

# France – 2Q22

## Macroeconomic Outlook Report



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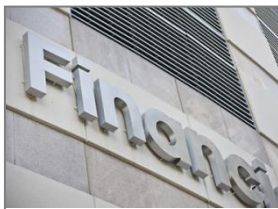
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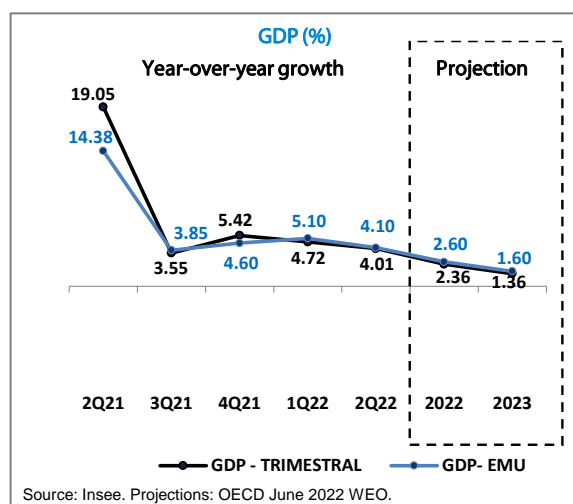
# 1. General Outlook

## French macroeconomic overview

**During the second quarter of the year, the French economy slightly declined compared to the previous quarter, partly due to higher prices and uncertainty in the international context, reaching a y/y growth rate of 4.01%. In addition, inflation accelerated when compared to the first quarter of 2022 up to a 5.27% rate. Regarding the labour market, the unemployment rate returned to 4Q21 values, standing at 7.20%. 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 continued its depreciation against the dollar towards the parity, recording an average exchange rate of 1.07 \$/€.**

### French Macroeconomic Overview

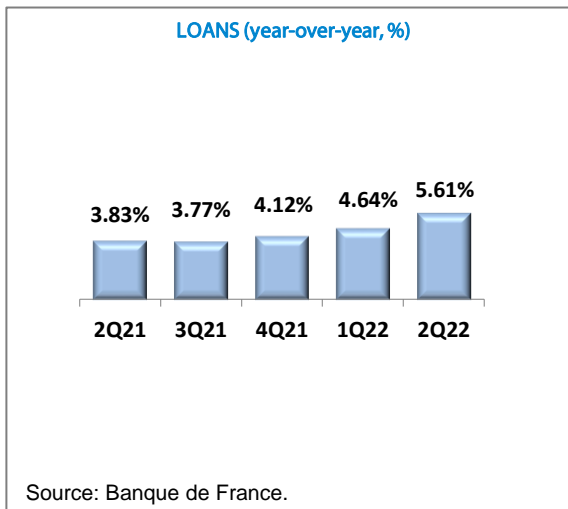
- ▶ During the second quarter of 2022, the French economy deteriorated from the previous one, largely due to higher prices and the uncertain international outlook, decreasing by 0.71 p.p., reaching a positive year-on-year growth rate of 4.01%. Growth in the French economy was lower than that of the EMU, which reached a 4.10% in 2Q22.
- ▶ 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 2.36% for 2022.
- ▶ Domestic demand had a similar behaviour to GDP, as it was the key factor that drove GDPs' performance during 2Q22, recording a 0.76 p.p. decrease in its y/y growth rate, down to a 3.85% rate.
- ▶ In the second quarter of the year, the Consumer Price Index increased by 1.60 p.p. compared to the previous quarter, standing at a 5.27% rate. However, the OECD expects an overall increase in inflation levels for 2022 compared to 2021 up to just a 5.16% rate, slightly higher than the 4.47% average inflation of 1S22.
- ▶ The unemployment rate recorded a slight increase with respect to the first quarter of 2022, standing at a 7.20% rate, recording a 0.10 p.p. increase when compared to 1Q22.
- ▶ As far as the exchange rate is concerned, the euro continued its depreciation against the US dollar towards the parity with respect to the previous quarter, with the quarterly average exchange rate standing at 1.07\$/€ in 2Q22.
- ▶ The French stock index (CAC 40) experienced a 323.75 points decrease when compared to the previous quarter, recording a 6,448.74 quarterly average during this period. In addition, the CAC 40 incremented by 249.75 points relative to the same quarter of the previous year.



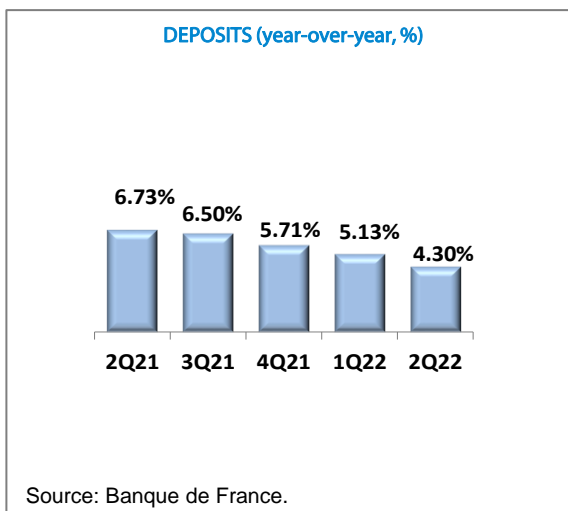
## Banking Sector

**In the second quarter of the year, the y/y growth rate of loans experienced an acceleration compared to the previous quarter, standing at a 5.61% rate. On the other hand, total deposits recorded a decline in their y/y growth rate, down to a 4.30% rate, maintaining the last 6 quarters downward trend. As for the non-performing loans ratio of the French financial system, it stood at 1.84% during 2Q22 experiencing a slight increase; on the contrary, the efficiency ratio improved and decreased by 3.62 p.p. with respect to 1Q22, standing at a 68.98%.**

### Banking Sector



- ▶ During the second quarter of 2022, the y/y growth rate of total loans increased by 0.97 p.p. compared to the previous quarter, up to a 5.61% 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 1Q22. Specially loans granted to non-financial corporations.
- ▶ In addition, the non-performing loans ratio (NPL) of the system rose to a 1.84% ratio in 2Q22..



- ▶ 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 4.30% rate.
- ▶ This performance was essentially driven by the decline in the year-over-year growth rate of non-financial corporations, individuals, and general government when compared to the first quarter of 2022.
- ▶ Finally, with respect to the previous quarter, the efficiency ratio improved, decreasing by 3.62 p.p. and reaching a 68.98% cost-to-income ratio during 2Q22.

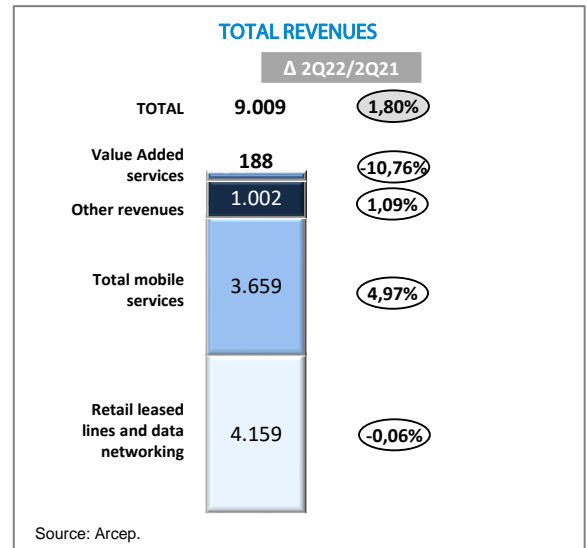


## Other sectors: Telecommunications

**During the second quarter of 2022, total revenues of the telecommunication sector increased 1.80% compared to 2Q21. The main driver was the 4.97% increase in total mobile services revenue, representing 40.62% of the whole sector, despite the fact that retail leased lines and data networking, which represented overall 46,17%, decreased by 0.06%.**

### Telecommunications sector

- ▶ Total revenues in the telecommunications sector increased during 2Q22 by 1.80% compared to 2Q21, driven by the increase in mobile services revenues (4,97% compared to 2Q21).
- ▶ In terms of distribution of revenues, during 2Q22, retail leased lines and data networking represented 46.17%, total mobile services represented 40.62%, value added services accounted for 2.09% and other revenues accounted for the remaining 11.12% of the total revenues.
- ▶ During the second quarter of 2022, the interannual volume of fixed lines decreased by 1.85%. On the other hand, the volume of mobile lines registered a y/y growth of 3.28%.
- ▶ Revenues from fixed lines decreased by 15.53%, while revenues in mobile lines increased by 6.00% compared to 2Q21.





