

# CHART OF THE WEEK

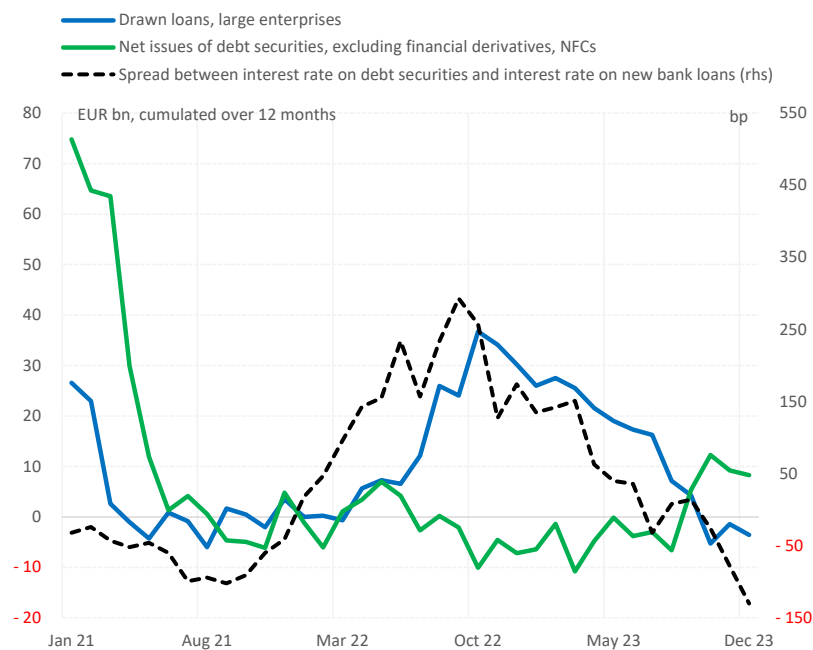


21 February 2024

## FRANCE: SOME LARGE COMPANIES SWITCHING TO MARKET FINANCING

Thomas Humblot

France: Net flows of bank loans to large enterprises and net issues of debt securities



Source: Banque de France, BNP Paribas

Net issues of debt securities<sup>1</sup>, cumulated over 12 months, by non-financial corporations (NFCs) were positive in December 2023 (EUR 8.3 bn) for the fourth consecutive month. This modest recovery follows a year of negative net issues and the figure remains far below the peaks of over EUR 80 bn seen in 2020. Since October 2023, the widening spread between the rate of market financing for NFCs (3.32% as of December 2023) and the rate of new loans to large enterprises<sup>2</sup> (4.62% as of December 2023), which are the main issuers of debt securities, has probably led to a shift towards the former. Indeed, net loan flows to large companies, cumulated over 12 months, were down EUR 3.5 bn in December 2023, their third consecutive monthly fall.

This rate hierarchy is relatively unusual as historically, when market rates have been higher, market financing has tended to be more expensive than bank lending. It is due most notably to the inversion of the yield curve<sup>3</sup> since February 2023, which has increased the average cost of bank resources and thus the cost of bank loans, which is generally indexed on a short-term rate plus a premium. The easing of monetary policy expected over the coming months will contribute to a reduction in the spread between short and long rates but will not change the inversion of the yield curve in 2024, according to our most recent forecasts. Bank lending should nevertheless gradually regain its attractiveness.

<sup>1</sup> Excluding financial derivatives

<sup>2</sup> LME criteria

<sup>3</sup> Measured, in this case, by the spread between the yield on the 10-year OAT and the rates on the ECB's main refinancing operations

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