

News at Agence France Trésor <i>page 1</i>	Economic news <i>page 2</i>	General debt-related data <i>page 3</i>	Secondary market <i>page 5</i>	Negotiable government debt <i>page 6</i>	The French economy and international comparisons <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

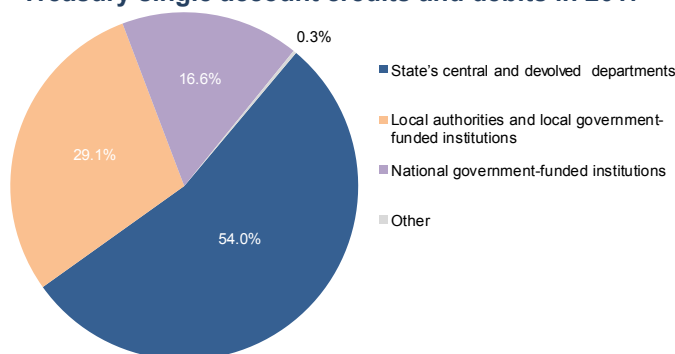
Agence France Trésor, managing the French state's cash requirements

One of the tasks assigned to Agence France Trésor (AFT) is to manage the French state's cash flows, while making sure that the state has at its disposal the funds to honour its financial commitments at all times.

The Treasury single account, held by the Banque de France, centralises cash flows for the central government, government-funded institutions and local authorities.

To optimise the state's cash flow management and public debt – and thus the cost of the debt for taxpayers – all cash resources are pooled on the Treasury's single account at the Banque de France. This Treasury single account records the state's budget transactions and AFT's financial transactions, as well as Treasury correspondents' transactions (i.e. movements involving entities such as local authorities and government-funded institutions that deposit their cash holdings on the Treasury single account). Thus, the financial transactions executed by more than 5,000 government accountants are recorded in the Treasury single account on a daily basis. In 2017, the average daily volume of these transactions came to €16.9 billion.

Treasury single account credits and debits in 2017



Source: Agence France Trésor

AFT monitors the French state's cash flows in real time with help from short- and medium-term projections.

The Treasury single account must have a positive balance at the end of each business day. This requirement is derived from Article 123 of the Treaty on the Functioning of the European Union, which prohibits central banks from granting overdraft facilities to national treasuries.

To comply with this treaty obligation and to honour the French state's signature at all times, AFT tracks the execution of transactions in real time, relying on advance notifications that signal large-size transactions one or more days before they are executed by government accountants. These alerts enable AFT to have a very precise forecast of the Treasury single account's balance one day before transactions are recorded.

In addition, AFT draws up medium-term projections. It builds a rolling one-year cash flow forecast model to anticipate the largest transactions. On this basis, AFT implements the necessary decisions to smooth the Treasury single account's balance.

It notably uses the cash flow forecast model to determine the volumes of Treasury bonds to be issued each week.

In parallel, surplus cash is invested on a daily basis provided that the returns offered by counterparties are higher than the returns on cash deposited with the Banque de France. These investments may take the form of short-term deposits or securities repurchase agreements. The daily average amount of surplus cash invested stood at €9.7 billion in the first half of 2018.

France's financial sector looks resilient, and financial stability risks are contained

Halfway through 2018, the European macro-financial context is still marked by low interest rates and monetary policies that ensure abundant liquidity, as well as a strengthening trend in economic activity that underpins credit growth. **In these circumstances, France's financial sector looks resilient, and the High Council for Financial Stability (HCSF) – the French macroprudential supervisor – is taking preventive measures to address financial stability risks.**

In June, the Banque de France published its most recent “Assessment of Risks to the French Financial System”. This report highlighted two risks connected with the acceleration of the financial cycle in France. This acceleration goes hand in hand with vulnerabilities involving private sector debt. However, these risks remain modest in the following two respects:

