

# France – 3Q21

## Macroeconomic Outlook Report



Design and Layout:

Marketing and Communication Department  
Management Solutions

Photographs:

Management Solutions' picture library,  
Fotolia, Shutterstock

©Management Solutions 2021

©All rights reserved. This publication may not be reproduced, distributed, publicly released or transformed, wholly or in part, freely or onerously, using any means or methods, without the prior written consent of Management Solutions. The contents of this publication are provided for information purposes only. Management Solutions does not accept any liability for the use that might be made of this information by third parties. The use of this material by anyone without the express authorization of Management Solutions is forbidden.

# Index



## 1. General Outlook

4



## 2. International overview

8



## 3. French macroeconomic view

12



## 4. Banking sector: general overview

16



## 5. Telecommunications sector

26



## 6. Appendix

28

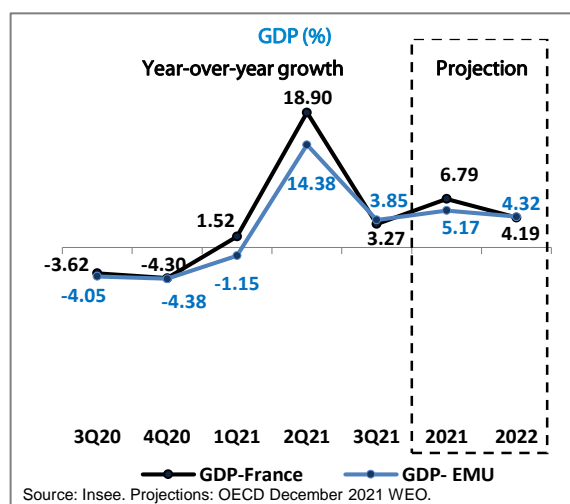
# 1. General Outlook

## French macroeconomic overview

**During the third quarter of the year, the French economy continued with its significant recovery in its y/y growth rate with respect to the previous year, reaching a y/y positive growth rate of 3.27%. In addition, inflation accelerated when compared to the second quarter of 2021, up to a 1.77% rate. Regarding the labour market, the unemployment rate increased when compared to the previous quarter, standing at a 8.10% rate, while the y/y growth rate of employment declined, down to a 2.08% rate in the third quarter of 2021. In addition, the euro was depreciated against the dollar, recording an average exchange rate of 1.18 \$/€.**

### French Macroeconomic Overview

- ▶ During the third quarter of 2021, the French economy pursued its recovery after the increase experienced during the previous quarter, although at a slower pace decreasing by 15.62 p.p. compared to 2Q21, even though it reached a positive year-on-year growth rate of 3.27%. Growth in the French economy was lower than that of the EMU, which reached 3.85% in 3Q21.
- ▶ Moreover, the Banque de France and the OECD expect the French economy to continue recovering in the following quarters. As a matter of fact the OECD has predicted an annual growth of 6.79% for 2021. According to the OECD, this performance was due to the acceleration of the vaccination campaign and the fall in COVID-19 cases, which led to the decision from the authorities to ease sanitary restrictions.
- ▶ Domestic demand had a similar behaviour to GDP, as it was the key factor that drives GDPs' performance during 3Q21, recording a 16.45 p.p. decrease in its y/y growth rate, down to a 2.20% rate, consolidating positive levels.
- ▶ In the third quarter of the year, the Consumer Price Index increased by 0.40 p.p. compared to the previous quarter, standing at a 1.77% rate. The OECD expects a significant persistence in inflation levels for 2021, up to a 2.07% rate.
- ▶ The unemployment rate recorded an slight increase with respect to the second quarter of 2021, standing at a 8.10% rate. Moreover, during 3Q21, the employment y/y growth rate dropped down to 2.08%. According to the OECD, the long term effects of the crisis will continue having an impact on the labour market during the following years. This problem is expected to be solved approximately throughout 2023.
- ▶ As far as the exchange rate is concerned, the euro registered a depreciation against the US dollar with respect to the previous quarter, with the quarterly average exchange rate standing at 1.18\$/€ in 3Q21.
- ▶ The French stock index (CAC 40) experienced a 452.55 points increase when compared to the previous quarter, recording a 6,651.53 quarterly average during this period. In addition, the CAC 40 incremented by 1,806.75 p.p. relative to the same quarter of the previous year.

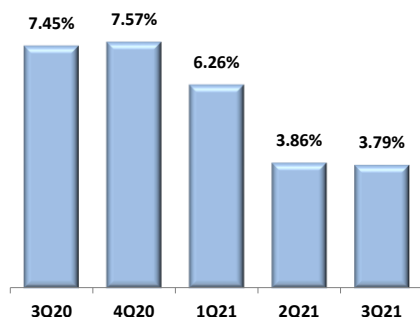


## Banking Sector

***In the third quarter of the year, the y/y growth rate of loans experienced a deceleration compared to the previous quarter, standing at a 3.79% rate. In the same line, total deposits recorded a decline in their y/y growth rate, down to a 6.25% rate. In turn, the non-performing loans ratio of the French financial system stood at 2.06% during 2Q21\*, following a decline, while the efficiency ratio improved with respect to 1Q21, down to a 68.62% ratio.***

### Banking Sector

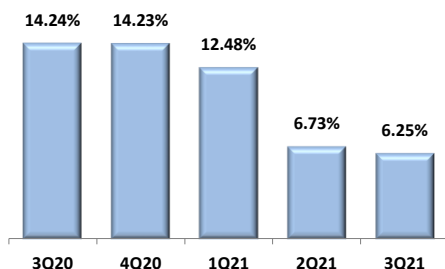
LOANS (year-over-year, %)



Source: Banque de France.

- ▶ During the third quarter of 2021, the y/y growth rate of total loans decreased by 0.07 p.p. compared to the previous quarter, down to a 3.79% rate.
- ▶ The quarterly performance of the y/y growth rate of total loans was mainly motivated by the deceleration in the y/y growth rate of total loans granted to all segments relative to 2Q21, with the exemption of loans granted to individuals. Specially loans granted to non-financial corporations were the main driver.
- ▶ In addition, the non-performing loans ratio (NPL) of the system declined down to a 2.06% ratio in 2Q21\*, following the downward trend which started in 2014.

DEPOSITS (year-over-year, %)



Source: Banque de France.

- ▶ As far as deposits are concerned, during this period, total deposits of the French financial system suffered a deceleration in their y/y growth rate with respect to the previous quarter, standing at a 6.25% rate.
- ▶ This performance was essentially driven by the decline in the year-over-year growth rate of deposits of non-financial corporations and general government when compared to the second quarter of 2021.
- ▶ Finally, with respect to the previous quarter, the efficiency ratio improved, decreasing by 2.95 p.p. and reaching a 68.62% cost-to-income ratio during 2Q21\*.

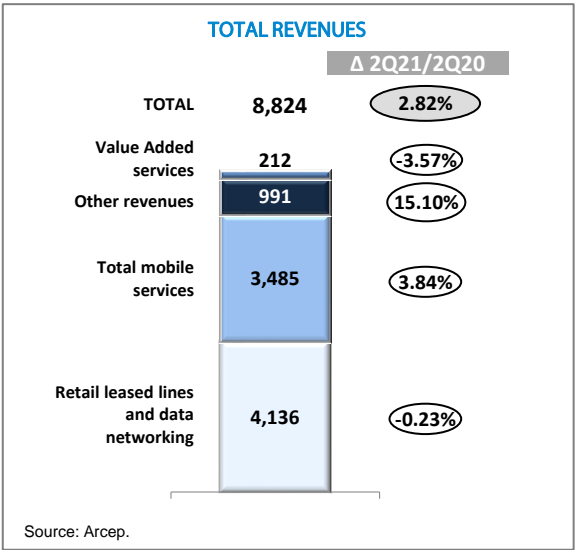


# Other sectors: Telecommunications\*

*During the second quarter of 2021, the volume of fixed lines registered a year-over-year decrease of 0.49%, while mobile lines recorded a 2.39% increase with respect to 2Q20. Revenues fell by 16.60% in the fixed line sector, increasing by 3.99% in the mobile sector when compared to the same quarter of the previous year. Regarding the traffic of data consumed on mobile networks and TV subscriptions tied to internet access, both of them registered increases during 2Q21.*

## Telecommunications sector

- ▶ Total revenues in the telecommunications sector increased during 2Q21 by 2.82% compared to 2Q20, driven by the increase in total mobile services (3.84%) and other revenues (15.10%).
- ▶ In terms of distribution of revenues, during 2Q21, retail leased lines and data networking represented 46.88%, total mobile services represented 39.49%, value added services accounted for 2.40% and other revenues accounted for the remaining 11.24% of the total revenues.
- ▶ During the second quarter of 2021, the volume of fixed lines decreased by 0.49% with respect to the same quarter of 2020. On the other hand, the volume of mobile lines registered a y/y growth of 2.39%.
- ▶ Revenues from fixed lines decreased by 16.60%, while revenues in mobile lines increased by 3.99% compared to 2Q20.



\* Most up to date data available at the date of publication for 2Q21.



