

# France – 1Q22

## Macroeconomic Outlook Report



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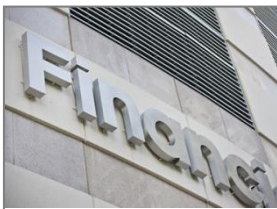
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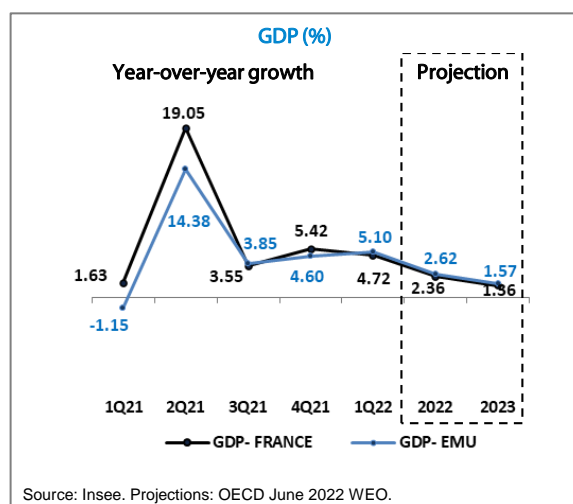
# 1. General Outlook

## French macroeconomic overview

**During the first quarter of the year, the French economy slightly declines compared to the previous quarter, partly due to higher prices and uncertainty in the international context, reaching a y/y positive growth rate of 4.72%. In addition, inflation accelerated when compared to the fourth quarter of 2021, up to a 3.67% rate. Regarding the labour market, the unemployment rate decreased when compared to the previous quarter, standing at a 7.10% rate. However, according to the Bank of France, due to the decrease in activity, this figure could increase slightly by 2022 and 2023. In addition, the euro was depreciated against the dollar, recording an average exchange rate of 1.12 \$/€.**

### French Macroeconomic Overview

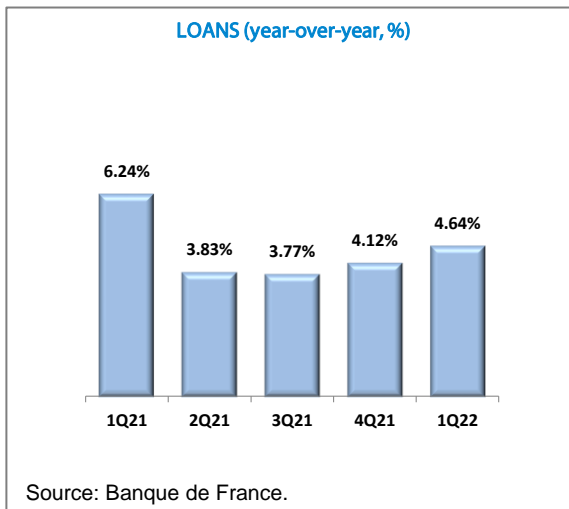
- ▶ During the first quarter of 2022, the French economy deteriorated from the previous quarter, largely due to higher prices and the uncertain international outlook, decreasing by 0.70 p.p. compared to 4Q21, reaching a positive year-on-year growth rate of 4.72%. Growth in the French economy was lower than that of the EMU, which reached 5.10% in 1Q22.
- ▶ Moreover, the Banque de France and the OECD expect the French economy to continue slow its growth in the following quarters. As a matter of fact, the OECD has predicted an annual growth of 2.62% for 2022.
- ▶ Domestic demand had a similar behaviour to GDP, as it was the key factor that drives GDPs' performance during 1Q22, recording a 0.59 p.p. decrease in its y/y growth rate, down to a 4.61% rate, consolidating positive levels.
- ▶ In the first quarter of the year, the Consumer Price Index increased by 0.94 p.p. compared to the previous quarter, standing at a 3.67% rate. The OECD expects an increase in inflation levels for 2022, up to a 5.16% rate.
- ▶ The unemployment rate recorded a slight decrease with respect to the fourth quarter of 2021, standing at a 7.10% rate, recording a 0.10 p.p. decrease when compared to 4Q21.
- ▶ 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 1.12\$/€ in 1Q22.
- ▶ The French stock index (CAC 40) experienced a 129.03 points decrease when compared to the previous quarter, recording a 6,772.48 quarterly average during this period. In addition, the CAC 40 incremented by 1,049.26 p.p. relative to the same quarter of the previous year.



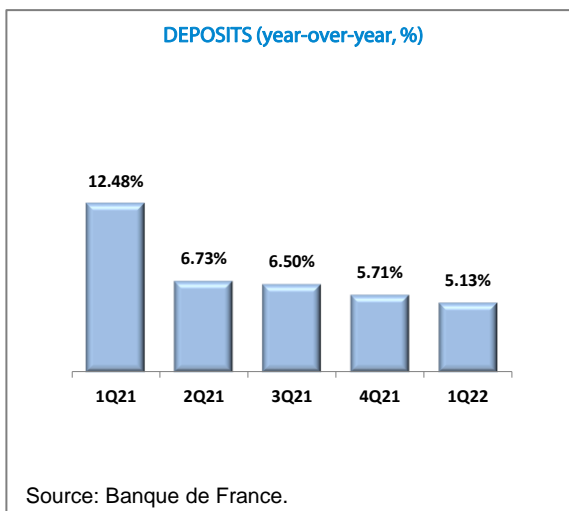
## Banking Sector

**In the first quarter of the year, the y/y growth rate of loans experienced an acceleration compared to the previous quarter, standing at a 4.64% rate. On the other hand, total deposits recorded a decline in their y/y growth rate, down to a 5.13% rate. In the same line, the non-performing loans ratio of the French financial system stood at 1.80% during 1Q22, following a decline; as well as the efficiency ratio, which worsened with respect to 4Q21, up to a 72.60% ratio.**

### Banking Sector



- ▶ During the first quarter of 2022, the y/y growth rate of total loans increased by 0.52 p.p. compared to the previous quarter, up to a 4.64% rate.
- ▶ The quarterly performance of the y/y growth rate of total loans was mainly motivated by the acceleration in the y/y growth rate of total loans granted to all segments relative to 4Q21. Specially loans granted to the general government were the main driver.
- ▶ In addition, the non-performing loans ratio (NPL) of the system declined down to a 1.80% ratio in 1Q22, following the downward trend which started in 2014.



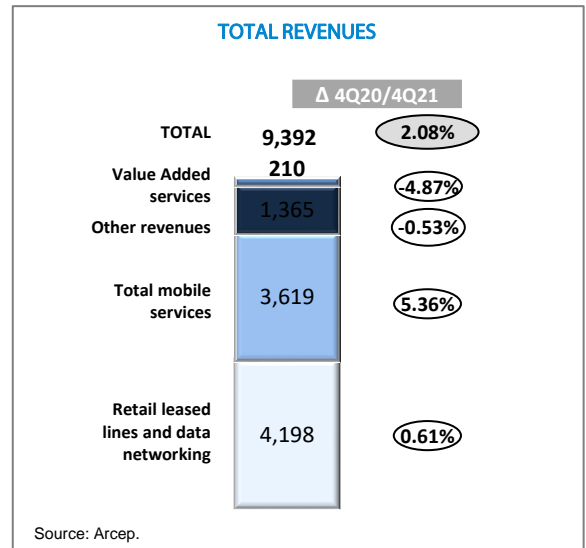
- ▶ As far as deposits are concerned, during this period, total deposits of the French financial system suffered a deceleration in their y/y growth rate with respect to the previous quarter, standing at a 5.13% rate.
- ▶ This performance was essentially driven by the decline in the year-over-year growth rate of non-financial corporations and individuals when compared to the fourth quarter of 2021.
- ▶ Finally, with respect to the previous quarter, the efficiency ratio worsened, increasing by 5.40 p.p. and reaching a 72.60% cost-to-income ratio during 1Q22.

## Other sectors: Telecommunications\*

**During the fourth quarter of 2021, the volume of fixed lines registered a year-over-year increase of 0.10%, while mobile lines recorded a 2.87% increase with respect to 4Q21. Revenues fell by 16.75% in the fixed line sector, decreasing by 4.92% 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 registered increases during 3Q21.**

### Telecommunications sector

- ▶ Total revenues in the telecommunications sector increased during 4Q21 by 2.08% compared to 4Q20, driven by the increase in total mobile services (5.36%).
- ▶ In terms of distribution of revenues, during 4Q21, retail leased lines and data networking represented 44.70%, total mobile services represented 38.53%, value added services accounted for 2.24% and other revenues accounted for the remaining 14.53% of the total revenues.
- ▶ During the fourth quarter of 2021, the volume of fixed lines increased by 0.10% with respect to the same quarter of 2020. In the same line, the volume of mobile lines registered a y/y growth of 2.87%.
- ▶ Revenues from fixed lines decreased by 16.75%, while revenues in mobile lines increased by 5.45% compared to 4Q20.





