International developments

Oil and raw materials

In search of a new equilibrium price

In H2 2014, oil prices plummeted from $111.8 (€82.2) per barrel in June down to $48.4 (€41.6) in January 2015, their lowest level since May 2009. This decline can be attributed both to the easing of tensions in the physical market, with global demand now lower than supply, and to the downward revision of expectations concerning demand. In February, the price of the barrel bounced back to $57.9 (€51.0) mainly under the effect of the announcement of lower investment by the major oil groups and the decline in rig count in the United States, before stabilising in March at around $55 (€50.8).

In H1 2015, demand is unlikely to increase much, due to the sluggish world economy. During this period, supply is likely to go up at the same rate as demand, driven by the rise in production in the United States and Canada.

The price per barrel has been conventionally set at $55 for forecasting purposes. However, it is subject to several uncertainties: in a market where supply still outstrips demand, the price of a barrel could fall even further. Conversely, new bearish supply tendencies in the medium term, or any agreement by OPEC members to reduce output, could drive prices up again.

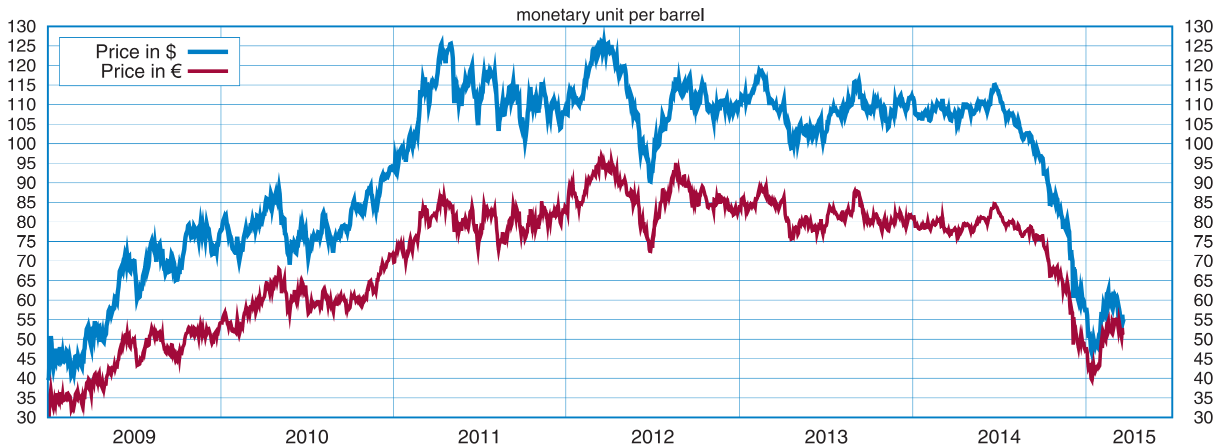
Oil prices have plummeted for seven consecutive months

Since July 2014, oil prices have fallen drastically, from $111.8 (€82.2) per barrel in June to $48.4 (€41.6) in January 2015, hitting their lowest level since May 2009 (Graph 1). This slump is primarily the result of an easing of tensions in the physical market. On the one hand, global demand slowed through to Q3 2014, before picking up slightly in Q4 (Graph 2). On the other hand, supply increased on average more than demand between summer 2013 and autumn 2014, mainly due to unconventional oil products in North America (Graph 3). In Q4 2014, supply seemed to have stabilised, triggering a rebalancing of the market. Despite this, supply still outstrips demand by about 1 million barrels per day (Mbpd) excluding oil stocks.

The fall in prices has also been the result of the downgrading of expectations of global demand. The trend in demand, especially from China and the emerging countries, does seem to be lastingly below the forecasts of summer 2014.

However, the market is searching for a new equilibrium price. At the end of January 2015, the price per barrel bounced back, rising from its lowest level of $47 in mid-January to $60 by mid-February. The announcement of a reduction in

1 - Price of Brent in € and in $



Source: Macrobond

rig count in the United States and the decrease in investment by oil companies seem to have been the main factors in a downward revision of production expectations, and hence the rebound in the price per barrel. Since the beginning of March, this price has stabilised at around $55 (€50.8).

Demand should increase slightly in H1 2015

In H1 2015, demand is likely to increase only slightly, in a global economic context that is rather sluggish (recovery is still limited in the Eurozone, emerging economies are still slow). More specifically, demand from the OECD countries is likely to fall, while demand from China is likely to increase at a rate below its usual trend (+0.1 Mbpd over the half-year), as is the case of the other emerging countries (+0.3 Mbpd then +0.2 Mbpd).

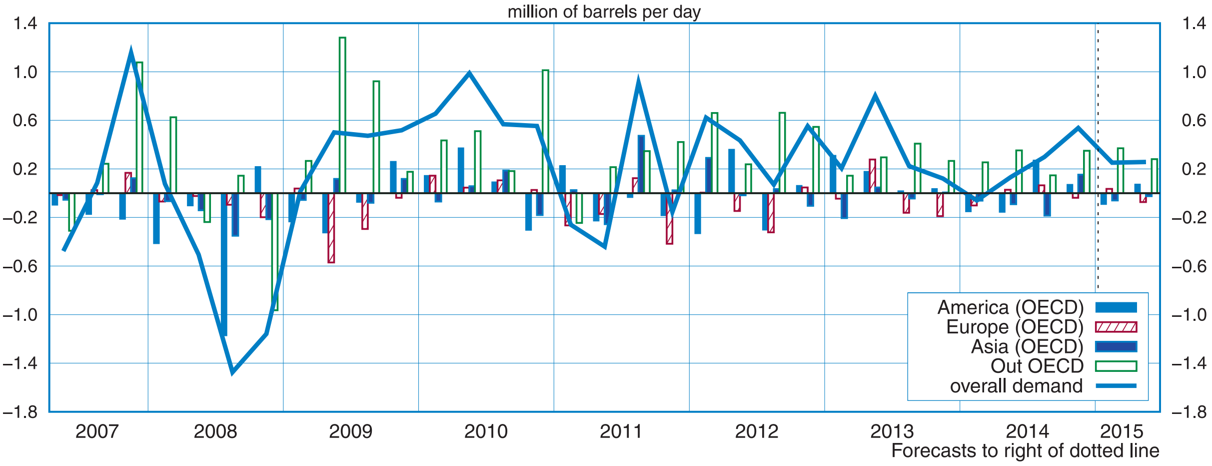
Over this period, global production is likely to increase slightly (*Graph 3*), driven by increased production in the United States and Canada, although this production should slow as the reduction in rig count in January impacts on output over the coming months (*Graph 4*).