## 2. International Overview

### OECD & China

***In the first quarter of 2021, the recovery of the economic activity of the OECD countries and China was heterogeneous. The GDP growth rate of the Eurozone remained in negative levels as a result of the reintroduction of containment measures, whereas that of Japan suffered a deceleration with respect to 4Q20. In turn, the US and China consolidated their recovery, with the Chinese economy growing for the fourth consecutive quarter.***

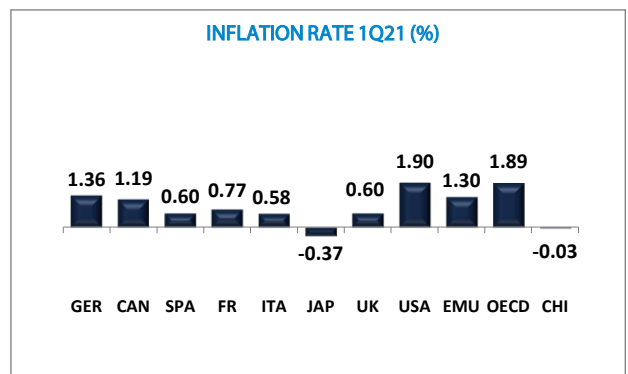
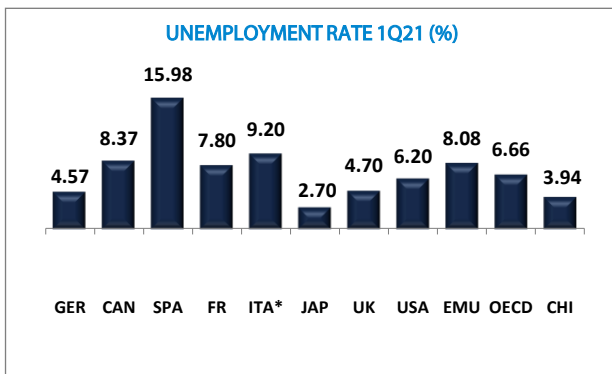
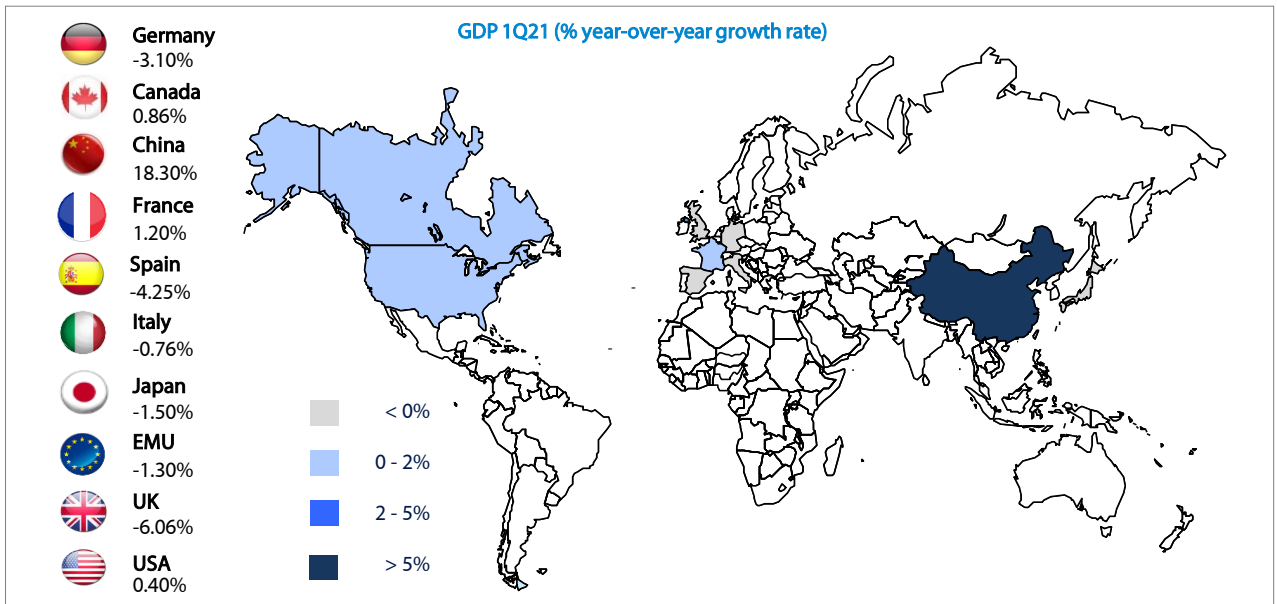
#### **Macroeconomic Overview**

- ▶ In the first quarter of 2021, the recovery initiated in the Eurozone during the summer stagnated, similarly to the previous quarter, as a consequence of reintroduction of containment measures to fight the Covid-19 pandemic. Nevertheless, the European Commission expects the economy to rebound thanks to the relaxation of containment measures and the advances in the vaccination campaign. In the same line the OECD expects the GDP growth in the region for 2021 and 2022 to reach 4.29% and 4.42%, respectively, improving its forecast compared to its March projections. Among the countries studied, all of them recorded negative y/y growth rates for their GDP during the first quarter of the year, with the exception of France (1.20%). Therefore, Spain and the UK registered the largest decelerations in economic activity of the European countries analysed (-4.25% and -6.06%, respectively).
- ▶ The United States consolidated the recovery of its economic activity during this period, reaching a GDP y/y growth rate of 0.40% and standing at positive levels, following a 2.80 p.p. increase relative to the previous quarter. Moreover, the OECD improved its forecast for 2021, predicting a y/y GDP growth rate of 6.86% for the US economy. In addition, BBVA Research also revised upwards its growth projections for the US for 2021 and 2022, motivated by the massive implementation of fiscal incentives, which is also expected to have a positive impact on other states.
- ▶ In turn, Japan recorded a 1.50% contraction in its GDP during the first quarter of the year, 0.20 p.p. below the y/y growth rate of the previous quarter. Notwithstanding, the OECD has predicted a y/y GDP growth rate of 2.63% and 2.04% for this country for 2021 and 2022, respectively.
- ▶ China was the country which experienced the highest increment in its GDP during the first quarter of 2021, with a y/y growth rate of 18.30%, following a 11.80 p.p. increment relative to the previous quarter and a 25.10 p.p. increase with respect to the same quarter of the previous year. In its May projections, the OECD forecasts a y/y GDP growth rate of 8.53% and 5.80% for 2021 and 2022, respectively.
- ▶ In terms of international trade, despite the pandemic, political and commercial tensions continued to be present. On one hand, the extent of the consequences of Brexit is still uncertain for both parties. As for China, in order to mitigate the effects of the tensions it has been dragging with the United States since 2018, it implemented trade agreements in Asia and Europe. The EU-China CAI would allow an unprecedented level of investment in China by the EU, helping to level the playing field for Europeans to invest in China. However, the European Parliament agreed in May to freeze ratification of this agreement.
- ▶ The year-over-year inflation growth rate in 1Q21 declined for all the economies analysed when compared to 1Q20, with the exception of Spain and Italy, remaining stable in the case of the first and increasing for the latter. Regarding the EMU, it recorded a 0.60 p.p. acceleration in its inflation rate relative to 1Q20. China and Japan were the only countries to register negative inflation rates (-0.03% and -0.37%, respectively).
- ▶ The impact of the pandemic on the labour market was still present during this period, with all the countries studied recording higher unemployment rates than in the same quarter of the previous year. However, with respect to the previous quarter, the unemployment rate fell for all countries. It should be noted that the impact of the pandemic on the labour market has been uneven, with the youngest and the less-qualified workers being the most affected.

#### **Financial Sector**

- ▶ In terms of ratings, all countries analysed maintained their ratings constant during the first quarter of the year.
- ▶ As far as the economic policies of the different countries are concerned, it seems that the shared objective of the Fed and the ECB of maintaining interest rates near 0.00% will not stand in the following months. While the ECB has confirmed its intention of maintaining interest rates stables and of continuing with the PEPP, the Fed expect interest rates to rise by 2023.
- ▶ During this period, the year-over-year credit growth accelerated in all countries when compared to the same quarter of the previous year, with the exception of Germany, the UK, the US and Canada, with China being the country with the highest growth rate (12.34%). Regarding, the y/y growth rate of deposits, it incremented for all countries relative to the same quarter of 2020, except for the UK, which also recorded the lowest y/y growth rate (0.49%).

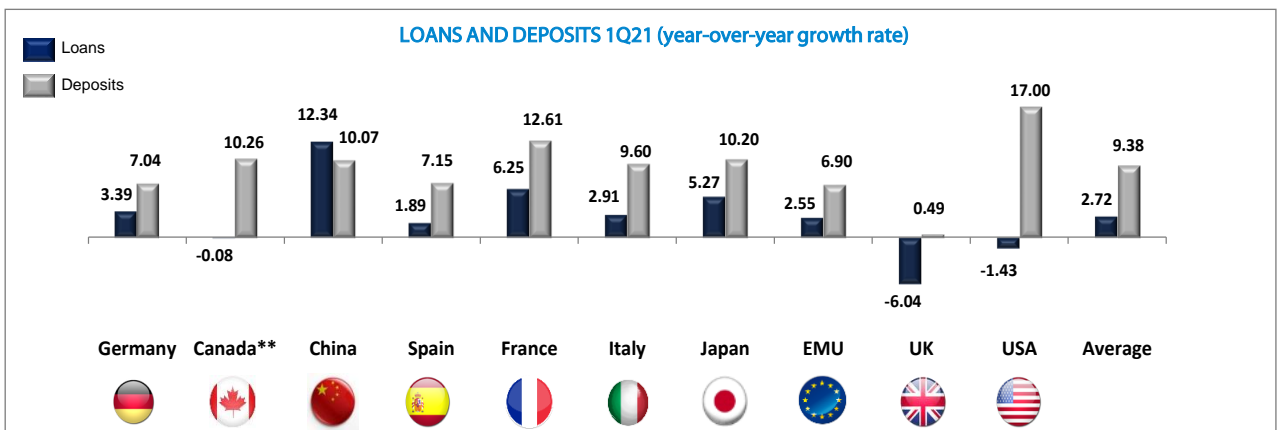




**LONG TERM RATINGS 1Q21**

	MOODY'S	S&P	Fitch
Germany	Aaa -	AAA -	AAA -
Canada	Aaa -	AAA -	AA+ -
China	A1 -	A+ -	A+ -
Spain	Baa1 -	A -	A- -
France	Aa2 -	AA -	AA -
Italy	Baa3 -	BBB -	BBB- -
Japan	A1 -	A+ -	A -
UK	Aa3 -	AA -	AA- -
USA	Aaa -	AA+ -	AAA -

▲ Increase since 4Q20  
 - Constant since 4Q20  
 ▼ Decrease since 4Q20



## 2. International Overview

### LatAm

***During the first quarter of 2021, all countries analysed consolidated the recovery initiated in the second half of 2020, following the fall in the GDP of Latin America during the first half of that same year due to the pandemic. Although this recovery was weaker than in the previous quarter, the economic perspectives for 2021 improved. In turn, the unemployment rate stood above pre-pandemic levels, and the inflation rate increased for most of the countries.***

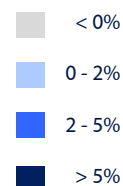
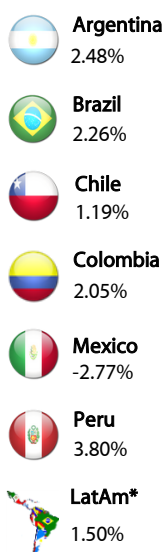
#### **Macroeconomic Overview**

