



THE GLOBAL CORPORATE SAVING GLUT: AN UPDATE

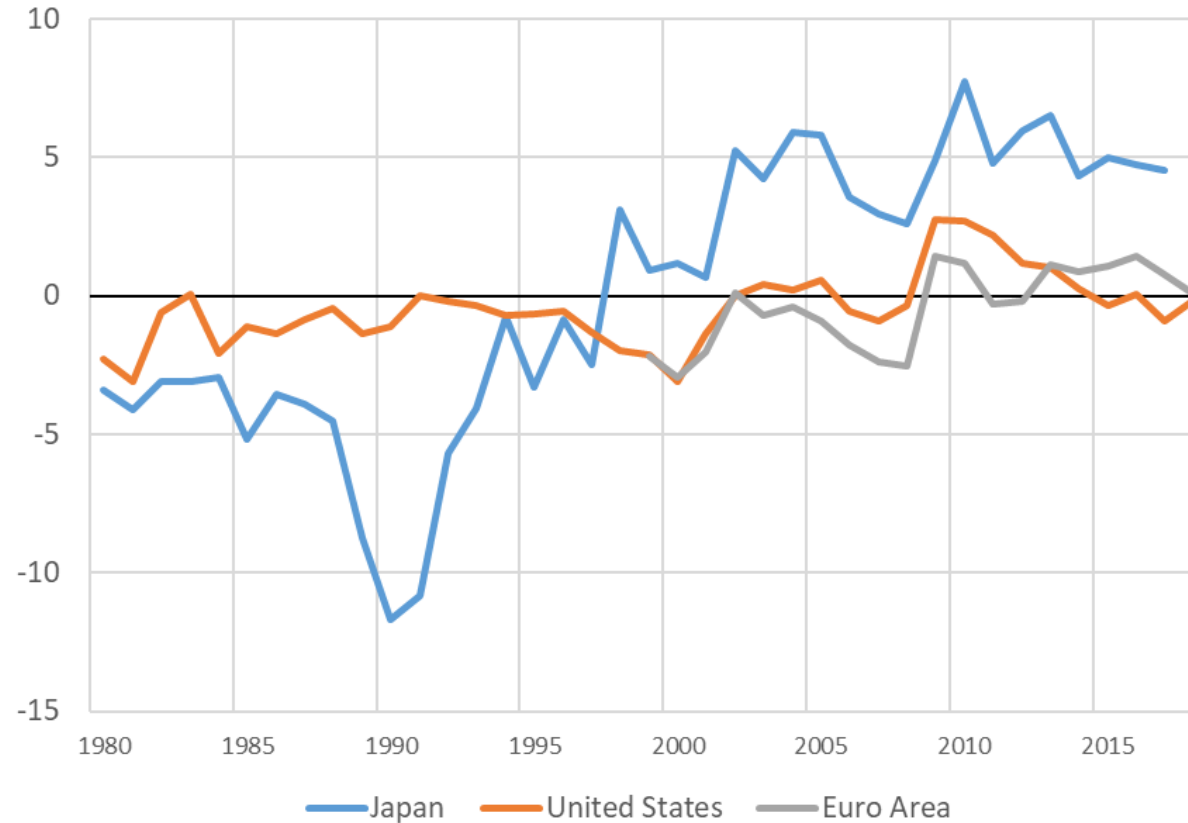
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THE CORPORATE SECTOR HAS BECOME A NET LENDER SINCE THE EARLY 2000s ACROSS MAJOR ECONOMIES...