## 2. International Overview

### LatAm

***During the first quarter of 2022, the economic recovery in all the countries analysed registered a moderation compared to the previous quarter. This was explained by the outbreak of the war in Ukraine and the resulting increase in inflation and worsening bottlenecks. On the other hand, the mixed recovery in the labour market continued to consolidate, albeit at a slower pace than that of economic activity.***

#### ***Macroeconomic Overview***

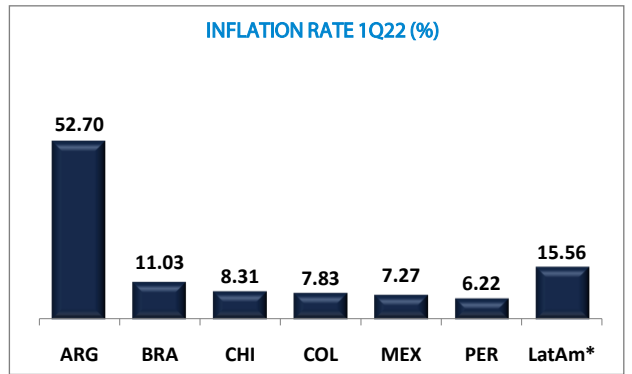
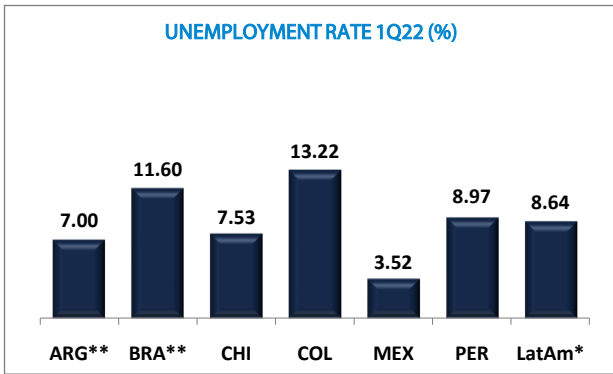
- ▶ The recovery of economic activity in Latin America was dampened in the first quarter of the year. The outbreak of conflict in Ukraine has dampened global growth prospects for the coming quarters. The conflict itself and the response of the international community, with economic sanctions against Russia, have increased uncertainty, tightened financing conditions, aggravated bottlenecks and raised energy and food prices, which have also been affected in the second half of 2021 by geopolitical tensions. This has dampened households' purchasing power and increased firms' production costs. Colombia\* recorded the highest year-on-year growth rate (8.15%) while Mexico registered the lowest rate at 2.23%.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised downwards its forecast for the Latin American economy for 2022 to 1.80% growth in the region. Global trade dynamics are also expected to be negatively affected by the conflict, leading to a decline in Latin America's external demand. According to the IMF, global growth is expected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than in the last report. In its December update, the OECD placed its forecasts for Argentina and Colombia above the OECD average (2.70%) in 2022.
- ▶ Inflation has picked up markedly and across the board in the region. Although this pick-up appears to be predominantly transitory in nature, central banks in the region have embarked on a cycle of monetary policy tightening. Higher inflationary persistence is expected to restrict the room for manoeuvre of monetary policy. Argentina was once again the country with the highest inflation rate at 52.70% while Peru recorded the lowest price increase with 6.22% inflation in 1Q22.
- ▶ During the first quarter of 2022, the labour market continued to recover from the economic consequences of the pandemic, but the negative effects on the labour market are proving more persistent than on activity. Most countries recorded declines in their unemployment rate compared to 4Q21. Mexico ranked as the country with the lowest unemployment rate (3.52%) and Colombia with the highest rate (13.22%).

#### ***Financial Sector***

- ▶ In response to rising inflation, the monetary policy of the region's central banks has become more restrictive and most of them have raised interest rates significantly, which in most cases have reached levels similar to those observed in 2017.
- ▶ The withdrawal of the fiscal impulse is projected to accelerate in 2022, in line with the evolution of macroeconomic conditions and higher financing costs. Public spending would contract, reinforcing the reduction observed in 2021, reducing the contribution of fiscal policy to economic growth.
- ▶ With regard to their ratings, all Latin American countries kept their ratings constant in the first quarter of the year, except Peru, which went from an S&P rating of BBB+ to BBB during this period. This rating considers that, while the country has good credit quality with adequate capacity to meet its financial obligations, this capacity could be affected by its exposure to adverse economic conditions.
- ▶ Finally, there was a notable slowdown in lending, partly linked to the general withdrawal of support programmes, with only Colombia increasing its lending. As regards deposits, all countries recorded positive year-on-year growth during the period, with the exception of Peru. Most of them, except Chile and Colombia, decreased their rate compared to the previous quarter. Colombia presented the largest increase in its rate, after an acceleration of 1.54 p.p. compared to 4Q21.

\*Colombia recorded the highest growth rate in the absence of updated data from Argentina and Brazil.





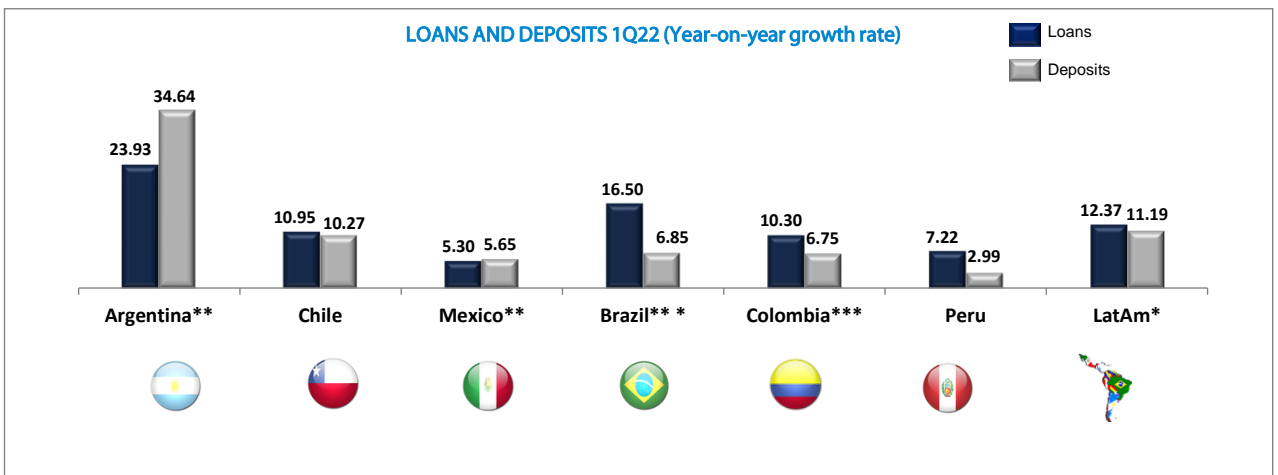
### LONG TERM RATES 1Q22

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

▲ Increase since 4Q21

— Constant since 4Q21

▼ Decrease since 4Q21



\*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 1Q22, except for Argentina, Mexico and Brazil's deposits (4Q21)  
 \*\*\* Data corresponding to Colombia and Brazil's loans are the average of January and February 2022.

## 2. International Overview

### OECD & China

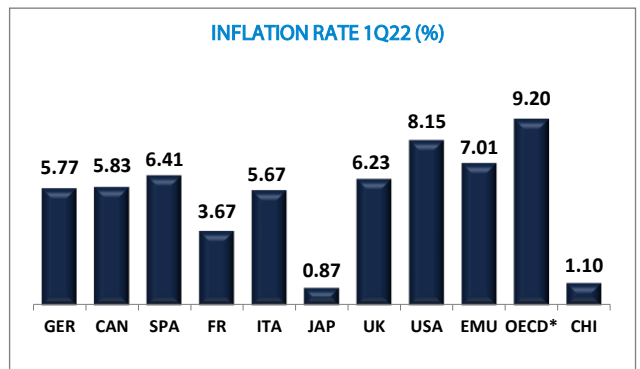
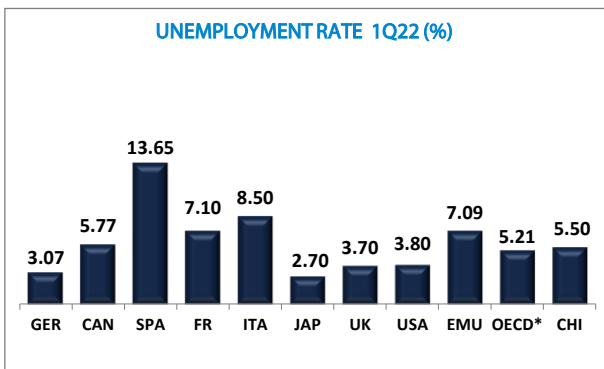
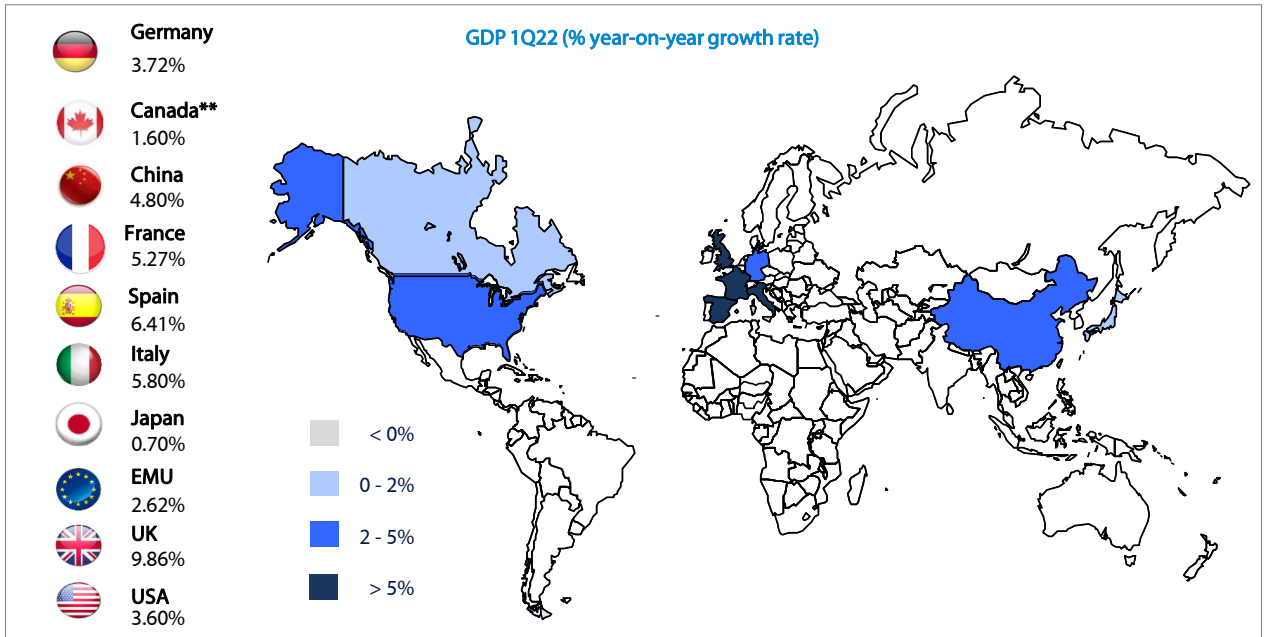
***In the first quarter of 2022, the recovery in economic activity in OECD countries decelerated. This was explained by rising inflationary pressures as a result of higher energy prices. However, exports from most G20 and OECD countries increased. Labour markets generally contracted.***