- ▶ During the first quarter of 2021, the recovery of economic activity continued in the countries studied, with all of them experiencing increments in their GDP with respect to the previous quarter. Thereby, all of them reached positive y/y growth rates, with the exception of Mexico. Consequently, Mexico stood at a -2.77% y/y growth rate, despite its 1.71 p.p. increase when compared to the previous quarter. Argentina was the country whose y/y growth rate incremented the most relative to the last quarter of 2020, growing by 6.75 p.p., up to a 2.48% rate. In turn, Peru recorded the largest y/y GDP growth rate, reaching a 3.80% rate.
- ▶ In this context, the IMF has improved its forecast for the Latin-American economy for 2021, predicting a 4.60% y/y GDP growth rate for the region. In addition, it expects a y/y GDP growth rate of 3.10% for 2022. However, this organization argues that, in the long-run, the recovery of the economy depends on the evolution of the pandemic and it notes that most of these countries have not been able to secure enough vaccines for their population. In the same line, in its May update, the OECD improved its forecast for Mexico, Argentina and Brazil for 2021, although only slightly in the case of the latter. Notwithstanding, according to this institution, the y/y GDP growth rate of Brazil and Mexico will be below the average level of the OECD countries.
- ▶ According to Bank of Spain, the recovery of the Latin-American economy in the first quarter of the year was weaker than in the previous one, owing to the adverse evolution of the pandemic. Moreover, it was less dynamic than in other emerging areas. Accordingly, the recovery of this region is conditioned by the evolution of the pandemic, with the vaccination campaign being the main determinant and advancing at a lower path than in the advanced economies. Furthermore, the recovery of the Latin-American economy is linked to external demand, the price of commodities, the social unrest present in the region, global financial conditions and the economic policies of their governments.
- ▶ Regarding inflation, all the countries analysed, except for Colombia, recorded increments in their inflation rates relative to the previous quarter. As a consequence, Colombia remained as the country with the lowest inflation rate, with a 1.56% rate. In turn, Argentina was the country which experienced the largest increase in its inflation rate compared to 4Q20, with a 3.53 p.p. rise, reaching a 38.20% rate and standing once again as the country with the highest inflation rate.
- ▶ During the first quarter of 2021, the labour market continued to show the economic effects of the pandemic, although Chile, Colombia, Peru and Argentina recorded slight falls in their unemployment rates with respect to 4Q20. Therefore, Brazil, following a 0.33 p.p. increment, and Colombia, despite a 0.53 p.p. decline, stood as the countries with the highest unemployment rates, with both of them registering a 14.43% rate. Mexico was the country with the lowest unemployment rate, with a 4.33% rate.

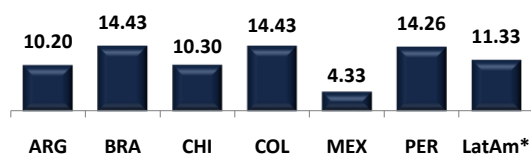
#### **Financial Sector**

- ▶ In terms of ratings, all the Latin-American countries analysed maintained their ratings constant in the first quarter of the year, with the exception of Chile, which moved from an A+ to an A in the rating of S&P during this period. This rating considers that, even if the country has a strong capacity to meet its financial obligations, it is sensitive to changes and adverse economic scenarios.
- ▶ As far as economic policies are concerned, the introduction of additional stimulus is more limited than during the previous year since global financial conditions have become harder and both inflation and inflation expectations have increased for some countries. Thereby, despite the success of the policies implemented, the public accounts of these countries have deteriorated, resulting in increases in their public deficits.
- ▶ All the countries studied, except for Argentina and Brazil, suffered a deceleration in their pace of credit granting compared to the same quarter of the previous year. Mexico remained as the country with the lowest y/y growth rate, with a -7.53% rate. Regarding deposits, all countries, with the exception of Chile, reached positive growth levels during the period. Thus, Chile stood at a -1.97% growth rate, following a 22.47 p.p. decline relative to 1Q20.

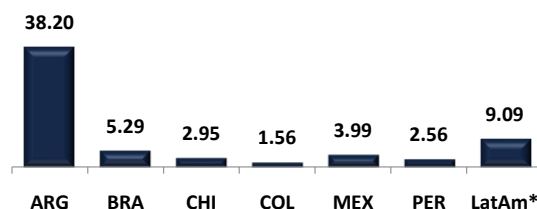
## GDP 1Q21 (% Year-over-year growth rate)



## UNEMPLOYMENT RATE 1Q21 (%)

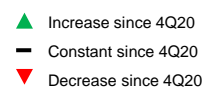


## INFLATION RATE 1Q21 (%)

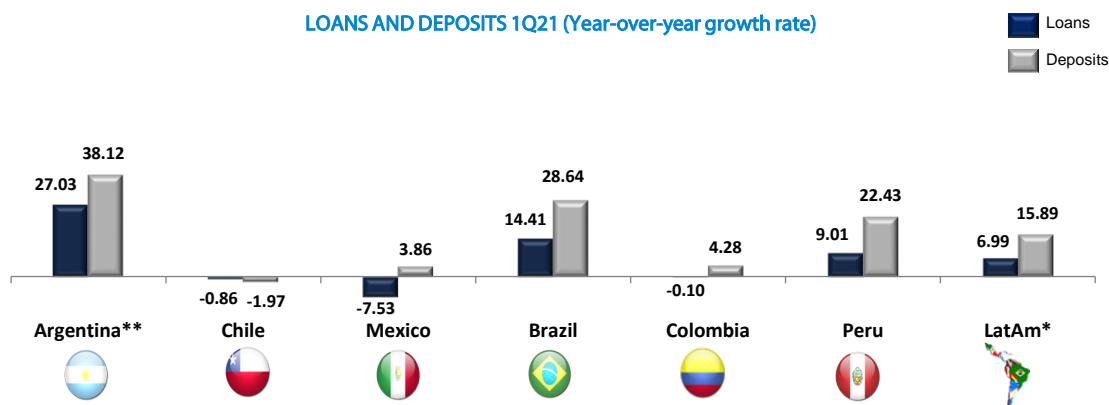


## LONG TERM RATINGS 1Q21

	MOODY'S		S&P		FITCH	
Argentina	Ca	—	CCC+	—	CCC	—
Brazil	Ba2	—	BB-	—	BB-	—
Chile	A1	—	A	▼	A-	—
Colombia	Baa2	—	BBB-	—	BBB-	—
Mexico	Baa1	—	BBB	—	BBB-	—
Peru	A3	—	BBB+	—	BBB+	—



## LOANS AND DEPOSITS 1Q21 (Year-over-year growth rate)



\*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.

\*\*Most updated figures available at the date of the release correspond to 4Q20.

### 3. French Macroeconomic view

*The recovery in economic activity consolidated in the third quarter of 2021 after the historic fall in 2020 due to the advance of vaccination. It should remain strong in the fourth quarter, despite the new Covid-19 variants and some sectoral supply or contracting difficulties.*

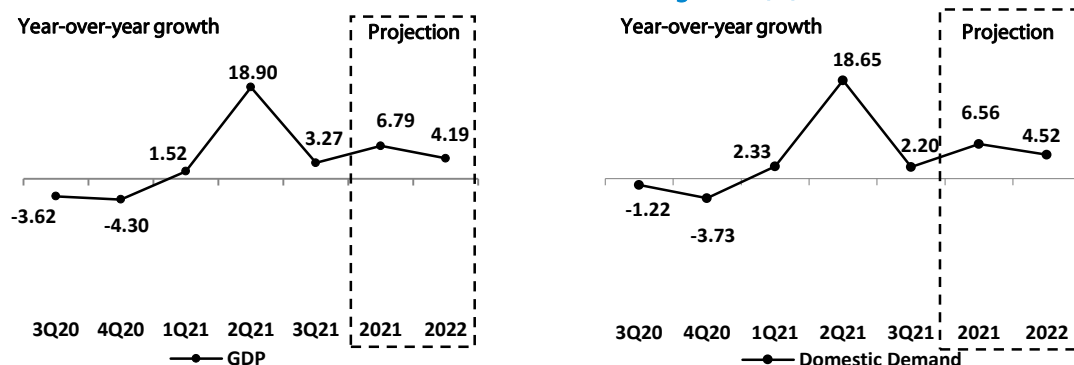
#### MAIN MACROECONOMICS INDICATORS ( Interannual growth %)

INDICATOR	3Q20	4Q20	1Q21	2Q21	3Q21	2021	2022
<b>GDP</b>	-3.62	-4.30	1.52	18.90	3.27	6.79	4.19
DOMESTIC DEMAND	-1.22	-3.73	2.33	18.65	2.20	6.56	4.52
PRIVATE CONSUMPTION	-1.28	-6.78	-1.22	13.28	0.65	4.82	6.77
PUBLIC CONSUMPTION	1.77	0.73	3.36	17.60	2.62	6.45	1.91
GROSS FIXED CAPITAL	-3.95	-1.18	9.61	33.06	5.30	11.97	3.72
EXTERNAL DEMAND							
EXPORTS	-15.14	-9.77	-4.60	28.84	8.43	8.15	7.53
IMPORTS	-10.77	-8.53	-2.72	21.89	4.82	7.31	8.41
<b>INFLATION</b>							
CPI	0.33	0.07	0.77	1.37	1.77	2.07	2.30
<b>LABOUR MARKET</b>							
UNEMPLOYMENT	8.90	7.80	8.10	8.00	8.10	7.81	7.60
EMPLOYMENT	-0.74	-1.15	1.39	3.40	2.08	2.45	0.96

Source: Insee, OECD December forecast.

- Following the end of the negative trend during December 2020, the French economy consolidated its recovery with a 17.37 p.p. GDP increase in 2Q21 with respect to the previous quarter. In 3Q21 the French economic activity decreased 15.62 p.p. with respect to the previous quarter, however, compared to the same quarter of the previous year it recorded an increase of 6.89 p.p., with a positive rate of 3.27%. This escalating increase came alongside the exponential growth in the vaccine campaign where approximately 70% of the population received at least the first dose.
- Distributed by sectors, transport equipment, travel and tourism services suffered a decrease on their demands, which recoveries are expected to be highly dependent on the evolution of the sanitary situation and the associated measures. These sectors reveal the most deteriorations for the recovery of the French economic activity, as most sectors such as construction, has recorded a continued increase since the previous quarter.
- As regards domestic demand, the same pattern can also be identified, increasing by 16.33 p.p. in 2Q21 compared to the previous quarter. However, during the third quarter, domestic demand decreased compared to 2Q21 reaching a 2.20% rate. Domestic demand is the main driver of GDPs' performance and the key for the economic growth.
- In terms of external demand, there was a significant decrease in the trade balance in 3Q21 compared to 2Q21, where exports declined by 20.41 p.p. while imports decreased by 17.07 p.p.. According to the Banque de France, both domestic demand and foreign trade will recover from the fall of 2020 throughout 2023.

