

Observatoire des futurs
EM Strasbourg

Economic and Financial Situation

EM Strasbourg BUSINESS SCHOOL
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Economic and Financial Situation

1. Definition and Relationships with Other Factors

General Definition

- The macro-variable “economic and financial situation” **encompasses the economic and financial situation of the industry in France and worldwide.**
- The scope of the definition of “industry” varies depending on the level of analysis:
  - For the WTO: distinction between services and trade.
  - In France: manufacturing industry*: industries excluding extractive industries, energy, water, waste management, and pollution control.
- **Economic and financial situation:**
  - Distinguish between initial fundraising and capital increases => importance of investment.
  - Real market / financial market.
- A broad analysis, even though **it encompasses very diverse realities:**
  - Size / subsector.
  - Type of production (single-unit and small-batch production / large-scale mass production / continuous production).

Connection to Uberization and Industry 2030 / Key Questions for the Future

- **The uberization of industry is part of a paradigm shift at the economic and financial levels.** Digitalization / financialization.
- **Financialization of the economy:**
  - $19,480 billion in commercial trade value in 2018
  - Between 1975 and 2015, global stock market transactions rose from $300 billion to $115,000 billion
  - What does the future hold for industry?
- **The impact of digital technology on global trade:**
  - The widespread adoption of digital technologies is changing the composition of trade in services and goods and redefining trade-related intellectual property rights.
  - Trade in information technology products has tripled over the past two decades, reaching 1,600 billion U.S. dollars in 2016.
  - The share of services in total trade is expected to increase from 21% to 25% by 2030.

Relationships with Other Factors/Actors

- **Link to the nature of work** / gig economy / job insecurity / reliance on machines.
- **Link to the growing importance of digital platforms**
- **Two levels** (we will move back and forth between them in the discussion that follows):
    - Industry in France: economic situation and funding,
    - Global economic and financial trends.

2. Summary of the Retrospective Analysis

Retrospective

In General and for Uberization and Industry 2030

- **The essential role of industry in France**
  - 3.1 million direct jobs (12%) + 4.5 million indirect jobs
  - 12.4% contribution to national GDP
  - 74% of France's exports (445 billion euros)
  - The sector that invests the most in R&D
  - (One industrial job = four jobs in the service sector)

- But France's **deindustrialization**, which began in the 1970s, has accelerated since the 2000s.
  - In 1970: 5.6 million jobs. In 2014: 3.3 million:
  - Over the 1990–2010 period: a 30% decline (the same trend was seen across Europe)
  - 2006–2015: 27,000 jobs lost; 35,000 factories closed in France => 1.2 million jobs

- **A trade** deficit since 2004: not enough production to meet demand.

- Exceptions include the aerospace and pharmaceutical industries (due to the importance of research and support from government procurement since the Pompidou era).

Retrospective

In General and for Uberization and Industry 2030

- **A belated political awakening**, notably with the 2012 Galois Report: “French industry has now reached a critical threshold, beyond which it is threatened with disintegration” (p. 9).

- **Policies in many countries to promote industry. Three approaches:**
  - Development of technological capabilities
  - Modernization of industry
  - Adaptation of skills