#### ***Macroeconomic Overview***

- ▶ In the first quarter of 2022, the Eurozone continued to recover with a year-on-year GDP growth rate (2.62%), decelerating from the previous quarter. Consequently, the OECD in its June forecast expects year-on-year GDP growth for 2022 and 2023 to be 2.60% and 1.60%, respectively, down slightly, however, from its December forecast. The European Commission acknowledges a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. The labour market worsened compared to the last quarter, but is expected to improve slightly later on. However, the Commission warns about inflation and its higher persistence over the time horizon, thus slowing the pace of recovery in the short term. Among the countries analysed in the region, the UK, Spain and Italy recorded the highest year-on-year GDP growth rates (9.86%, 6.41% and 5.80%, respectively).
- ▶ The United States continued the recovery of its economic activity in this period with another positive year-on-year GDP growth rate of 3.60%, decelerating from 4Q21. The Fed modified its previous projections, predicting a smaller 2.8% increase in GDP in 2022, followed by a 2.2% increase in 2023, and a 2% increase in 2024. Meanwhile, the UK recorded higher GDP growth during this period compared to the previous quarter, with a rate of 9.86%. The conflict in Ukraine and rising inflation have led to a significant deterioration in the UK's growth outlook. These events have greatly exacerbated the combination of adverse supply shocks that the UK continues to face.
- ▶ China recorded a lower GDP growth rate during the first quarter compared to 4Q21, with a rate of 4.80%. Despite the challenges posed by the new outbreaks of COVID-19 and geopolitical uncertainties, the Chinese economy continues to recover. Similarly, Japan recorded in 1Q22 a slight acceleration in the GDP rate compared to 4Q21, rising from 0.69 p.p. to 0.70%. In 2022, the OECD estimates Chinese and Japanese GDP growth of 4.40% and 1.70% respectively.
- ▶ Foreign trade in the G20 countries continued to grow between January and March in monetary terms due to higher commodity prices and inflation, exacerbated by the conflict in Ukraine and covid restrictions in China and East Asia. The OECD said in a statement on Tuesday that exports from the group of the world's 20 largest economies rose by 3.6 % between January and March from the previous quarter, while exports grew by 5.8 %. In the first three months of this year, exports from the European Union as a whole rose by 3 %. Within the G20 countries as a whole, exports increased by 20.2 % in Brazil and 11.5 % in Argentina. On the other hand, exports from the United Kingdom fell by 1.6% and from Germany by 0.1%.
- ▶ In 1Q22 inflation rose in all the economies analysed with respect to 1Q21, with the most pronounced increases in the United States and Spain. For its part, the EMU registered an acceleration of 5.71 p.p. compared to 1Q21. China registered the smallest increase compared to 1Q21, with inflation of 1.10%. Inflation grew at a frenetic pace due to the energy component. On the other hand, all economies contracted their labour markets, except Spain and China, which recorded slight increases.

#### ***Financial Sector***

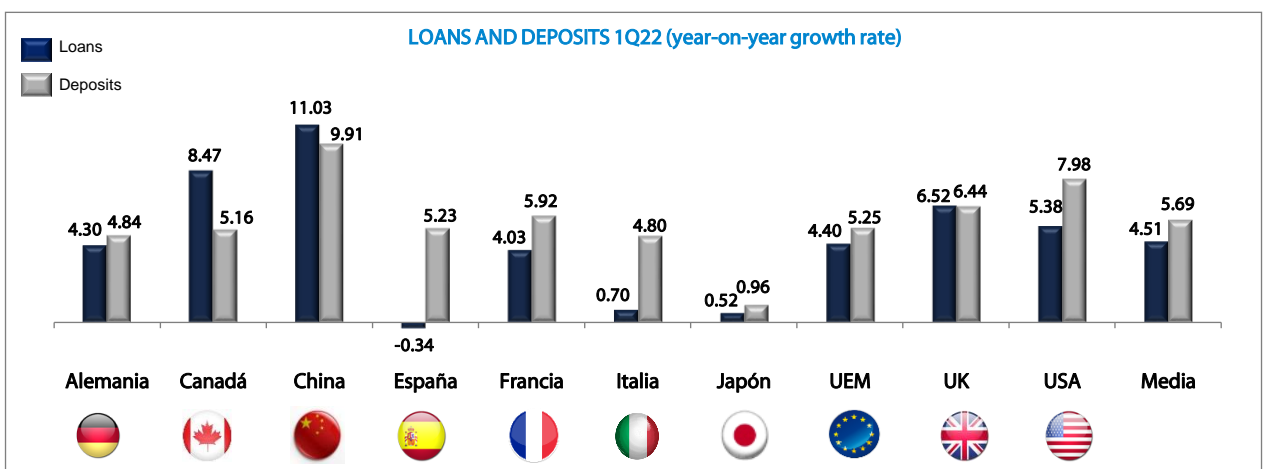
- ▶ Spain upgraded its S&P rating, raising its grade from A- to A.
- ▶ Regarding the monetary policies of the different countries, the Fed raised interest rates by 25 basis points to curb inflation during the first quarter of 2022 while the ECB has decided to end net asset purchases under its asset purchase programme (APP) as of 1 July 2022.
- ▶ During the period, year-on-year growth in lending slowed down in all countries except Germany, Canada and the UK compared to 1Q21, Japan being the country with the highest rate of decline (-4.75%). Deposit growth declined for all countries compared to 1Q21, except for the UK. The US recorded the second largest year-on-year rate of decline (-9.01%) after Japan (-9.24%).



### LONG TERM RATINGS 1Q22

|         | 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 4Q21  
- Constant since 4Q21  
▼ Decrease since 4Q21



\*OECD aggregate data, latest available data at publication date corresponds to 4Q21  
 \*\*Data corresponds to 4Q21

### 3. French Macroeconomic view

During the first quarter of 2022, the French economy weakens slightly due to pressure from rising prices, especially in commodities such as energy, as well as the uncertainty regarding the consequences of the Ukrainian crisis. Domestic demand declined by 0.59 p.p. from the previous quarter to a rate of 4.61%.

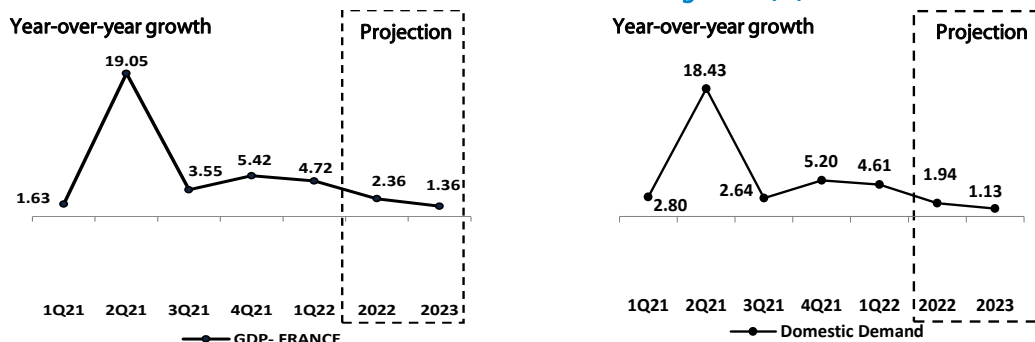
MAIN MACROECONOMICS INDICATORS ( Interannual growth %)

| INDICATOR              | 1Q21        | 2Q21         | 3Q21        | 4Q21        | 1Q22        | 2022        | 2023        |
|------------------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>GDP</b>             | <b>1.63</b> | <b>19.05</b> | <b>3.55</b> | <b>5.42</b> | <b>4.72</b> | <b>2.36</b> | <b>1.36</b> |
| <b>DOMESTIC DEMAND</b> | <b>2.80</b> | <b>18.43</b> | <b>2.64</b> | <b>5.20</b> | <b>4.61</b> | <b>1.94</b> | <b>1.13</b> |
| PRIVATE CONSUMPTION    | -1.34       | 13.24        | 1.17        | 7.35        | 6.86        | 2.41        | 1.27        |
| PUBLIC CONSUMPTION     | 3.54        | 17.31        | 2.05        | 3.14        | 3.22        | 2.18        | 0.28        |
| GROSS FIXED CAPITAL F  | 9.61        | 33.06        | 5.30        | 2.95        | 3.19        | 1.13        | 1.80        |
| <b>EXTERNAL DEMAND</b> |             |              |             |             |             |             |             |
| EXPORTS                | -4.41       | 30.14        | 8.90        | 7.46        | 7.31        | 7.73        | 5.67        |
| IMPORTS                | -2.49       | 22.01        | 5.57        | 7.73        | 6.42        | 5.87        | 4.42        |
| <b>INFLATION</b>       |             |              |             |             |             |             |             |
| CPI                    | 0.77        | 1.37         | 1.77        | 2.73        | 3.67        | 5.16        | 4.54        |
| <b>LABOUR MARKET</b>   |             |              |             |             |             |             |             |
| UNEMPLOYMENT           | 7.90        | 7.80         | 7.80        | 7.20        | 7.10        | 7.45        | 7.81        |
| EMPLOYMENT             | 1.39        | 3.40         | 2.08        | 2.59        | 4.46        | 2.18        | -0.21       |

Source: Insee, OECD June forecast.