## 2. International overview

### LatAm, OECD and China

***The upward inflationary trend has determined the monetary policies of major global banks and the stagnation of economic growth during 2Q22.***

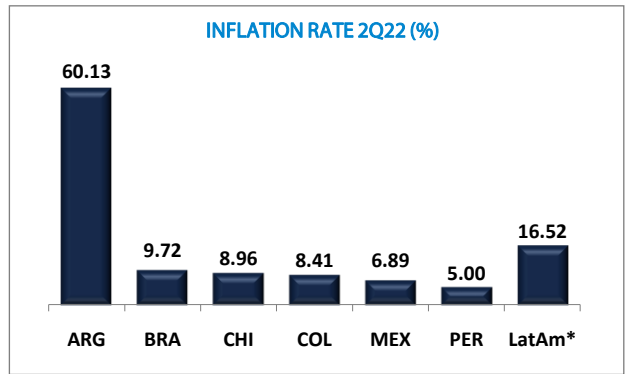
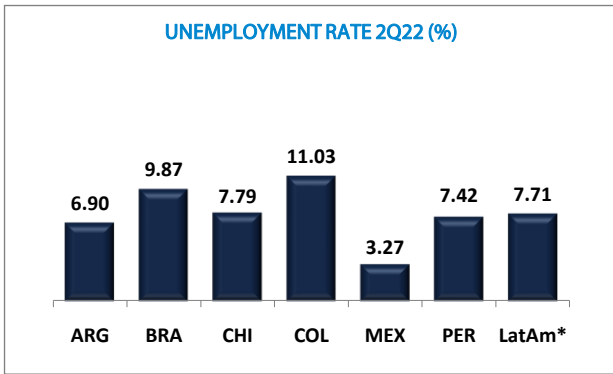
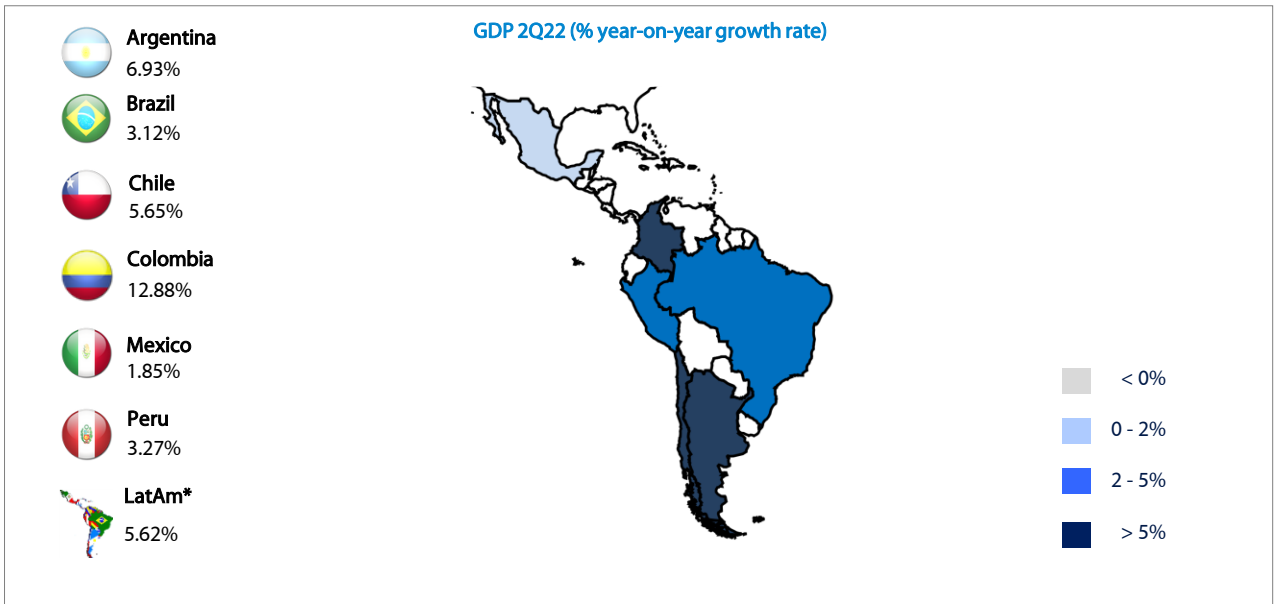
#### **Macroeconomic outlook**

- ▶ During the quarter, the global economic recovery continued after the most acute phase of the pandemic, albeit in a very uncertain environment. The main constraints on economic developments were the unfolding war in Ukraine, the slowdown in China and the intensification of inflationary pressures in the short term, which affected the conduct of monetary policies at the global level. All this dampened households' purchasing power and increased firms' production costs.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised in October its forecast for the Latin American economy for 2022, raising the region's growth by 3.2% and cutting it to 1.4% for 2023. World trade dynamics are expected to be negatively affected by the war, which would lead to a decrease in Latin America's external demand. For its part, the European Commission has acknowledged a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. Likewise, the Fed modified its previous projections for the US, predicting a lower GDP growth of 2.3% in 2022 and 1% in 2023.
- ▶ During the second quarter of 2022, the labour market continued to recover from the economic consequences of the pandemic to near pre-pandemic levels. Most countries recorded declines in their unemployment rate compared to 1Q22. Mexico ranked as the country with the lowest unemployment rate (3.27%) while Colombia had the highest rate (11.03%) for Latam. Moreover, Spain reached a 12.48% unemployment rate during this quarter.
- ▶ In 2Q22, inflation increased in all the economies analysed with respect to 2Q21, with the highest rates in Argentina (60.13%), Brazil (9.72%), the United Kingdom (9.16%) and Spain (9.07%). The EMU registered an increase of 6.70 p.p. compared to 2Q21, reaching a rate of 8.60%. The average for Latam was 16.52%. China registered the smallest year-on-year increase, with inflation of 2.23%. Inflation grew at a very high rate due to the energy component. On the other hand, all economies contracted their labour markets, except Canada and China, which recorded slight year-on-year increases.
- ▶ Foreign trade in the G20 countries continued to grow in monetary terms on the back of higher commodity prices and inflation. Exports of the group of the world's 20 largest economies increased by 2.1 % from the previous quarter, while imports rose by 2.6 %. Exports of the European Union as a whole rose by 2 %, Latin America by 2.8 % and North America by 1.5 % in the quarter.

#### **Financial sector**

- ▶ In response to rising inflation, central banks' monetary policy became more restrictive and most central banks have raised interest rates significantly, reaching levels like those observed in 2017.
- ▶ On the fiscal side, public debt levels remained high in many countries. In a context of high demands for public spending, measures were required to strengthen fiscal sustainability and expand fiscal space by strengthening public revenues.
- ▶ In terms of their ratings, all OECD, China and Latin American countries kept their ratings constant in the second quarter of the year, except for Chile, which moved from a Moody's rating of A1 to A2, and Mexico, which moved from a Moody's rating of Baa1 to Baa2 during this period.





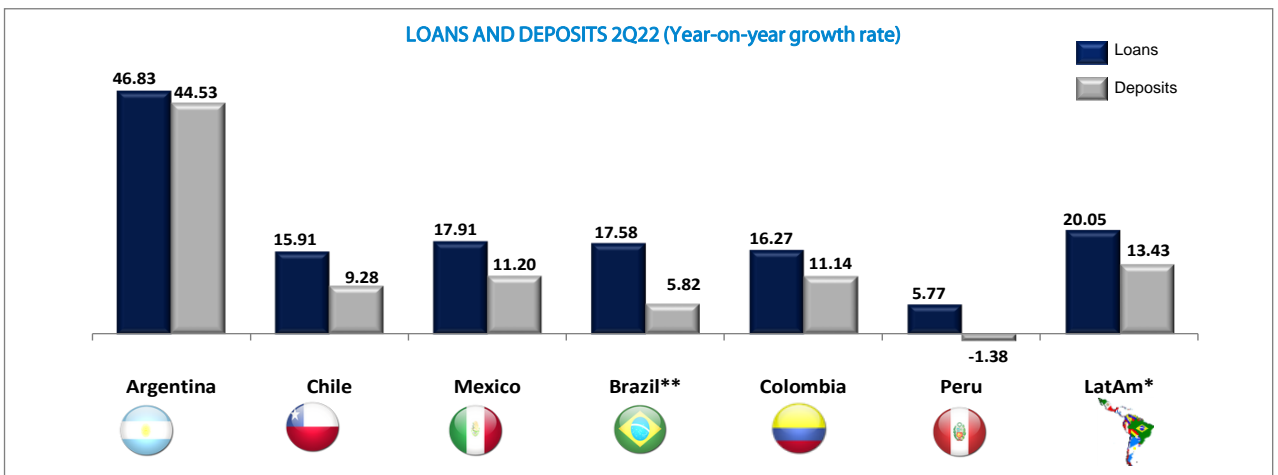
### LONG TERM RATES 2Q22

	MOODY'S		S&P		FITCH	
Argentina	Ca	—	CCC+	—	CCC	—
Brazil	Ba2	—	BB-	—	BB-	—
Chile	A2	▲	A	—	A-	—
Colombia	Baa2	—	BB+	—	BB+	—
Mexico	Baa2	▲	BBB	—	BBB-	—
Peru	Baa1	—	BBB	—	BBB	—