#### GDP and domestic demand interannual growth (%)

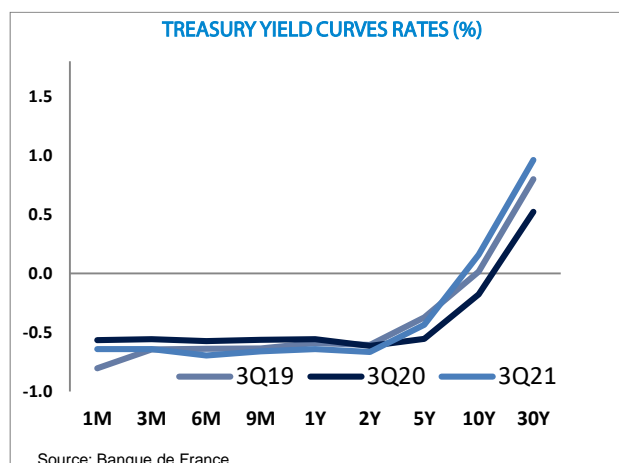
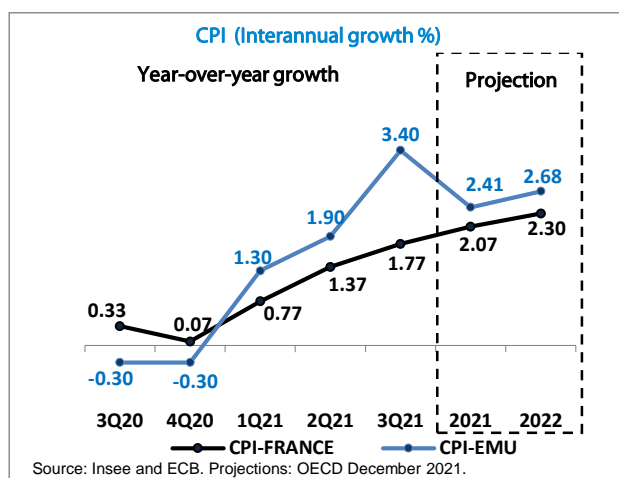
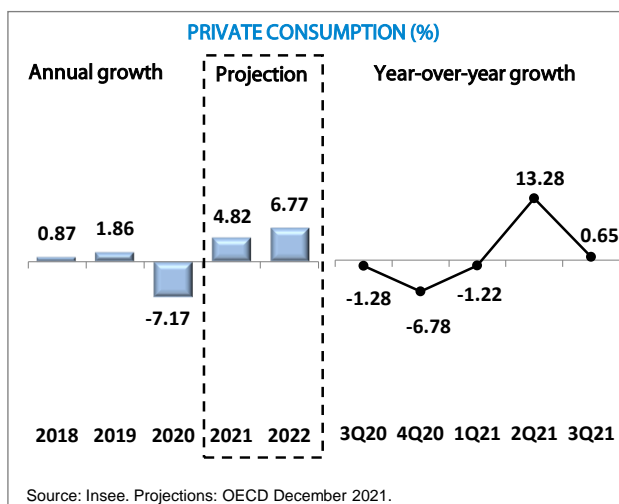


Source: Insee, Projections from the OECD December 2021

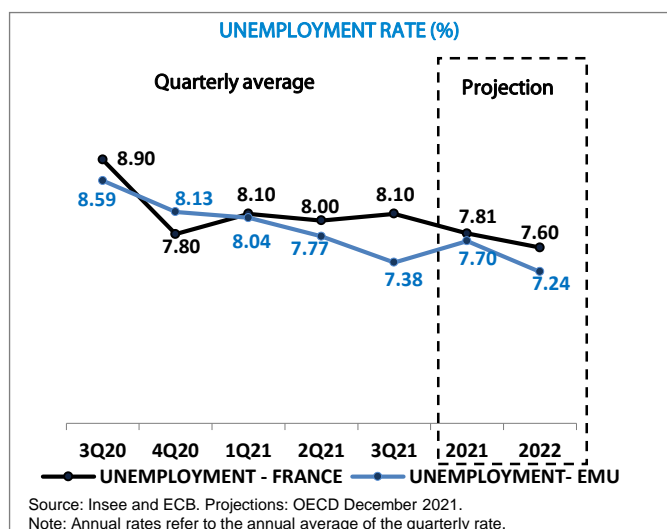


**In the third quarter of 2021, private consumption recorded a considerable decrease in its y/y growth rate compared to the previous quarter, standing at a 0.65% rate. Forecasts made by the OECD predict a sustained recovery in private consumption for 2021 and 2022. In turn, the inflation rate continued its raising trend, reaching a 1.77% rate during 3Q21. Regarding French bond yields, short and medium run yields remained negative while long term yields envision positive numbers as the ECB purchases assets.**

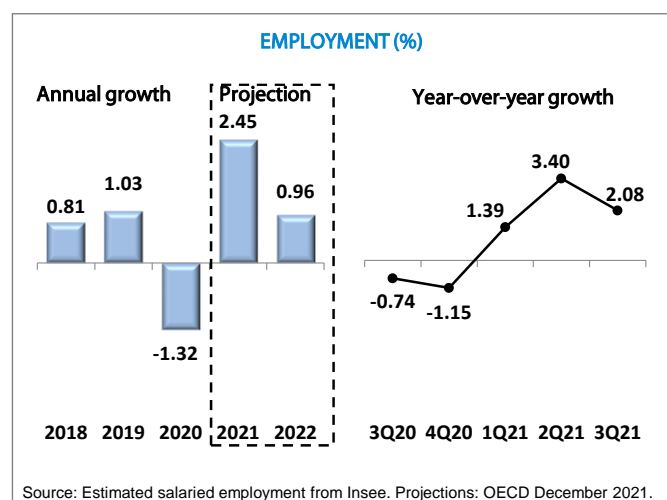
- During the third quarter of the year, private consumption recorded a decline, after its acceleration in the second quarter of 2021, reaching a 0.65% y/y growth rate, decreasing by 12.63 p.p. when compared to 2Q21.
- The OECD forecast for private consumption predicts a year-over-year growth rate of 4.82% for 2021. Moreover, it expects private consumption to further recover in 2022, growing at a 6.77% rate. These results comes alongside accumulated savings derived from pandemic restrictions.
- In the same line, the Bank of France expects household consumption to continue to rebound throughout 2021 as a result of the increase in real household income that will be driven by the improved economic situation and growth in labour income.
- In 3Q21, the y/y growth rate of the French Consumer Price Index rose by 0.40 p.p., increasing for the third consecutive quarter, up to a 1.77%. Despite this increase, the CPI in France remained below the EU average inflation rate in the third quarter of 2021 (3.40%).
- According to the OECD, the inflation rate will increase in 2021, overcoming the 2% target of the ECB. Moreover, it expects inflation to also rise in 2022, up to a 2.30% rate. Sustained inflation might be partially derived from disruptions in global supply chains leading to production shortages and the sharply increases of gas and oil prices.
- All bond yields of French Treasury bonds with maturities lower than 10 years presented negative interest rates in 2Q21.
- When compared to the same quarter of 2019, bond yields declined for all maturities, except for 1M, 3M, 10Y and 30Y.
- When compared to the same quarter of 2020, bond yields declined for all maturities, unlike for 5Y, 10Y and 30Y.
- The ECB supported this evolution by the purchase of assets alongside the unveiling of the European recovery funds. However, throughout this period the ECB reported that it was reducing its debt purchases.



**Regarding the labour market, during the third quarter of 2021 the unemployment rate recorded a slight increase compared to the previous quarter, standing at a 8.10% rate. Yet, in year-over-year terms, unemployment decreased by 0.80 p.p.. Concerning the y/y growth rate of employment, it stood at 2.08% in the third quarter of 2021, the third quarter with a positive rate, following its increasing trend as restrictions eased.**



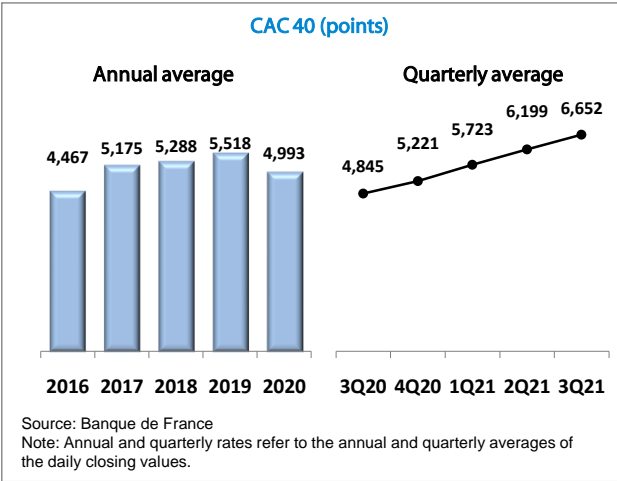
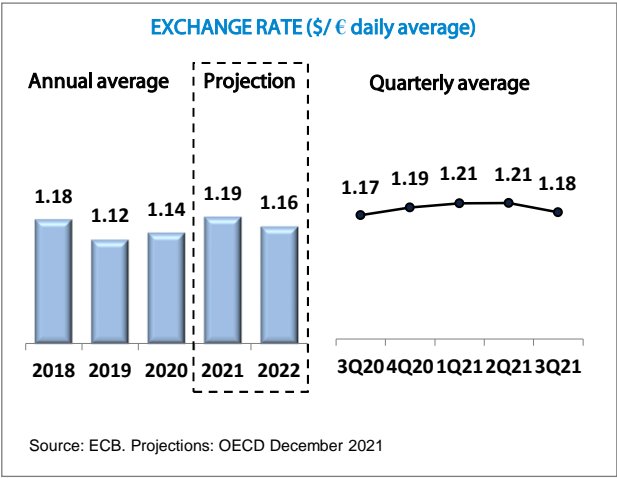
- ▶ In the third quarter of the year, the unemployment rate recorded a slight increase of 0.10 p.p. standing at a 8.10% rate. Nevertheless, it decreased by 0.80 p.p. relative to the same quarter of the previous year. The unemployment rate was slightly higher than that of the EMU (7.38%), for the third consecutive quarter.
- ▶ The long-term effects of the pandemic are expected to continue having an impact on the labour market in 2021 and 2022. Accordingly, the OECD projects an unemployment rate of 7.81% and 7.60% respectively.
- ▶ Regarding the employment growth rate, it continued its recovery during the third quarter, however it declined by 1.32 p.p., down to a 2.08% rate, compared to the previous quarter.
- ▶ Consequently, during the third quarter of the year, the employment y/y growth rate showed positive levels for the third consecutive quarter, leading to a positive year end recovery.
- ▶ In its December projections, the OECD has improved its forecast for the French employment growth rate in 2021, predicting a 2.45% growth. For 2022, they expect the y/y employment growth rate to stand at 0.96%.
- ▶ According to the Banque de France, the Covid crisis mainly affected the labour market through working hours per capita, and to a lesser extent through the number of jobs, thanks to the short-time work scheme. Thus, it expects a more limited growth in job numbers than in working time.



