

<b>News at Agence France Trésor</b> <i>page 1</i>	<b>Economic news</b> <i>page 2</i>	<b>General debt-related data</b> <i>page 3</i>	<b>Secondary market</b> <i>page 5</i>	<b>Negotiable government debt</b> <i>page 6</i>	<b>The French economy and international comparisons</b> <i>page 8</i>
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Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

**News at Agence France Trésor**

## France issued a syndicated 18-year OAT€i at a record low in terms of real yield

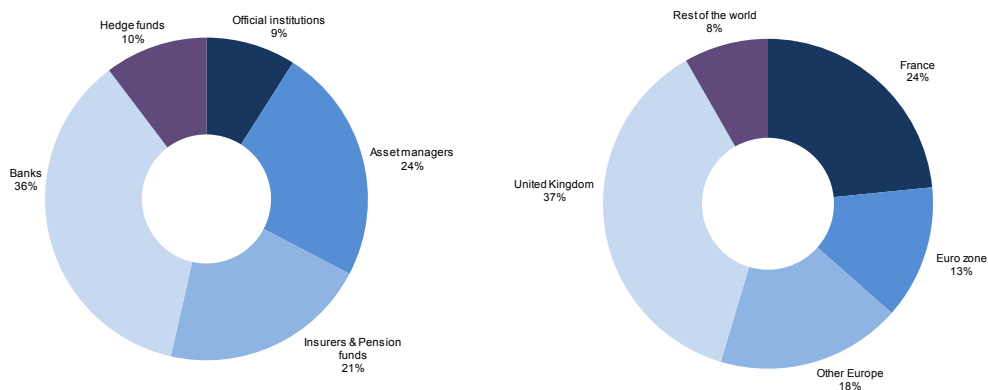
In accordance with the indicative State financing programme for 2018, which was published in December 2017, France issued by syndication a new 18-year OAT€i. After an announcement the day before, AFT launched on Wednesday 28 March a syndicated bond that is linked to the euro area price index (excluding tobacco), the OAT€i 0.10% 25 July 2036.

The issuance by syndication has encountered the investors' interest, with total demand of €11.5bn and allocation of €3.5bn. It represents the most important order book collected by AFT for the launch of an OAT indexed on inflation (OAT€i).

The real yield at issuance stood at -0,361%, establishing a new record low in terms of real yield at issuance for an AFT syndication.

100 final investors took part in the deal. The allocation testifies to the size of the order book with a very diversified investor base, both in terms of the geographical and sector distribution of investors (see charts).

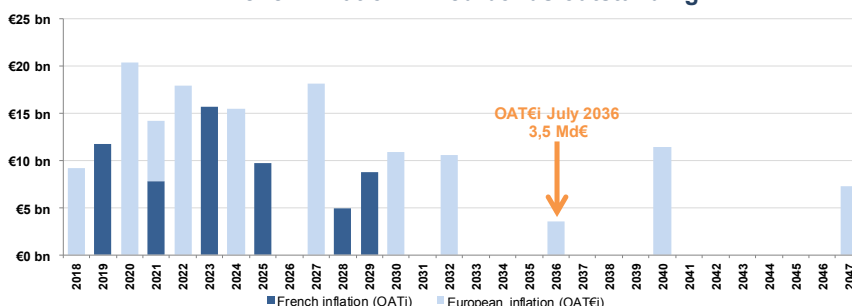
**Allocation of the OAT€i 0.10% 25 July 2036 is diversified in terms of investor and geographical distribution**



Source: Agence France Trésor

With this issuance, France, which has committed to issue 10% of its annual State financing programme in index-linked securities, has reaffirmed its status as a benchmark issuer in the euro area for long-dated index-linked securities. The new 15 to 20-year benchmark bond is consistent with AFT's issuance strategy and its objective of having a smooth yield curve and good liquidity in every segment of the curve.