In this forecast, the price of a barrel is likely to hover around $55

The price of a barrel of Brent crude has been conventionally set at its latest recorded price ($55 at the end of March 2015). Nevertheless, in a context where supply is still outstripping demand, oil prices could decline further.

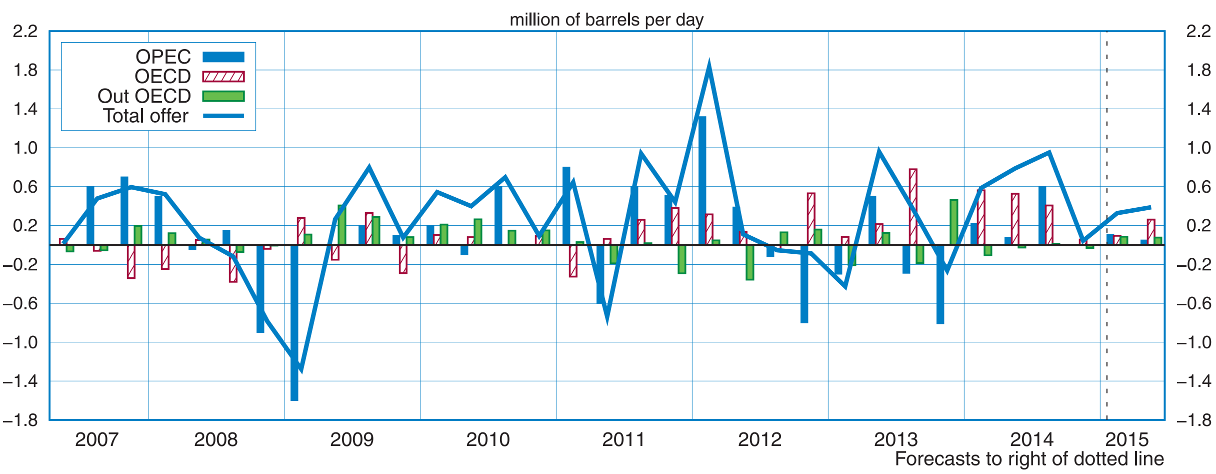
Conversely, supply could adjust downwards if the rig count in the United States were to be reduced further. In addition, the uncertainty surrounding OPEC production could be an upside risk to the price of crude oil, which currently stands below the

2 - Principal contributing factors to the variation in global oil demand



Source: AIE

3 - Principal contributing factors to the variation in global oil supply



Source: AIE

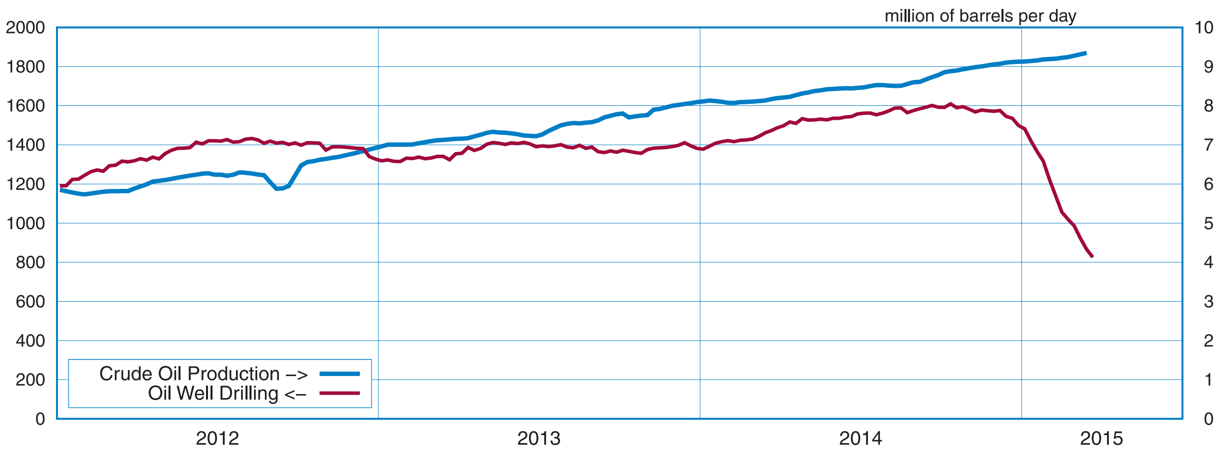
point of budget balance for most member countries: although Saudi Arabia has clearly stated its intention not to reduce output alone, the cartel could eventually reach an agreement to decrease production in order to bolster oil prices. Similarly, the international tensions generated by the struggle to reach an agreement over Iran's nuclear programme could flare up once again and then have a bullish effect on oil prices.

In Q4 2014, prices of agricultural raw materials increased

Prices in Euros of commodities excluding energy rose slightly (+0.2%) in Q4 2014 (*Graph 5*). Agricultural raw materials in particular were driven up (+3.2%) by the sharp increase in prices of paper pulp and cow hides. However, mineral prices fell (-1.6%). Iron ore prices in particular plunged as a result of a major increase in production in Australia: the big mining companies had invested massively to meet demand from China, but this demand has since diminished.