- Firstly, French household debt is rising; it stood at 58.4% of GDP in Q4 2017. **The risks associated with household debt are limited notably by the predominance of fixed-rate loans in France, protecting households from a rise in interest rates.** Moreover, the number of household insolvency filings, and the average debt per insolvency, have both declined substantially since 2015.
- Secondly, the gross debt of non-financial corporations (NFCs) is also growing; it stood at 71.8% of GDP in Q4 2017. This trend reflects the investments that companies need to make to respond to the improved outlook for domestic and global demand, while also addressing pressure on their production capacity. This rise in debt notably comes from large firms, and more specifically, those that already have the highest levels of indebtedness. Over the past few quarters, this uptrend in corporate debt has involved both bank loans and market debt. However, the risks of NFC debt – notably in the event of higher interest rates – are softened by three factors: (i) **The rise in gross debt has coincided with a rise in the equity of NFCs, thanks to recovering margins.** (ii) Moreover, **debt net of cash (i.e. including cash and other current assets) – at close to 43% of GDP – shows a much more moderate growth profile than gross debt** (between the first quarters of 2005 and 2018, gross debt rose 19 GDP points, vs. 10 GDP points for net debt). This reflects a build-up of cash by NFCs during a period of declining financing costs. (iii) Lastly, as emphasised in a report by the Banque de France, **new lending is targeting the most profitable, productive firms**, which is evidence that financial resources are being allocated efficiently.

The Banque de France has also identified market risks. These are not unique to France; instead, they reflect the broader risk of a correction in global asset prices – especially in the United States – in light of the high valuations observed for certain sectors on equity markets and for the riskiest segments of corporate bonds. The February 2018 stock market correction is an illustration of the market instability that can occur following abrupt changes in market participants' expectations about the pace of monetary policy normalisation. This correction began in the US on fears that financing conditions would tighten more rapidly than expected. It then spread to European markets.

The High Council for Financial Stability (HCSF), whose mission statement says that it is “tasked with supervising the financial system as a whole, with the aim of safeguarding its stability and ensuring a sustainable contribution of the financial sector to economic growth”, recently adopted two preventive measures. The first one targets the risk of NFC debt. Systemically-important French banks' exposure to the most indebted French NFCs is now capped at a maximum of 5% of those banks' eligible capital. This measure took effect on 1 July 2018 for a period of two years. It will strengthen banks' resilience to the risk of companies defaulting on their debt. It also sends a signal to market participants, drawing their attention to this risk and ensuring good market discipline. The second, broader measure raises the countercyclical capital buffer rate from 0% currently to 0.25% by 1 July 2019. Banks have one year to comply with the additional capital requirement thus defined. In response to the improved macroeconomic context and the accelerating financial cycle, this measure is aimed at building up banks' reserves of capital that can be used later on if there is a downturn in the financial cycle, thus bolstering banks' resilience and shoring up the credit supply to SMEs.

Disclaimer: This editorial was written with the invaluable assistance of the Directorate General of the Treasury's Financial Sector Economic Analysis Unit.

References:

[Rapport annuel 2018](#), Haut Conseil de Stabilité Financière (June 2018; in French only)

[Assessment of Risks to the French Financial System](#), Banque de France (June 2018)

Indicative auction schedule

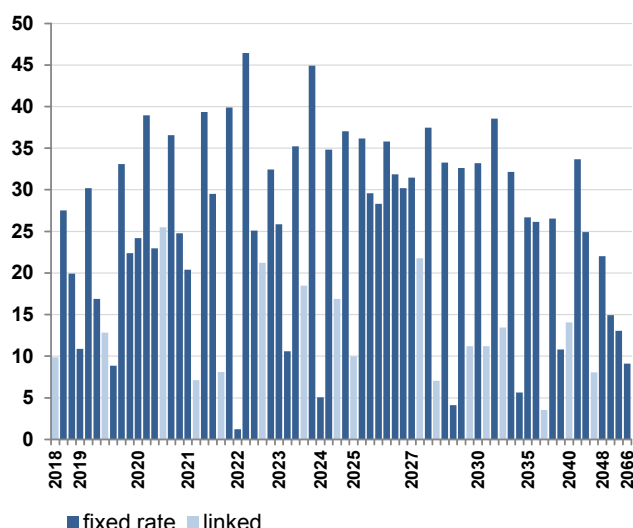
		Short-term				Medium-term	Long-term	Index-linked
August 2018	auction date	6	13	20	27	2	2	2
	settlement date	8	15	22	29	6	6	6
September 2018	auction date	3	10	17	24	20	6	20
	settlement date	5	12	19	26	24	10	24

