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Investment: banking on business in France

In placing investment at the heart of its European strategy and the plenary sessions that have just been held, the French government's overriding message is one of collective mobilisation to stimulate the country's return to growth. Today, the shared prognosis is that France is not suffering from a weak credit offer, but rather from weak demand from business.

"SMEs are a fundamental strategic priority for French banks" underlined FBF Chairman, François Pérol, *"and banks are the first partners for businesses, particularly SMEs"*. Outstanding corporate loans in France have reached EUR 827 billion and are rising steadily (+1.8% year-on-year), with 9 out of 10 SMEs obtaining the investment loans requested.

What is more, businesses have increasing recourse to the markets (see insert) as banks actively help them secure these new sources of financing.

While France's banks have no difficulty in meeting current credit demand, regulatory constraints and fiscal pressure must not be a handicap if demand picks up. The plenary sessions were an opportunity to prepare for the future and anticipate a recovery in growth.

- ***Develop the tools needed to modernise financing and investment***

- French banks commend the initiatives by the ECB that will free up additional resources to finance the European economy, notably the new long-term refinancing operations for banks. Banks will take part in these operations as and when necessary to make sure they are fully prepared for an increase in credit demand amongst companies, particularly for SME and ISE investments.

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- The development of secure and transparent securitisation is necessary in order to strengthen the capacity of banks to lend to VSEs/SMEs. Renewed work in this area at a European level, and the support of the French government as confirmed during its plenary sessions, are vital.

- ***Foster long-term productive investment***

Although abundant in France, financial savings would be better steered towards long-term share savings and productive investment in order to stimulate business development. Efforts must continue to reorient savings towards share ownership and venture capital, notably via the creation of SME share savings plans (PEA-PME) and Euro-growth funds.

A regulatory framework adapted to investment and growth

The quest for financing and new investment to drive businesses needs a regulatory framework that will help fund the economy and growth - both of which are Europe's priorities. Despite this, various projects, in particular at a European level, such as the financial transaction tax or the separation of banking activities, are in total contradiction with this objective. Europe must give priority to projects that will help finance growth.

Key figures

- Corporate debt (through bank loans or via the markets) is dynamic at **EUR 1,332.5 billion**, up +5.3% year-on-year at the end of July 2014.

- Outstanding corporate loans have increased +1.8% year-on-year to EUR 827 billion, while market debt has increased +11.5% to EUR 505.7 billion.

(Source: Banque de France, Stat info, Bank debt and debt of non-financial corporations, 9 September 2014)

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