



# **RAISING MEDIUM TERM GROWTH PROSPECTS**

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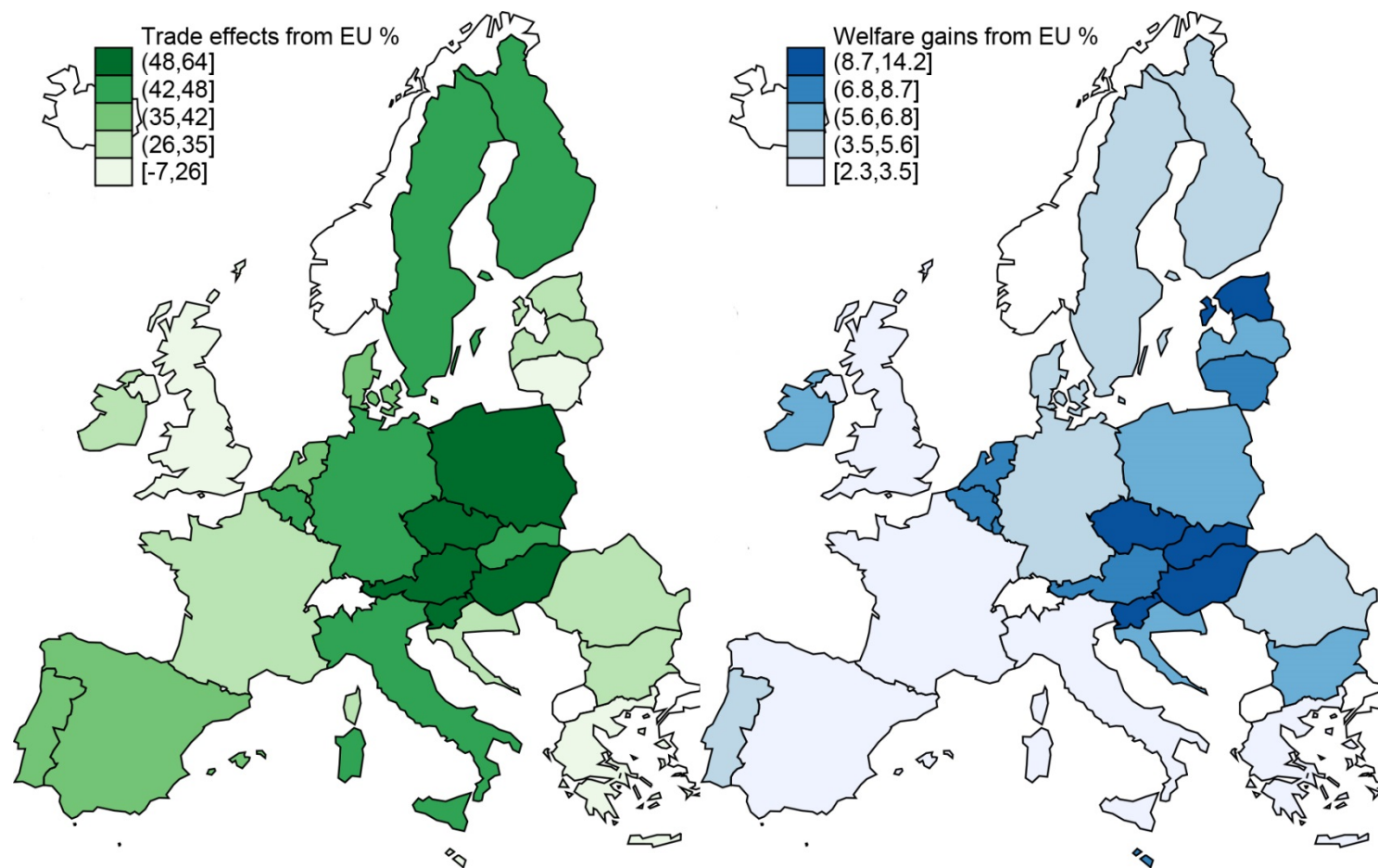
## The key challenges to raise growth

1. To safeguard multilateral frameworks / the UE
2. To invest in human resources
3. To better allocate capital (UE Euro area)

1. The benefits of EU membership: more trade and welfare gains
2. The cost of leaving it: the case of Brexit
3. The benefits of the euro: Better controlled inflation and resilience
4. The pay-offs (and costs) of reforms: The Spanish example
5. Medium term prospects have been consistently revised downwards since the GFC
6. A peril to the European social model
7. How to boost growth in a changing environment
8. A more inclusive labor market to support growth and tackle the ageing problem
9. Invest in education and lifelong training to improve matching between workers and firms
10. Innovation and competition: worrying trends in innovation diffusion but we must fight the 'fat cats'
11. Better allocate capital : a Financing Union for Investment and Innovation
12. A network to cooperate and act on sustainable finance