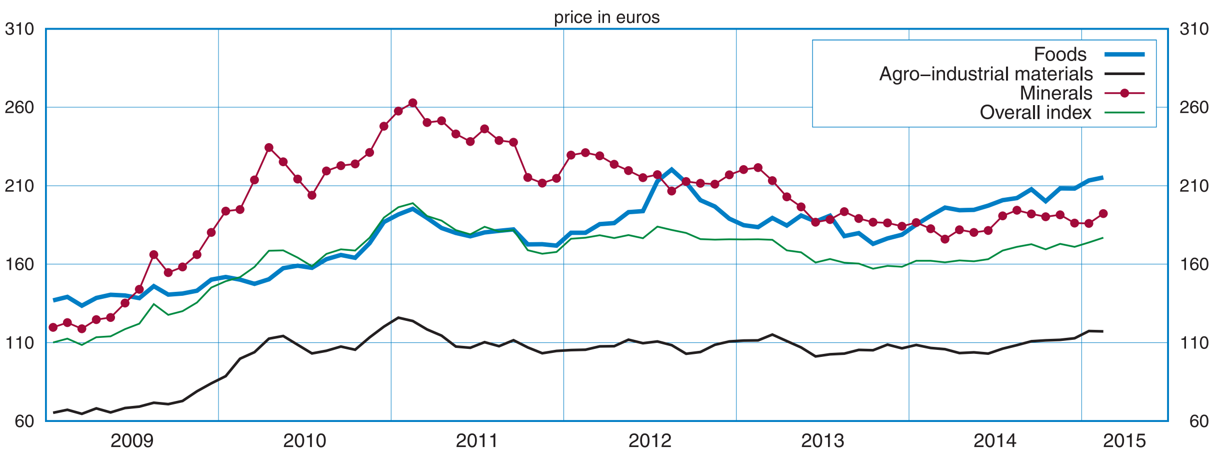
In Q4, prices of food commodities rose slightly (+1.0%), bolstered mainly by the price rise in cereals. The price of wheat in particular soared as a result of concerns over Russian exports. ■

4 - Oil production and drilling in the US



Sources: Energy Information Administration, Baker Hughes

5 - Prices of non-energy commodities



Source: INSEE

Financial markets

The ECB tries its hand at QE

Confronted with falling inflation and the risk of entering into deflation, the ECB initiated a quantitative easing programme at the beginning of 2015, something never before done in the Eurozone, which included purchases of government debt. In the English-speaking countries, the perspective of a rise in base interest rates are taking shape; however, for the time being, given the drop in inflation expectations, the Bank of England and the Federal Reserve are maintaining their accommodating monetary policy. In Japan, the central bank is maintaining its expansionist policy and has continued to substantially increase its monetary base.

In the Eurozone, the new measures launched by the ECB should stimulate the credit market, where the contraction is already easing. Sovereign debt financing conditions have once again improved throughout the zone, apart from in Greece, where fears of public debt restructuring have pushed borrowing rates up.

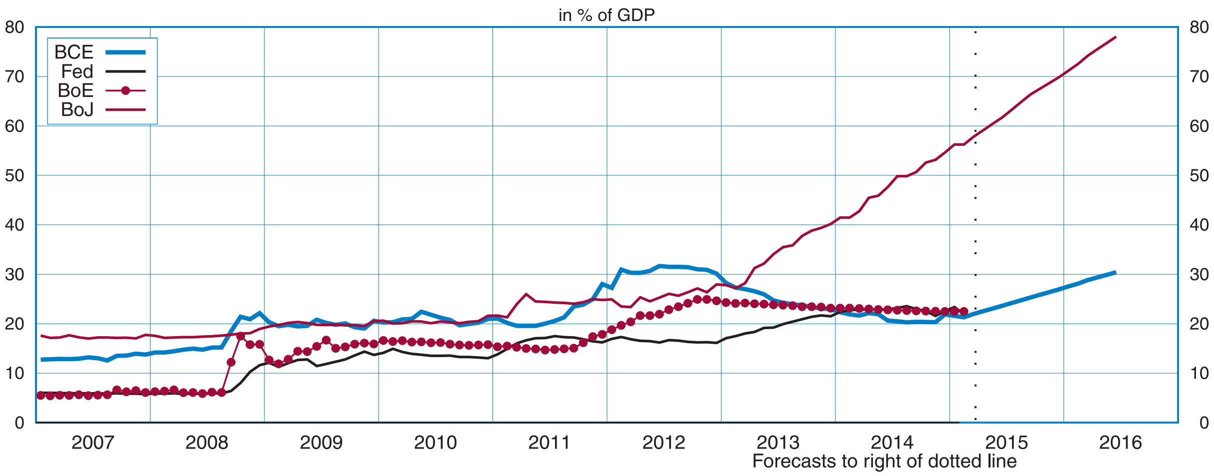
Meanwhile, the Euro fell once again at the beginning of 2015 against the currencies of all of France's trading partners with the exception of Russia. The conventional assumptions for stable exchange rates against the Euro through to mid-2015 are: 1.08 Dollars, 128 Yen and 0.71 Pounds Sterling.

Monetary policy remains expansive in the advanced economies

In January 2015, the European Central Bank (ECB) announced that as from March it would implement an expanded asset purchase programme, including government debt, at a rate of €60 billion per month. These purchases represent €720 billion per year, or 7.1 percentage points of Eurozone GDP (*Focus*). They complement the measures initiated in the autumn of 2014, which were not thought to have had sufficient impact: the purchases of asset-backed securities (ABS), covered bonds and targeted longer term refinancing operations (TLTRO) did indeed produce only a very limited increase in the ECB's balance sheet (€109 billion in all, i.e. 1.1% of Eurozone GDP).

In the English-speaking countries, after the end of quantitative easing programmes, prospects of a rise in base interest rates are starting to become clearer with the confirmation of a return to growth in the United States and the United Kingdom. For the time being however, the ongoing and expected fall in inflation, the rise in the Dollar and the lack of any tension in the labour market have delayed any tightening of monetary policy. The Bank of England and the Federal Reserve should therefore maintain their interest rates and the size of their balance sheets in H1 2015. In Japan, the central bank has maintained its expansionist policy and continues to increase its monetary base at a rate of 80,000 billion Yen per year, or 16 percentage points of GDP (*Graph 1*).

1 - Balance sheets of the main central banks



Source: Central Banks

In the rest of the world, many central banks have relaxed their monetary policy since the beginning of the year to avoid too strong a rise in currency and to combat weak inflation. In January 2015, the Swiss National Bank introduced a negative refinancing rate of -0.75%, in the hope of stabilising the Swiss Franc against the Euro. Since then, the Bank of Sweden has taken the same route, setting its refinancing rate at -0.25% and announcing quantitative easing for a limited amount (0.3% of GDP). In Denmark, it is the deposit rate that has been cut substantially, to -0.75%.