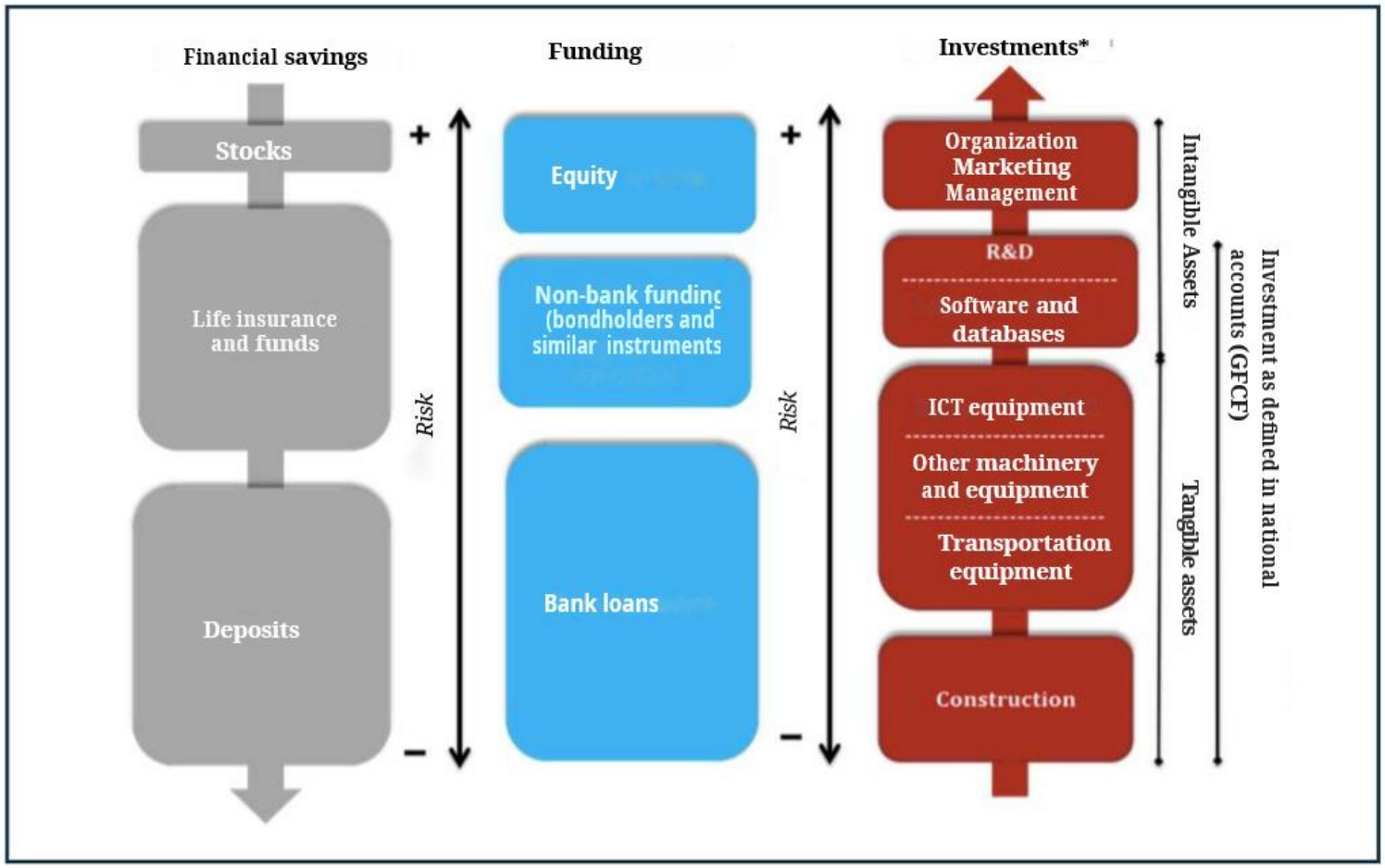
- **Four strategies:**
  - Germany: pioneer/leader
  - South Korea and China:
  - hyperactive underdogs
  - France, the U.S., and the U.K.: hopes
  - for a revival through support for innovation
  - Italy: support for its clusters

Retrospective

In General and for Uberization and Industry 2030

- **The urgency of closing a significant gap** => investment
- **The paradox of investment** in France
  - Percentage of investment relative to value added is higher than in neighboring European countries
  - But a lag in investment in productive capacity => a competitiveness deficit
- **Explanatory factors and nuances**
  - France's conservative approach to investment => replacement investment rather than expansion
  - A tendency to invest in intangible assets
  - Lag in the digitization of production facilities
  - Significant investment in R&D
  - Incentives for innovation, but not for investment
  - Financialization of industry: dividend payouts have increased fivefold since XX

Risk Intensity and the Funding/Investment Balance



Retrospective

In General and for Uberization and Industry 2030

- **Corporate funding…**
  - Self-financing
  - Bank loans
  - Issuance of stocks or bonds on the financial markets

- **… in France**
  - Funding primarily through loans (61%)
  - Public investment: loans / subsidies / guarantees (CICE / BPI France)

Current Trends

In General and for Uberization and Industry 2030

- Inter-company funding: Growing reliance on private debt as an alternative to bank debt
- Microcredit and social finance
- The rise of peer-to-peer lending platforms for SMEs and FinTechs*
- Equity funding on the rise