# THE BENEFITS OF EU MEMBERSHIP: MORE TRADE AND WELFARE GAINS

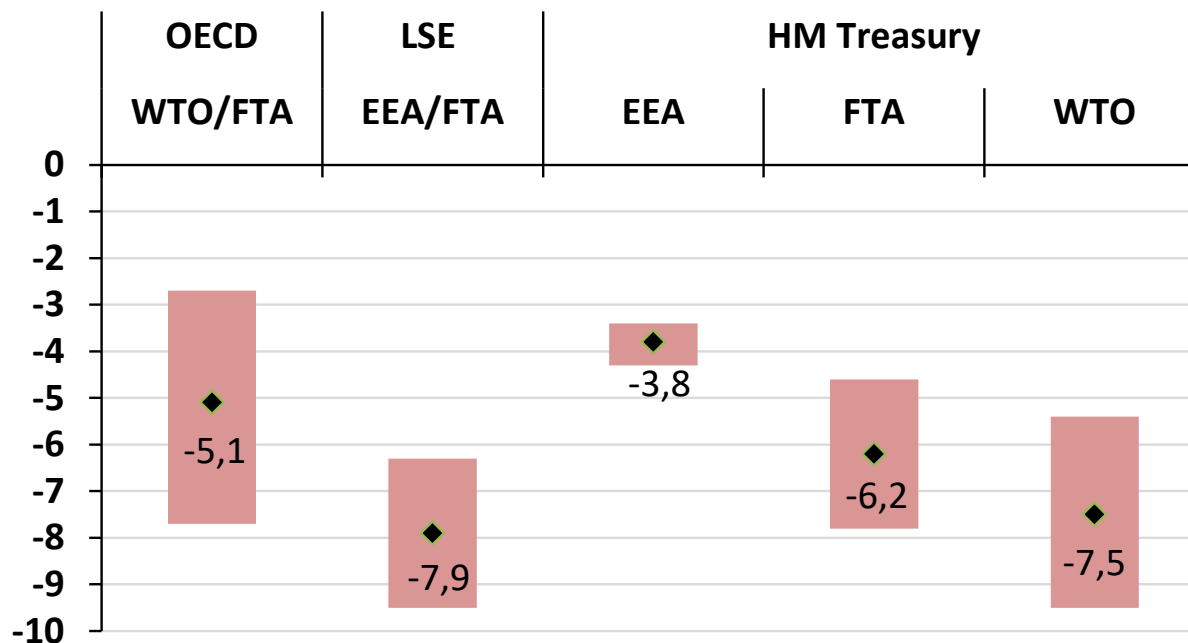
Trade and welfare gains simulated between 2003 and 2014 (in %)



Source : Mayer T, Vicard V. and Zignago S (2018), « The cost of non-Europe revisited », Banque de France Working Paper, *mimeo*.

# AND THE COST OF LEAVING IT: THE CASE OF BREXIT

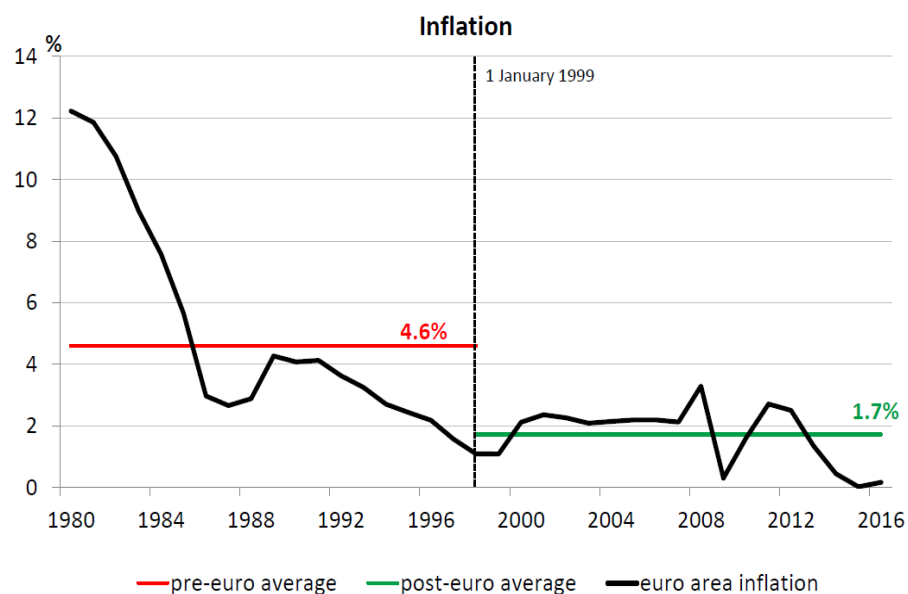
Estimations of the long term impact of Brexit on UK GDP  
(% difference from a “remain” scenario)