optional auctions

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 30 June 2018

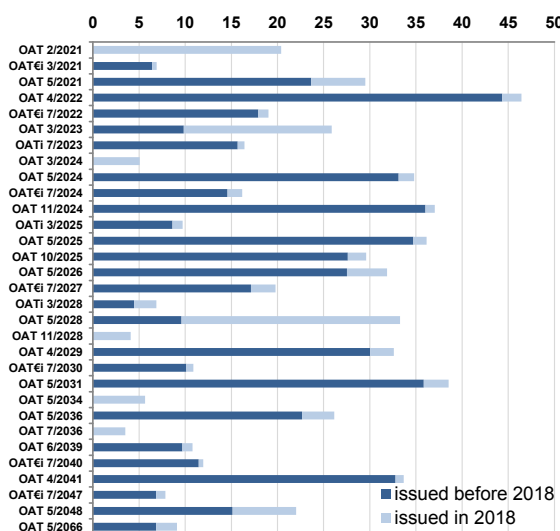
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 30 June 2018

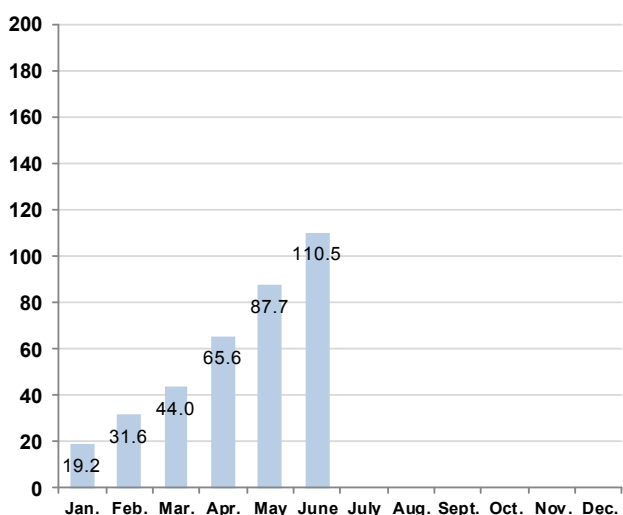
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 30 June 2018

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 30 June 2018

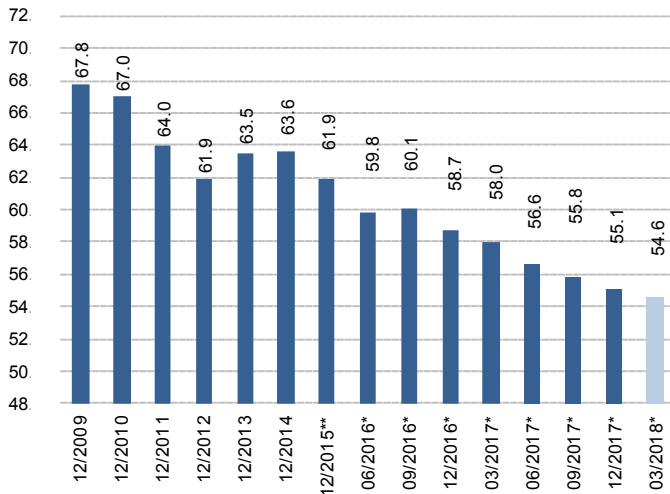
In € billion

Month	Coupon	Redemption
Jul-18	3.0	9.9
Aug-18		
Sep-18		
Oct-18	13.7	27.5
Nov-18	1.4	19.9
Dec-18		
Jan-19		
Feb-19		10.9
Mar-19	0.0	
Apr-19	13.5	30.2
May-19	5.7	16.9
Jun-19	0.2	