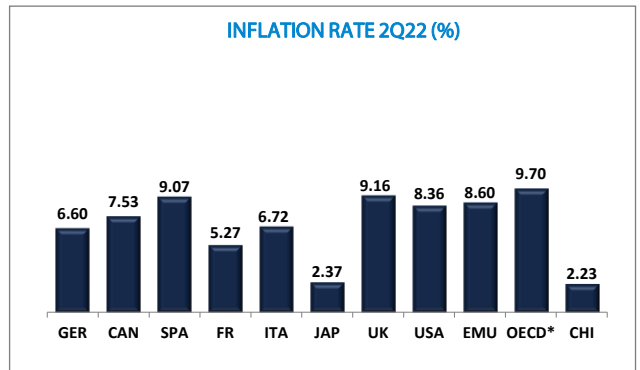
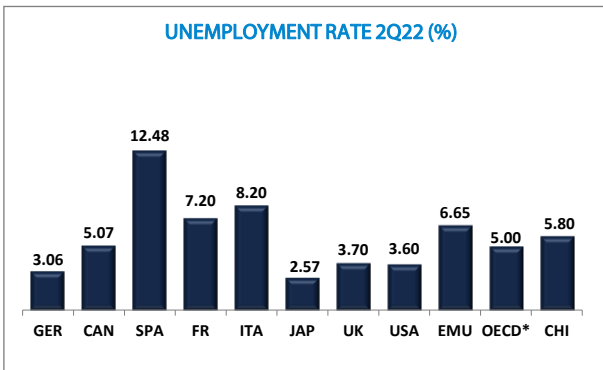
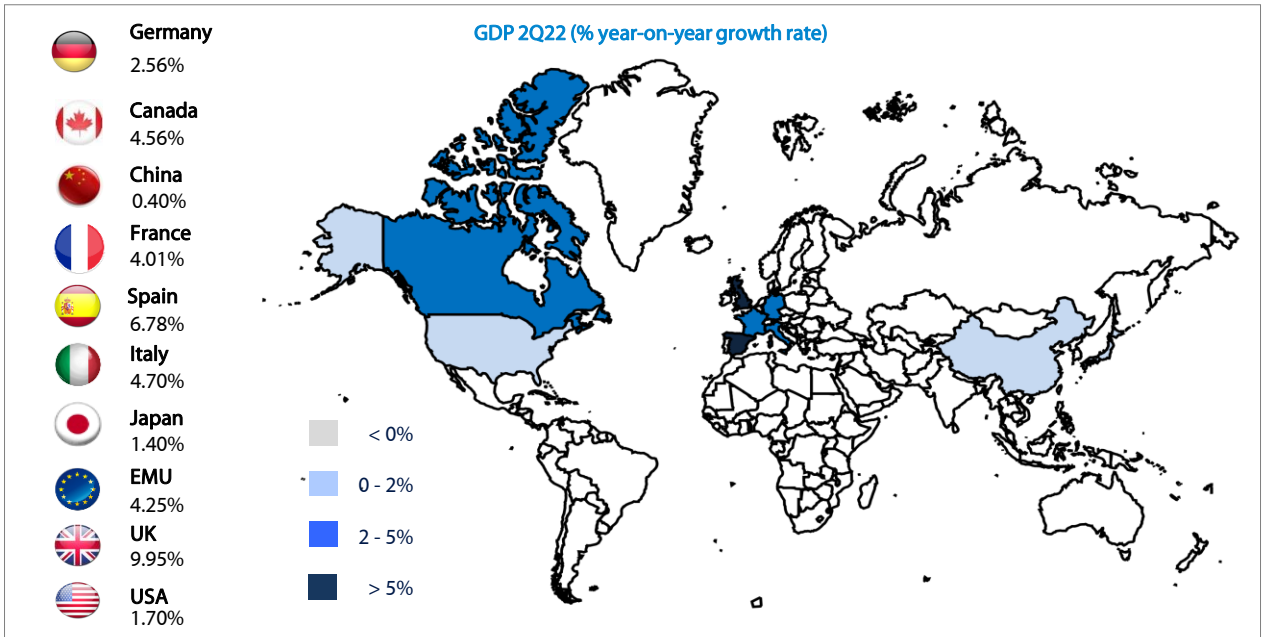
▲ Increase since 1Q22

— Constant since 1Q22

▼ Decrease since 1Q22



\*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 2Q22, except for Brazil's deposits (1Q22)



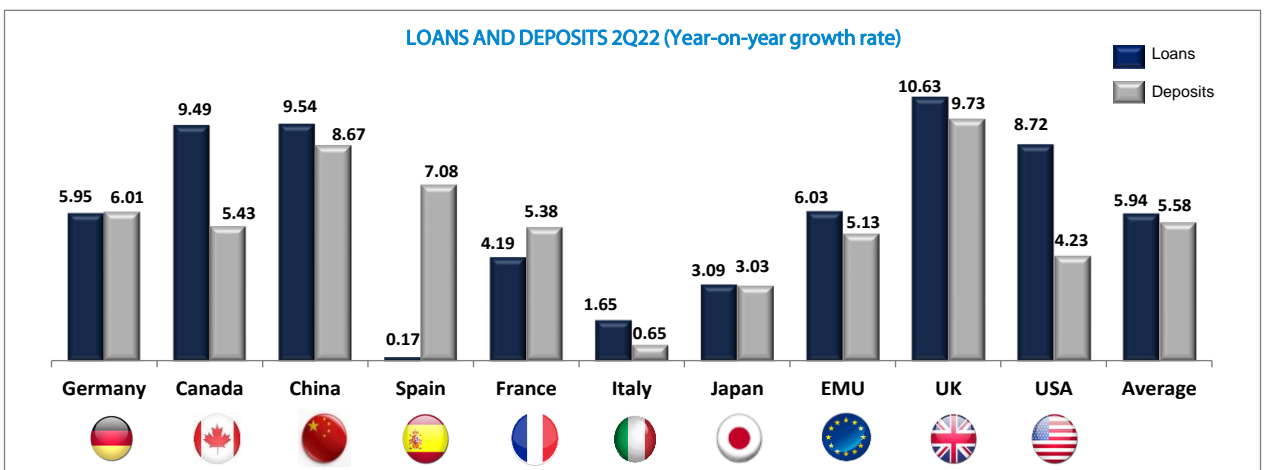
### LONG TERM RATES 2Q22

	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 1Q22

— Constant since 1Q22

▼ Decrease since 1Q22



OECD aggregate data, updated as of publication date for 2Q22.

### 3. French Macroeconomic view

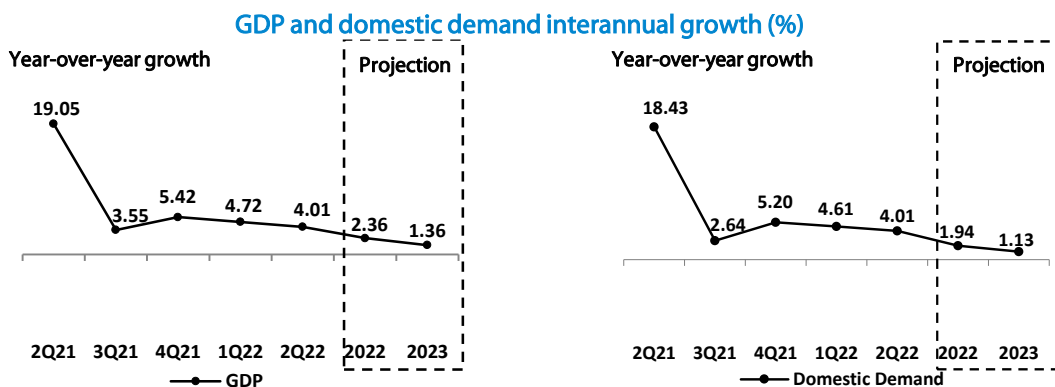
**During the second quarter of 2022, the French economy slightly declined compared to the previous one due to pressure from rising prices, especially in commodities such as energy, as well as for the uncertainty of the Ukrainian crisis and the interest rate hikes. Domestic demand declined by 0.76 p.p. from the previous quarter to a rate of 3.85%.**

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

INDICATOR	2Q21	3Q21	4Q21	1Q22	2Q22	2022	2023
<b>GDP</b>	<b>19.05</b>	<b>3.55</b>	<b>5.42</b>	<b>4.72</b>	<b>4.01</b>	<b>2.36</b>	<b>1.36</b>
DOMESTIC DEMAND	18.43	2.64	5.20	4.61	3.85	1.94	1.13
PRIVATE CONSUMPTIOI	13.24	1.17	7.35	6.86	6.12	2.41	1.27
PUBLIC CONSUMPTION	17.31	2.05	3.14	3.22	2.41	2.18	0.28
GROSS FIXED CAPITAL	33.06	5.30	2.95	3.19	1.03	1.13	1.80
EXTERNAL DEMAND							
EXPORTS	30.14	8.90	7.46	7.31	6.65	7.73	5.67
IMPORTS	22.01	5.57	7.73	6.42	6.43	5.87	4.42
<b>INFLATION</b>							
<b>CPI</b>	<b>1.37</b>	<b>1.77</b>	<b>2.73</b>	<b>3.67</b>	<b>5.27</b>	<b>5.16</b>	<b>4.54</b>
<b>LABOUR MARKET</b>							
<b>UNEMPLOYMENT</b>	<b>7.80</b>	<b>7.80</b>	<b>7.20</b>	<b>7.10</b>	<b>7.20</b>	<b>7.45</b>	<b>7.81</b>
<b>EMPLOYMENT</b>	<b>3.40</b>	<b>2.08</b>	<b>2.59</b>	<b>4.46</b>	<b>3.71</b>	<b>2.18</b>	<b>-0.21</b>

Source: Insee, OECD June forecast.

