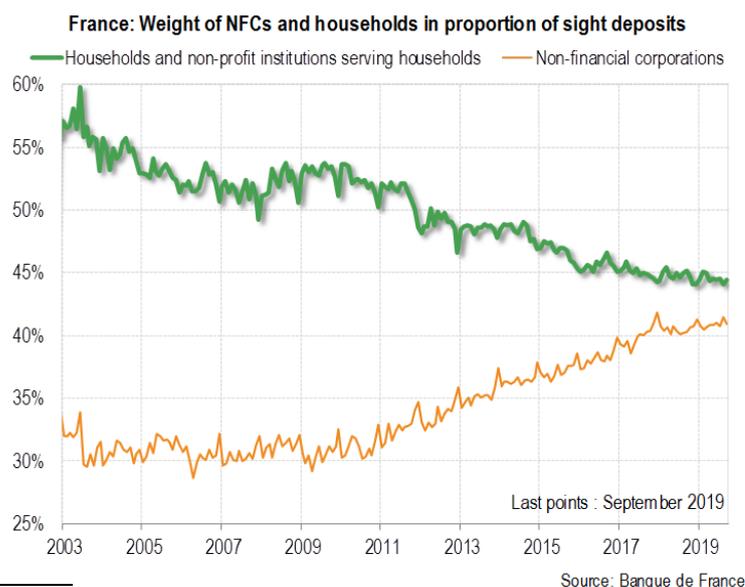




France: Sharp rise in the proportion of NFCs in sight deposits

In September 2019, outstanding sight deposits collected by credit institutions remained particularly dynamic (+ 11.9% year-on-year) and amounted to more than EUR 1,106 bn. This change concerns all customers and especially non-financial corporations (NFCs). First contributors to the growth of total sight deposits each year since 2011, their share within the latter has increased significantly.

Several explanations can be given. The low or negative interest rate environment weighs on the attractiveness of other investments compared to sight deposits. Moreover, it contributes to the expansion of NFCs' bank credit flows, which have been relatively well correlated with their flow of sight deposits since the beginning of the decade. On the other hand, although the growth of households' sight deposits remains dynamic, competition is intensifying from products with regulated rates (Livret A, LDD, PEL), which provide a remuneration substantially higher than the market rate. On average, since the beginning of 2019, the weight of NFCs in sight deposits has been around 42% in France, compared to 22% in Germany, 23% in Spain and 24% in Italy; the growth in total sight deposits is mainly driven by households & NPISH¹ in these countries. France is the only large country in the euro area where the proportion of NFCs in total sight deposits is growing to such a degree. This can be partly attributed to the strategy of some of the French major mid-cap and listed companies to take advantage of exceptionally low interest rate to borrow and accumulate cash, the use of which will be staggered over time². Lastly, gross operating surpluses of French NFCs have been on the rise since 2014, which may contribute to the increase of the latter's sight deposits.



¹ Non-Profit Institutions Serving Households.

² Insee (Dec. 2017), *Is the increase in French firms' indebtedness a cause for concern?*