Source: Agence France Trésor

Non-resident holders of negotiable government debt in first quarter of 2018

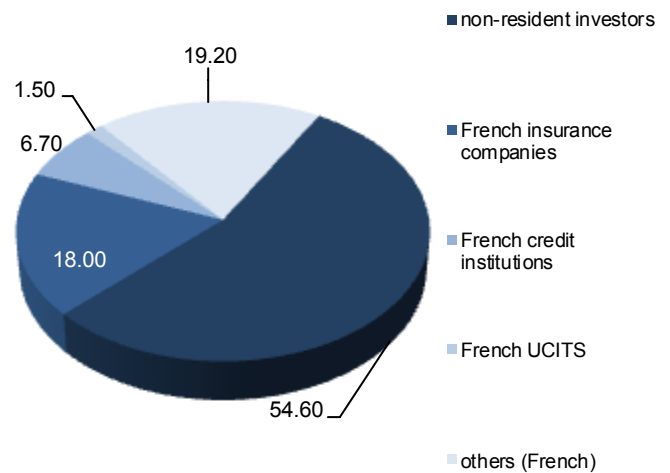
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in first quarter of 2018

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 30 June 2018

In euros

Total medium- and long-term debt	1,613,796,505,077
Total stripping activity	62,651,934,700
Average maturity	8 years and 173 days
Total short-term debt	128,063,000,000
Average maturity	109 days
TOTAL OUTSTANDING	1,741,859,505,077
Average maturity	7 years and 318 days

Source: Agence France Trésor

Negotiable government debt since 2015 at 30 June 2018

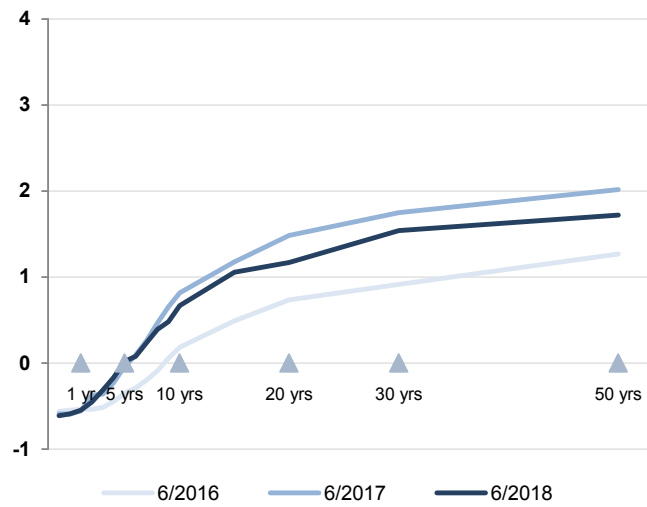
In € billion

	End 2015	End 2016	End 2017	End May 2018	End June 2018
Negotiable government debt outstanding	1,576	1,621	1,686	1,721	1,742
<i>of which index-linked securities</i>	<i>190</i>	<i>200</i>	<i>202</i>	<i>218</i>	<i>220</i>
Medium- and long-term	1,424	1,487	1,560	1,590	1,614
short-term	153	134	126	131	128
Average maturity of the negotiable debt					
	7 years	7 years	7 years	7 years	7 years
	47 days	195 days	296 days	336 days	318 days

Source: Agence France Trésor

Yield curve for French government securities

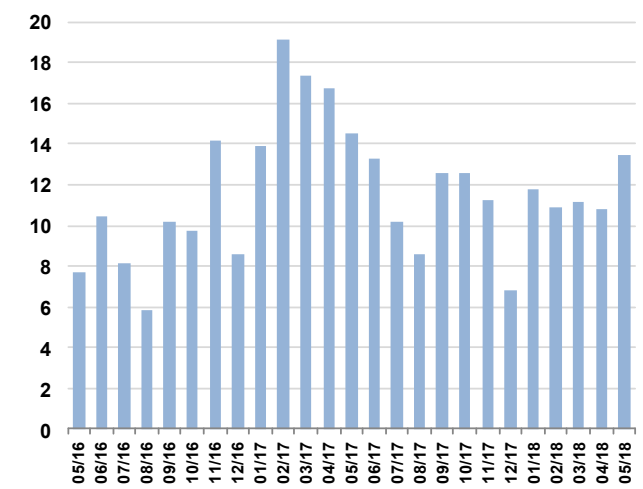
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

