# **Aurélien Espic**

Economist at *Banque de France*PhD candidate at Aix-Marseille School of Economics

# 31, rue Croix des Petits Champs – 75049 Paris cedex 01 aurelien.espic@banque-france.fr

POSITION Economist Since 2022

Banque de France, Macroprudential policy division

- Monitor of non-financial firms and commercial real estate risks.
- Design of macroprudential instruments targeting non-financial firms.
- Development of structural macroeconomic models for macroprudential policy.

#### RESEARCH Capital Requirements in Light of Monetary Tightening

With Lisa Kerdelhué and Julien Matheron

Presented at the 2023 ECB research workshop on macroprudential policies

Abstract: This paper enquires the extent to which banks' capital requirements enable to ensure the resilience of the economy in a context of monetary tightening. We build a new Keynesian model, featuring costly defaults for banks, households and firms, and estimate it on Euro Area data between 2003 and 2019. We then investigate the propagation of a cost-push shock along financial variables and according to two scenarios: a standard monetary normalization and a hard landing. We show that both scenarios are likely to severely affect the economy. We then compute optimal capital requirements. We show that optimal capital requirement do not interfere with monetary policy in case of a standard normalization, while having reaching the optimal target enables to considerably alleviate the effects of a hard landing if interest rate risks are born by banks. This means that capital requirements are complementary to monetary policy, in so far that they give more room to the monetary authority.

### Public Debt as Private Liquidity: The Poincaré Experience (1926-1929)

Forthcoming in the Financial History Review

François Simiand Working Paper

Abstract: In the follow-up to the 1926 financial crisis in France, a new government led by Raymond Poincaré attempted to restore monetary stability by restructuring public debt, and missioned a sinking fund to withdraw short-term public bills from money markets. This policy disorganized the largest Parisian banks of the time, as they relied on these bills to manage their liquidity. In the absence of developed domestic money markets, no other asset could absorb excess liquidity freed by the withdrawal of these bills, and these leading banks faced a low rate environment. In search of yield, they managed to expand their activities abroad a few months before the 1929 crash. These results renew our understanding of the expansion of the French banking sector in the 1920s. In addition, they shed new light on the role of public debt for financial stability in an open economy.

## From Granular Credit Risk to Credit Supply: The Probability of Default Channel

With Antoine Baena and Julien Idier

Presented at the 2022 congresses of AFSE, IAAE and EEA

Abstract: We combine firm level data on balance sheets with Euro Area credit registers to non-financial corporations to investigate how idiosyncratic firm shocks affect banks' credit risk and the aggregate credit supply. We show that the uncertainty bank face when setting single-name probability of default (PD) affects the level of risks of bank portfolios and the aggregate credit supply due to spillovers across firms. This effect is stronger when bank portfolio concentration is high given the presence of granular borrowers and when banks have low capital ratios. Firms with small loan shares in bank portfolios are the most affected by (indirect) credit restrictions. It implies that macroprudential authorities should be proactive in limiting portfolio concentration especially when bank capital ratios are low. Focusing on the Covid crisis, we also show that despite the activation of state-guaranteed loans, this PD channel of transmission was still at work, but with a lower intensity.

**STUDIES** Aix-Marseille School of Economics Since 2023

On-the-job PhD track. Supervisor: Céline Poilly (AMSE – AMU) Thesis: Essays on financial stability and non-financial firms

University of Oxford

2022

Visiting student at Maison Française d'Oxford

Courses: advanced macroeconomics, international macroeconomics

Paris School of Economics

2019 - 2021

Master's Degree in Analysis and Policy in Economics

Research grant from the Historical Mission of the Banque de France

Specialization in macroeconomics and economic history

Supervisor: Eric Monnet (EHESS - PSE)

Ecole normale supérieure - PSL

2018 - 2022

ENS diploma in economics and social sciences Co-organizer of the History/Eco research seminar

**EXPERIENCE** Research assistant Jun-Dec. 2021

Feb.-Dec. 2021

Banque de France, Macroprudential policy division Research project on granular firms and financial stability

Presentation to the scientific committee of the French macroprudential authority

**Teaching assistant** Université Paris Cité

Teaching assistant to Olivier Allain (CES)

First and second year undergraduate courses in macroeconomics

Research assistant June-July 2019

Paris School of Economics

Supervisor: Pierre-Cyrille Hautcoeur (EHESS-PSE)

Research project on dividend policies in France (1870-1940)

**OTHERS Languages**: French (native language), English (C2, Cambridge Advanced Exam)

Programming: Matlab, Python, R, SQL

**Sports**: cycling, running