*Note: bars show estimations intervals*

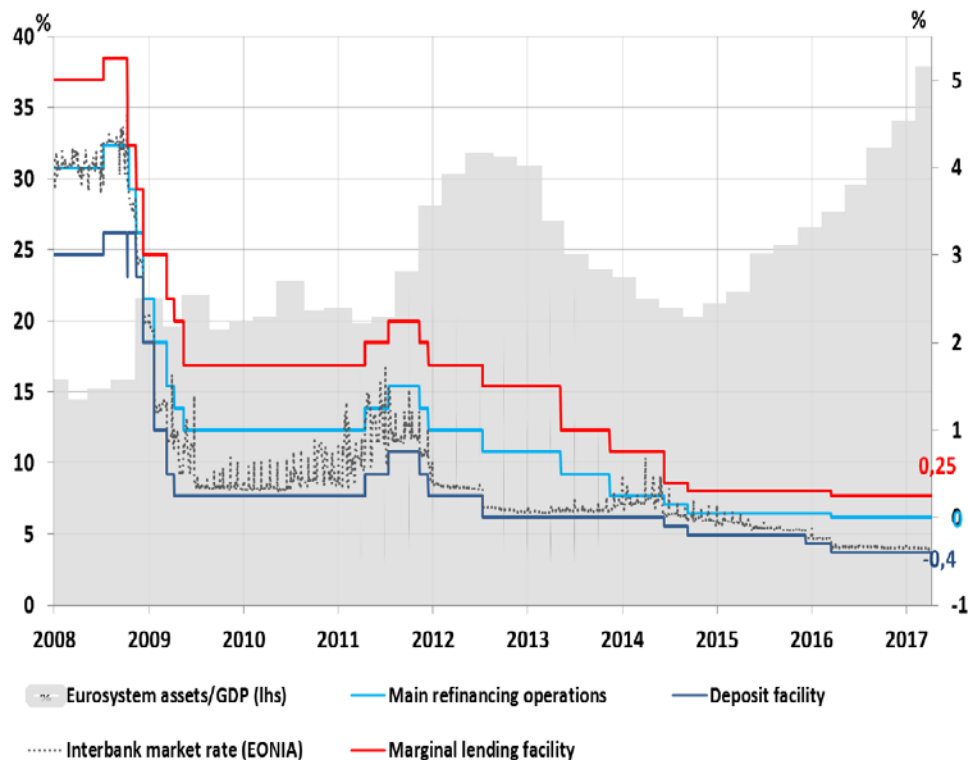
# THE BENEFITS OF THE EURO: BETTER CONTROLLED INFLATION AND RESILIENCE

## Better controlled inflation



Source: ECB AWM database, INSEE

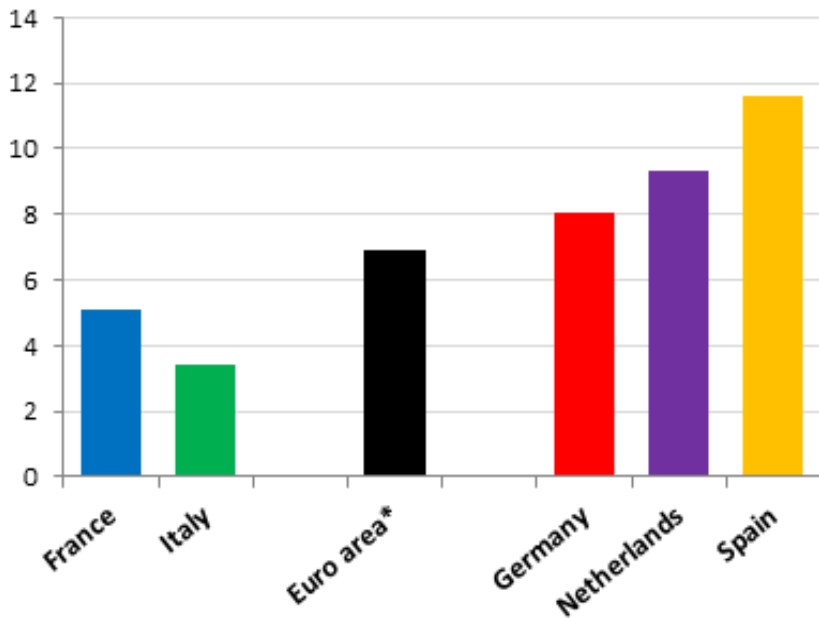
## Successful crisis management





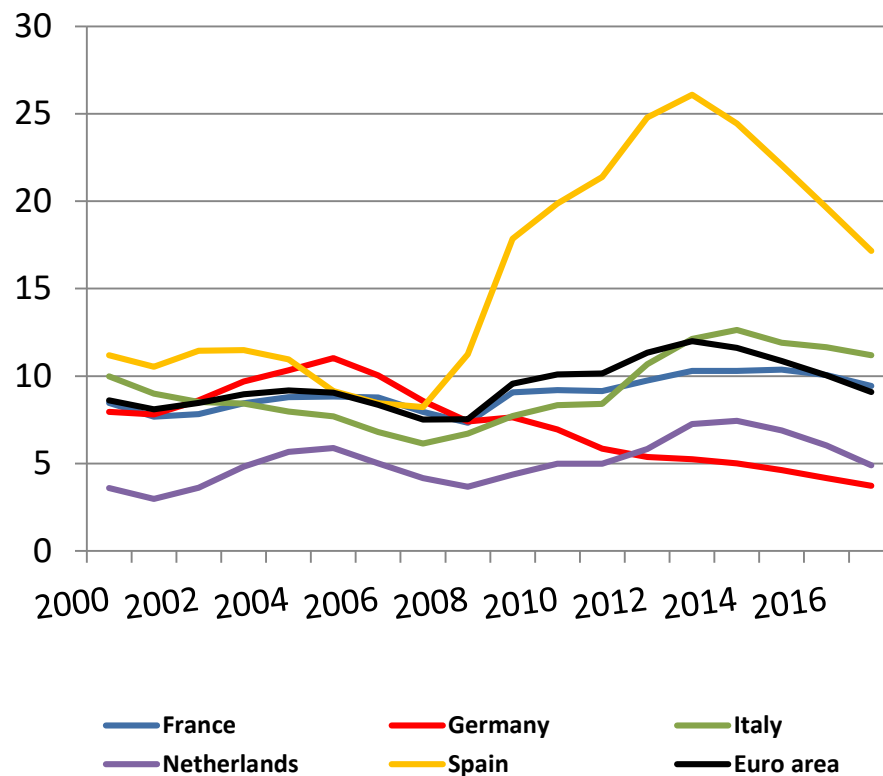
# THE PAY-OFFS (AND COSTS) OF REFORMS: THE SPANISH EXAMPLE

## GDP, cumulated growth over 2014-2017 (%)



\*except Ireland.