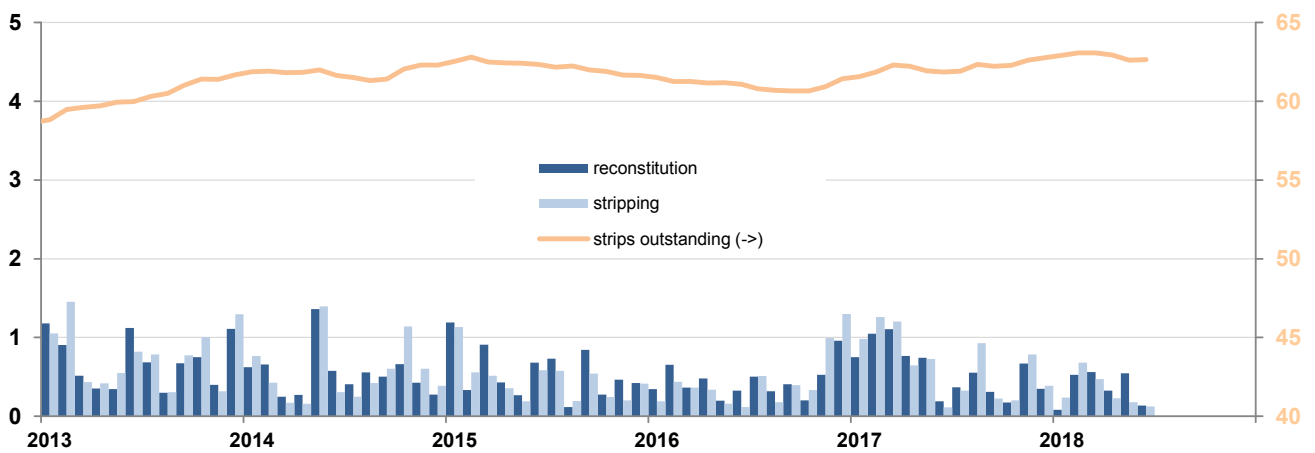
In € billion



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

Total stripping and reconstitution

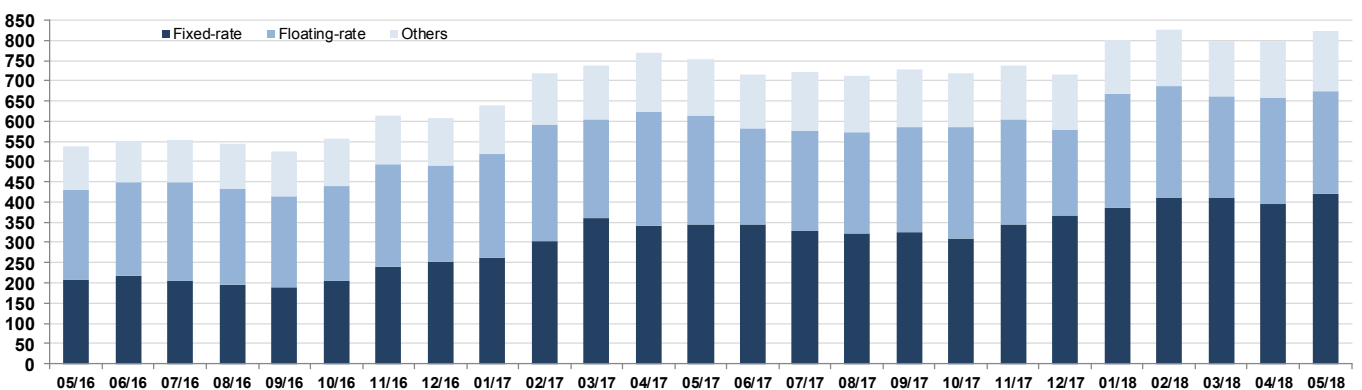
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 30 June 2018