**French inflation-linked bonds outstanding**



Source: Agence France Trésor

## Bond markets after net PSPP purchases end

Christophe Duval-Kieffer, Inflation strategist, Nomura

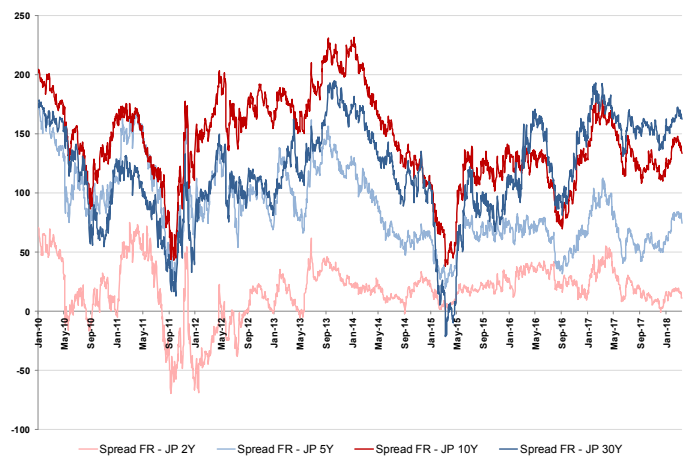
Economic activity in the euro area was robust in 2017, with real GDP<sup>1</sup> growth averaging 2.5%. In its latest set of economic projections, the ECB expects real activity to grow at a firm rate of 2.4% in 2018, then slow to 1.9% in 2019. The steady increase in activity should take underlying inflation back to target by 2020, the ECB projections suggest, assuming net purchases by the PSPP<sup>2</sup> end by September 2018. Absent a negative surprise on activity, the ECB stance – inclusive of an end to net purchases – is therefore set to bring inflation back to target, albeit at a slower pace than usual. Euro area fixed income markets have started pricing in the increased likelihood of an interruption to PSPP net purchases in October, as the pricing in of the first deposit rate hike in the OIS<sup>3</sup> curve shows. So far the pricing in of an end to net purchases has been very orderly, with rates remaining low and sovereign spreads remaining tight. The transition in monetary policy instruments from a focus on net purchases and the deposit rate at the effective lower bound to a combination of reinvestment and forward guidance will nonetheless be accompanied by important changes for the French sovereign debt market.

One aspect of the PSPP needs to be underlined as it is likely to be crucial during the unwinding of the programme; it pertains to the re-balancing of holdings of the euro area in general and French sovereign debt securities following the introduction of the PSPP. It is worth recalling that the launch of the PSPP was accompanied by a sharp depreciation in the exchange rate of the euro by about 12%. Consistent with this sharp exchange rate move, there is evidence that foreign holders of euro sovereign bonds sold their holdings to the Eurosystem – as did investment funds, albeit to a lesser extent (see ECB bulletin 4/2017 p.61). In other words, as the PSPP started foreign holders of euro area debt securities sold their holdings to the Eurosystem.

Prospects of an end to net purchases have coincided with renewed demand from foreign investors, eager to rebuild their pre-PSPP exposure. The gradual re-appreciation of the euro since mid-2017 suggests sustained portfolio rotation into euro area debt securities, probably made possible by the decrease in net purchase volumes from €80bn to €60bn in April

2017 and from €60bn to €30bn after January 2018. The magnitude of the rotation out of euro debt after 2015 observed in the euro area balance of payments suggests that the current reverse rotation into euro debt securities is likely to persist, drawn by the substantial improvement in activity and consequently public finances. Also, FX-hedged yields on euro debt securities offer very substantial pick-up for some foreign investors against their respective domestic yields – for example, over 100 basis points of pick-up for Japanese investors on French OATs. Meanwhile, the PSPP still operates with positive net purchases until September, while the demand for debt securities from pension funds and insurance will not abate; as a result, demand for euro debt securities has spread entered a “sweet spot” with foreign and domestic demand combining and resulting in very low yields and spreads. The steady increase in foreign demand should minimise the impact of the end to net PSPP purchases if the situation in public finances continues to improve and if the support from other monetary policy tools is withdrawn only gradually.

Spread OATs versus JGBs, "in JPY" (basis points)



Source: Bloomberg

<sup>1</sup> Gross domestic product

<sup>2</sup> Public Sector Purchase Programme

<sup>3</sup> Overnight Indexed Swap

**NB:** this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, the above article strictly reflects the author’s view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy and Finance.

### Indicative auction schedule

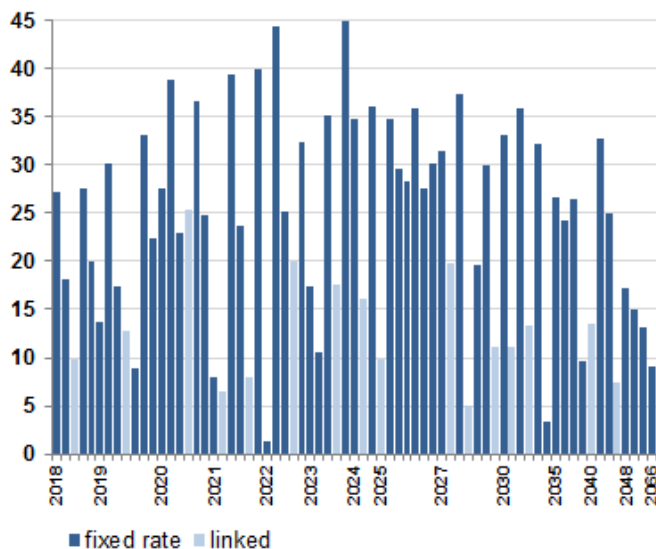
		Short-term					Medium-term	Long-term	Index-linked
April 2018	auction date	3	9	16	23	30	19	5	19
	settlement date	5	11	18	25	3 May	23	9	23
May 2018	auction date	7	14	22	28	/	17	3	17
	settlement date	9	16	24	30	/	21	7	21

■ anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

### Medium- and long-term negotiable government debt at 28 February 2018

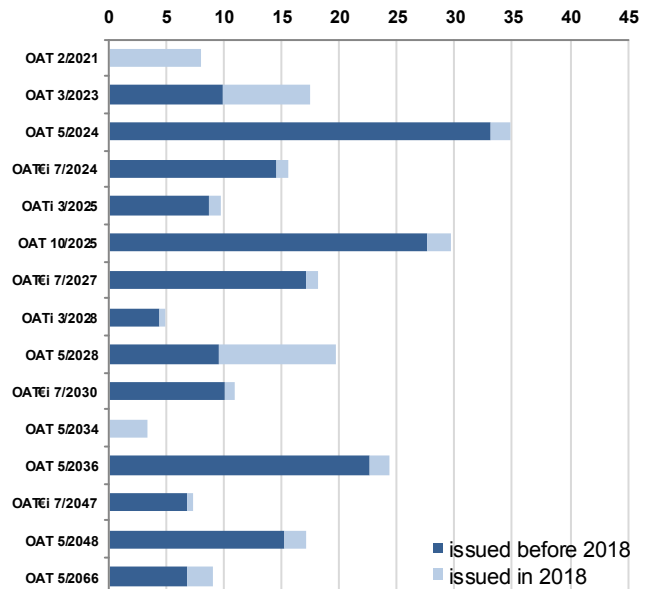
Nominal value of each line, in € billion



Source: Agence France Trésor

### Medium- and long-term: securities issued during the year and total issuance at 28 February 2018

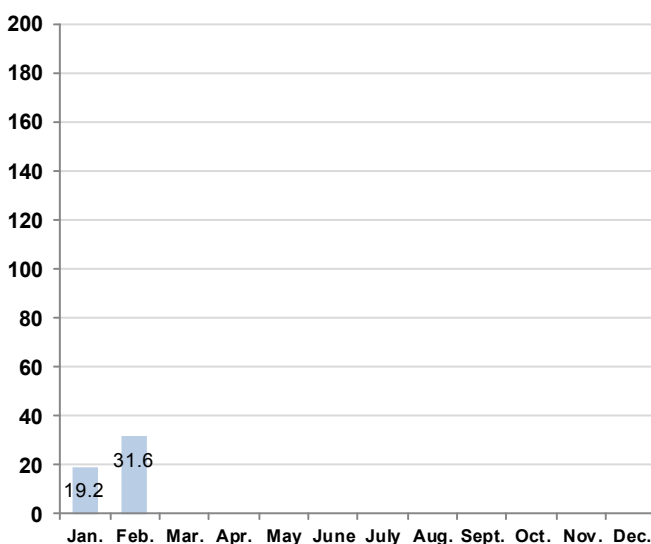
In € billion



Source: Agence France Trésor

### Issuance net of buybacks at 28 February 2018

In € billion



Source: Agence France Trésor

### Medium- and long-term: provisional maturity schedule at 28 February 2018

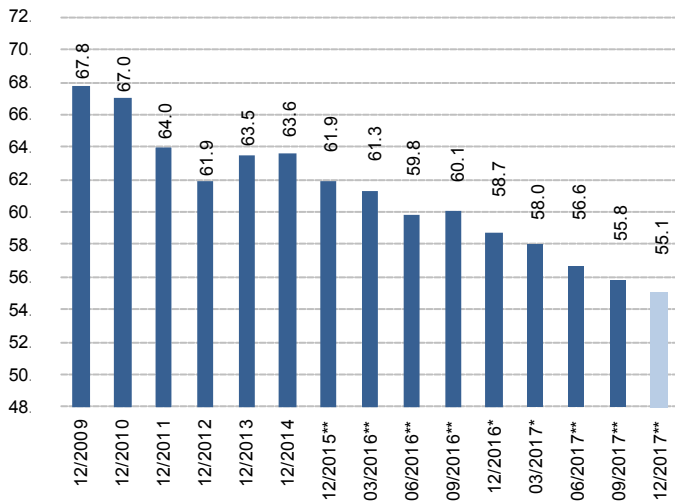
In € billion

Month	Coupon	Redemption
Mar-18	0.0	
Apr-18	14.3	27.3
May-18	5.6	18.2
Jun-18	0.2	
Jul-18	2.9	9.9
Aug-18		
Sep-18		
Oct-18	13.7	27.5
Nov-18	1.4	19.9
Dec-18		
Jan-19		
Feb-19		13.7