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



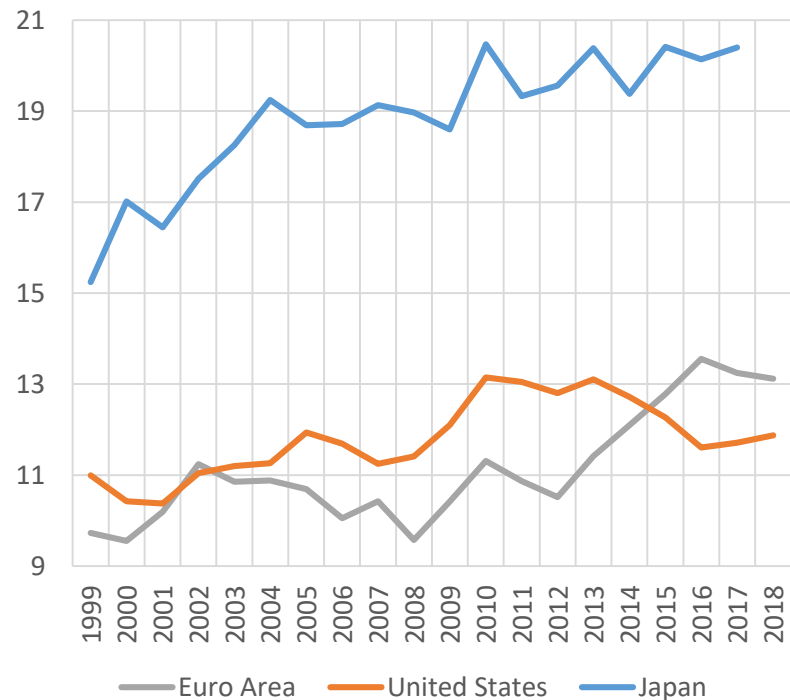
Note:
US: includes corporate and noncorporate business