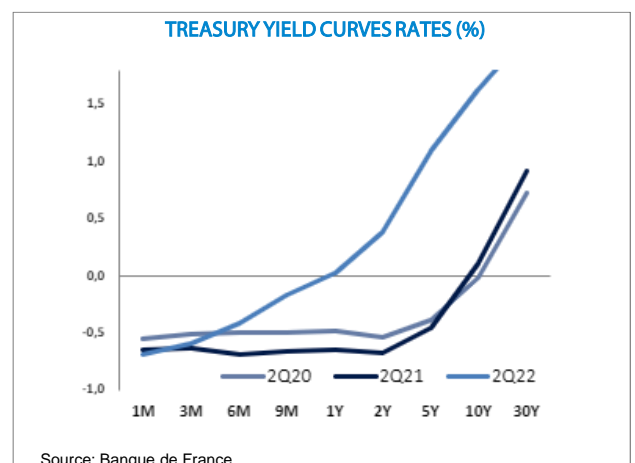
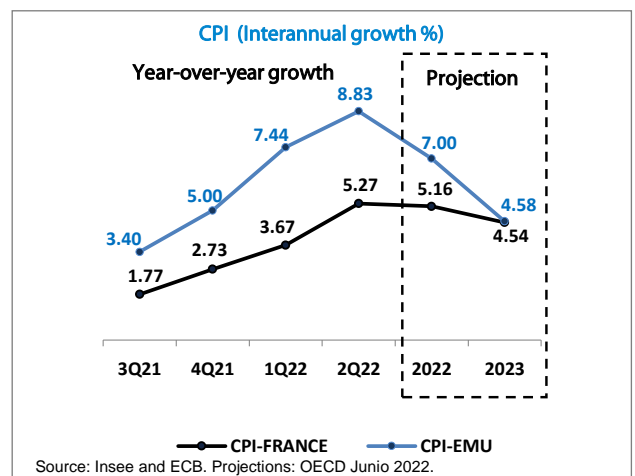
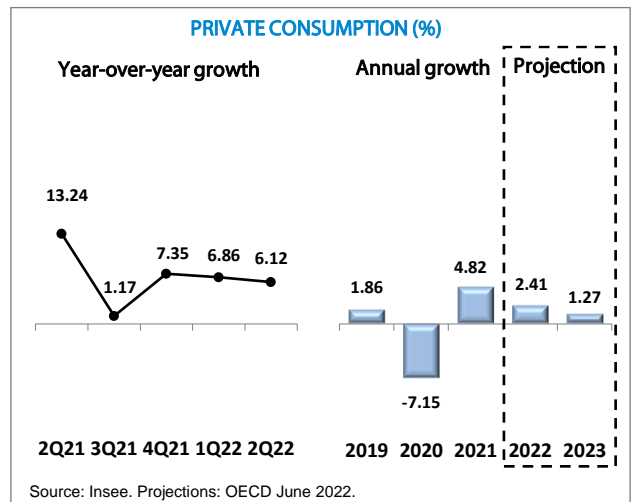
- ▶ In 2Q22 the French economic activity decreased 0.71 p.p. with respect to the previous quarter and 15.04 p.p. to the same quarter of the previous year, down to a rate of 4.01%. After a strong rebound in activity in 2021, the economic consequences of the war in Ukraine and the uncontrolled inflation have delayed the post-Covid recovery.
- ▶ According to the Bank of France, in 2022, activity is expected to slow to 2.60%. 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 0.76 p.p. in 2Q22 compared to the previous quarter and 14.58 p.p. compared to the same quarter of the previous year reaching a 3.85% rate. Domestic demand is the main driver of GDPs' performance and the key for the economic growth.
- ▶ In terms of external demand, compared to 1Q22 exports declined by 0.66 p.p. and imports increased 0.01 p.p. Furthermore, compared to the same quarter of the previous year both exports and imports decreased 23.49 p.p. and 15.58 p.p., respectively. According to the Banque de France, French exports will be slowed down by current developments on the international scene.



Source: Insee. Projections from the OECD June 2022

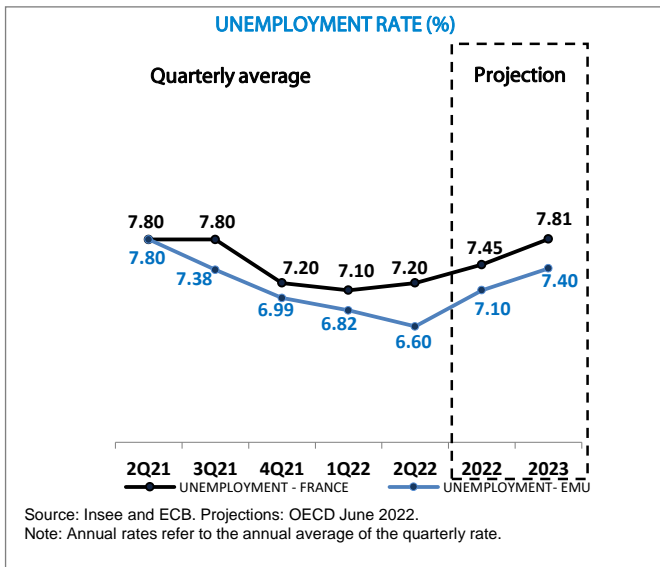
**In the second quarter of 2022, private consumption recorded a decline in its y/y growth rate compared to the previous quarter, standing at a 6.12% rate. Forecasts made by the OECD predict a decrease in private consumption for both 2022 and 2023. In turn, the inflation rate continued its raising trend, reaching a 5.27% rate during 2Q22. Regarding French treasury bonds, positive yields started at a 1-year maturity, although it recorded higher yields compared to the same quarters of the last two years.**

- ▶ During the second quarter of the year, private consumption recorded a drop reaching a 6.12% p.p. y/y growth rate, decreasing by 0.74 p.p. when compared to 1Q22.
- ▶ 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 not be able to cope with this shock if the consequences of the Ukraine crisis continue to escalate.
- ▶ In 2Q22, the y/y growth rate of the French Consumer Price Index rose 1.60 p.p. compared the 1Q22, increasing for the sixth consecutive quarter, up to a 5.27%. Despite this increase, the CPI in France remained below the EMU average inflation rate in the second quarter of 2022 (8.83%).
- ▶ 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 1 year presented positive interest rates in 2Q22.
- ▶ When compared to the same quarter of 2020, bond yields increased for all maturities, except for the 1-month bond. 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.