Source: Agence France Trésor

### Non-resident holders of negotiable government debt in fourth quarter of 2017

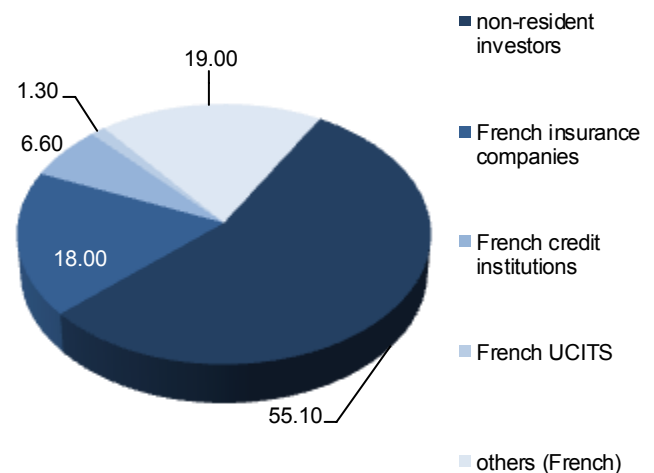
As a % of negotiable debt outstanding expressed in market value



(\*) figures quarterly revised  
(\*\*) figures annually revised  
Source: Banque de France

### Negotiable government debt by group of holders in fourth quarter of 2017

Structure in % expressed in market value



Source: Banque de France

### Negotiable government debt at 28 February 2018

In euros

Total medium- and long-term debt	1,578,521,254,946
Total stripping activity	63,073,534,700
Average maturity	8 years and 172 days
Total short-term debt	130,336,000,000
Average maturity	110 days
<b>TOTAL OUTSTANDING</b>	<b>1,708,857,254,946</b>
<b>Average maturity</b>	<b>7 years and 310 days</b>

Source: Agence France Trésor

### Negotiable government debt since 2015 at 28 February 2018

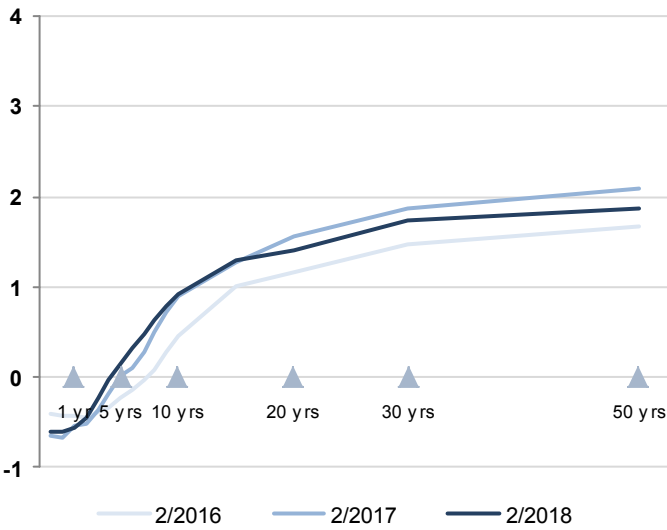
In € billion

	End 2015	End 2016	End 2017	End Jan. 2018	End Feb. 2018
<b>Negotiable government debt outstanding</b>	<b>1,576</b>	<b>1,621</b>	<b>1,686</b>	<b>1,710</b>	<b>1,709</b>
<i>of which index-linked securities</i>	190	200	202	204	207
Medium- and long-term	1,424	1,487	1,560	1,579	1,579
short-term	153	134	126	131	130
<b>Average maturity of the negotiable debt</b>					
	7 years	7 years	7 years	7 years	7 years
	47 days	195 days	296 days	275 days	310 days