- ▶ In 1Q22 the French economic activity decreased 0.70 p.p. with respect to the previous quarter, however, compared to the same quarter of the previous year it recorded an increase of 3.09 p.p., with a positive rate of 4.72%. After a strong rebound in activity in 2021, the economic consequences of the war in Ukraine would weaken the post-Covid recovery.
- ▶ According to the Bank of France, in 2022, activity is expected to slow to 2.36%. Growth would be affected by the current level of inflation, which weighs on purchasing power, and by the deterioration of the international economic situation as well as the very uncertain geopolitical context that degrades the confidence of all economic agents.
- ▶ As regards domestic demand, the same pattern can also be identified, as it decreased 0.59 p.p. in 1Q22 compared to the previous quarter but it increased 1.81 p.p. compared to the same quarter of the previous year reaching a 4.61% rate. Domestic demand is the main driver of GDPs' performance and the key for the economic growth.
- ▶ In terms of external demand, exports and imports declined compared to 4Q21 by 0.15 p.p. and 1.31 p.p., respectively. However, compared to the same quarter of the previous year both, exports and imports, increased 11.72 p.p. and 8.91 p.p., respectively. According to the Banque de France, French exports will be slowed down by current developments on the international scene.

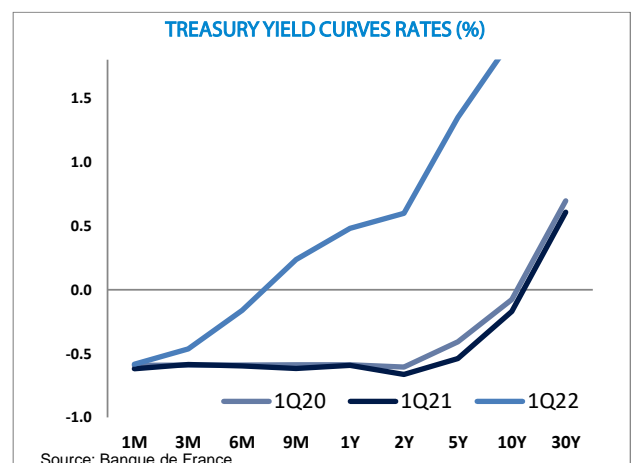
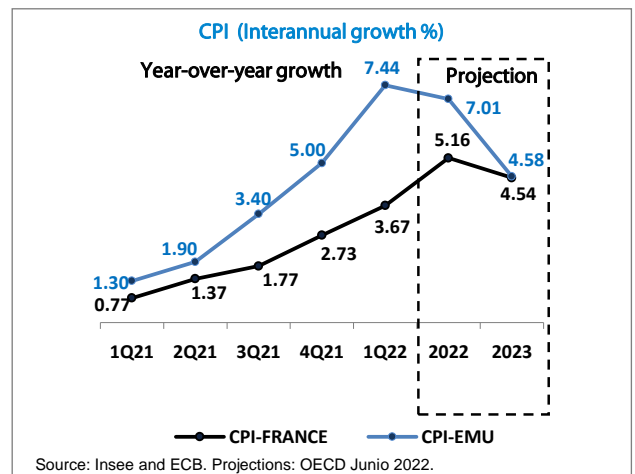
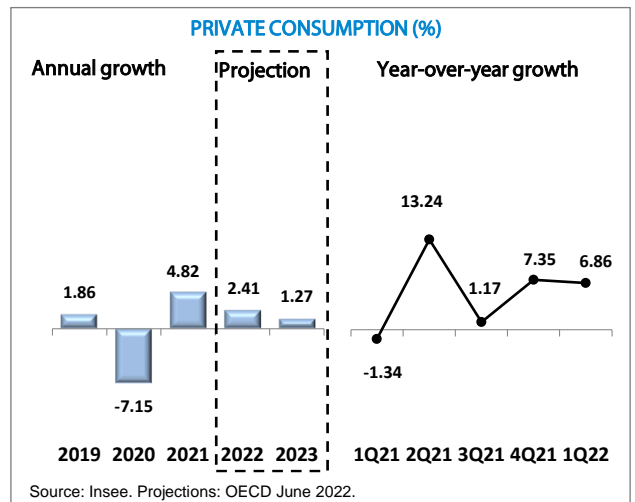
GDP and domestic demand interannual growth (%)



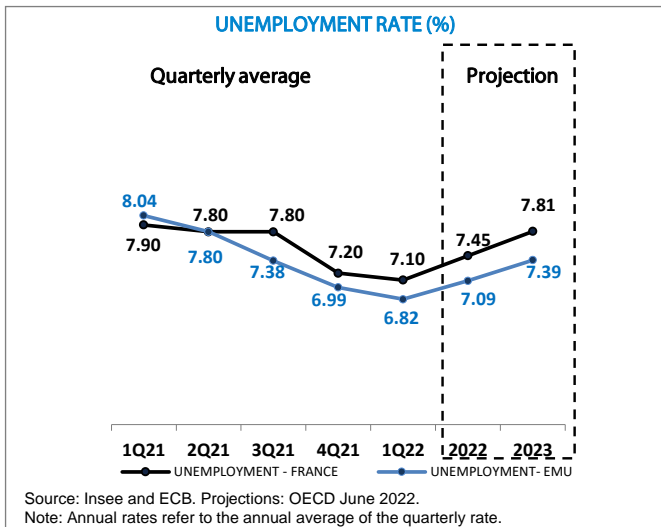
Source: Insee. Projections from the OECD June 2022

**In the first quarter of 2022, private consumption recorded a decline in its y/y growth rate compared to the previous quarter, standing at a 6.86% rate. Forecasts made by the OECD predict a sustained recovery in private consumption for 2022 and a slowdown in 2023. In turn, the inflation rate continued its raising trend, reaching a 3.67% rate during 1Q22. Regarding French bond yields, both short and medium run yields recorded positive values as well as long term yields envision positive numbers.**

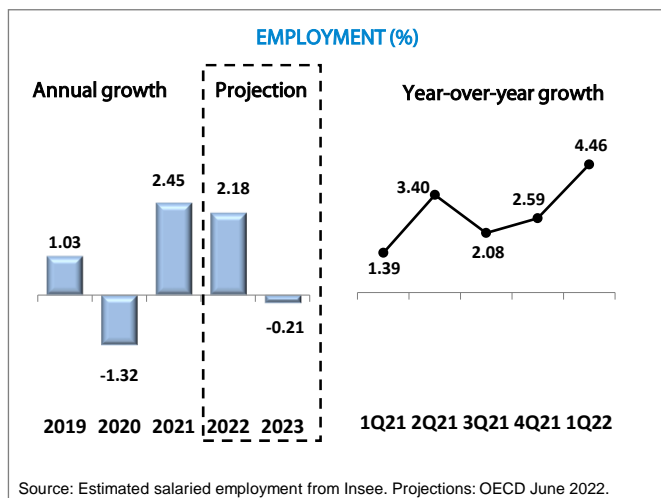
- ▶ During the first quarter of the year, private consumption recorded a drop, after its acceleration in the fourth quarter of 2021, reaching a 6.86% p.p. y/y growth rate, decreasing by 0.48 p.p. when compared to 4Q21.
- ▶ The OECD forecast for private consumption predicts a year-over-year growth rate of 2.41% for 2022. Moreover, it expects private consumption to slow its growth in 2023, standing at a 1.27% rate. According to the Bank of France the uncertainty of the Ukrainian war could affect private household consumption, but it also states that households as a whole certainly have a very large surplus of financial savings (175 billion euros at the end of 2021) to cushion this shock. The problem would come for those low-income households that would be unable to cope with this shock if the consequences of the Ukraine crisis continue to escalate.
- ▶ In 1Q22, the y/y growth rate of the French Consumer Price Index rose by 0.93 p.p., increasing for the fifth consecutive quarter, up to a 3.67%. Despite this increase, the CPI in France remained below the EU average inflation rate in the first quarter of 2022 (7.44%).
- ▶ According to the OECD, the inflation rate will decline in 2022 compared to this quarter's figure but will still be above the ECB's 2% target. Moreover, inflation is expected to decline in 2023, to a rate of 4.54%.
- ▶ All bond yields of French Treasury bonds with maturities above 6 months presented positive interest rates in 1Q22.
- ▶ When compared to the same quarter of 2020, bond yields increased for all maturities. The same is observed when compared to the bonds of the same quarter of the previous year.
- ▶ 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 first quarter of 2022 the unemployment rate recorded a slight decrease compared to the previous quarter, standing at an 7.10% rate. Concerning the y/y growth rate of employment, it stood at 4.46% in the first quarter of 2022, the fifth quarter with a positive rate, following its increasing trend since 3Q21.**