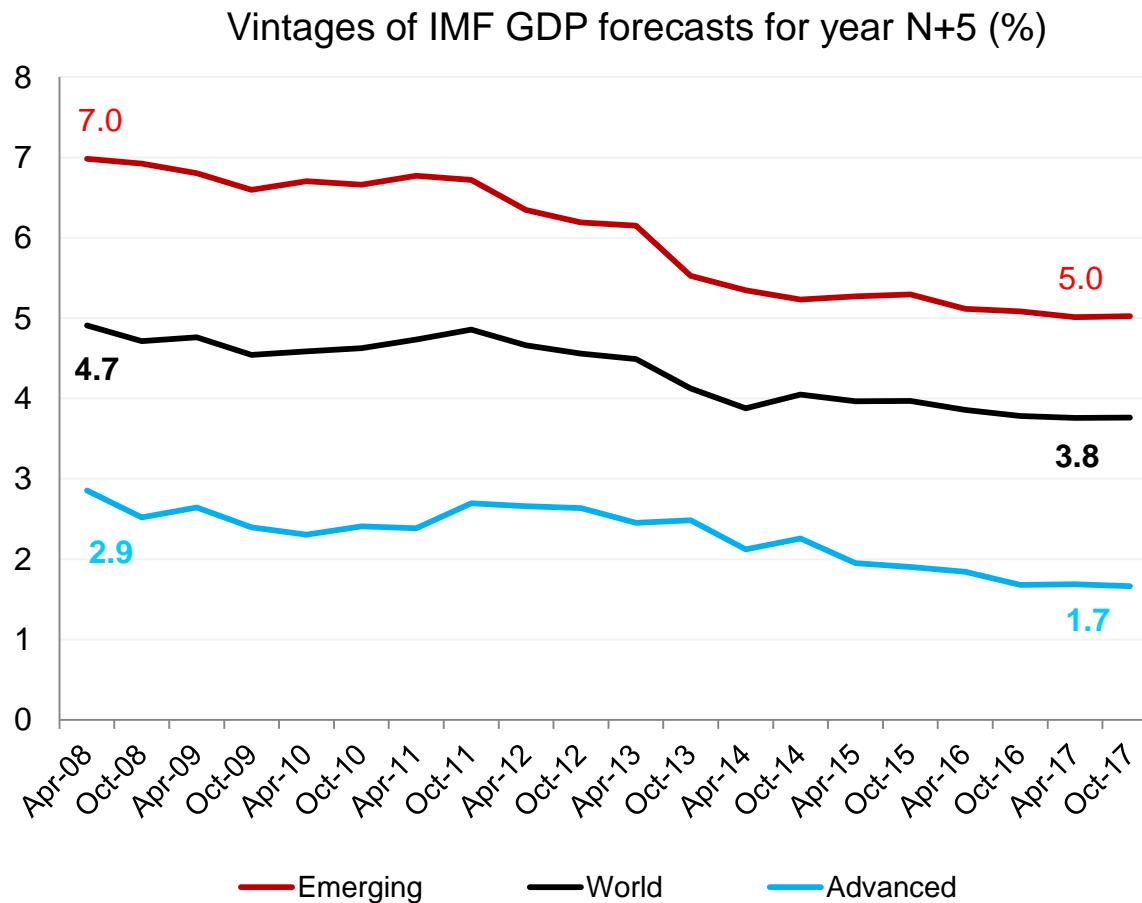
## Unemployment rate (% of labour force)