Source: Agence France Trésor

### Yield curve for French government securities

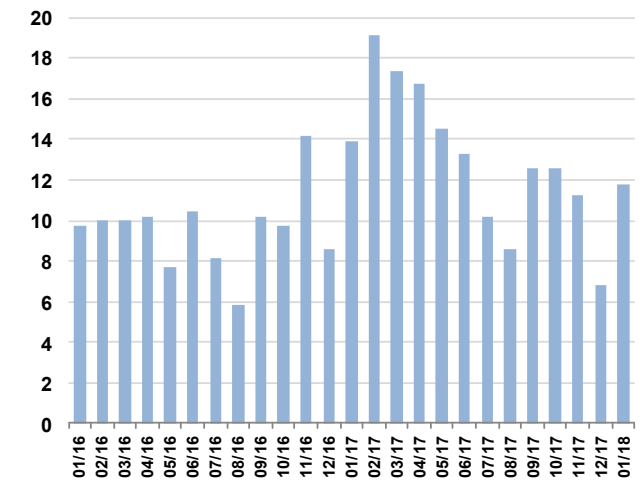
End-of-month value, %



Source: Bloomberg

### Average daily volume of medium- and long-term transactions

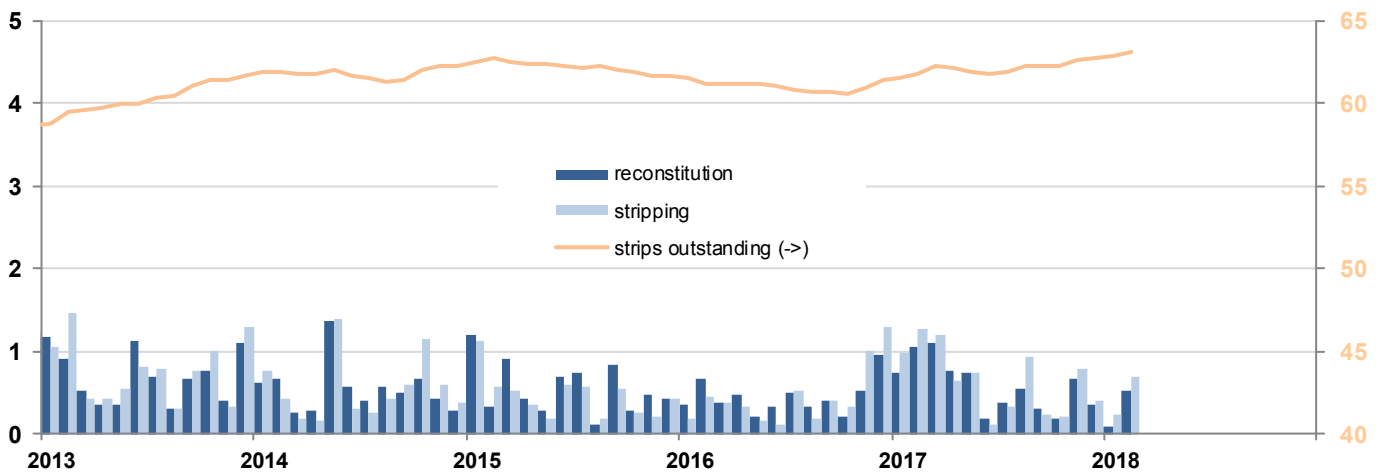
In € billion



Source: reporting by primary dealers in government securities, excluding flows arising from the Eurosystem public sector purchase programme

