



**New Year wishes from François Villeroy de Galhau,  
Governor of Banque de France  
to the Paris financial centre**

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I would like to thank all of you for coming, like each year, to our Golden Gallery. I am pleased to welcome you, together with Denis Beau, Deputy Governor since July and first Deputy Governor since yesterday. I also commend Anne Le Lorier, who unfortunately left us on 5 January but who has contributed so much to the Banque de France over the past six years: this evening is an occasion to thank her. And I am delighted to announce the appointment of Sylvie Goulard, who will be taking over from her. As of next Monday, she will bring to the Banque de France all her competence and independence.

I would like to start by extending to you our warmest wishes for 2018, for you and your loved ones, as well as for all of your staff, hoping that 2018 will be an excellent year; an excellent year, not only for each of you, but also for Europe and our country. But before presenting my collective wishes for this new year, I would like to return to 2017 and three positive elements that marked it.

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### 1. **2017, a turnaround year**

At this same time last year, I made the paradoxical wish that the euro area, despite all its electoral uncertainties would be "an area of relative stability". 2017 was supposed to be a year full of dangers in Europe; and yet, our continent, and France above all, has proven to be a beacon of hope and strong growth, whereas the United States has abdicated from its leadership role. Two figures illustrate this: that of **GDP growth**, which greatly exceeded forecasts in 2017 – it is expected to reach 1.9% in France according to our latest forecasts, with notably 280,000 net job creations, and 2.4% in the euro area, which is the highest rate since 2010; the other key factor is **confidence**, reflected notably by the confidence in the euro, 74% of euro area citizens – the highest figure since the outset –, 71% of French citizens, and as many as 81% of German citizens claim that they are attached to our single currency.

The second positive element in 2017: **the acceleration of reforms in France**. This acceleration of reforms has changed the image of France in the eyes of Europe and the world, which is extremely positive.

Lastly, in 2017 **Basel III was finalised**. Bankers – largely represented this evening – had expressed, alongside others, serious concerns. The agreement of 7 December 2017 is the best possible agreement for our country and for Europe, thanks to the particularly active commitment of French negotiators. We maintain, against all

temptation of unilateralism or deregulation, our commitment to the multilateral rules of the game in place since 2009. And we are stabilising these rules once and for all: there will not be a Basel IV.

In sum, 2017 positively marked **a turning point** for both the United States and France. The beginning of 2018 has thus been characterised by a welcome optimism, but one which must not act as a disincentive: confidence yes, complacency no. We must not lie back and enjoy the return of blue skies; we must take steps to ensure that this improvement is transformed into stronger and sustainable growth. To this end, I wish to make four collective wishes for the coming year.

## **2. Four wishes for 2018**

My first wish concerns **Europe**. This does not so much concern our monetary policy, which has entered a gradual normalisation phase, and which is a success; I will not discuss it further this evening during the "*silent period*". 2018 must above all be the year of Economic Union, which still largely remains to be built. We must now or never take advantage of the recovery to tackle the shortcomings of the euro area. Because France and Germany's electoral calendars are aligned for the first time in 15 years, and since last Friday, there is a prospect of a pro-European coalition in Germany. And because now is the time to strengthen our economic instruments in order to deal with a future European recession, the day it comes. Otherwise monetary policy may be overburdened.

My second wish concerns **our country**. The French economy is in much better shape, but there are still major drags on growth. At around 1.9%, we are above our potential growth rate, which means that we are coming up against more structural limiters. There are at least two indications of this: a persistent negative growth differential vis-à-vis the euro area of around half a percentage point, and a current account deficit and hence a lack of competitiveness. In order to increase the speed of the French economy, we need to boost the power of the engine: reforms, including those underway, are therefore necessary. And, beyond bureaucratic barriers or corporate interests, the greatest priority is to reform **vocational training and apprenticeships**: we cannot remain in a situation where we have almost 3 million unemployed, of whom 600,000 are young people, and companies cannot recruit the skills they need. I hear this everywhere from the entrepreneurs who participate in the

advisory boards of the Banque de France, from Besançon to Châteauroux last week. According to INSEE, hiring difficulties have been the main obstacle to corporate activity.

My third wish is for **financing**. Often, the Governor of the Banque de France encourages banks to lend more; this is not the case at present! Bank lending in France is very buoyant. Bank lending to households and firms is growing at almost 6% per year. This is good news, but we must avoid excesses. There are thus several efforts to be made in 2018 to ensure the smooth financing of our economy:

- **Remain vigilant to ensure financial stability**, first and foremost. At last December's meeting of the Haut Conseil de Stabilité Financière (HCSF – High Council for Financial Stability), we decided to take a macroprudential measure to limit the sharp rise in the debt of certain large companies, including bond debt. It will apply as of 1 July after approval by the European authorities. If credit cycle risks persist – i.e. growth that is significantly higher than that justified by economic fundamentals – we stand ready to act further at any time in 2018, including if necessary by implementing a countercyclical capital buffer.
- **Promoting the attractiveness of the Paris financial centre in the context of Brexit**, second: irrespective of the possible transition, the City will most likely lose its EU passporting rights. The Paris financial centre must continue to develop, notably in the area of the clearing of financial instruments, and promote its numerous qualities, enhanced by the arrival of the EBA, in order to become the main euro area centre for market activities. This is our collective challenge, over and above announcements of welcoming registered head offices.
- Lastly, **better channelling our savings**. Overall, the French economy has no lack of financing, thanks also to the soundness of its financial institutions. Our challenge concerns more the **nature** of this financing: developing equity financing more than debt financing. Flat tax is a welcome step towards a greater tax neutrality between the different forms of investment. I have already stated this, insurers must create new tailored products, in the area of life insurance, which are less liquid but allow savers to benefit from the higher returns offered by equities in the long term, with a form of capital protection. The PACTE law on growing and transforming companies, presented by the Minister of the Economy, could provide an opportunity. Banks are also considering offering a new long-term savings

product: I understand this point of view, provided that the aim isn't to create a new tax loophole; we have had enough of this great French speciality.

My last wish concerns the **Banque de France**, and it is a commitment to our transformation, which we want to be exemplary for the public service. In 2018, we will be over half way with our **strategic "Ambitions for 2020" plan**, which aims to improve our services to the French and European economies, while achieving significant savings: as of this year, our net spending will be almost EUR 100 million lower, in current euro, than it was in 2015: this is what we are "giving back" to the national community. In 2018, let us also be exemplary in our **commitment to the social and territorial cohesion** of the country, in order notably to help our most underprivileged citizens. In this respect, I wish to make a concrete commitment to the **fight against overindebtedness**, with, since 1 January 2018, a simplified procedure, which will reduce processing times by several months for many of the 180.000 families that we help each year. I also wish to commit to promoting **financial inclusion**: we have recently adopted, together with banks and associations, the recommendations to extend the diffusion of specific banking services to vulnerable customers, because there is still insufficient awareness of this right, with only 10% benefiting from it. Lastly, as regards the **economic and financial education of the public**, in order to build on the achievements of 2017 with our 450,000 pages consulted on our website "mesquestionsdargent.fr", and almost 15,000 social service providers and 3,000 teachers have been given information by Banque de France staff, we will do more still in 2018.

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I have two last wishes to make, anniversary wishes this time: for our Golden Gallery, whose 300th anniversary we are celebrating, a venerable age, and for the European Central bank, which will celebrate its 20th anniversary on 1 June 2018. Two more joyous occasions for us to meet again this year. Happy New Year to you, to your businesses, and to our country.