- ▶ In accordance with the Banque de France, the small projection in employment levels comes alongside the unequal recovery by sectors, where manufacturing and services will be specially harmed. However, the implementation of the EUR 100 billion medium-term recovery plan (France Relance) is set to progressively boost employment. Finally, the EUR 10.5 billion business tax cut and hiring subsidies will support firms and jobs' creation. Nevertheless, in spite of the job the success job rebound in France, in the third quarter the unemployment rate is still above 8% which demonstrates that the country had prepandemic labour issues.



- ▶ During the third quarter of 2021, the euro was depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.18 \$/€.
- ▶ The OECD expects the annual average dollar/euro exchange rate to stand at 1.19 \$/€ for 2021 and slightly lower for 2022 standing at 1.16 \$/€ , with the US dollar depreciating against the euro with respect to 2020.
- ▶ The French stock index (CAC 40) recorded a quarterly average of 6,651.53 points during the third quarter of 2021, following a 452.55 points increase when compared to the average level registered in the previous quarter.
- ▶ Moreover, the CAC 40 quarterly average incremented by 1,806.75 points with respect to the same quarter of the previous year.
- ▶ The reasons behind such a positive behaviour is due to favorable beginning of the quarter, which had started with gains amid a positive 2Q21 earnings season and ongoing economic recovery from the pandemic. The Delta variant of Covid-19 continued to spread but most large Eurozone countries have now fully vaccinated around 75% of their population against the virus, enabling many restrictions on travel and other activities to be lifted.



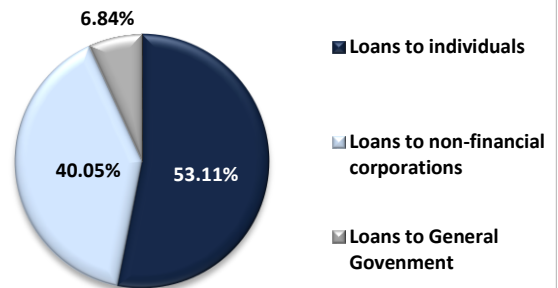
## 4. Banking sector: General Overview

### Loans

**During 3Q21, the y/y growth rate of total loans experienced a deceleration of 0.07 p.p. relative to 2Q21, down to 3.79%. This performance was mainly driven by the fall in the y/y growth rate of loans granted to non-financial corporations, with the y/y growth rate of loans declining for all segments with the exemption of loans granted to individuals. Concerning the distribution of loans, those granted to individuals accounted for 53.11% of total loans, while loans to non-financial corporations and general government had a 40.05% and a 6.84% share, respectively.**

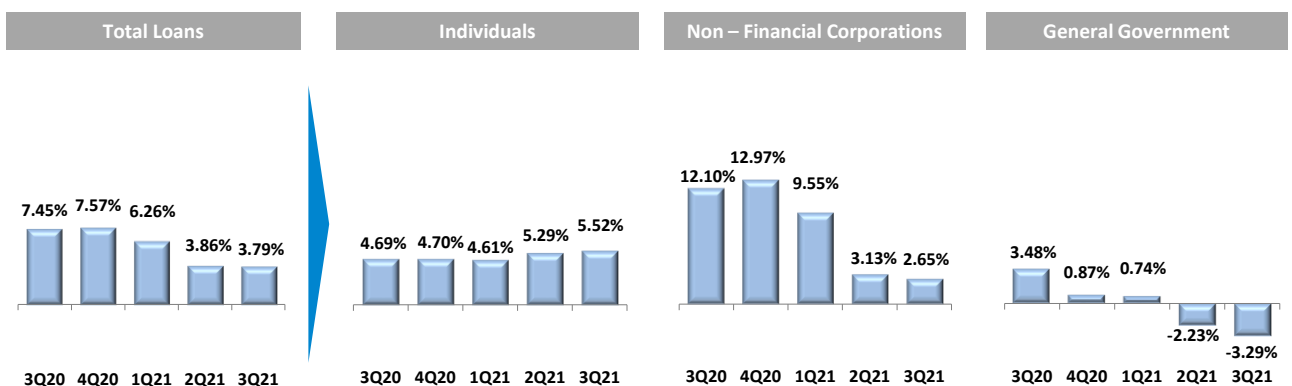
- During the third quarter of 2021, the y/y growth rate of total loans of the French financial system fell by 0.07 p.p. relative to 2Q21, down to 3.79%.
- The quarterly performance of the y/y growth rate of total loans was driven by the deceleration in the y/y growth rate of loans granted to all segments, except for loans granted to individuals.
- The y/y growth rates of loans granted to non-financial corporations declined by 0.48 p.p. compared to 2Q21, down to a 2.65% rate.
- The y/y growth rate of loans granted to the general government decreased by 1.06 p.p., while that of loans granted to individuals rose by 0.23 p.p., down to -3.29% and up to 5.52%, respectively.
- Regarding the distributions of loans, loans granted to individuals represented 53.11% of total loans, following a 0.30 p.p. increase relative to the previous quarter. The non-financials segment registered instead a 0.17 p.p. decrease in their share, accounting for 40.05% of total loans. The remaining 6.84% share corresponded to loans granted to the general government, which experienced a 0.12 p.p. decline in their share over total loans.

Loans distribution in private sector 3Q21 (%)



Source: Banque de France.

LOANS (Year-over-year, %)



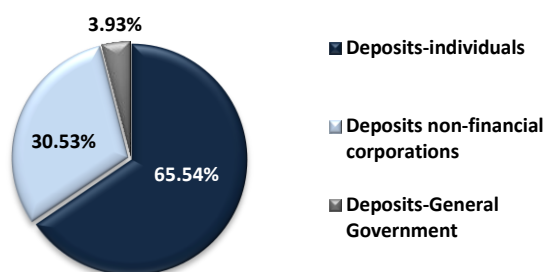
Source: Banque de France



# Deposits

**During the third quarter of 2021, total deposits suffered a deceleration in their y/y growth rate relative to the previous quarter, down to a 6.25% rate. This behaviour was the result of the decline in the y/y growth rate of all segments, particularly deposits related to general government. As far as the distribution of deposits is concerned, deposits of individuals represented 65.54% of total deposits, while deposits of non financial corporations and government accounted for 30.53% and 3.93% of total deposits, respectively.**

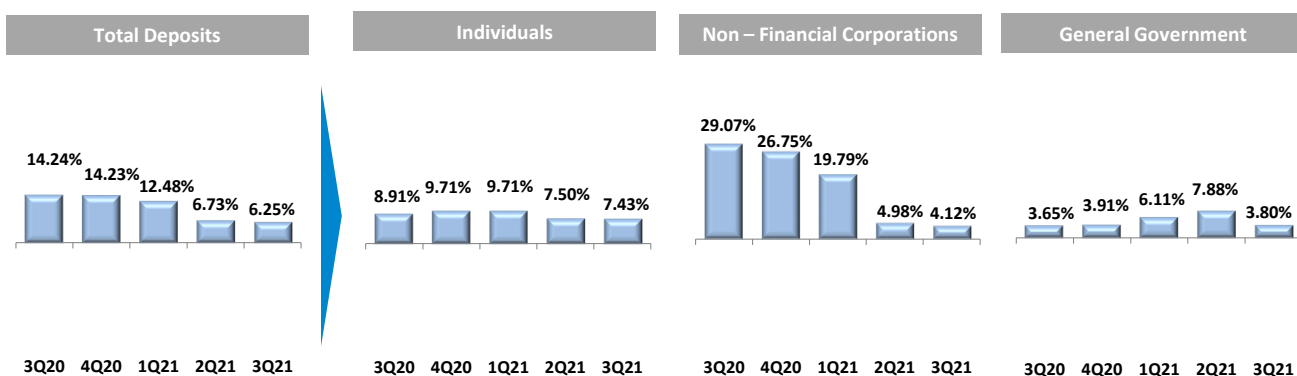
Deposits distribution in private sector 3Q21 (%)



Source: Banque de France.

- During the third quarter of 2021, the y/y growth rate of total deposits of the French financial system decelerated by 0.48 p.p. when compared to the previous quarter, down to a 6.25% y/y growth rate.
- This decline was motivated by the fall in the y/y growth rate of deposits of general government which decreased by 4.08 p.p. with respect to the previous quarter, reaching a 3.80% y/y growth rate.
- Moreover, the y/y growth rate of deposits of individuals decreased by 0.07 p.p. and stood at 7.43%, while deposits of non-financial corporations decreased by 0.86 p.p. relative to 2Q21, standing at a 4.12% rate.
- Regarding the distribution of deposits, individual deposits accounted for 65.54% of total deposits, following a 0.12 p.p. increment in their share compared to the previous quarter. In the case of non-financial corporations deposits, they experienced a 0.06 p.p. decrease and represented 30.53%, at the same time, general government deposits decreased by 0.06 p.p., standing at 3.93%.