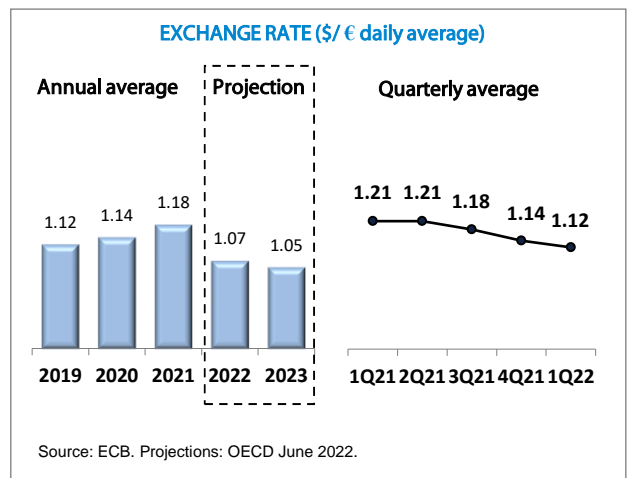
- ▶ In the first quarter of the year, the unemployment rate recorded a decrease of 0.10 p.p. standing at a 7.10% rate. However, the unemployment rate declined by 0.80 p.p. compared to the same quarter of the previous year. The unemployment rate was slightly higher than that of the EMU (6.82%), for the third consecutive quarter.
- ▶ According to the Bank of France, the slowdown in activity would lead to a slight increase in the unemployment rate to just under 8% in 2023-2024, a level even lower than before the crisis in 2019. Accordingly, the OECD projects an unemployment rate of 7.45% and 7.81% respectively.
- ▶ The unemployment rate in France remains at historic lows and in 2022 will be the lowest unemployment rate since the beginning of the pandemic.
- ▶ According to INSEE in Q1 2022, the number of unemployed people decreased by 18,000 over the quarter and reached 2.2 million people.



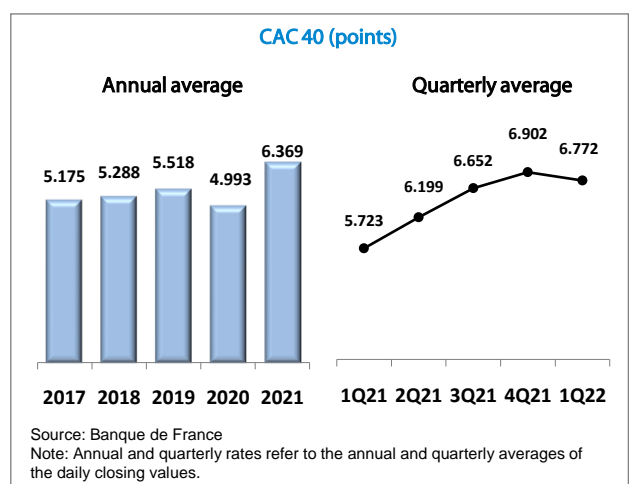
- ▶ Regarding the employment growth rate, it continued its recovery during the first quarter, it recorded an increase of by 1.87 p.p., up to a 4.46% rate, compared to the previous quarter.
- ▶ Consequently, during the first quarter of the year, the employment y/y growth continued the upward trend since 3Q21. It showed positive levels for the fifth consecutive quarter, leading to a positive year end recovery.
- ▶ In its June projections, the OECD has lowered its forecast for employment growth in France in 2022, forecasting growth of 2.18%. By 2023, they expect the year-on-year employment growth rate to stand at -0.21.



- ▶ During the first quarter of 2022, the euro was depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.12 \$/€.
- ▶ The OECD expects the annual average dollar/euro exchange rate to stand at 1.07 \$/€ for 2022 and 1.05 \$/€ for 2023, with the US dollar depreciating against the euro with respect to 2021.



- ▶ The French stock index (CAC 40) recorded a quarterly average of 6,772.48 points during the first quarter of 2022, following a 129.03 points decrease when compared to the average level registered in the previous quarter.
- ▶ Moreover, it is worth noting that the CAC 40 increased by 18.33 p.p. compared to the same quarter of the previous year. The CAC 40 quarterly average incremented by 1,049.26 1 points with respect to the same quarter of the previous year.
- ▶ The value of the French stock market index declined for the first time since 2Q21, breaking the upward trend.

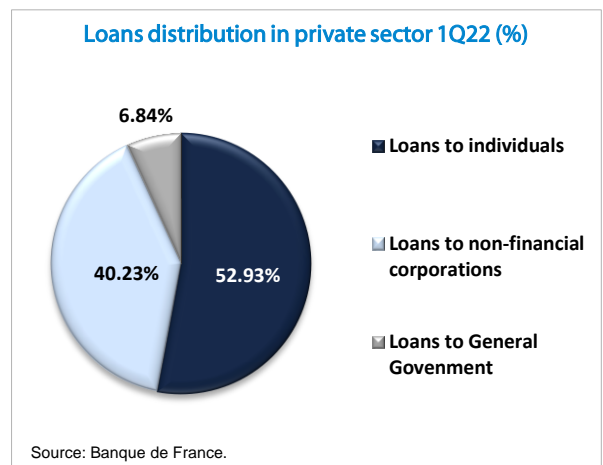


# 4. Banking sector: General Overview

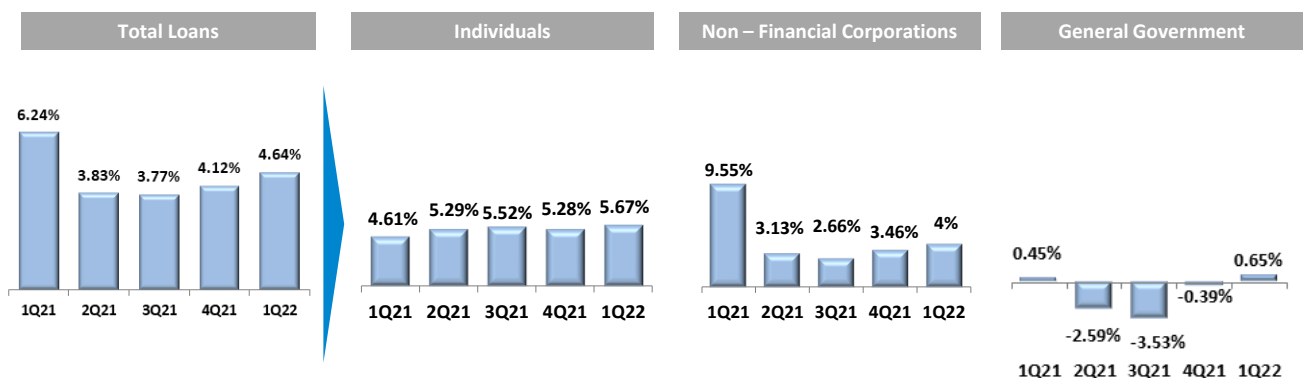
## Loans

**During 1Q22, the y/y growth rate of total loans experienced an acceleration of 0.52 p.p. relative to 4Q21, up to 4.64%. This performance was mainly driven by the rise in the y/y growth rate of loans granted to General Government, with the y/y growth rate of loans increasing for all segments. Concerning the distribution of loans, those granted to individuals accounted for 52.93% of total loans, while loans to non-financial corporations and general government had a 40.23% and a 6.84% share, respectively.**

- ▶ During the first quarter of 2022, the y/y growth rate of total loans of the French financial system rose by 0.52 p.p. relative to 4Q21, up to 4.64%.
- ▶ The quarterly performance of the annual growth rate of total loans was driven by the acceleration in the annual growth rate of loans granted to all segments.
- ▶ The y/y growth rates of loans granted to non-financial corporations grew by 0.55 p.p. compared to 4Q21, up to a 4.00% rate.
- ▶ The y/y growth rate of loans granted to the general government rose by 1.04 p.p., while that of loans granted to individuals rose by 0.39 p.p., up to -0.65% and 5.28%, respectively.
- ▶ Regarding the distributions of loans, loans granted to individuals represented 52.93% of total loans, following a 0.14 p.p. decrease relative to the previous quarter. The non-financials segment registered instead a 0.14 p.p. increase in their share, accounting for 40.19% of total loans. The remaining 6.84% share corresponded to loans granted to the general government, which remained constant in their share over total loans.