In Russia the central bank brought its rates down slightly in January then again in March 2015 to limit the scale of the economic crisis, having increased them sharply in December in a vain attempt to counter the fall in the Ruble (-23%, from November 2014 to January 2015). The Indian central bank also took advantage of a drop in inflation at the end of 2014 and brought down its rates by a quarter of a point, to 7.75%, with the aim of stimulating activity. Finally, in China, the central bank reduced its base rates twice, once in November 2014 and again at the end of February 2015, and at the beginning of February announced a cut in cash reserve ratios for banks in order to stimulate credit.

Contraction of credit is easing in the Eurozone

In the Eurozone, quantitative easing should stimulate credit, which has been growing in France and Germany since spring 2014, while the contraction of credit has been gradually alleviated in the peripheral countries (*Graph 2*). The persistent weakness of credit is partly due to factors related to demand - private agents outside the financial sector continue to deleverage - but also to poor transmission of the ECB's accommodating monetary policy.

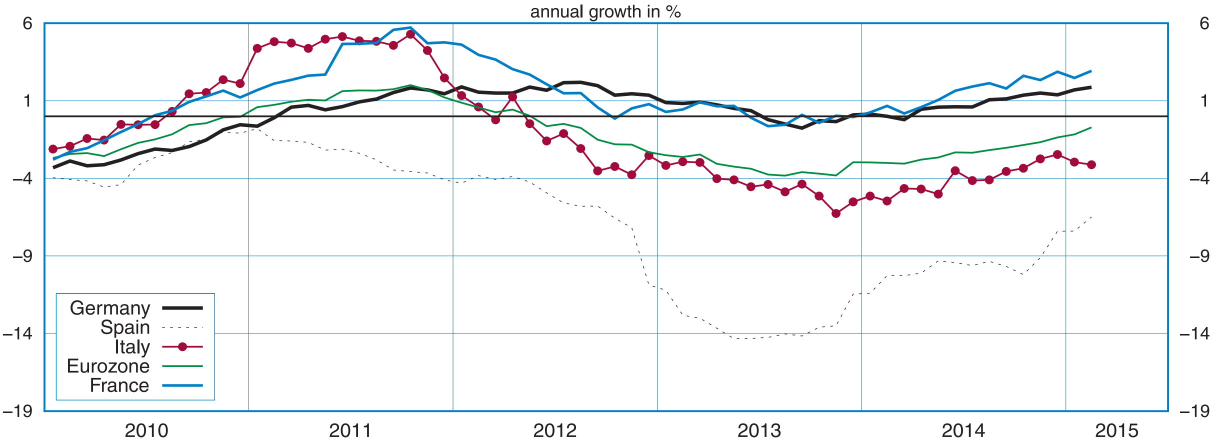
Borrowing rates for business loans still vary widely across the Eurozone, a sign that the capital market remains fragmented. Average interest rates applied to new loans to Italian and Spanish businesses are still almost one point higher than for business loans in Germany and France. However, this gap has narrowed in the last few months, first in Italy, then more recently in Spain: in December 2014, private rates in Spain fell drastically and came down to the same level as the rates granted to Italian businesses.

German and French sovereign yields at their lowest levels

Germany and France are enjoying increasingly favourable financing conditions (*Graph 3*). As a result of the expectations of the ECB buyback programme and weak inflation, German ten-year bond yields are now lower than the equivalent rate in Japan for the first time in 30 years. The German State is borrowing at negative rates for all maturity periods up to 7 years. In France, the conditions of State financing are also improving, as the yield spread between France and Germany remains stable, at less than 30 basis points.

At the same time, there is now a greater probability of restructuring of Greek debt, and Greek ten-year bond yields exceeded 10% at the end of January 2015, for the first time since the beginning of 2013. In the other countries affected by the sovereign debt crisis in 2011 (Spain, Portugal and Ireland), the contagion of Greek risk seems to have been contained. The return to normal of their financing conditions was confirmed at the beginning of 2015 and their rates have fallen considerably since 2012; in particular, they fell below the American and British rates in nominal terms.

2 – Annual growth of the volume of outstanding loans to non-financial corporations in the Eurozone

