Savings glut or…

Euro area Savings

EMEs’ saving glut in the 2000s...

Source: IMF WEO database
Savings glut or... investment dearth?

EMEs’ saving glut in the 2000s... and/or ADVs’ investment dearth now?

Source: IMF WEO database
What evidence? Total investment

**Total investment as a share of GDP**
IMF WEO data, October 2016 (% of GDP)
What evidence? Business investment

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

Productive investment rate in the total economy
GFCF in machinery and equipment and intellectual property in % of value added, in value terms

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

1Greece, Ireland, Italy, Portugal, Spain.

Source: Eurostat, BdF calculations.
What evidence? Businesses’ behaviour

Non-financial corporations retained earnings and investment
EUR bn. 4-quarter averages, euro area

- Gross fixed capital formation
- Retained earnings (LHS)
- Net lending (+) / net borrowing (-)

Source: Eurostat/ECB, latest observation: 20016Q2.

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

- Households
- Non-financial corporations
- Financial corporations
- General government
- Euro area
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

What causes? Financial levers: cost of equity

Cost of equity in the euro area
in %

Source: Banque de France.
What causes? Financial levers: the US situation

Share buybacks and dividends and productive investment, United States

Dividends (as a % of reported earnings)
Buybacks (as a % of reported earnings)
Buybacks and dividends (as a % of reported earnings)
Productive investment yearly growth (nonresidential investment excluding structures; rhs)

Source: S&P, BEA, BdF calculations.
Note: the chart tracks S&P 500 companies’ quarterly spending on share repurchases and dividends, as a percentage of reported operating profit. It started in the second quarter of 2009 when stocks started to recover.
Productive investment includes equipment and intellectual property and excludes residential and structures investment. It does not incorporate the oil sector investment (item “mining” in Structures).
What causes? Financial levers: Europe is lagging behind

Innovative investments

New financing

Equity capital needs

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Equity</th>
<th>Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro area</td>
<td>52%</td>
<td>64%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>80%</td>
<td>57%</td>
</tr>
<tr>
<td>United States</td>
<td>121%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Banque de France; data as of 31 Dec. 2015