

# France

The French economy stabilized in 2023, with GDP rising by 1.1%, after 2.6% in 2022 and 6.8% in 2021. Although the recovery seems to have been stifled by high inflation and the subsequent restrictive monetary policy, the annual level of GDP is 2.4% higher than in 2019. Household consumption is rising, but at a much slower pace than in 2022 (+0.9% vs. +3.0% in 2022). Gross disposable income rises by 8% compared with 5.2% in 2022. Thus, despite rising prices, household purchasing power per consumption unit increased slightly by 0.3% in 2023. Since the summer of 2022, French non-financial companies have faced a historic increase in their borrowing costs. However, at the macroeconomic level, the margin rate in France has been preserved. Indeed, it had fallen to 31% in 2022 with the end of the support measures linked to the COVID-19 crisis and recovered to 32.7% in 2023.

In this context, French banks have played a key role in sustaining the momentum of the recovery. The banking sector is one of France's six main economic assets, according to the OECD. As of January 2023, the French banking industry counted 326 banks. According to the Financial Stability Board, four French banks are among the eight Euro area Global Systemically Important Banks (G-SIBs). Financial activities accounted for 3.2% of total value added in France in 2023, of which approximately 60% for the banking industry. The banking industry employed 355,100 people at the end of 2023 – accounting for more than 20% of the sector's workforce in the euro area – and recruited 44,500 people in 2023. Their network of bank branches providing access to banking services and cash is among the densest in Europe (almost one out of three bank branches in the eurozone is in France).

The results of the combined asset quality review and stress testing, conducted by the European Banking Authority and the European Central Bank, demonstrated the high level of capitalization of French banks. The aggregate common equity Tier 1 capital (CET1) of French banks was 15.5% at the end of 2023 (vs. 15.7% for the euro area banks).

The six largest French banking groups, which operate according to the 'universal banking' diversified model, reported a decline in revenues in 2023 after the historic year of 2022. Total net banking income stands at 146.9 billion (down 3.3% on 2022), and total group net income reaches 32.3 billion.

French banks continue to play their full role in financing the economy, providing a robust supply of credit. At the end of December 2023, outstanding loans to businesses and households stood at €3,082 billion, up 1.2% year-on-year.

More specifically, bank loans to businesses continued to grow strongly over the year, with outstanding loans up 1.4% to €1,351 billion. Investment loans were up sharply (outstanding loans of €957 billion, up 4.3% year-on-year), supporting projects and companies' drive to become more competitive. Outstanding treasury loans amounted to €319 billion.

Loans to SMEs accounted for 42% of total loans granted to businesses in December 2023 and rose by 1.8% year-on-year. Access to credit remains high: 96% of SMEs investment loans and 86% of cash credits applications were accepted in the fourth quarter of 2023.

French banks also actively finance French consumers. Outstanding household loans reached €1,527 billion at the end of December 2023, up 1,0% year-on-year. Most household loans were housing loans, representing €1,292 billion (up 0.9% year-on-year).

Lending activity remains both dynamic and sound. The level of non-performing loans is very low (1.9% at the end of December 2023) as the cost of risk (as a proportion of average total assets it declined from 0.4% in 2009 to 0.1% in 2023).

Diversification of corporate financing is developing in France. Markets account for 34% of corporate financing, compared with 30% in 2009. French banks also have a large and diversified investment banking activity.

Furthermore, French banks' investments, innovation, and leading role in the fintech ecosystem make them the natural leaders of the digital financial movement in France. 94% of French people consult their bank's website or use their banking app, according to the study FBF/IFOP conducted in 2023.

Finally, French banks are firmly committed to the fight against climate change. They have rolled out powerful and wide-ranging measures for several years now to reduce their exposure to the most greenhouse gas-emitting energies and accelerate the financing of renewable energies and green and sustainable activities. Their commitment is concrete, as demonstrated by the figures. Loans to the coal sector now make up a marginal share of their balance sheets (€2,2 billion, i.e. 0.02% of their total balance sheet), whereas renewable energy loan outstanding accounted for more than €73 billion in 2023, an increase of 42% over one year and 74% over two years.