Source : OECD



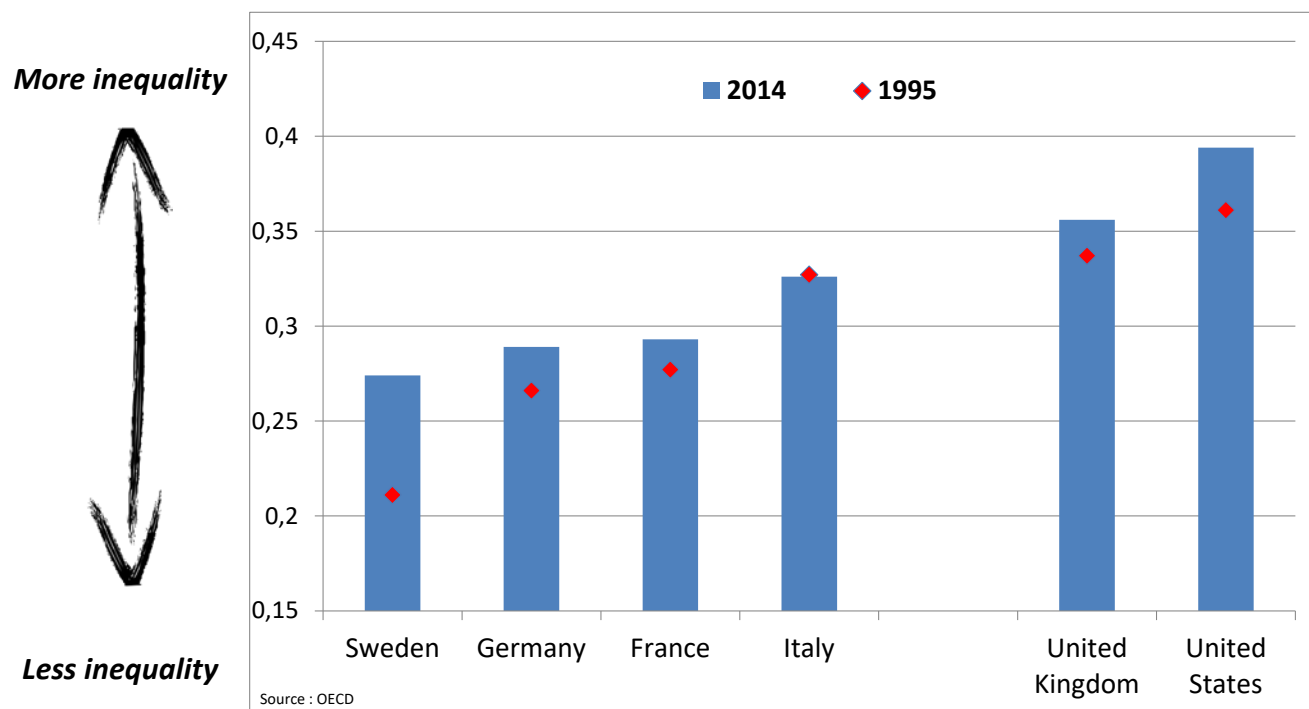
# MEDIUM TERM PROSPECTS HAVE BEEN CONSISTENTLY REVISED REVISED DOWNWARDS SINCE THE FINANCIAL CRISIS





# A PERIL TO THE EUROPEAN SOCIAL MODEL

## Gini inequality index: variation between 1995 and 2014 (after taxes and transfers)





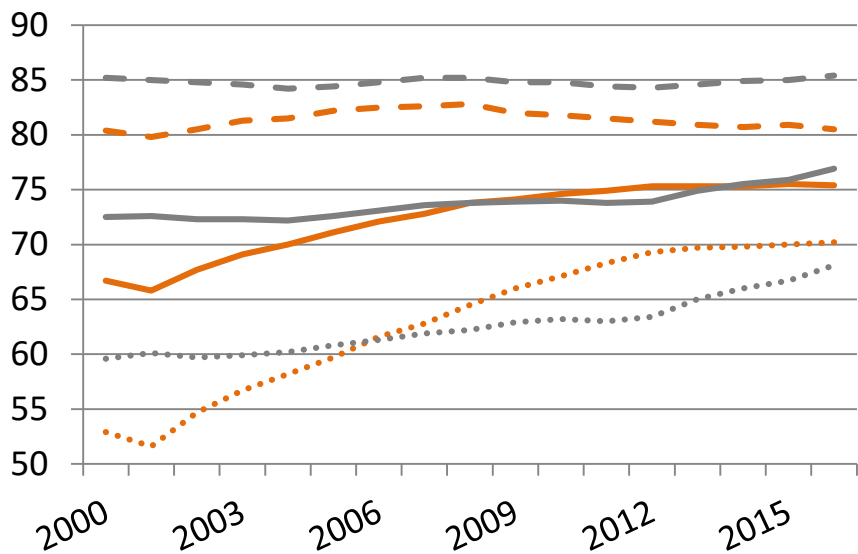
# HOW TO BOOST GROWTH IN A CHANGING ENVIRONMENT

- **A changing environment**
  - Globalization and technological diffusion have been an engine for income convergence between countries
  - But also a source of growing inequalities between individuals and firms
  - New technological revolution or secular stagnation ?
  - Strong uncertainty about future productivity growth (Cette, Lecat, Ly-Marin, 2016)
- **Policy challenges**
  - Making economic growth more inclusive
  - Identify the winners and losers from technological progress to target redistributive policies
  - Promote innovation and firm growth in an environment that spurs social mobility
  - Build a society of competences to increase labor force participation and improve matching