Source: BEA, Fed, OECD, ECB, Eurostat

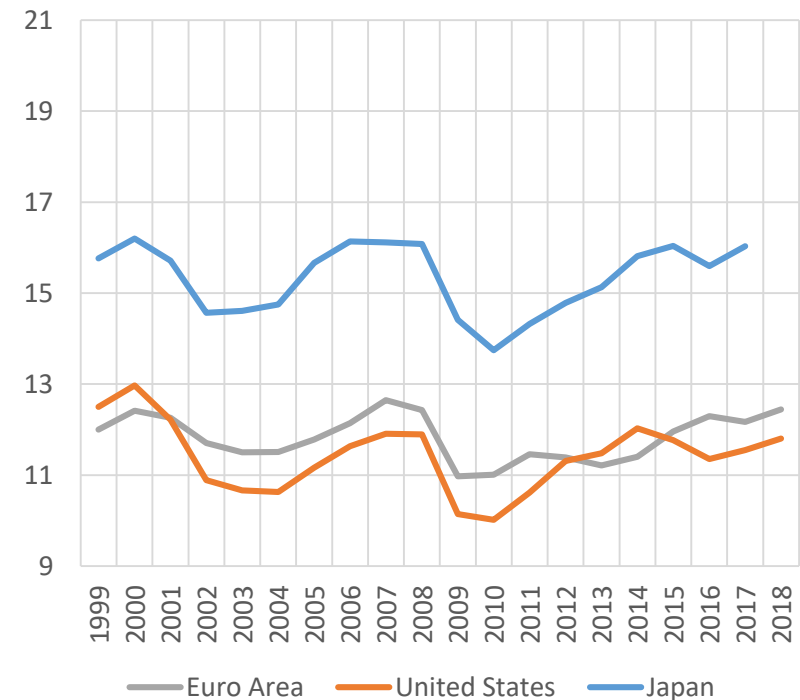


... DUE TO RISING CORPORATE SAVING AND STAGNATING INVESTMENT SPENDING

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



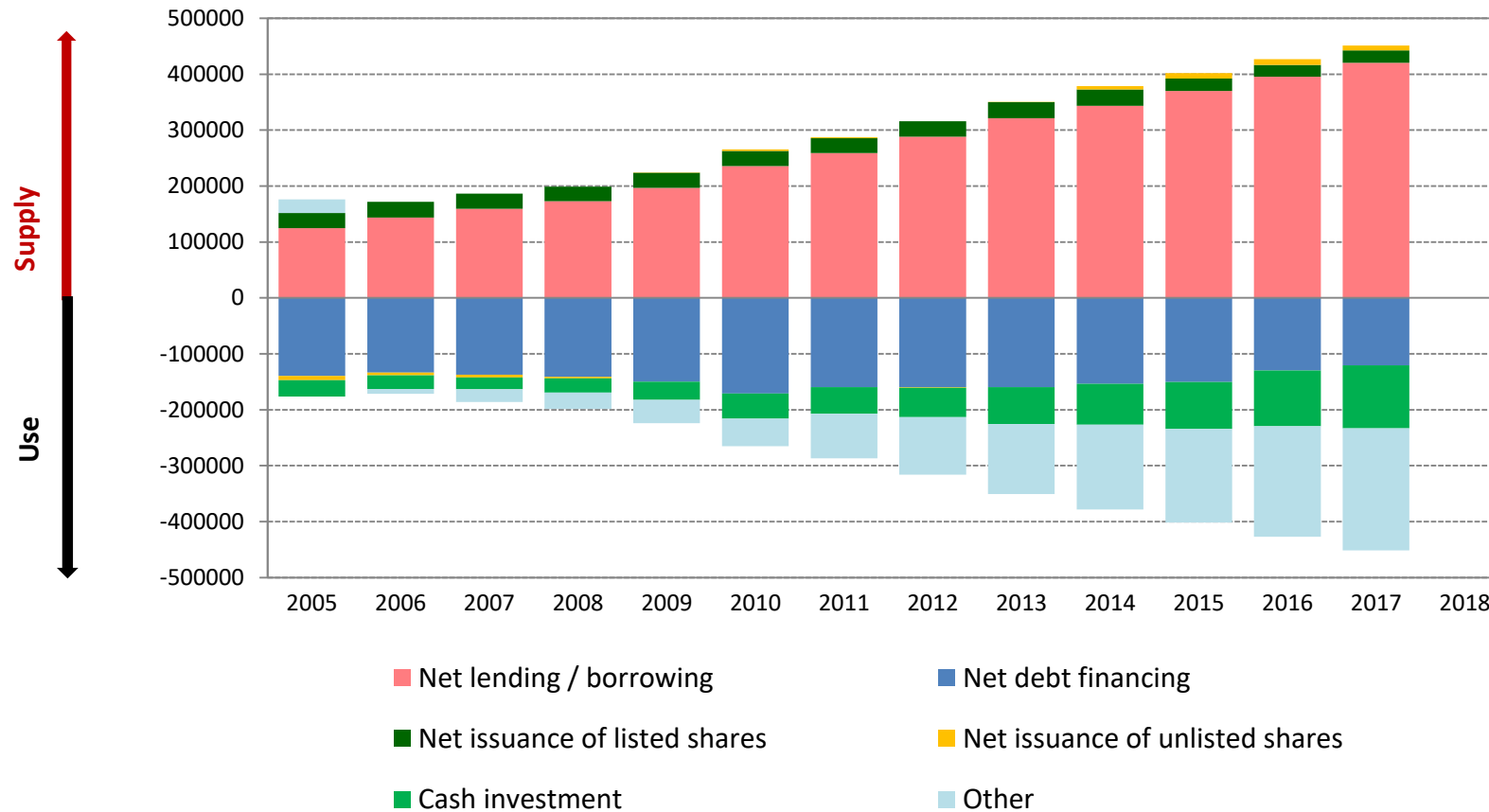
Non-financial Corporations, Gross Fixed Capital Formation (as % of GDP)