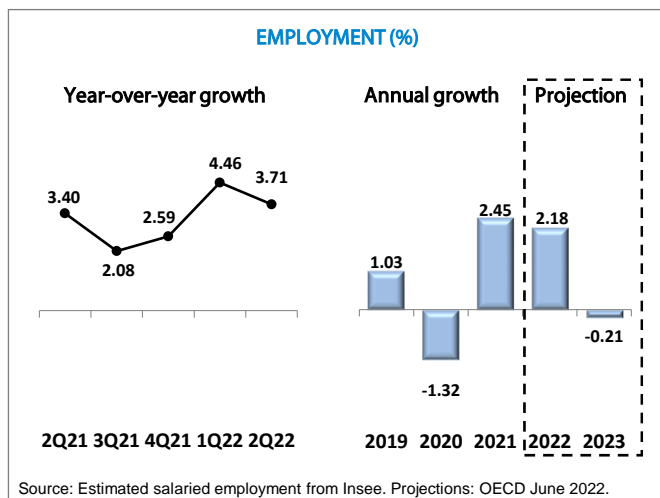




**Regarding the labour market, during the second quarter of 2022 the unemployment rate recorded a slight increase compared to the previous quarter, standing at a 7.20% rate. Concerning the y/y growth rate of employment, it stood at 3.71% in the second quarter of 2022, the fifth quarter with a positive rate, yet stopping its increasing trend started in 4Q21.**



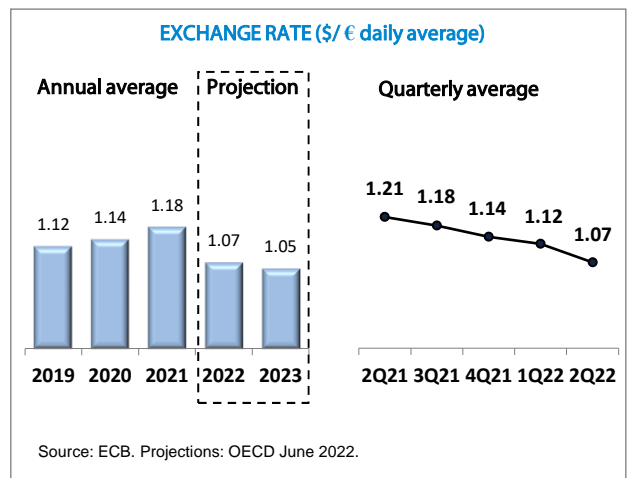
- ▶ In the second quarter of the year, the unemployment rate recorded an increase of 0.10 p.p. when compared to the previous quarter, standing at a 7.20% rate. However, the unemployment rate declined by 0.60 p.p. compared to the same quarter of the previous year. The unemployment rate was slightly higher than that of the EMU (6.60%), for the fourth 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 8.00% 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% in 2022 and 2023, respectively.
- ▶ The unemployment rate in France remains at historic lows and in 2022 could be the lowest since the beginning of the pandemic.
- ▶ According to INSEE in 2Q22, the number of unemployed people increased by 29,000 over the quarter and reached 2.3 million people.



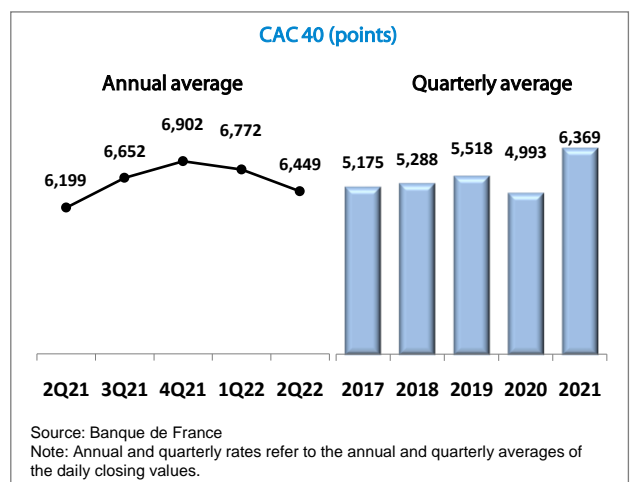
- ▶ Regarding the employment growth rate, it dropped during the second quarter, recording a decrease of 0.75 p.p., down to a 3.71% rate, compared to the previous quarter.
- ▶ Consequently, during the second quarter of the year, the employment y/y growth stopped the upward trend started in 4Q21. It showed 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 second quarter of 2022, the euro continued its depreciation towards the parity against the US dollar. Thus, the average quarterly exchange rate stood at 1.07 \$/€.
- ▶ 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 appreciating against the euro with respect to 2021.



- ▶ The French stock index (CAC 40) recorded a quarterly average of 6,448.74 points during the second quarter of 2022, following a 323.75 points decrease when compared to the average level registered in the previous quarter.
- ▶ Moreover, it is worth noting that the CAC 40 increased by 4.03 p.p. compared to the same quarter of the previous year. The CAC 40 quarterly average incremented by 249.75 points with respect to the same quarter of the previous year.
- ▶ The value of the French stock market index declined for the second time since 2Q21, breaking the upward trend.

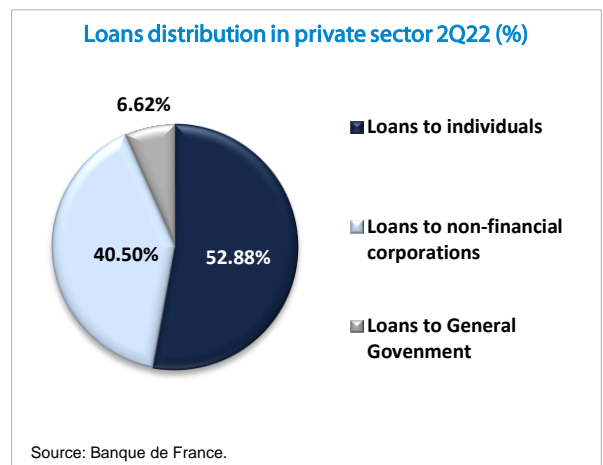


# 4. Banking sector: General Overview

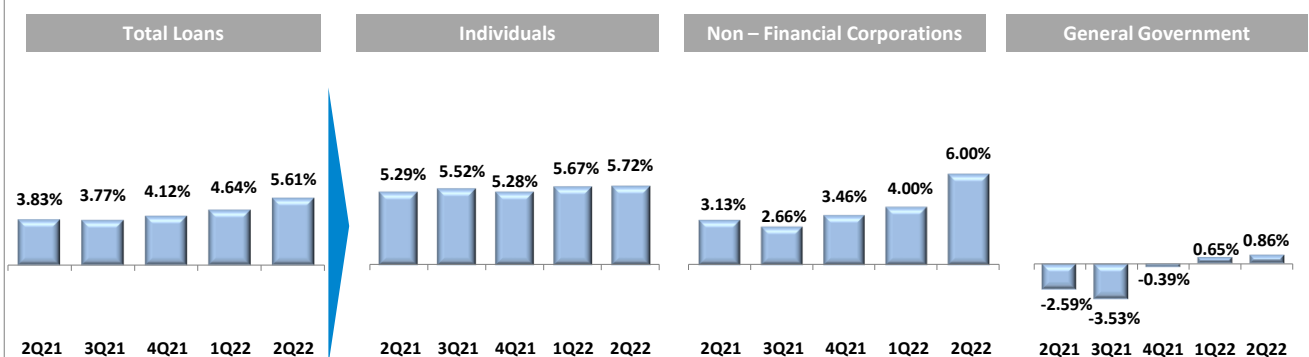
## Loans

**During 2Q22, the y/y growth rate of total loans experienced an acceleration of 0.97 p.p. relative to 1Q22, up to 5.61%. This performance was mainly driven by the rise in the y/y growth rate of loans granted to non-financial corporations, with the y/y growth rate of loans increasing for all segments. Concerning the distribution of loans, those granted to individuals accounted for 52.88% of total loans, while loans to non-financial corporations and general government had a 40.50% and a 6.62% share, respectively.**

- ▶ During the second quarter of 2022, the y/y growth rate of total loans of the French financial system rose by 0.97 p.p. relative to 1Q22, up to 5.61%.
- ▶ 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, specially to non-financial corporations.
- ▶ The y/y growth rates of loans granted to non-financial corporations grew by 2.29 p.p. compared to 1Q22, up to a 6.30% rate.
- ▶ The y/y growth rate of loans granted to the general government rose by 0.21 p.p., while that of loans granted to individuals rose by 0,05 p.p., up to -0.86% and 5.72%, respectively.
- ▶ Regarding the distributions of loans, loans granted to individuals represented 52.88% of total loans, following a 0.05 p.p. decrease relative to the previous quarter. The non-financials segment registered instead a 0.27 p.p. increase in their share, accounting for 40.50% of total loans. The remaining 6.62% share corresponded to loans granted to the general government, which decreased by 0.22 p.p. in their share over total loans.