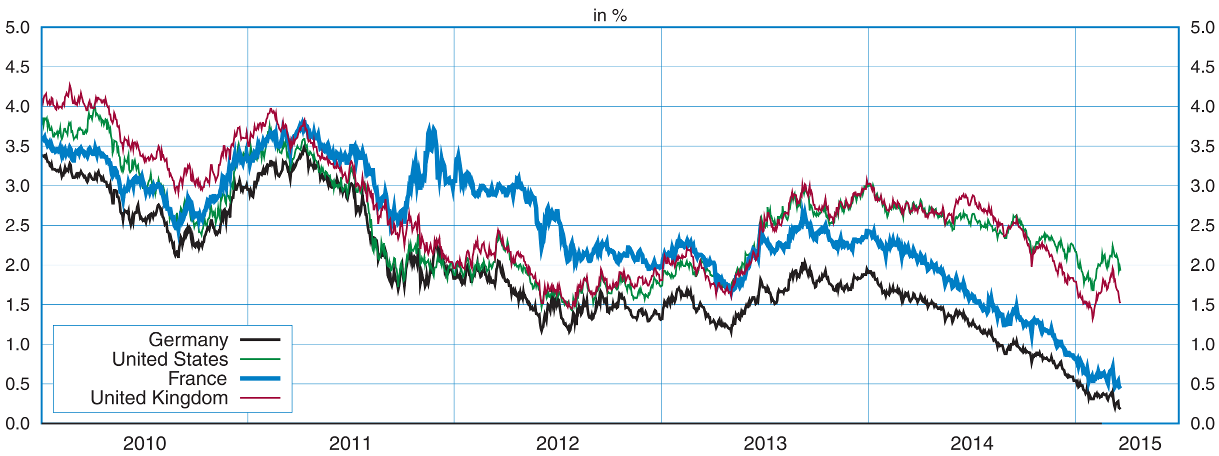


Source: European Central Bank

The Euro at its lowest since 2003 following ECB announcements

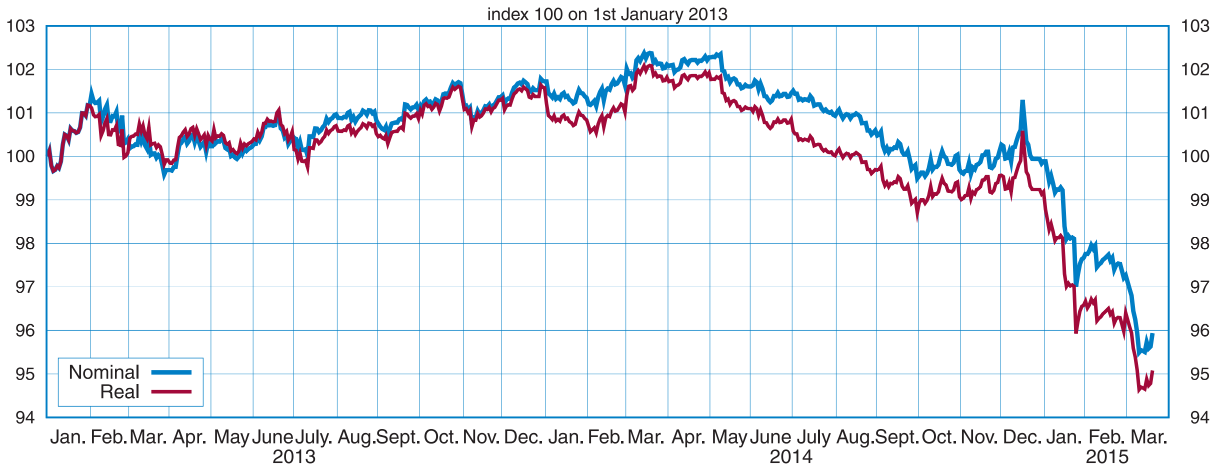
Since the end of December 2014, expectations of quantitative easing in the Eurozone have led to a fall in the single currency (*Graph 4*). The real effective exchange rate for France, which rose at the end of 2014 in the wake of the fall of the Yen and the Ruble, fell drastically in the weeks before the quantitative easing announcement by the ECB, then again at the beginning of March (a total of -5.9% between mid-December and mid-March). All in all, with conventional assumptions suggesting stable exchange rates through to mid-2015 (1.08 Dollars, 128 Yen and 0.71 Pounds Sterling for €1), the real effective exchange rate of France should fall significantly in Q1 2015 (-3.1%, after -0.5% at the end of 2014) and is likely to fall back once again, although to a lesser extent, in Q2 (-1.8%). ■

3 - Ten-year sovereign yields



Source: Macrobond

4 - Effective exchange rate for France



Source: European Central Bank, Insee

The ECB's quantitative easing policy should support the recovery underway in the Eurozone

The ECB has decided to extend its programme of asset purchases

In late January 2015, the European Central Bank (ECB) announced its intention to substantially increase purchases of securities, including sovereign bonds. Taking into account the securities purchases announced in autumn 2014, the central bank is now buying up €60 billion worth of assets each month. This programme will continue until at least September 2016 and until the Governing Council observes a lasting recovery in inflation rates. All in all, the programme should add up to just over €1,100 billion. The ECB's balance sheet should thus increase gradually and return to its 2012 level by mid-2016 (over €3,000 billion, equivalent to 32% of Eurozone GDP).

This ECB decision comes several years after the quantitative easing programmes put in place by other major central banks following the 2008 financial crisis. In the United States, the Federal Reserve (Fed) bought up over $3,000 billion in public securities between 2008 and 2014, equivalent to 18 points of GDP. In the United Kingdom, the Bank of England (BoE) bought up £375 billion worth of public securities between March 2009 and November 2012, equivalent to around 21 points of GDP. Finally, the Bank of Japan (BoJ) implemented a similar programme in April 2013. The annual pace of the BoJ's purchases currently stands at 80,000 billion Yen, equivalent to 16 points of GDP; since the start of this programme, the BoJ's monetary base has increased by 29 points of GDP.

By way of comparison, the ECB will purchase securities at a rate of €60 billion per month, equivalent to 7.1 points of GDP per annum. Between March 2015 and September 2016, the total value of these purchases will represent around 12 points of Eurozone GDP. This programme will therefore be less significant, as a proportion of the Eurozone's GDP, than the quantitative easing programmes conducted by the Fed, BoE and BoJ. Just ahead of the actual implementation of the programme, in early 2015, medium-term inflation forecasts for the financial markets stabilised at a level below the average recorded since 2005 (*Graph 1*).

Potential losses will be borne primarily by the national central banks

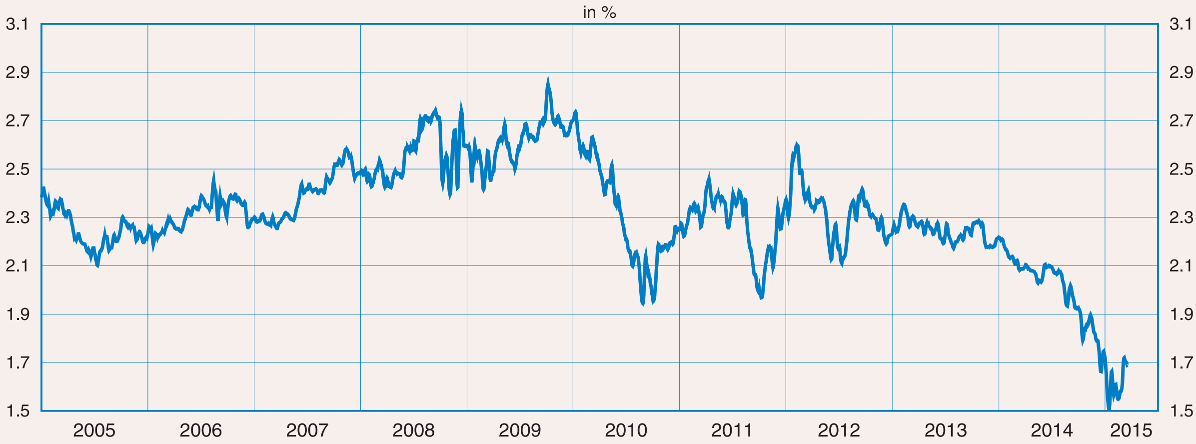
In addition to asset-backed securities (ABS) and covered bonds, the National Central Banks (NCBs) of the Eurosystem will buy up State bonds and bonds issued by Eurozone institutions on the secondary markets. Purchases of public securities will be distributed according to the share of each NCB in the total capital of the ECB, i.e. on a pro rata basis linked to population and GDP (with identical weightings). The ECB will coordinate the purchases, but the NCBs will implement them and take on the majority of the risk involved. Loss sharing will only apply to 20% of the purchases, allocated as follows:

- 12% will be dedicated to purchases of bonds from European institutions such as the European Union, European Investment Bank (EIB), European Financial Stability Facility (EFSF) etc. These securities will be bought by the NCBs but any potential losses will be shared.
- 8% for purchases of sovereign bonds, to be conducted by the ECB itself, implying sharing of the risks incurred.
- The remaining 80% will be bought up by the NCBs. Nonetheless, potential losses (in the event that a Member State's debt should need to be restructured) could be partly shared by offsetting the losses using the ECB's general reserve fund, i.e. the money put aside by the ECB from past profits. In practice, the manner in which a sovereign default in the Eurozone would be handled remains uncertain.

This purchasing programme will only apply to those securities which the ECB already accepts as guarantees, i.e. those with sufficient ratings. For Member States currently covered by financial assistance programmes, eligibility will be suspended during the period of examination and restored only if the results are positive.

(1) cf. article 33.2 of the Treaty on the Functioning of the European Union.

1 - Five-year inflation rates in the Eurozone



Source: Macrobond

In order to avoid the creation of a blocking minority in the event of debt restructuring, purchases must not exceed 25% of any given debt issue. Furthermore, in order to avoid a situation in which central banks would become the principal creditors of governments in the Eurozone, and in order to allow the setting of market prices, purchases will be limited to a maximum of 33% of an issuer's total debt. This means that the ECB cannot, in its current situation, increase the amount of Greek government bonds that it holds.

Finally, the ECB's Governing Council has authorised the purchase of securities at negative yields, which will incur nominal losses. This means that German bonds (whose yields are negative up to 7 years) and French bonds (whose yields are negative up to 4 years) may be purchased. Nonetheless, only securities with yields higher than the ECB's deposit facility rate (-0.20%) can be purchased. Losses on bonds with negative yields will not be shared.

This quantitative easing will support the recovery underway in the Eurozone via several channels

The natural channel through which the effects of this ECB programme will be passed on to the economy is via the bond interest rate. Massive purchases of public debts on the secondary market will drive down long-term yields and real interest rates, something that conventional monetary policies are practically incapable of doing in so far as the ECB believes that base interest rates have reached a minimum. Most notably, sovereign yield rates should continue to fall, which will make it easier for national governments to obtain financing and reduce the sums required to service public debt. By demonstrating its commitment to meeting its inflation targets and announcing a detailed programme which will last until at least September 2016, the central bank is acting to boost the confidence of investors with regard to medium-term yields, thus driving down risk premiums and term premiums. The current level of interest rates should, however, limit the impact of the programme via this channel. With German and French short-term bonds already close to the ECB's deposit facility rate, long-term yields should fall more sharply than short-term yields, which should flatten out the interest rate curve.

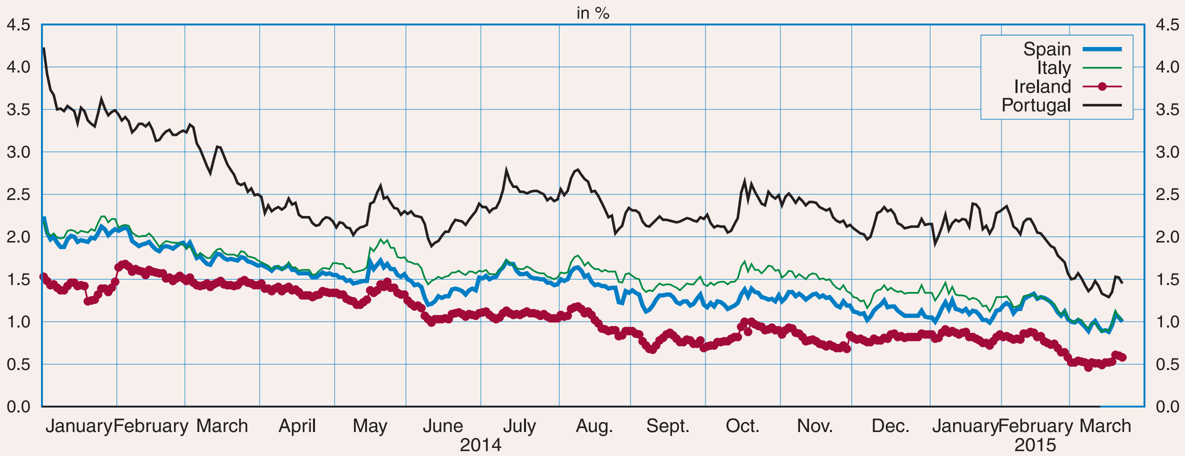
Faced with the decline in investment yields, investors may opt to buy more debt from the Eurozone's peripheral nations, which should serve to reduce the spread of sovereign yields for these countries. As a result of the expectations arising from the announcement of the quantitative easing programme, and after the first round of security purchases, this effect has already been apparent since January 2015 for Spain, Italy, Ireland and Portugal (*Graph 2*). Nevertheless, in principle the Eurozone countries will not be able to make use of the improvement in their financing conditions to launch an economic stimulus programme, as a result of the commitments made in the context of the European Treaty on Stability, Coordination and Governance.

Subsequently, as a result of the reallocation of financial investments, the ECB programme should serve to drive down private rates. On the one hand because most bank interest rates are pegged to sovereign bond yields; on the other hand because the decrease in the yield of public bonds may drive investors to buy riskier, higher-yield securities such as private shares or bonds. Furthermore, with the ECB applying a negative rate of interest to bank deposits (-0.20%), commercial banks have an incentive to lend their liquid assets and loosen up their lending conditions. Overall, private financing conditions should improve, which should stimulate investment if the demand for credit follows suit.