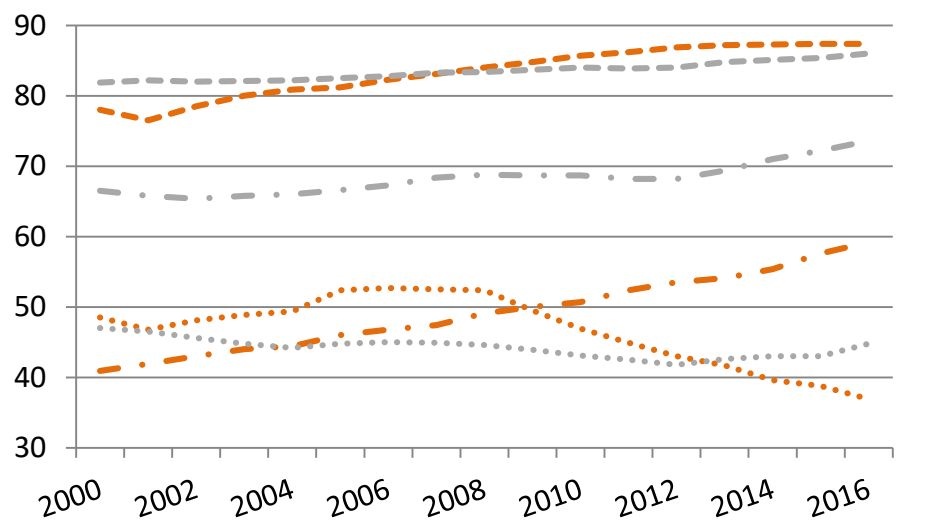


# A MORE INCLUSIVE LABOUR MARKET TO SUPPORT GROWTH AND TACKLE THE AGEING PROBLEM

**Labor force participation rate by gender (age group 15-64), in %, in Spain and in Japan**



**Labor force participation rate, by age, in %, in Spain and in Japan**



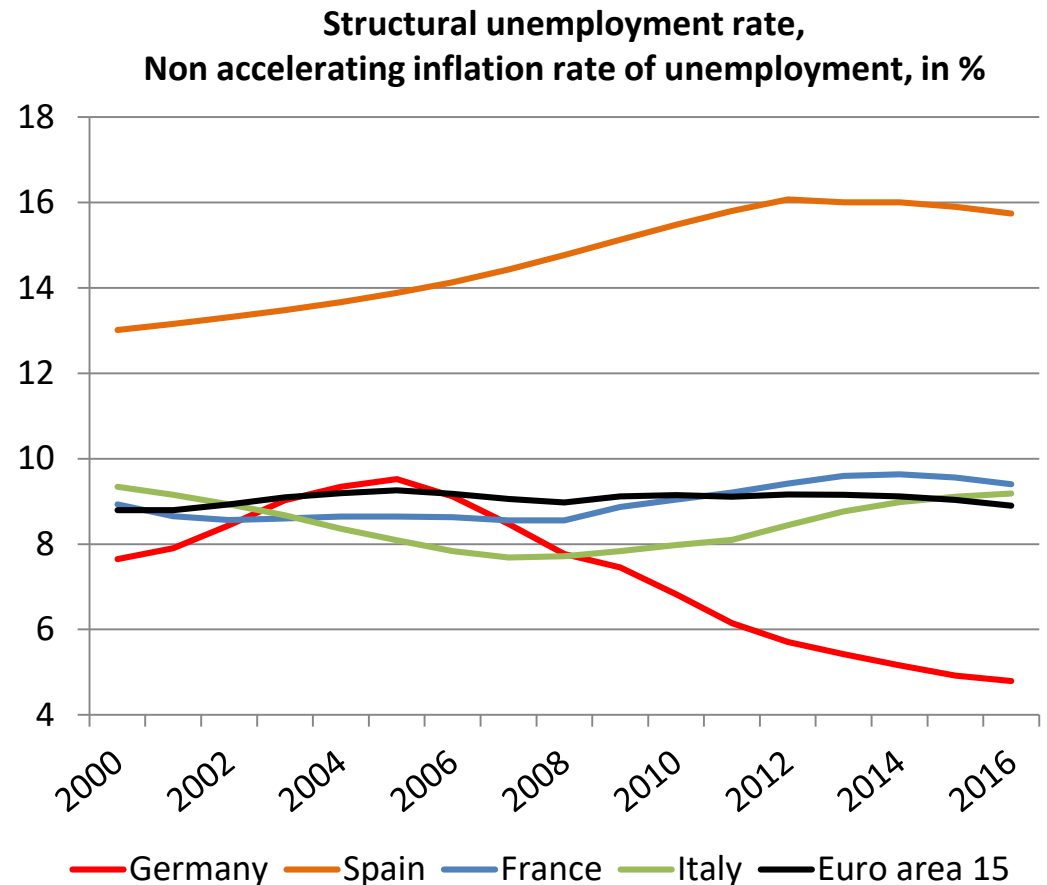
— Spain Men      ..... Spain Women      — Spain Total  
- - Japan Men      ..... Japan Women      — Japan Total

..... Spain 15-24 years      - - - Spain 25-54 years      - · - Spain 55-64 years  
..... Japan 15-24 years      - - - Japan 25-54 years      - · - Japan 55-64 years

Source : OECD

# INVEST IN EDUCATION AND LIFELONG TRAINING TO IMPROVE MATCHING BETWEEN WORKERS AND FIRMS

- Tackling structural unemployment should remain a priority
- There are job vacancies even in countries with high unemployment rate (between 200 000 and 300 000 in France in 2017)
- The availability of skilled labour is an important concern for SMEs in the euro area (SAFE, 2017)
- Investing in education, apprenticeship and lifelong training is crucial