DEPOSITS (Year-over-year, %)

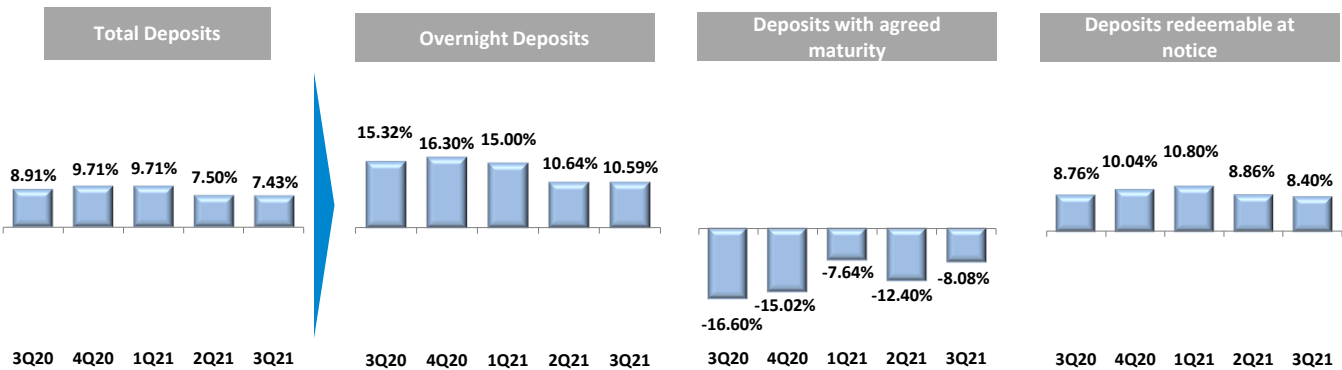


Source: Banque de France.

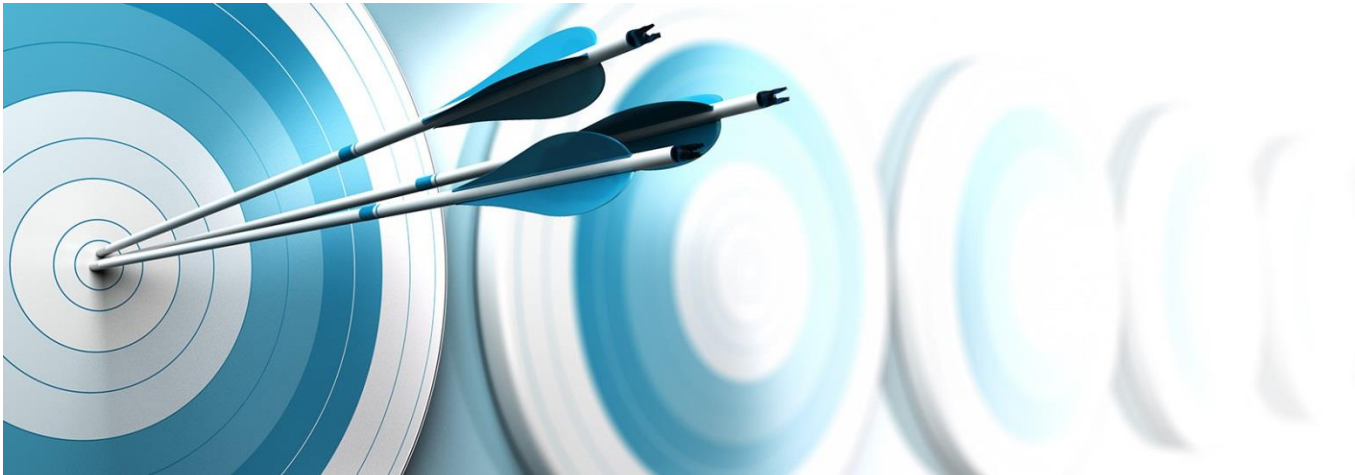
**The y/y growth rate of deposits of individuals decreased relative to the previous quarter, standing at a 7.43% rate. This behaviour was driven by the deceleration experienced by all kind of deposits, apart from the agreed maturity deposits.**

- As previously mentioned, individual deposits represented the highest share of deposits in the French financial system during the third quarter of the year, reaching 65.54% of total deposits with 1,771 billion euros.
- The y/y growth rate of individual deposits was reduced with respect to the previous quarter, standing at a 7.43% rate. This performance was mainly the result of the decline in the y/y growth rate of overnight deposits, alongside the fall in the y/y growth rate of deposits redeemable at notice.
- Overnight deposits registered a 0.05 p.p. decrease in their y/y growth rate when compared to the previous quarter, standing at a 10.59% rate during this period.
- On the other hand, the y/y growth rate of deposits with agreed maturity experienced a significant increase relative to 2Q21, standing at negative levels, rising by 4.32 p.p. and reaching a -8.08% rate.
- Finally, deposits redeemable at notice recorded the largest decrease in their y/y growth rate during the third quarter of the year, decreasing by 0.46 p.p. compared to the previous quarter and reaching a 8.40% rate.

DEPOSITS- Individuals ( Year-over-year)



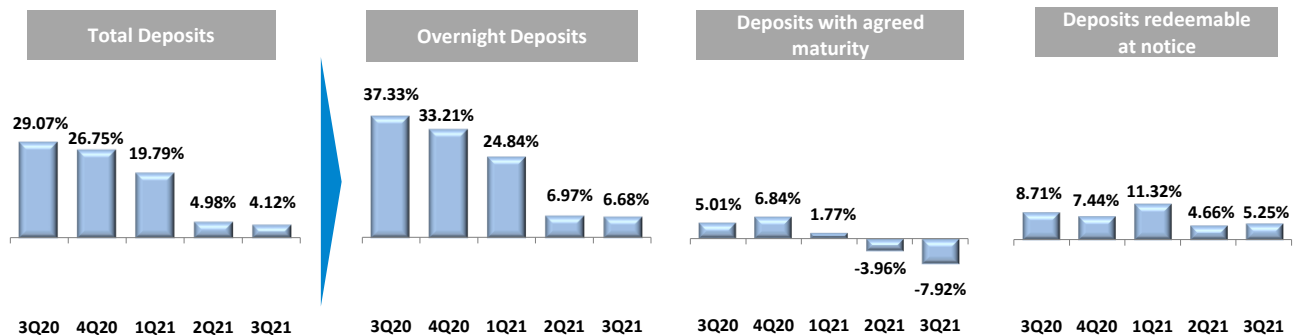
Source: Banque de France.  
Note: Total individual deposits include all types of deposits made by households. Overnight deposits include resident households and NPISH.



**In the third quarter of the year, the y/y growth rate of deposits from non-financial corporations decelerated by 0.86 p.p. when compared to the previous quarter, standing at a 4.12% rate. This performance was driven essentially by the decline in the year-over-year growth rate of overnight deposits, and deposits with agreed maturity with respect to 2Q21.**

- ▶ During the third quarter of the year, non-financial corporations' deposits represented 30.53% of total deposits, with a total of 825 billion euros.
- ▶ Moreover, the y/y growth rate of deposits of non-financial corporations fell by 0.86 p.p. when compared to the previous quarter, down to a 4.12% rate. This decline was the result of the decrease in the y/y growth rate of overnight deposits, together with the deceleration of that of deposits with agreed maturity.
- ▶ In this context, deposits with agreed maturity registered the largest decrease in their y/y growth rate, standing 3.96 p.p. below that of the previous quarter; being the lowest among non-financial corporations' deposits with a rate of -7.92%.
- ▶ The y/y growth rate of overnight deposits also declined with respect to the second quarter of 2021, decreasing by 0.29 p.p. and standing at a 6.68% rate.
- ▶ As for deposits redeemable at notice, they experienced a 0.59 p.p. increase in their y/y growth rate relative to the previous quarter, up to a 5.25% rate.

**DEPOSITS-Non-financial corporations (Year-over-year, %)**



Source: Banque de France.

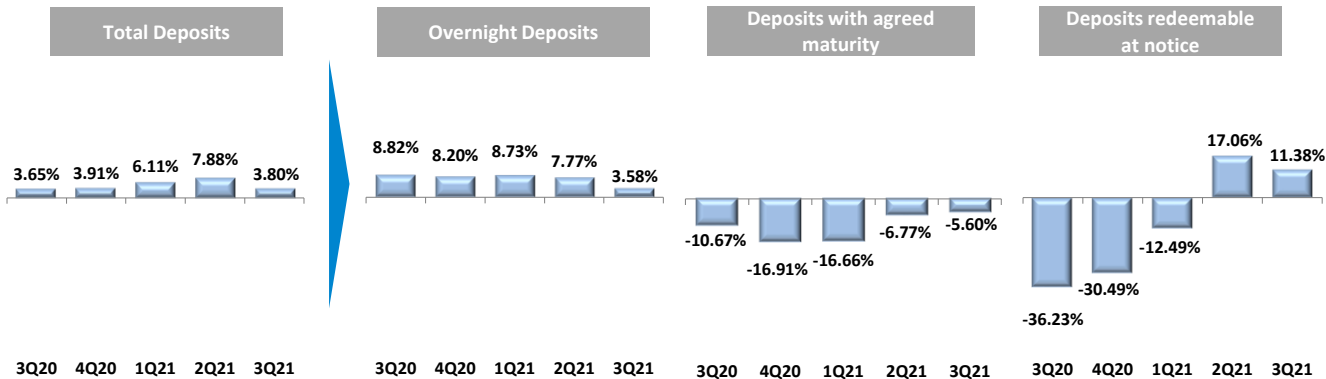
Note: Total non-financial corporations deposits include all types of deposits made by non-financial corporations. Overnight deposits and deposits redeemable at notice both include deposits of non-financial corporations with credit institutions.



**During the third quarter of 2021, the y/y growth rate of deposits from the general government decreased by 4.08 p.p. when compared to the previous quarter, down to a 3.80% rate. This behaviour was the result of the deceleration in the y/y growth rate of overnight deposits and deposits redeemable at notice.**

- ▶ In the third quarter of the year, general government deposits accounted for 3.93% of total deposits of the French financial system, with a total value of 106 billion euros.
- ▶ Total general government deposits registered a 4.08 p.p. deceleration in their y/y growth rate when compared to the previous quarter, reaching a 3.80% rate. This fall was motivated by the reduction in the y/y growth rate of overnight deposits and deposits redeemable at notice balanced by the rise in the y/y growth rate of deposits with agreed maturity.
- ▶ The overnight deposits y/y growth rate decreased by 4.19 p.p. with respect to the previous quarter, standing at a 3.58% rate.
- ▶ Regarding deposits with agreed maturity, their y/y growth rate arguably increased relative to the previous quarter, up to 1.17 p.p. and standing at a -5.60% rate, recording still a negative y/y growth rate for the sixth consecutive quarter.
- ▶ In the case of deposits redeemable at notice, their y/y growth rate declined the most, by 5.68 p.p. compared to the previous quarter, consolidating the end of its previous negative trend and standing at a 11.38% rate.

DEPOSITS-General Government (Year-over-year, %)



Source: Banque de France.  
Note: Total deposits include all types of deposits made by General Government.