	Maturity	Outstanding (€)
BTF	4 July 2018	6,333,000,000
BTF	11 July 2018	7,380,000,000
BTF	18 July 2018	3,632,000,000
BTF	25 July 2018	7,191,000,000
BTF	1 August 2018	7,636,000,000
BTF	8 August 2018	6,350,000,000
BTF	15 August 2018	4,089,000,000
BTF	22 August 2018	7,527,000,000
BTF	29 August 2018	5,228,000,000
BTF	12 September 2018	8,779,000,000
BTF	19 September 2018	6,749,000,000
BTF	26 September 2018	4,822,000,000
BTF	10 October 2018	4,734,000,000
BTF	24 October 2018	5,685,000,000
BTF	7 November 2018	4,847,000,000
BTF	21 November 2018	2,988,000,000
BTF	5 December 2018	2,175,000,000
BTF	4 January 2019	5,257,000,000
BTF	30 January 2019	6,145,000,000
BTF	27 February 2019	5,540,000,000
BTF	27 March 2019	4,755,000,000
BTF	25 April 2019	4,890,000,000
BTF	22 May 2019	4,334,000,000
BTF	19 June 2019	997,000,000

Medium- and long-term debt (maturing 2018-2021) at 30 June 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2018	57,327,528,525			
FR0011237643	OAT€i 0.25% 25 July 2018	9,870,528,525 (1)	1.07015	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
	Maturity 2019	135,136,688,359			
FR0013101466	OAT 0.00% 25 February 2019*	10,880,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	30,198,000,000			0
FR0011708080	OAT 1.00% 25 May 2019*	16,880,000,000			0
FR0010850032	OATi 1.30% 25 July 2019	12,842,620,800 (1)	1.09392	11,740,000,000	0
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,578,585,100
FR0010776161	OAT 3.75% 25 October 2019	33,075,000,000			0
FR0011993179	OAT 0.50% 25 November 2019*	22,377,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	39,674,666 (2)		6,692,154	-
	Maturity 2020	172,970,454,600			
FR0013232485	OAT 0.00% 25 February 2020*	24,209,000,000			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	25,502,454,600 (1)	1.25566	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
	Maturity 2021	144,336,775,760			
FR0013311016	OAT 0.00% 25 February 2021*	20,390,000,000			0
FR0013140035	OAT€i 0.10% 1 March 2021*	7,119,053,760 (1)	1.02936	6,916,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0.00% 25 May 2021*	29,504,000,000			0
FR0011347046	OATi 0.10% 25 July 2021	8,080,722,000 (1)	1.03599	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

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.

Medium- and long-term debt (maturing in 2022 and beyond) at 30 June 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2022	126,439,201,240			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			508,888,400
FR0011196856	OAT 3.00% 25 April 2022	46,422,000,000			0
FR0013219177	OAT 0.00% 25 May 2022*	25,105,000,000			0
FR0010899765	OAT€i 1.10% 25 July 2022	21,223,261,250 (1)	1.11625	19,013,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
	Maturity 2023	135,108,662,303			
FR0013283686	OAT 0.00% 25 March 2023*	25,861,000,000			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	18,486,466,400 (1)	1.12688	16,405,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			440,085,000