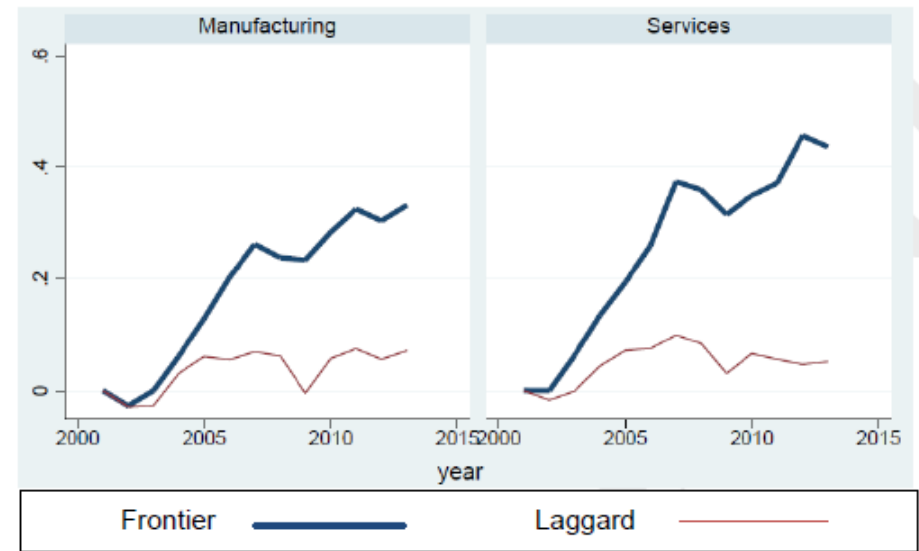


Source: OECD

# INNOVATION AND COMPETITION: WORRYING TRENDS IN INNOVATION DIFFUSION BUT WE MUST FIGHT THE 'FAT CATS'

- OECD points to an increasing dispersion of productivity across firms =>
- This could be related to different phenomenons:
  - OCDE: a decrease in innovation diffusion;
  - BdF (based on French data): slow reallocation of factors after shocks (globalization, technological, financial crisis...)
- But it could also emerge from concentration and monopoly rents, intensified by the technology transformation where 'the winner takes it all'

Labour productivity: value added per worker (2001-2013)



ANDREWS, CRISCUOLO, GAL: 'THE GLOBAL PRODUCTIVITY SLOWDOWN, TECHNOLOGY DIVERGENCE AND PUBLIC POLICY: A FIRM LEVEL PERSPECTIVE' OECD/GFI (2016)

Need to create an environment favorable to investment and innovation which benefits to all firms and workers



# A FINANCING UNION FOR INVESTMENT AND INNOVATION

Savings exceed investment by about 350 bns EUR, but remains fragmented

Completion of Banking Union;  
Consolidation of European banks

Incentives for cross-border investments;  
Harmonisation of accounting, tax and insolvency rules

A “microeconomic” accelerator  
A financing union for investment and innovation

Pan-European savings products;  
European venture capital

Control of vital financial activities and risks

Innovation and digital

SMEs

Green finance and energy transition

# A NETWORK TO COOPERATE AND ACT ON SUSTAINABLE FINANCE: 'NETWORK FOR GREENING THE FINANCIAL SYSTEM'

- Climate stability is, in the long run, part of the determinants of financial stability
- An open and multilateral dialogue at a global level: the Central Banks and Supervisors Network for Greening the Financial System (so called NGFS) (8 Central Banks and Supervisors)
- Work program for the coming years: experience sharing and identification of best practices on the supervisory and macro-financial dimensions of climate-related and environmental risks as well as on options to scale up green financing



