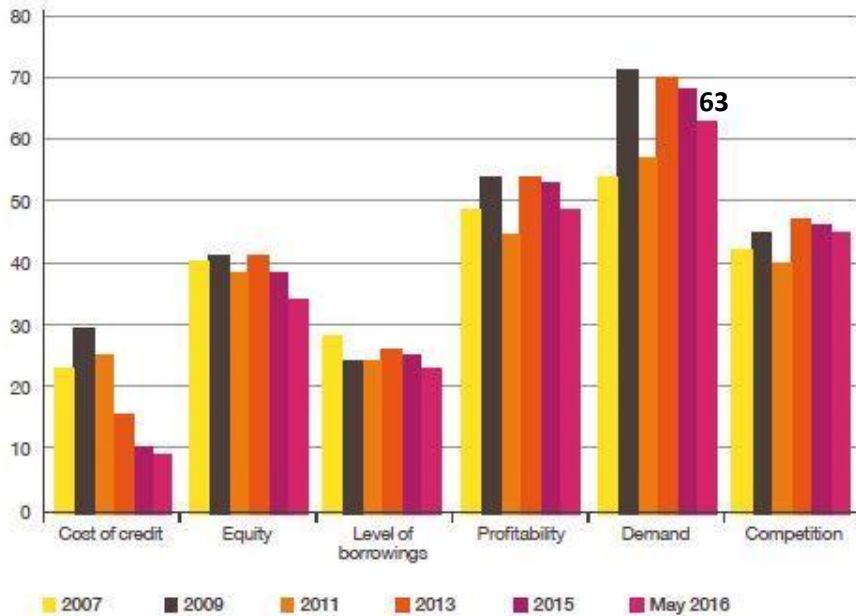
Euro area net lending/net borrowing (percentage of GDP, 4-quarter averages)



What causes? Economic levers

Opinion on obstacles to investment

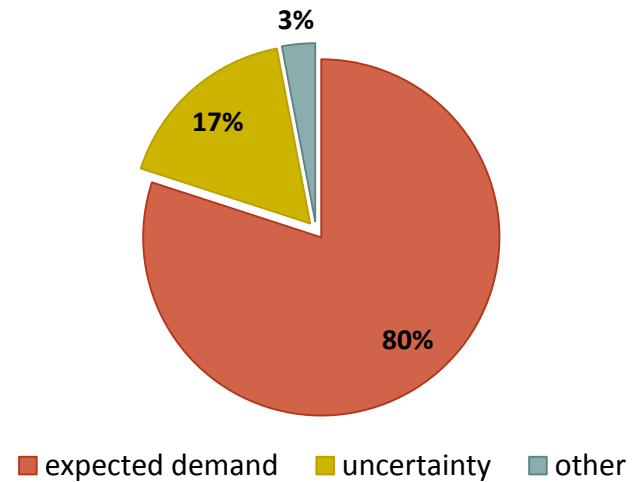
Proportion of respondents (as a %), sample of SMEs located in France



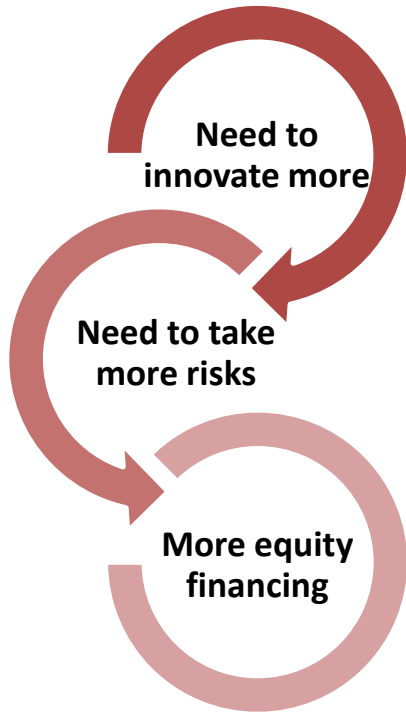
Source : SMEs 63th business climate survey, July 2016, Bpifrance

Determinants of business investment growth

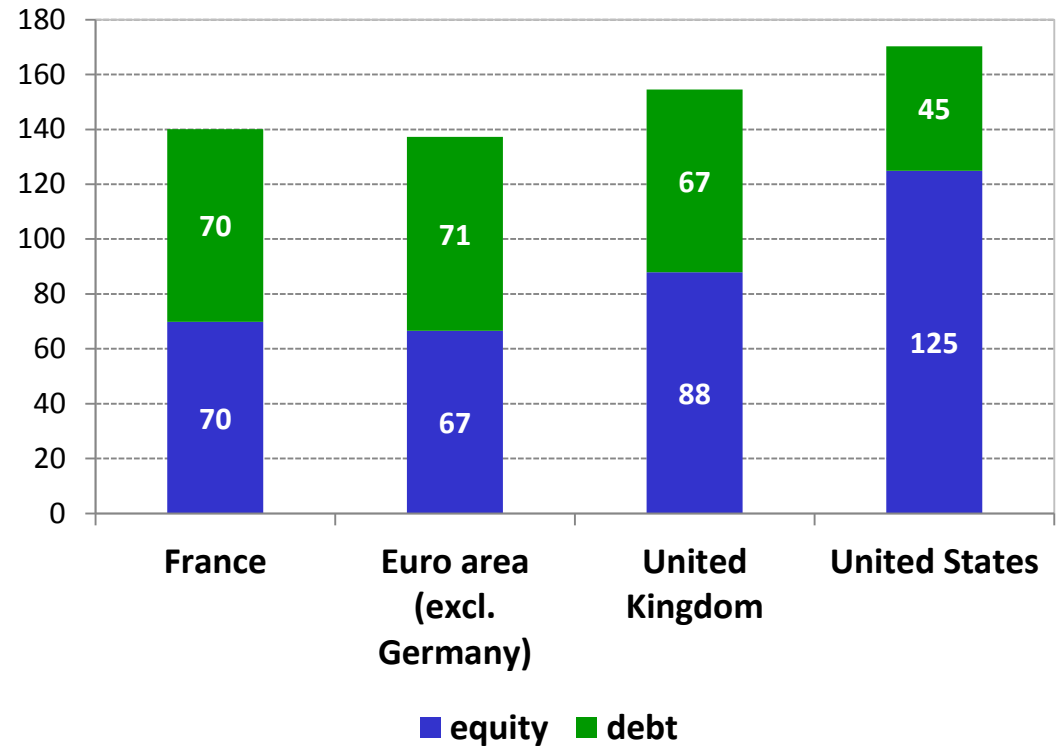
Contribution to the business investment slowdown, panel of 22 advanced economies, 1996-2014