	Maturity 2024	93,796,688,440			
FR0013344751	OAT 0.00% 25 March 2024*	5,062,000,000			0
FR0011619436	OAT 2.25% 25 May 2024*	34,810,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024*	16,899,688,440 (1)	1.04532	16,167,000,000	0
FR0011962398	OAT 1.75% 25 November 2024*	37,025,000,000			51,000,000
	Maturity 2025	104,043,810,338			
FR0012558310	OATi 0.10% 1 March 2025*	9,986,882,220 (1)	1.02714	9,723,000,000	0
FR0012517027	OAT 0.50% 25 May 2025*	36,156,000,000			0
FR0000571150	OAT 6.00% 25 October 2025	29,593,928,118			2,851,064,400
FR0012938116	OAT 1.00% 25 November 2025*	28,307,000,000			0
	Maturity 2026	97,898,000,000			
FR0010916924	OAT 3.50% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.50% 25 May 2026*	31,870,000,000			0
FR0013200813	OAT 0.25% 25 November 2026*	30,214,000,000			0
	Maturity 2027	90,679,895,900			
FR0013250560	OAT 1.00% 25 May 2027*	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	21,774,895,900 (1)	1.10002	19,795,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			65,043,600
	Maturity 2028	44,465,736,024			
FR0013238268	OATi 0.10% 1 March 2028*	7,062,136,410 (1)	1.02543	6,887,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	26,599,614 (3)		46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028*	33,272,000,000			0
FR0013341682	OAT 0.75 % 25 November 2028*	4,105,000,000			0
	Maturity 2029	43,834,198,548			
FR0000571218	OAT 5.50% 25 April 2029	32,613,880,458			2,977,646,100
FR0000186413	OATi 3.40% 25 July 2029	11,220,318,090 (1)	1.28465	8,734,144,000	0
	Maturity 2030	44,427,739,970			
FR0011883966	OAT 2.50% 25 May 2030*	33,208,000,000			0
FR0011982776	OAT€i 0.70% 25 July 2030*	11,219,739,970 (1)	1.03189	10,873,000,000	0
	Maturity 2031	38,535,000,000			
FR0012993103	OAT 1.50% 25 May 2031*	38,535,000,000			71,500,000
	Maturity 2032	45,628,983,000			
FR0000188799	OAT€i 3.15% 25 July 2032	13,466,660,400 (1)	1.27224	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,307,157,400
	Maturity 2033 and later	239,167,142,070			
FR0013313582	OAT 1.25% 25 Mai 2034*	5,644,000,000			0
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,908,337,000
FR0013154044	OAT 1.25% 25 May 2036*	26,143,000,000			0
FR0013327491	OAT€i 0.10% 25 July 2036*	3,542,385,000 (1)	1.01211	3,500,000,000	0
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,814,931,400
FR0013234333	OAT 1.75% 25 June 2039*	10,793,000,000			0
FR0010447367	OAT€i 1.80% 25 July 2040	14,079,539,500 (1)	1.17850	11,947,000,000	0
FR0010773192	OAT 4.50% 25 April 2041	33,670,000,000			6,908,699,000
FR0011461037	OAT 3.25% 25 May 2045*	24,908,000,000			1,150,710,000
FR0013209871	OAT€i 0.10% 25 July 2047*	8,069,217,570 (1)	1.02701	7,857,000,000	0
FR0013257524	OAT 2.00% 25 May 2048*	22,018,000,000			567,000,000
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,702,118,000
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			7,030,504,100
FR0013154028	OAT 1.75% 25 May 2066*	9,107,000,000			322,100,000