As a result of reallocation, the prices of risky financial assets should increase. The prices of property assets should also increase, as a result of the fall in private interest rates. Nonetheless, the increased wealth of economic agents is expected to have little impact on the real economy, as wealth effects do not generally have a clear impact on household consumption in the Eurozone.

Finally, the recent fall in the Euro, which can be partly attributed to the expectations generated by the announcement of this programme, should serve to boost imported inflation and stimulate activity thanks to its effect on foreign trade. Over the forecasting period, the impact of this programme on the real economy should come predominantly via this channel: improved price competitiveness should help stimulate the gradual acceleration of activity in the different Eurozone nations. ■

2 - Yield spreads between European and German sovereign debts (Bund 10 year)



Source: BCE

Eurozone

Allegro ma non troppo

In Q4 2014, activity picked up once again in the Eurozone (+0.3%, after +0.1% then +0.2% in Q2 and Q3), mainly driven by the vigorous Spanish and Germany economies (+0.7% each).

In H1 2015, activity should continue to accelerate slightly (+0.4% per quarter), boosted in particular by the drop in oil prices which is sustaining consumer purchasing power, and by the recent depreciation of the Euro, favouring exports. However, investment is likely to remain slack. All in all, the Eurozone growth overhang for 2015 is expected to stand at 1.1% by the end of H1, with divergences between the main countries. Inflation should remain very low.

Activity picked up once again at the end of 2014

In Q4 2014, GDP growth picked up again in the Eurozone (+0.3% after +0.2%), driven by the sustained dynamism of Spain (+0.7% after +0.6%) and the very sharp increase in Germany (+0.7% after +0.1%). Household consumption in particular continued to grow solidly (+0.4% after +0.5%), while investment rebounded (+0.3%) after shrinking for two consecutive quarters.

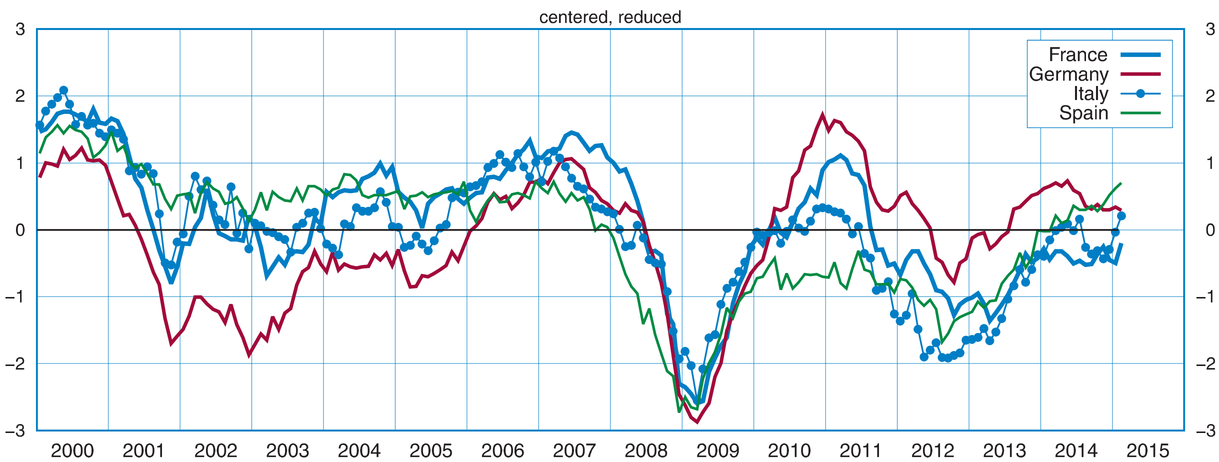
In H1 2015, activity likely to be stimulated by the drop in oil prices and the recent depreciation of the Euro

H2 2014 was marked by plummeting oil prices (-57% in Euros between June 2014 and January 2015) and the depreciation of the Euro.

The fall in the oil price has improved household purchasing power and thereby stimulated household expenditure. Consumption should therefore continue to grow strongly in the Eurozone (+0.7% in Q1 2015, +0.5% in Q2). This growth is likely to be most vigorous among German households (+0.9% then +0.7%) whose income has been boosted by the introduction of the minimum wage, and Spanish households (+1.0% per quarter) who have benefited from the rebound in employment. Household consumption is expected to rise less sharply however in Italy (+0.2%), where the recovery of employment is still modest.

Furthermore, the depreciation of the Euro has boosted Eurozone exports: the average contribution of the real effective exchange rate to exports should reach +0.3 points per quarter in H1. The effect is expected to be weaker on German exports than on those of the other main economies, as German exports are less sensitive to price-competitiveness (see dossier, "How has equilibrium been restored to the balances of trade in Europe?" in the June 2013 issue of *Conjoncture in France*).

1 - Business climate in the Eurozone



Source: European Commission

Investment still faltering

Despite the favourable context, investment is unlikely to pick up momentum in the Eurozone in H1 2015.

On the corporate side, productive investment is likely to remain very moderate. In Italy in particular, although the outlook looks to have brightened somewhat, the improved corporate financing terms (in terms of both supply and interest rates) do not seem sufficient to halt the fall in investment by companies.

On the household side, investment in new housing has stopped falling in Spain, and should decline less sharply in France. As a result, investment in construction should only drop slightly in the Eurozone in H1 2015.