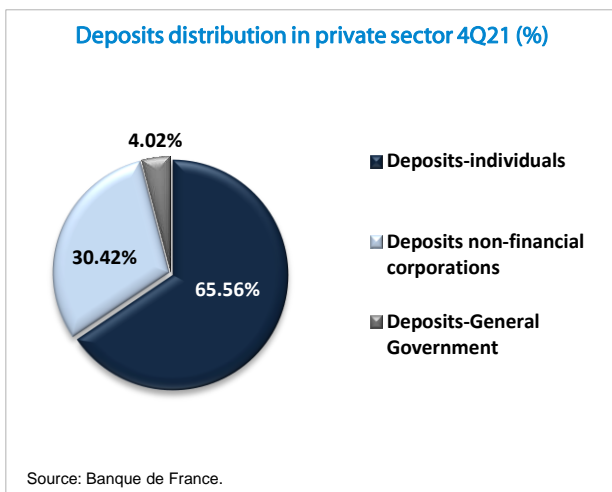
### LOANS (Year-over-year, %)



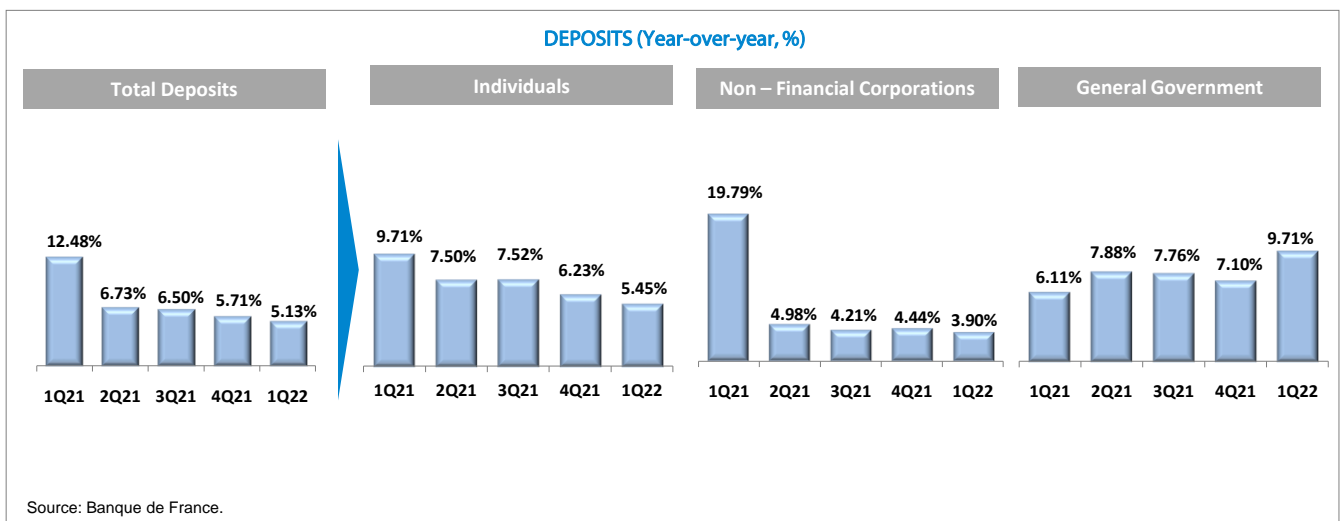


# Deposits

**During the first quarter of 2022, total deposits suffered a deceleration on their y/y growth rate relative to the previous quarter, down to a 5.13% rate. This behaviour was the result of the decline in the y/y growth rate of non-financial corporations and individuals. As far as the distribution of deposits is concerned, deposits of individuals represented 65.56% of total deposits, while deposits of non financial corporations and government accounted for 30.42% and 4.02% of total deposits, respectively.**



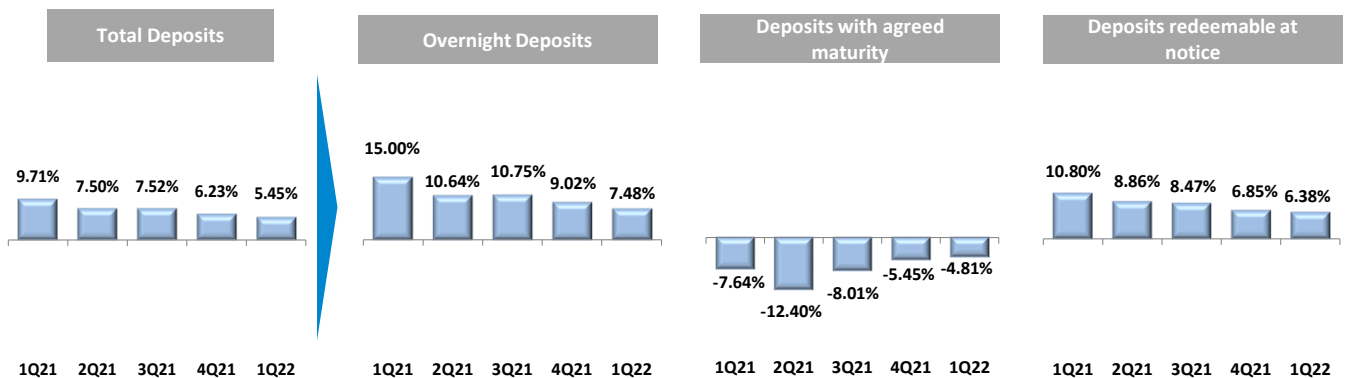
- ▶ During the first quarter of 2021, the y/y growth rate of total deposits of the French financial system decelerated by 0.58 p.p. when compared to the previous quarter, down to a 5.13% y/y growth rate.
- ▶ This decline was motivated by the fall in the y/y growth rate of deposits of individuals and non-financial corporations which decreased by 0.79 p.p. and 0.54 p.p. with respect to the previous quarter, reaching a 5.45% and 3.90 p.p., respectively y/y growth rate.
- ▶ Moreover, It is worth mentioning the y/y growth rate of deposits of General Government which increased by 2.61 p.p. when compared to the previous quarter and stood at 9.71%,
- ▶ Regarding the distribution of deposits, individual deposits accounted for 65.56% of total deposits, following a 0.79 p.p. reduction in their share compared to the previous quarter. In the case of non-financial corporation's deposits, they experienced a 0.54 p.p. decrease and represented 30.42%, at the same time, general government deposits increased by 2.61 p.p., standing at 4.02%.



**The y/y growth rate of deposits of individuals decreased relative to the previous quarter by 0.78 p.p., standing at a 5.45% 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 first quarter of the year, reaching 65.56% of total deposits with 1,807 billion euros.
- ▶ The y/y growth rate of individual deposits was reduced with respect to the previous quarter, standing at a 5.13% 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 1.54 p.p. decrease in their y/y growth rate when compared to the previous quarter, standing at a 7.48% rate during this period.
- ▶ Additionally, the y/y growth rate of deposits with agreed maturity experienced an increase of 0.64 p.p. relative to 4Q21, reaching a -4.81% rate still standing at negative levels
- ▶ Finally, deposits redeemable at notice recorded a decrease in their y/y growth rate during the first quarter of the year, decreasing by 0.47 p.p. compared to the previous quarter and reaching a 6.38% rate.

#### DEPOSITS- Individuals ( Year-over-year)



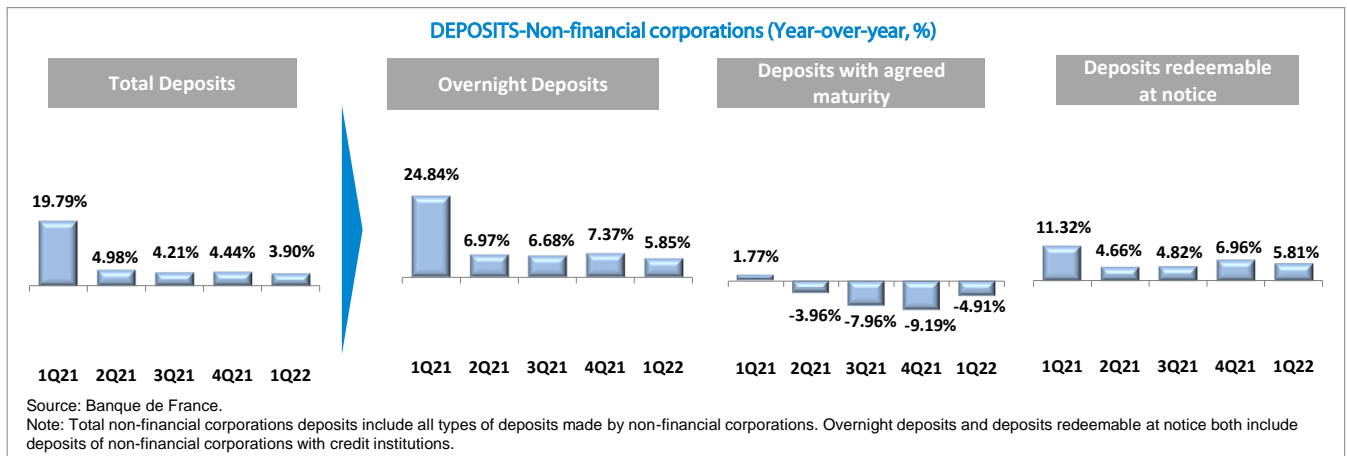
Source: Banque de France.