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

(3) Revised on 28 March 2018; not open to subscription

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.

Most recent economic indicators

Industrial output, year-on-year	0.9%	May. 2018
Household consumption*, year-on-year	0.7%	Jun. 2018
Unemployment rate (ILO)	9.2%	Q1-2018
Consumer prices, year-on-year		
all items	2.0%	Jun. 2018
all items excluding tobacco	1.7%	Jun. 2018
Trade balance, fob-fob, sa (€bn)	-€6.0bn	May. 2018
" "	-€5.2bn	Apr. 2018
Current account balance, sa (€bn)	-€2.9bn	May. 2018
" "	-€1.3bn	Apr. 2018
10-year constant maturity rate (TEC10)	0.68%	26 Jul. 2018
3-month interest rate (Euribor)	-0.32%	26 Jul. 2018
EUR / USD	1.17	26 Jul. 2018
EUR / JPY	129.91	26 Jul. 2018

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

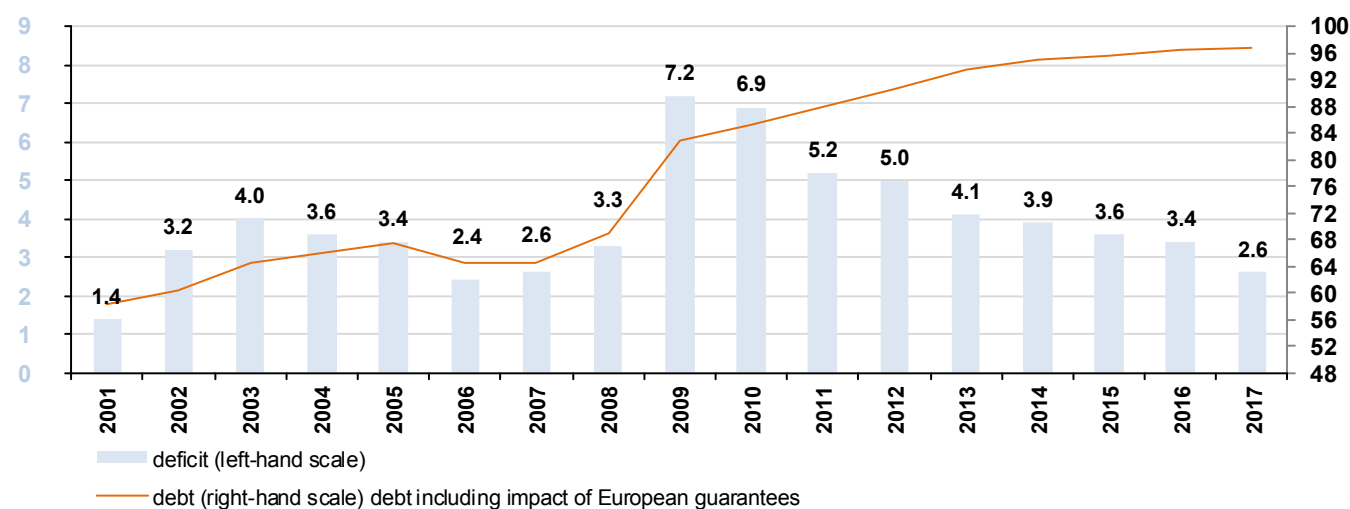
In € billion

			end of May level		
	2016	2017	2016	2017	2018
General budget balance	-75.85	-73.35	-38.93	-39.48	-32.19
revenue	303.97	313.59	126.37	127.83	132.55
expenditure	379.82	386.94	165.30	167.31	164.74
Balance of special Treasury accounts	6.80	5.53	-26.74	-26.97	-22.89
General budget outturn	-69.05	-67.67	-65.67	-66.45	-55.08

Source: Minefi

Public finances: deficit and debt

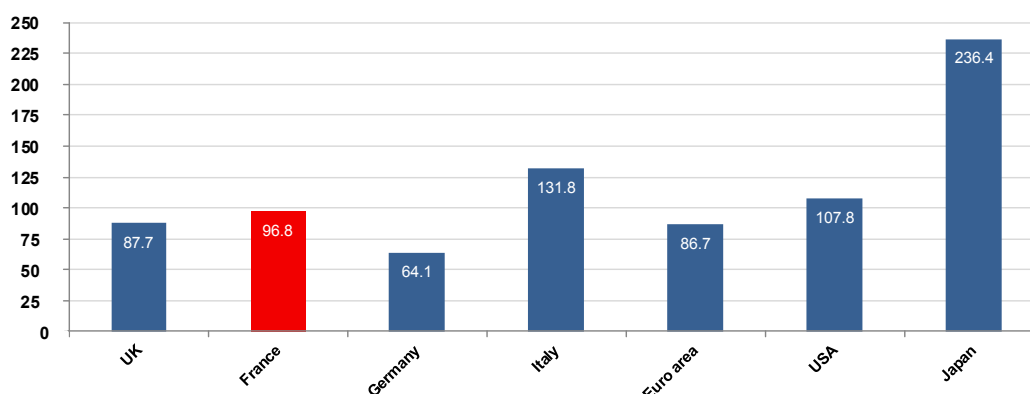
As % of GDP



Source: Insee

General government debt in 2017

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

August 2018		September 2018	
7	Foreign trade by value in June	7	Industrial production: July index
7	Balance of payments in June	7	Foreign trade by value in July
10	Industrial production: June index	7	Balance of payments in July
10	Flash estimate of payroll employment: Q2-2018	11	Payroll employment: Q2-2018
14	Consumer prices: July index	13	Consumer prices: August index
14	Net international reserves in July	14	Net international reserves in August
17	Inflation (HICP): July index	17	Inflation (HICP): July index
23	Monthly business survey (goods-producing industries) in August	21	Quarterly national accounts: final results Q2-2018
23	Industrial investments: July survey	25	Monthly business survey (goods-producing industries) in September
28	Consumer confidence survey: August survey	26	Consumer confidence survey: September survey
29	Quarterly national accounts: final results Q2-2018	28	Debt of the general government according to Maastricht definition Q2-2018
29	Household consumption expenditure on goods in July	28	Industrial producer and import price: August indices
31	Industrial producer and import price: July indices	28	Household consumption expenditure on goods in August
		28	Housing starts in August

Sources: Insee, Eurostat

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