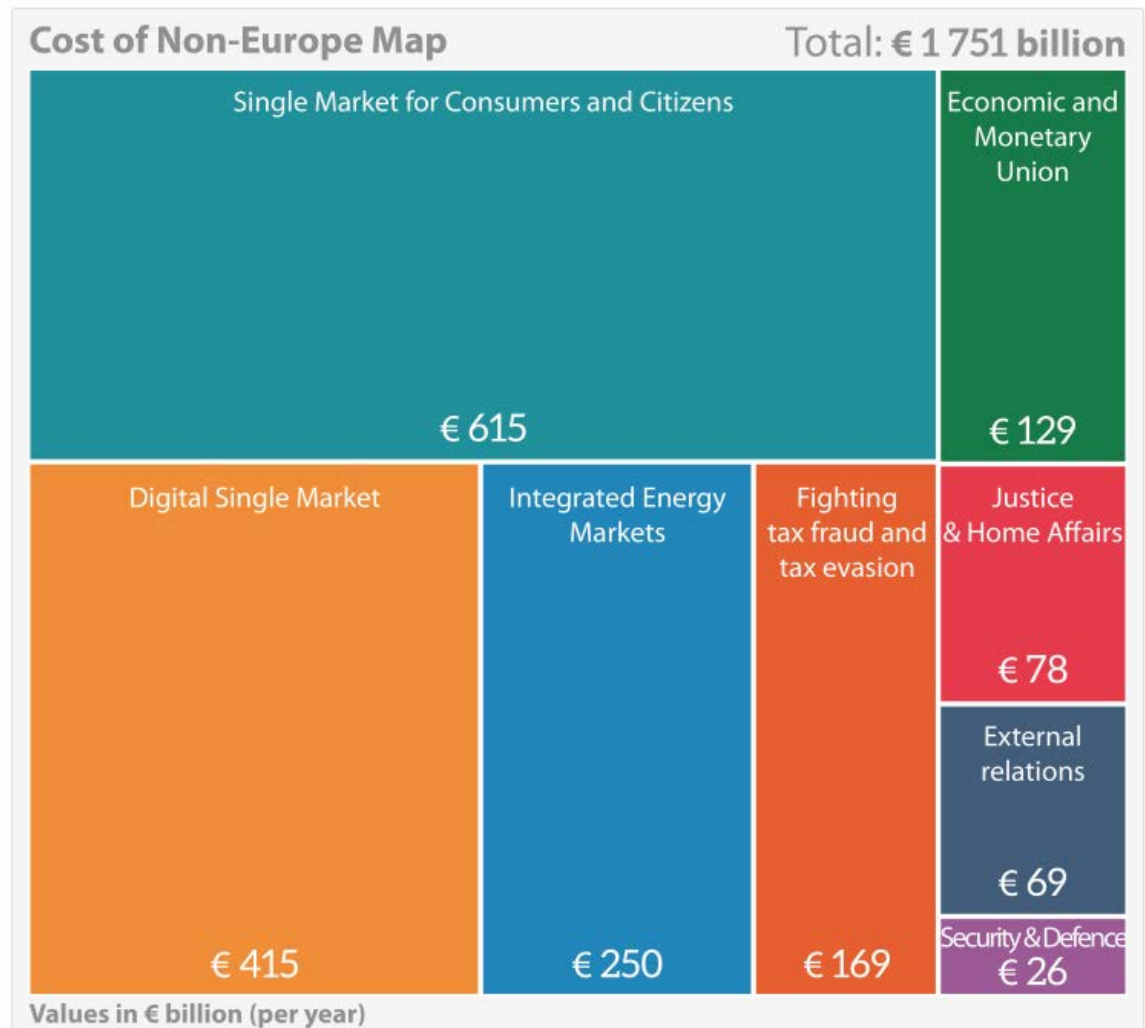
# ANNEXE



# THE COST OF NON-EUROPE

The European Parliament provides a regular assessment of potential gains of European common actions in selected fields

According to this approach, the cost of non-Europe is estimated at 1 751 billion EUR, i.e. 12% of total EU GDP

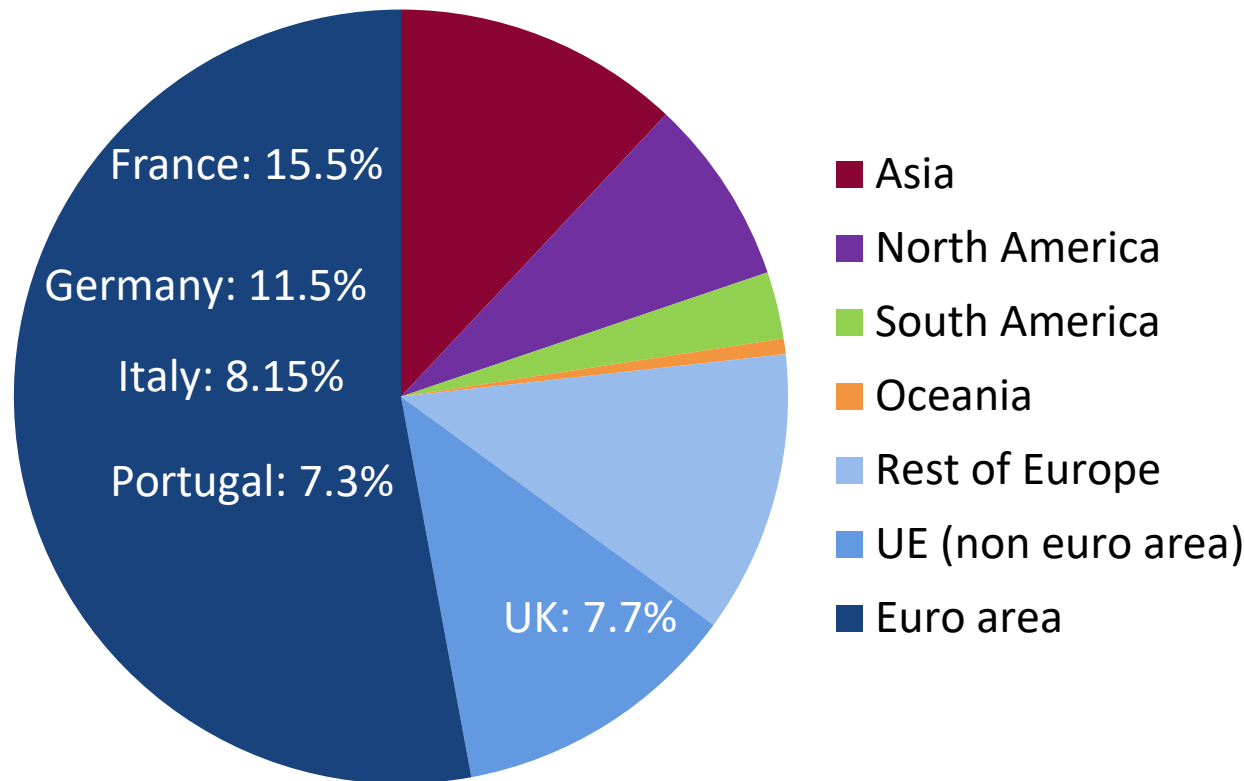


Source : European Parliament Think Tank, « Mapping the cost of non-Europe, 2014-19 », December 2017

# AN EVER DEEPER INTERCONNECTION AMONG EUROPEAN COUNTRIES

- There has not been any “fortress Europe” effect
- But there is by now solid empirical evidence that intra-euro area trade in goods and services has risen by 12% on average since the introduction of the euro, and this without trade diversion

**Breakdown of Spanish exports by partners  
(in % of total exports - 2016)**



Source : OEC, MIT, 2016 data.

Note: more than 40 academic papers have been published measuring the effect of the euro on trade.



# A FINANCING UNION FOR INVESTMENT AND INNOVATION