THE USES OF CORPORATE NET LENDING? JAPAN: DELEVERAGING AND CASH HOARDING

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

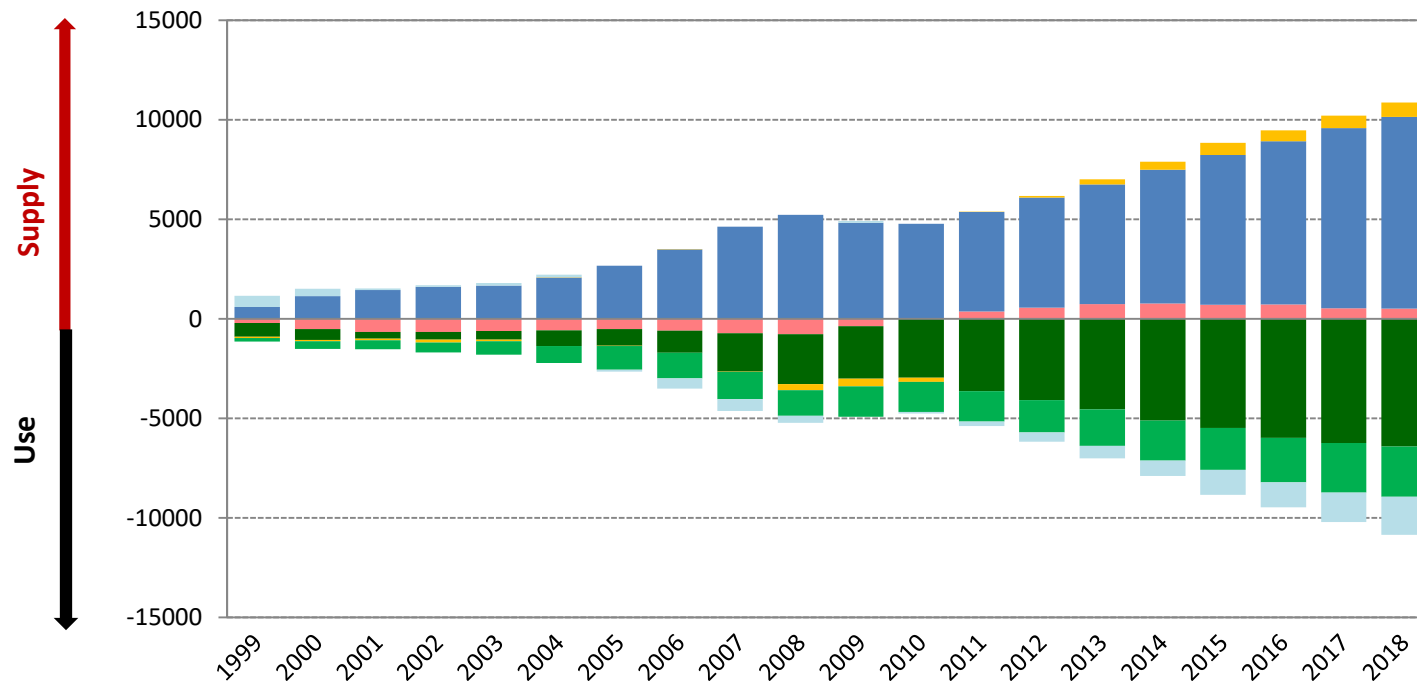


Source: OECD



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

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

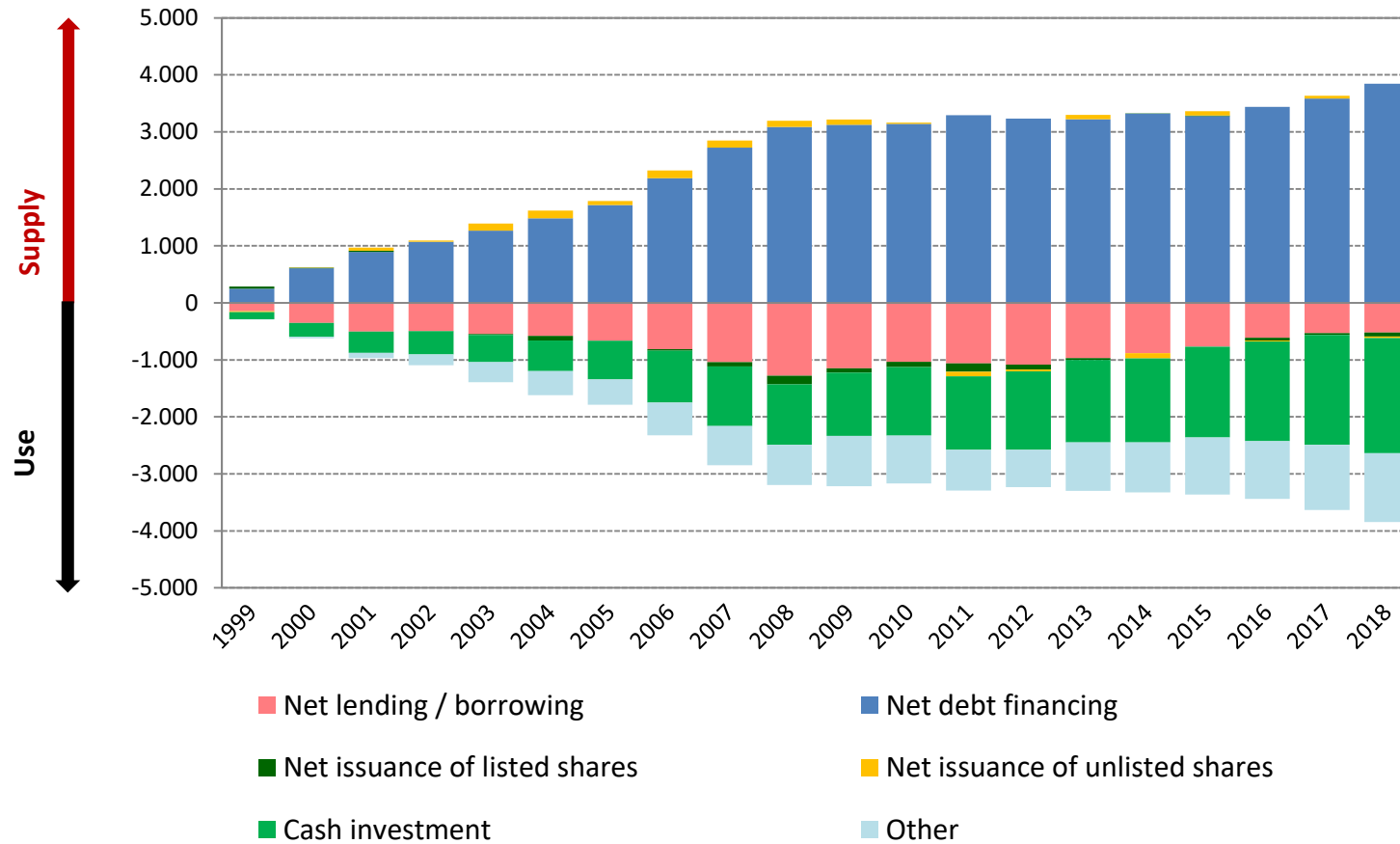


- Other