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



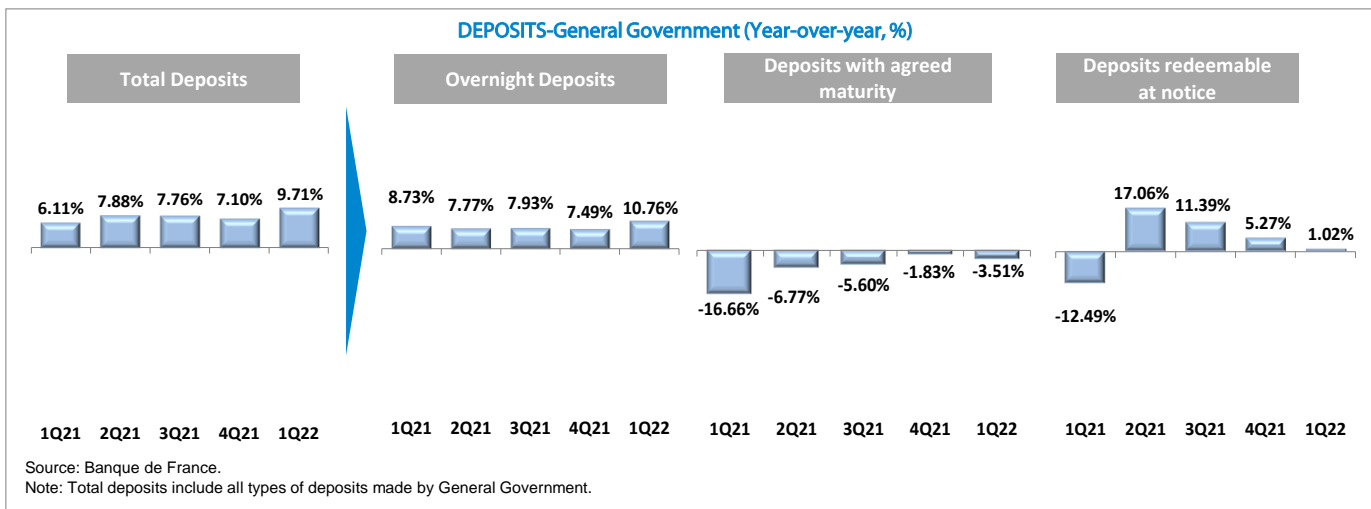
**In the first quarter of the year, the y/y growth rate of deposits from non-financial corporations decreased by 0.54 p.p. when compared to the previous quarter, standing at a 3.90% rate. This performance was driven essentially by the decline in the year-over-year growth rate of deposits redeemable at notice, and overnight deposits with respect to 4Q21.**

- ▶ During the first quarter of the year, non-financial corporations' deposits represented 30.42% of total deposits, with a total of 839 billion euros.
- ▶ Moreover, the y/y growth rate of deposits of non-financial corporations decreased by 0.54 p.p. when compared to the previous quarter, down to a 3.90% rate. This decline was the result of the reduction in the y/y growth rate of deposits redeemable at notice, together with the deceleration of that of overnight deposits.
- ▶ In this context, deposits redeemable at notice registered a decrease in their y/y growth rate, standing 1.15 p.p. below that of the previous quarter, standing at a 5.81% rate.
- ▶ The y/y growth rate of overnight deposits also decreased with respect to the fourth quarter of 2021, by going down 1.52 p.p., being the highest among non-financial corporations' deposits with a rate of 5.85%.
- ▶ As for deposits with agreed maturity, they experienced a 4.28 p.p. increase in their y/y growth rate relative to the previous quarter, up to a -4.91% rate, remaining at negative levels.



**During the first quarter of 2022, the y/y growth rate of deposits from the general government increased by 2.61 p.p. when compared to the previous quarter, up to a 9.71% rate. This behaviour was the result of the acceleration in the y/y growth rate of overnight deposits and deposits redeemable at notice.**

- ▶ In the first quarter of the year, general government deposits accounted for 4.02% of total deposits of the French financial system, with a total value of 111 billion euros.
- ▶ Total general government deposits registered a 2.61 p.p. acceleration in their y/y growth rate when compared to the previous quarter, reaching a 9.71% rate. This increase was motivated by the rise in the y/y growth rate of overnight deposits.
- ▶ Overnight deposits recorded a significant increase up to 3.27 p.p. compared to the previous quarter recording a 10.76% rate.
- ▶ The deposits redeemable at notice recorded a decrease y/y growth rate decreased by 4.25 p.p. with respect to the previous quarter, standing at a 1.02% rate.
- ▶ Regarding deposits with agreed maturity, their y/y growth rate decreased ending the upward trend relative to the previous quarter, up to 1.68 p.p. and standing at a -3.51% rate, recording still a negative y/y growth rate for the eighth consecutive quarter.

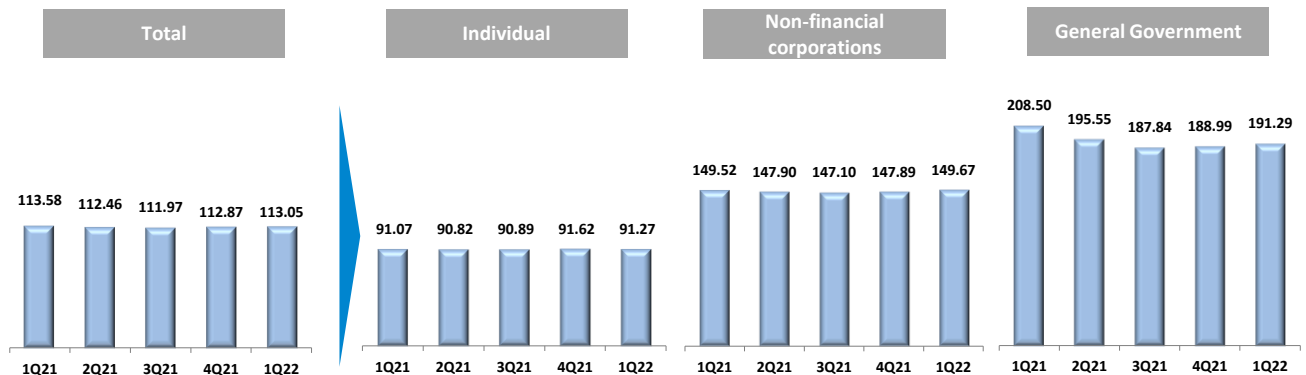


## LTD Ratio

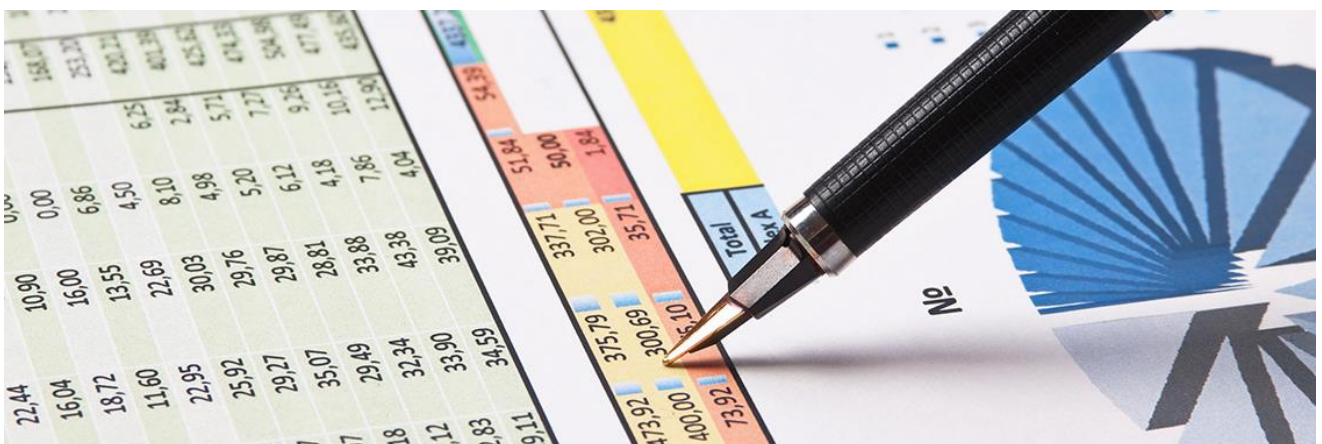
**In the first quarter of 2022, the loan-to-deposit ratio of the French financial system decreased with respect to the same quarter of the previous year, down to a 113.05% ratio. This decline was motivated by the greater acceleration experienced by deposits than by loans.**

- ▶ During the first quarter of the year, the LTD ratio of the French Financial system declined by 0.53 p.p. when compared to the ratio registered in the same quarter of the previous year, down to 113.05%. This decrease was the result of the larger acceleration recorded by deposits (5.13%) than the one registered by loans (4.64%) with respect to 1Q21. Moreover, the loan-to-deposit ratio increase for all segments with respect to 1Q21 with the exception of General Government.
- ▶ The LTD ratio of individuals stood at a 91.27% ratio during this period, 0.20 p.p. above the ratio recorded in the same quarter of 2021.
- ▶ Regarding non-financial corporations, their LTD ratio went up to 149.67% in the first quarter of 2022, following a 0.15 p.p. rise relative to the same quarter of the previous year.
- ▶ Finally, the LTD ratio of the general government experienced a 17.21 p.p. decline when compared to the same quarter of the previous year. Therefore, the LTD ratio of the general government reached 191.29%, recording once again the highest LTD ratio of all segments.

### TOTAL LOANS / TOTAL DEPOSITS (%)



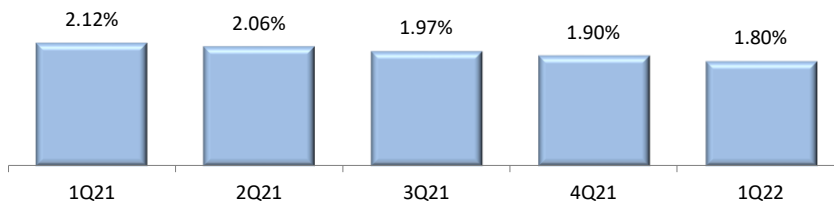
Source: Bank de France.