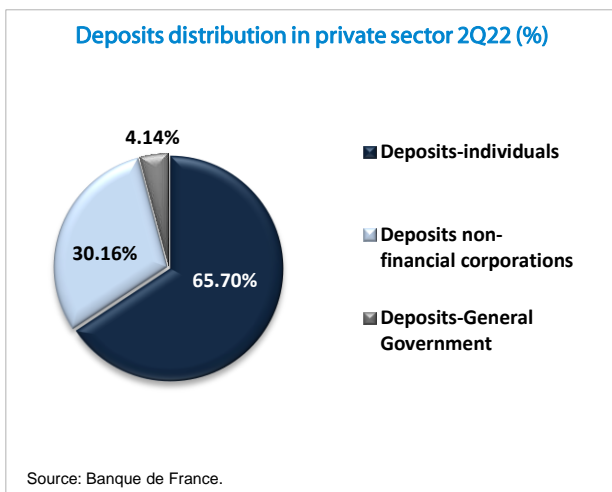
### LOANS (Year-over-year, %)



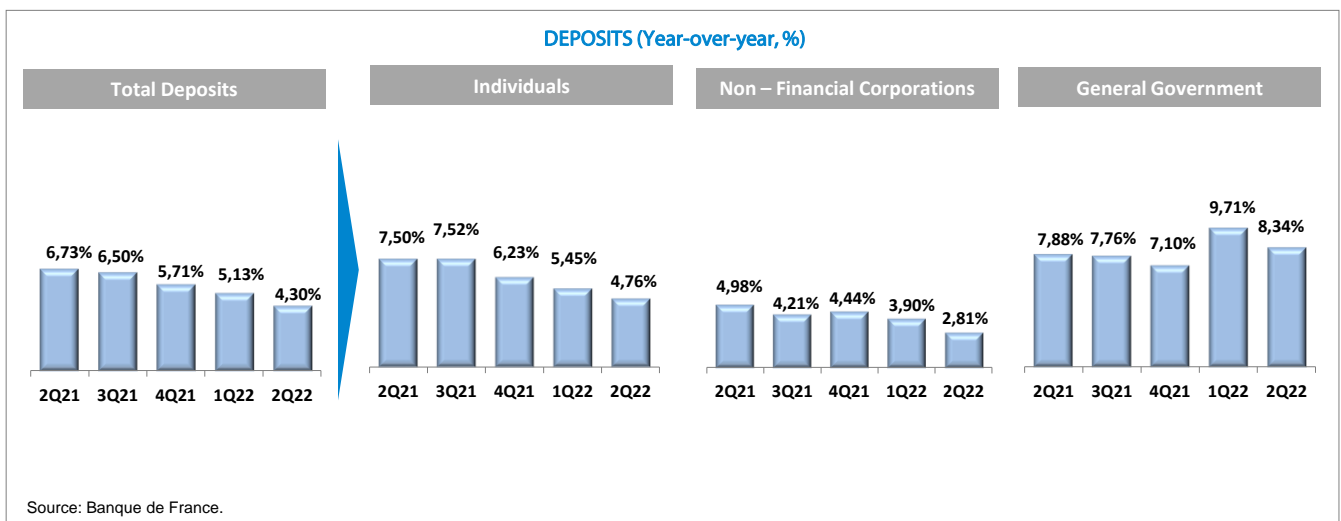
Source: Banque de France

# Deposits

**During the second quarter of 2022, total deposits suffered a deceleration on their y/y growth rate relative to the previous quarter, down to a 4.30% 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 65.70% of total deposits, while deposits of non-financial corporations and government accounted for 30.16% and 4.14% of total deposits, respectively.**



- ▶ During the second quarter of 2022, the y/y growth rate of total deposits of the French financial system decelerated by 0.83 p.p. when compared to the previous quarter, down to a 4.30% y/y growth rate.
- ▶ This decline was motivated by the fall in the y/y growth rate of deposits of non-financial corporations and general governments which decreased by 1.09 p.p. and 1.37 p.p. with respect to the previous quarter, reaching a 2.81% and 8.34%, respectively y/y growth rate.
- ▶ Moreover, It is worth mentioning the y/y growth rate of deposits of General Government which increased by 1.37 p.p. when compared to the previous quarter and stood at 8.34%,
- ▶ Regarding the distribution of deposits, individual deposits accounted for 65.70% of total deposits, following a 0.14 p.p. increase in their share compared to the previous quarter. In the case of non-financial corporation's deposits, they experienced a 0.26 p.p. decrease and represented 30.16%, at the same time, general government deposits increased by 0.12 p.p., standing at 4.14%.

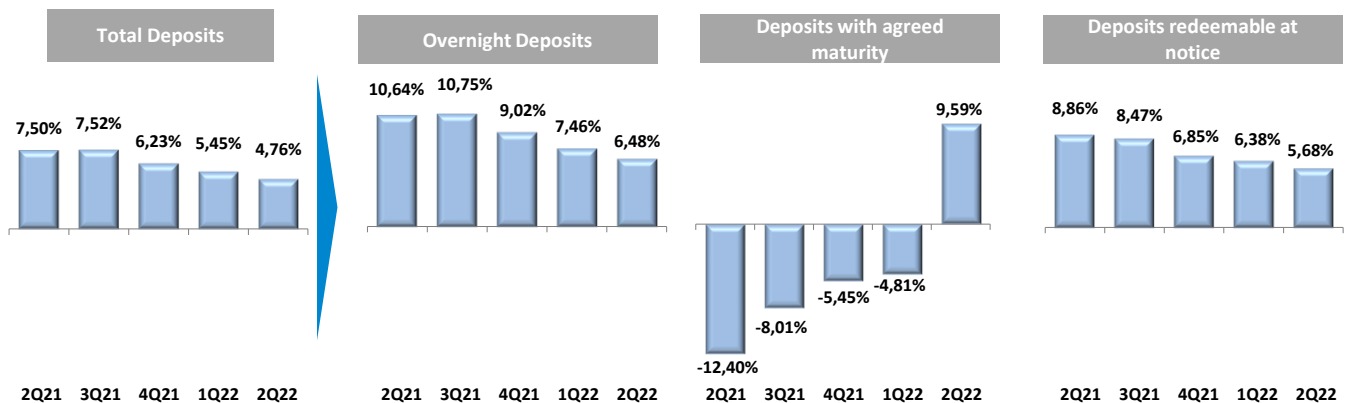




**The y/y growth rate of deposits of individuals decreased relative to the previous quarter by 0.69 p.p., standing at a 4.76% rate. This behaviour was driven by the deceleration experienced by all kind of deposits, except for the recovery of the agreed maturity deposits.**

- As previously mentioned, individual deposits represented the highest share of deposits in the French financial system during the second quarter of the year, reaching 65.70% of total deposits with 1,829 billion euros.
- The y/y growth rate of total deposits was reduced with respect to the previous quarter, standing at a 4.76% 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. Although with a little push from a positive rate from deposits with agreed maturity.
- Overnight deposits registered a 0.98 p.p. decrease in their y/y growth rate when compared to the previous quarter, standing at a 6.48% rate during this period.
- Additionally, deposits with agreed maturity registered a growth for the first time since 4Q19, up to 9.59%, thus, explaining the variation from the previous quarter of 14.40 p.p.
- Finally, deposits redeemable at notice recorded a decrease in their y/y growth rate during the second quarter of the year, decreasing by 0.70 p.p. compared to the previous quarter and reaching a 5.68% rate.

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



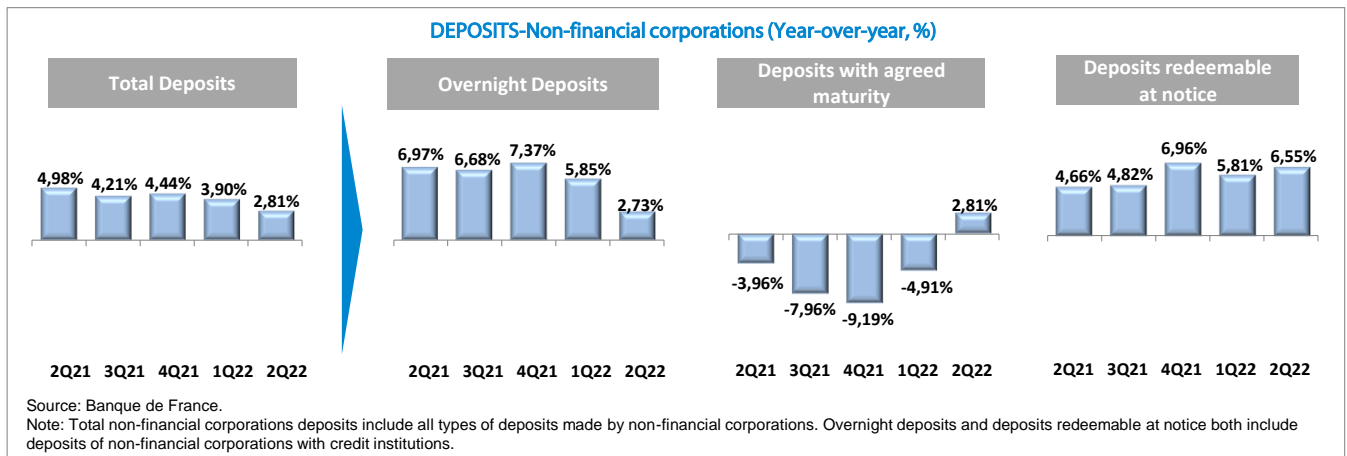
Source: Banque de France.