- Net issuance of unlisted shares (noncorp. business)
- Net debt financing
- Cash investment
- Net issuance of shares (corporate business)
- Net lending / borrowing



THE USES OF CORPORATE NET LENDING? EURO AREA: CASH HOARDING

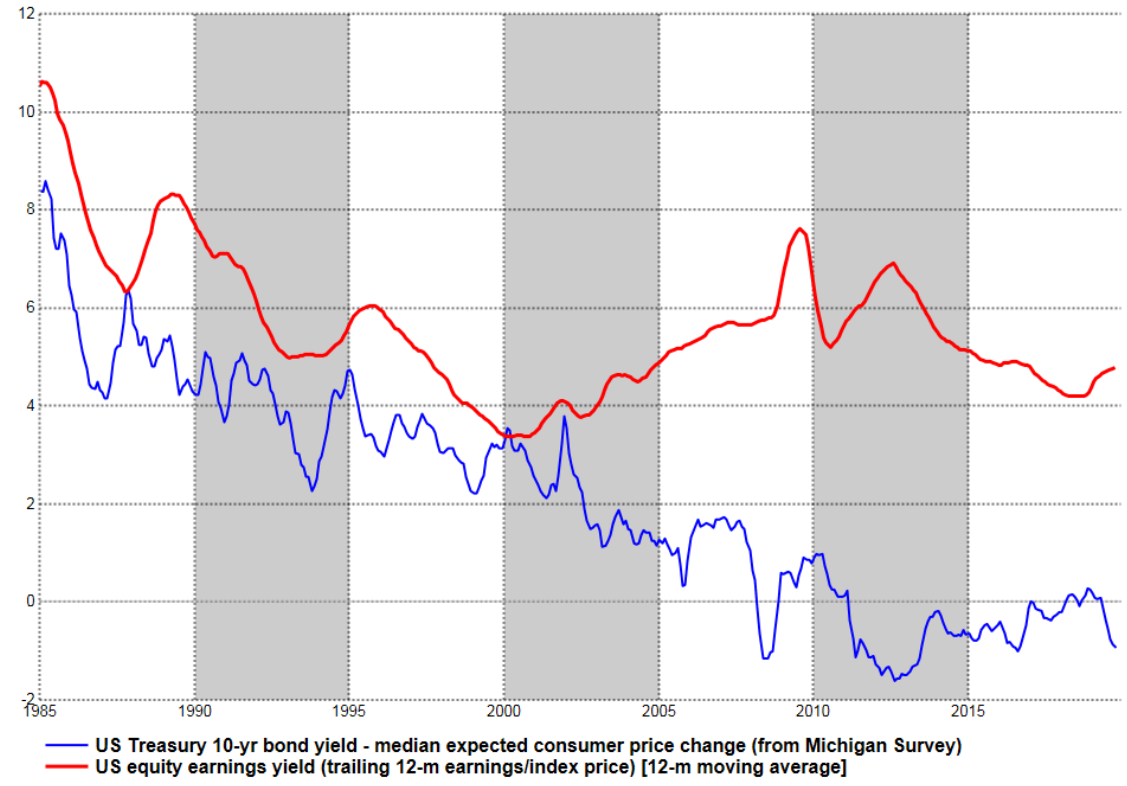
Euro Area, Non-financial Corporations
(cumulated flows, in EUR billions)