## NPL Ratio

**During the first quarter of 2022, the non-performing loans ratio stood at 1.80%, 0.10 p.p. below the one recorded in the previous quarter. Moreover, the coverage ratio of the French financial system experienced a 0.30 p.p. fall relative to the fourth quarter of 2021, down to a 49.10% ratio.**

NON-PERFORMING LOANS - TOTAL LOANS (%)



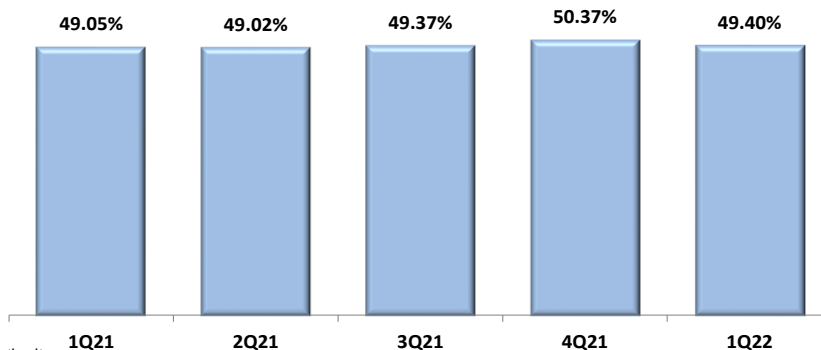
Source: European Banking Authority.

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 first quarter of the year, the non-performing loans ratio (NPL) of the French financial system stood at 1.80%, 0.10 p.p. lower than in the previous quarter. Moreover, the NPL ratio decreased by 0.32 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 1Q22, it decreased by 0.30 p.p. with respect to the previous quarter, down to a 49.10% ratio. In y/y terms, the coverage ratio increased by 0.08 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 (1.90% in 1Q22), while it recorded a higher coverage ratio than the EU average, which stood at 44.90% during this period.

COVERAGE RATIO (%)



Source: European Banking Authority.

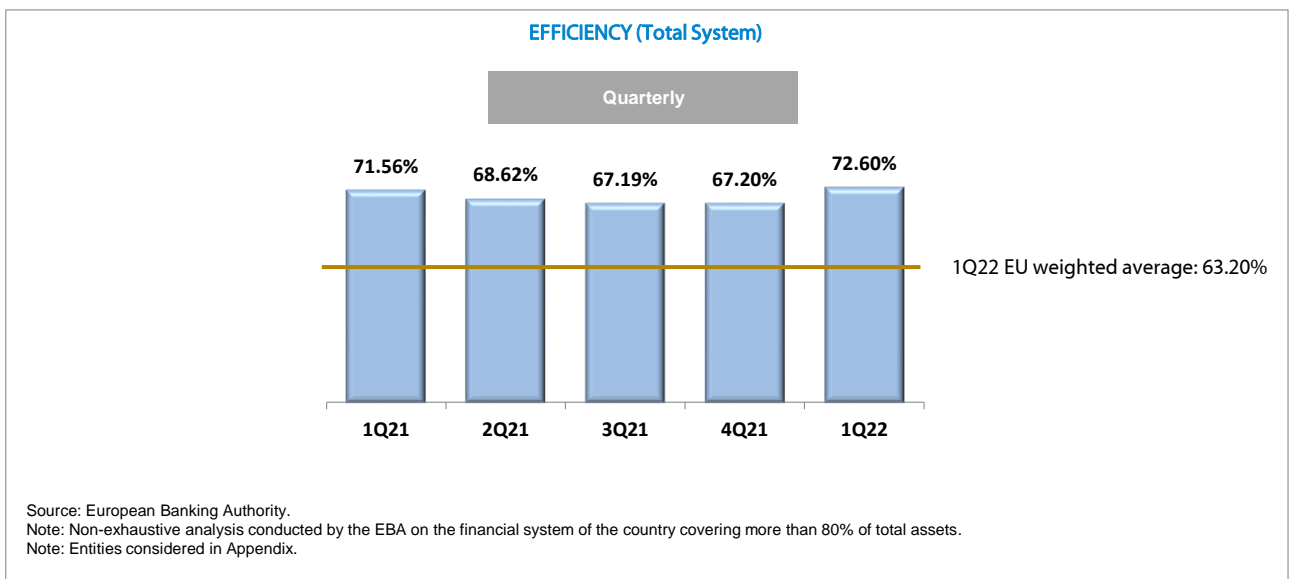
Note: Non-exhaustive analysis conducted by the EBA on the financial system of the country covering more than 80% of total assets.

Note: Entities considered in Appendix.

## Efficiency

**The efficiency ratio of the French financial system reached 72,60% in the first quarter of the year, following a 5.40 p.p. increase when compared to the previous quarter. the French financial system was less efficient than the EU average, as the latter stood at a 63.20% ratio according to the EBA.**

- ▶ In the first quarter of 2022, the efficiency ratio of the French financial system got significantly worse when compared to the previous quarter, increasing by 0.01 p.p. and reaching a 72.60% cost-to-income ratio during this period. On the other hand, the efficiency ratio worsened with respect to the same quarter of the previous year, decreasing by 1.04 p.p..
- ▶ Thus, in terms of the cost-to-income ratio, the French financial system was less efficient than the EU average, as the latter stood at a 63.20% ratio according to the EBA.





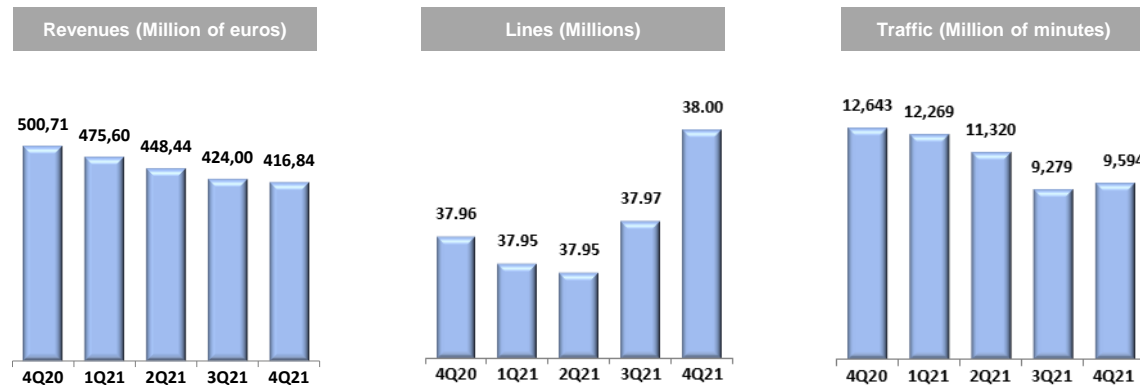


## 5. Telecommunications sector\*

**During the fourth quarter of 2021, the volume of fixed lines registered a year-over-year increase of 0.10%, and mobile lines registered a 2.87% increase with respect to 4Q20. Revenues fell by 16.75% in the fixed line sector, while they increased by 5.45% 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 4Q21.**

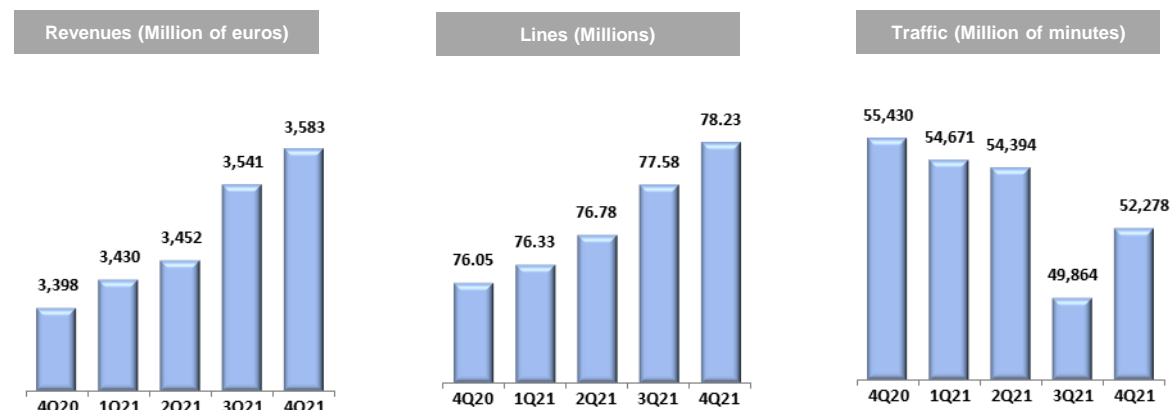
- ▶ During the fourth quarter of 2021, the volume of fixed lines increased by 0.10% with respect to the same quarter of 2020. Revenues from fixed lines decreased by 16.75%, down to € 417 million, while traffic decreased for fixed lines (-24.12%).
- ▶ In the same line, the volume of mobile lines registered a y/y growth of 2.87%. Revenues from mobile lines increased by 5.45% with respect to 4Q20, up to € 3,583 million, and their traffic decreased by 5.69%.
- ▶ The traffic of data consumed on mobile networks increased by 27.13% in the fourth quarter of 2021 with respect to 4Q20. TV subscriptions tied to Internet access also increased by 4.85% compared to the same quarter of the previous year.
- ▶ In terms revenues distribution, retail leased lines and data networking represented 44.70%, value added services accounted for 2.24%, total mobile services represented 38.53% and other revenues accounted for the remaining 14.53% of total revenues.
- ▶ With respect to the same period of the previous year, revenues from retail leased lines and data networking increased by 0.61%, while revenues from value added services fell by 4.87%. Other revenues decreased by 0.53% and finally, revenues from mobile services also increased by 5.36%. Thus, the total income of the sector increased by 2.08% compared to 4Q20.

### MAIN MAGNITUDES – Fixed Lines



Source: Arcep.

### MAIN MAGNITUDES – Mobile Lines



Source: Arcep.

\* Most up to date data available at the date of publication for 4Q21.



# 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 Crearnet, 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.



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