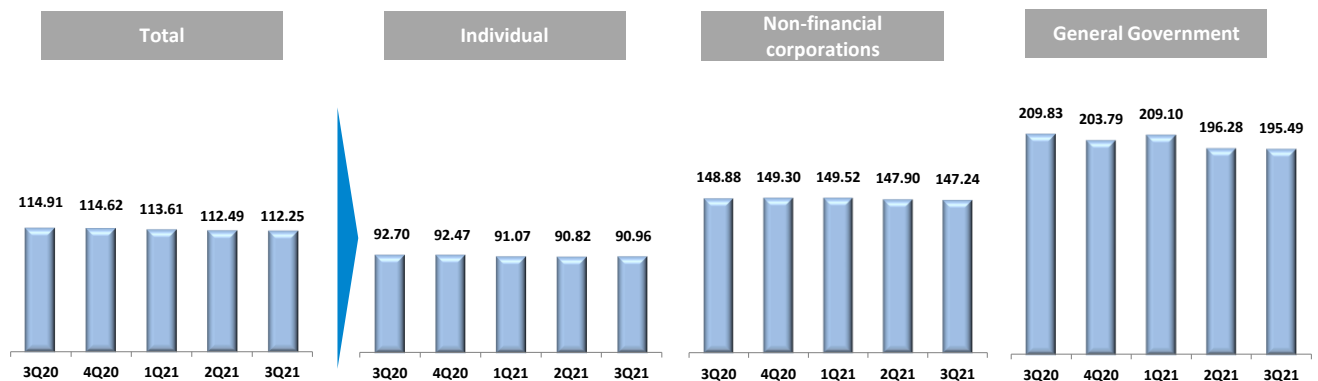


## LTD Ratio

**In the third quarter of 2021, the loan-to-deposit ratio of the French financial system decreased with respect to the same quarter of the previous year, down to a 112.25% ratio. This decline was motivated by the greater acceleration experienced by deposits than by loans.**

- During the third quarter of the year, the LTD ratio of the French Financial system declined by 2.66 p.p. when compared to the ratio registered in the same quarter of the previous year, down to 112.25%. This decrease was the result of the larger acceleration recorded by deposits (6.25%) than the one registered by loans (3.79%) with respect to 3Q20. Moreover, the loan-to-deposit ratio declined for all segments with respect to 3Q20.
- The LTD ratio of individuals stood at a 90.96% ratio during this period, 1.74 p.p. below the ratio recorded in the same quarter of 2020.
- Regarding non-financial corporations, their LTD ratio fell down to 147.24% in the third quarter of 2021, following a 1.64 p.p. decline relative to the same quarter of the previous year.
- Finally, the LTD ratio of the general government experienced a 14.33 p.p. decrease when compared to the same quarter of the previous year. Therefore, the LTD ratio of the general government reached 195.49%, recording once again the highest LTD ratio of all segments.

### TOTAL LOANS / TOTAL DEPOSITS



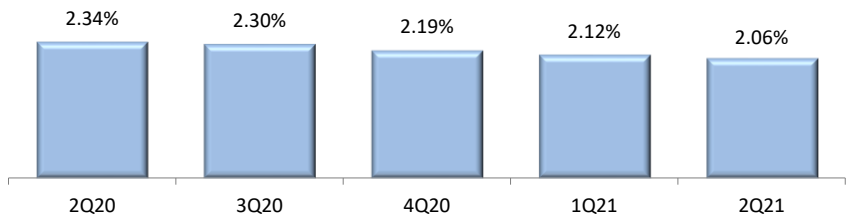
Source: Bank de France.



## NPL Ratio\*

**During the second quarter of 2021, the non-performing loans ratio stood at 2.06%, 0.06 p.p. below the one recorded in the previous quarter. In turn, the coverage ratio of the French financial system experienced a 0.35 p.p. rise relative to the first quarter of 2021, up to a 49.37% ratio.**

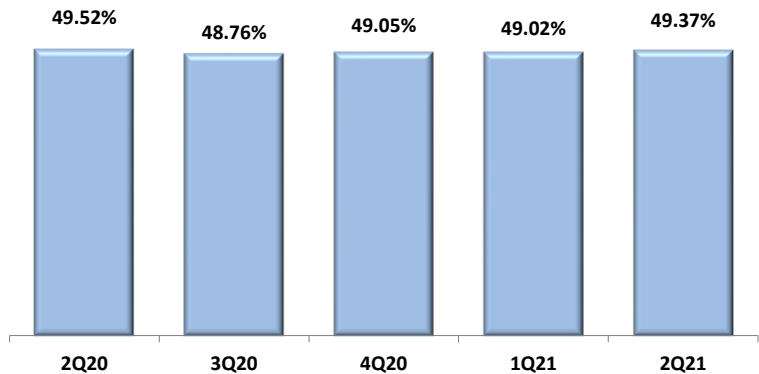
NON-PERFORMING LOANS - TOTAL LOANS (%)



Source: European Banking Authority.  
Note: Non-exhaustive analysis conducted by the EBA on the financial system of the country covering more than 80% of total assets.  
Note: Entities considered in Appendix.

- ▶ In the second quarter of the year, the non-performing loans ratio (NPL) of the French financial system stood at 2.06%, 0.06 p.p. lower than in the previous quarter. Moreover, the NPL ratio decreased by 0.28 p.p. when compared to the same quarter of the previous year.
- ▶ The year-over-year drop in the NPL ratio followed the downward trend which started in 2Q14, when the rate reached 4.70%.
- ▶ Regarding the coverage ratio of the financial system in 2Q21\*, it increased by 0.35 p.p. with respect to the previous quarter, up to a 49.37% ratio. In y/y terms, the coverage ratio decreased by 0.15 p.p..
- ▶ In turn, according to the latest Risk Dashboard of the EBA, the NPL ratio of the French financial system remained below the EU average (2.30% in 2Q21), while it recorded a higher coverage ratio than the EU average, which stood at 44.30% during this period.

COVERAGE RATIO (%)



Source: European Banking Authority.  
Note: Non-exhaustive analysis conducted by the EBA on the financial system of the country covering more than 80% of total assets.  
Note: Entities considered in Appendix.

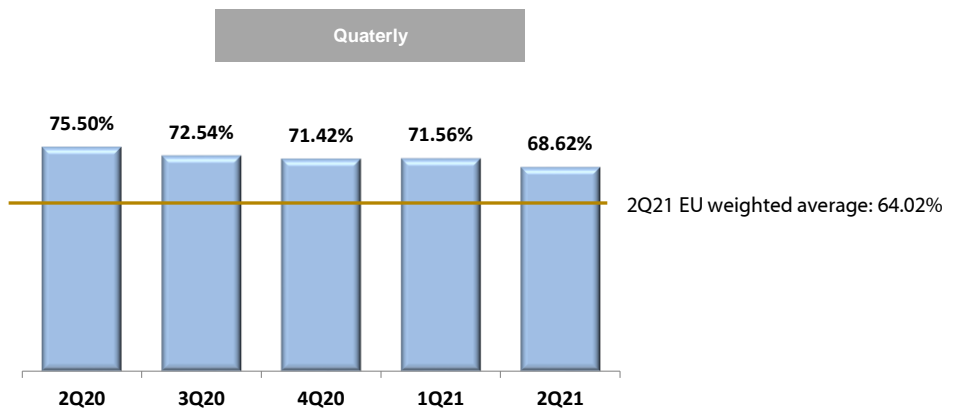
\*The most up-to-date figures available for the calculation of the efficiency ratio, coverage ratio and non-performing loans ratio at the date of publication are for 2Q21.

## Efficiency\*

**The efficiency ratio of the French financial system reached 68.62% in the second quarter of the year, following a 2.95 p.p. decrease when compared to the previous quarter.**

- In the second quarter of 2021, the efficiency ratio of the French financial system improved when compared to the previous quarter, decreasing by 2.95 p.p. and reaching a 68.62% cost-to-income ratio during this period. Moreover, the efficiency ratio improved with respect to the same quarter of the previous year, decreasing by 6.89 p.p..
- Thus, in terms of the cost-to-income ratio, the French financial system was slightly less efficient than the EU average, as the latter stood at a 64.02% ratio according to the EBA.

EFFICIENCY (Total System)



Source: European Banking Authority.

Note: Non-exhaustive analysis conducted by the EBA on the financial system of the country covering more than 80% of total assets.

Note: Entities considered in Appendix.

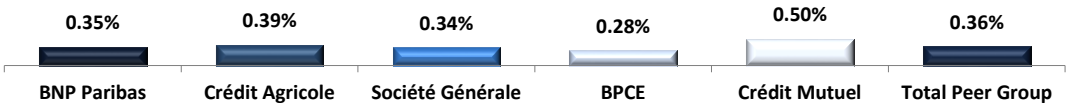


\*The most up-to-date figures available for the calculation of the efficiency ratio, coverage ratio and non-performing loans ratio at the date of publication are for 2Q21.

# Results

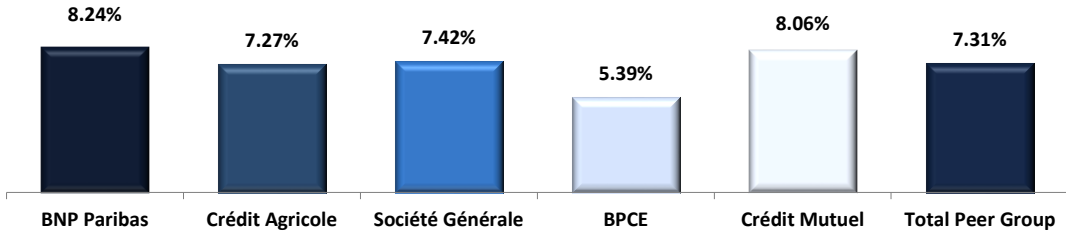
*In terms of profitability, the entities of the French Peer Group recorded increases in both their average ROA and their average ROE ratio when compared to the same quarter of the previous quarter. Crédit Mutuel recorded the highest ROA ratio, while the largest ROE ratio corresponded to BNP Paribas.*

ROA (% Net income annualised/ total assets) 3Q21



Source: Banks' quarterly reports.  
BNP Paribas, Crédit Agricole and Société Générale: group data. Crédit Mutuel: includes Banque Federative du Crédit Mutuel & Group's data.

ROE (% Net income annualised / total equity) 3Q21



Source: Banks' quarterly reports.  
BNP Paribas, Crédit Agricole and Société Générale: group data. Crédit Mutuel: includes Banque Federative du Crédit Mutuel & Group's data.