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



**In the second quarter of the year, the y/y growth rate of deposits from non-financial corporations decreased by 1.09 p.p. when compared to the previous quarter, standing at a 2.81% 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 1Q22.**

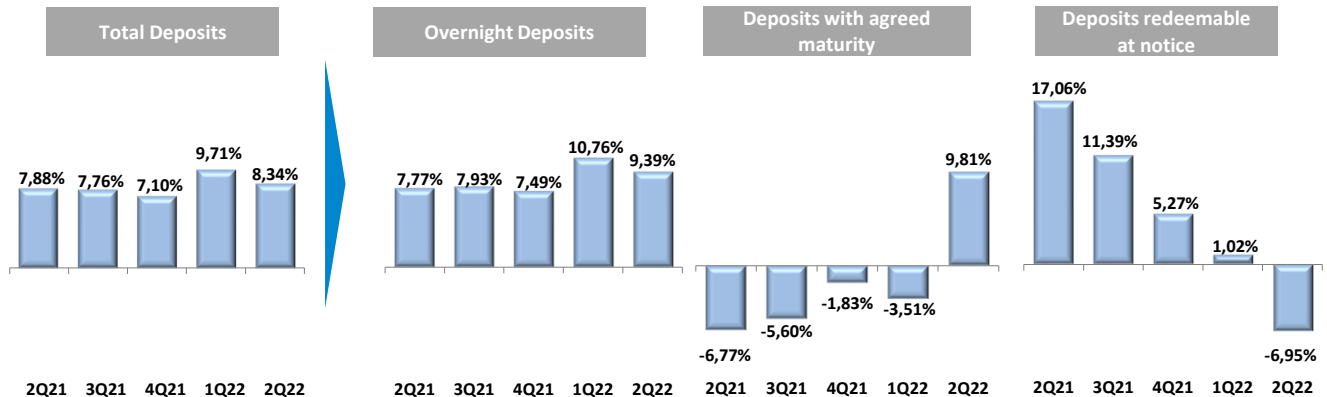
- ▶ During the second quarter of the year, non-financial corporations' deposits represented 30.16% of total deposits, with a total of 839 billion euros.
- ▶ Moreover, the y/y growth rate of deposits of non-financial corporations decreased by 1.09 p.p. when compared to the previous quarter, down to a 2.81% 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 6.55% rate.
- ▶ The y/y growth rate of overnight deposits also decreased with respect to the first quarter of 2022, by going down 3.12 p.p.
- ▶ As for deposits with agreed maturity, they experienced an increase in their y/y growth rate relative to the previous quarter, up to a 2.81% rate, ending the negative trend and maintaining the upward trend started in 4Q21.



**During the second quarter of 2022, the y/y growth rate of deposits from the general government decreased by 1.37 p.p. when compared to the previous quarter, down to an 8.34% 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 1Q22.**

- ▶ In the second quarter of the year, general government deposits accounted for 4.14% of total deposits of the French financial system, with a total value of 115 billion euros.
- ▶ Total general government deposits registered a 1.37 p.p. deceleration in their y/y growth rate when compared to the previous quarter, reaching an 8.34% rate. This decrease was motivated by the decrease in the y/y growth rate of overnight deposits.
- ▶ Overnight deposits recorded a decrease of 1.37 p.p. compared to the previous quarter, recording a 9.39% rate.
- ▶ The deposits redeemable at notice recorded a y/y decrease rate of 7.97 p.p. with respect to the previous quarter, standing at a -6.95% rate.
- ▶ Regarding deposits with agreed maturity, their y/y growth rate increased relative to the previous quarter, up to 13.32 p.p. and standing at a 9.81% rate, recording a positive y/y growth rate ending the negative trend which started in 2Q20.

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



Source: Banque de France.

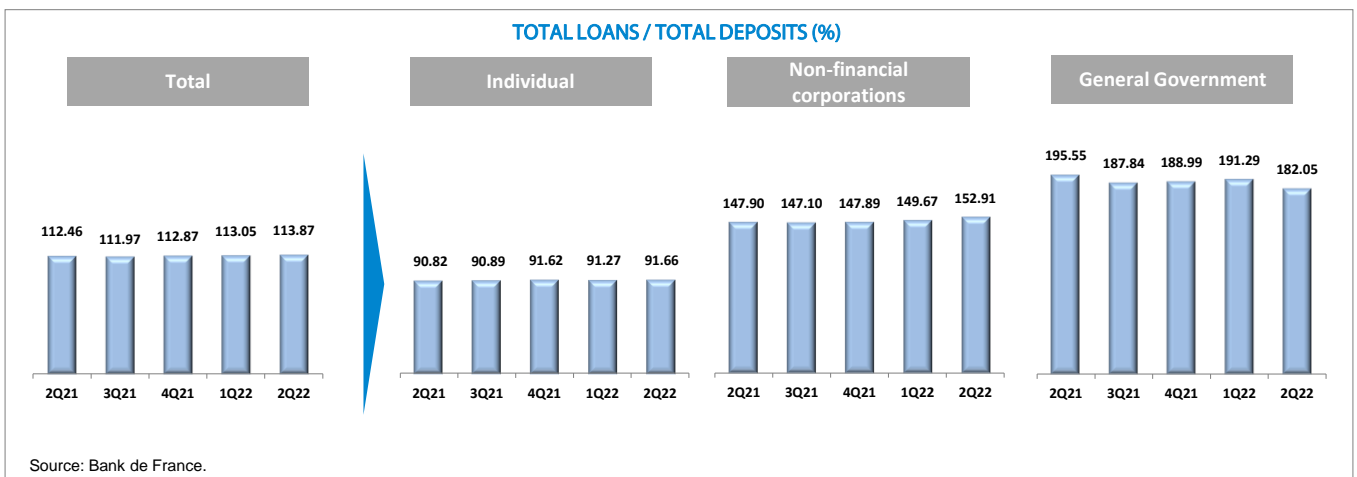
Note: Total deposits include all types of deposits made by General Government.



## LTD Ratio

**In the second quarter of 2022, the loan-to-deposit ratio of the French financial system increased with respect to the same quarter of the previous year, up to a 113.87% ratio. This increase was motivated by the greater acceleration experienced by loans than by deposits.**

- ▶ During the second quarter of the year, the LTD ratio of the French Financial system increased by 1.41 p.p. when compared to the ratio registered in the same quarter of the previous year, up to 113.87%. This increase was the result of the larger acceleration recorded by loans (5.61%) than the one registered by deposits (4.30%) with respect to 2Q21. Moreover, the loan-to-deposit ratio increase for all segments with respect to 1Q21 except for General Government.
- ▶ The LTD ratio of individuals stood at a 91.66% ratio during this period, 0.83 p.p. above the ratio recorded in the same quarter of 2021.
- ▶ Regarding non-financial corporations, their LTD ratio went up to 152.91% in the second quarter of 2022, following a 5.01 p.p. rise relative to the same quarter of the previous year.
- ▶ Finally, the LTD ratio of the general government experienced a 13.50 p.p. decline when compared to the same quarter of the previous year. Therefore, the LTD ratio of the general government reached 182.05%, recording once again the highest LTD ratio of all segments.

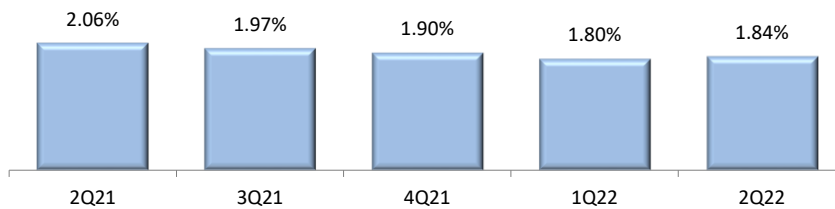




## NPL Ratio

**During the second quarter of 2022, the non-performing loans ratio stood at 1.84%, 0.04 p.p. above the one recorded in the previous quarter. On the contrary, the coverage ratio of the French financial system experienced a 0.54 p.p. fall relative to the first quarter of 2022, down to a 48.56% ratio.**

NON-PERFORMING LOANS - TOTAL LOANS (%)



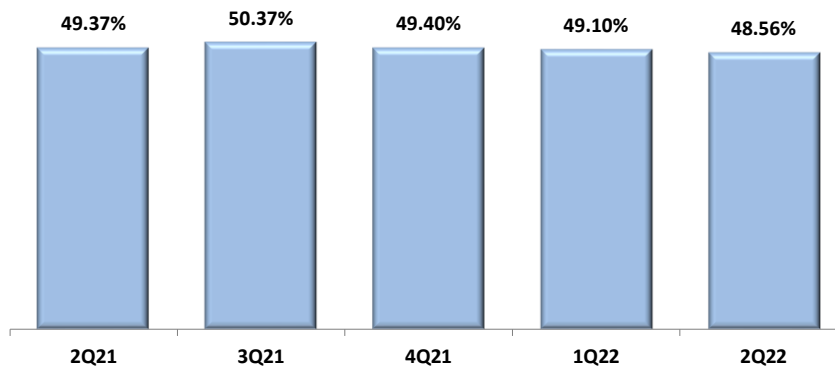
Source: European Banking Authority.