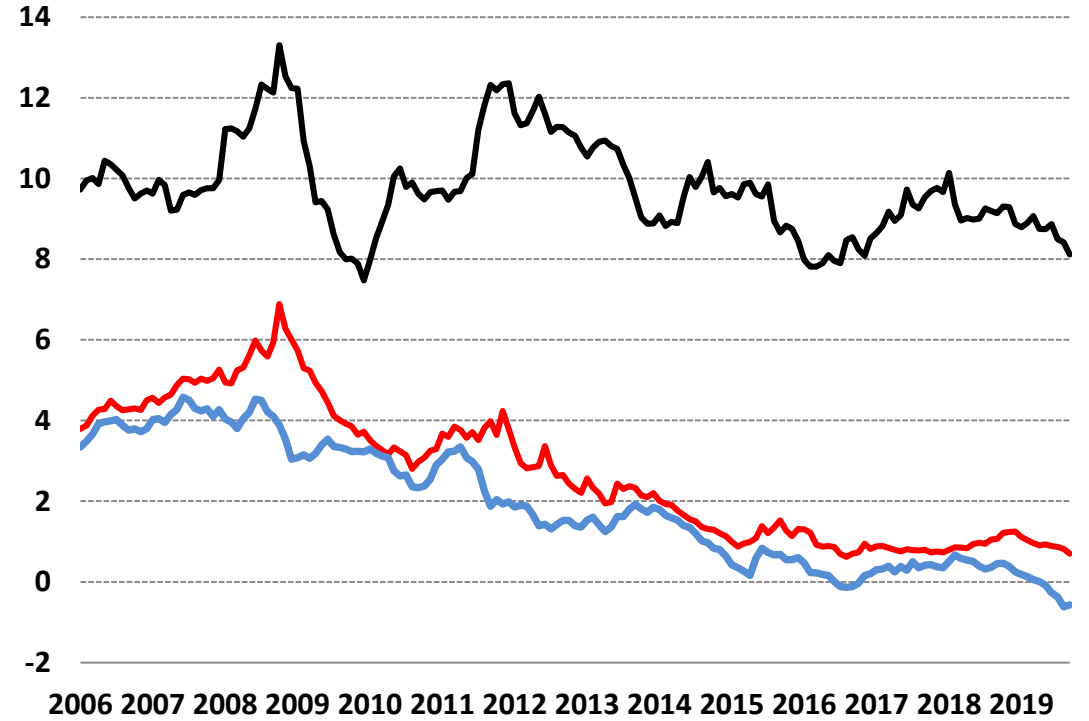
INTERACTION BETWEEN THE CORPORATE SAVINGS GLUT AND THE SAFE ASSET SHORTAGE: WIDER EQUITY RISK PREMIUM

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



Source: Refinitiv Datastream

Euro Area: Cost of External Financing (%)



- Cost of Equity (H-Model with Buybacks, Eurostoxx 600)
- Corporate Bond Rate
- Risk Free Rate (10-yr Bund yield)

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