

Press release

Paris, 26 September 2023

On Tuesday 26 September, the Haut Conseil de stabilité financière (High Council for Financial Stability – HCSF) held its 38th meeting, chaired by Bruno Le Maire, Minister of the Economy, Finance and Industrial and Digital Sovereignty.

The HCSF conducted an assessment of the risks and vulnerabilities in the French financial system. Since the last session, the European Central Bank has continued to normalise its monetary policy, raising its key rates by 75 basis points and discontinuing reinvestments of maturing securities under its long-standing asset purchase programme. Financial volatility has decreased and financial conditions have stabilised overall. In this context, credit institutions and insurance and reinsurance companies continued to show the resilience observed after the episode of stress in March. The recent banking stress test conducted by the European Banking Authority confirms this observation.

The HCSF noted that the slowdown in credit to the non-financial private sector mainly reflects the effective transmission of monetary policy, with higher interest rates reducing demand for credit. New housing loans declined and growth in outstanding housing loans, although still positive, slowed year-on-year to 2.9% in July. Outstanding loans to businesses rose by 4% in July, driven by strong investment lending, while bond issuance has been virtually stable since the end of 2020. However, lending to households, particularly housing loans, and to businesses remained more buoyant in France than in the rest of the euro area. The HCSF notes that both households and businesses benefit from a favourable debt structure, in particular because most of their debt is at fixed rates.

In particular, the HCSF closely examined new housing loans. New housing loans (excluding renegotiations) stood at EUR 10.1 billion in July 2023, down sharply on the record level of early 2022: this trend is consistent with the fall in the number of transactions and the wait-and-see attitude prevailing as property prices gradually adjust to the new interest rate conditions. Despite the different economic and financial conditions, the current volume of new lending in France remains, at present, equivalent to that seen before the period of exceptionally low interest rates, and higher than in all the other major European countries.

The HCSF noted that not all establishments are making full use of the existing flexibility arrangements that it eased further at its June meeting. “Non-compliant” lending under the flexibility margin accounted for just 13.8% of total new lending in the second quarter of 2023 (out of a possible maximum of 20%). Within this category, new loans excluding those for the purchase of a main residence (mainly buy-to-let investment) accounted for just 2.8% of total new loans (compared with a maximum possible of 4%, which was raised to 6% last June). The banks therefore have leeway to further increase their lending, while complying with the HCSF’s decision. The proper use of these margins will be closely monitored over the coming months, and the HCSF will continue to publish detailed figures on the use of the flexibility arrangements. The ACPR will pursue its discussions with credit institutions to identify any practical constraints to the smooth implementation of this flexibility margin. Lastly, at its next meeting, the HCSF will examine any further technical adjustments that might be necessary to adapt the measure to the new economic and financial environment.

In accordance with the recommendation of the European Systemic Risk Board (ESRB), and having introduced a number of indicators to monitor the commercial property market at its previous meeting, the HCSF continued its assessment of the vulnerabilities of players in the sector and did not identify any risk to financial stability.

The HCSF concluded that the economic and financial environment did not warrant a change in the rate of the countercyclical capital buffer, currently set at 0.5% and to be raised to 1% from 2 January 2024.

Pursuant to Recommendation ESRB/2023/4 of the European Systemic Risk Board, the HCSF decided to reciprocate the macroprudential measure adopted by the Swedish Financial Supervisory Authority introducing risk weight floors on certain corporate exposures secured by mortgages on immovable properties located in Sweden.

Lastly, the HCSF's 2023 annual report has been adopted and will shortly be published on its website.