Cyclical divergences persist within the Eurozone

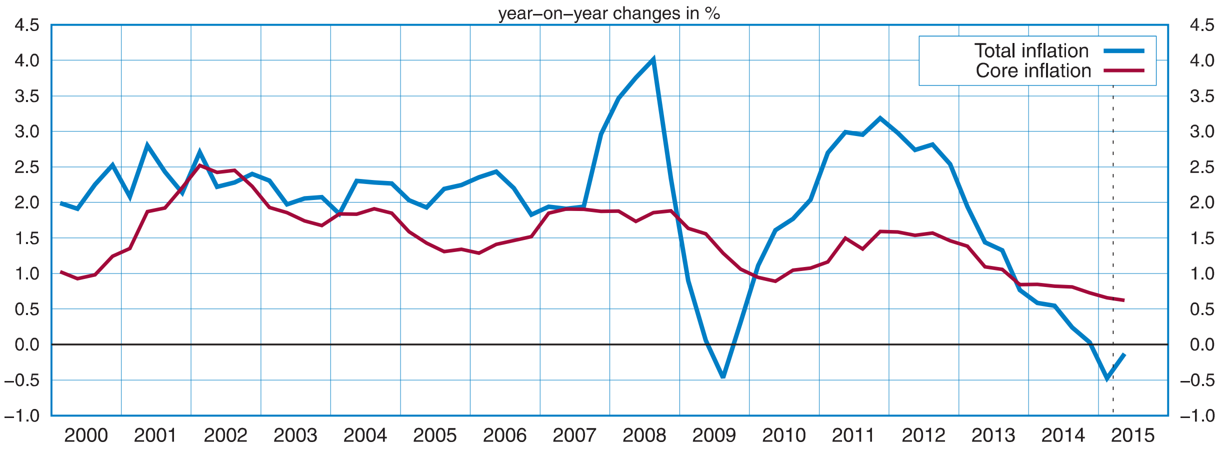
The zone as a whole is affected by the drop in oil prices and the depreciation of the Euro. But while consumption has picked up in each of the main countries, it has done so at different speeds and with different impacts. Spain (+0.7% GDP growth per quarter) looks to be the most dynamic country, since the dual rebound in employment and in corporate investment, as companies rebuild their production capacities, has resulted in vigorous domestic demand. Growth in Germany should be slightly less buoyant (+0.6% then +0.4%) and mainly driven by household consumption. In France, activity has also picked up thanks to household consumption, although more moderately (+0.4% then +0.3%). Lastly, the stimuli provided by the Euro depreciation and the drop in oil prices should allow a modest return to growth for Italian activity (+0.1% in Q1 then +0.2% in Q2).

Headline inflation expected to remain very weak

Despite improved business prospects, inflation in the Eurozone has remained very low, or even negative, in recent months. In January 2015, prices dropped 0.6% over one year.

This weak inflation is mainly attributable to the recent slump in oil prices. It also stems from the gradual dip in core inflation since mid-2012. In the course of H1 2015, core inflation may stabilise at around its level of January 2015 (+0.7% over one year; see dossier "The risk of negative inflation is real but does not necessarily signal deflation" in the December 2014 issue of *Conjoncture in France*). On the conventional assumption of a Brent barrel price stabilising at $55 for the purposes of forecasting, headline inflation should remain negative through to mid-2015. ■

2 – Inflation in the Eurozone



Sources: Eurostat, INSEE forecasts

The Greek risk for the French economy and the Eurozone

Since May 2010, Greece has been the subject of a bailout programme from the International Monetary Fund (IMF) and its European partners, in return for the Greek government's adoption of a set of measures intended to reduce the budget deficit and restore the competitiveness of its economy. This programme is supervised by the European Central Bank (ECB), the European Commission and the IMF. Initially worth 110 billion Euros, the total value of loans made to Greece under this programme now stands at 245 billion Euros, with reduced interest rates since December 2012.

The fiscal consolidation measures and wage reductions adopted by the Greek government have weighed heavily on domestic demand, to the extent that Greek GDP shrank by a total of around 27% between the start of 2008 and the end of 2013, the most severe decline in the Eurozone. In 2014 Greece no longer appears to be in recession, although the unemployment rate still stands at over 27% of the labour force. Furthermore, inflation has slipped below zero (-1% as an annual average for 2013 and 2014), which is affecting tax revenues and further complicating the task of getting public finances under control.

In January 2015 the parliamentary elections were won by anti-austerity party Syriza, and the concerns of the financial markets were reflected in a new spike in Greece's sovereign interest rates. Nevertheless, there has been no contagion effect in the other peripheral EU nations; on the contrary, they have benefited from the favourable effects of expectations generated by the ECB's quantitative easing programme (see the "Financial Markets" Focus). The new Greek government has thus entered into negotiations with the country's principal creditors: the European Financial Stability Facility (142 billion Euros), the ECB and Eurosystem (27 billion Euros), the IMF (23 billion Euros) and various other member states via bilateral loans (53 billion Euros). While Greece is now running a primary budget surplus (meaning that the government's revenues now cover its expenditure, not including the debt burden), access to financing via the markets remains limited and part of the national debt will fall due this year.

Without further assistance (in the form of a new payment schedule or restructuring), Greece may be unable to meet its payment obligations, which would represent the first sovereign debt default in the Eurozone. Moreover, while the contraction of domestic demand has allowed Greece to develop a trade surplus, the outflow of capital (including in the form of bank deposits) is weakening the Greek banking system. This system remains heavily dependent on financial support from the ECB, which has decided to no longer accept Greek sovereign bonds as collateral until an agreement has been reached with Greece's Eurozone partners: the only option available is to secure emergency funds from the Greek central bank, within the limits authorised by the ECB.

The outcome of the negotiations between Greece and its public creditors remains uncertain. If these negotiations were to fail, Greece would probably be obliged to default, at least partially, on its public debt, with the risk that activity could slump again in the short term. The direct impact of such a scenario would nevertheless be very limited for the rest of the Eurozone, and for the French economy in particular: on the one hand, sales to Greece account for no more than 0.5% of French exports and, at a more general level, Greece's GDP accounts for less than 2% of the Eurozone total: on the other hand, in terms of French public debt, the loans granted and cancelled would represent just 2 points of GDP; finally, the exposure of the French private sector to Greek risk, particularly *via* the banking system, is now weak. However, the impact could be much more substantial if, as in the crisis of summer 2011, the caginess of the financial markets were to spread to all of the peripheral nations. Since the beginning of the year, the divergence between Greek interest rates - increasing - and the rates of other Eurozone nations - decreasing - indicates that this risk is limited, probably as a result of the "firewall"measures put in place since 2011: the European Stability Mechanism (which permanently replaced the EFSF in September 2012) with a total capacity of 500 billion, and the sovereign bond purchases inaugurated by the ECB in March 2015 as part of its quantitative easing programme. ■