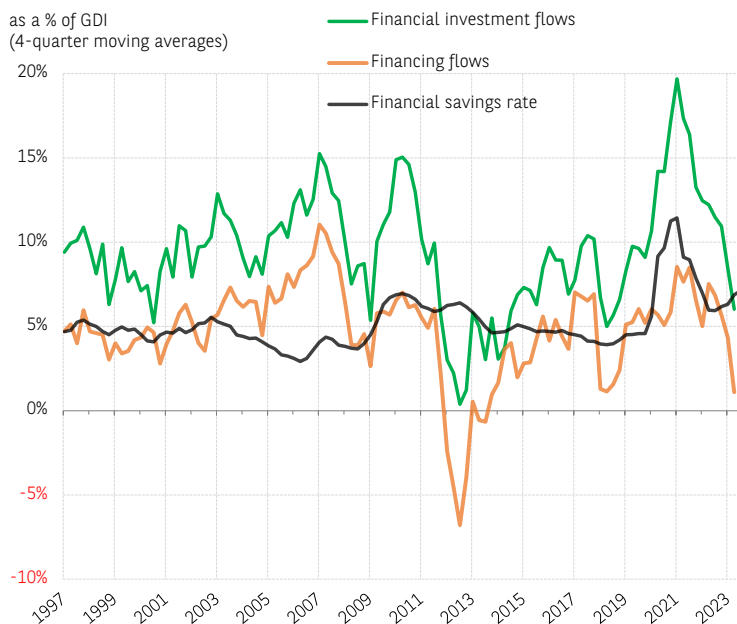


24 January 2024

FRANCE: HOUSEHOLD FINANCIAL SAVINGS RATE REMAINS HIGH DESPITE THE SHARP CONTRACTION IN FINANCIAL INVESTMENT FLOWS

Laurent Quignon

France : household investment & financing flows, and financial savings rate



Source: INSEE, Banque de France, BNP Paribas calculations

After the historic peak in the first quarter of 2021 (“Covid savings”), financial investments and the household savings rate fell in step with each other through to the second quarter of 2022.

Since then, however, the financial savings rate (7.1% on average for the year to Q3 2023, from 6.0% to Q2 2022) has resisted the continued fall in financial investment flows. The explanation for this lies in the very marked slowdown¹ in housing investment by value, which has grown more slowly than both nominal gross disposable income and gross savings since the second quarter of 2023, thus supporting financial savings² - also referred to as the “financing capacity” of households. In terms of national accounts, the latter represents the final line of sector accounts and the link between these and the financial accounts. In theory³ it is equal to the flow of financial investment less the flow of financing (change in outstanding credit)⁴. However, most bank lending finances the transactions of existing homes, land and second-hand vehicles between households- transactions which involve existing goods and have no impact on consumption, investment or savings. This said, a fall in the flow of bank lending to cover purchases of such items does produce a reduction in financial investment flows (lower levels of money creation) for the household sector as a whole (as opposed to individual households) without affecting the financial savings rate.

¹ GFCF by value continued to grow as an annual average in the third quarter of 2023 (+2.3%), but this was much slower than growth in Gross Disposable Income (+8.0%) and gross savings (+12.0%). Its quarterly change was nevertheless negative in the first quarter of 2023, in keeping with the fall in new house sales.

² Financial savings or financing capacity is equal to gross savings (the share of income not consumed) less real savings (housing GFCF, primarily).

³ In practice, due to the diversity of statistical sources, a significant gap is sometimes observed.

⁴ The simplified balance of the source and application of funds for households can be expressed as: $GDI + \text{Bank lending flows} = \text{Consumption} + \text{GFCF} + \text{Financial Investment flows}$, which is equivalent to: $\text{Gross savings (GDI-Consumption)} = \text{Real savings (GFCF)} + \text{Financial savings (Financial investment flows - bank lending flows)}$

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