THE GLOBAL CORPORATE SAVING GLUT: AN UPDATE
THE CORPORATE SECTOR HAS BECOME A NET LENDER SINCE THE EARLY 2000s ACROSS MAJOR ECONOMIES...

Non-financial Corporations - Net Lending(+) / Borrowing(-) (as % of GDP)

Source: BEA, Fed, OECD, ECB, Eurostat

Note:
US: includes corporate and noncorporate business
... DUE TO RISING CORPORATE SAVING AND STAGNATING INVESTMENT SPENDING

Non-financial Corporations
Gross Savings (as % of GDP)

Non-financial Corporations,
Gross Fixed Capital Formation (as % of GDP)

Source: BEA, Fed, OECD, ECB, Eurostat
THE USES OF CORPORATE NET LENDING?
JAPAN: DELEVERAGING AND CASH HOARDING

Japan, Non-financial Corporations
(cumulated flows, in JPY billions)

Supply

Use

-500000 -400000 -300000 -200000 -100000 0 100000 200000 300000 400000 500000

Net lending / borrowing
Net debt financing
Net issuance of listed shares
Net issuance of unlisted shares
Cash investment
Other

Source: OECD
THE USES OF CORPORATE NET LENDING?
US: LEVERAGED SHARE BUYBACKS AND CASH HOARDING

United States, Non-financial Business
(cumulated flows, in USD billions)

- Other
- Cash investment
- Net issuance of unlisted shares (noncorp. business)
- Net issuance of shares (corporate business)
- Net debt financing
- Net lending / borrowing

Source: BEA, Fed
THE USES OF CORPORATE NET LENDING?
EURO AREA: CASH HOARDING

Euro Area, Non-financial Corporations
(cumulated flows, in EUR billions)

Source: ECB, Eurostat
INTERACTION BETWEEN THE CORPORATE SAVINGS GLUT AND THE SAFE ASSET SHORTAGE: WIDER EQUITY RISK PREMIUM

US equity earnings yield and 10-yr Treasury bond real yield

Source: Refinitiv Datastream

Euro Area: Cost of External Financing (%)

Source: Banque de France
IMPLICATIONS FOR FINANCIAL STABILITY AND POLICY?

▪ Implications for financial stability?
  – Corporate excess savings is directly or indirectly recycled into existing assets...
    • Real estate and commodities
    • Equity buybacks (rather than equity issuance)
  – ...and exacerbates the demand for safe assets and maturity transformation
    • Cash hoarding
    • Debt issuance

▪ Implications for policy
  – Less traction for monetary policy?
    • Lower elasticity of savings/investment (intangibles) to the cost of external funding
    • Growing wedge between the cost of equity and risk-free interest rates
  – Absorbing corporate excess savings through fiscal policy?
  – Directly tackling the causes of corporate excess savings?
    • Competition policy
    • Wage policy