### Total stripping and reconstitution

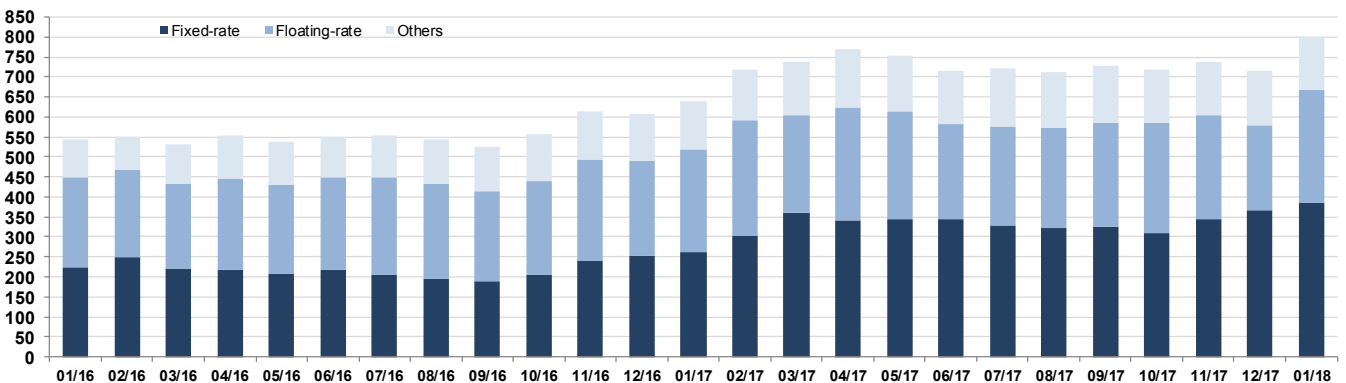
In € billion



Source: Euroclear

### Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

### Short-term debt at 28 February 2018

	Maturity	Outstanding (€)
BTF	7 March 2018	7,442,000,000
BTF	14 March 2018	5,841,000,000
BTF	21 March 2018	3,565,000,000
BTF	28 March 2018	6,272,000,000
BTF	5 April 2018	6,780,000,000
BTF	11 April 2018	5,623,000,000
BTF	18 April 2018	7,180,000,000
BTF	25 April 2018	5,795,000,000
BTF	3 May 2018	6,377,000,000
BTF	9 May 2018	5,682,000,000
BTF	16 May 2018	6,814,000,000
BTF	24 May 2018	6,928,000,000
BTF	30 May 2018	3,864,000,000
BTF	20 June 2018	9,282,000,000
BTF	4 July 2018	6,333,000,000
BTF	18 July 2018	3,632,000,000
BTF	1 August 2018	3,732,000,000
BTF	15 August 2018	4,089,000,000
BTF	12 September 2018	1,947,000,000
BTF	10 October 2018	4,734,000,000
BTF	7 November 2018	4,847,000,000
BTF	5 December 2018	2,175,000,000
BTF	4 January 2019	5,257,000,000
BTF	30 January 2019	6,145,000,000

### Medium- and long-term debt (maturing 2018-2021) at 28 February 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2018</b>	<b>102,743,507,985</b>			
FR0010604983	OAT 4.00% 25 April 2018	27,277,000,000			0
FR0011394345	OAT 1.00% 25 May 2018	18,191,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	9,818,507,985 (1)	1.06451	9,223,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	27,527,000,000			0
FR0011523257	OAT 1.00% 25 November 2018	19,930,000,000			20,000,000
	<b>Maturity 2019</b>	<b>138,552,202,359</b>			
FR0013101466	OAT 0.00% 25 February 2019	13,740,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	30,198,000,000			0
FR0011708080	OAT 1.00% 25 May 2019	17,430,000,000			0
FR0010850032	OATi 1.30% 25 July 2019	12,738,134,800 (1)	1.08502	11,740,000,000	0
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,533,585,100
FR0010776161	OAT 3.75% 25 October 2019	33,075,000,000			0
FR0011993179	OAT 0.50% 25 November 2019	22,487,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	39,674,666 (2)		6,692,154	-
	<b>Maturity 2020</b>	<b>176,136,002,400</b>			
FR0013232485	OAT 0.00% 25 February 2020	27,509,000,000			0
FR0010854182	OAT 3.50% 25 April 2020	38,946,000,000			0
FR0012557957	OAT 0.00% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	25,368,002,400 (1)	1.24904	20,310,000,000	0
FR0010949651	OAT 2.50% 25 October 2020	36,562,000,000			0
FR0012968337	OAT 0.25% 25 November 2020	24,782,000,000			0
	<b>Maturity 2021</b>	<b>125,529,646,460</b>			
FR0013311016	OAT 0.00% 25 February 2021	8,043,000,000			0
FR0013140035	OAT€i 0.10% 1 March 2021	6,575,678,460 (1)	1.02393	6,422,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0.00% 25 May 2021	23,653,000,000			0
FR0011347046	OATi 0.10% 25 July 2021	8,014,968,000 (1)	1.02756	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0

(1) face value x indexation coefficient (face value if coefficient < 1)