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



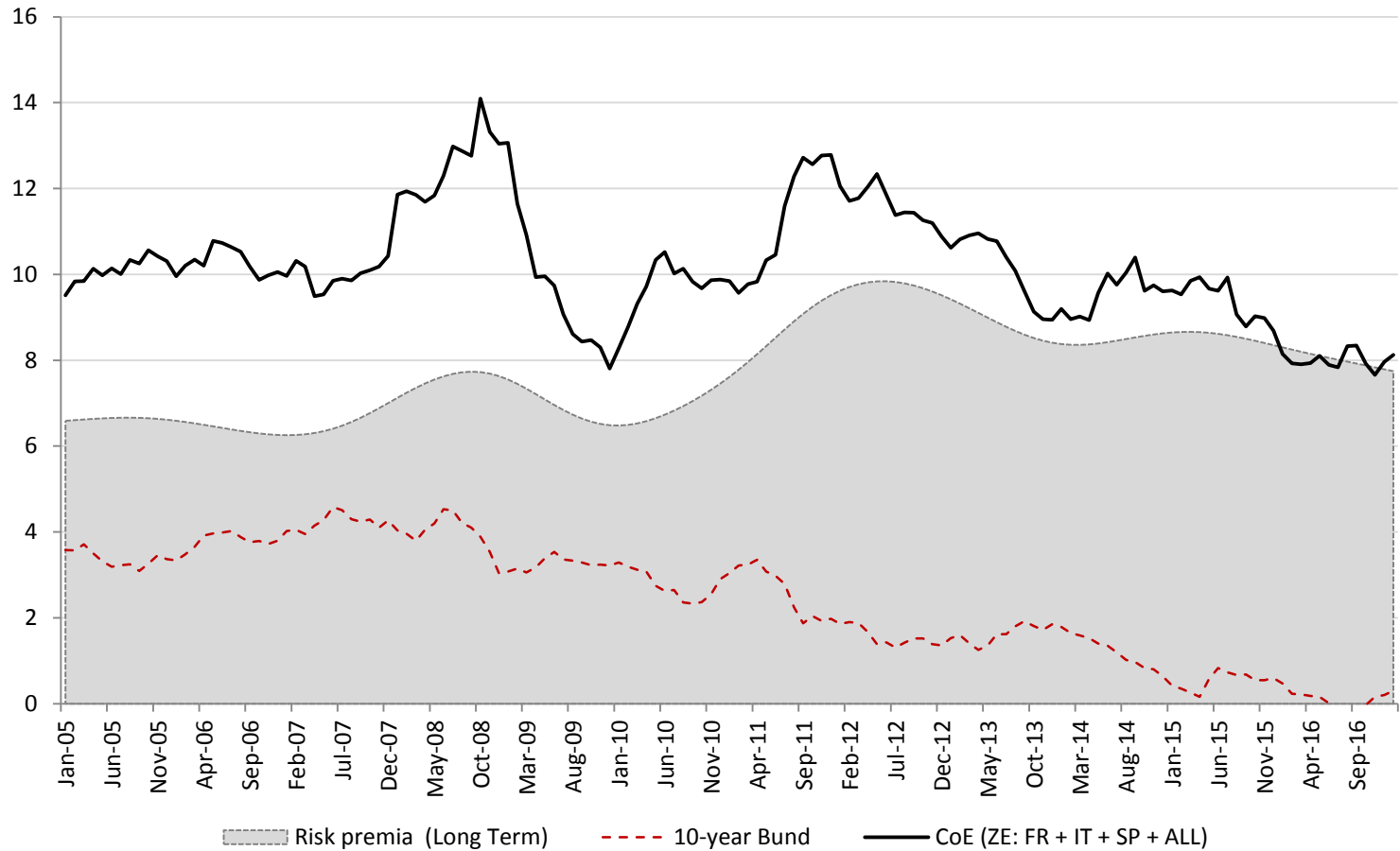
NFC liabilities: net equity capital and financial debt
as a % of GDP



Source: Banque de France; data as of end June 2016

The cost of equity has remained high, despite the sharp fall in interest rates

Cost of equity in the euro area in %



Source: Banque de France

RESPONSE: THE « GROWTH TRIANGLE » OF THE ECONOMIC UNION