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 1.84%, 0.04 p.p. higher than in the previous quarter. On the contrary, the NPL ratio decreased by 0.22 p.p. when compared to the same quarter of the previous year.
- ▶ The NPL ratio recorded a first-time increase between a quarter and the previous one since the downward trend originated in 2Q14.
- ▶ Regarding the coverage ratio of the financial system in 2Q22, it decreased by 0.54 p.p. with respect to the previous quarter, down to a 48.56% ratio. In y/y terms, the coverage ratio decreased by 0.81 p.p..
- ▶ In turn, according to the latest Risk Dashboard of the EBA, the NPL ratio of the French financial system stood slightly higher than the EU average (1.80% in 2Q22). In addition, it recorded a higher coverage ratio than the EU average, which stood at 43.80% during this period.

COVERAGE RATIO (%)



Source: European Banking Authority.

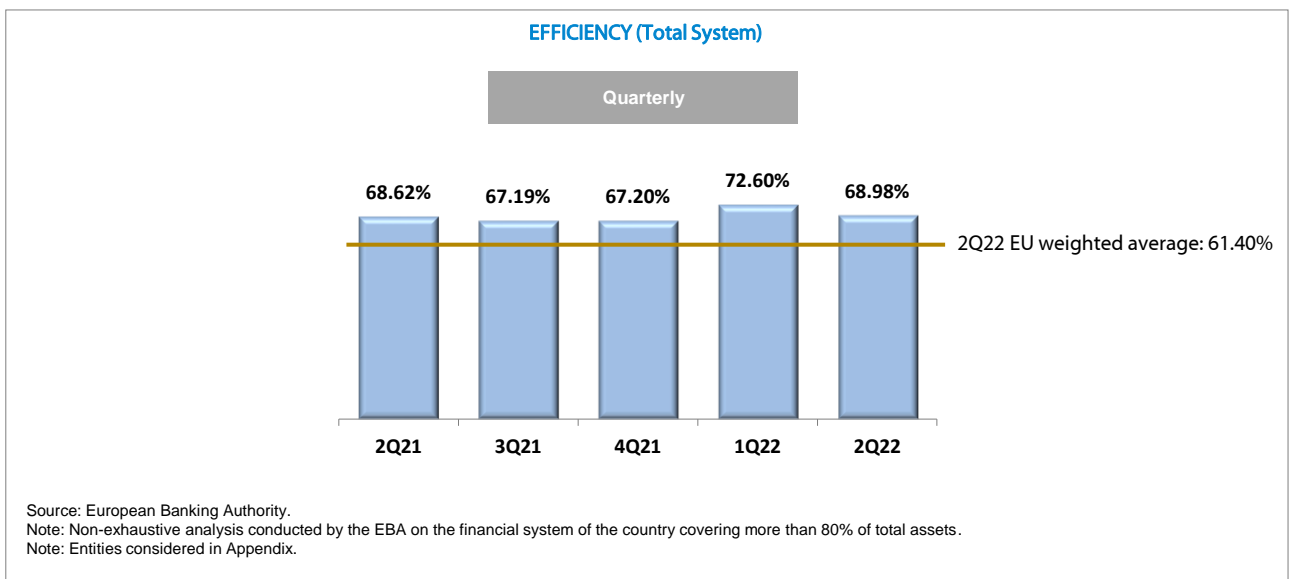
Note: Non-exhaustive analysis conducted by the EBA on the financial system of the country covering more than 80% of total assets.

Note: Entities considered in Appendix.

## Efficiency

**The efficiency ratio of the French financial system reached 68.98% in the second quarter of the year, following a 3.62 p.p. decrease when compared to the previous quarter. The French financial system was less efficient than the EU average, as the latter stood at a 61.40% ratio according to the EBA.**

- ▶ In the second quarter of 2022, the efficiency ratio of the French financial system got significantly better when compared to the previous quarter, decreasing by 3.62 p.p. and reaching a 68.98% cost-to-income ratio. On the other hand, the efficiency ratio slightly worsened with respect to the same quarter of the previous year, increasing by 0.36 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 61.40% ratio according to the EBA.





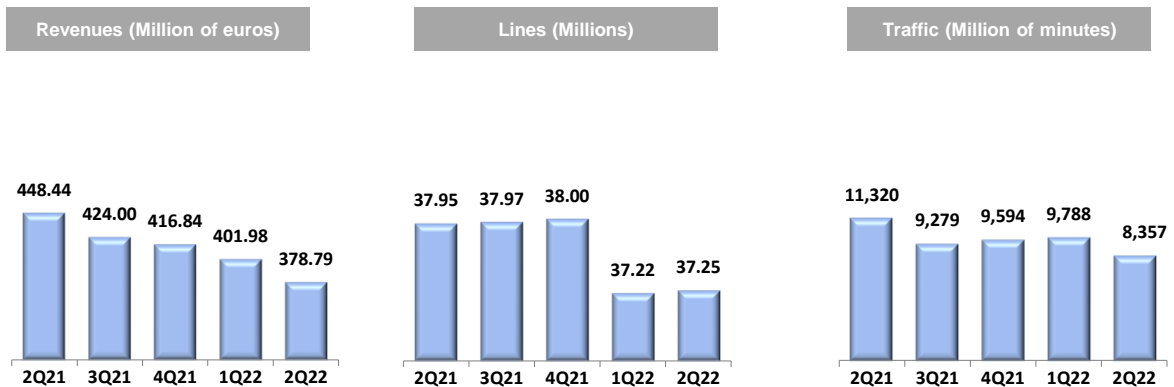


# 5. Telecommunications sector

**During the second quarter of 2022, the volume of fixed lines registered a year-over-year decrease of 1.85%, and mobile lines registered a 3.28% increase with respect to 2Q21. Revenues fell by 15.53% in the fixed line sector, while they increased by 6.00% 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 2Q22.**

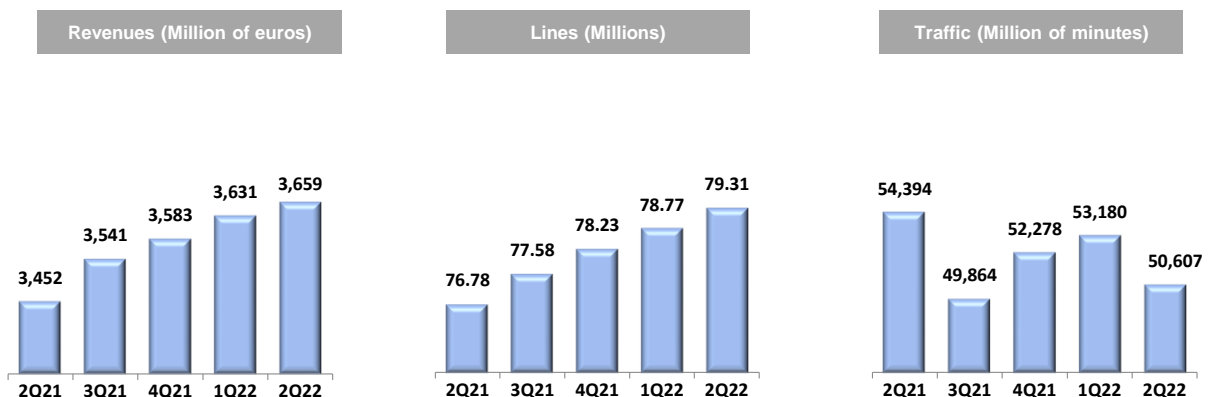
- ▶ During the second quarter of 2022, the volume of fixed lines decreased by 1.85% with respect to the same quarter of 2021. Revenues from fixed lines decreased by 15.53%, down to €379 million, while traffic decreased for fixed lines 26.17%.
- ▶ The volume of mobile lines registered a y/y growth of 3.28%. Revenues from mobile lines increased by 6%, up to € 3,659 million, and their traffic decreased by 6.96% with respect to 2Q21.
- ▶ The traffic of data consumed on mobile networks increased by 27.23% in the second quarter of 2022 with respect to 2Q21. TV subscriptions tied to Internet access also increased by 3.52% compared to the same quarter of the previous year.
- ▶ In terms of revenues distribution, retail leased lines and data networking represented 46.17%, value added services accounted for 2.09%, total mobile services represented 40.62% and other revenues accounted for the remaining 11.13% of total revenues.
- ▶ With respect to the same period of the previous year, revenues from retail leased lines and data networking decreased by 0.60% and revenues from value added services fell by 10.76%. Other revenues increased by 1.09% and finally, revenues from mobile services also increased by 4.97%. Thus, the total income of the sector increased by 1.80% compared to 2Q21.

## MAIN MAGNITUDES – Fixed Lines



Source: Arcep.

## MAIN MAGNITUDES – Mobile Lines



Source: Arcep.





# 6. Appendix

## SOURCES

### MACROECONOMIC OVERVIEW

- ▶ Insee:  
<http://www.bdm.insee.fr>
- ▶ BBVA research:  
[www.bbvarsearch.com](http://www.bbvarsearch.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)

### 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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