(2) Including coupons capitalised at 31 December 2017; not open to subscription

Medium- and long-term debt (maturing in 2022 and beyond) at 28 February 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
<b>Maturity 2022</b>		<b>123,060,584,430</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			508,888,400
FR0011196856	OAT 3.00% 25 April 2022	44,359,000,000			0
FR0013219177	OAT 0.00% 25 May 2022	25,105,000,000			0
FR0010899765	OAT€i 1.10% 25 July 2022	19,907,644,440	(1) 1.11036	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
<b>Maturity 2023</b>		<b>125,791,654,353</b>			
FR0013283686	OAT 0.00% 25 March 2023	17,488,000,000			0
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,371,565,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.10% 25 July 2023	17,542,458,450	(1) 1.11771	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			434,585,000
<b>Maturity 2024</b>		<b>86,946,661,200</b>			
FR0011619436	OAT 2.25% 25 May 2024	34,810,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	16,110,661,200	(1) 1.03980	15,494,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	36,026,000,000			51,000,000
<b>Maturity 2025</b>		<b>102,508,623,288</b>			
FR0012558310	OATi 0.10% 1 March 2025	9,905,695,170	(1) 1.01879	9,723,000,000	0
FR0012517027	OAT 0.50% 25 May 2025	34,702,000,000			0
FR0000571150	OAT 6.00% 25 October 2025	29,593,928,118			2,848,064,400
FR0012938116	OAT 1.00% 25 November 2025	28,307,000,000			0
<b>Maturity 2026</b>		<b>93,550,000,000</b>			
FR0010916924	OAT 3.50% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.50% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	30,214,000,000			0
<b>Maturity 2027</b>		<b>88,702,722,460</b>			
FR0013250560	OAT 1.00% 25 May 2027	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	19,797,722,460	(1) 1.09422	18,093,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			75,543,600
<b>Maturity 2028</b>		<b>24,748,850,070</b>			
FR0013238268	OATi 0.10% 1 March 2028	5,039,680,950	(1) 1.01709	4,955,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	25,169,120	(3)	46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028	19,684,000,000			0
<b>Maturity 2029</b>		<b>41,162,839,401</b>			
FR0000571218	OAT 5.50% 25 April 2029	30,033,880,458			3,134,046,100
FR0000186413	OATi 3.40% 25 July 2029	11,128,958,943	(1) 1.27419	8,734,144,000	0
<b>Maturity 2030</b>		<b>44,368,482,120</b>			
FR0011883966	OAT 2.50% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.70% 25 July 2030	11,160,482,120	(1) 1.02644	10,873,000,000	0
<b>Maturity 2031</b>		<b>35,834,000,000</b>			
FR0012993103	OAT 1.50% 25 May 2031	35,834,000,000			93,000,000
<b>Maturity 2032</b>		<b>45,557,957,650</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	13,395,635,050	(1) 1.26553	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,340,757,400
<b>Maturity 2033 and later</b>		<b>223,327,520,770</b>			
FR0013313582	OAT 1.25% 25 Mai 2034	3,310,000,000			0
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,935,437,000
FR0013154044	OAT 1.25% 25 May 2036	24,283,000,000			0
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,826,931,400
FR0013234333	OAT 1.75% 25 June 2039	9,697,000,000			0
FR0010447367	OAT€i 1.80% 25 July 2040	13,449,683,170	(1) 1.17229	11,473,000,000	0
FR0010773192	OAT 4.50% 25 April 2041	32,780,000,000			7,246,999,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,101,710,000
FR0013209871	OAT€i 0.10% 25 July 2047	7,417,837,600	(1) 1.02160	7,261,000,000	0
FR0013257524	OAT 2.00% 25 May 2048	17,182,000,000			666,000,000
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,713,818,000
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			6,929,504,100
FR0013154028	OAT 1.75% 25 May 2066	9,107,000,000			237,100,000

(1) face value x indexation coefficient (face value if coefficient < 1)  
(3) Revised on 28 March 2017; not open to subscription

### Most recent economic indicators

Industrial output, year-on-year	1.2%	Jan. 2018
Household consumption*, year-on-year	0.6%	Feb. 2018
Unemployment rate (ILO)	8.9%	Q4-2017
Consumer prices, year-on-year		
all items	1.2%	Feb. 2018
all items excluding tobacco	1.1%	Feb. 2018
Trade balance, fob-fob, sa (€bn)	-€5.6bn	Jan. 2018
" "	-€3.4bn	Dec. 2017
Current account balance, sa (€bn)	-€1.6bn	Jan. 2018
" "	-€0.8bn	Dec. 2017
10-year constant maturity rate (TEC10)	0.71%	29 Mar. 2018
3-month interest rate (Euribor)	-0.33%	29 Mar. 2018
EUR / USD	1.23	29 Mar. 2018
EUR / JPY	131.15	29 Mar. 2018