Current Trends

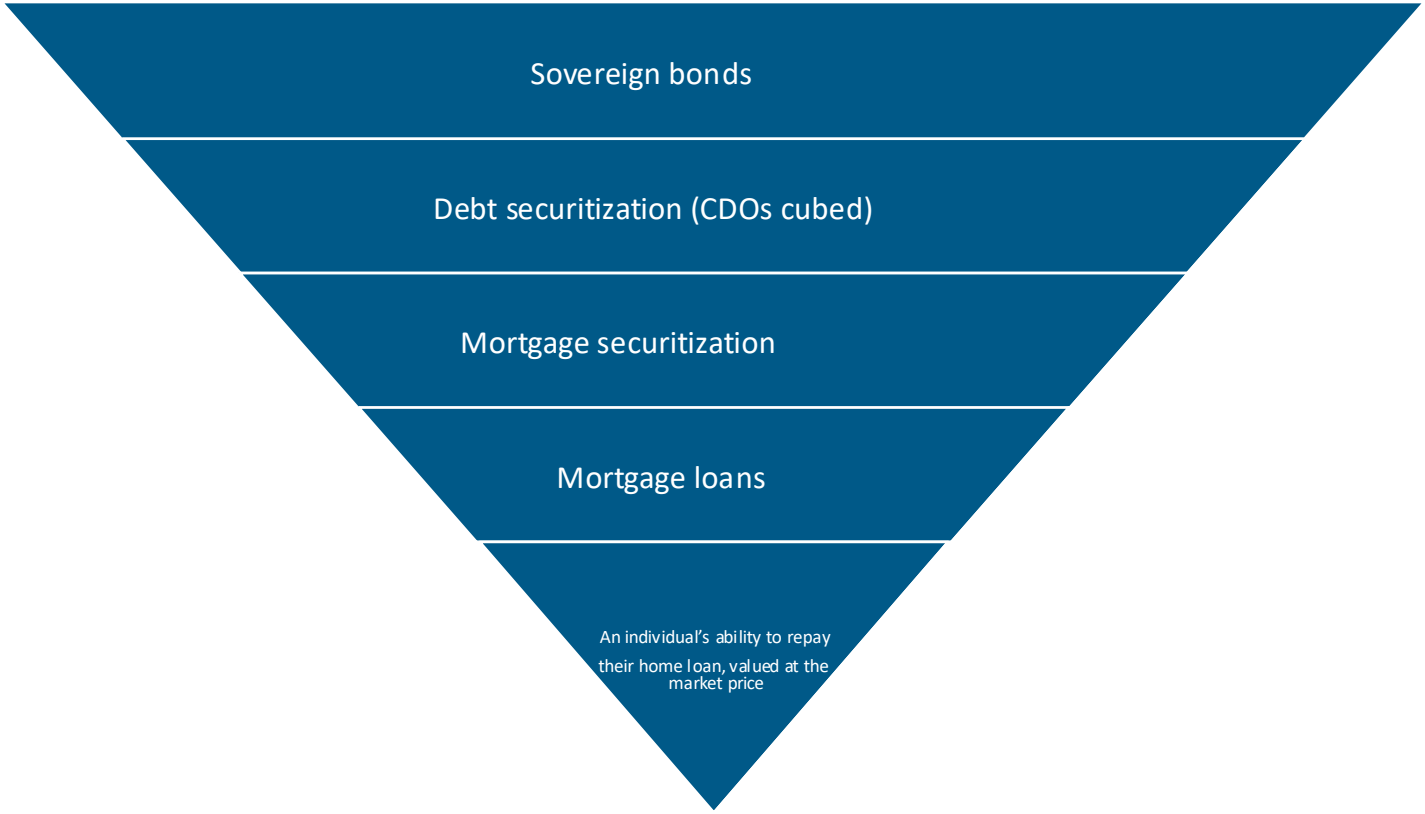
In General and for Uberization and Industry 2030

- **The global slowdown in growth:** The WTO has revised its growth forecasts downward—from 3% to 2.6%
- **Alternative funding** (hedge funds, particularly activist funds)
- **Funding through digital platforms** (GAFAM)
  - Examples of startups
- **The development of FinTech:** technological innovation applicable to financial and banking services
  - E.g., crowdfunding / crowdlending / neobanks / payment methods…
  - Current trends: consolidation / larger transactions / global growth / open banking / blockchain / acceleration in insurtech / growth in regtech / financial institutions / collaboration in Asia / digital banking

Current Trends

In General and for Uberization and Industry 2030

- **Successive speculative financial bubbles**



3. Summary of Prospective Exploration

Major Trends / Constants

- Financialization of the economy
- Impact of digitization on industry: a decrease in the number of jobs required to produce the same output
- Need to increase productivity
- Development of a French specialty in quality
- Burst of the speculative bubble

Uncertainties

- Development of high-end markets currently mid-range
- Government involvement in funding (Keynesian vs. liberal economic views)

Seeds of Change

- Development of alternative funding sources
- Information and blockchain

Controversies

- Market capitalization of unicorns
- Pro-business versus pro-individual taxation
- Negative nominal interest rates
- Alternative funding / the role of banks

Disruptions

- No bursting of the speculative bubble
- Collapsology (system collapse)



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