- ▶ During the third quarter of the year, the average ROA ratio of the French Peer Group entities incremented by 0.19 p.p. compared to the same quarter of 2020, up to a 0.36% ratio. Despite not registering the highest increase, Crédit Mutuel recorded the highest ROA ratio of all entities with a 0.50% ratio. In turn, the lowest ROA ratio corresponded to BPCE (0.28%). It should be noted that, during this period, Société Générale consolidated its positive ROA with 0.34% ratio after standing at negative levels during four consecutive quarters.
- ▶ Regarding the average ROE ratio of the Peer Group entities, it increased by 3.93 p.p. with respect to the same quarter of 2020, reaching a 7.31% ratio. In this context, the highest ROE ratio corresponded once again to BNP Paribas, with a 8.24% ratio, followed by Crédit Mutuel with a 8.06% ratio. BPCE was the entity which recorded the lowest ROE ratio, standing at a 5.39% ratio. Similarly to the ROA ratio, Société Générale registered the largest increment on its ROE ratio (+8.89 p.p.) and remained in positive levels after a year of negative ones.



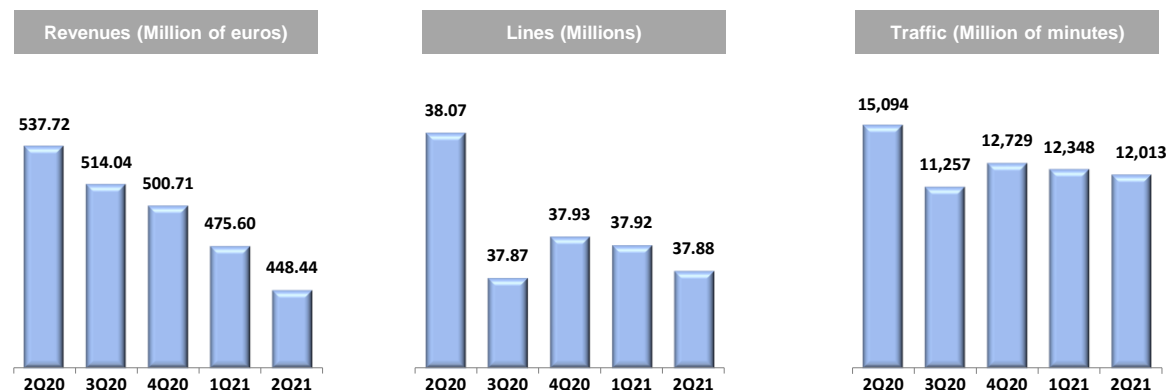


## 5. Telecommunications sector\*

**During the second quarter of 2021, the volume of fixed lines registered a year-over-year decrease of 0.49%, while mobile lines registered a 2.39% increase with respect to 2Q20. Revenues fell by 16.60% in the fixed line sector, and increased by 3.99% in the mobile sector compared to the same quarter of the previous year. Regarding the traffic of data consumed on mobile networks and TV subscriptions tied to Internet access, both registered increases during 2Q21.**

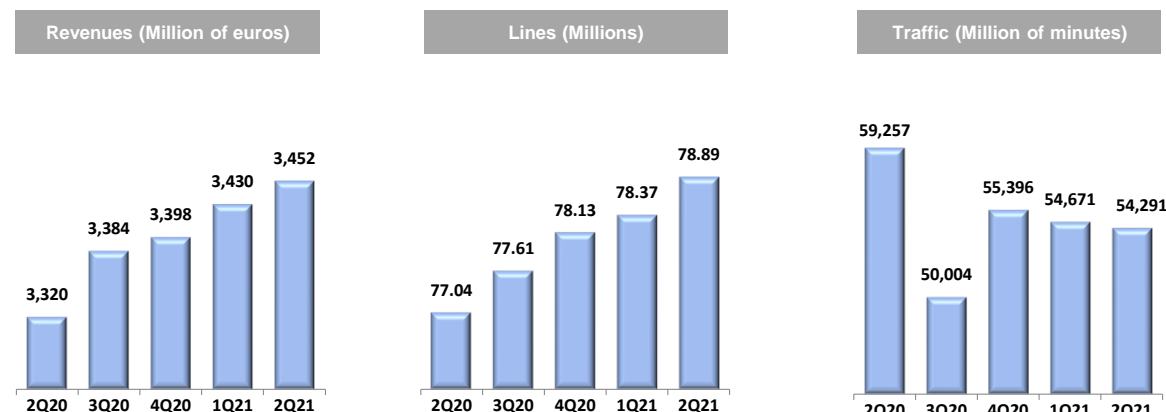
- During the second quarter of 2021, the volume of fixed lines decreased by 0.49% with respect to the same quarter of 2020. Revenues from fixed lines decreased by 16.60%, down to € 448 million, while traffic decreased for fixed lines (-20.41%).
- On the other hand, the volume of mobile lines registered a y/y growth of 2.39%. Revenues from mobile lines increased by 3.99% with respect to 2Q20, up to € 3,452 million, and their traffic decreased by 8.38%.
- The traffic of data consumed on mobile networks increased by 23.67% in the second quarter of 2021 with respect to 2Q20. On the other hand, TV subscriptions tied to Internet access increased by 5.42% compared to the same quarter of the previous year.
- In terms revenues' distribution, retail leased lines and data networking represented 46.88%, value added services accounted for 2.40%, total mobile services represented 39.49% and other revenues accounted for the remaining 11.24% of total revenues.
- With respect to the same period of the previous year, revenues from retail leased lines and data networking decreased by 0.23%, while revenues from value added services fell by 3.57%. Other revenues increased by 15.10% and finally, revenues from mobile services also increased by 3.84%. Thus, the total income of the sector increased by 2.82% compared to 2Q20.

### MAIN MAGNITUDES – Fixed Lines



Source: Arcep.

### MAIN MAGNITUDES – Mobile Lines



Source: Arcep.

\* Most up to date data available at the date of publication for 2Q21.



## 6. Appendix

### SOURCES

#### MACROECONOMIC OVERVIEW

- ▶ Insee:  
<http://www.bdm.insee.fr>
- ▶ BBVA research:  
[www.bbva.com](http://www.bbva.com)
- ▶ European Central Bank:  
<http://www.ecb.int>
- ▶ International Monetary Fund, IMF:  
<http://www.imf.org>
- ▶ Organisation for Economic Cooperation and Development, OECD:  
<http://www.oecd.org/home/>
- ▶ World Bank, WB  
<https://www.worldbank.org/>
- ▶ Standard & Poor's:  
<http://www.standardandpoors.com/>
- ▶ Fitch Ratings:  
<http://www.fitchratings.com/>
- ▶ Moody's:  
<http://www.moody.com/>
- ▶ Central Bank of the Republic of Argentina:  
[www.bcra.gov.ar](http://www.bcra.gov.ar)
- ▶ Central Bank of Chile:  
[www.bcentral.cl](http://www.bcentral.cl)
- ▶ Bank of Mexico:  
[www.banxico.org.mx](http://www.banxico.org.mx)
- ▶ Central Bank of Brazil:  
[www.bcb.gov.br](http://www.bcb.gov.br)
- ▶ National Administrative Department of Statistics of Colombia (DANE):  
<http://www.dane.gov.co/>
- ▶ Bank of the Republic of Colombia:  
<http://www.banrep.gov.co/>
- ▶ Central Bank of Venezuela:  
[www.bcv.org.ve](http://www.bcv.org.ve)
- ▶ Central Reserve Bank of Peru:  
[www.bcrp.gob.pe](http://www.bcrp.gob.pe)

#### FINANCIAL SECTOR

- ▶ Banque de France:  
[www.banque-france.fr](http://www.banque-france.fr)
- ▶ European Banking Authority:  
<https://eba.europa.eu/>

#### GLOSSARY

- ▶ **Efficiency Ratio:** Operating expenses and depreciation / Operating income.
- ▶ **Return On Equity (ROE):** Net profit after tax / total equity.
- ▶ **Return On Assets (ROA):** Net profit after tax / total assets.
- ▶ **Non-Performing Loans Ratio:** Non-performing loans / net loans and assets.
- ▶ **Loans –to-Deposits Ratio:** Total Loans / Total Deposits.
- ▶ **Tier 1 Common Ratio:** (Tier 1 capital - qualifying subordinate debt and redeemable preferred stock - qualifying non-controlling interests in consolidated subsidiaries) / Total risk-weighted assets.
- ▶ **NPISH:** Non-profit institutions serving households.

#### **List of entities considered for Efficiency, Coverage and NPL ratios:**

LCH Creanet, Banque PSA Finance, BNP Paribas SA, Bpifrance, Credit Mutuel Group, CRH, Groupe BCPE, Groupe Credit Agricole, HSBC France, LA Banque Postale, RCI Banque, SFIL, Société Générale SA.



***Our goal is to exceed client expectations, becoming their trusted partners***

Management Solutions is an international consultancy firm focusing on providing business, risk, financial, organizational and process-related advice, both in respect of functional components and in the implementation of related technologies.

With a cross-functional team of more than 2,500 professionals from the business, technical, mathematical and other areas, Management Solutions operates through 31 offices across Europe (15), the Americas (15) and Asia (1).

Within the financial industry, Management Solutions provides services to all types of institution (banks, insurance companies, investment companies, financing companies, etc.), operating at both the global and the local level, and to public bodies.

***Soledad Díaz-Noriega***

Partner of Management Solutions  
soledad.diaz@ms-france.com

***Javier Calvo Martín***

Partner of Management Solutions  
Javier.Calvo.Martin@msgermany.com.de

***Manuel Ángel Guzmán Caba***

Partner of Management Solutions  
Manuel.Guzman@managementsolutions.com

***Management Solutions***

Tel. +33 (0) 170929305  
www.managementsolutions.com



## Management Solutions, Professional Consulting Services

**Management Solutions** is an international consulting firm whose core mission is to deliver business, risk, financial, organisation, technology and process-related advisory services.

For further information please visit [www.managementsolutions.com](http://www.managementsolutions.com)

Follow us at:    

© Management Solutions. 2021

All rights reserved

[www.managementsolutions.com](http://www.managementsolutions.com)

Madrid Barcelona Bilbao Coruña London Frankfurt Paris Amsterdam Copenhagen Oslo Warszawa Zürich Milano Roma Lisboa Beijing New York  
Boston Atlanta Birmingham Houston SJ de Puerto Rico San José Ciudad de México Medellín Bogotá Quito São Paulo Lima Santiago de Chile Buenos Aires