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

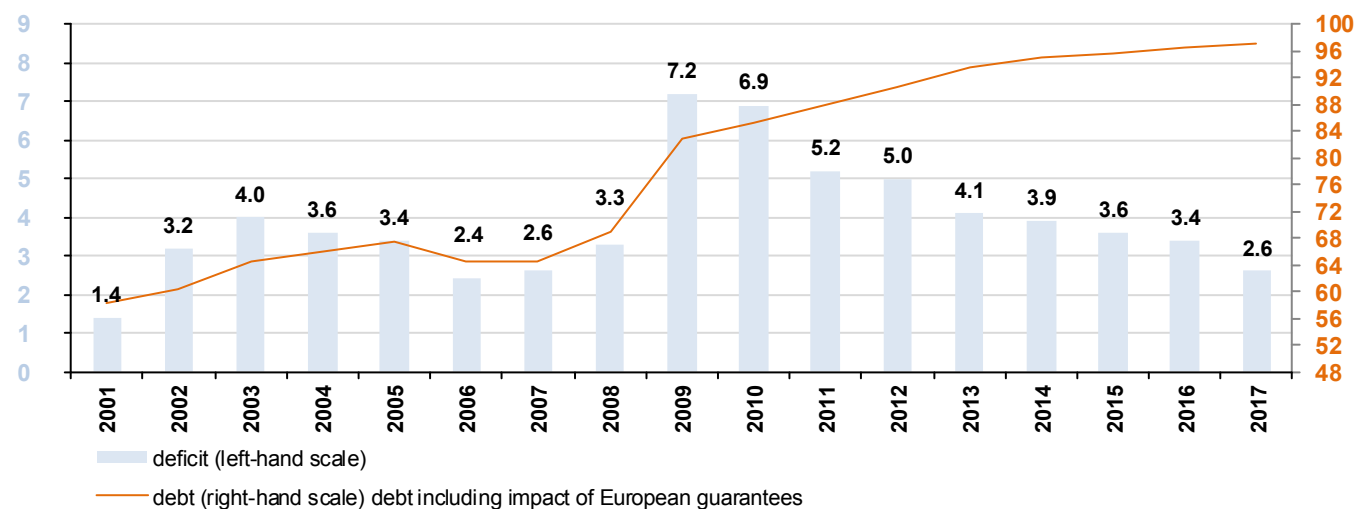
In € billion

			end of January level		
	2016	2017	2016	2017	2018
General budget balance	-75.85	-73.35	-5.16	-7.97	-7.96
revenue	238.51	253.43	23.08	20.93	21.56
expenditure	314.36	326.78	28.25	28.90	29.52
Balance of special Treasury accounts	6.80	5.56	-4.00	2.57	-2.79
<b>General budget outturn</b>	<b>-69.05</b>	<b>-67.79</b>	<b>-9.16</b>	<b>-5.40</b>	<b>-10.75</b>

Source: Minefi

### Public finances: deficit and debt

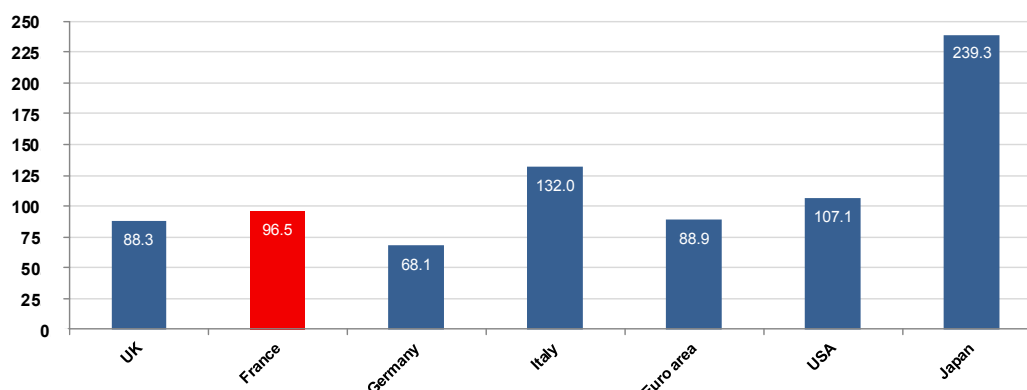
As % of GDP



Source: Insee (National accounts - base 2014)

### General government debt in 2016

As % of GDP



Sources: Eurostat, IMF (National accounts - base 2010)



## French economic indicators: timetable

April 2018	May 2018
6 Foreign trade by value in February	4 Industrial investments: April survey
6 Balance of payments in February	4 Foreign trade by value in March
10 Industrial production: February index	4 Balance of payments in March
12 Consumer prices: March index	9 Industrial production: March index
13 Net international reserves in March	15 Flash estimate of payroll employment: Q1 2018
18 Inflation (HICP): March index	15 Consumer prices: April index
24 Monthly business survey (goods-producing industries) in April	15 Net international reserves in April
24 Quarterly business survey (goods-producing industries) in April	16 Inflation (HICP): April index
25 Consumer confidence survey: April survey	23 Job seekers Q1-2018 (ILO)
27 Quarterly national accounts: initial estimate 2018 Q1	24 Monthly business survey (goods-producing industries) in May
27 Industrial producer and import price: March indices	29 Housing starts in April
27 Household consumption expenditure on goods in March	29 Consumer confidence survey: May survey
30 Housing starts in March	30 Quarterly national accounts: second estimate Q1 2018
	30 Household consumption expenditure on goods in April
	31 Industrial producer and import price: April indices

Sources: Insee, Eurostat

LinkedIn : <https://www.linkedin.com/company/agencefrancetresor/>

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